

Educational **S**ervices **C**ommission
of **N**ew **J**ersey



BOARD OF DIRECTORS
PISCATAWAY, NJ 08854

Comprehensive **A**nnual **F**inancial **R**eport
for the **F**iscal **Y**ear **E**nded **J**une 30, 2018

Educational Services Commission of New Jersey
Piscataway, New Jersey

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

Prepared by

**Educational Services Commission of New Jersey
Business Office**

Table of Contents

	<u>Page</u>
INTRODUCTORY SECTION – Other Information	
Letter of Transmittal	1
Organizational Chart	16
Roster of Officials	17
Consultants, Independent Auditors and Advisors	18
FINANCIAL SECTION	
Independent Auditors’ Report	19
Required Supplementary Information – Part I	
Management’s Discussion and Analysis	22
Basic Financial Statements	
Government-wide Financial Statements:	
A-1 Statement of Net Position	35
A-2 Statement of Activities	36
Fund Financial Statements	
Governmental Funds:	
B-1 Balance Sheet	37
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balance	38
B-3 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	39
Proprietary Funds:	
B-4 Statement of Net Position	40
B-5 Statement of Revenues, Expenses and Changes in Fund Net Position	41
B-6 Statement of Cash Flows	42
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Position	43
B-8 Statement of Changes in Fiduciary Net Position	44
Notes to the Basic Financial Statements	45

Table of Contents (continued)

	<u>Page</u>
FINANCIAL SECTION (continued)	
Required Supplementary Information – Part II	
<i>Schedules Related to Accounting and Reporting for Pensions (GASB 68)</i>	
L-1	Schedule of the Commission’s Proportionate Share of the Net Pension Liability – Public Employee’s Retirement System (PERS) 86
L-2	Schedule of the Commission’s Pension Contributions – Public Employee’s Retirement System (PERS) 87
L-3	Schedule of the State’s Proportionate Share of the Net Pension Liability Associated with the Commission – Teacher’s Pension and Annuity Fund (TPAF) 88
<i>Schedules Related to Accounting and Reporting for OPEB (GASB 75)</i>	
M-1	Schedule of the State’s Proportionate Share of the Net OPEB Liability Associated with the Commission and Changes in the Total OPEB Liability and Related Ratios - Public Employee’s Retirement System (PERS) and Teacher’s Pension and Annuity Fund (TPAF) 89
	Notes to Required Supplementary Information 90
Required Supplementary Information – Part III	
Budgetary Comparison Schedules:	
C-1	Budgetary Comparison Schedule – General Fund 91
C-1a	Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – Not Applicable N/A
C-1b	Community Development Block Grant Program – Budget and Actual (Budgetary Basis) – Not Applicable N/A
C-2	Budgetary Comparison Schedule – Special Revenue Fund (Budgetary Basis) 95
C-3	Note to Required Supplementary Information – Budget to GAAP Reconciliation 96

Table of Contents (continued)

	Page
FINANCIAL SECTION (continued)	
Supplementary Information	
D School Level Schedules – Not Applicable	N/A
Special Revenue Fund:	
E-1 Combining Schedule of Revenues and Expenditures – Budgetary Basis	97
E-2 Schedule of Demonstrably Effective Program Aid Expenditures – Budgetary Basis – Not Applicable	N/A
Capital Projects Fund:	
F-1 Summary of Project Revenues, Expenditures, Project Balance and Project Status – Budgetary Basis	99
F-2 Summary Schedule of Revenue, Expenditures and Changes in Fund Balance – Budgetary Basis	100
Enterprise Funds:	
G-1 Combining Statement of Net Position	101
G-2 Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	102
G-3 Combining Statement of Cash Flows	103
Fiduciary Funds:	
H-1 Combining Statement of Fiduciary Net Position	104
H-2 Combining Statement of Changes in Fiduciary Net Position	105
H-3 Schedule of Cash Receipts and Disbursements – Student Activity Agency Fund	106
H-4 Schedule of Cash Receipts and Disbursements – Payroll Agency Fund	107
Long-Term Debt:	
I-1 Schedule of Bonds/Loans Payable	108
I-2 Schedule of Obligations Under Capital Leases – Not Applicable	N/A
I-3 Budgetary Comparison Schedule – Debt Service Fund	109
STATISTICAL SECTION (Unaudited) – Other Information	
Financial Trends:	
J-1 Net Position by Component	110
J-2 Changes in Net Position	111
J-3 Fund Balances – Government Funds	112
J-4 Changes in Fund Balances – Governmental Funds	113
J-5 General Fund Other Local Revenue by Source	115

Table of Contents (continued)

	Page
STATISTICAL SECTION (Unaudited) – Other Information (continued)	
Revenue Capacity:	
J-6 Assessed Value and Estimated Actual Value of Taxable Property – Not Applicable	N/A
J-7 Direct and Overlapping Property Tax Rates – Not Applicable	N/A
J-8 Principal Property Taxpayers – Not Applicable	N/A
J-9 Property Tax levies and Collections – Not Applicable	N/A
Debt Capacity:	
J-10 Ratios of Outstanding Debt by Type	116
J-11 Ratios of General Bonded Debt Outstanding – Not Applicable	N/A
J-12 Ratios of Overlapping Governmental Activities Debt – Not Applicable	N/A
J-13 Legal Debt Margin Information – Not Applicable	N/A
Demographic and Economic Information:	
J-14 Demographic and Economic Statistics	117
J-15 Principal Employers – Not Applicable	N/A
Operating Information:	
J-16 Full-time Equivalent District Employees by Function/Program	118
J-17 Operating Statistics	119
J-18 School Building Information	120
J-19 Schedule of Required Maintenance for School Facilities	121
J-20 Insurance Schedule	122
SINGLE AUDIT SECTION	
K-1 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>	123
K-2 Report on Compliance For Each Major Federal and State Program and Report on Internal Control Over Compliance Required by the Uniform Guidance and New Jersey OMB Circular 15-08	125
K-3 Schedule A – Schedule of Expenditures of Federal Awards – Supplementary Information	128
K-4 Schedule B – Schedule of Expenditures of State Financial Assistance – Supplementary Information	129
K-5 Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance	130
K-6 Schedule of Findings and Questioned Costs - Part I - Summary of Auditors' Results	133
K-7 Schedule of Findings and Questioned Costs – Parts II and III – Schedule of Financial Statement Findings and Federal Award and State Financial Assistance Findings and Questioned Costs	135
K-8 Summary Schedule of Prior Year Audit Findings	137

Introductory Section

EDUCATIONAL SERVICES COMMISSION OF NEW JERSEY

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February 20, 2019

President, Vice President and Board of Directors
Educational Services Commission of New Jersey
1660 Stelton Road
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Dear Board Members and Constituents:

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

The Comprehensive Annual Financial Report is presented in four sections: Introductory, Financial, Statistical and Single Audit. The introductory section includes this transmittal letter (designed to complement Management's Discussion and Analysis and should be read in conjunction with it), the Commission's organizational chart and a list of principal officials. The financial section includes the management's discussion and analysis, basic financial statements, required supplementary information and other supplementary information, as well as the auditor's report. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis and is unaudited. The Commission is required to undergo an annual single audit in conformity with the provisions of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Treasury Circular Letter 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments*. Information related to this single audit, including the auditors' report on internal control and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1. Reporting Entity and its Services

The Commission was created in 1977 pursuant to NJASA 18A:6-51 through 70, by the twenty-four (24) boards of education in Middlesex County (member districts), to respond to increasing federal and state mandates by developing needed educational programs and services that were best provided cooperatively by a single coordinating agency in an efficient and economic manner. On June 1, 2006, the State Board of Education officially approved a name change for the Middlesex County Educational Services Commission to the Middlesex Regional Educational Services Commission to reflect shared services offered to 11 counties statewide at that time. On May 2, 2016, the State Board of Education unanimously approved a name change for the Middlesex Regional Educational Services Commission to the Educational Services Commission of New Jersey to more accurately reflect its scope of services offered to a presence in all 21 counties. The Commission is a public education agency reporting within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by GASB Statement No. 14. All funds and the Government-wide financial statements of the Commission are included in this report for Fiscal Year 2018 (FY2018). The Commission and all of its educational programs constitute the Commission's reporting entity.

The Commission provided educational services and programs to the following member districts, through multi-year contracts during FY2018:

Carteret	Middlesex	Piscataway
Cranbury	Middlesex Cnty. Vo-Tech.	Sayreville
Dunellen	Milltown	South Amboy
East Brunswick	Monroe	South Brunswick
Edison	New Brunswick	South Plainfield
Highland Park	North Brunswick	South River
Jamesburg	Old Bridge	Spotswood
Metuchen	Perth Amboy	Woodbridge

In addition, approximately one hundred seventy (170) non-member districts contracted with the Commission for educational services and programs during the FY2018 school year.

The following educational services and programs were provided during the FY2018 school year:

NONPUBLIC AUXILIARY AND HANDICAPPED SERVICES (P.L. 192/193)

Provides eligible nonpublic students with educational programs and services in the areas of:

- Compensatory Education
- English as a Second Language
- Speech/Language Therapy
- Supplementary Instruction
- Examination and Classification Services
- Home Instruction

These services, funded through state aid to districts, are provided by the Commission through multi-year contracts. The services are provided in state-approved instructional trailers, mobile classrooms purchased by the Commission, or space provided within the nonpublic school with the approval of the New Jersey State Department of Education Division of Facilities and Planning.

As of June 30, 2018 the following services were provided:

Compensatory Education	1,730 services
English as a Second Language	178 services
Home Instruction	1,070 hours
Examination/Classification	1,420 services
Supplemental Instruction	925 services
Speech Correction	681 services
Speech Evaluations	10 services

NuVIEW ACADEMY ANNEX

The NuView Academy Annex program began in September 2015 and provides a free, appropriate, public education (FAPE), in the least restrictive environment (LRE) for students exhibiting severe symptoms or diagnosis of depression, ADHD, conduct disorder, thought disorder or anxiety disorder. This is a collaborative effort between the Commission, which provides all educational programming and coordinates referral procedures, and Princeton House Behavioral Health Services which provides the psychiatric and therapeutic components for reaching the goals to assure success of the program. NuView Academy Annex provides students with the tools needed to improve self-esteem, develop individual responsibility and evolve into productive members of society.

NuView Academy Annex operates on a twelve (12) month basis. In FY2018, NuView Academy Annex served forty-eight (48) students from twenty (20) sending districts within seven (7) counties.

NuVIEW ACADEMY

The NuView Academy program began in March, 2000 and provides a free, appropriate, public education (FAPE), in the least restrictive environment (LRE) for students exhibiting severe symptoms or diagnosis of depression, ADHD, conduct disorder, thought disorder or anxiety disorder. This is a collaborative effort between the Commission, which provides all educational programming and coordinates referral procedures, and Princeton House Behavioral Health Services which provides the psychiatric and therapeutic components for reaching the goals to assure success of the program. NuView Academy provides students with the tools needed to improve self-esteem, develop individual responsibility and evolve into productive members of society.

NuView Academy operates on a twelve (12) month basis. In FY2018, NuView Academy served ninety-eight (98) students from thirty-two (32) sending districts within six (6) counties.

PISCATAWAY REGIONAL DAY SCHOOL (PRDS)

The PRDS was opened in September 1982 by the State Board of Education, pursuant to approval of the Facilities for the Handicapped Bond Issue in 1973. In September 1984, the Board of Directors of the Commission, at the request of the State, entered into a management lease for the PRDS. Responsibilities of the Commission include employment of staff and program delivery. The PRDS offers specialized programs to students with severe multiple disabilities from forty (40) sending districts representing eight (8) counties in New Jersey. These services are provided through multi-year contracts with districts.

The PRDS utilizes individual and small group instruction to develop functional language, academic and social skills for students with multiple disabilities and autism. A career exploration program combined with job sampling in the community is offered, in addition to classes in adaptive physical education, art

and music. Community-based consumer skills instruction is provided. Augmentative Communication Evaluation Services are also offered,

One hundred twenty-seven (127) disabled students received educational services at the PRDS during the FY2018 school year.

PRDS EXTENDED SCHOOL YEAR PROGRAM (PRDS ESY)

During the summer of 2018, ninety-three (93) students participated in the PRDS ESY program.

ACADEMY LEARNING CENTER (ALC)

The ALC provides a comprehensive day school program for students with autism or multiple disabilities based on the principles of Applied Behavior Analysis. The staff, of approximately ninety-five (95) teachers, instructional aides and therapists, is skilled in the methods and techniques of Applied Behavior Analysis. They provide intensive instruction to students based upon the goals and objectives of their individualized educational programs. Students develop skills in the areas of language and communication, social, academic, activities of daily living, vocational, fine motor and gross motor skills.

The school program is located in a modern facility, located in Monroe Township, New Jersey, especially designed and built for the needs of students with moderate to severe disabilities. In addition to the instructional areas, each classroom has an adjoining observation room for parents to observe their son/daughter in the classroom, a storage room and a bathroom. The school serves approximately one hundred thirty-six (136) students from 3-21 years of age in eighteen (18) classrooms. The building contains eight (8) speech and language therapy rooms, administrative offices, a large occupational and physical therapy room, a spacious multipurpose room, and a health office. Three age appropriate playgrounds are on the ten (10) acre site.

The educational and behavioral program in the autism classes utilizes individualized assessment with the VB-MAPP and the ALC Functional Skills Assessment. Instruction includes intensive teaching, verbal behavior, integrated related services, and incidental learning techniques in order to maximize each student's potential. Staff members foster an active collaboration with parents/guardians in the educational process through the use of daily communication journals, parent training, classroom observation, afternoon and evening inservice trainings and home visits. An evening Sibling Group also has taken place on alternate years to help address the needs of family members and involve them in the instructional process. A minimum of a 2:1 student to staff ratio is employed. Speech, occupational and physical therapists work closely with classroom staff to integrate instruction. A vocational program includes the opportunity of paid school jobs and job sampling in the community. Special subject classes include Adaptive Physical Education, Art, and Music. Community programming includes the use of the Aquatic Center at the Center for Lifelong Learning to enable students to receive a four session series of swim classes each year. A six week Extended School Year program is offered. Comprehensive inclusion support is also provided when students return to their home district on a part-time or full-time basis.

The program for students with multiple disabilities focuses on the development of independent functional skills in language, academic, social and vocational areas. Staff utilize the VB-MAPP and the ALC Functional Skills Assessment to drive instructional planning. Teachers utilize individual and small group instruction to develop functional skills in a student-centered environment. Speech, occupational and physical therapists work closely with classroom staff to integrate instruction. A vocational program combined with paid school jobs, job sampling in the community and a paid student internship may be available for students as appropriate. Special subject classes include Adaptive Physical Education, Art

and Music. Community-based instruction is provided as well as a six (6) week Extended School Year Program. As in the autism program, an extensive series of field trips develop community integration training including swimming, consumer shopping, recreation, etc. Comprehensive inclusion support is provided to all ALC students if they return to their home district on a part-time or full-time basis.

ALC EXTENDED SCHOOL YEAR PROGRAM (ALC ESY)

The ALC ESY program is a continuation of the ten month program and provides a six week program from the last week in June through the first week in August. A high percentage of ten month employees also work in the ESY program. One hundred thirty-three (133) students participated in the 2018 ESY program.

TITLE I PROGRAM

The Title I Program is a compensatory educational program that provides remedial services to educationally disadvantaged students attending nonpublic schools in low income areas. Students receive services regardless of income, although program funding to local school districts is based on community needs as compared to poverty standards.

During FY2018, eighty-seven (87) services were provided to fifty (50) students from seven (7) nonpublic schools.

COOPERATIVE TRANSPORTATION PROGRAM

The Cooperative Transportation Program consists of the transportation of students from one or more districts to a common location. The Commission coordinates directly with the sending school district, parent/guardian of each student, and the school to which the student is being transported. The purpose of this program is to reduce duplication of services and generate cost savings through cooperative efforts in joint transportation routes for special education, vocational, nonpublic and public students.

Two thousand one hundred thirty-eight (2,138) cooperative special and regular education routes, public school routes, vo-tech and nonpublic school routes, transported more than eleven thousand six hundred fifty-seven (11,657) students to and from over two hundred seventy-four (274) destinations each day from fifty-two (52) districts before-and-after-care transportation and work-study program transportation and mid-day shuttles between schools. Additionally, approximately two thousand (2,000) students are transported daily on athletic/late routes.

NONPUBLIC TEXTBOOK LOAN PROGRAM

The Nonpublic Textbook Loan Program is operated in accordance with the New Jersey Nonpublic Textbook Law, Chapter 121, L. 1984. This law requires Boards of Education to purchase and loan textbooks to all full-time students in grades kindergarten through twelve attending nonpublic schools within the district. Funding is contingent on the nonpublic school's compliance with compulsory school attendance requirements and with the requirements of Title VI of the Civil Rights Act of 1964. The Commission contracts with districts to provide these services and is responsible for the administration of the program, purchasing, oversight and payment of such textbooks.

For the FY2018 school year, seventy-seven (77) nonpublic schools, located within twenty (20) districts in Middlesex, Mercer, Somerset, Ocean and Monmouth Counties, have benefited from this service.

NONPUBLIC NURSING SERVICES

This program is operated in accordance with State Law, Chapter 226, and provides nursing services to eligible nonpublic schools. These services include:

- (a) Assistance with medical examinations, including dental screenings;
- (b) Conducting audiometric screenings, adhering to N.J.A.C. 6:29-5;
- (c) Maintenance of student health records; preparation of annual reports on immunization status of nonpublic pupils; and
- (d) Conducting examinations of pupils between the ages of ten (10) and eighteen (18) for the condition known as scoliosis.
- (e) Preparing miscellaneous reports as required by State rules and regulations, including reportable diseases to the local health department.

For the FY2018 school year, one hundred eight (108) nonpublic schools located within thirty-three (33) districts have benefited from this service.

NONPUBLIC SECURITY AID

The Nonpublic School Security Aid Program is an entitlement program which funds security needs for nonpublic schools in Middlesex, Somerset, Mercer, Ocean, and Monmouth Counties. The Nonpublic School Security Statue (P.L.2016,C.49) was signed into law in September of 2016 as part of the Secure Schools for All Children Act. The Commission collates, prepares/issues purchase orders, processes payments for all completed orders, and arranges for delivery of orders for nonpublic school security needs. These needs may include security services such as alarm systems, video security surveillance systems or security guards. It can also be utilized to purchase security equipment in the form of security vestibules, window tinting, signs, locks/doors and signage for parking lots. The equipment is purchased with State aid and is the property of the public school district through which the entitlement flows. All equipment is tagged with the name of the public school district, who supplies the funding for the equipment. Eligibility for this entitlement program is determined annually by the State of New Jersey.

For the FY2018 school year, seventy-six (76) nonpublic schools located in twenty-one (21) districts have benefited from this service.

NONPUBLIC TECHNOLOGY

The Nonpublic School Technology Initiative Program is an entitlement program which funds technology needs for nonpublic schools in Middlesex, Somerset, Mercer, Ocean, and Monmouth Counties. The Commission collates, prepares/issues purchase orders, processes payments for all completed orders, and arranges for delivery of orders for nonpublic school technology needs. These needs may include equipment, software, professional development for staff members, and maintenance agreements for new or existing equipment in the school. The equipment is purchased with State aid and is the property of the public school district through which the entitlement flows. All equipment is tagged with the name of the public school district, who supplies the funding for the equipment. Eligibility for this entitlement program is determined annually by the State of New Jersey.

For the FY2018 school year, eighty-two (82) nonpublic schools located in twenty-three (23) districts have benefited from this service.

E.S.C. GENERAL PROGRAM

The Comprehensive Annual Financial Report identifies a number of services reported within the Commission's General Programs, including:

HOME INSTRUCTION TO PUBLIC STUDENTS

The Commission has provided home instruction services to three hundred ninety-five (395) public school students from thirty (30) school districts in and out of Middlesex County during the FY2018 school year.

CHARTER SCHOOL SERVICES

The Commission provided an array of services to thirteen (13) charter schools in Middlesex, Mercer, Passaic and Union Counties.

COUNTY DIAGNOSTIC SERVICES

The County Diagnostic Services provides member and non-member districts with Child Study Team services to supplement public school staff needs in compliance with New Jersey and Federal Special Education Laws and Regulations.

OCCUPATIONAL AND PHYSICAL THERAPY

Occupational therapy and physical therapy were provided to three (3) public school districts during the FY2018 school year. The Commission provided forty-four (44) OT/PT evaluations for eight (8) districts during the FY2018 school year.

PROFESSIONAL DEVELOPMENT ACADEMY (PDA)

The PDA completed its fifteenth full year of operation in June 2018. The PDA provided learning opportunities to approximately one thousand (1,000) educators.

During the FY2018 school year Commission staff participated in professional development opportunities offered through the PDA, which was designed to address current trends in instructional differentiation and the infusion of technology into the classroom. In addition to regular programs and services, the PDA continues to offer a comprehensive catalog for the Brick Public Schools open to Brick faculty, as well as faculty for other Ocean County districts. In addition, online courses were created to support DOE initiatives in technology.

Presenters were expected to provide participants with theoretically-based practical classroom strategies, as well as suggestions on how to turnkey at least one important idea back at school. Resources for further learning were provided such as readings, study group ideas and other resources for application in the classroom.

Evaluations and questionnaires were disseminated to participants and administrators to ensure that the ESCNJ Local Professional Development Plan reflected the New Jersey Professional Standards for Teachers. Data from the questionnaires was used to design the professional development catalog.

BRIGHT BEGINNINGS LEARNING CENTER (BBLC)

BBLC provides a comprehensive educational program for students with autism or severe multiple disabilities based on the principles of Applied Behavior Analysis (ABA). Trained and experienced staff provides individualized and targeted instruction to students in the areas of communication, academics, social skills, activities of daily living, and motor skills.

Located on the ESCNJ Piscataway Campus, the modern facility includes sixteen (16) classrooms with adjoining observation rooms, occupational, physical, and speech therapy rooms, activities-of-daily-living room, sensory room, health office, multipurpose room, and media center/library. Each classroom is equipped with a restroom.

It remains a school of choice for twenty-nine (29) districts in four (4) counties seeking placement for students with preschool disabilities, multiple disabilities, and/or autism who require a highly specialized educational program. One hundred nineteen (119) students, ages 3 to 10 years, were enrolled at BBLC during the FY 2018 school year.

The sixteen (16) autism classes utilize principles of applied behavior analysis, including individualized intensive teaching, natural environment training, social skills, and integrated related services to address and develop student skills. Special subject classes include Adaptive Physical Education, Art, and Music. Classes are designed for a 2:1 student to staff ratio. Transition support is provided for students returning to their home district classes.

The program for students with multiple disabilities addresses the development of physical, cognitive, communicative and social skills through individual and small group instruction. Speech, occupational, and physical therapists work closely with classroom and nursing staff to integrate instruction. Special subject classes include Adaptive Physical Education, Art and Music. BBLC staff strives to establish and strengthen meaningful partnerships between the home and school setting.

BBLC EXTENDED SCHOOL YEAR PROGRAM (BBLC ESY)

The BBLC ESY program is a continuation of the ten month program and provides a six week program from the last week in June through the first week in August. One hundred eight (108) students participated in 2018.

FUTURE FOUNDATIONS ACADEMY (FFA)

The Future Foundations Academy or FFA (formerly the BBLC Secondary program) services students with autism, ages 13 to 21. Community-based education and a career exploration program, including job sampling at community worksites, provide students with opportunities for vocational practice in preparation for post-graduation employment. Located in the NuView Academy Annex (NVAA) building, FFA currently has twelve (12) classrooms and had an enrollment of sixty-two (62) students for the FY2018 school year.

In an effort to better serve the needs of our members, the Commission will be developing a program for higher functioning students with autism by expanding the NVAA building. The new addition will have twelve (12) additional classrooms along with a new gymnasium, space for related services and Community-Based Instruction, along with a Professional Development Center capable of seating three hundred (300) attendees. The expanded FFA facility is scheduled to open September 2019.

FFA EXTENDED SCHOOL YEAR PROGRAM (FFA ESY)

The FFA ESY program is a continuation of the ten month program and provides a six week program from the last week in June through the first week in August. Sixty-four (64) students participated in 2018.

CENTER FOR LIFELONG LEARNING (CLL)

The Center for Lifelong Learning opened in 2009 to provide an educational program for students with autism and/or severe multiple disabilities based on the principles of Applied Behavior Analysis (ABA). The school contains twenty-four (24) classrooms, a media center, physical and occupational therapy rooms, specialized classrooms, a gym, an integral garden, and a community center. The community center, which is available for the community during non-school hours, contains a competition pool, a children's zero-entry pool with a lazy river and water features, locker rooms, including one for families, a community room, and a fitness center. The school is designed to optimize energy performance, use only renewable resources, reduce water and energy consumption, and make use of natural resources to achieve greater energy efficiency.

The Center for Lifelong Learning has developed into a program of choice for thirty-nine (39) districts in five (5) counties seeking placement for students classified preschool disabled, multiply disabled and autistic. Two hundred four (204) students, ages 3 to 21 years, were enrolled at CLL during the FY2018 school year.

The educational and behavioral programs at CLL utilize principles of applied behavior analysis, direct instruction, errorless learning, natural environment training, incidental teaching techniques and integrated related services to address and develop individual skills. Programs address the development of academic, physical, cognitive, communicative, vocational and social skills through individual and small group instruction. Vocational skills are enhanced through job sampling in the community and the school. Community based educational experiences further enhance each student's ability to interact within typical community environments. Speech, occupational and physical therapists work closely with classroom staff to integrate instruction. Special subject classes include Adaptive Physical Education, Art and Music. Classes for students with autism are designed for a 2:1 student to staff ratio. Classes for students with multiple disabilities are designed for a 3:1 student to staff ratio. Transition support is provided for students returning to their home district classes.

CLL EXTENDED SCHOOL YEAR PROGRAM (CLL ESY)

The CLL ESY program is a continuation of the ten month program and provides a six week program from the last week in June through the first week in August. During the summer of 2018, one hundred eighty-three (183) students participated in the Extended School Year.

PATHWAYS TO ADULT LIVING (PAL)

The Pathways to Adult Living (PAL) program opened September 2017. PAL is designed to ensure a successful transition to independent living for 18-21 year old students. The program is open to students who have completed their high school academic requirements. Under the guidance of appropriately certified faculty and staff (e.g., SLE-endorsed teacher, instructional aide, job coach, etc.), students enrolled in the PAL program would begin each day at a newly built storefront in downtown Sayreville. Functional academics will be a key component of the PAL program with technology infused

throughout the day. Students will be engaged in household chores ranging from washing dishes, cleaning, changing bed sheets, and learn safe, effective practices pertaining to use of a washer/dryer, vacuum cleaner, and microwave. Students will also learn practical home skills including meal preparation, painting, hanging shelves, organizing closets, etc. Students will also participate both individually and in groups in Structured Learning Experiences while enrolled in the PAL program, including job sampling and internships. To access Community-based instructional opportunities, students will receive travel training in the use of public transportation

These life skills pathways will be built through an intensive Community-based Instructional program emphasizing daily living and personal social skills, vocational guidance and preparation based on the Life-Centered Career Education curriculum, in addition to other curricular resources.

TURNING POINT ACADEMY (TPA)

The Turning Point Academy started in January 2018 to serve middle and high school aged youth secured within the Middlesex County Juvenile Detention Center. Overseen by the Middlesex County Board of Chosen Freeholders, the program includes comprehensive academic and behavior management services.

IDEA-B

IDEA-B provides additional educational services to classified students attending private schools. These services provide speech therapy, occupational therapy and physical therapy, supplemental instruction, counseling, instructional aides, nursing and supplies. This program is funded through the federal government IDEA-B grant programs for FY2018. The Commission provides services to thirty (30) districts and fifty-four (54) nonpublic schools.

THE ESCNJ COOPERATIVE PRICING SYSTEM

The Commission has operated a State approved Cooperative Pricing System since 1996. During FY2018, the Commission expanded this program to include the following bids and expanded its membership to include over one thousand two hundred (1,200) public agencies, which includes public school districts, municipalities, county governments, county and state colleges.

Absorbed Glass Mat (AGM) Batteries	Energy Savings Device for Commercial Refrigeration	Paint & Supplies
ACT Data/Broadband/Hosted Services	Environmental/Mold Insurance	Pest Control Svs. w/IPM Mgmt.
ACT Telecommunications	Facility Management Software	Playground Equipment
ACT Wide Area Network Services	Fire Alarm Systems	Playground Surfacing
Apple Educational Products	Fire Extinguisher Inspection & Related Svs. (Annual)	Pool Supplies and Services
Athletic Equip. Recond. & Repair	Flexible Spending Acct. Mgmt.	Printing Services
Athletic Equip. & Supplies	Flooring	Radios
Bleacher (Int/Ext) Syst. Purch. & Instal.	Furniture	Recording & Sound Systems – Purchase & Installation
Boiler, Maintenance & Repair	Gaggle Software Service	Recycling Containers
Building Access & Security Systems	General Office Supplies	Roofing/Bldg. Envelope
Career and Technical Education (AEPA)	Generator Equipment & Maintenance	Safety and Security Window Film
Carpet	Grounds Equipment	School Buses
Cars, Crossovers, SUVs and Trucks	Gym Floors-Repair/Refinishing/T&M	School Bus Surveillance Cameras
Ceiling Tiles	H.V.A.C. – Airdale	Scoreboards Equipment and Installation
Classroom Supplies	H.V.A.C. Time & Material	Security Risk Assessment & Emergency

Classroom Supplies – Cosmetology	Hybrid Phone Systems	Share911.com-Private Social Network for Workplace Emergencies Product
Copy Machines/Printers & Related Svs.	Integrated Cloud Based Bldg. Access	Shredding & Disposal of Records
Copy Paper (white/color)	Job Order Contracting: Repair/Maint. Electric; General; HVAC; Plumbing; Paving	SMART Board Technology
Concrete Raising	Job Order Contracting: T&M Electrician; Plumbing	Snow Vehicle Attachments & Accessories
Concrete Repair Systems - Ardex	Landscaping Services	Speech Services
Custodial Supplies and Plastic Liners	Lawn Care Products and Services	Staffing Services (Non-Certified)
Demand Response	Lead Testing Consultant Services RFQ	Stage Curtains-Install. & Repair
Diesel/Gasoline	Learning Management System	Technology Supplies & Services
Digital Curriculum Solutions	LED/Other Lighting Supplies & Equip.	Toilet Partitions
Digital Readiness for Learning & Assmt Broadband Component, Wide Area Network & Internet Coop Purchasing Initiative (DRLAP)	Lockers-Purchase/Refurbishment	Toner and Ink Cartridges
Digital Resources	Locking Hardware & Keying Systems	Tracks/Courts–Athletic Surfacing
Disaster Recovery	Maintenance Equipment	Trip Hazard Removal Services
Distribution of Textbook Services	Maintenance, Repair & Operation	Trucks
Document Mgmt. for Records Retention and Disposal RFP	Medical Supplies	Truck Maintenance & Repair
Document Management Services	Musical Instruments	Turf-Synthetic-Repair, Maint. & Replacement
Electrician-Time & Material	Musical Instrument Repair	Utility Bill Audit/Cost Recovery
Electricity-Supply of	Natural Gas-Supply of	Walkthrough Metal Detectors
Energy Conservation & Education Svs.	Nursing Services	Water Testing Services
Emergency Notification Systems	Occupational & Physical Therapy	Wireless Duress Monitoring Sys.

2. Economic Condition and Outlook

Public school districts in Middlesex County, like many other districts throughout the State of New Jersey, are experiencing a period of decreasing state aid while at the same time they are receiving additional mandates from both the federal and state legislatures. Over the past year, initiatives addressing certain of these mandates were continued by the Commission including:

- Itinerant Services to Charter Schools
- Itinerant Occupational & Physical Therapy Services
- Public School Home Instruction Program
- Supplemental Instruction/Child Study Team/Speech Instruction Services
- Additional Special Education Class Programs
- Cooperative Bidding for Supplies and Energy Resources

The Commission continued its efforts to consolidate and share services among and between public school districts in the county by developing and working with the County Superintendent of School's office. This effort reviewed the cost of out-of-district and out-of-county private special education placements and provided a forum for Directors of Special Services in local districts to meet and set up a philosophy and procedures for placement of disabled students closer to their resident school district. The Commission continued to support and help organize the exchange of disabled students between public school districts. In addition, it reorganized the PRDS to increase the number of placements available.

The Commission again initiated a series of meetings with other intermediate units addressing the benefits of shared services and the consolidation of certain services.

Examples of consolidated services include:

- Joint contracting with bus companies or shared use of district-owned buses for public transportation.
- Operation of transportation programs on behalf of the districts.
- Joint purchasing of school supplies and equipment, e.g., from paper, pencils to larger items.
- Joint purchasing of natural gas and electricity.
- Cooperation among districts in the offering of specialized educational services such as special education and the use of child study teams.
- Common staff development.

This initiative has been encouraged and further expanded by the Commissioner of Education and through the development of a State-Wide Shared Service Task Force which has begun to study ways schools can consolidate their resources to reduce expenses and better serve the needs of districts.

Middlesex County, located in Central New Jersey, has a strong, diverse economic base, represents a diversity of religions and cultures, and is located near the New Jersey Turnpike and the Garden State Parkway. The twenty-three (23) school districts represent both urban and suburban districts in the county.

With the location mid-way between Philadelphia and New York City, Middlesex County is one of the State's major employment centers and corporate headquarters' locations in the State.

Public school districts, realizing the increase in student population, the need to update public school facilities and the need to adhere to the Americans with Disabilities Act, have developed many bond proposals or referenda for the improvement or construction of school buildings.

The increase in student population will impact Commission services immediately and in the future.

3. Internal Control

Management of the Commission is responsible for establishing and maintaining internal control designed to ensure that the assets of the Commission 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 accounting principles generally accepted in the United States (GAAP). Internal control 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 awards and state financial assistance, the Commission is also responsible for ensuring that adequate internal control is in place to ensure compliance with applicable laws and regulations related to those programs. Internal control is also subject to periodic evaluation by the Commission management.

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

4. Budgetary Controls

In addition to internal controls, the Commission maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Annual appropriated budgets are adopted for the general fund, 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 legal level of budgetary control is established at the line item level within each fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

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

5. Accounting Systems and Reports

The Commission's accounting records reflect accounting principles generally accepted in the United States, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the Commission is organized on the basis of funds. These funds and the government-wide financial statements are explained in "Notes to the Basic Financial Statements," Note 1.

6. Cash Management

The investment policy of the Commission is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements," Note 3. The public depositories are 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.

7. Risk Management

The Commission carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

8. Service Efforts and Accomplishments

The Commission continued to develop new programs and services for its member districts during the FY2018 school year. These efforts were highlighted by the expansion of the Cooperative Pricing Program. Management has continued to expand the Cooperative Pricing System membership to include over one thousand one hundred (1,100) public agencies serving all twenty-one (21) counties in New Jersey. The Commission also continued its efforts in the area of technology, initiating major initiatives in all programs. These efforts include the updating of hardware and software necessary to develop a computer assisted instructional program and to allow student media access for purposes of research as well as internet resources.

The Commission also served as lead agency for the statewide Digital Readiness Learning Assessment Program in cooperation with the New Jersey Department of Education. This program dramatically

affected the economics of acquiring broadband and internet services by using cooperative purchasing to drive down the cost.

9. Major Operational or Fiscal Concerns

The operational and financial concerns of the Commission are focused on two areas, the first being the State of New Jersey, Department of Education’s comprehensive school plan and the subsequent impact on Special Education and Nonpublic Funding. The second concern is based on the Commission’s growth over the last several years and the reliance on member/non-member districts for cash flow. The Commission continues to monitor these areas very carefully to ensure that funds are available to provide students and member districts with programs and services as well as maintain a strong financial position to ensure payment of all obligations to vendors and employees.

10. Other Information

Independent Audit: State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Commission’s audit committee selected the accounting firm of Wiss & Company, LLP. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Uniform Guidance and State Treasury Circular Letter 15-08-OMB. The auditors’ report on the basic financial statements, required supplementary information, supplementary information and other information are included in the financial section of this report. The auditors’ reports related specifically to the single audit are included in the single audit section of this report.

Self-Recognition - The following Commission Staff were recognized for the Governor Educator of the Year Program for the FY2018 school year:

Colleen Hopfensperger	Academy Learning Center
Jeannine Preston	Academy Learning Center
Alison Berkovits	Bright Beginnings Learning Center
Cristina Pallone	Bright Beginnings Learning Center
Meghan Langan	Center for Lifelong Learning
Annette Padmore	Center for Lifelong Learning
Sesan McGrory	Piscataway Regional Day School
Nagasai Karee	Nonpublic Department
Robin Garber	Nonpublic Department

Student Recognition Program – Ten (10) students from the Commission were honored in February 2018 at the Annual Unsung Heroes and Heroines Student Recognition Dinner. The students were as follows:

Jason Cullen	Academy Learning Center
Tanvee Patel	Academy Learning Center
Nnamdi Nnanna	Bright Beginnings Learning Center
Adarsh Patel	Bright Beginnings Learning Center
Kate Strong	Center for Lifelong Learning
Tyra Johnson	Center for Lifelong Learning
Edwin Adango	NuView Academy
Daniel Rosales	NuView Academy Annex
Jason Rauch	Piscataway Regional Day School
Nyle Gardner	Piscataway Regional Day School

Services – Other significant developments and acknowledgments during the FY2018 school year:

- Approval of curricula as follows – September 2018
 - Academy Learning Center, Bright Beginnings Learning Center, Center for Lifelong Learning, Future Foundations Academy, Piscataway Regional Day School
 - New Jersey Student Learning Standards – Science (Grades K – 5)
 - Academy Learning Center, Bright Beginnings Learning Center, Center for Lifelong Learning, Future Foundations Academy, NuView Academy, NuView Academy Annex, Pathways to Adult Living, Piscataway Regional Day School
 - Restraint Seclusion Update

11. For the Future

The Commission is presently in excellent financial condition and continues to expand service offerings to its participating districts.

In conclusion, the Commission has committed itself to financial excellence for many years. In addition, the Commission’s system for financial planning, budgeting, and internal financial controls are well regarded. The Commission plans to continue its sound fiscal management to meet the challenges of the future.

12. Acknowledgments

We would like to express our appreciation to the members of the Commission for their concern in providing fiscal accountability to the citizens and taxpayers and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,



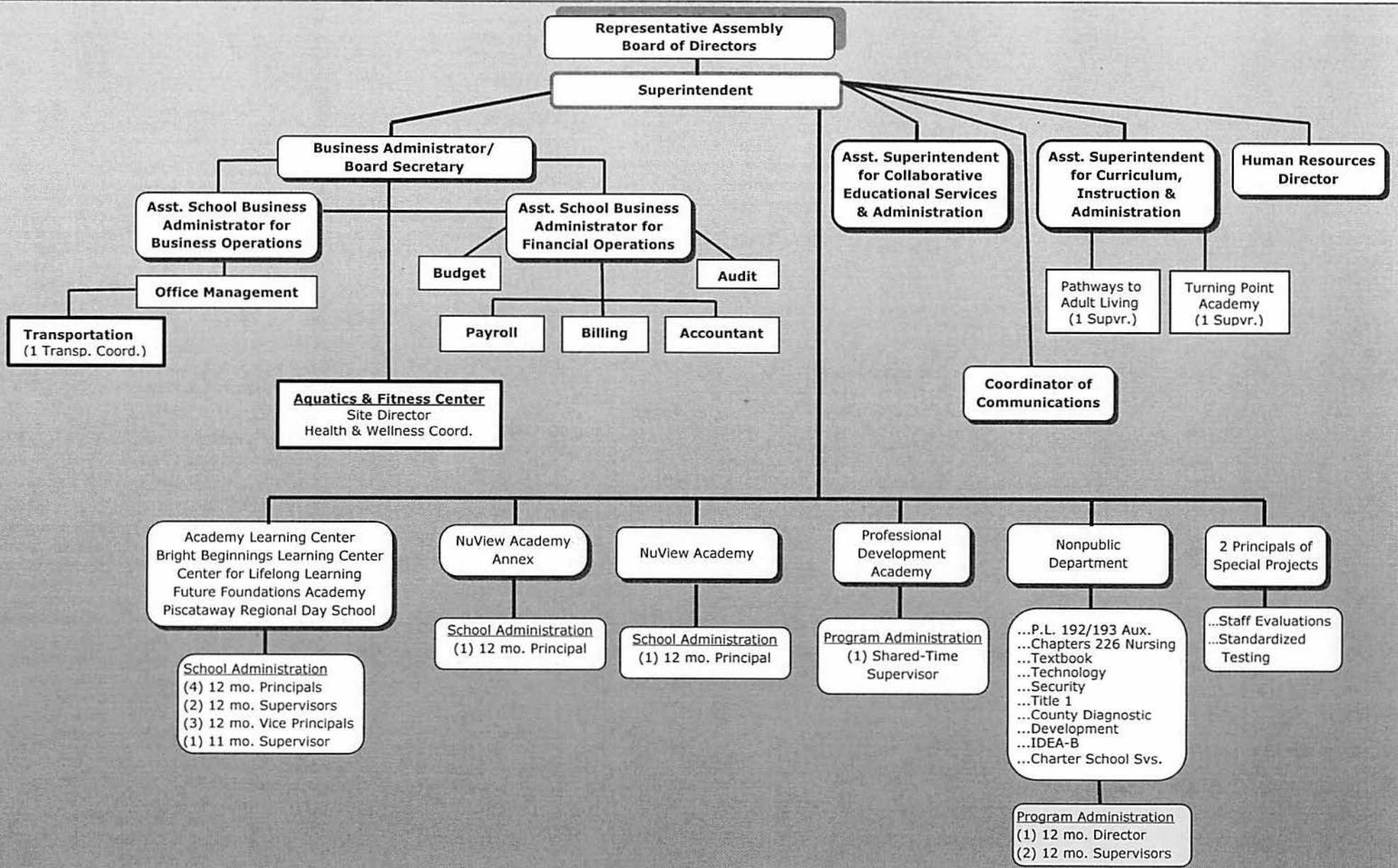
Mr. Mark J. Finkelstein
Superintendent



Mr. Patrick M. Moran
Business Administrator/Board Secretary

Educational Services Commission of New Jersey
Piscataway, New Jersey

Organizational Chart
 June 30, 2018



Educational Services Commission of New Jersey
Piscataway, New Jersey

Roster of Officials
June 30, 2018

Members of the Board of Directors

Dr. Howard Lerner
Ms. Barbara Makoski
Ms. Rosa Diaz
Dr. Susan Genco
Mr. Eugene Mosley
Dr. Victor Valeski
Ms. Beth Moroney
Dr. Scott Taylor
Mr. Brian Betze
Mrs. Merrill Lunt
Dr. Linda Madison
Mr. Bill Petscavage
Dr. Michael Kozak
Dr. Dale Caldwell
Dr. Brian Zychowski
Mr. David Cittadino
Mr. Tony Trongone
Dr. David Roman
Mr. Ralph Johnson
Mr. John Walsh
Dr. Frances Wood
Mr. Jorge Diaz
Mr. Scott Feder
Dr. Noreen Lishak
Ms. Sylvia Zircher
Mr. Graham Peabody
Mr. Raymond Brosel
Dr. Robert Zega
Ms. Dianne Veilleux

Name of School District

Bergen County Vo. Tech./Spec. Svs.
Cape May County/Spec. Svs.
Carteret
Cranbury
Dunellen
East Brunswick
Edison
Highland Park
Jamesburg
Metuchen
Middlesex
Milltown
Monroe
New Brunswick
North Brunswick
Old Bridge
Pemberton
Perth Amboy
Piscataway
Sayreville
Somerset Hills Regional
South Amboy
South Brunswick
South Plainfield
South River
Spotswood
Voorhees Township
Woodbridge
Middlesex County Vo. Tech.

ESCNJ Officials

Mr. Mark J. Finkelstein, Superintendent
Mr. Gary Molenaar, Assistant Superintendent for Learning/Educational Services
Mr. Patrick M. Moran, Business Administrator/Board Secretary
Mrs. Kai-Li Pao, Assistant Business Administrator/Board Secretary for Financial Operations
Mr. Robert Pietrocola, Assistant Business Administrator/Board Secretary for Business Operations
Mrs. Nadia Romano, Director of Human Resources

Educational Services Commission of New Jersey
Piscataway, New Jersey

Consultants, Independent Auditors and Advisors

June 30, 2018

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Audit Firm

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354 Eisenhower Parkway, Suite 1850
Livingston, NJ 07039-9817

Labor Consultant

Raymond A. Cassetta
P.O. Box 1035
Highland Lakes, NJ 07422

Official Depository

TD Bank
1906 Lincoln Highway
Edison, New Jersey 08817

Architects

USA Architects
20 North Doughty Avenue
Somerville, New Jersey 08876

Financial Section

Independent Auditors' Report

Honorable President and Members
of the Board of Directors
Educational Services Commission of New Jersey
County of Middlesex, 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 Educational Services Commission of New Jersey (the "Commission"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and requirements 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe 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 Commission as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of the Commission's proportionate share of the net pension liability-PERS, schedule of Commission pension contributions-PERS, schedule of the State's proportionate share of the net pension liability associated with the Commission-TPAF, schedule of the State's proportionate share of the net OPEB liability associated with the Commission and changes in the total OPEB liability and related ratios-PERS and TPAF and budgetary comparison information as identified in the table of contents 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 Commission's basic financial statements. The combining and individual fund financial statements, long-term debt schedules and the schedules of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, and the other information, such as the introductory and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2019 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.



Scott A. Clelland
Licensed Public School Accountant
No. 1049



WISS & COMPANY, LLP

February 20, 2019
Livingston, New Jersey

Required Supplementary Information - Part I

Management's Discussion and Analysis

Educational Services Commission of New Jersey
Piscataway, New Jersey

Management's Discussion and Analysis

As management of Educational Services Commission of New Jersey (the "Commission"), we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages as listed on the table of contents.

Management's Discussion and Analysis (MD&A) is a component of Required Supplementary Information (RSI) specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34, *Basic Financial Statements – Management Discussion and Analysis – for State and Local Governments*. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2018 are as follows:

- General revenues accounted for \$27,134,745 or 22.64 percent of all revenues. Program specific revenues in the form of charges for services and operating and capital grants and contributions accounted for \$92,715,238 or 77.36 percent of total revenues of \$119,849,983.
- The Commission had \$112,110,644 in expenses (governmental and business-type activities); \$92,715,238 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily fees for tuition and services provided to other districts) of \$27,134,745 were adequate to provide for these programs.
- Among major funds, the General Fund had \$98,186,170 in revenues and \$95,102,082 in expenditures and transfers out. The General Fund's fund balance increased \$3,084,088 over 2017. This increase was mainly due to the increases in transportation, enrollment, educational services provided to other districts and to the co-op purchasing and pricing programs.
- In total, net position increased \$7,739,339, or 23.51 percent.
- In FY 2018 the Commission implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, which resulted in the Commission recording expense and corresponding revenue for \$6,024,170 related to post-employment health benefits paid for by the State on behalf of the Commission.

Overview of the Financial Statements

This discussion and analysis of the Commission's financial performance provides an overall review of the Commission's financial activities for the year ended June 30, 2018 with certain comparisons to the year ended June 30, 2017. The intent of this discussion and analysis is to look at the Commission's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Commission's financial performance. The Commission's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This document also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

This Comprehensive Annual Financial Report consists of the basic financial statements and notes to those statements. These statements are organized so the reader can understand the Commission as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities in a manner similar to a private-sector business.

The statement of net position presents information on all of the Commission's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., receivables and earned but unused sick and vacation leave).

Both of the government-wide financial statements distinguish functions of the Commission that are principally supported by tuition and services rendered on behalf of districts for instructional purposes that are intended to recover the cost of operation of special education programs, itinerant instructional activities along with provision of services to nonpublic schools. The business-type activities of the Commission include the Food Service Program, the Piscataway Regional Day School, and the Aquatic program at Center for Lifelong Learning. The government-wide financial statements include not only the Commission itself (known as the primary district), but also the Piscataway Regional Day School operated through contract with the State of New Jersey Department of Education for which the Commission is financially accountable. Financial information for this business-type activity is reported separately from the financial information presented for the primary district itself.

The Commission uses enterprise funds to account for its operation of the Piscataway Regional Day School and the government-wide Food and Pool Programs.

Reporting the Commission's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the Commission's major funds. The Commission uses a number of funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Commission's most significant funds. The Commission's major governmental funds are the General Fund, Special Revenue Fund and Debt Service Fund.

Governmental Funds

The Commission's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for expenditures in future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Commission's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be expended in the near future to finance educational or service programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Commission maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, special revenue fund, capital projects fund and the debt service fund, all of which are considered to be major funds.

The Commission adopts an annual appropriated budget for its general fund, special revenue fund and debt service fund. Budgetary comparison statements have been provided as required supplementary information for the general fund and supplementary information for the special revenue fund and debt service fund to demonstrate compliance with this budget. The basic governmental fund financial statements are Schedules B-1, B-2 and B-3.

Proprietary funds. The Commission maintains two of proprietary fund types. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The *Internal Service Fund* accounts for employer and employees contributions that pay benefits, claims costs, and administrative cost of self-insured health benefits program.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Commission's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* and other supplementary information concerning the Commission.

Combining and individual fund statements and schedules can be found on pages as listed on the table of contents.

Government-Wide (Governmental Activities) Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Commission, assets and deferred outflows of resources exceeded liabilities and deferred outflows of resources by \$37,141,278 at the close of the most recent fiscal year.

The largest portion of the Commission's net position reflects its net investment in capital assets. The Commission has restricted net position for debt service and capital projects fund and its capital and maintenance reserves. The restricted net position for debt service will be used for debt service principal and interest obligations.

Table 1 shows the comparison of the Commission’s Government-Wide net position from fiscal year 2017 to 2018.

**Table 1 - Net Position
June 30, 2018 and 2017**

	Governmental		Business-type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 52,102,086	\$ 35,664,659	\$2,515,351	\$2,119,378	\$54,617,437	\$37,784,037
Capital assets, net	66,192,053	61,982,022	1,145,123	1,160,614	67,337,176	63,142,636
Total assets	118,294,139	97,646,681	3,660,474	3,279,992	121,954,613	100,926,673
Deferred Outflows of Resources	10,455,271	12,184,508			10,455,271	12,184,508
Current liabilities and other	4,151,043	2,808,858	148,122	173,505	4,299,165	2,982,363
Net pension liability	23,527,139	29,847,941			23,527,139	29,847,941
Long-term liabilities	58,922,350	46,863,792			58,922,350	46,863,792
Total liabilities	86,600,532	79,520,591	148,122	173,505	86,748,654	79,694,096
Deferred Inflows of Resources	5,090,164	502,794			5,090,164	502,794
Net position:						
Net investment in capital assets	11,321,517	19,515,282	1,145,123	1,160,614	12,466,640	20,675,896
Restricted	22,945,497	8,870,516			22,945,497	8,870,516
Unrestricted	2,791,700	1,422,006	2,367,229	1,945,873	5,158,929	3,367,879
Total net position	\$ 37,058,714	\$ -29,807,804	\$ 3,512,352	\$ 3,106,487	\$ 40,571,066	\$ 32,914,291

Restricted net position represents resources that are subject to external restrictions on how they may be used. The remaining balance consists of unrestricted net position of \$2,791,700 and may be used to meet the government’s ongoing obligations to member districts.

At the end of the current fiscal year, the Commission is able to report positive balances in all three categories of net position.

Total current and other assets increased mainly due to increases in cash equivalents, cash held by fiscal agent and net receivables. The capital assets, net of depreciation, increased mainly due to increases in capital assets acquisitions related to the NuView Academy Annex renovation project.

Total Long-Term liabilities increased mainly due to new debt issuance during year 2018.

Restricted Net Position increased mainly due to increases in Capital Projects funds as compared to fiscal year 2017.

Unrestricted Net Position increased mainly due to an excess of revenues over expenditures of \$7,333,474 and other financing sources of Governmental funds.

Table 2 shows the changes in the Commission’s net position from fiscal year 2017 to 2018.

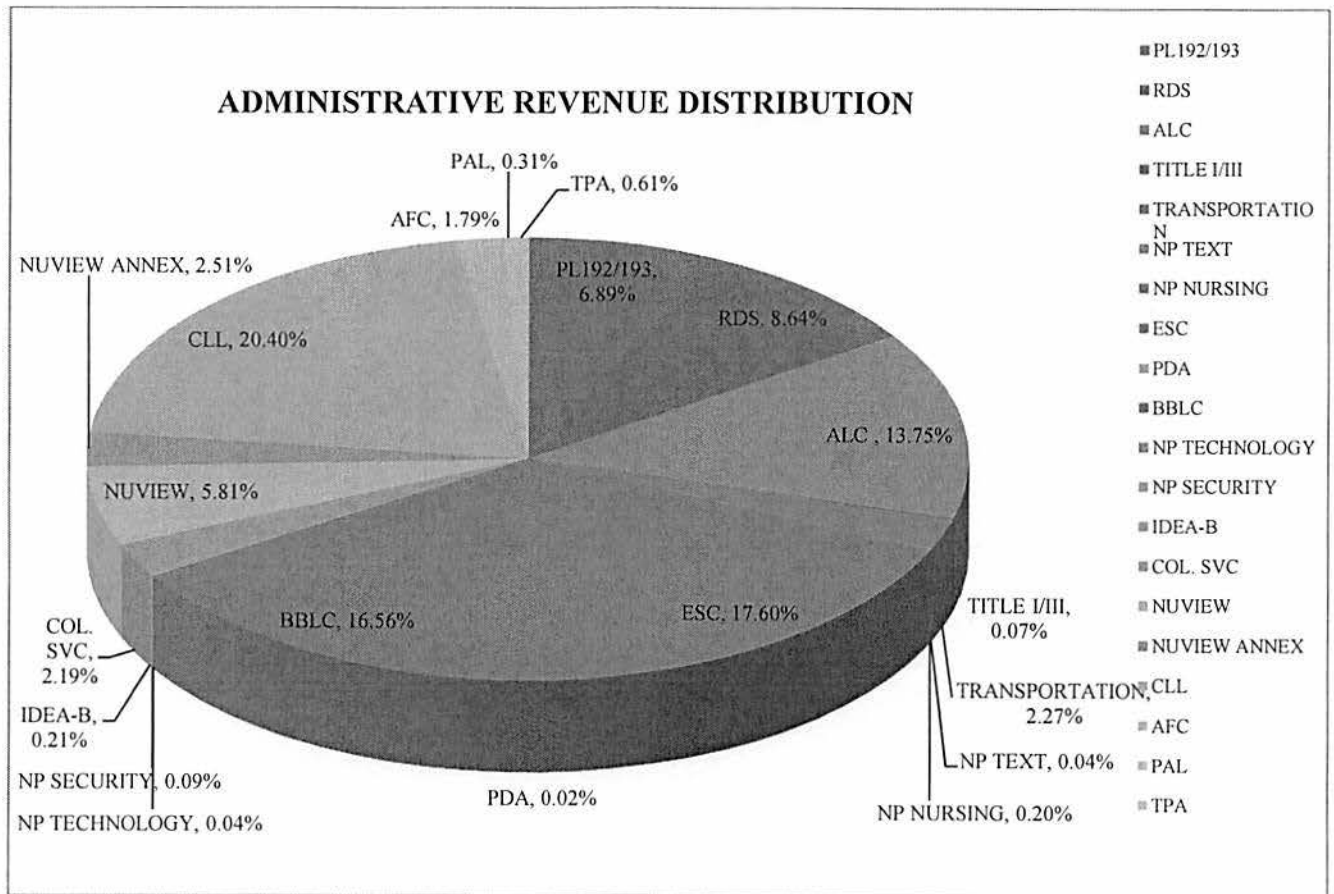
Government-Wide Activities

**Table 2 - Changes in Net Position
Years Ended June 30, 2018 and 2017**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for Services	\$40,848,533	\$37,962,302	\$ 6,650,022	\$ 6,340,405	\$47,498,555	\$44,302,707
Operating/Cap Grants and Contributions	10,499,236	10,397,989	299,168	283,497	10,798,404	10,681,486
Tuition	34,418,279	34,258,120			34,418,279	34,258,120
General Revenues:						
Service Provided to Other Districts	18,184,116	15,910,374			18,184,116	15,910,374
Grants and Entitlements	13,312,440	3,773,676			13,312,440	3,773,676
Miscellaneous	329,321	266,934			329,321	266,934
Total Revenues	117,591,925	102,569,395	6,949,190	6,623,902	124,541,115	109,193,297
Program Expenses:						
Instructional Services	23,282,761	20,321,034	5,188,438	4,909,676	28,471,199	25,230,710
Support Services	82,557,971	72,354,492			82,557,971	72,354,492
Special Schools	2,338,363	2,902,818			2,338,363	2,902,818
Interest on Long-Term Debt	2,308,255	1,841,709			2,308,255	1,841,709
Operation of non-instructional services			1,208,552	1,247,312	1,208,552	1,247,312
Total Expenses	110,487,350	97,420,053	6,396,990	6,156,988	116,884,340	103,577,041
Transfers In (Out)	146,335	(2,281,365)	(146,335)	2,281,365	-	-
Change In Net Position	7,250,910	2,867,977	405,865	2,748,279	7,656,775	5,616,256
Net Position—Beginning	29,807,804	26,939,827	3,106,487	358,208	32,914,291	27,298,035
Net Position—Ending	\$37,058,714	\$29,807,804	\$ 3,512,352	\$ 3,106,487	\$40,571,066	\$32,914,291

General revenues for grants and entitlements and instructional and support services increased due to the implementation of GASB Statement No. 75.

Revenues and Expense increased primarily due to the increases in transportation, enrollment, educational services provided to other districts and to the co-op purchasing and pricing programs.



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

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

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

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 well as to and from school activities, as provided by state law.

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

The dependence upon tuition revenues is apparent. The participating school districts are the primary support for the Commission.

Financial Analysis of the Commission’s Funds

Financial Information at Fiscal Year-End

As demonstrated by the various statements and schedules included in the financial section of this report, the Commission continues to meet its responsibility for sound financial management. The following schedule presents a summary of the general fund, special revenue fund, capital projects fund and debt service fund revenues for the fiscal year ended June 30, 2018 and the amount and percentages of increases in relation to the prior year’s revenues.

Revenues				
Year Ended June 30, 2018				
Revenues	Amount	Percentage of Total	Increase from 2017	Percentage of Increase
Local sources	\$ 93,780,249	86.25%	\$ 5,366,198	6.07%
State sources	12,596,081	11.59	749,769	6.33
Federal sources	2,350,259	2.16	41,227	1.79
Total	\$108,726,589	100.00%	\$ 6,157,194	6.00%

The increase in local sources is attributable to increases in transportation, educational and co-op purchasing and pricing services provided to districts. The increase in State revenue sources is mainly attributable to increases in Non-public PL193, Technology, Security Services and on-behalf TPAF Pension contributions from State source.

The following schedule presents a summary of general fund, special revenue fund, capital projects fund and debt service fund expenditures for the fiscal year ended June 30, 2018 and the amount and percentages of increases (decreases) in relation to the prior year's expenditures.

**Expenditures
Year Ended June 30, 2018**

Expenditures	Amount	Percentage of Total	Increase (Decrease) from 2017	Percentage of Increase (Decrease)
Current:				
Instruction	\$ 17,957,579	16.70%	\$ 759,611	4.42%
Undistributed expenditures	75,890,035	70.56	4,395,679	6.15
Capital outlay	6,713,667	6.24	4,008,117	148.14
Special schools	2,338,363	2.17	(564,455)	(19.45)
Debt service:				
Principal	2,695,000	2.51	48,837	1.85
Costs of issuance	200,507	0.18	200,507	100
Interest	1,760,437	1.64	(107,438)	(5.75)
Total	\$107,555,588	100.00%	\$ 8,740,858	8.85%

The increase in instruction is due to an increase in educational services provided to districts. The increase in undistributed expenditures is mainly due to an increase in transportation services, Non-public PL193, Technology and Security services provided to districts. The increase in capital outlay is mainly related to the acquisition of technology equipment, replacement of flooring, and the NuView Academy Annex renovation project. The decrease in special schools is mainly attributable to reclassification of extended school year programs based on GAAP.

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

As of the end of the current fiscal year, the Commission's governmental funds reported combined fund balances of \$46,165,377, an increase of \$13,262,984 in comparison with the prior year. Approximately \$33,879,911 of this total amount constitutes of *unassigned fund balance*, which is available for spending at the Commission's discretion. The remainder of fund balance is *restricted and assigned* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period, 2) to pay debt service or 3) support program budgets, respectively.

The general fund is the main operating fund of the Commission. At the end of the current fiscal year, unassigned fund balance of the general fund was \$20,767,520, while total fund balance reached \$27,332,357. As a measure of the general fund's viability, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 21.84 percent of total general fund expenditures, while total fund balances represent 28.74 percent of that same amount.

The total fund balance of the Commission's general fund increased by \$3,084,088 during the current fiscal year and the unassigned fund balance decreased by \$2,342,049 during the current fiscal year. The total unassigned fund balance decrease is mainly due to funds transferred out in the amount of \$3,275,003 to establish and fund an Internal Service fund to maintain a reserve to support the fully self-insured health benefits program.

The fund balance of the Commission's capital projects fund increased by \$10,060,750 due to proceeds from a loan/bond issuance for \$15,000,000, including the premium. The capital projects fund has a total fund balance of \$14,253,956, of which \$1,178,812 was committed encumbrances and \$13,075,144 was unassigned for Nuview Academy Annex Renovation capital projects.

The debt service fund has a total fund balance of \$4,579,064, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was \$118,146.

Enterprise funds. The Commission's enterprise funds provide the same type of information found in the government-wide financial statements, but in more detail.

General Fund Budgeting Highlights

Significant Budget Variances or Budget Modifications

During the 2018 school year, the Commission experienced several significant budget variances and modifications as compared to original budget.

The Commission's budget is prepared in accordance with New Jersey law, and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of the 2018 fiscal year, the Commission amended its General Fund budget as needed. The Commission uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

For the General Fund, budgetary-basis revenue and other financing sources was \$93,739,066, \$9,201,732 over original budgeted estimates of \$84,537,334. This difference was due primarily to conservative revenue estimates for 1:1 aides, the growth of our cooperative pricing and purchasing services, additional transportation services and educational services provided to districts.

For the General Fund, budgetary-basis expenditures, the following material transfers were made to:

1. Salaries for home instruction and auditory impairments program were increased by \$231,845 and \$53,214, respectively. These increases are directly related to the actual salaries paid and are related to the actual number of services requested by districts compared to the original budget estimates.
2. Salaries of instruction for behavioral disabilities were increased by \$130,176. These increases are directly related to new educational services provided to the Middlesex Juvenile Justice program during the 2018 school year.
3. Salaries of instruction for autism were decreased by (\$195,036). These decreases are related to the reorganization of the Academy Learning Center, the Bright Beginning Learning Center Secondary and the Center for Lifelong Learning as compared to the original budget estimates.
4. Other salaries of instruction for Autism were increased by \$186,535. These increases are directly related to the reorganization of the Bright Beginning Learning Center Secondary and the Center for Lifelong Learning as compared to the original budget estimates
5. Purchased professional and technical services for Health services were increased by \$212,539. These increases are directly related to the cost paid to agency and related to the on-site clinical support at NuView Academy and NuView Academy Annex as compared to the original budget estimates.
6. Other Support Services for Students for Purchased Professional Educational Services was increased by \$147,188. This increase was directly related to the actual cost paid as compared to the original budget estimates for Occupational and Physical Therapy Services.
7. Other Support Services for Students salary for instructional 1:1 aides increased \$654,582. This increase was primarily related to conservative revenue estimates for additional 1:1 aide services provided to all districts.
8. Other Support Services for Students for Purchased Professional Technical Services was decreased by (\$284,388). This decrease was directly related to the actual cost paid as compared to the original budget estimates for Agency for Speech services.
9. Support Services for general administration for other purchased professional services was increased by \$259,372. This increase was directly related to the architect service for HVAC improvement projects for all commission schools during year 2018.
10. Support Services for central services salary was decreased by (\$147,241). This decrease is directly related to the actual salary and overtime paid as compared to the original budget estimates for the Business Office and Human Resources.

11. Misc. purchased services for Admin. Information Technology was decreased by (\$144,705). This decrease was mainly directly related to the actual cost paid to the technology professional consulting services as compared to the original budget estimates.
12. Student Transportation Contracted Services between Home and School increased \$2,224,501. This increase is directly related to the level of service provided to participating districts as compared to budget estimates.
13. Employee Benefits for Social Security increased \$147,964. This increase is directly related to the actual social security tax paid as compared to the original budget estimates for all programs.
14. Health Benefits increased \$5,307,801. This increase represents the distribution of additional revenue for increases in services and tuition during year 2018 as compared to original budget estimates.
15. Capital outlay for total Equipment increased by \$748,598. This increase is mainly related to the purpose of upgrading technology, acquisition of commission vehicles, and office furniture for Nuview Academy Annex Renovation project.
16. Capital outlay for construction services increased by \$1,209,670. This increase is mainly related to the NuView Academy Annex renovation project.
17. Summer School Support Services for other objects was increased \$268,756. This increase represents the distribution of additional extended school revenue for increases in services and tuition during year 2018 as compared to original budget estimates.

The General Fund revenues of the Commission exceeded expenditures and other financing sources (uses) by \$3,084,088.

Capital Assets

At the end of the fiscal year 2018, the Commission had \$67,337,176 (net) investment in land, buildings, furniture and equipment, and vehicles and construction in progress. Table 3 shows a comparison of capital assets (net of depreciation) from fiscal year 2017 to 2018.

Table 3 – Capital Assets (Net of Depreciation)

	<u>2018</u>	<u>2017</u>
Land and land improvements	\$ 5,477,357	\$ 5,525,252
Construction in progress	5,872,036	845,502
Buildings and improvements	52,975,197	53,709,506
Machinery, equipment and vehicles	3,012,586	3,062,376
Totals	<u>\$ 67,337,176</u>	<u>\$ 63,142,636</u>

Additional information on the Commission's capital assets can be found in Note 4 to the basic financial statements.

Debt Administration

On June 30, 2018, the Commission had \$52,835,000 in outstanding loans payable for school construction. In addition, the District has other long term liabilities recorded on its financial statements.

Additional information on the Commission's long-term debt and liabilities can be found in Note 5 to the basic financial statements.

Contacting the Commission's Financial Management

This financial report is designed to provide participating districts, investors and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have any questions about this report or need additional information, contact Patrick M. Moran, Business Administrator/Board Secretary at Educational Services Commission of New Jersey, 1660 Stelton Road, Piscataway, New Jersey 08854 or email at pmoran@escnj.k12.nj.us.

Basic Financial Statements

Government-wide Financial Statements

The government-wide financial statements provide a financial overview of the Commission's operations. These financial statements present the financial position and operating results of all governmental activities and business-type activities as of and for the year ended June 30, 2018.

Educational Services Commission of New Jersey

Statement of Net Position

June 30, 2018

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 8,769,613	\$ 1,559,183	\$ 10,328,796
Internal Balances	(101,656)	101,656	-
Receivables, Net	25,500,477	854,512	26,354,989
Restricted assets:			
Cash and cash equivalents	17,933,652		17,933,652
Capital Assets, Non-Depreciable	11,103,650		11,103,650
Capital Assets, Depreciable, Net	55,088,403	1,145,123	56,233,526
Total Assets	118,294,139	3,660,474	121,954,613
Deferred Outflows of Resources			
Deferred Loss on Refunding	3,918,681		3,918,681
Pension Deferrals	6,536,590		6,536,590
Total Deferred Outflows of Resources	10,455,271		10,455,271
Liabilities			
Accounts Payable	1,797,953	74,255	1,872,208
Accrued Interest Payable	515,758		515,758
Intergovernmental Accounts Payable:			
Districts	1,305,083		1,305,083
Unearned Revenue	532,249	73,867	606,116
Noncurrent Liabilities:			
Net Pension Liability	23,527,139		23,527,139
Due Within One Year	3,316,935		3,316,935
Due Beyond One Year	55,605,415		55,605,415
Total Liabilities	86,600,532	148,122	86,748,654
Deferred Inflow of Resources			
Pension Deferrals	5,090,164		5,090,164
Net Position			
Net Investment in Capital Assets	11,321,517	1,145,123	12,466,640
Restricted For:			
Capital Projects	14,253,956		14,253,956
Capital Reserve	216,392		216,392
Maintenance Reserve	4,411,843		4,411,843
Debt Service	4,063,306		4,063,306
Unrestricted	2,791,700	2,367,229	5,158,929
Total Net Position	\$ 37,058,714	\$ 3,512,352	\$ 40,571,066

See accompanying notes to the basic financial statements.

Educational Services Commission of New Jersey

Statement of Activities

Year ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental activities						
Instruction	\$ 23,282,761	\$ 34,418,279	\$ 6,099,152		\$ 17,234,670	\$ 17,234,670
Support Services:						
Health Services	1,446,911				(1,446,911)	(1,446,911)
Student and Instruction Related Services	17,970,925		4,025,218	\$ 374,866	(13,570,841)	(13,570,841)
General and Business Administrative Services	1,429,446				(1,429,446)	(1,429,446)
School Administrative Services	2,543,005				(2,543,005)	(2,543,005)
Central Services	1,938,402				(1,938,402)	(1,938,402)
Administrative Information Technology	300,904				(300,904)	(300,904)
Plant Operations and Maintenance	2,216,097				(2,216,097)	(2,216,097)
Pupil Transportation	52,419,219	40,848,533			(11,570,686)	(11,570,686)
Employee Benefits	2,293,062				(2,293,062)	(2,293,062)
Special Schools	2,338,363				(2,338,363)	(2,338,363)
Interest on Long-Term Debt	2,308,255				(2,308,255)	(2,308,255)
Total Governmental Activities	110,487,350	75,266,812	10,124,370	374,866	(24,721,302)	(24,721,302)
Business-type activities						
Regional Day School	5,188,438	5,558,753				\$ 370,315
Pool Services	866,219	1,015,417				149,198
Food Services	342,333	75,852	299,168			32,687
Total Business-Type Activities	6,396,990	6,650,022	299,168			552,200
Total Primary Government	\$ 116,884,340	\$ 81,916,834	\$ 10,423,538	\$ 374,866	(24,721,302)	552,200
General Revenues and Transfers:						
Federal And State Sources					13,312,440	13,312,440
Services Provided to Districts					18,184,116	18,184,116
Interest Income					212,705	212,705
Miscellaneous					116,616	116,616
Transfers					146,335	(146,335)
Total General Revenues and Transfers					31,972,212	(146,335)
Change In Net Position					7,250,910	405,865
Net Position—Beginning					29,807,804	3,106,487
Net Position—Ending					\$ 37,058,714	\$ 3,512,352
						\$ 40,571,066

See accompanying notes to the basic financial statements.

Fund Financial Statements

Governmental Funds

Educational Services Commission of New Jersey
Governmental Funds
Balance Sheet
June 30, 2018

	Major Funds				Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	
Assets					
Cash and Cash Equivalents	\$ 453,059	\$ 40,967	\$ 2,807,564	\$ 1,862,360	\$ 5,163,950
Accounts Receivable:					
State	51,937				51,937
Intergovernmental - Other Districts	22,263,139	2,930,121			25,193,260
Other	20,234				20,234
Interfund Receivable	2,018,083			936,170	2,954,253
Restricted Cash and Cash Equivalents	4,628,235		11,524,883	1,780,534	17,933,652
Total Assets	\$ 29,434,687	\$ 2,971,088	\$ 14,332,447	\$ 4,579,064	\$ 51,317,286
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable		\$ 239,733	\$ 41,244		\$ 280,977
Intergovernmental Accounts Payable:					
Other Districts	\$ 1,060,130	244,953			1,305,083
Interfunds Payable	997,479	1,998,874	37,247		3,033,600
Unearned Revenue	44,721	487,528			532,249
Total Liabilities	2,102,330	2,971,088	78,491		5,151,909
Fund Balances:					
Restricted For:					
Capital Reserve	216,392				216,392
Maintenance Reserve	4,411,843				4,411,843
Capital Projects			14,253,956		14,253,956
Debt Service				\$ 4,579,064	4,579,064
Assigned To:					
Other Purposes	1,936,602				1,936,602
Unassigned	20,767,520				20,767,520
Total Fund Balances	27,332,357	-	14,253,956	4,579,064	46,165,377
Total Liabilities and Fund Balances	\$ 29,434,687	\$ 2,971,088	\$ 14,332,447	\$ 4,579,064	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$89,050,554 and the accumulated depreciation is \$22,858,501.	66,192,053
Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.	(515,758)
Deferred pension costs in governmental activities are not financial resources and are therefore not reported in the funds.	1,446,426
Losses arising from the issuance of refunding bonds that are a result of the difference in the carrying value of the refunded bonds and the new bonds are deferred and amortized over the life of the bonds.	3,918,681
Net pension liability is not due and payable in the current period and therefore is not reported as a liability in the funds.	(23,527,139)
Accrued pension contributions for the June 30, 2018 plan year end are not paid with current economic resources and are therefore not reported as a liability in the funds, but are included in accounts payable in the government-wide statement of net position.	(973,579)
Long-term liabilities, including bonds payable and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds (See Note 5).	(58,922,350)
Internal service funds are used by the District to charge the costs of the self insurance program to the individual funds. The activities of this fund are included in the Statement of Activities.	3,275,003
Net position of governmental activities (A-1)	<u>\$ 37,058,714</u>

See accompanying notes to the basic financial statements.

Educational Services Commission of New Jersey
Governmental Funds

Statements of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2018

	Major Funds				Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	
Revenues:					
Local Sources:					
Tuition from Districts	\$34,418,279				\$ 34,418,279
Transportation Fees	40,848,533				40,848,533
Services Provided to Districts	18,184,116				18,184,116
Interest on Investments	171,522		\$ 37,247	\$ 3,936	212,705
Miscellaneous	116,616				116,616
Total – Local Sources	93,739,066		37,247	3,936	93,780,249
State Sources	4,447,104	\$8,148,977			12,596,081
Federal Sources		2,350,259			2,350,259
Total Revenues	98,186,170	10,499,236	37,247	3,936	108,726,589
Expenditures:					
Current:					
Instruction	11,858,427	6,099,152			17,957,579
Support Services					
Health Services	1,136,340				1,136,340
Other Support: Special	9,811,271	3,974,421			13,785,692
General Administration	1,122,624				1,122,624
School Administration	1,997,164				1,997,164
Central Services	1,522,335				1,522,335
Administrative Information Technology	236,317				236,317
Required Maintenance for School Facilities	951,198				951,198
Operation of Plant	789,227				789,227
Student Transportation	41,167,738				41,167,738
Employee Benefits	8,734,296				8,734,296
Reimbursement TPAF Social Security, Disability Insurance and Pension (Non-Budgeted)	4,447,104				4,447,104
Capital Outlay	1,399,551	374,866	4,939,250		6,713,667
Special Schools	2,338,363				2,338,363
Debt Service:					
Costs of Issuance			200,507		200,507
Principal				2,695,000	2,695,000
Interest				1,760,437	1,760,437
Total Expenditures	87,511,955	10,448,439	5,139,757	4,455,437	107,555,588
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,674,215	50,797	(5,102,510)	(4,451,501)	1,171,001
Other Financing Sources (Uses):					
Transfers In				4,569,647	4,569,647
Transfers Out	(7,590,127)	(50,797)	(57,391)		(7,698,315)
Premium on loan proceeds			2,050,651		2,050,651
Proceeds from MCIA Loan			13,170,000		13,170,000
Total Other Financing Sources (Uses)	(7,590,127)	(50,797)	15,163,260	4,569,647	12,091,983
Excess of Revenues Over Expenditures and Other Financing Sources (Uses)	3,084,088	-	10,060,750	118,146	13,262,984
Fund Balances, July 1	24,248,269	-	4,193,206	4,460,918	32,902,393
Fund Balances, June 30	\$27,332,357	\$ -	\$ 14,253,956	\$ 4,579,064	\$ 46,165,377

The reconciliation of the fund balances of governmental funds to the net position of governmental activities in the statement of activities is presented in an accompanying schedule (B-3).

See accompanying notes to the basic financial statements.

Educational Services Commission of New Jersey
Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance to the Statement of Activities

Year ended June 30, 2018

Total net change in fund balances - governmental funds (B-2) **\$ 13,262,984**

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 and disposals. This is the amount by which capital asset additions exceeded depreciation and disposals in the period.

	Depreciation Expense	\$ (2,086,145)	
	Capital Asset Additions	6,338,801	
	Capital Asset Disposals and Loss on Disposals, Net	<u>(42,625)</u>	4,210,031

The issuance of long-term debt (e.g. bonds/loans, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

	Issuance of Bonds	(13,170,000)	
	Repayment of Bond Principal	2,695,000	
	Premium on Bond Issuance	(2,050,651)	
	Amortization of Premium on Bonds	431,934	
	Deferred Loss on Refunding	<u>(310,079)</u>	(12,403,796)

In the statement of activities, interest on long-term debt is accrued, regardless of when due. In the governmental funds, interest is reported when due. The amount presented is the change from prior year.

(469,166)

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) 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 a reduction in the reconciliation; when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation.

35,159

The Internal service fund is used by the District to charge the costs of its self insurance program to the individual fund. The assets and liabilities of the internal service fund are included with governmental activities.

3,275,003

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

	Pension expense		(659,305)
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Change in net position of governmental activities (A-2) **\$ 7,250,910**

See accompanying notes to the basic financial statements.

Proprietary Funds

Educational Services Commission of New Jersey
Proprietary Funds

Statement of Net Position

June 30, 2018

	Major Enterprise Funds				Major Internal Service Fund
	Regional Day School Fund	Pool Services Fund	Food Services Fund	Totals	Self Insurance Fund
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 1,134,799	\$ 396,184	\$ 28,200	\$ 1,559,183	\$ 3,605,663
Intergovernmental Accounts Receivable:					
State			828	828	
Federal			63,332	63,332	
Other Districts	758,066	32,286		790,352	211,806
Interfund Receivable	6,313	135,450	64,157	205,920	931
Total Current Assets	<u>1,899,178</u>	<u>563,920</u>	<u>156,517</u>	<u>2,619,615</u>	<u>3,818,400</u>
Capital Assets:					
Depreciable:					
Land and Building Improvements	1,109,024			1,109,024	
Equipment	975,744	6,521		982,265	
Accumulated Depreciation	(945,097)	(1,069)		(946,166)	
Total Capital Assets	<u>1,139,671</u>	<u>5,452</u>		<u>1,145,123</u>	
Total Assets	<u>3,038,849</u>	<u>569,372</u>	<u>156,517</u>	<u>3,764,738</u>	<u>3,818,400</u>
Liabilities					
Current Liabilities:					
Accounts Payable	46,657	26,807	791	74,255	543,397
Interfunds Payable	22,267	75,684	6,313	104,264	
Unearned Revenues		70,541	3,326	73,867	
Total Current Liabilities	<u>68,924</u>	<u>173,032</u>	<u>10,430</u>	<u>252,386</u>	<u>543,397</u>
Net Position					
Investment in Capital Assets	1,139,671	5,452		1,145,123	
Unrestricted	1,830,254	390,888	146,087	2,367,229	3,275,003
Total Net Position	<u>\$ 2,969,925</u>	<u>\$ 396,340</u>	<u>\$ 146,087</u>	<u>\$ 3,512,352</u>	<u>\$ 3,275,003</u>

See accompanying notes to the basic financial statements.

**Educational Services Commission of New Jersey
Proprietary Funds**

**Combining Statement of Revenues, Expenses
and Changes in Fund Net Position**

Year ended June 30, 2018

	Major Enterprise Funds				Major Internal Service Fund
	Regional Day School Fund	Pool Services Fund	Food Services Fund	Totals	Self Insurance Fund
Operating Revenues:					
Services Provided by Other Funds					\$ 7,529,051
Charges for Services:					
Daily Sales - Reimbursable Programs			\$ 69,592	\$ 69,592	
Daily Sales - Non-Reimbursable Programs			6,260	6,260	
Tuition	\$ 4,829,188			4,829,188	
Services	726,967	\$ 1,015,030		1,741,997	
Miscellaneous	2,598	387		2,985	
Total Operating Revenues	5,558,753	1,015,417	75,852	6,650,022	7,529,051
Operating Expenses:					
Cost of Sales - Reimbursable Programs			309,121	309,121	
Cost of Sales - Non-Reimbursable Programs			5,010	5,010	
Salaries and Wages	2,999,057	489,632	28,202	3,516,891	
Employee Benefits	1,224,666	134,649		1,359,315	7,529,051
Other Professional Services	583,203	18,392		601,595	
Maintenance and Repairs	34,496	36,948		71,444	
Telephone/Communications	18,720	1,223		19,943	
Materials and Supplies	52,935	101,439		154,374	
Utilities	71,188	31,260		102,448	
Textbooks	688			688	
Depreciation	138,626	435		139,061	
Miscellaneous	50,927	52,241		103,168	
Total Operating Expenses	5,188,438	866,219	342,333	6,396,990	7,529,051
Operating Income (Loss)	370,315	149,198	(266,481)	253,032	-
Nonoperating Revenues:					
State School Lunch Program			3,866	3,866	
Federal National School Breakfast Program			104,470	104,470	
Federal National School Lunch Program			190,832	190,832	
Total Nonoperating Revenues			299,168	299,168	
Income Before Transfers	370,315	149,198	32,687	552,200	-
Transfers In		135,450		135,450	3,275,003
Transfers Out	(100,184)	(181,601)		(281,785)	
Total Transfers	(100,184)	(46,151)		(146,335)	3,275,003
Change in Net Position	270,131	103,047	32,687	405,865	3,275,003
Net Position, Beginning	2,699,794	293,293	113,400	3,106,487	-
Net Position, Ending	\$ 2,969,925	\$ 396,340	\$ 146,087	\$ 3,512,352	\$ 3,275,003

See accompanying notes to the basic financial statements.

Educational Services Commission of New Jersey
Proprietary Fund

Statement of Cash Flows

Year ended June 30, 2018

	Major Enterprise Funds				Major Internal Service Fund
	Regional Day School Fund	Pool Services Fund	Food Services Fund	Totals	Self Insurance Fund
Cash Flows From Operating Activities					
Receipts from customers	\$ 5,629,679	\$ 1,008,076	\$ 73,868	\$ 6,711,623	\$ 7,529,051
Payments to employees	(2,999,057)	(489,632)	(28,202)	(3,516,891)	
Payments for employee benefits	(1,224,666)	(134,649)		(1,359,315)	(7,197,460)
Payments to suppliers	(835,596)	(268,234)	(314,131)	(1,417,961)	
Net cash provided by (used in) operating activities	<u>570,360</u>	<u>115,561</u>	<u>(268,465)</u>	<u>417,456</u>	<u>331,591</u>
Cash Flows From Noncapital Financing Activities					
State sources			3,367	3,367	
Federal sources			257,555	257,555	
Operating subsidies and transfers (to) from other funds	(78,296)	(105,955)	(8,429)	(192,680)	3,274,072
Net cash (used in) provided by noncapital financing activities	<u>(78,296)</u>	<u>(105,955)</u>	<u>252,493</u>	<u>68,242</u>	<u>3,274,072</u>
Cash Flows From Capital and Related Financing Activities					
Purchases of capital assets	(123,570)			(123,570)	
Net cash used in capital and related financing activities	<u>(123,570)</u>			<u>(123,570)</u>	
Net increase (decrease) in cash and cash equivalents	368,494	9,606	(15,972)	362,128	3,605,663
Balances—beginning of year	766,305	386,578	44,172	1,197,055	-
Balances—end of year	<u>\$ 1,134,799</u>	<u>\$ 396,184</u>	<u>\$ 28,200</u>	<u>\$ 1,559,183</u>	<u>\$ 3,605,663</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ 370,315	\$ 149,198	\$ (266,481)	\$ 253,032	
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation and net amortization	138,626	435		139,061	
Change in assets and liabilities:					
Decrease (Increase) in accounts receivable	70,926	(20,180)		50,746	\$ (211,806)
(Decrease) Increase in accounts payable	(9,507)	(26,731)		(36,238)	543,397
Increase (Decrease) in unearned revenue		12,839	(1,984)	10,855	
Net cash provided by (used in) operating activities	<u>\$ 570,360</u>	<u>\$ 115,561</u>	<u>\$ (268,465)</u>	<u>\$ 417,456</u>	<u>\$ 331,591</u>

See accompanying notes to the basic financial statements.

Fiduciary Funds

Educational Services Commission of New Jersey
Fiduciary Funds

Statement of Fiduciary Net Position

June 30, 2018

	Unemployment Compensation Trust Fund	Agency Fund
Assets		
Cash and Cash Equivalents	\$ 316,718	\$ 308,887
Interfund Receivable		16
Accounts Receivable - Other		1,725
Total Assets	316,718	\$ 310,628
Liabilities		
Accounts Payable		\$ 280,235
Interfunds Payable		23,256
Due to Student Groups		7,137
Total Liabilities		\$ 310,628
Net Position		
Held in Trust for Unemployment Claims	\$ 316,718	

See accompanying notes to the basic financial statements.

Educational Services Commission of New Jersey
Fiduciary Funds

Statement of Changes in Fiduciary Net Position

Year ended June 30, 2018

	<u>Unemployment Compensation Trust Fund</u>
Additions	
Contributions	\$ 159,721
Interest on Investments	2,230
Total Additions	<u>161,951</u>
Deductions	
Payment of Claims	<u>159,721</u>
Total Deductions	<u>159,721</u>
Change in Net Position	2,230
Net Position, Beginning	314,488
Net Position, Ending	<u><u>\$ 316,718</u></u>

See accompanying notes to the basic financial statements.

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2018

1. Summary of Significant Accounting Policies

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

The Commission was established by the local school districts of Middlesex County to administer programs designated by the membership in a cooperative fashion.

The general purpose of the Commission is to provide services for the consortium of school districts comprising it that are more economically and efficiently provided on a collective basis. The Commission has been established pursuant to the laws of the State of New Jersey (NJSA 18A:6, et seq.) and is a governmental body exempt from taxes. On May 2, 2016, the State Board of Education unanimously approved a name change for the Middlesex Regional Educational Services Commission to the Educational Services Commission of New Jersey.

A. Reporting Entity

The financial reporting entity consists of: a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It also is financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

The Commission, as the primary government for financial reporting entity purposes, has oversight responsibility and control over all activities related to the Commission. The Commission receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2018

1. Summary of Significant Accounting Policies (continued)

The Commission has no component units that are required to be included within the reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Commission. For the most part, the effect of internal activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. The New Jersey Department of Education requires that all funds be reported as major to promote consistency among the school districts in the State of New Jersey.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2018

1. Summary of Significant Accounting Policies (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers all revenues to be available if they are collected within six months of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, pension liabilities and MCIA loans, are recorded only when payment is due.

The Commission has reported the following major governmental funds:

General Fund: The general fund is the general operating fund of the Commission and is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment, which are classified in the capital outlay subfund.

Special Revenue Fund: The Commission maintains one special revenue fund, which includes the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes, other than debt service or capital projects.

Capital Projects Fund: The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to an expenditure for capital outlays, including the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds/loans and state aid.

Debt Service Fund: The debt service fund accounts for and reports financial resources that are restricted, committed, or assigned to an expenditure for the principal and interest on long-term general obligation debt of governmental funds.

The Commission reports the following major proprietary funds:

Enterprise Funds (Food Service Fund, Regional Day School Fund, and Pool Service Fund): The Food Service Fund accounts for all revenues and expenses pertaining to cafeteria operations. The stated intent is that the cost (i.e., expenses including depreciation and any indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2018

1. Summary of Significant Accounting Policies (continued)

primarily through user charges. All of the Commission's enterprise funds account for all revenues and expenses in the operation of the various programs similar to a private business enterprise.

Internal Service Funds (Self Insurance): The self-insurance internal service fund is used to account for employer and employee contributions that pay for benefits, claims costs, and administrative costs of the self-insured health benefits program.

Additionally, the Commission reports the following fiduciary fund types:

Fiduciary funds of the Commission include the unemployment compensation trust fund and agency funds. The trust fund is reported using the economic resources measurement focus. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurements of results of operations. The following is a description of the fiduciary funds of the Commission:

Trust and Agency Funds: The trust and agency funds are used to account for assets held by the Commission on behalf of outside parties, including other governments, or on behalf of other funds within the Commission.

Trust Fund: The unemployment compensation trust fund is used to account for employer's contribution, which is utilized to pay unemployment compensation insurance claims as they arise and quarterly unemployment tax liability.

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

Amounts reported as program revenues include 1) charged to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

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

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2018

1. Summary of Significant Accounting Policies (continued)

Enterprise funds distinguish operating revenue and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission enterprise funds are charges for sales of food, tuition, and revenues and services provided for the Pool Fund. Operating expenses for enterprise funds include the cost of sales, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The Commission reports unearned revenue on its statement of net position and balance sheet. Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenue also arises when resources are received by the Commission before it has legal claim to them, as when federal assistance is received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Commission has a legal claim to the resources, the liability for unearned revenue is removed from the statement of net position and balance sheet and revenue is recognized.

D. Budgets/Budgetary Control

Annual budgets are adopted each year for the general fund, special revenue fund and debt service fund. 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. 6A:23. All budget amendments must be approved by Commission resolution. Budget amendments during the year ended June 30, 2018 were properly approved by Commission resolution.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States 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

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2018

1. Summary of Significant Accounting Policies (continued)

related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

E. Cash and Cash Equivalents

Cash and cash equivalents include petty cash, amounts on deposit, money market accounts, and short-term investments and certificates of deposit with original maturities of three months or less.

F. Interfund Receivables/Payables

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

G. Capital Assets

Capital assets, which include property, plant and equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Commission defines capital assets as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or through estimation procedures performed by an independent appraisal company. Donated capital assets are valued at their acquisition value on the date of acquisition. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend the assets lives are not capitalized.

Property, plant and equipment of the Commission is depreciated using the straight line method. The following estimated useful lives are used to compute depreciation:

	<u>Years</u>
Machinery and equipment	2-20
Buildings	50
Building improvements	20
Vehicles	5-10

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2018

1. Summary of Significant Accounting Policies (continued)

H. Compensated Absences

A liability for compensated absences that are attributable to services already rendered and that are 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. The Commission uses the “vesting method” for estimating its accrued sick and vacation leave liability. Commission employees are granted vacation and sick leave in varying amounts under the Commission’s personnel policies and according to the negotiated contracts. In the event of retirement, according to contract, an employee is reimbursed for accumulated vacation and sick leave. Non-affiliated employees who resign with more than ten years of service will be reimbursed for accumulated vacation leave pursuant to the Policy 4433.2 Accumulated Vacation Leave (Resignation) approved on October 15, 2010. As of June 30, 2018, a liability existed for compensated absences in the government-wide financial statements in the amount of \$133,133.

The liability for compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2018, no liability existed for compensated absences in the proprietary fund types.

I. Unearned Revenue

Unearned revenue in the general fund and special revenue fund represents cash, which has been received but not yet earned.

J. Deferred Outflows / Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will *not* be

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2018

1. Summary of Significant Accounting Policies (continued)

recognized as an inflow of resources (revenue) until that time. The Commission has one item that qualifies for reporting in this category, deferred amounts related to pensions.

K. Long-Term Obligations

In the government-wide financial statements, and enterprise fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or enterprise fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. 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.

L. Pension

The Commission's proportionate share of the net pension liability, deferred outflows of resources, deferred inflows of resources and expense associated with the Commission's requirement to contribute to the Public Employees' Retirement System (PERS) and the Teachers' Pension and Annuity Fund (TPAF) have been determined on the same basis as they are reported by PERS and TPAF, respectively. Contributions made to the plans after the measurement date and prior to the Commission's fiscal year end are reported as deferred outflows of resources.

M. Fund Balance

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54") established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under GASB 54, fund balances in the governmental funds financial statements are reported under the modified accrual basis of accounting and classified into the following five categories, as defined below:

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2018

1. Summary of Significant Accounting Policies (continued)

- 1) **Nonspendable** – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, long-term receivables, and corpus of any permanent funds.
- 2) **Restricted** - includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- 3) **Committed** - includes amounts that can be used only for the specific purposes imposed by a formal action of the government’s highest level of decision-making authority. The Commission’s highest level of decision-making authority is the Board of Education (the “Board”) and formal action is taken by resolution of the Board at publicly held meetings. Once committed, amounts cannot be used for other purposes unless the Board revises or changes the specified use by taking the same action (resolution) taken to originally commit these funds.
- 4) **Assigned** – amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Intent is expressed by either the Board or Business Administrator, to whom the Board has delegated the authority to assign amounts to be used for specific purposes, including the encumbering of funds.
- 5) **Unassigned** - includes all spendable amounts not contained in the other classifications in the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In the other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When both restricted and unrestricted resources are available for use, it is the Commission’s policy to use restricted resources first, then unrestricted resources as they are needed. For the unrestricted fund balance, the Commission first spends committed funds, then assigned funds, and finally, unassigned funds.

Of the \$27,332,357 of fund balance in the General Fund, \$1,936,602 of encumbrances is assigned to other purposes, \$216,392 has been restricted in the capital reserve account; \$4,411,843 has been restricted in the maintenance reserve account; and the remaining \$20,767,520 is unassigned. The Capital Projects Fund fund balance is \$14,253,956, which is restricted for capital projects and the Debt Service Fund fund balance is \$4,579,064, which is restricted for debt service.

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2018

1. Summary of Significant Accounting Policies (continued)

N. Net Position

Net position represents the difference between assets, deferred outflows of resources, deferred inflows of resources and liabilities in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net positions are reported as restricted in the government-wide and fund financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position is reported in the following three categories:

- Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets.
- Restricted net position is restricted due to legal restrictions from creditors, grantors, or laws and regulations of other governments.
- Unrestricted net position consists of net position which does not meet the definition of the two preceding categories.

O. Management Estimates

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

P. On-Behalf Payments

Revenues and expenditures of the general fund include payments made by the State of New Jersey for social security and pension contributions for certified members of the New Jersey Teachers Pension and Annuity Fund. Additionally, revenues and expenses related to on-behalf pension contributions in the government-wide financial statements have been increased by \$4,174,204 to adjust for the full accrual basis incurred by the State of New Jersey during the most recent measurement period. The amounts are not required to be included in the Commission's annual budget.

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2018

1. Summary of Significant Accounting Policies (continued)

Q. Deferred Loss on Defeasance of Debt

Deferred loss on defeasance of debt arising from the issuance of the refunding bonds is recorded as a deferred outflow of resources. It is amortized in a systematic and rational manner over the duration of the related debt as a component of interest expense. As of June 30, 2018, the Commission has recorded an unamortized balance of \$3,918,681 as a deferred outflow of resources. Amortization expense for the year ended June 30, 2018 was \$310,079.

R. GASB Pronouncements

GASBs Pronouncements Implemented in the 2018 Fiscal Year

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2017. The Commission has adopted GASB Statement No. 75 during the year ended June 30, 2018, which resulted in an increase in full accrual revenues and expenses and additional disclosures in the notes to the basic financial statements.

In March, 2017, GASB issued Statement No. 85, *Omnibus 2017*. This Statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The requirements of this Statement are effective for periods beginning after June 15, 2017. The Commission has adopted GASB Statement No. 85 during the year ended June 30, 2018, which did not have a significant impact on the financial statements.

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2018

1. Summary of Significant Accounting Policies (continued)

S. Recently Issued Accounting Principles

The GASB issued Statement No. 84, *Fiduciary Activities* in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018. Management has not determined the impact of the Statement on the financial statements.

The GASB issued Statement No. 87, *Leases* in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019. Management has not determined the impact of the Statement on the financial statements.

T. Subsequent Events

Management has reviewed and evaluated all events and transactions that occurred from June 30, 2018 through February 20, 2019, the date that the financial statements were available for issuance for possible disclosure and recognition in the financial statements, and no items have come to the attention of the Commission that would require disclosure.

2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheets includes reconciliation between fund balance/net position – total governmental funds and net position– governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds and loans payable, unamortized bond issuance premium compensated balances and the net pension liability, are not due and payable in the current period and therefore are not reported in the funds. The details of the \$58,922,350 difference are as follows:

Bonds/loans payable	\$ 52,835,000
Unamortized bond issuance premium	5,954,217
Compensated absences	<u>133,133</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net position – governmental activities	<u>\$ 58,922,350</u>

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2018

3. Deposits and Investments

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

New Jersey school districts are limited as to the types 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 Commission 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 Government Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et. 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 public 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 a market value 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 other public depositories, is available to pay the full amount of their deposits

Cash and cash equivalents held by fiscal agent represents the balance of loan proceeds, and interest thereon, used to construct a new school and service the related debt in accordance with the loan agreement. Upon completion of the project, the balance of funds may be transferred to either the General Fund or Debt Service fund at the discretion of the Commission.

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, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School Commissions 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:

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2018

3. Deposits and Investments (continued)

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

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 of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

At June 30, 2018, the carrying amount of the Commission's deposits was \$15,582,637 and the bank balance was \$26,984,250. Of the bank balance, \$250,000 was covered by the Federal Depository Insurance and \$25,868,678 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Governmental Unit Deposit Protection Act (GUDPA). \$865,572 held in the Commission's agency accounts are not covered by GUDPA.

GASB Statement No. 40 requires that the Commission disclose whether its deposits are exposed to custodial credit risk (risk that in the event of failure of the counterparty, the Commission would not be able to recover the value of its deposit or investment). Deposits are considered to be exposed to custodial credit risk if they are: uncollateralized (securities are not pledged to the depositor), collateralized with the securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the name of the Commission.

The Commission does not have a policy for the management of custodial credit risk, other than depositing all of its funds in banks covered by GUDPA. The Commission's deposits were fully collateralized by funds held by the financial institution, but not in the name of the Commission.

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2018

3. Deposits and Investments (continued)

Investments

New Jersey statutes permit the Commission to purchase the following types of investments:

- a. Bonds and other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States for Cooperatives, which have a maturity date not greater than twelve months from the date of purchase.
- c. State of New Jersey Cash Management Fund and New Jersey Asset and Rebate Management Fund.

Custodial Credit Risk: The Commission does not have a policy for custodial credit risk other than to maintain a safekeeping account for the securities at a financial institution.

Credit Risk: The Commission does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government.

Concentration of Credit Risk: The Commission places no limit on the amount the Commission may invest in any one issuer. At June 30, 2018, the Commission had no investments.

Interest Rate Risk: The Commission does not have a policy to limit interest rate risk. At June 30, 2018, the Commission had no investments.

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2018

4. Capital Assets

The following schedule is a summarization of the governmental activities changes in capital assets for the fiscal year ended June 30, 2018:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,231,614			\$ 5,231,614
Construction in progress	845,502	\$ 5,026,534		5,872,036
Total capital assets, not being depreciated	6,077,116	5,026,534		11,103,650
Capital assets, being depreciated:				
Buildings and building improvements	69,289,589	809,774	\$ (27,868)	70,071,495
Land improvements	1,192,854			1,192,854
Vehicles	1,060,349	106,412	(560,158)	606,603
Machinery and equipment	5,679,871	396,081		6,075,952
Total capital assets, being depreciated	77,222,663	1,312,267	(588,026)	77,946,904
Less accumulated depreciation for:				
Buildings and building improvements	(16,303,455)	(1,539,448)	6,223	(17,836,680)
Land improvements	(901,283)	(47,587)		(948,870)
Vehicles	(837,103)	(50,537)	539,178	(348,462)
Machinery and equipment	(3,275,916)	(448,573)		(3,724,489)
Total accumulated depreciation	(21,317,757)	(2,086,145)	545,401	(22,858,501)
Total capital assets, being depreciated, net	55,904,906	(773,878)	(42,625)	55,088,403
Governmental activities capital assets, net	\$ 61,982,022	\$ 4,252,656	\$ (42,625)	\$ 66,192,053

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2018

4. Capital Assets (continued)

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

Instruction	\$	417,229
Business and other support services		<u>1,668,916</u>
Total allocated depreciation	\$	<u>2,086,145</u>

The following is a summary of business-type capital assets for the fiscal year ended June 30, 2018:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Ending Balance</u>
Business-type activities:			
Capital assets, being depreciated:			
Land improvements	\$ 6,163		\$ 6,163
Building and building improvements	1,019,146	\$ 83,715	1,102,861
Machinery and equipment	942,410	39,855	982,265
Total capital assets being depreciated	<u>1,967,719</u>	<u>123,570</u>	<u>2,091,289</u>
Less accumulated depreciation for:			
Land improvements	(4,096)	(308)	(4,404)
Building and building improvements	(295,774)	(66,705)	(362,479)
Machinery and equipment	(507,235)	(72,048)	(579,283)
Total accumulated depreciation	<u>(807,105)</u>	<u>(139,061)</u>	<u>(946,166)</u>
Business-type activities capital assets, net	<u>\$ 1,160,614</u>	<u>\$ (15,491)</u>	<u>\$ 1,145,123</u>

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2018

5. Long-Term Liabilities

During the year ended June 30, 2018, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated absences payable	\$ 168,292	\$ 1,404	\$ (36,563)	\$ 133,133	
MCIA bonds/ loans payable	42,360,000	13,170,000	(2,695,000)	52,835,000	\$ 2,885,000
Unamortized premium	4,335,500	2,050,651	(431,934)	5,954,217	431,935
Subtotal	46,863,792	15,222,055	(3,163,497)	58,922,350	3,316,935
Net pension liability	29,847,941		(6,320,802)	23,527,139	
Total governmental activities long-term liabilities	\$ 76,711,733	\$ 15,222,055	\$ (9,484,299)	\$ 82,449,489	\$ 3,316,935

The Commission expects to liquidate the compensated absences and the net pension liability with payments made from the Commission's general fund. Bonds/loans payable are liquidated by expenditures charged to the debt service fund.

Bonds/Loan Payable

On June 24, 2010, the Middlesex County Improvement Authority issued County-Guaranteed Revenue Refunding Bonds, Series 2010 in the amount of \$5,300,000 of the 1999 County Guaranteed Revenue Bonds. The principal amount outstanding as of June 30, 2011 was \$5,185,000. Terms of the loan repayment call for semi-annual interest with rates that vary from 2.00% to 4.00% and annual principal repayments. The principal amount outstanding of the series 2010 as of June 30, 2018 is \$1,255,000.

On May 7, 2014, the Commission advance refunded \$9,385,000 of the 2004 County Guaranteed Revenue Bonds. The principal amount outstanding as of June 30, 2014 was \$11,230,000. Terms of the loan repayment call for semi-annual interest with rates that vary from 2.00% to 5.00% and annual principal repayments. The Commission completed the refunding to reduce total debt service payment by over 10%. The principal amount outstanding of the series 2014 as of June 30, 2018 is \$7,250,000.

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2018

5. Long-Term Liabilities (continued)

On December 16, 2014, the Middlesex County Improvement Authority issued the Middlesex County Guaranteed Lease Revenue Refunding Bonds (Middlesex Regional Educational Services Commission Projects), these bonds were issued to refund \$29,225,000 of 2008 Bonds maturing December 15, 2019 to 2033. The par amount of the 2014 Refunding Bonds totals \$30,170,000 and debt service savings equate to \$2,159,982 or 7.391% of Refunded Bonds on a present value basis. The average interest rate of the Series 2014A is 3.15% compared with the average interest rate of the refunded bonds of 5.15%, with a final maturity date of December 15, 2033. The Principal amount outstanding for series 2008 and 2014A as of June 30, 2018 is \$1,290,000 and \$29,870,000 respectively.

On August 31, 2017, the Middlesex County Improvement Authority issued the Middlesex County Guaranteed Lease Revenue Bonds, Series 2017 (Educational Services Commission of New Jersey Projects). These bonds were issued in the par amount of \$13,170,000 maturing July 15, 2018 to 2037 with interest rates that vary from 3.00% to 5.00%. Terms of the loan repayment call for semi-annual interest and annual principal repayments. The principal amount outstanding of the series 2017 as of June 30, 2018 is \$13,170,000. The funds were obtained for the NuView Academy Annex project.

As of June 30, 2018, \$46,230,000 of all defeased bonds remain outstanding.

The Commission has pledged the New School Projects as collateral for the loans.

Future loan payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending June 30:			
2019	\$ 2,885,000	\$ 2,483,712	\$ 5,368,712
2020	2,930,000	2,138,088	5,068,088
2021	3,045,000	2,007,912	5,052,912
2022	3,190,000	1,860,688	5,050,688
2023	3,340,000	1,701,837	5,041,837
2024-2028	16,090,000	6,044,863	22,134,863
2029-2033	14,840,000	2,669,687	17,509,687
2034-2038	6,515,000	416,494	6,931,494
	<u>\$52,835,000</u>	<u>\$ 19,323,281</u>	<u>\$72,158,281</u>

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2018

6. Pension Plans

Description of Systems

Based on Membership Eligibility, substantially all of the Commission's employees participate in either of following three contributory defined benefit public employee retirement systems that have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF), or the Public Employees' Retirement System (PERS); or a Defined Contribution Retirement Program (DCRP). The TPAF and PERS are sponsored and administered by the New Jersey Division of Pensions and Benefits. The Teachers' Pension and Annuity Fund Retirement System is considered a cost-sharing multiple-employer plan, with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Commission and the system's other related non-contributing employers. The Public Employees' Retirement System is considered a cost-sharing multiple-employer plan.

Teachers' Pension and Annuity Fund

The Teachers' Pension and Annuity Fund was established in January 1955 under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time public school employees in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for health care coverage.

Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60, and 62, respectively with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively, with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

Public Employee's Retirement System

The Public Employees' Retirement System was established in January 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2018

6. Pension Plans (continued)

full time employees of the State or any county, municipality, school Board or public agency provided the employee is not a member of another State-administered retirement system. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60, and 62, respectively with an annual benefit generally determined to be $1/55^{\text{th}}$ of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively with an annual benefit generally determined to be $1/60^{\text{th}}$ of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for TPAF and PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295. Prudential Financial makes DCRP information, including information about distribution options, available on its New Jersey Defined Contribution Program Web site at www.prudential.com/njdcpr.

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing members. Plan member and employer contributions may be amended by State of New Jersey legislation. Under the provisions of Chapter 78, P.L. 2011, employee contribution rates for TPAF and PERS increased from 5.5% to 6.5% of employees' annual compensation. An additional increase is to be phased in annually through July 2018 that will bring the total pension contribution rate to 7.5% of employees' annual compensation. Employers are required to contribute at an actuarially determined rate in both the TPAF and PERS. The actuarially determined contribution includes funding for noncontributory death benefits and post-retirement medical premiums. Under current statute the Board is a non-contributing employer of the TPAF.

During the year ended June 30, 2018, the State of New Jersey contributed \$3,400,840 to the TPAF for on-behalf pension, non-contributory insurance and post-retirement medical benefits on behalf of the Commission. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Commission \$1,046,264 during the year ended June 30, 2018 for the employer's

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2018

6. Pension Plans (continued)

share of social security contributions for TPAF members as calculated on their base salaries.

The Commission's actuarially determined contributions to PERS for each of the years ended June 30, 2018, 2017 and 2016 were \$936,292, \$895,309, and \$865,787, respectively, equal to the required contributions for each year.

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 PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For the purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

Public Employee's Retirement System (PERS)

At June 30, 2018, the Commission reported a liability of \$23,527,139 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating school Commissions, actuarially determined. At June 30, 2017, the Commission's proportion was 0.1010685311 percent, which was a decrease of 0.0002892206 from its proportion measured as of June 30, 2016.

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2018

6. Pension Plans (continued)

For the year ended June 30, 2018, the Commission recognized full accrual pension expense of \$1,595,590 in the government-wide financial statements. Pension expense is reported in the Commission's financial statements as part of employee benefits expense. At June 30, 2018, the Commission reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 553,983	
Changes of assumptions	4,739,908	\$ 4,722,530
Net difference between projected and actual earnings on pension plan investments	160,204	
Changes in proportion and differences between Commission contributions and proportionate share of contributions	108,916	367,634
Commission contributions subsequent to the measurement date	973,579	
	<u>\$ 6,536,590</u>	<u>\$ 5,090,164</u>

\$973,579 is reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability for the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ 401,035
2020	693,146
2021	503,813
2022	(634,332)
2023	(490,815)
	<u>\$ 472,847</u>

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2018

6. Pension Plans (continued)

Actuarial Assumptions

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

Inflation rate	2.25%
Salary increases	
Through 2026	1.65 - 4.15%
	based on age
Thereafter	2.65 - 5.15%
	based on age
Investment rate of return	7.00%

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.

Mortality Rates

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

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2018

6. Pension Plans (continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) 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's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
	<u>100.00%</u>	

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2018

6. Pension Plans (continued)

Discount rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.85% as of June 30, 2017 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Commission's proportionate share of the net pension liability to changes in the discount rate

The following presents the Commission's proportionate share of the net pension liability as of June 30, 2017 calculated using the discount rate as disclosed above as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.00 percent) or 1-percentage-point higher (6.00 percent) than the current rate:

	At 1% Decrease (4.00%)	At Current Discount Rate (5.00%)	At 1% Increase (6.00%)
Commission's proportionate share of the net pension liability	\$29,187,013	\$ 23,527,139	\$18,811,763

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for the State of New Jersey Public Employees Retirement System.

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2018

6. Pension Plans (continued)

Additional Information

Collective balances of the Local Group at June 30, 2017 are as follows:

Deferred outflows of resources	\$6,424,455,842
Deferred inflows of resources	\$5,700,625,981
Net pension liability	\$23,278,401,588
Commission's Proportion	0.1010685311%

Collective pension expense for the Local Group for the measurement period ended June 30, 2017 is \$1,694,305,613.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2017, 2016, 2015 and 2014 is 5.48, 5.57, 5.72, and 6.44 years, respectively.

Teachers Pensions and Annuity Fund (TPAF) – Special Funding Situation

The employer contributions for the Commission are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, the Commission (employer) is 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 Commission (employer) does 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 Commission. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer. The State's portion of the net pension liability that was associated with the Commission as of June 30, 2017 was \$90,048,706. The Commission's contractually required contribution rate for the year ended June 30, 2018, was 0.00% of the annual covered payroll of which 100% was required from the State.

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The State's proportionate share of the net pension liability associated with the Commission was based on a projection of the State's long-term contributions to the pension plan associated with the Commission relative to the projected

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2018

6. Pension Plans (continued)

contributions by the State associated with all participating school Commissions, actuarially determined. At June 30, 2017, the State's proportionate share of the TPAF net pension liability associated with the Commission was 0.1335566447 percent, which was an increase of 0.0040486717 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Commission recognized on-behalf pension expense and revenue in the government wide financial statements of \$4,174,204 for contributions incurred by the State.

Actuarial assumptions

The actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.25%
Salary increases	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.00%

Mortality Rates

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

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

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2018

6. Pension Plans (continued)

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 expecting future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public high yield	2.50%	6.82%
High yield bonds	5.00%	7.10%
Global diversified credit	1.00%	6.60%
Credit oriented hedge funds	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 markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
	<u>100.00%</u>	

Discount Rate

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

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2018

6. Pension Plans (continued)

discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 40% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2036.

Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2036, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the State's proportionate share of the net pension liability associated with the Commission to changes in the discount rate

The following presents the State's proportionate share of the net pension liability associated with the Commission as of June 30, 2017 calculated using the discount rate as disclosed above as well as what the State's proportionate share of the net pension liability associated with the Commission would be if it were calculated using a discount rate that is 1-percentage point lower (3.25 percent) or 1-percentage-point higher (5.25 percent) than the current rate:

	At 1% Decrease (3.25%)	At Current Discount Rate (4.25%)	At 1% Increase (5.25%)
Commission's proportionate share of the net pension liability	\$ 106,980,687	\$ 90,048,706	\$ 76,100,066

Pension plan fiduciary net position

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

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2018

6. Pension Plans (continued)

Additional Information

Collective balances of the Local Group at June 30, 2017 are as follows:

Collective deferred outflows of resources	\$14,251,854,934
Collective deferred inflows of resources	\$11,807,238,433
Collective net pension liability	\$67,423,605,859
State's proportionate share associated with the Commission	0.1335566447%

Collective pension expense of the Local Group for the plan for the measurement period ended June 30, 2017 is \$4,682,493,081.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2017, 2016, 2015 and 2014 is 8.3, 8.3, 8.3, and 8.5 years, respectively.

Defined Contribution Plan

The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a) et seq., and is a "governmental plan" within the meaning of IRC 414(d). The Plan is presently administered for the Division of Pensions and Benefits by Prudential Financial and the plan administrator maintains the Retirement Plan as a plan that qualifies for favorable income tax treatment under IRC 401(a). Assets of the Trust with respect to the Retirement Plan are used solely for the purpose of providing benefits under the Retirement Plan and for paying the administrative expenses of the Retirement Plan.

The DCRP was established July 1, 2007. The passage of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.) set up DCRP membership criteria including employees enrolled in TPAF or PERS on or after July 1, 2007 who earn a salary in excess of established "Maximum Compensation" limits, employees otherwise eligible to enroll in the PERS or TPAF on or after November 2, 2008, who do not earn the minimum annually salary for PERS or TPAF Tier 2 enrollment (\$7,700) but who earn salary of at least \$5,000 annually, or employees otherwise eligible to enroll in the PERS or TPAF after May 21, 2010 who do not work the minimum number of hours per week required for PERS or TPAF Tier 4 enrollment (32 hours per week for local education employees). Membership is mandatory for eligible employees, but PERS and TPAF

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2018

6. Pension Plans (continued)

members enrolled on or after July 1, 2007 who are eligible for DCRP participation upon reaching the annual maximum wage contribution base for Social Security pursuant to the Federal Insurance Contributions Act (\$128,400 in 2018), may elect to waive participation in the DCRP. PERS and TPAF members who participate in the DCRP are immediately vested in the DCRP with a right to a benefit at retirement based on both employee and employer contribution. There is no minimum retirement age under the DCRP. The member will automatically be considered retired, regardless of age, if there is any distribution of mandatory contributions. However, lump-sum cash distributions to members under the age of 55 are limited to the member's contributions and earnings. The remaining employer contributions and earnings are only available after age 55. A member may take a distribution at any time after termination of employment; however, if member returns to public employment in New Jersey, member cannot participate in any State-administered retirement systems. The Commission's expense for the DCRP was \$189,818 for the fiscal year ended June 30, 2018.

7. Post-retirement Benefits

Plan Description and Benefits Provided

The Commission contributes to the New Jersey School Employees Health Benefits Program ("SEHBP"), a multiple-employer defined benefit postemployment healthcare plan administered by the State of New Jersey Division of Pension and Benefits. SEHBP provide medical, prescription drug, mental health/substance abuse and Medicare Part B reimbursement to retirees and their covered dependents. The School Employees Health Benefits Program Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained by writing to Division of Pension and Benefits, PO Box 295, Trenton, NJ 08625-0295.

The State's contributions to the SHBP Fund for TPAF retirees' post-retirement benefits on behalf of the Commission for the years ended June 30, 2018, 2017 and 2016 were \$1,333,038, \$1,251,715 and \$1,234,651 respectively, which equaled the required contributions for each year.

P.L. 1987, c.384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2018

7. Post-Retirement Benefits (continued)

a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994. As the employer contributions for local government education employers are legally required to be funded by the State, this constitutes a special funding situation as defined by GASB Statement No. 75 (GASB 75) and the State is treated as a non-employer contributing entity.

The State is also responsible for the cost attributable P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program (APB) who retired from a board of education or county college with 25 years of service.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code.

The State provides OPEB benefits through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

Total OPEB Liability

The net OPEB liability from New Jersey's plan is \$53,639,841,858.

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2018

7. Post-Retirement Benefits (continued)

Changes in the Total OPEB Liability

Below represents the changes in the State's portion of the OPEB liability associated with the District for the year ended June 30, 2017:

	<u>Total OPEB Liability</u>
Beginning Total OPEB Liability, June 30, 2016	\$ 76,911,187
Changes for the year:	
Service cost	4,618,069
Interest	2,300,705
Changes in assumptions or other inputs	(9,738,211)
Member contributions	61,813
Benefit payments	(1,678,672)
Net changes for the year	<u>(4,436,296)</u>
Ending Total OPEB Liability, June 30, 2017	<u>\$ 72,474,891</u>

Employees covered by benefit terms

The following employees were covered by the benefit terms:

<u>Local Education</u>	<u>June 30, 2017</u>
Active Plan Members	223,747
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	142,331
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	-
Total Plan Members	<u>366,078</u>

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The Commission's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the Commission did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. The State's proportionate share of the net OPEB liability associated with the Commission as of June 30, 2017 was \$72,474,891. Additional information can be obtained from the State of New Jersey's comprehensive annual financial report.

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2018

7. Post-Retirement Benefits (continued)

Actuarial assumptions and other inputs

The total OPEB liability as of June 30, 2017 as reported in the June 30, 2018 actuarial valuation reported by the State in the State's most recently issued CAFR was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

	<u>TPAF</u>	<u>PERS</u>
Inflation rate	2.50%	2.50%
Salary increases:	1.55 - 4.55%	2.15 - 4.15%
Through 2026	based on years of service	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 the actual experience studies for the periods July 1, 2012 – June 30, 2015 and July 1, 2011 – June 30, 2014 for TPAF and PERS, respectively.

Discount Rate

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond return rate chosen by the Division. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2018

7. Post-Retirement Benefits (continued)

Mortality Rates

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

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare 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 following represents sensitivity of the State's proportionate share of the net OPEB liability associated with the Commission to changes in the discount rate and healthcare cost trend rate.

The following presents the State's proportionate share of the net OPEB liability associated with the Commission as of June 30, 2017 calculated using a discount rate that is 1-percentage-point lower (2.58%) or 1-percentage-point higher (4.58%) than the current discount rate (3.58%):

	At 1% decrease (2.58%)	At current discount rate (3.58%)	At 1% increase (4.58%)
Net OPEB Liability (Allocable to the Commission and the responsibility of the State)	\$ 86,032,924	\$ 72,474,891	\$ 61,720,530

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2018

7. Post-Retirement Benefits (continued)

The following presents the State's proportionate share of the net OPEB liability associated with the Commission as of June 30, 2017 calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	<u>At 1% decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>At 1% increase</u>
Net OPEB Liability (Allocable to the District and the responsibility of the State)	\$ 59,603,592	\$ 72,474,891	\$ 89,567,825

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

For the year ended June 30, 2018, the Commission recognized on-behalf OPEB expense and revenue in the government-wide financial statements of \$6,024,170 for OPEB expenses incurred by the State.

Collective balances of the Education Group at June 30, 2017 are as follows:

Deferred outflow of resources	\$ 99,843,255
Deferred inflow of resources	\$ 6,443,612,287
Collective OPEB expense	\$ 3,348,490,523
 Commission's Proportion	 0.14%

Special Funding Situation

The employer contributions for local participating employers are legally required to be funded by the State, therefore, the Commission records an expense and corresponding revenue for its respective share of total OPEB expense and revenue attributable to the State of New Jersey.

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2018

8. Contingent Liabilities

The Commission is involved in various claims and lawsuits incidental to its operations. In the opinion of the administration and legal counsel, the ultimate resolution of these matters will not have a material adverse effect on the financial position of the Commission.

The Commission participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the Commission has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2018 may be impaired. In the opinion of the Commission, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying financial statements for such contingencies.

9. Risk Management

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

Property and Liability Insurance

In addition, the Commission maintains commercial insurance coverage for property, liability, student accident and surety bonds and does not retain risk of loss. There have been no significant reductions in insurance coverage from the prior year and no settlements have exceeded insurance coverage over the past three years. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

New Jersey Unemployment Compensation Insurance

Effective January 1, 2010, the Commission elected to switch from a Reimbursable Unemployment Account to a Contributory Unemployment Account. The Employer Unemployment Compensation Insurance Contribution rate is 0.70% through June 30, 2018. Based on final unemployment experience rate, the Commission allocated to the Unemployment and Workforce Funds in the total amount of \$159,721 for fiscal year 2018.

Self-Insurance: The Commission is self-insured for medical, prescription and dental benefits and has established an internal service fund to account for its self-insurance activities. The Commission contracts with Horizon Blue Cross/Blue Shield, SynchronyRX and Delta Dental to provide claims administration and payment services for health benefits. The Commission switched contracts with Horizon Blue Cross/Blue Shield from a prospective funding plan to a self-insured plan with advance

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2018

9. Risk Management (continued)

weekly deposits of \$182,606 as of June 30, 2018 and an estimate of \$503,000 within accounts payable for incurred but not reported (IBNR) claims which was developed and calculated by an independent actuary.

The change in the IBNR for the year ended June 30, 2018 is as follows:

<u>Year</u>	<u>Balance</u>	<u>Claims and Estimates</u>	<u>Payments</u>	<u>Balance</u>
2017-2018	\$ -	\$ 8,032,051	\$ 7,529,051	\$ 503,000

10. Capital Reserve Account

Capital reserve accounts may be established for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. A 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 outlay expenditures and transfers of such funds for other uses are prohibited pursuant to N.J.S.A. 18A:22-8.2.

A capital reserve account was established by the Commission for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years.

Funds placed in the capital reserve account are restricted to capital projects in the Commission's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the Department, the Commission may increase the balance in the capital reserve by appropriating funds in the annual general fund budget or by transfer by board resolution at year end (June 1 to June 30) of any unanticipated revenue or unexpended line – item appropriation amounts, or both. Pursuant to N.J.A.C. 6A:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP. The amount included in the Commission's capital reserve account at June 30, 2018 is \$216,392 and there were no deposits or withdrawals during the 2018 fiscal year.

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2018

11. Maintenance Reserve Account

The Commission maintains a reserve to be used to accumulate funds for the required maintenance of a facility, and in accordance with N.J.S.A. 18A:7G-9, as amended by P.L. 2004, c. 73 (S1701), passed a board resolution authorizing the establishment of a maintenance reserve account in the Commission's General Fund. As allowed by N.J.S.A. 18A:F-41 and N.J.A.C. 6A:23A-14.3, the Commission can adopt a board resolution to deposit funds into a maintenance reserve account between June 1 and June 30 of each budget year. The Commission has \$4,411,843 of funds on reserve in the maintenance reserve at June 30, 2018.

12. Interfund Receivables and Payables

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

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 2,018,083	\$ 997,479
Special Revenue Fund		1,998,874
Capital Projects Fund		37,247
Debt Service Fund	936,170	
Regional Day School Enterprise Fund	6,313	22,267
Pool Services Enterprise Fund	135,450	75,684
Food Services Enterprise Fund	64,157	6,313
Internal Service Fund - self insurance	931	
Payroll Agency Fund	16	23,256
	<u>\$ 3,161,120</u>	<u>\$ 3,161,120</u>

The General Fund receivable represents amounts owed from Special Revenue fund, Proprietary Fund and agency payroll fund for short term cash loans to liquidate the fund cash deficits. The General Fund payable represents cash owed to the Debt Service Fund for the annual MCIA fee and trustee fee paid through debt service fund. The interfund between the Capital Projects Fund and the Debt Service Fund represents interest earned in the Capital Projects Fund not turned over to the Debt Service Fund at June 30, 2018.

The Commission expects to liquidate these interfunds within one year.

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2018

13. Transfers – Reconciliation

The following represents a reconciliation of transfers made during the 2018 fiscal year:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		\$ 7,590,127
Special Revenue Fund		50,797
Debt Service Fund	\$ 4,569,647	57,391
Enterprise Fund – Regional Day School		100,184
Enterprise Fund – Pool Services	135,450	181,601
Internal Service Fund	3,275,003	
Total	<u>\$ 7,980,100</u>	<u>\$ 7,980,100</u>

The transfers represent an allocation to the various funds for debt service charges to pay for the Commission’s interest and principal on its outstanding debt. The Commission does not have the ability to raise taxes and does not receive any debt service aid.

13. Commitments

The Commission has contractual commitments at June 30, 2018 to various vendors, which are recorded in the general fund as fund balance assigned to other purposes in the amount of \$1,936,602.

The Commission also has \$1,178,812 of encumbrances outstanding at June 30, 2018 for various construction contracts recorded in the capital projects fund as restricted for capital projects.

14. Restricted Assets

The Commission has \$216,392 of capital reserve funds and \$4,411,843 of maintenance reserve funds that are classified as restricted assets on the statement of net position because they are restricted by the New Jersey Department of Education to be utilized for future capital projects that have been approved in the Commission’s Long-Range Facility Plan and for maintenance purposes, respectively.

Required Supplementary Information - Part II

Educational Services Commission of New Jersey
Required Supplementary Information
Schedule of the Commission's Proportionate Share of the Net Pension Liability
Public Employee's Retirement System

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Commission's proportion of the net pension liability (asset) - Local Group	0.1010685311%	0.1007793105%	0.1007043122%	0.1047205366%	0.1040601532%	n/a	n/a	n/a	n/a	n/a
Commission's proportionate share of the net pension liability (asset)	\$ 23,527,139	\$ 29,847,941	\$ 22,606,100	\$ 19,606,549	\$ 19,887,963	n/a	n/a	n/a	n/a	n/a
Commission's covered payroll	\$ 6,808,739	\$ 6,834,840	\$ 6,859,933	\$ 6,756,533	\$ 6,996,216	\$ 7,003,742	\$ 7,852,556	\$ 8,408,353	\$ 8,646,377	\$ 8,646,377
Commission's proportionate share of the net pension liability (asset) as a percentage as a percentage of its covered payroll	345.54%	436.70%	329.54%	290.19%	284.27%	n/a	n/a	n/a	n/a	n/a
Plan fiduciary net position as a percentage of the total pension liability - Local Group	48.10%	40.14%	47.93%	52.08%	52.08%	n/a	n/a	n/a	n/a	n/a

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

See notes to Required Supplementary Information

Educational Services Commission of New Jersey
 Required Supplementary Information
 Schedule of the Commission's Contributions
 Public Employees's Retirement System (PERS)

	Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 936,292	\$ 895,309	\$ 865,787	\$ 863,301	\$ 784,072	\$ 870,819	\$ 972,536	\$ 1,024,842	\$ 834,816	\$ 671,355
Contributions in relation to the contractually required contribution	936,292	895,309	865,787	863,301	784,072	870,819	972,536	1,024,842	834,816	671,355
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commission's covered payroll	\$ 6,694,238	\$ 6,808,739	\$ 6,834,840	\$ 6,859,933	\$ 6,756,533	\$ 6,996,216	\$ 7,003,742	\$ 7,852,556	\$ 8,408,353	\$ 8,646,377
Contributions as a percentage of covered payroll	13.99%	13.15%	12.67%	12.58%	11.60%	12.45%	13.89%	13.05%	9.93%	7.76%

See notes to Required Supplementary Information

Educational Services Commission of New Jersey
Required Supplementary Information
Schedule of the State's Proportionate Share of the Net Pension Liability Associated with the Commission
Teachers' Pension and Annuity Fund

Last Ten Fiscal Years*

	Year Ended June 30,			
	2018	2017	2016	2015
State's proportion of the net pension liability (asset) associated with the Commission - Local Group	0.1335566447%	0.1295079730%	0.1302616210%	0.1323959546%
Commission's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the Commission	\$ 90,048,706	\$ 101,879,217	\$ 82,330,907	\$ 70,761,329
Total proportionate share of the net pension liability (asset) associated with the Commission	\$ 90,048,706	\$ 101,879,217	\$ 82,330,907	\$ 70,761,329
Plan fiduciary net position as a percentage of the total pension liability	25.41%	22.33%	28.71%	33.64%

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

- * This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, governments should present information for those years for which information is available.

Covered payroll information is not presented since the Teachers' Pension and Annuity Fund is a special funding situation in which the Commission does not make contributions to this plan.

See notes to Required Supplementary Information

Educational Services Commission of New Jersey
Required Supplementary Information
Schedule of the State's Proportionate Share of the Net OPEB Liability Associated with the Commission
and Changes in the Total OPEB Liability and Related Ratios
Public Employees's Retirement System and Teachers' Pension and Annuity Fund

Last Ten Fiscal Years*

	<u>Year Ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
State's proportion of the net OPEB liability (asset) associated with the Commission -	0.14%	0.13%
Commission's proportionate share of the net liability	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the Commission	\$ 72,474,891	\$ 76,911,187
Total proportionate share of the net OPEB liability (asset) associated with the Commission	\$ 72,474,891	\$ 76,911,187
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%
	<u>2018</u>	<u>2017*</u>
Total OPEB Liability		
Net change in total OPEB liability	\$ (4,436,296)	
Total OPEB liability - beginning	<u>\$ 76,911,187</u>	
Total OPEB liability - ending	<u>\$ 72,474,891</u>	
Covered-employee payroll	<u>\$ 21,339,903</u>	
Total OPEB liability as a percentage of covered-employee payroll	<u>339.62%</u>	

* This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, governments should present information for those years for which information is available.

** n/a - information not available

See notes to Required Supplementary Information

EDUCATIONAL SERVICES COMMISSION
OF NEW JERSEY

Notes to Required Supplementary Information

Year ended June 30, 2018

PUBLIC EMPLOYEES' RETIREMENT SYSTEM - PENSION

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 3.98% as of June 30, 2016 to 5.00% as of June 30, 2017.

TEACHERS PENSION AND ANNUITY FUND - PENSION

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 3.22% as of June 30, 2016 to 4.25% as of June 30, 2017.

OTHER POST-RETIREMENT BENEFIT PLAN-PUBLIC EMPLOYEES' RETIRMENT
SYSTEM AND TEACHERS' PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

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

Required Supplementary Information - Part III

Budgetary Comparison Schedules

Educational Services Commission of New Jersey
General Fund

Budgetary Comparison Schedule

Year ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources:					
Tuition	\$ 32,843,299	\$ 1,574,980	\$ 34,418,279	\$ 34,418,279	
Transportation fees	38,616,300	2,232,233	40,848,533	40,848,533	
Services provided to districts	12,892,735	5,291,381	18,184,116	18,184,116	
Interest on investments	25,000	146,522	171,522	171,522	
Miscellaneous	160,000	(43,384)	116,616	116,616	
Total - local sources	84,537,334	9,201,732	93,739,066	93,739,066	
State sources:					
On-behalf TPAF Pension Contributions				2,063,914	\$ 2,063,914
TPAF post-retirement (on-behalf - non-budgeted)				1,333,038	1,333,038
TPAF non-contributory insurance (on-behalf - non-budgeted)				3,888	3,888
Reimbursed TPAF Social Security				1,046,264	1,046,264
Total - state sources				4,447,104	4,447,104
Total revenues	84,537,334	9,201,732	93,739,066	98,186,170	4,447,104
Expenditures					
Current:					
Home instruction:					
Salaries of teachers	372,000	231,845	603,845	603,845	
Other objects	10,500	(10,500)			
Total home instruction	382,500	221,345	603,845	603,845	
Total instruction - home instruction	382,500	221,345	603,845	603,845	
Special education:					
Learning and/or language disabilities:					
Salaries of teachers	6,000	(6,000)			
Total learning and/or language disabilities	6,000	(6,000)			
Auditory Impairments:					
Salaries of teachers	59,000	53,214	112,214	112,214	
Purchased professional-educational services	45,000	(14,447)	30,553	30,553	
General supplies	1,000	(935)	65	65	
Other objects	5,000	(2,603)	2,397	2,397	
Total auditory impairments	110,000	35,229	145,229	145,229	
Behavioral disabilities:					
Salaries of teachers	763,700	130,176	893,876	893,876	
Other salaries of instruction	250,600	16,925	267,525	267,525	
General supplies	19,740	(5,016)	14,724	14,245	479
Textbooks	20,210	(15,000)	5,210	5,210	
Other objects	10,152	(5,371)	4,781	4,781	
Total behavioral disabilities	1,064,402	121,714	1,186,116	1,185,637	479
For Keeps Children's program:					
Salaries of teachers	55,000	48,566	103,566	103,566	
General supplies	1,000	(930)	70	70	
Total For Keeps Children's program	56,000	47,636	103,636	103,636	
Multiple disabilities:					
Salaries of teachers	2,005,600	(17,438)	1,988,162	1,988,162	
Other salaries of instruction	1,090,300	(20,219)	1,070,081	1,070,081	
General supplies	50,185	3,319	53,504	49,062	4,442
Textbooks	399		399	399	
Other objects	41,641	(3,857)	37,784	37,238	546
Total multiple disabilities	3,188,125	(38,195)	3,149,930	3,144,942	4,988
Autism:					
Salaries of teachers	3,494,000	(195,036)	3,298,964	3,298,964	
Other salaries of instruction	2,379,700	186,535	2,566,235	2,566,235	
General supplies	81,895	8,278	90,173	83,844	6,329
Textbooks	924		924	924	
Other objects	47,833	(6,988)	40,845	40,845	
Total autism	6,004,352	(7,211)	5,997,141	5,990,812	6,329

Educational Services Commission of New Jersey
General Fund

Budgetary Comparison Schedule

Year ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Preschool Disabilities Full Time:					
Salaries of teachers	\$ 366,700	\$ 36,339	\$ 403,039	\$ 403,039	
Other salaries of instruction	314,000	(41,997)	272,003	272,003	
General supplies	17,140	(8,356)	8,784	8,784	
Textbooks	49		49	49	
Other objects	2,394	(1,943)	451	451	
Total preschool	700,283	(15,957)	684,326	684,326	
Total special education	11,129,162	137,216	11,266,378	11,254,582	\$ 11,796
Total instruction	11,511,662	358,561	11,870,223	11,858,427	11,796
Support services:					
Health services:					
Salaries	474,200	14,328	488,528	488,528	
Purchased professional and technical services	421,605	212,539	634,144	630,890	3,254
Supplies and materials	21,525	(3,935)	17,590	16,922	668
Total health services	917,330	222,932	1,140,262	1,136,340	3,922
Other support services - students special services:					
Salaries of instruction (Speech/OTPT)	2,229,000	(57,880)	2,171,120	2,171,120	
Purchased Professional - Ed. Services	2,321,700	147,188	2,468,888	2,445,962	22,926
Other salaries of instruction (1:1)	1,807,500	654,582	2,462,082	2,462,082	
Other Purchased Prof. And Guidance Service	635,000	(55,980)	579,020	579,020	
Other salaries of support Services	570,300	76,175	646,475	646,475	
Other Purchased Prof. And Tech Services	1,933,912	(284,388)	1,649,524	1,413,773	235,751
Supplies and materials	7,175	20,968	28,143	27,814	329
Total other support services - students special services	9,504,587	500,665	10,005,252	9,746,246	259,006
Improvement of Instructional Services:					
Other purchased services	83,400	(16,484)	66,916	65,025	1,891
Total Improvement of Instructional Services	83,400	(16,484)	66,916	65,025	1,891
Support services - general administration:					
Salaries	651,600	(105,665)	545,935	545,935	
Legal services	39,080	(4,954)	34,126	14,682	19,444
Audit fees	66,790	51,229	118,019	68,100	49,919
Other purchased professional Services	45,700	259,372	305,072	229,750	75,322
Communications / telephone	234,660	(74,206)	160,454	160,454	
Supplies and materials	13,700	(3,314)	10,386	10,106	280
Miscellaneous expenditures	86,973	6,963	93,936	93,597	339
Total support services - general administration	1,138,503	129,425	1,267,928	1,122,624	145,304
Support services - school administration:					
Salaries of principals/asst. principals	1,398,100	55,759	1,453,859	1,453,859	
Salaries of secretarial and clerical assistants	485,000	(865)	484,135	484,135	
Other purchased professional services	94,975	(78,176)	16,799	16,212	587
General supplies	46,175	(12,530)	33,645	33,260	385
Other objects	19,789	(9,911)	9,878	9,698	180
Total support services - school administration	2,044,039	(45,723)	1,998,316	1,997,164	1,152
Central services:					
Salaries	1,317,900	(147,241)	1,170,659	1,170,659	
Purchased professional services	173,850	(30,661)	143,189	137,639	5,550
Misc. purchased services (400-500 series)	120,153	17,416	137,569	130,706	6,863
Supplies and materials	26,000	1,985	27,985	27,114	871
Miscellaneous expenditures	20,100	38,571	58,671	56,217	2,454
Total central services	1,658,003	(119,930)	1,538,073	1,522,335	15,738
Admin. Inform. Technology:					
Salaries	209,200	(46,786)	162,414	162,414	
Other purchased services	188,280	(144,705)	43,575	42,410	1,165
Supplies and materials	32,000	5,794	37,794	31,493	6,301
Total admin. infor. technology	429,480	(185,697)	243,783	236,317	7,466

Educational Services Commission of New Jersey
General Fund

Budgetary Comparison Schedule

Year ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Undistributed expenditures (continued):					
Required maintenance of school facilities:					
Salaries	\$ 527,200	\$ 23,953	\$ 551,153	\$ 551,153	
Cleaning, repair and maintenance services	228,900	105,780	334,680	283,090	\$ 51,590
General supplies	147,200	(23,292)	123,908	116,955	6,953
Total required maintenance of school facilities	903,300	106,441	1,009,741	951,198	58,543
Custodial services:					
Salaries	93,100	(25,682)	67,418	67,418	
Rent		33,100	33,100	33,100	
Other Purchased Property Services	48,100	12,553	60,653	38,373	22,280
Insurance	122,280	(6,933)	115,347	115,347	
Energy (natural gas and electricity)	571,600	(37,028)	534,572	534,572	
Other objects	15,520	(15,103)	417	417	
Total custodial services:	850,600	(39,093)	811,507	789,227	22,280
Student transportation services:					
Salaries for pupil transportation (between home and school) - regular	102,000	100	102,100	102,100	
Salaries of secretarial and clerical assistants	226,000	(27,648)	198,352	198,352	
Contracted svc (bet. Home and Sch) -Vendors	38,500,000	2,224,501	40,724,501	40,649,928	74,573
Contracted svc (oth. Than bet. Home and Sch)	186,761	(42,402)	144,359	144,359	
Contracted svc -Aide in Lieu Pymts -NP Sch	66,300	(10,873)	55,427	55,427	
General supplies	22,750	(5,178)	17,572	17,572	
Total student transportation services	39,103,811	2,138,500	41,242,311	41,167,738	74,573
Employee benefits:					
Social security contributions	676,850	147,964	824,814	824,814	
Other retirement contributions - regular	822,700	10,313	833,013	833,013	
Unemployment compensation	132,200	(17,681)	114,519	114,519	
Workers' compensation	264,250	(37,086)	227,164	227,164	
Health benefits	6,750,880	5,307,801	12,058,681	6,547,730	5,510,951
Tuition reimbursement	100,000	3,656	103,656	66,374	37,282
Other employee benefits	118,300	2,382	120,682	120,682	
Total employee benefits	8,865,180	5,417,349	14,282,529	8,734,296	5,548,233
On-behalf TPAF Pension Contributions				2,063,914	(2,063,914)
TPAF post-retirement (on-behalf - non-budgeted)				1,333,038	(1,333,038)
TPAF non-contributory insurance (on-behalf - non-budgeted)				3,888	(3,888)
Reimbursed TPAF Social Security				1,046,264	(1,046,264)
Total				4,447,104	(4,447,104)
Total undistributed expenditures	65,498,233	8,108,385	73,606,618	71,915,614	1,691,004
Total expenditures - current	77,009,895	8,466,946	85,476,841	83,774,041	1,702,800
Capital outlay					
Equipment:					
Regular programs - instruction:					
Special education - instruction:					
Multiple disabilities	2,750	9,000	11,750	10,217	1,533
Behavioral disabilities	2,000	129	2,129		2,129
Autism	2,750	9,000	11,750	10,217	1,533
Special education - non-instruction:					
Others	55,000	730,469	785,469	555,350	230,119
Total equipment	62,500	748,598	811,098	575,784	235,314
Facilities acquisition and construction services:					
Construction services	550,000	1,209,670	1,759,670	823,767	935,903
Total facilities acquisition and construction services	550,000	1,209,670	1,759,670	823,767	935,903
Total capital outlay	612,500	1,958,268	2,570,768	1,399,551	1,171,217

Educational Services Commission of New Jersey
General Fund

Budgetary Comparison Schedule

Year ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Summer school:					
Summer School - Instruction					
Salaries of teachers	\$ 741,210	\$ (128,084)	\$ 613,126	\$ 613,126	
Other salaries of instruction	469,263	10,507	479,770	479,770	
General supplies	34,520	3,129	37,649	36,839	\$ 810
Total summer school - Instruction	1,244,993	(114,448)	1,130,545	1,129,735	810
Summer School - Support Services					
Salaries	753,343	(106,803)	646,540	646,540	
Purch Pro & Tech Services	437,535	(116,394)	321,141	321,141	
Purchased Services	34,020	(23,975)	10,045	10,045	
Other Objects	244,948	268,756	513,704	230,902	282,802
Total summer school - Support Services	1,469,846	21,584	1,491,430	1,208,628	282,802
Total special schools	2,714,839	(92,864)	2,621,975	2,338,363	283,612
Total expenditures	80,337,234	10,332,350	90,669,584	87,511,955	3,157,629
Excess (deficiency) of revenues (under) over expenditures	4,200,100	(1,130,618)	3,069,482	10,674,215	7,604,733
Other financing (uses):					
Transfers out	(4,200,100)	(4,069,351)	(8,269,451)	(7,590,127)	(679,324)
Total other financing (uses)	(4,200,100)	(4,069,351)	(8,269,451)	(7,590,127)	(679,324)
(Deficiency) excess of revenues (under) over expenditures and other financing sources (uses)	-	(5,199,969)	(5,199,969)	3,084,088	8,284,057
Fund balances, July 1	5,587,027	(15,251,501)	(9,664,474)	24,248,269	
Fund balances, June 30	\$ 5,587,027	\$ (20,451,470)	\$ (14,864,443)	\$ 27,332,357	\$ 8,284,057
Recapitulation of (deficiency) excess of revenues (under) over expenditures and other financing (uses)					
Adjustment for prior year encumbrances	\$ (674,966)	\$ (674,966)	\$ (674,966)		
Budgeted fund balance	(4,525,003)	(4,525,003)	3,759,054	\$ 8,284,057	
Total	\$ (5,199,969)	\$ (5,199,969)	\$ 3,084,088	\$ 8,284,057	

Educational Services Commission of New Jersey
Special Revenue Fund

Budgetary Comparison Schedule
(Budgetary Basis)

Year ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources		\$ 13,114	\$ 13,114	\$ 13,114	
State sources	\$ 9,091,661	(471,438)	8,620,223	8,328,758	\$ (291,465)
Federal sources	2,460,514	900,720	3,361,234	2,336,925	(1,024,309)
Total revenues	11,552,175	442,396	11,994,571	10,678,797	(1,315,774)
Expenditures					
Instruction:					
Salaries of teachers	2,673,250	(598,520)	2,074,730	2,074,730	
Purchased professional and technical services	3,048,606	1,020,157	4,068,763	3,044,454	1,024,309
General supplies	442,150	(38,103)	404,047	395,133	8,914
Textbooks	712,260	(61,748)	650,512	621,931	28,581
Total instruction	6,876,266	321,786	7,198,052	6,136,248	1,061,804
Support services:					
Salaries of supervisors of instruction	311,600	4,106	315,706	315,706	
Salaries of other professional staff	1,740,880	57,347	1,798,227	1,692,039	106,188
Salaries of secretarial and clerical employees	192,400	(8,209)	184,191	184,191	
Personal services-employee benefits	1,066,338	(149,895)	916,443	894,513	21,930
Travel	20,000	(5,126)	14,874	14,874	
Supplies and materials	493,104	265,598	758,702	675,553	83,149
Others	494,804	(133,170)	361,634	341,635	19,999
Total support services	4,319,126	30,651	4,349,777	4,118,511	231,266
Facilities acquisition and construction services:					
Instructional equipment	65,758	28,576	94,334	91,630	2,704
Noninstructional equipment	240,025	61,586	301,611	281,611	20,000
Total facilities acquisition and construction services	305,783	90,162	395,945	373,241	22,704
Total expenditures	11,501,175	442,599	11,943,774	10,628,000	1,315,774
Other financing uses:					
Transfers out	(51,000)	203	(50,797)	(50,797)	
Total other financing uses	(51,000)	203	(50,797)	(50,797)	-
Excess (deficiency) of revenues over (under) expenditures and other financing (uses)	\$ -	\$ -	\$ -	\$ -	\$ -

**Educational Services Commission of New Jersey
Notes to Required Supplementary Information**

Budget to GAAP Reconciliation

Year ended June 30, 2018

	Special Revenue Fund
	<hr/>
Sources/inflows of resources	
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule (C-2)	\$ 10,678,797
Differences - Budgetary to GAAP:	
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	
Prior year	307,967
Current year	<u>(487,528)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (B-2)	<u>\$ 10,499,236</u>
Uses/outflows of resources	
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule (C-2)	\$ 10,678,797
Differences - Budgetary 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.	
Prior year	307,967
Current year	<u>(487,528)</u>
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(50,797)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	<u>\$ 10,448,439</u>

**Special Revenue Fund
Detail Statements**

**Educational Services Commission of New Jersey
Special Revenue Fund**

**Combining Schedule of Revenues and Expenditures --
Budgetary Basis**

Year ended June 30, 2018

State Grants									
	Compensatory Education	ESL	Home Instruction	Transportation	Supp. Instruct	Exam and Class	Speech Corr.	Text- Books	Nursing
Revenues:									
Local sources									
State sources	\$ 1,525,637	\$ 156,820	\$ 51,702	\$ 234,842	\$ 721,912	\$ 1,147,299	\$ 597,727	\$ 621,931	\$ 1,971,341
Federal sources									
Total revenues	\$ 1,525,637	\$ 156,820	\$ 51,702	\$ 234,842	\$ 721,912	\$ 1,147,299	\$ 597,727	\$ 621,931	\$ 1,971,341
Expenditures:									
Instruction:									
Salaries of teachers	\$ 1,020,432	\$ 104,890	\$ 27,869		\$ 482,855	\$ 24,955	\$ 399,794		
Purchased professional and technical services			10,577			754,039			
General supplies	9,184	1,036			431	7,459	1,729		
Textbooks								\$ 621,931	
Total instruction	1,029,616	105,926	38,446		483,286	786,453	401,523	621,931	
Support services:									
Salaries of supervisors of instruction	110,304	11,318			53,065	80,244	43,631		\$ 11,672
Salaries of other professional staff	69,738	7,155		\$ 81,289	33,550	50,733	27,585		1,407,922
Salaries of secretarial and clerical employees	49,401	5,069	1,320	4,503	23,766	35,938	19,541		36,595
Personal services - employee benefits	199,006	20,419	10,130	28,197	95,738	144,773	78,718		276,587
Travel	5,266	540	141	480	2,533	3,831	2,083		
Supplies and materials	3,911	401	105	9,943	1,881	2,845	1,547		230,940
Other	58,396	5,992	1,561	110,429	28,093	42,482	23,099		7,625
Total support services	496,021	50,894	13,256	234,842	238,626	360,846	196,204		1,971,341
Facilities acquisition and construction services:									
Instructional equipment									
Noninstructional equipment									
Total facilities acquisition and construction services									
Total expenditures	\$ 1,525,637	\$ 156,820	\$ 51,702	\$ 234,842	\$ 721,912	\$ 1,147,299	\$ 597,727	\$ 621,931	\$ 1,971,341

Educational Services Commission of New Jersey
Special Revenue Fund

Combining Schedule of Revenues and Expenditures –
Budgetary Basis

Year ended June 30, 2018

	State Grants		Local	Federal Grants			Total
	Technology	Security	Safety Grant	Title I	Title III	IDEA-B Regular	
Revenues:							
Local sources			\$ 13,114				\$ 13,114
State sources	\$ 478,928	\$ 820,619					8,328,758
Federal sources				\$ 39,938	\$ 4,626	\$ 2,292,361	2,336,925
Total revenues	\$ 478,928	\$ 820,619	\$ 13,114	\$ 39,938	\$ 4,626	\$ 2,292,361	\$ 10,678,797
Expenditures:							
Instruction:							
Salaries of teachers				\$ 13,825	\$ 110		\$ 2,074,730
Purchased professional and technical services						\$ 2,279,838	3,044,454
General supplies	\$ 362,771					12,523	395,133
Textbooks							621,931
Total instruction	362,771			13,825	110	2,292,361	6,136,248
Support services:							
Salaries of supervisors of instruction	2,697			2,367	409		315,706
Salaries of other professional staff	760	\$ 12,160		977	169		1,692,039
Salaries of secretarial and clerical employees	6,251			1,541	266		184,191
Personal services - employee benefits	13,986	3,040		20,393	3,527		894,513
Travel							14,874
Supplies and materials		423,980					675,553
Other	833	99,828	\$ 13,114	836	144		392,432
Total support services	24,527	539,008	13,114	26,113	4,516		4,169,308
Facilities acquisition and construction services:							
Instructional equipment	91,630						91,630
Noninstructional equipment		281,611					281,611
Total facilities acquisition and construction services	91,630	281,611					373,241
Total expenditures	\$ 478,928	\$ 820,619	\$ 13,114	\$ 39,938	\$ 4,626	\$ 2,292,361	\$ 10,678,797

**Capital Projects Fund
Detail Statements**

**Educational Services Commission of New Jersey
Capital Projects Fund**

**Summary Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budgetary Basis**

Year ended June 30, 2018

Revenues and Other Financing Sources

Proceeds - Construction Bonds	\$ 13,170,000
Interest on Investments	37,247
Premium on Bond Proceeds	<u>2,050,651</u>
Total revenues and other financing sources	<u>15,257,898</u>

Expenditures and Other Financing Uses

Construction Services	4,939,250
Costs of Issuance	200,507
Transfers Out	<u>57,391</u>
Total expenditures and other financing uses	<u>5,197,148</u>

Excess of revenues and other financing sources over expenditures 10,060,750

Fund balance, July 1	<u>4,193,206</u>
Fund balance, June 30	<u><u>\$ 14,253,956</u></u>

**Educational Services Commission of New Jersey
Capital Projects Fund**

Summary Schedule of Project Expenditures

Year ended June 30, 2018

Project Title	Appropriations	Prior Years Expenditures	Current Year Expenditures	Unexpended Balance
NuView Academy Annex Project	\$ 20,000,000	\$ 806,794	\$ 4,939,250	\$ 14,253,956

Analysis of Appropriations

Bond/Loan proceeds	\$ 15,000,000
Commission funds	5,000,000
Total	\$ 20,000,000

**Enterprise Funds
Detail Statements**

Educational Services Commission of New Jersey
Proprietary Funds

Combining Statement of Net Position

June 30, 2018

	Major Enterprise Funds			Total
	Regional Day School Fund	Pool Services Fund	Food Services Fund	
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,134,799	\$ 396,184	\$ 28,200	\$ 1,559,183
Intergovernmental accounts receivable:				
State			828	828
Federal			63,332	63,332
Other	758,066	32,286		790,352
Interfunds receivable	6,313	135,450	64,157	205,920
Total current assets	1,899,178	563,920	156,517	2,619,615
Capital assets:				
Depreciable:				
Land and Building Improvements	1,109,024			1,109,024
Equipment	975,744	6,521		982,265
Accumulated depreciation	(945,097)	(1,069)		(946,166)
Total capital assets	1,139,671	5,452		1,145,123
Total assets	3,038,849	569,372	156,517	3,764,738
Liabilities				
Current liabilities:				
Accounts payable	46,657	26,807	791	74,255
Interfunds payable	22,267	75,684	6,313	104,264
Unearned revenues		70,541	3,326	73,867
Total current liabilities	68,924	173,032	10,430	252,386
Net Position				
Investment in capital assets	1,139,671	5,452		1,145,123
Unrestricted	1,830,254	390,888	146,087	2,367,229
Total net position	\$ 2,969,925	\$ 396,340	\$ 146,087	\$ 3,512,352

**Educational Services Commission of New Jersey
Proprietary Funds**

**Combining Statement of Revenues, Expenses
and Changes in Fund Net Position**

Year ended June 30, 2018

	Major Enterprise Funds			Total
	Regional Day School Fund	Pool Services Fund	Food Services Fund	
Operating revenues:				
Charges for services:				
Daily sales - reimbursable programs			\$ 69,592	\$ 69,592
Daily sales - non-reimbursable programs			6,260	6,260
Tuition	\$ 4,829,188			4,829,188
Services	726,967	\$ 1,015,030		1,741,997
Miscellaneous	2,598	387		2,985
Total operating revenues	<u>5,558,753</u>	<u>1,015,417</u>	<u>75,852</u>	<u>6,650,022</u>
Operating expenses:				
Cost of sales - reimbursable programs			309,121	309,121
Cost of sales - non-reimbursable programs			5,010	5,010
Salaries and wages	2,999,057	489,632	28,202	3,516,891
Employee benefits	1,224,666	134,649		1,359,315
Other professional services	583,203	18,392		601,595
Maintenance and repairs	34,496	36,948		71,444
Insurance	13,932			13,932
Telephone/Communications	18,720	1,223		19,943
Materials and supplies	52,935	101,439		154,374
Utilities	71,188	31,260		102,448
Textbooks	688			688
Depreciation	138,626	435		139,061
Miscellaneous	50,927	52,241		103,168
Total operating expenses	<u>5,188,438</u>	<u>866,219</u>	<u>342,333</u>	<u>6,396,990</u>
Operating income (loss)	370,315	149,198	(266,481)	253,032
Nonoperating revenues:				
State school lunch program			3,866	3,866
Federal national school breakfast program			104,470	104,470
Federal national school lunch program			190,832	190,832
Total nonoperating revenues			<u>299,168</u>	<u>299,168</u>
Income before transfers	370,315	149,198	32,687	552,200
Transfers in		135,450		135,450
Transfers out	(100,184)	(181,601)		(281,785)
Total Transfers	<u>(100,184)</u>	<u>(46,151)</u>		<u>(146,335)</u>
Change in net position	270,131	103,047	32,687	405,865
Net position, beginning	2,699,794	293,293	113,400	3,106,487
Net position, ending	<u>\$ 2,969,925</u>	<u>\$ 396,340</u>	<u>\$ 146,087</u>	<u>\$ 3,512,352</u>

Educational Services Commission of New Jersey
Proprietary Fund

Combining Statement of Cash Flows

Year ended June 30, 2018

	Major Enterprise Funds			Total
	Regional Day School Fund	Pool Services Fund	Food Services Fund	
Cash Flows From Operating Activities				
Receipts from customers	\$ 5,629,679	\$ 1,008,076	\$ 73,868	\$ 6,711,623
Payments to employees	(2,999,057)	(489,632)	(28,202)	(3,516,891)
Payments for employee benefits	(1,224,666)	(134,649)		(1,359,315)
Payments to suppliers	(835,596)	(268,234)	(314,131)	(1,417,961)
Net cash provided by (used in) operating activities	<u>570,360</u>	<u>115,561</u>	<u>(268,465)</u>	<u>417,456</u>
Cash Flows From Noncapital Financing Activities				
State sources			3,367	3,367
Federal sources			257,555	257,555
Operating subsidies and transfers to/from other funds	(78,296)	(105,955)	(8,429)	(192,680)
Net cash (used in) provided by noncapital financing activities	<u>(78,296)</u>	<u>(105,955)</u>	<u>252,493</u>	<u>68,242</u>
Cash Flows From Capital and Related Financing				
Purchases of capital assets	(123,570)			(123,570)
Net cash used in capital and related financing activities	<u>(123,570)</u>			<u>(123,570)</u>
Net increase (decrease) in cash and cash equivalents	368,494	9,606	(15,972)	362,128
Balances—beginning of year	766,305	386,578	44,172	1,197,055
Balances—end of year	<u>\$ 1,134,799</u>	<u>\$ 396,184</u>	<u>\$ 28,200</u>	<u>\$ 1,559,183</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities				
Operating income (loss)	\$ 370,315	\$ 149,198	\$ (266,481)	\$ 253,032
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation and net amortization	138,626	435		139,061
Change in assets and liabilities:				
Decrease (Increase) in accounts receivable	70,926	(20,180)		50,746
(Decrease) in accounts payable	(9,507)	(26,731)		(36,238)
Increase (Decrease) in unearned revenue		12,839	(1,984)	10,855
Net cash provided by (used in) operating activities	<u>\$ 570,360</u>	<u>\$ 115,561</u>	<u>\$ (268,465)</u>	<u>\$ 417,456</u>

**Fiduciary Funds
Detail Statements**

Educational Services Commission of New Jersey
Trust and Agency Funds

Combining Statement of Fiduciary Net Position

June 30, 2018

	<u>Trust</u>	<u>Agency</u>		
	<u>Unemployment Compensation</u>	<u>Student Activity</u>	<u>Payroll</u>	
Assets				
Cash and cash equivalents	\$ 316,718	\$ 7,137	\$ 301,750	\$ 308,887
Interfund receivable			16	16
Accounts receivable - other			1,725	1,725
Total assets	<u>316,718</u>	<u>\$ 7,137</u>	<u>\$ 303,491</u>	<u>\$ 310,628</u>
Liabilities				
Accounts payable			\$ 280,235	\$ 280,235
Interfund payable			23,256	23,256
Due to student groups		\$ 7,137		7,137
Total liabilities		<u>\$ 7,137</u>	<u>\$ 303,491</u>	<u>\$ 310,628</u>
 Net position held in trust for unemployment claims	 <u>\$ 316,718</u>			

Educational Services Commission of New Jersey
Trust Funds

Statement of Changes in Fiduciary Net Position

Year ended June 30, 2018

	<u>Unemployment Compensation Trust Fund</u>
Additions:	
Contributions	\$ 159,721
Interest on investments	<u>2,230</u>
Total additions	161,951
 Deductions:	
Payment of claims	<u>159,721</u>
Total deductions	<u>159,721</u>
 Change in net position	 2,230
 Net position - beginning	 <u>314,488</u>
Net position - ending	<u>\$ 316,718</u>

Educational Services Commission of New Jersey
Student Activity Agency Fund

Schedule of Receipts and Disbursements

Year ended June 30, 2018

	Balance July 1, 2017	Cash Receipts	Cash Disbursements	Balance June 30, 2018
NuView Academy Annex				
Student activity	\$ 66	\$ 26		\$ 92
Year book	158	2		160
Total	224	28		252
Piscataway Regional Day School				
Student activity	2,624	3,246	\$ 4,252	1,618
Total	2,624	3,246	4,252	1,618
Academy Learning Center				
Student activity	2,028	5,205	6,612	621
Total	2,028	5,205	6,612	621
Bright Beginning Learning Center				
Student activity	3,207	3,379	4,116	2,470
Year Book	886	1,793	1,464	1,215
Total	4,093	5,172	5,580	3,685
Center for Lifelong Learning				
Student activity	2,208	75	1,322	961
Total	2,208	75	1,322	961
Total of all schools	\$ 11,177	\$ 13,726	\$ 17,766	\$ 7,137

**Educational Services Commission of New Jersey
Payroll Agency Fund**

Schedule of Cash Receipts and Disbursements

Year ended June 30, 2018

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Assets				
Cash and cash equivalents	\$ 196,745	\$ 35,759,335	\$ 35,654,330	\$ 301,750
Interfund receivable	38	16	38	16
Accounts receivable - other	2,311	1,725	2,311	1,725
Total assets	\$ 199,094	\$ 35,761,076	\$ 35,656,679	\$ 303,491
Liabilities				
Accounts payable	\$ 175,314	\$ 280,235	\$ 175,314	\$ 280,235
Interfund payable	23,780		524	23,256
Payroll, payroll deductions and withholdings payable		35,480,841	35,480,841	
Total liabilities	\$ 199,094	\$ 35,761,076	\$ 35,656,679	\$ 303,491

Long-Term Debt

Educational Services Commission of New Jersey
Long-Term Debt

Schedule of Bonds/Loans Payable

Year ended June 30, 2018

Description	Interest Rate Payable	Amount of Issue	Balance July 1, 2017	Issued	Retired	Balance June 30, 2018
Bonds/loan payable –						
Middlesex County Improvement Authority - 2008	Various	\$ 40,000,000	\$ 2,530,000		\$ 1,240,000	\$ 1,290,000
Middlesex County Improvement Authority - 2010	Various	5,300,000	1,855,000		600,000	1,255,000
Middlesex County Improvement Authority - 2014	Various	9,385,000	8,005,000		755,000	7,250,000
Middlesex County Improvement Authority - 2014A	Various	30,170,000	29,970,000		100,000	29,870,000
Middlesex County Improvement Authority - 2017	Various	13,170,000		\$ 13,170,000		13,170,000
			<u>\$ 42,360,000</u>	<u>\$ 13,170,000</u>	<u>\$ 2,695,000</u>	<u>\$ 52,835,000</u>

Educational Services Commission of New Jersey
Debt Service Fund

Budgetary Comparison Schedule

Year ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Actual to Final
Revenues:					
Interest on Investments		\$ 3,936	\$ 3,936	\$ 3,936	
Total Revenues		<u>3,936</u>	<u>3,936</u>	<u>3,936</u>	
Expenditures:					
Regular Debt Service:					
Interest	\$ 1,760,437		1,760,437	1,760,437	
Principal	2,695,000	60,731	2,755,731	2,695,000	\$ 60,731
Total Expenditures	<u>4,455,437</u>	<u>60,731</u>	<u>4,516,168</u>	<u>4,455,437</u>	<u>60,731</u>
(Deficiency) excess of revenues (under) over expenditures	(4,455,437)	(56,795)	(4,512,232)	(4,451,501)	60,731
Other Financing Sources:					
Transfers In	4,455,437	56,795	4,512,232	4,569,647	57,415
Total Other Financing Sources	<u>4,455,437</u>	<u>56,795</u>	<u>4,512,232</u>	<u>4,569,647</u>	<u>57,415</u>
Excess of Revenues and Other Financing Sources Over Expenditures	-	-	-	118,146	118,146
Fund balance, July 1	4,460,918	-	4,460,918	4,460,918	-
Fund balance, June 30	<u>\$ 4,460,918</u>	<u>\$ -</u>	<u>\$ 4,460,918</u>	<u>\$ 4,579,064</u>	<u>\$ 118,146</u>

**Statistical Section
(Unaudited)**

**Statistical Section
Unaudited**

Contents

Financial Trends

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

Demographic and Economic Information

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

Operating Information

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

Revenue Capacity

These schedules contain information to help the reader assess the Commission's most significant local revenue source, the property tax. These schedules are not applicable to Educational Services Commission of New Jersey as property taxes are not a revenue source for the Commission.

Debt Capacity

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

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

Educational Services Commission of New Jersey
 Net Position by Component
 Last Ten Fiscal Years

(accrual basis of accounting)
 Unaudited

	June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net Investment in capital assets	\$ 3,533,402	\$ 11,861,037	\$ 13,000,522	\$ 13,575,508	\$ 13,740,089	\$ 14,499,327	\$ 14,336,092	\$ 16,281,147	\$ 19,515,282	\$ 11,321,517
Restricted for:										
Capital projects and reserve	4,036,257	751,545	231,255	236,824	236,825	216,392	216,392	216,392	4,409,598	14,470,348
Maintenance reserve										4,411,843
Debt service	2,993,928	2,278,154	2,650,293	2,705,422	2,874,638	2,715,406	4,937,974	4,338,969	4,460,918	4,063,306
Unrestricted	8,160,493	4,958,331	6,039,488	7,930,073	11,672,605	15,244,558	1,503,075	6,103,319	1,422,006	2,791,700
Total governmental activities net position	\$ 18,724,080	\$ 19,849,067	\$ 21,921,558	\$ 24,447,827	\$ 28,524,157	\$ 32,675,683	\$ 20,993,533	\$ 26,939,827	\$ 29,807,804	\$ 37,058,714
Business-type activities										
Investment in capital assets	\$ 1,119,901	\$ 1,083,451	\$ 955,897	\$ 924,861	\$ 922,350	\$ 878,927	\$ 941,075	\$ 943,506	\$ 1,160,614	\$ 1,145,123
Unrestricted	1,530,675	605,244	640,588	812,654	785,052	998,669	(819,552)	(585,298)	1,945,873	2,367,229
Total business-type activities net position	\$ 2,650,576	\$ 1,688,695	\$ 1,596,485	\$ 1,738,515	\$ 1,707,402	\$ 1,877,596	\$ 121,523	\$ 358,208	\$ 3,106,487	\$ 3,512,352
Government-wide										
Net Investment in capital assets	\$ 4,653,303	\$ 12,944,488	\$ 13,956,419	\$ 14,500,369	\$ 14,662,439	\$ 15,378,254	\$ 15,277,167	\$ 17,224,653	\$ 20,675,896	\$ 12,466,640
Restricted for:										
Capital projects and reserve	4,036,257	751,545	14,863	236,824	236,825	216,392	216,392	216,392	4,409,598	14,470,348
Maintenance reserve										4,411,843
Debt service	2,993,928	2,278,154	2,650,293	2,705,422	2,874,638	2,715,406	4,937,974	4,338,969	4,460,918	4,063,306
Unrestricted	9,691,168	5,563,575	6,896,468	8,743,727	12,457,657	16,243,227	683,523	5,518,021	3,367,879	5,158,929
Total government net position	\$ 21,374,656	\$ 21,537,762	\$ 23,518,043	\$ 26,186,342	\$ 30,231,559	\$ 34,553,279	\$ 21,115,056	\$ 27,298,035	\$ 32,914,291	\$ 40,571,066

Source: CAFR Schedule A-1

Educational Services Commission of New Jersey
Changes in Net Position, Last Ten Fiscal Years

(accrual basis of accounting)
Unaudited

	Year Ended June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities										
Instruction	\$ 18,158,241	\$ 17,929,049	\$ 17,099,823	\$ 16,024,030	\$ 17,164,004	\$ 17,965,699	\$ 19,035,846	\$ 20,294,800	\$ 20,321,034	\$ 21,282,761
Support Services:										
Health services	650,633	744,761	739,248	697,076	681,030	707,233	717,186	803,536	928,093	1,446,911
Student & instruction related services	6,768,050	10,496,291	10,172,638	10,081,083	10,818,703	11,895,280	13,684,624	13,214,106	16,215,742	17,970,925
General administrative services	712,561	772,495	748,892	933,886	897,651	1,095,306	1,130,539	1,179,015	1,095,716	1,429,446
School administrative services	1,519,283	1,578,352	1,758,468	1,730,098	1,909,456	1,911,362	1,769,994	2,154,548	2,146,272	2,543,005
Central Services	1,001,380	992,939	1,018,260	1,037,913	1,180,180	1,366,905	1,386,170	1,587,527	1,701,051	1,938,402
Admin. Info Technology	98,180	296,674	331,041	302,361	278,071	373,711	433,329	334,003	348,565	300,504
Fleet operations and maintenance	1,765,062	2,288,865	1,895,022	1,768,873	1,895,022	1,967,843	1,983,498	2,077,438	2,164,998	2,216,097
Facilities transportation	24,909,636	25,611,438	26,235,308	30,174,878	34,105,560	37,069,323	39,881,596	44,472,381	44,192,693	52,419,219
Employee benefits	940,187	1,369,252	589,225	1,373,746	1,216,465	1,379,758	1,540,966	1,948,191	3,441,362	2,293,062
Capital outlay	328,342	52,021	928,963	39,757	646,338	113,441	119,906	67,977		
Special Schools	1,843,787	2,328,007	2,522,036	2,623,432	2,715,991	2,678,384	2,917,352	2,804,445	2,902,818	2,338,363
Interest on long-term debt	2,743,549	2,253,304	2,509,131	2,671,147	2,602,541	2,597,814	2,820,805	1,921,105	1,841,709	2,508,255
Total governmental activities expenses	61,438,891	66,713,448	66,539,055	69,458,280	76,121,225	81,122,059	87,443,811	95,059,072	97,420,053	110,487,350
Business-type activities										
Regional Day School	5,516,538	5,596,920	5,536,555	5,384,440	4,666,512	4,429,114	4,815,142	5,041,877	4,909,676	5,188,438
Bus Service	190,437	29,578	2,162	5,351						
Early Childhood Program	5,382,667	521,189	78,264							
Pool service		276,201	786,413	740,070	654,430	738,063	816,349	872,415	928,535	866,219
Food service	298,567	311,229	278,054	292,893	312,220	311,148	323,522	314,364	318,777	342,133
Total business-type activities expense	11,388,209	6,735,137	6,681,448	6,422,754	5,633,171	5,478,325	5,955,013	6,228,656	6,156,988	6,986,990
Total district expenses	72,827,100	73,448,585	73,220,503	75,881,034	81,754,396	86,600,384	93,398,824	101,287,728	103,577,041	117,474,340
Program Revenues										
Governmental activities										
Charges for services										
Instruction										34,418,279
Facilities transportation	21,849,114	22,014,291	22,506,936	25,935,911	29,200,853	31,624,558	33,420,236	37,292,147	37,962,302	40,848,533
Operating and capital grants and contributions	9,050,390	9,033,229	8,465,057	6,567,329	6,931,101	7,378,259	8,600,511	9,631,166	10,397,989	10,499,236
Total governmental activities program revenues	30,899,504	31,047,520	30,972,093	32,503,240	36,131,954	39,002,817	42,020,747	46,923,313	48,360,291	51,367,048
Business-type activities										
Charges for services										
Regional Day School	5,898,870	5,709,075	5,634,551	5,599,225	4,660,530	4,740,445	5,428,678	5,193,904	5,250,786	5,558,753
Bus service	118,042	11,154	755	6,350						
Newsletter Services program	5,459,793	371,737								
Pool service		276,333	575,609	656,928	554,933	633,974	900,343	988,296	1,023,269	1,015,417
Food service	72,388	74,989	82,739	73,992	68,837	62,077	63,500	69,722	66,530	75,852
Operating grants and contributions	477,438	255,244	222,103	229,042	241,718	263,220	272,112	265,476	283,497	299,168
Total business-type activities program revenues	12,026,531	6,698,532	6,515,757	6,565,577	5,326,018	5,699,716	6,664,633	6,517,400	6,633,002	6,949,190
Total district program revenues	42,926,035	37,746,052	37,487,850	39,068,817	41,457,972	44,702,533	48,685,380	53,440,713	54,993,293	58,316,238
Net (Expense)/Revenue										
Governmental activities	(\$ 30,539,387)	(\$ 35,665,927)	(\$ 35,567,062)	(\$ 36,955,040)	(\$ 39,959,270)	(\$ 42,119,242)	(\$ 45,413,064)	(\$ 48,135,759)	(\$ 49,059,762)	(\$ 24,721,302)
Business-type activities	638,322	(36,605)	(165,691)	142,823	(107,153)	221,391	709,620	288,244	466,914	532,202
Total government-wide net expense	(\$ 29,901,065)	(\$ 35,702,532)	(\$ 35,732,753)	(\$ 36,812,217)	(\$ 40,086,423)	(\$ 41,897,851)	(\$ 44,703,444)	(\$ 47,847,515)	(\$ 48,592,848)	(\$ 24,189,100)
General Revenues and Other Changes in Net Assets										
Governmental activities										
Federal and state aid not restricted	1,826,690	1,835,723	1,827,530	2,189,991	2,655,091	2,447,550	4,788,742	6,025,265	3,773,676	13,312,440
Tuition received	23,150,645	26,186,392	27,207,213	27,809,066	30,247,995	32,136,205	32,716,393	32,765,239	34,258,120	35,258,120
Services provided to districts	5,672,096	7,620,980	8,433,509	9,249,964	10,783,815	12,268,807	13,160,428	14,976,777	15,910,374	18,184,116
Interest income	120,398	21,818	12,176	8,909	9,326	9,783	12,827	25,294	61,142	212,705
Miscellaneous income	103,565	200,725	232,606	232,586	443,414	133,836	484,794	337,419	205,792	116,616
Transfers	123,525	925,276	(73,481)	793	(76,040)	51,157	79,137	52,059	(2,281,365)	146,535
Total governmental activities	30,996,919	36,790,914	37,639,553	39,481,309	44,065,601	47,047,378	51,242,321	54,052,051	51,927,719	51,927,212
Business-type activities										
Transfers	(123,525)	(925,276)	73,481	(793)	76,040	(51,157)	(79,137)	(52,059)	2,281,365	(146,535)
Total business-type activities	(123,525)	(925,276)	73,481	(793)	76,040	(51,157)	(79,137)	(52,059)	2,281,365	(146,535)
Total government-wide	30,873,394	35,865,638	37,713,034	39,480,516	44,141,641	46,996,221	51,163,184	54,000,000	54,209,084	51,780,677
Net (Expense)/Revenue										
Governmental activities	457,532	1,124,987	2,072,491	2,526,269	4,076,331	4,928,136	5,819,257	5,946,294	2,867,977	7,250,910
Business-type activities	514,787	(981,821)	(52,310)	142,030	(31,112)	170,104	630,493	336,685	2,749,779	425,365
Total government-wide net expense	\$ 972,319	\$ 143,166	\$ 1,920,181	\$ 2,668,299	\$ 4,045,219	\$ 5,098,240	\$ 6,449,750	\$ 6,282,979	\$ 5,617,756	\$ 7,676,275

Source: CAFR Schedule A-2

**Educational Services Commission of New Jersey
Fund Balances, Governmental Funds,
Last Ten Fiscal Years**

J-3

(modified accrual basis of accounting)
Unaudited

	June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Restricted for:										
Other Purposes	\$ 1,436,532	\$ 371,031	\$ 216,392	\$ 216,392	\$ 216,392	\$ 216,392	\$ 216,392	\$ 216,392	\$ 216,392	\$ 4,628,235
Assigned	302,631	930,684	1,431,392	1,172,668	2,184,551	558,758	1,403,302	1,767,776	922,308	1,936,602
Unassigned	7,922,372	4,535,312	5,036,204	7,184,958	9,919,008	14,935,187	17,988,468	22,639,538	23,109,569	20,767,520
Total general fund	\$ 9,661,535	\$ 5,837,027	\$ 6,683,988	\$ 8,574,018	\$ 12,319,951	\$ 15,710,337	\$ 19,608,162	\$ 24,621,706	\$ 24,248,269	\$ 27,332,357
All Other Governmental Funds										
Restricted for:										
Debt service fund	\$ 2,993,928	\$ 2,278,154	\$ 2,650,293	\$ 2,705,422	\$ 2,874,638	\$ 2,715,406	\$ 4,937,974	\$ 4,338,969	\$ 4,460,918	\$ 4,579,064
Capital projects fund	3,819,865	535,133	14,863	20,432	20,433				4,193,206	14,253,956
Total all other governmental funds	\$ 6,813,793	\$ 2,813,307	\$ 2,665,156	\$ 2,725,854	\$ 2,895,071	\$ 2,715,406	\$ 4,937,974	\$ 4,338,969	\$ 8,654,124	\$ 18,833,020
Total Governmental Funds	\$ 16,475,328	\$ 8,650,334	\$ 9,349,144	\$ 11,299,872	\$ 15,215,022	\$ 18,425,743	\$ 24,546,136	\$ 28,962,675	\$ 32,902,393	\$ 46,165,377

Source: CAFR Schedule B-1

Educational Services Commission of New Jersey
 Changes in Fund Balances - Governmental Funds
 Last Ten Fiscal Years

(modified accrual basis of accounting)
 Unaudited

	Year Ended June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Revenues										
Local sources:										
Tuition	\$ 23,150,645	\$ 26,186,392	\$ 27,207,213	\$ 27,809,066	\$ 30,247,995	\$ 32,136,205	\$ 32,716,393	\$ 32,765,239	\$ 34,258,120	\$ 34,418,279
Transportation fees	21,849,114	22,914,291	22,506,936	25,935,911	29,200,853	31,624,558	33,420,236	37,292,147	37,962,302	40,848,533
Services provided to districts	5,672,096	7,620,980	8,433,509	9,249,964	10,785,815	12,268,507	13,160,428	14,976,777	15,910,374	18,184,116
Interest on investments	79,931	21,600	12,077	8,871	9,287	9,738	12,772	25,226	61,020	171,522
Miscellaneous	103,565	200,725	232,606	222,586	443,414	133,836	484,794	237,419	205,792	116,616
Total - Local sources	50,855,351	56,043,988	58,392,341	63,226,398	70,687,364	76,173,144	79,794,623	85,296,808	88,397,608	93,739,066
State sources:										
Reimbursed TPAF S.S. Contributions	966,784	967,981	910,176	953,223	946,962	909,128	981,118	998,222	1,015,224	1,046,264
On-behalf TPAF pension Contributions	859,906	867,742	917,354	1,236,768	1,708,129	1,478,422	1,822,226	2,271,542	2,758,452	3,400,840
Total - State sources	1,826,690	1,835,723	1,827,530	2,189,991	2,655,091	2,447,550	2,803,344	3,269,764	3,773,676	4,447,104
Total revenue	52,682,041	57,879,711	60,219,871	65,416,389	73,342,455	78,620,694	82,597,967	88,566,572	92,171,284	98,186,170
Expenditures										
Instruction	10,434,360	9,140,843	9,236,148	9,259,286	10,135,939	10,495,818	10,605,100	10,887,627	11,134,594	11,858,427
Support Services:										
Health services	581,568	649,595	643,950	607,982	589,017	610,528	605,879	676,405	852,975	1,136,340
Student & instruction related services	3,152,844	6,614,327	6,111,787	6,755,318	7,067,113	7,706,612	8,315,851	9,249,904	9,787,094	9,811,271
General administrative services	636,922	674,201	652,351	814,525	776,371	955,537	955,080	992,478	945,881	1,122,624
School Administrative services	1,358,009	1,377,518	1,531,779	1,508,972	1,651,473	1,650,003	1,495,293	1,813,667	1,852,777	1,997,164
Central Services	895,083	866,595	886,994	905,256	1,020,728	1,179,998	1,171,038	1,336,357	1,520,233	1,522,335
Admin. Infor. Technology	87,758	258,924	288,365	263,715	240,501	322,611	382,973	449,516	300,900	236,317
Required maint for school facilities	662,166	862,916	707,884	765,797	925,595	913,923	909,697	975,401	1,073,422	951,198
Operation of plant	915,533	1,134,707	942,846	776,994	722,227	784,842	767,654	773,356	795,520	789,227
Pupil transportation	22,265,448	22,352,560	22,853,243	26,318,186	29,497,624	32,000,567	33,692,013	37,436,204	38,149,495	41,167,738
Unallocated employee benefits	4,050,962	5,845,920	5,881,886	5,786,788	6,618,812	7,672,501	7,579,806	7,888,025	8,354,692	8,734,296
Reimbursed S.S. contributions	966,784	967,981	910,176	953,223	946,962	909,128	981,118	998,222	1,015,224	1,046,264
On-behalf TPAF pension contributions	859,906	867,742	917,354	1,236,768	1,708,129	1,478,422	1,822,226	2,271,542	2,758,452	3,400,840
Capital outlay	601,797	220,453	207,423	103,616	315,284	433,476	735,096	1,199,073	1,703,932	1,999,551
Special Schools	1,841,787	2,328,007	2,522,016	2,623,432	2,715,091	2,678,384	2,017,352	2,404,445	2,907,518	2,318,363
Total expenditures	49,312,927	54,162,689	54,294,222	58,679,858	65,131,768	69,842,355	72,936,176	79,752,222	83,148,009	87,511,935
Excess of revenues over expenditures	3,369,114	3,717,022	5,925,649	6,736,531	8,210,687	8,778,339	9,661,791	8,814,350	9,023,275	10,674,235
Other Financing sources (uses)										
Transfers in	37,958	621,370	46,179			20,433				
Transfers out	(3,099,341)	(8,162,900)	(5,124,867)	(4,846,501)	(4,964,754)	(5,408,386)	(5,763,966)	(3,798,806)	(9,398,712)	(7,590,127)
Total other financing sources (uses)	(3,061,383)	(7,541,530)	(5,078,688)	(4,846,501)	(4,964,754)	(5,387,953)	(5,763,966)	(3,798,806)	(9,398,712)	(7,590,127)
Net change in fund balances, General Fund	\$ 307,731	\$ (3,824,508)	\$ 846,961	\$ 1,890,030	\$ 3,745,933	\$ 3,390,386	\$ 3,897,825	\$ 5,015,544	\$ (375,437)	\$ 3,084,088
Special Revenue Fund										
Revenues										
Local sources	\$ 5,000	\$ 369,403	\$ 291,470	\$ 20,874	\$ 19,763	\$	\$ 21,924	\$	\$ 16,321	\$
State sources	6,339,625	5,592,407	5,141,173	4,350,609	4,905,494	5,490,621	6,871,156	7,126,094	8,072,636	8,148,977
Federal sources	2,705,765	3,171,419	3,052,114	2,195,846	2,005,844	1,887,638	1,707,431	2,505,072	3,309,032	2,350,259
Total revenue	9,050,390	9,033,229	8,465,057	6,567,329	6,931,101	7,378,259	8,600,511	9,631,166	10,397,989	10,499,236
Expenditures										
Instruction	5,606,452	6,209,229	5,489,149	4,420,463	4,450,245	4,718,315	5,180,722	5,878,076	6,063,374	6,099,152
Other support - special	2,896,769	2,546,384	2,749,469	2,037,288	2,289,896	2,562,141	3,244,933	3,557,109	4,087,691	3,974,421
Capital outlay	365,169	131,883	43,179	20,418	122,624	31,219	123,917	153,281	194,824	178,866
Total expenditures	8,868,390	8,887,496	8,281,797	6,478,169	6,862,765	7,311,675	8,549,572	9,588,466	10,345,889	10,448,439
Excess (Deficiency) of revenues over (under) expenditures	182,000	145,733	183,260	89,160	68,336	66,584	50,939	42,700	52,100	50,797
Other Financing (uses)										
Transfers out	(182,000)	(145,733)	(183,260)	(89,160)	(68,336)	(66,584)	(50,939)	(42,700)	(52,100)	(50,797)
Total other financing (uses)	(182,000)	(145,733)	(183,260)	(89,160)	(68,336)	(66,584)	(50,939)	(42,700)	(52,100)	(50,797)
Net change in fund balances, Special Revenue fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Educational Services Commission of New Jersey
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years

(modified accrual basis of accounting)
Unaudited

	Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Capital Projects Fund										
Revenues										
Interest Earned	\$ 37,958	\$ 158	\$ 55	\$ 2	\$ 1					\$ 37,247
Total revenue	<u>37,958</u>	<u>158</u>	<u>55</u>	<u>2</u>	<u>1</u>					<u>37,247</u>
Expenditures										
Costs of Issuance										200,507
Capital outlay	23,291,986	7,928,491	620,902	244,433				\$ 806,794		4,939,250
Total expenditures	<u>23,291,986</u>	<u>7,928,491</u>	<u>620,902</u>	<u>244,433</u>				<u>806,794</u>		<u>5,139,757</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>(23,254,028)</u>	<u>(7,928,333)</u>	<u>(620,847)</u>	<u>(244,431)</u>	<u>1</u>				<u>(806,794)</u>	<u>(5,102,510)</u>
Other Financing sources (uses)										
Transfers in	333,254	4,643,621	127,018	250,000					5,000,000	
Transfers out	(37,958)		(26,461)			\$ (20,433)				(57,391)
Premium on loan issuance										2,050,651
Proceeds - Loans/Bonds	18,683,354			250,000						13,170,000
Total other financing sources (uses)	<u>18,977,650</u>	<u>4,643,621</u>	<u>100,557</u>	<u>250,000</u>		<u>(20,433)</u>			<u>5,000,000</u>	<u>15,163,260</u>
Net change in fund balances, Capital projects fund	<u>\$ (4,276,378)</u>	<u>\$ (3,284,712)</u>	<u>\$ (520,290)</u>	<u>\$ 5,569</u>	<u>\$ 1</u>	<u>\$ (20,433)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,193,206</u>	<u>\$ 10,060,750</u>
Debt Service Fund										
Revenues										
Interest Earned	\$ 2,509	\$ 60	\$ 44	\$ 36	\$ 38	\$ 45	\$ 55	\$ 68	\$ 122	\$ 3,936
Total revenue	<u>2,509</u>	<u>60</u>	<u>44</u>	<u>36</u>	<u>38</u>	<u>45</u>	<u>55</u>	<u>68</u>	<u>122</u>	<u>3,936</u>
Expenditures										
Principal	21,073,587	1,920,883	2,178,534	2,090,000	2,314,838	2,333,166	1,729,659	2,531,174	2,646,163	2,695,000
Interest	2,813,546	2,763,869	2,559,272	2,541,361	2,473,034	2,395,439	1,958,394	1,961,464	1,867,875	1,760,437
Total expenditures	<u>23,887,133</u>	<u>4,684,752</u>	<u>4,738,806</u>	<u>4,631,361</u>	<u>4,787,872</u>	<u>4,728,605</u>	<u>3,688,053</u>	<u>4,492,638</u>	<u>4,514,038</u>	<u>4,455,437</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>(23,884,624)</u>	<u>(4,684,692)</u>	<u>(4,738,462)</u>	<u>(4,631,325)</u>	<u>(4,787,834)</u>	<u>(4,728,560)</u>	<u>(3,688,188)</u>	<u>(4,492,570)</u>	<u>(4,513,916)</u>	<u>(4,451,501)</u>
Other Financing sources (uses)										
Transfers in	3,404,866	4,468,918	5,207,629	4,936,454	4,957,050	5,526,167	5,894,042	3,893,565	4,635,865	4,569,647
Transfers out	(333,254)	(500,000)	(119,719)	(250,000)						
Proceeds from principal	21,187,723		22,691			10,511,398	30,170,000			
Proceeds from premium							3,923,921			
Cost of Issuance							(423,103)			
Advanced Refunding Escrow						(1,011,254)	(4,429,105)			
Payment to refunded bond escrow agent						(10,456,983)	(39,225,000)			
Total other financing sources (uses)	<u>24,259,335</u>	<u>3,968,918</u>	<u>5,110,601</u>	<u>4,686,454</u>	<u>4,957,050</u>	<u>4,569,328</u>	<u>5,010,756</u>	<u>3,893,565</u>	<u>4,635,865</u>	<u>4,569,647</u>
Net change in fund balances, Debt Svc Fund	<u>\$ 374,711</u>	<u>\$ (715,774)</u>	<u>\$ 372,139</u>	<u>\$ 55,129</u>	<u>\$ 169,216</u>	<u>\$ (159,232)</u>	<u>\$ 2,222,568</u>	<u>\$ (599,005)</u>	<u>\$ 121,949</u>	<u>\$ 118,146</u>
Net change in fund balances, Governmental Funds	<u>\$ (3,593,936)</u>	<u>\$ (7,824,994)</u>	<u>\$ 698,810</u>	<u>\$ 1,950,728</u>	<u>\$ 3,915,150</u>	<u>\$ 3,210,721</u>	<u>\$ 6,120,391</u>	<u>\$ 4,416,539</u>	<u>\$ 3,939,718</u>	<u>\$ 13,262,984</u>

Source: CAFR Schedule B-2

Educational Services Commission of New Jersey
 General Fund - Other Local Revenue by Source
 Last Ten Fiscal Years

(modified accrual basis of accounting)
 Unaudited

	Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Miscellaneous Revenue										
Sale of property					\$ 104,300		\$ 9,279			
Insurance proceeds	\$ 34,490	\$ 5,965	\$ 28,800		102,261	\$ 27,284	27,019	\$ 96,663	\$ 66,249	\$ 40,212
Refunds	11,672	12,842	1,590	\$ 22,033	5,656	2,215	4,136	50,945	3,640	6,569
Cancellation of aging liabilities	10,448	17,839	5,841	54,633	38,744	(93,095)	117,609	(96,387)		
E-rate reimbursement	45,102	84,560	130,655	68,689	88,702	104,688	227,969	131,899	117,710	47,016
Other	1,853	79,520	65,720	77,231	103,751	92,744	98,782	54,299	18,193	22,819
Total Other Local Revenue	\$ 103,565	\$ 200,726	\$ 232,606	\$ 222,586	\$ 443,414	\$ 133,836	\$ 484,794	\$ 237,419	\$ 205,792	\$ 116,616

Source: Commission records

Educational Services Commission of New Jersey
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Dollars in Thousands, Except per Capita)
Unaudited

<u>Governmental Activities</u>						
Fiscal Year Ended June 30,	Loans Payable	Capital Leases	Notes	Total District	Percentage of Personal Income ^a	Per Capita Personal Income ^a
2009	\$ 60,160,000		\$ 229,417	\$ 60,389,417	0.08%	\$ 46,674
2010	58,350,000		118,534	58,468,534	0.08%	48,454
2011	56,405,000			56,405,000	0.08%	47,392
2012	54,315,000			54,315,000	0.09%	48,256
2013	52,150,000	\$ 350,162		52,500,162	0.09%	49,203
2014	48,070,000	251,996		48,321,996	0.11%	52,108
2015	47,385,000	152,337		47,537,337	0.11%	52,291
2016	44,955,000	51,163		45,006,163	0.12%	52,486
2017	42,360,000			42,360,000	0.13%	53,467
2018	52,835,000			52,835,000	0.11%	55,980

Source: District CAFR Schedules I-1, I-2

Note: Details regarding the Commission's outstanding debt can be found in the notes to the basic 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 years.

Educational Services Commission of New Jersey
 Demographic and Economic Statistics
 Middlesex County, New Jersey
 Last Ten Fiscal Years
 Unaudited

Year	Population ^a	Personal Income (thousands of dollars) ^b	Per Capita Personal Income ^c	Unemployment Rate ^d
2009	783,029	\$ 36,547,096	\$ 46,674	3.9%
2010	785,324	38,052,089	48,454	5.0%
2011	790,738	37,474,655	47,392	8.7%
2012	810,747	39,123,407	48,256	8.7%
2013	814,217	40,061,919	49,203	8.5%
2014	823,041	42,887,020	52,108	8.5%
2015	830,815	43,444,147	52,291	7.4%
2016	836,297	43,893,884	52,486	6.0%
2017	840,900	44,960,400	53,467	5.0%
2018	842,798	47,179,832	55,980	4.1%

Source:

- a Population based on annual Estimates of the Resident Population for Municipalities in New Jersey, by County April 1, 2010 to July 1, 2017
- b Personal income based on Per Capita Personal Income times Population
- c Per capita personal income was computed using Census Bureau midyear population estimates.
- d New Jersey Department of Labor and Workforce Development, Office of Research and Information, Local Area Unemployment Statistics

**Educational Services Commission of New Jersey
Full-time Equivalent District Employees by Function/Program,
Last Ten Fiscal Years
Unaudited**

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Instruction										
PL192/193	29.20	29.10	30.00	22.90	22.79	21.29	25.77	32.72	38.50	37.90
RVA	16.40	17.50	16.21	13.36	9.69	9.27	8.44			
NuView Annex								8.32	10.52	8.60
NuView	12.70	14.00	13.21	15.52	13.52	14.30	15.35	18.30	18.30	17.70
Piscataway Regional Day School	80.54	77.54	70.74	68.40	44.00	47.35	48.75	52.35	54.05	62.65
Academy Learning Center	87.11	86.11	86.11	84.78	82.80	79.85	79.85	83.05	86.85	87.85
Academy Learning Center Annex I	6.25									
Title I	0.40	0.40	0.40							
Middlesex County Academy High School	4.90	5.00	5.16	4.10	3.75	3.07	2.68	2.80		
Bright Beginnings Learning Center	68.18	68.88	68.53	57.10	74.50	78.45	78.65	88.45	95.58	95.25
Bright Beginnings Learning Center Annex II	25.55									
Bright Beginnings Learning Center Annex	22.35									
IDEA B	65.27	45.13	57.88	28.00	37.27	34.89	28.55	34.40	36.12	33.70
New Brunswick preschool and other col eve									5.40	4.40
Carteret Collaborative Services				13.00	12.00	12.45	20.15	15.83	23.00	21.29
Saverville Collaborative Services	13.05	9.00								
PIC-C	1.00	1.00	1.00							
Early Childhood Program	53.00	52.00								
Center for Lifelong Learning		72.68	101.50	109.10	106.80	115.40	120.90	128.00	133.10	139.10
Health Services:										
RVA	0.95	0.95	1.00	1.00	0.30	0.20	0.20			
NuView Annex								0.20		
Piscataway Regional Day School	2.00	2.00	2.00	2.00	1.20	1.50	2.00	2.00	2.00	2.00
Academy Learning Center	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Academy Learning Center Annex I	0.20									
Non-Public Nursing	40.60	40.60	40.00	42.00	45.00	48.00	66.00	77.00	71.00	77.00
Middlesex County Academy High School					0.10	0.10	0.05	0.10		
Bright Beginnings Learning Center	2.00	2.00	2.00	2.00	2.40	2.20	2.25	2.25	2.25	3.00
Bright Beginnings Learning Center Annex II	1.00									
Bright Beginnings Learning Center Annex	0.05									
Saverville Collaborative Services	0.20	0.40								
Center for Lifelong Learning		1.60	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Support Services:										
RVA	4.00	4.00	3.00	3.00	3.00	3.00	3.00			
NuView Annex								2.00		
Piscataway Regional Day School	2.00	2.00	2.00	2.00	1.00	1.00	1.00	1.50	2.00	2.00
Academy Learning Center	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Academy Learning Center Annex I	0.20									
Middlesex County Academy High School	0.44	0.45	0.44	0.44	0.30					
Bright Beginnings Learning Center	2.00	2.00	1.00	1.00	1.50	2.00	2.00	3.00	3.00	3.00
Bright Beginnings Learning Center Annex II	0.50									
Bright Beginnings Learning Center Annex	0.50									
IDEA B	1.00									
Carteret Collaborative Services				3.00	3.00	4.00				
Saverville Collaborative Services	0.60	0.60								
PIC-C	3.31	3.50	3.50							
Early Childhood Program	8.00	8.00								
Center for Lifelong Learning		2.40	4.50	5.50	7.50	8.30	10.00	9.00	9.00	7.84
General Administration	5.00	5.00	5.00	5.00	5.00	4.75	4.75	5.00	5.00	5.57
School Administration										
PL192/193	4.87	5.15	5.63	5.63	3.85	4.55	3.19	3.35	4.05	5.78
RVA	2.13	2.12	2.12	2.12	1.62	1.52	1.52			
NuView Annex								1.27	2.02	2.02
NuView	2.00	2.17	2.15	2.15	2.18	2.03	2.03	2.03	2.03	2.03
Piscataway Regional Day School	3.90	3.94	3.94	3.94	3.12	2.20	2.45	3.08	2.98	2.95
Academy Learning Center	3.93	3.97	3.97	3.97	4.19	4.02	4.02	4.02	4.02	4.02
Academy Learning Center Annex I	0.37									
Title I	0.12	0.12	0.21	0.21	0.10	0.08	0.15	0.10	0.10	0.04
Non-Public Textbook	0.23	0.23	0.25	0.25	0.23	0.27	0.27	0.27	0.21	0.14
Non-Public Nursing	0.40	0.35	0.30	0.30	0.40	0.40	0.62	0.65	0.70	0.70
Professional Development Program	1.40	1.00	1.00	0.40	0.40	0.15	0.40	0.10	0.15	0.15
ESC-(CSH, CST, Charter)			1.20	1.20	2.34	2.29	4.21	4.35	5.52	5.30
Middlesex County Academy High School	2.00	2.00	2.00	2.00	1.50	1.00	1.00	0.75		
Bright Beginnings Learning Center	3.91	3.95	3.95	3.95	5.10	5.35	4.93	4.58	4.73	5.68
Bright Beginnings Learning Center Annex II	1.34									
Bright Beginnings Learning Center Annex	0.94									
Non-Public Technology	0.28					0.16	0.15	0.26	0.18	0.17
Non-Public Security									0.17	0.20
IDEA B	1.67	1.47	0.99	0.99	1.42					
New Brunswick preschool and other col eve										0.03
Saverville Collaborative Services	0.54	0.30								
Carteret Collaborative Services				1.00	1.00	1.00				
Early Childhood Program	6.00	6.00								
Center for Lifelong Learning		3.87	3.97	3.97	4.37	4.11	4.11	6.11	6.11	5.81
Center for Lifelong Learning- Pool					2.00	2.00	2.00	1.00	2.00	2.00
Central Services	19.50	19.50	20.65	19.50	19.50	22.00	20.00	20.00	20.50	23.00
Information technology Services			3.00	3.00	3.00	3.00	4.00	4.00	3.00	3.00
Operations & Maintenance										
PL192/193	2.20	2.20	1.15	1.25	1.65	1.65	1.15	1.15	1.15	1.15
RVA	2.20	2.20	2.13	2.23	1.13	1.13	1.63			
NuView Annex								1.63	1.63	1.13
NuView	1.00	1.00	1.50	1.23	1.00	1.13	1.13	1.13	1.13	1.13
Piscataway Regional Day School	2.70	2.20	2.15	2.25	2.15	2.15	2.15	2.15	2.15	2.15
Academy Learning Center	2.20	2.20	2.15	2.25	2.15	2.15	2.15	2.15	2.15	2.15
Middlesex County Academy High School	0.40	0.25	0.25	0.25	1.25	1.00	0.25	0.25		
ESC-General			1.00	1.30	1.75	2.00	2.00	2.00	2.00	2.00
Bright Beginnings Learning Center	2.20	2.20	2.15	2.25	2.15	2.15	2.40	2.40	2.65	3.15
Bright Beginnings Learning Center Annex	1.00									
Saverville Collaborative Services		0.25	0.25							
Early Childhood Program	3.00	4.00	4.00							
Center for Lifelong Learning		3.00	4.15	4.25	4.15	4.15	4.15	4.15	4.15	4.15
Student Transportation	5.50	5.50	6.50	6.50	6.50	6.50	6.50	6.50	6.00	6.00
Student Transportation - Bus driver	4.80	4.80								
Total	647.08	641.78	603.89	567.54	561.62	577.51	604.90	651.70	683.15	700.88

Source: Based on Commission budget record

Educational Services Commission of New Jersey
Operating Statistics
Last Ten Fiscal Years
Unaudited

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Other Staff ^c	Average Daily Enrollment (ADE) ^d	Average Daily Attendance (ADA) ^d	% Change in Average Daily Enrollment	Student Attendance Percentage
2009	1,008	\$ 57,214,351	\$ 56,760	4.61%	196	441	1,076.80	941.00	-3.06%	87.39%
2010	731	62,697,849	85,770	51.11%	186	406	730.30	648.00	-32.18%	88.73%
2011	710	62,325,417	87,782	2.35%	195	424	735.20	646.90	0.67%	87.99%
2012	719	65,033,993	90,451	3.04%	188	410	727.60	649.30	-1.03%	89.24%
2013	744	71,356,623	95,909	6.04%	199	412	738.20	661.90	1.46%	89.66%
2014	754	76,689,335	101,710	6.05%	215	460	749.90	658.00	1.58%	87.75%
2015	732	82,612,133	112,858	10.96%	208	477	752.00	665.00	0.28%	88.43%
2016	722	90,743,835	125,684	11.36%	232	463	717.00	641.00	-4.65%	89.40%
2017	722	91,595,142	126,863	0.94%	220	519	727.00	638.00	1.39%	87.76%
2018	730	96,185,977	131,762	4.84%	241	534	742.00	653.00	3.49%	88.01%

Sources: Commission records.

Note: Enrollment for 2009-2018 was based on actual enrollment as of June.

a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule B-2

b Teaching staff includes only full-time equivalents of certificated staff. prior GASB 44 J-15

c Other staff includes only full-time equivalents of other staffs- all 12 month. prior GASB 44 J-15

(All 12 mo. Staffs - Administrator, Custodians, family workers, food workers, secretary. 10 mo.- chapter 226 nurse, aides)

d Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS). prior GASB 44 J-13

Educational Services Commission of New Jersey
School Building Information
Last Ten Fiscal Years
Unaudited

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
District Building											
NuView Academy Annex, 1690 Stelton Rd, Piscataway											
(September 1997, name changed from RVA to NVA on 09/01/2016)											
NVA	Square Feet	42,755	48,525	48,525	44,149	38,379	38,379	38,379	38,379	20,379	20,379
NVA	Capacity (students)	132	174	174	114	72	72	72	72	72	72
NVA	Enrollment	66	66	53	41	41	40	25	25	26	26
MCA	Square Feet				4,376	4,376	4,376	4,376	4,376		
MCA	Capacity (students)				60	60	60	60	60		
MCA	Enrollment				35	22	31	20	20		
(MCA ended 06/30/2016)											
(April 2017, Name changed from BBSEC to FFA on 06/26/2018)											
BB Secondary	Square Feet	5,770				5,770	5,770	5,770	5,770	28,146	28,146
BB Secondary	Capacity (students)	42				42	42	42	42	108	108
BB Secondary	Enrollment	37				23	32	41	41	53	53
Nonpublic	Square Feet	2360	2360	2360	2360	2360	2360	1415	1,415	1,415	1,415
Transportation	Square Feet (moved from BB 3/2014)							945	945	945	945
Nuview Academy, 1 Park Ave, Piscataway											
(September 2001, September 2008)											
NV	Square Feet	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500
NV	Capacity (students)	72	72	72	72	73	73	73	73	73	73
NV	Enrollment	60	60	67	63	73	66	60	60	63	63
Academy Learning Center, 145 Pergola Ave. Monroe											
(September 2000)											
ALC	Square Feet	42,516	42,516	42,516	42,516	42,516	42,516	42,516	42,516	42,516	42,516
ALC	Capacity (students)	148	148	148	148	148	148	148	148	148	148
ALC	Enrollment	143	143	141	142	141	144	142	142	137	137
Bright Beginnings Learning Center, 1660 Stelton Rd, Piscataway											
(September 1998, September 2002)											
BBLC	Square Feet	36,422	36,422	36,422	36,422	36,422	36,422	36,422	36,422	36,422	36,422
BBLC	Capacity (students)	130	130	130	130	130	130	130	130	130	130
BBLC	Enrollment	126	126	121	130	124	128	119	119	120	120
Central Office	Square Feet	7,583	7,583	7,583	7,583	7,583	7,583	8,503	8,503	8,503	8,503
Transportation	Square Feet (moved to RVA-NP 3/2014)	920	920	920	920	920	920				
Center for Lifelong Learning, 333 Cheesequake Rd, Parlin											
(September 2009)											
CLL/AFC	Square Feet	88,000	88,000	88,000	88,000	88,000	88,000	88,000	88,000	88,000	88,000
CLL	Capacity (students)	288	288	288	288	288	288	288	288	288	288
CLL	Enrollment	N/A	153	170	183	208	209	206	206	209	209

Source: Commission records.

Note: Year of original construction is shown in parentheses. The increases in square footage and capacity are the result of renovation addition. Enrollment is based on the annual district count.

General Fund
 Schedule of Required Maintenance for School Facilities
 Last Ten Fiscal Years
 Unaudited

Undistributed expenditures - Required Maintenance for School Facilities
 11-000-261-XXX

School Facilities	Year ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
RVA	\$ 157,056	\$ 147,118	\$ 132,440	\$ 74,646	\$ 83,454	\$ 134,629	\$ 108,808	\$ 492		
ALC	185,851	188,796	146,036	181,696	145,269	130,937	165,516	161,624	\$ 229,125	\$ 161,899
ALC Annex I	1,097									
Transportation	2,663	2,678	1,510	4,114	1,550	2,183	431	615	2,658	3,484
ESC - General	14,098	62,815	69,034	99,350	194,362	178,259	148,669	167,200	170,526	128,413
ESC - MCA	17,090	12,947	8,234	39,170	51,925	35,126	23,593	17,496		
BBLC	146,614	144,413	130,425	124,586	141,799	138,914	182,484	154,216	212,145	195,459
BBLC Annex II	23,034									
BBLC Annex I	42,512									
Edison Collaborative	307									
Sayreville Collaborative	10,107	11,256								
Nuview	61,737	72,324	64,724	83,947	83,297	86,402	98,808	117,674	98,696	78,681
Nuview Annex								146,129	116,423	82,535
Center for Lifelong Learning		220,569	155,481	158,288	223,939	207,473	181,388	209,955	243,849	280,918
Pathways to Adult Living										19,809
Total School Facilities	\$ 662,166	\$ 862,916	\$ 707,884	\$ 765,797	\$ 925,595	\$ 913,923	\$ 909,697	\$ 975,401	\$ 1,073,422	\$ 951,198

Source: Commission records

Educational Services Commission of New Jersey
Insurance Schedule
June 30, 2018
Unaudited

Company	Type of Coverage	Coverage	Deductible
NJSIG	MULTI PERIL PACKAGE POLICY		
	Property:		
	Blanket building and contents	\$ 104,116,593	\$ 5,000
	Extra Expense	50,000,000	
	Musical Instruments	Incl in prop limit	
	Misc Equipment	Incl in prop limit	
	Computer equipment	1,000,000	
	Loss of Rents	2,583,668	
	Flood	Various limits	
	Energy Systems:	100,000,000	
	Spoilage	500,000	
	Commercial Liability:		
	Per occurrence	11,000,000	
	Sexual molestation	11,000,000/17,000,000	
	Fire legal liability	11,000,000	
	Medical expense	10,000	
	Employee benefits liability	11,000,000	
	Crime:		
	Money & Securities	50,000	
	Employee Dishonesty	1,000,000	
	Depositors Forgery	1,000,000	
	Computer Fraud	1,000,000	
	Automobile		
	Bodily injury/property damage	11,000,000	
	Personal injury protection	Statutory	
	Underinsured/uninsured	1,000,000	
	Private passenger	10,000	
	Comprehensive deductible		1,000
	Collision deductible		1,000
NJSIG	SCHOOL BOARD LEGAL	11,000,000	5,000
Firemans Fund	CAP		
	Limit of liability	50,000,000	
NJSIG	WORKERS COMPENSATION		
	Section B limits	2,000,000	
NJSIG	SUPPLEMENTARY WORKERS COMP		
	Weekly maximum	2,500	
Beazley	ENVIRONMENTAL IMPAIRMENT		
	Limit of liability	1,000,000/1,000,000	
	First Party Personal Property	100,000	
NJSIG	BONDS		
	Business Administrator - Patrick Moran	400,000	
McCloskey	STUDENT ACCIDENT		
	Accident Benefit	5,000,000	
QBE Insurance	ACCIDENT POLICY - SUMMER CAMP		
	Insurance Death Benefits	5,000,000	

Source: Commission Records

Single Audit Section

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

Independent Auditors' Report

Honorable President and Members
of the Board of Directors
Educational Services Commission of New Jersey
County of Middlesex, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Educational Services Commission of New Jersey (the "Commission") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated February 20, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Scott A. Clelland
Licensed Public School Accountant
No. 1049



WISS & COMPANY, LLP

February 20, 2019
Livingston, New Jersey

Report on Compliance For Each Major Federal and State Program
and Report on Internal Control Over Compliance Required by the
Uniform Guidance and New Jersey OMB Circular 15-08

Independent Auditors' Report

Honorable President and Members
of the Board of Directors
Educational Services Commission of New Jersey
County of Middlesex, New Jersey

Report on Compliance for Each Major Federal and State Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal and State Program

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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.

Purpose of this Report

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



Scott A. Clelland
Licensed Public School Accountant
No. 1049



WISS & COMPANY, LLP

February 20, 2019
Livingston, New Jersey

Educational Services Commission of New Jersey

Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Award Identification Number	Grant or State Project Number	Program or Award Amount	Grant Period From	Grant Period To	Balance at June 30, 2017				Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance at June 30, 2018			
							Unexpended Revenues	(Accounts Receivable)	Due to Districts	Due to Grantee					Unexpended Revenues	(Accounts Receivable)	Due to Districts	Due to Grantee
U.S. Department of Education—Passed—																		
Through Middlesex County School Districts																		
Special Revenue Fund.																		
Special Education Grant Cluster:																		
IDEA Part B, Basic	84 027	11027A150100	N/A	2,299,610	7/1/2015	6/30/2016	\$ (165,112)	\$ 20,017		\$ 119,634			\$ (315)		\$ (23,776)			
IDEA Part B, Basic	84 027	11027A160100	N/A	2,417,324	7/1/2016	6/30/2017	(718,363)	7,430		1,462,101	\$ (833,622)	\$ (1)	(296)		(89,958) \$ 7,205			
IDEA Part B, Basic	84 027	11027A170100	N/A	2,263,486	7/1/2017	6/30/2018				556,501	(1,458,739)				(902,238)			
Subtotal of Special Education Grant Cluster							(883,477)	27,447		2,138,236	(2,292,361)	(1)	(611)		(1,017,972) 7,205			
Title I Grants to Local Educational Agencies	84 010A	5010A160030	NCLB_09	48,519	7/1/2016	6/30/2017	(5,011)			5,011								
Title I Grants to Local Educational Agencies	84 010A	5010A170030	NCLB_09	39,938	7/1/2017	6/30/2018				28,130	(39,938)				(11,808)			
Title III Part A Program—Strengthening Institutions Program	84 365A	5165A170030	N/A	4,626	7/1/2017	6/30/2018				3,005	(4,626)				(1,621)			
Total U.S. Department of Education—passed-through State of NJ Department of Education							(888,488)	27,447		2,174,382	(2,336,925)	(1)	(611)		(1,031,401) 7,205			
Total Special Revenue Fund							(888,488)	27,447		2,174,382	(2,336,925)	(1)	(611)		(1,031,401) 7,205			
U.S. Department of Agriculture—Passed—																		
Through State Department of Agriculture																		
Enterprise Fund.																		
Child Nutrition Program Cluster:																		
National School Breakfast Program	10 553	171N1304N1099	5120-201-372573-63	98,036	7/1/2016	6/30/2017	(8,922)			8,922								
National School Lunch Program	10 555	171N1304N1099	5120-201-372573-63	181,807	7/1/2016	6/30/2017	(16,663)			16,663								
National School Breakfast Program	10 553	181N1304N1099	5120-201-372573-63	104,470	7/1/2017	6/30/2018				82,165	(104,470)				(22,305)			
National School Lunch Program	10 555	181N1304N1099	5120-201-372573-63	190,852	7/1/2017	6/30/2018				149,805	(190,832)				(41,027)			
Total Enterprise Fund and Child Nutrition Program Cluster							(25,585)			257,555	(295,302)				(63,332)			
Total Expenditures of Federal Financial Awards							\$ -	\$ (914,073)	\$ 27,447	\$ -	\$ 2,431,937	\$ (2,632,227)	\$ (1)	\$ (611)	\$ -	\$ (1,094,733) \$ 7,205		

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

Educational Services Commission of New Jersey
Schedule of Expenditures of State Financial Assistance
Year ended June 30, 2018

State Grants/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From	Grant Period To	Balance at June 30, 2017			Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance at June 30, 2018			MEMO		
					Unearned Revenue	(Accounts Receivable)	Due to Districts					Due to Grantor	Unearned Revenue	(Accounts Receivable)	Due to Districts	Due to Grantor	Budgetary Receivable
State Department of Education																	
General Fund																	
Reimbursed TPAF Social Security Contributions	495-034-5094-003	\$ 1,015,224	7/1/2016	6/30/2017		\$ (50,567)		\$ 50,567									
Reimbursed TPAF Social Security Contributions	495-034-5094-003	1,046,264	7/1/2017	6/30/2018			994,327	\$ (1,046,264)				\$ (51,937)				\$ (1,046,264)	
On Behalf TPAF Pension Contribution	495-034-5094-001/002/004	3,400,840	7/1/2017	6/30/2018			3,400,840	(3,400,840)								(3,400,840)	
Total General Fund						(50,567)		4,445,734	(4,447,104)			(51,937)				(4,447,104)	
State Department of Education—Passed-Through																	
New Jersey School Districts																	
Special Revenue Fund																	
N.J. Nonpublic Aid:																	
Textbooks Aid	100-034-5120-064	700,524	7/1/2016	6/30/2017	(71,200)	\$ 9,308	67,659				\$ (9,303)	(3,867)	\$ 331				
Textbooks Aid	100-034-5120-064	621,911	7/1/2017	6/30/2018			575,700	(621,911)				(68,261)	22,032			(621,911)	
Nursing Services Aid	100-034-5120-070	1,756,086	7/1/2015	6/30/2016	(2,373)	1,691	2,373				(1,691)						
Nursing Services Aid	100-034-5120-070	1,917,467	7/1/2016	6/30/2017	(235,308)	78,758	231,601		\$	\$	(78,759)	(6,275)	2,572				
Nursing Services Aid	100-034-5120-070	1,971,341	7/1/2017	6/30/2018			1,513,428	(1,971,341)				(518,579)	60,666			(1,971,341)	
Technology Initiative	100-034-5120-373	476,134	7/1/2014	6/30/2015	(106)		106										
Technology Initiative	100-034-5120-373	371,532	7/1/2015	6/30/2016	(166)		166										
Technology Initiative	100-034-5120-373	368,193	7/1/2016	6/30/2017	(39,522)	28,238	25,029			1	(15,668)	(1,922)					
Technology Initiative	100-034-5120-373	478,928	7/1/2017	6/30/2018			435,321	(478,928)		(1)		(51,532)	7,924			(478,928)	
Security Aid Program	100-034-5120-509	607,629	7/1/2016	6/30/2017	(120,926)	32,113	118,857			(1)	(31,563)	(2,803)	1,283				
Security Aid Program	100-034-5120-509	820,619	7/1/2017	6/30/2018			819,263	(820,619)		(1)		(90,275)	88,918			(820,619)	
Auxiliary services (Chapter 192):																	
Compensatory Education	100-034-5120-067	1,317,607	7/1/2015	6/30/2016	\$ (1,856)	(2,632)				776							
Compensatory Education	100-034-5120-067	1,718,946	7/1/2016	6/30/2017	(176,821)	27,926	156,045			(3)	(10,750)	(3,603)					
Compensatory Education	100-034-5120-067	1,525,637	7/1/2017	6/30/2018			1,170,110	(1,525,637)	5,530			(361,513)	11,516			(1,525,637)	
English as a Second Language	100-034-5120-067	157,729	7/1/2016	6/30/2017	(22,764)	5,650	16,569										
English as a Second Language	100-034-5120-067	156,820	7/1/2017	6/30/2018			132,050	(156,820)				(34,509)	9,739			(156,820)	
Transportation	100-034-5120-067	293,882	7/1/2015	6/30/2016		1,559				(1,559)							
Transportation	100-034-5120-067	272,667	7/1/2016	6/30/2017	(52,383)	10,929	41,152			(3)		(305)					
Transportation	100-034-5120-067	234,842	7/1/2017	6/30/2018			157,274	(234,842)				(78,153)	585			(234,842)	
Nonpublic Home Instruction	100-034-5120-067	22,239	7/1/2013	6/30/2014		(1,912)						(1,912)					
Nonpublic Home Instruction	100-034-5120-067	60,938	7/1/2014	6/30/2015		(5,334)	5,334										
Nonpublic Home Instruction	100-034-5120-067	38,568	7/1/2015	6/30/2016		(2,631)	2,631										
Nonpublic Home Instruction	100-034-5120-067	41,099	7/1/2016	6/30/2017		(40,347)	33,345					(7,138)	136				
Nonpublic Home Instruction	100-034-5120-067	51,702	7/1/2017	6/30/2018			1,395	(51,702)				(50,307)				(51,702)	
Handicapped services (Chapter 193):																	
Supplemental Instruction	100-034-5120-066	594,060	7/1/2015	6/30/2016		(3,711)	742			3,711			742				
Supplemental Instruction	100-034-5120-066	679,863	7/1/2016	6/30/2017		(78,360)	8,914	60,846		6,481		(2,119)					
Supplemental Instruction	100-034-5120-066	721,912	7/1/2017	6/30/2018			621,977	(721,912)		1		(103,104)	3,170			(721,912)	
Examination and Classification	100-034-5120-066	974,517	7/1/2015	6/30/2016		361							361				
Examination and Classification	100-034-5120-066	1,096,865	7/1/2016	6/30/2017		(343,317)	7,189	345,524		(6,481)	(1,621)	(3,248)	4,542				
Examination and Classification	100-034-5120-066	1,147,299	7/1/2017	6/30/2018			760,314	(1,147,299)				(403,031)	16,046			(1,147,299)	
Corrective Speech	100-034-5120-066	616,069	7/1/2016	6/30/2017		(57,017)	7,650	48,508			(12)	(914)					
Corrective Speech	100-034-5120-066	597,727	7/1/2017	6/30/2018			500,435	(597,727)				(104,477)	7,185			(597,727)	
Total State Department of Education—passed-through						(1,856)	(1,256,830)	221,028	7,843,012	(8,328,758)	8,989	(150,269)	(1,898,720)	237,748		(8,328,758)	
Total Special Revenue Fund						(1,856)	(1,256,830)	221,028	7,843,012	(8,328,758)	8,989	(150,269)	(1,898,720)	237,748		(8,328,758)	
State Department of Agriculture																	
Enterprise Fund																	
National School Lunch Program (State share)	100-010-3350-023	3,603	7/1/2016	6/30/2017		(329)		329									
National School Lunch Program (State share)	100-010-3350-023	3,866	7/1/2017	6/30/2018			3,038	(3,866)				(828)				(3,866)	
Total Enterprise Fund						(329)		3,367	(3,866)			(828)				(3,866)	
Total State Financial Assistance Expenditures						\$ (1,856)	\$ (1,307,726)	\$ 221,028	\$ -	\$ 12,292,113	\$ (12,779,728)	\$ 8,989	\$ (150,269)	\$ -	\$ (1,951,485)	\$ 237,748	\$ (12,779,728)
Less: On-Behalf TPAF Pension System Contributions								3,400,840	(3,400,840)								
Total for State Financial Assistance- Major Program Determination								\$ 8,891,273	\$ (9,378,888)								

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

Educational Services Commission of New Jersey

Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance

Year ended June 30, 2018

1. General

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

2. Basis of Accounting

The accompanying schedules of expenditures of federal awards and state financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the enterprise fund, which are presented using the accrual basis of accounting and those recorded in the special revenue fund, which are presented using the budgetary basis of accounting. These bases of accounting are described in Note 1 to the Commission's basic financial statements. The information in these schedules are presented in accordance with the requirements of 2 CFR 200-*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in these schedules may differ from amounts presented, or used in the preparation of, the basic financial statements.

3. Relationship to Basic Financial Statements

Amounts reported in the accompanying schedules agree with amounts reported in the Commission's 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 fiscal year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

Educational Services Commission of New Jersey

Notes to Schedules of Expenditures of
Federal Awards and State Financial Assistance

Year ended June 30, 2018

3. Relationship to Basic Financial Statements (continued)

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 revenues, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$179,561 for the special revenue fund. See note to Required Supplementary Information (C-3) for a reconciliation of the budgetary basis to GAAP of accounting for the special revenue funds. Financial award revenues are reported in the Commission's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 4,447,104	\$ 4,447,104
Special Revenue Fund	\$ 2,350,259	8,148,977	10,499,236
Food Service Enterprise Fund	295,302	3,866	299,168
Total financial award revenues	<u>\$ 2,645,561</u>	<u>\$ 12,599,947</u>	<u>\$ 15,245,508</u>

4. Relationship to Federal and State Financial Reports

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

5. Other

TPAF Social Security Contributions represent the amount reimbursed by the State for the employer's share of Social Security for TPAF members for the year ended June 30, 2018.

The post retirement pension, disability insurance and medical benefits received on-behalf of the District for the year ended June 30, 2018 amounted to \$3,400,840. Since on-behalf post retirement pension, disability insurance and medical benefits are paid by the State directly, these expenditures are not subject to a single audit in accordance with New Jersey OMB's Circular 15-08, as directed by the funding agency.

6. Indirect Costs

The District did not use the 10% de minimis indirect cost rate.

Educational Services Commission of New Jersey

Notes to Schedules of Expenditures of
Federal Awards and State Financial Assistance

Year ended June 30, 2018

7. Adjustments

The adjustments reflected on schedules K-3 and K-4 represents cancellations of prior year receivables and encumbrances.

Educational Services Commission of New Jersey
Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2018

Part I - Summary of Auditors' Results (continued)

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X None Reported

Is any noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X None Reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Identification of major federal programs:

CFDA Number(s)	FAIN Number	Name of Federal Program or Cluster
84.027	H027A170100	IDEA Part B, Basic (Special Education Cluster)

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

Educational Services Commission of New Jersey
Schedule of Findings and Questioned Costs

Year ended June 30, 2018

Part II - Schedule of Financial Statement Findings

No compliance or internal control over financial reporting findings noted that are required to be reported under *Government Auditing Standards*.

Educational Services Commission of New Jersey
Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2018

**Part III - Schedule of Federal Award and State Financial Assistance
Findings and Questioned Costs**

No compliance or internal control findings noted that are required to be reported in accordance with 2 CFR 200 Section 516(a) and New Jersey State OMB Circular 15-08.

Educational Services Commission of New Jersey
Summary Schedule of Prior Year Audit Findings
Year ended June 30, 2018

No prior year audit findings were noted.