

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Fairfield, New Jersey**

**COMPREHENSIVE ANNUAL**

**FINANCIAL REPORT**

**of the**

**Essex Regional Educational Services Commission**

**Fairfield, New Jersey**

**For The Fiscal Year Ended June 30, 2019**

**Prepared by**

**Business Office**

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
TABLE OF CONTENTS**

	<u>Page</u>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal	i-iv
Organizational Chart	v
Roster of Officials	vi
Consultants and Advisors	vii
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-14
<b>REQUIRED SUPPLEMENTARY INFORMATION – PART I</b>	
<b>Basic Financial Statements</b>	
<b>A. Commission-Wide Financial Statements</b>	
A-1 Statement of Net Position	15
A-2 Statement of Activities	16
<b>B. Fund Financial Statements</b>	
<i>Governmental Funds</i>	
B-1 Balance Sheet	17
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	18
B-3 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances with the Commission-Wide Statements	19
<i>Proprietary Funds</i>	
B-4 Statement of Net Position	20
B-5 Statement of Revenues, Expenses, and Changes in Net Position	21
B-6 Statement of Cash Flows	22
<i>Fiduciary Funds</i>	
B-7 Statement of Fiduciary Net Position	23
B-8 Statement of Changes in Fiduciary Net Position – Not Applicable	
<b>Notes to the Financial Statements</b>	24-62
<b>REQUIRED SUPPLEMENTARY INFORMATION - PART II</b>	
<b>C. Budgetary Comparison Schedules</b>	
C-1 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund	63-66
C-2 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP) and Actual – Special Revenue Fund	67
C-3 Budgetary Comparison Schedule – Note to Required Supplementary Information	68

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
TABLE OF CONTENTS**

**Page**

**REQUIRED SUPPLEMENTARY INFORMATION - PART III**

**L. Schedules Related to Accounting and Reporting for Pensions and Postemployment Benefits**

L-1	Required Supplementary Information – Schedule of the Commission’s Proportionate Share of the Net Pension Liability – Public Employees Retirement System	69
L-2	Required Supplementary Information – Schedule of Commission’s Contributions – Public Employees Retirement System	70
L-3	Required Supplementary Information – Schedule of the Commission’s Proportionate Share of the Net Pension Liability – Teachers Pension and Annuity Fund	71
L-4	Required Supplementary Information - Schedule of the Commission’s Proportionate Share of the Net Pension Liability – Board of Education Employees’ Pension Fund of Essex County	72
L-5	Notes to Required Supplementary Information – Net Pension Liability	73
L-6	Required Supplementary Information – Schedule of Commission’s Proportionate Share of Total OPEB Liability	74
L-7	Notes to Required Supplementary Information – Total OPEB Liability	75

**OTHER SUPPLEMENTARY INFORMATION – PART II**

**D. School Level Schedules - Not Applicable**

**E. Special Revenue Fund**

E-1	Combining Schedule of Program Revenues and Expenditures Special Revenue Fund – Budgetary Basis	76-78
E-2	Schedule of Preschool Education Aid Expenditures – Budgetary Basis – Not Applicable	

**F. Capital Projects Fund**

F-1	Summary Schedule of Project Expenditures	79
F-2	Summary Schedule of Revenues, Expenditures and Changes in Fund Balance – Budgetary Basis	80
F-2a- F-2d	Schedule of Project Revenues, Expenditures, Project Balance and Project Status	81-84

**G. Proprietary Funds**

*Enterprise Fund*

G-1	Combining Statement of Net Position	85
G-2	Combining Statement of Revenues, Expenses and Changes in Net Position	86
G-3	Combining Statement of Cash Flows	87

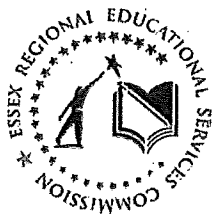
**H. Fiduciary Funds**

H-1	Combining Statement of Agency Assets and Liabilities	88
H-2	Combining Statement of Changes in Net Position – Not Applicable	89
H-3	Student Activity Agency Fund Schedule of Receipts and Disbursements	89
H-4	Payroll Agency Fund Schedule of Receipts and Disbursements	89

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
TABLE OF CONTENTS**

		<u>Page</u>
<b>I.</b>	<b>Long-Term Debt</b>	
I-1	Schedule of Serial Bonds – Not Applicable	90
I-2	Schedule of Capital Leases Payable	90
I-3	Debt Service Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Not Applicable	90
<b>J.</b>	<b>STATISTICAL SECTION (Unaudited)</b>	
J-1	Net Position by Component	91
J-2	Changes in Net Position	92-93
J-3	Fund Balances – Governmental Funds	94
J-4	Changes in Fund Balances - Governmental Funds	95
J-5	General Fund Other Local Revenues by Source	96
J-6	Assessed Value and Actual Value of Taxable Property – Not Applicable	97
J-7	Direct and Overlapping Property Tax Rates – Not Applicable	97
J-8	Principal Property Taxpayers – Not Applicable	97
J-9	Property Tax Levies and Collections – Not Applicable	97
J-10	Ratios of Outstanding Debt by Type	98
J-11	Ratios of Net General Bonded Debt Outstanding – Not Applicable	99
J-12	Direct and Overlapping Governmental Activities Bonded Debt – Not Applicable	99
J-13	Legal Debt Margin Information – Not Applicable	99
J-14	Demographic Statistics – County of Essex	100
J-15	Principal Employers – Not Applicable	101
J-16	Full-Time Equivalent Commission Employees by Function/Program	102
J-17	Operating Statistics	103
J-18	School Building Information	104
J-19	Schedule of Required Maintenance for School Facilities- Not Applicable	105
J-20	Schedule of Insurance	106
<b>K.</b>	<b>SINGLE AUDIT SECTION</b>	
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 Government Auditing Standards – Independent Auditor’s Report	107-108
K-2	Report on Compliance with Requirements for each Major Federal and State Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the U.S. Uniform Guidance and Schedule of Expenditures of State Financial Assistance as Required by New Jersey OMB Circular 15-08 - Independent Auditor’s Report	109-111
K-3	Schedule of Expenditures of Federal Awards	112
K-4	Schedule of Expenditures of State Financial Assistance	113
K-5	Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	114-115
K-6	Schedule of Findings and Questioned Costs – Part 1 – Summary of Auditor’s Results	116-117
K-7	Schedule of Findings and Questioned Costs – Part 2 – Schedule of Financial Statement Findings	118-120
K-7	Schedule of Findings and Questioned Costs – Part 3 – Schedule of Federal and State Award Findings and Questioned Costs	121
K-8	Summary Schedule of Prior Year Findings	122

## **INTRODUCTORY SECTION**



**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
BUSINESS OPERATIONS UNIT**

333 Fairfield Road  
Fairfield, New Jersey 07004  
Tel: (973) 405-6262 x253 / Fax: (973) 405-6565

Laurie W. Newell, Ph.D.  
Superintendent

Carrie Grapstein  
School Business Administrator

January 16, 2020

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

The comprehensive annual financial report (CAFR) of the Essex Regional Educational Services Commission for the fiscal year ended June 30, 2019, is hereby submitted. This CAFR includes the Commission's Financial Statements prepared in accordance with Governmental Accounting Standards Board. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Directors. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Commission. All disclosures necessary to enable the reader to gain an understanding of the Commission's financial activities have been included.

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

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

**CONSTITUENT DISTRICTS:**

Belleville, Bloomfield, East Orange, Essex County Vocational Schools,  
Irvington, Livingston, Montclair, Newark, Orange, and South Orange-Maplewood

1) REPORTING ENTITY AND ITS SERVICES: The Essex Regional Educational Services Commission is a public educational entity deriving its authority from New Jersey Public Law 18A:6-51 et.seq. Funding sources for the Essex Regional Educational Services Commission is generated from our school tuitions and various fee based educational services.

The Commission provides a broad range of quality educational and administrative services in a cost effective manner. These services include coordinated transportation, special education for learning disabled students, nonpublic chapter 192/193 services, nonpublic nursing, Title I services, English as a second language, public school home instruction, public school child study evaluations, educational programs for drug rehabilitation centers and juvenile detention centers, cooperative purchasing, paraprofessional, migrant education, homeless education, alternative education, physical and occupational therapy, and extended school day/year.

<u>Essex Junior Academy</u>		
<u>School Year</u>	<u>Average Daily Enrollment</u>	<u>Percent Change</u>
2018-19	21.2	-33%
2017-18	31.5	-30
2016-17	45.0	10
2015-16	40.8	-3
2014-15	42.0	3
2013-14	40.8	-8
2012-13	44.2	-3
2011-12	45.8	31
2010-11	34.9	11
2009-10	31.4	-1

<u>Essex High School</u>		
<u>School Year</u>	<u>Average Daily Enrollment</u>	<u>Percent Change</u>
2018-19	30.7	-10%
2017-18	34.1	-29
2016-17	48.1	33
2015-16	36.2	-10
2014-15	40.0	3
2013-14	39.0	-16
2012-13	46.2	5
2011-12	44.0	2
2010-11	39.3	16
2009-10	33.8	-20



<u>Essex Campus Academy</u>		
<u>School Year</u>	<u>Average Daily Enrollment</u>	<u>Percent Change</u>
2018-19	28.6	-16%
2017-18	34.1	-25
2016-17	45.6	11
2015-16	41.1	3
2014-15	40.0	0
2013-14	40.0	10
2012-13	36.4	-21
2011-12	46.3	-14
2010-11	53.8	-36
2009-10	84.7	2

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

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments of a line item basis. Open encumbrance at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. The Commission did not have any open encumbrances at June 30, 2019.

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

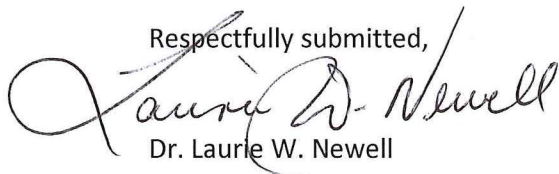
6) CASH MANAGEMENT: The investment policy of the Commission is guided in large part by state statutes as detailed in "Notes to the Financial Statements". The Commission has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions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

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

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

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

Respectfully submitted,



Dr. Laurie W. Newell

Superintendent of Schools



Carrie Grapstein

School Business Administrator

CONSTITUENT DISTRICTS:

Belleville, Bloomfield, East Orange, Essex County Vocational Schools, Irvington,  
Livingston, Montclair, Newark, Orange, and South Orange-Maplewood

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
ORGANIZATION CHART 2018 - 2019

SUPERINTENDENT

ASSISTANT SUPERINTENDENT OF SCHOOLS & PROGRAMS

EXECUTIVE DIRECTOR OF SCHOOLS & PROGRAMS

DIRECT SERVICES

PRINCIPALS

DIRECTOR OF SPECIAL PROJECTS

COORDINATOR OF SCHOOLS & PROGRAMS

DIR. OF THE PARA-PROF. PROGRAM

EXECUTIVE DIRECTOR OF COMMUNITY ENGAGEMENT

EXECUTIVE CONFIDENTIAL ASSISTANT TO THE SUPERINTENDENT

DIRECTOR OF TRANSP.

INTERIM SCHOOL BUS. ADMIN./ CHIEF OPERATIONS OFFICER

INTERIM ASSISTANT SCHOOL BUSINESS ADMINISTRATOR

MANAGER OF HUMAN RESOURCES

ASSISTANT SUPERINTENDENT OF PROGRAMS & GRANTS

IDEA-B  
CST  
ADULT DAY PROGRAM  
NURSING  
CENTRAL OFFICE STAFF

ESSEX CAMPUS ACADEMY  
ESSEX JUNIOR ACADEMY  
ESSEX HIGH SCHOOL  
SOJOURN HIGH SCHOOL

SPECIAL PROJECTS  
PROFESSIONAL DEVELOPMENT  
ALL SCHOOL REPORTS

OFFICE ASSISTANT  
QUALITY CONTROL ASST.  
HOME INSTRUCTORS

PARA RECRUITER  
PARA COORD/LIASON  
SECRETARY  
PARAPROFESSIONALS

COMMUNITY ENGAGEMENT  
SOCIAL MEDIA  
IT DIVISION

CLIENT CARE CENTER  
FRONT DESK  
COURIER  
GROUND & MAINTENANCE  
SECURITY

CONFIDENTIAL SECRETARY  
SPECIALIST  
COORDINATOR II  
COORDINATOR I  
ASSISTANTS  
ROUTERS  
MONITORS  
COMPLIANCE

SPECIALIST (COLLECTIONS)  
ACCOUNTANTS  
PAYROLL  
ACCT. RECEIVABLES  
ACCT. PAYABLES  
SPECIALIST

CONFIDENTIAL SECRETARY  
FOOD SERVICES  
FACILITIES  
BUILDINGS  
VEHICLES & GROUNDS  
NEW BUSINESS  
CONTRACTS  
CO-OP

SPECIALIST SECRETARIES

OFFICE LIAISON  
GRANTS  
RELATED SERVICES  
MIGRANT,  
HOMELESS &  
EXTENDED DAY  
ADULT HIGH SCHOOL TESTING  
(GED)

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION**  
**Roster of Officials**

**MEMBERS OF THE BOARD OF EDUCATION**

Mr. Richard Williams, President  
Mr. Salvatore Carnovale, Vice President  
Ms. Eve Robinson, Executive Committee Member  
Ms. Marjorie Perry  
Mr. E. Lydell Carter  
Ms. Christine Lamperello  
Mr. Reginald Bledsoe  
Ms. Robin Baker  
Ms. Ronnie Konner  
Ms. Ellen Rogers

**SCHOOL DISTRICT**

Irvington Board of Education  
Essex County Vocational  
Montclair Board of Education  
East Orange Board of Education  
Orange Board of Education  
Belleville Board of Education  
Newark Board of Education  
South Orange/Maplewood  
Livingston Board of Education  
Bloomfield Board of Education

**OTHER OFFICIALS**

Dr. Laurie W. Newell, Superintendent of Schools  
Ms. Carrie Grapstein, School Business Administrator  
John H. Watson, Esq., Board Attorney

**ESSEX REGIONAL EDUCATIONAL  
SERVICES COMMISSION**

**Consultants and Advisors**

**AUDIT FIRM**

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

**ATTORNEY**

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

**OFFICIAL DEPOSITORY**

PNC Bank  
One Garrett Mountain  
Woodland Park, NJ 07043

**FINANCIAL SECTION**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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

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

## INDEPENDENT AUDITOR'S REPORT

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

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Essex Regional Educational Services Commission, as of and for the fiscal year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Essex Regional Educational Services Commission as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

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

### *Other Information*

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

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

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



***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated January 16, 2020 on our consideration of the Essex Regional Educational Services Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Essex Regional Educational Services Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Essex Regional Educational Services Commission's internal control over financial reporting and compliance.



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



Gary J. Vinci  
Public School Accountant  
PSA Number CS00829

Fair Lawn, New Jersey  
January 16, 2020

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

**Management's Discussion and Analysis**

This section of the Essex Regional Educational Services Commission's annual financial report presents our discussion and analysis of the Commission's financial performance during the fiscal year that ended on June 30, 2019. Please read it in conjunction with the transmittal letter at the front of this report and the Commission's financial statements, which immediately follows this section.

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

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2018-2019 fiscal year include the following:

- The assets and deferred outflows of resources of the Essex Regional Educational Services Commission exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$15,449,737 (net position).
- The Commission's total net position decreased \$4,969,502.
- Overall Commission revenues were \$64,981,069. General revenues accounted for \$2,406,823 or less than 4% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$62,574,246 or more than 96% of total revenues.
- The Commission had \$69,419,231 in expenses for governmental activities, most of these expenses were offset by program specific charges, grants or contributions. Expenses for governmental activities exceeded revenues by \$4,504,144.
- As of the close of the current fiscal year, the Commission's governmental funds reported a combined ending fund balance of \$22,882,125, a decrease of \$3,894,099 when compared to the previous year ending fund balance.
- The General Fund unassigned fund balance at June 30, 2019 was \$1,400,300 an increase of \$190,807 when compared with the beginning unassigned fund balance at July 1, 2018 of \$1,209,493.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

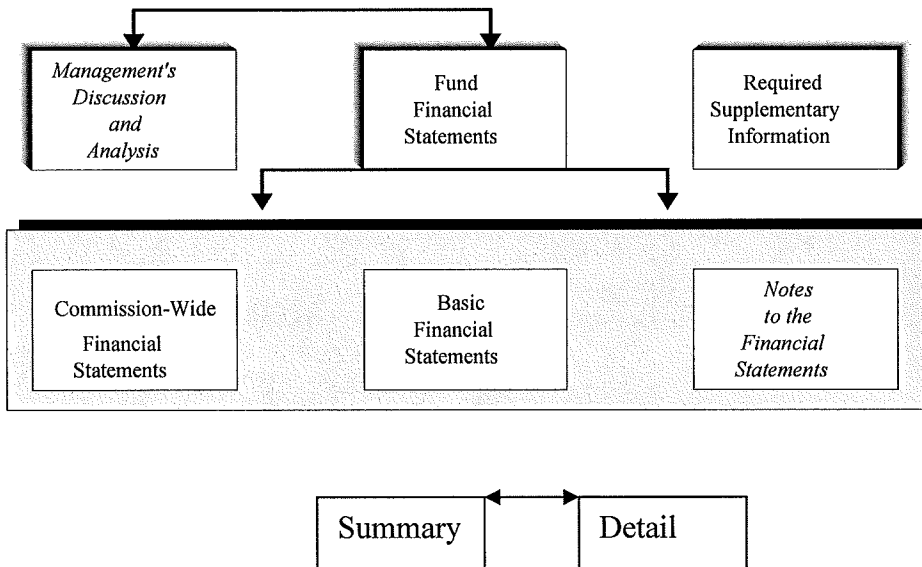
**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
FAIRFIELD, NEW JERSEY**

**Management's Discussion and Analysis**

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

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

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



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

**Management's Discussion and Analysis**

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

**Major Features of the Commission-wide and Fund Financial Statements**

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

**Commission-Wide Financial Statements**

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

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

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

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

**Management's Discussion and Analysis**

**Commission-Wide Financial Statements (Continued)**

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

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

**Fund Financial Statements**

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

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

The Commission has three kinds of funds:

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

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

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

**Notes to the Financial Statements**

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

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

**Management's Discussion and Analysis**

**Other Information**

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

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

**COMMISSION-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Commission, assets and deferred outflows exceeded liabilities and deferred inflows by \$15,449,737 and \$20,419,239 as of June 30, 2019 and 2018.

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

**Net Position  
As of June 30, 2019 and 2018**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>Assets</b>						
Current Assets	\$ 32,506,890	\$ 39,084,817	\$ 18,802	\$ 19,057	\$ 32,525,692	\$ 39,103,874
Capital Assets	<u>20,774,087</u>	<u>21,261,739</u>	<u>11,244</u>	<u>14,055</u>	<u>20,785,331</u>	<u>21,275,794</u>
<b>Total Assets</b>	<u>53,280,977</u>	<u>60,346,556</u>	<u>30,046</u>	<u>33,112</u>	<u>53,311,023</u>	<u>60,379,668</u>
<b>Deferred Outflows of Resources</b>						
Deferred Amounts on Net						
Pension Liability	<u>3,343,658</u>	<u>3,453,727</u>	<u>-</u>	<u>-</u>	<u>3,343,658</u>	<u>3,453,727</u>
<b>Liabilities</b>						
Long-Term Liabilities	31,331,179	33,334,182			31,331,179	33,334,182
Other Liabilities	<u>5,157,815</u>	<u>6,671,833</u>	<u>61,925</u>	<u>46,106</u>	<u>5,219,740</u>	<u>6,717,939</u>
<b>Total Liabilities</b>	<u>36,488,994</u>	<u>40,006,015</u>	<u>61,925</u>	<u>46,106</u>	<u>36,550,919</u>	<u>40,052,121</u>
<b>Deferred Inflows of Resources</b>						
Deferred Amounts on Net						
Pension Liability	<u>4,654,025</u>	<u>3,362,035</u>	<u>-</u>	<u>-</u>	<u>4,654,025</u>	<u>3,362,035</u>
<b>Net Position</b>						
Net Investment						
in Capital Assets	3,125,354	3,083,300	11,244	14,055	3,136,598	3,097,355
Restricted	115,417	153,063			115,417	153,063
Unrestricted	<u>12,240,845</u>	<u>17,195,870</u>	<u>(43,123)</u>	<u>(27,049)</u>	<u>12,197,722</u>	<u>17,168,821</u>
<b>Total Net Position</b>	<u>\$ 15,481,616</u>	<u>\$ 20,432,233</u>	<u>\$ (31,879)</u>	<u>\$ (12,994)</u>	<u>\$ 15,449,737</u>	<u>\$ 20,419,239</u>

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

**Management's Discussion and Analysis**

**Change in Net Position  
For The Fiscal Years Ended June 30, 2019 and 2018**

	Governmental Activities		Business-Type Activities		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 56,500,616	\$ 76,794,825	\$ 900	\$ 4,200	\$ 56,501,516	\$ 76,799,025
Operating Grants and Contributions	6,007,648	7,305,308	65,082	78,236	6,072,730	7,383,544
General Revenues						
Other	2,406,823	2,102,804	-	-	2,406,823	2,102,804
<b>Total Revenues</b>	<u>64,915,087</u>	<u>86,202,937</u>	<u>65,982</u>	<u>82,436</u>	<u>64,981,069</u>	<u>86,285,373</u>
<b>Expenses</b>						
Instruction						
Regular	4,054,676	4,188,444			4,054,676	4,188,444
Special Education	11,997,948	16,308,664			11,997,948	16,308,664
Other Instruction	3,418,164	3,920,277			3,418,164	3,920,277
Community Services	219,076	152,942			219,076	152,942
Support Services						
Student and Instruction Related Services	4,316,450	4,774,875			4,316,450	4,774,875
General Administrative Services	4,517,319	4,412,369			4,517,319	4,412,369
School Administrative Services	3,014,382	3,053,961			3,014,382	3,053,961
Central Services	1,542,509	1,481,206			1,542,509	1,481,206
Administrative Info. Technology	322,472	336,974			322,472	336,974
Plant Operations and Maintenance	2,023,005	1,686,201			2,023,005	1,686,201
Pupil Transportation	33,493,611	47,538,897			33,493,611	47,538,897
Interest on Long Term Debt	499,619	889,536			499,619	889,536
Cooperative Purchasing					-	-
Food Services	-	-	84,867	101,422	84,867	101,422
<b>Total Expenses</b>	<u>69,419,231</u>	<u>88,744,346</u>	<u>84,867</u>	<u>101,422</u>	<u>69,504,098</u>	<u>88,845,768</u>
<b>Change in Net Position</b>	(4,504,144)	(2,541,409)	(18,885)	(18,986)	(4,523,029)	(2,560,395)
<b>Net Position, Beginning of Year</b>	20,432,233	22,313,677	(12,994)	5,992	20,419,239	22,319,669
<b>Prior Period Adjustments</b>	(446,473)	659,965	-	-	(446,473)	659,965
<b>Net Position, End of Year</b>	<u>\$ 15,481,616</u>	<u>\$ 20,432,233</u>	<u>\$ (31,879)</u>	<u>\$ (12,994)</u>	<u>\$ 15,449,737</u>	<u>\$ 20,419,239</u>



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

**Management's Discussion and Analysis**

**Governmental Activities.** The Commission's total governmental activities' revenues, which includes State and Federal grants, were \$64,915,087 and \$86,202,937 for the fiscal years ended June 30, 2019 and 2018, respectively. Tuition charges and local education fees of \$56,500,616 and \$76,794,825 represented 87% and 89% of the revenues for the respective years. Grants and contributions of \$6,007,648 and \$7,305,308 were realized for the fiscal years ended June 30, 2019 and 2018. In addition, the Commission realized in excess of \$2 million from miscellaneous income, which includes items such as interest, prior year refunds, indirect cost allocations and other miscellaneous items.

The total cost of all governmental activities programs and services were \$69,419,231 and \$88,744,346 for the fiscal years ended June 30, 2019 and 2018, respectively. The Commission's expenses are related to educating and caring for students and providing transportation and other related services to local education agencies. Instruction totaled \$19,689,864 and \$24,570,327 representing 28% and 28% of total expenses for the fiscal years ended June 30, 2019 and 2018, respectively. Support services (including pupil transportation), totaled \$49,229,748 and \$63,284,483 representing 71% and 71% of total expenditures for the fiscal years ended June 30, 2019 and 2018, respectively. Interest on long term debt totaled less than 1%.

**Net Cost of Governmental Activities.** The Commission's total cost of services was \$69,419,231 and \$88,744,346 for the fiscal years ended June 30, 2019 and 2018. After applying program revenues, derived from charges for services and grants and contributions of \$62,508,264 and \$84,100,133, the net expense for fiscal years ended June 30, 2019 and 2018 were \$6,910,967 and \$4,644,213, respectively.

**Total and Net (Expense) Revenue from Governmental Activities  
For the Fiscal Years Ended June 30, 2019 and 2018**

	<u>Total Cost of Services</u>		<u>Net (Cost) Income of Services</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Instruction				
Regular	4,054,676	4,188,444	\$ (353,191)	\$ (295,352)
Special Education	11,997,948	16,308,664	(7,404,644)	(9,816,617)
Other Instruction	3,418,164	3,920,277	33,563	(8,414)
Community Services	219,076	152,942	(203,695)	(152,942)
Support Services				
Student and Instruction Related Services	4,316,450	4,774,875	8,361,484	10,975,806
General Administrative Services	4,517,319	4,412,369	(3,317,092)	(2,991,785)
School Administrative Services	3,014,382	3,053,961	(1,191,979)	(1,173,453)
Central Services	1,542,509	1,481,206	(1,369,703)	(1,253,365)
Administrative Info. Technology	322,472	336,974	(300,287)	(310,448)
Plant Operations and Maintenance	2,023,005	1,686,201	(1,887,753)	(1,542,228)
Pupil Transportation	33,493,611	47,538,897	1,221,949	2,814,121
Interest on Long Term Debt	499,619	889,536	(499,619)	(889,536)
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
<b>Total</b>	<b>\$ 69,419,231</b>	<b>\$ 88,744,346</b>	<b>\$ (6,910,967)</b>	<b>\$ (4,644,213)</b>

**Business-Type Activities** – The Commission's total business-type activities revenues were \$65,982 and \$82,436 for the fiscal years ended June 30, 2019 and June 30, 2018. Grants and contributions accounted for 99% and 95% of total revenue for the fiscal years ended June 30, 2019 and 2018.

The total cost of all business-type activities programs and services were \$84,867 and \$101,422 for the fiscal years ended June 30, 2019 and 2018. The Commission's expenses are related to Food Service programs provided to all eligible students within the Commission.

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

**Management's Discussion and Analysis**

**FINANCIAL ANALYSIS OF THE COMMISSION'S FUNDS**

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

**Governmental Funds**

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

The financial performance of the Commission as a whole is reflected in its governmental funds as well. As the Commission completed the school year, its governmental funds reported a combined fund balance of \$22,882,125 for the fiscal year ended June 30, 2019 compared to \$26,776,224 for the fiscal year ended June 30, 2018.

Revenues for the Commission's governmental funds were \$63,809,582 and \$79,711,442, while total expenses were \$67,703,681 and \$94,625,003 for the fiscal years ended June 30, 2019 and 2018, respectively.

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

The following schedule presents a summary of General Fund Revenues.

	Fiscal Year Ended		Amount of Increase (Decrease)	Percent Change
	June 30,			
	<u>2019</u>	<u>2018</u>		
Local Sources				
Tuition Charges	\$ 2,778,270	\$ 3,604,340	\$ (826,070)	-23%
Transportation Fees	35,373,105	47,628,824	(12,255,719)	-26%
Miscellaneous	12,581,880	14,828,105	(2,246,225)	-15%
State Sources	<u>2,245,897</u>	<u>1,986,596</u>	<u>259,301</u>	13%
 Total General Fund Revenues	 <u>\$ 52,979,152</u>	 <u>\$ 68,047,865</u>	 <u>\$ (15,068,713)</u>	 -22%

Total revenues decreased \$15,068,713 or 22% from the previous year. Transportation fees decreased in excess of \$12.2 million due to a decrease in services provided to other local education agencies. Miscellaneous revenues decreased \$2,246,225 mainly attributed to a decrease in fees and or services provided to other local education agencies. State aid revenues increased \$259,301 due to the increase in State funding for TPAF On-Behalf contributions. Tuition charges decreased over \$825,000 primarily from a reduction in enrollments.

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

**Management's Discussion and Analysis**

**FINANCIAL ANALYSIS OF THE COMMISSION'S FUNDS (Continued)**

The following schedule presents a summary of General Fund Expenditures.

	Fiscal Year Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	June 30,			
	<u>2019</u>	<u>2018</u>		
Instruction	\$ 12,716,666	\$ 15,453,332	\$ (2,736,666)	-18%
Support Services	42,266,591	55,851,128	(13,584,537)	-24%
Capital Outlay	27,140	38,569	(11,429)	-30%
Debt Service	<u>1,306,706</u>	<u>1,039,662</u>	<u>267,044</u>	26%
 Total Expenditures	 <u>\$ 56,317,103</u>	 <u>\$ 72,382,691</u>	 <u>\$ (16,065,588)</u>	 -22%

Total General Fund expenditures decreased \$16,065,588 or 22% from the previous year. This is a result of a decrease in the services and cost of transportation and others support expenditures for services provided to other local education agencies.

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

Revenues of the Special Revenue Fund were \$10,821,225 and \$11,640,315 for the fiscal years ended June 30, 2019 and 2018. Local sources accounted for the majority of Special Revenue Fund's revenue which represented 86% and 89% of the total revenues for fiscal years June 30, 2019 and June 30, 2018.

Total Special Revenue Fund revenues decreased \$819,090 or 7% from the previous year.

Expenditures of the Special Revenue Fund were \$10,821,225 and \$11,640,315 for the fiscal years ended June 30, 2019 and 2018. Instructional expenditures were \$5,343,799 and \$6,282,269 or 49% and 54% and expenditures for the support services were \$5,404,742 and \$5,336,482 or 50% and 46% of total expended for the fiscal years ended June 30, 2019 and 2018. In addition, expenditures for capital totaled \$51,120 and debt service totaled \$21,564 for the fiscal year ended June 30, 2019.

**Capital Projects Fund** – The Commission transferred \$230,000 to the Capital Projects Fund during 2018-2019 to fund various capital improvements.

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

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

**Management's Discussion and Analysis**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

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

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

**CAPITAL ASSETS**

The Commission's investment in capital assets for its governmental activities as of June 30, 2019 and 2018 amounted to \$20,774,087 and \$21,261,739. The Commission's business-type activities capital assets totaled \$11,244 as of June 30, 2019. The capital assets consist of land, construction in progress site and leasehold improvements, building and building improvements, computers, specialized machinery and various other types of equipment. Depreciation charges for fiscal years 2018-2019 and 2017-2018 amounted to \$684,792 and \$585,046 for governmental activities. Depreciation expense on the business-type activities capital assets amounted to \$2,811 for the fiscal year 2018-2019.

Capital Assets at June 30, 2019 and 2018  
(Net of Accumulated Depreciation)

	Governmental		Business-Type	
	<u>Activities</u>		<u>Activities</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 2,924,000	\$ 2,924,000		
Site Improvements	33,317	31,152		
Building and Building Improvements	17,112,675	17,578,254		
Leasehold Improvements	90,627	98,300		
Machinery and Equipment	<u>613,468</u>	<u>630,033</u>	\$ 11,244	\$ 14,055
 Total Capital Assets, Net	 <u>\$ 20,774,087</u>	 <u>\$ 21,261,739</u>	 <u>\$ 11,244</u>	 <u>\$ 14,055</u>

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

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

**Management's Discussion and Analysis**

**LONG TERM LIABILITIES**

At year end, the Commission's long-term liabilities consisted of compensated absences payable of \$492,554 and \$422,135, capital leases payable in the amount of \$17,978,297 and \$18,796,505 and net pension liability of \$12,860,328 and \$14,115,542 for the fiscal years ended June 30, 2019 and 2018.

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

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Many factors were considered by the Commission's administration during the process of developing the fiscal year 2019-2020 budget. The primary factors were the Commission's projected student population and services required to be provided to local education agencies as well as increasing transportation, salary and related benefit costs.

**CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT**

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

**BASIC FINANCIAL STATEMENTS**

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION**  
**STATEMENT OF NET POSITION**  
**AS OF JUNE 30, 2019**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 12,831,796		\$ 12,831,796
Receivables, Net	19,185,020	\$ 18,802	19,203,822
Other Assets	63,333		63,333
Internal Balances	61,710	(61,710)	
Restricted Assets			
Cash and Cash Equivalents	365,031		365,031
Capital Assets			
Capital Assets Not Being Depreciated	2,924,000		2,924,000
Capital Assets Being Depreciated (Net)	<u>17,850,087</u>	<u>11,244</u>	<u>17,861,331</u>
Total Assets	<u>53,280,977</u>	<u>(31,664)</u>	<u>53,249,313</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Amounts on Net Pension Liability	<u>3,343,658</u>	<u>-</u>	<u>3,343,658</u>
Total Deferred Outflows of Resources	<u>3,343,658</u>	<u>-</u>	<u>3,343,658</u>
Total Assets and Deferred Outflows	<u>56,624,635</u>	<u>(31,664)</u>	<u>56,592,971</u>
<b>LIABILITIES</b>			
Accounts Payable and Other Current Liabilities	4,034,922	215	4,035,137
Accrued Interest Payable	211,767		211,767
Unearned Revenue	911,126		911,126
Noncurrent Liabilities			
Due Within One Year	851,904		851,904
Due Beyond One Year	<u>30,479,275</u>	<u>-</u>	<u>30,479,275</u>
Total Liabilities	<u>36,488,994</u>	<u>215</u>	<u>36,489,209</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Amounts on Net Pension Liability	<u>4,654,025</u>	<u>-</u>	<u>4,654,025</u>
Total Deferred Inflows of Resources	<u>4,654,025</u>	<u>-</u>	<u>4,654,025</u>
Total Liabilities and Deferred Inflows	<u>41,143,019</u>	<u>215</u>	<u>41,143,234</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	3,125,354	11,244	3,136,598
Restricted	115,417		115,417
Unrestricted	<u>12,240,845</u>	<u>(43,123)</u>	<u>12,197,722</u>
Total Net Position	<u>\$ 15,481,616</u>	<u>\$ (31,879)</u>	<u>\$ 15,449,737</u>

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

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 STATEMENT OF ACTIVITIES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>						
Instruction						
Regular	\$ 4,054,676	\$ 2,391,345	\$ 1,310,140	\$ (353,191)		\$ (353,191)
Special Education	11,997,948	3,134,266	1,459,038	(7,404,644)		(7,404,644)
Other Instruction	3,418,164	2,910,442	541,285	33,563		33,563
Comm Services/Other Instruction	219,076		15,381	(203,695)		(203,695)
Support Services						
Student and Instruction Related Services	4,316,450	11,510,853	1,167,081	8,361,484		8,361,484
General Administrative Services	4,517,319	778,489	421,738	(3,317,092)		(3,317,092)
School Administrative Services	3,014,382	1,165,486	656,917	(1,191,979)		(1,191,979)
Central Services	1,542,509		172,806	(1,369,703)		(1,369,703)
Administrative Info. Technology	322,472		22,185	(300,287)		(300,287)
Plant Operations and Maintenance	2,023,005	104,372	30,880	(1,887,753)		(1,887,753)
Pupil Transportation	33,493,611	34,505,363	210,197	1,221,949		1,221,949
Interest and Other Charges	499,619	-	-	(499,619)		(499,619)
Total Governmental Activities	69,419,231	56,500,616	6,007,648	(6,910,967)	-	(6,910,967)
<b>Business-Type Activities</b>						
Cooperative Purchasing		900			\$ 900	900
Food Service	84,867	-	65,082	-	(19,785)	(19,785)
Total Business-Type Activities	84,867	900	65,082	-	(18,885)	(18,885)
Total Primary Government	\$ 69,504,098	\$ 56,501,516	\$ 6,072,730	(6,910,967)	(18,885)	(6,929,852)
<b>General Revenues</b>						
Indirect Cost Reimbursement and Miscellaneous				2,406,823	-	2,406,823
Total General Revenues				2,406,823	-	2,406,823
Change in Net Position				(4,504,144)	(18,885)	(4,523,029)
Net Position, Beginning of Year				20,432,233	(12,994)	20,419,239
Prior Period Adjustment - Capital Assets				(446,473)	-	(446,473)
Net Position, End of Year				\$ 15,481,616	\$ (31,879)	\$ 15,449,737

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



**FUND FINANCIAL STATEMENTS**

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**AS OF JUNE 30, 2019**

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 12,751,846		\$ 79,950	\$ 12,831,796
Receivables, Net				
Accounts	24,502	\$ 37,961		62,463
Receivables from Other Governments	14,997,590	4,116,435		19,114,025
Due from Other Funds	2,807,814			2,807,814
Security Deposits	63,333			63,333
Restricted Cash - Cash with Fiscal Agent	-	-	365,031	365,031
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$ 30,645,085</u>	<u>\$ 4,154,396</u>	<u>\$ 444,981</u>	<u>\$ 35,244,462</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES</b>				
<b>FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 3,132,362	\$ 310,712		\$ 3,443,074
Accrued Salaries and Wages	370,282	109,642		479,924
Other Liabilities	5,850	31,785		37,635
Intergovernmental Payables		74,289		74,289
Due to Other Funds		2,737,572		2,737,572
Unearned Revenue	20,730	890,396	-	911,126
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Liabilities	<u>3,529,224</u>	<u>4,154,396</u>	<u>-</u>	<u>7,683,620</u>
<b>Deferred Inflows of Resources</b>				
Unavailable Revenue - Program Fees	4,678,717	-	-	4,678,717
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Deferred Inflows of Resources	<u>4,678,717</u>	<u>-</u>	<u>-</u>	<u>4,678,717</u>
<b>Fund Balances</b>				
<b>Assigned:</b>				
Designated for Capital Projects	338,218		\$ 444,981	783,199
Designated for Repairs and Replacements	283,175			283,175
Designated for Building Leases	20,415,451			20,415,451
Unassigned	1,400,300	-	-	1,400,300
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Fund Balances	<u>22,437,144</u>	<u>-</u>	<u>444,981</u>	<u>22,882,125</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 30,645,085</u>	<u>\$ 4,154,396</u>	<u>\$ 444,981</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$26,817,336 and the accumulated depreciation is \$6,043,249.

20,774,087

Unearned revenues in the funds that do not provide current financial resources are realized as revenues in the statement of activities

4,678,717

The District has financed capital assets through the issuance of long-term debt. The interest accrued at year end is:

(211,767)

Long term liabilities, are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Capital Leases Payable	\$ (17,978,297)
Compensated Absences	(492,554)
Net Pension Liability	(12,860,328)
Deferred Amounts on Net Pension Liability	
Deferred Inflows	(4,654,025)
Deferred Outflows	3,343,658
	<u>                    </u>

(32,641,546)

Net Position of Governmental Activities

\$ 15,481,616

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>REVENUES</b>				
Local Sources				
Tuition Charges	\$ 2,778,270			\$ 2,778,270
Transportation Fees	35,373,105			35,373,105
Miscellaneous	12,581,880	\$ 9,353,117	\$ 9,205	21,944,202
	<hr/>			<hr/>
Total - Local Sources	50,733,255	9,353,117	9,205	60,095,577
State Sources	2,245,897	108,065		2,353,962
Federal Sources	-	1,360,043	-	1,360,043
	<hr/>			<hr/>
Total Revenues	52,979,152	10,821,225	9,205	63,809,582
	<hr/>			<hr/>
<b>EXPENDITURES</b>				
Current				
Instruction				
Regular Instruction	2,153,756	1,405,304		3,559,060
Special Education Instruction	10,333,974	554,847		10,888,821
Other Special Instruction	28,245	3,383,648		3,411,893
Community Service/Other Instruction	200,691			200,691
Support Services				
Student and Instruction Related Services	813,735	3,367,273		4,181,008
General Administrative Services	3,578,201	665,739		4,243,940
School Administrative Services	1,576,194	1,165,486		2,741,680
Central Services	1,324,560	101,872		1,426,432
Administrative Info. Technology	295,954			295,954
Plant Operations and Maintenance	1,405,334			1,405,334
Pupil Transportation	33,272,613	104,372		33,376,985
Capital Outlay	27,140	51,120	565,353	643,613
Debt Service				
Principal	797,978	20,230		818,208
Interest and Other Charges	508,728	1,334	-	510,062
	<hr/>			<hr/>
Total Expenditures	56,317,103	10,821,225	565,353	67,703,681
	<hr/>			<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,337,951)	-	(556,148)	(3,894,099)
	<hr/>			<hr/>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In			230,000	230,000
Transfers Out	(230,000)	-	-	(230,000)
	<hr/>			<hr/>
Total Other Financing Sources (Uses)	(230,000)	-	230,000	-
	<hr/>			<hr/>
Net Change in Fund Balances	(3,567,951)	-	(326,148)	(3,894,099)
Fund Balance, Beginning of Year	26,005,095	-	771,129	26,776,224
	<hr/>			<hr/>
Fund Balance, End of Year	\$ 22,437,144	\$ -	\$ 444,981	\$ 22,882,125
	<hr/>			<hr/>

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
WITH THE COMMISSION-WIDE STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Net Change in Fund Balances - Governmental Funds (Exhibit B-2)** **\$ (3,894,099)**

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

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

Unearned Revenue - June 30, 2018	\$ (5,858,970)	
Unearned Revenue - June 30, 2019	<u>4,678,717</u>	(1,180,253)

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

Capital Outlay	643,613	
Depreciation Expense	<u>(684,792)</u>	(41,179)

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

Capital Leases Principal Paid		818,208
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In the statement of activities, certain operating expenses - compensated absences and claims and judgements - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (paid):

Increase in Compensated Absences		(70,419)
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In the statement of activities, pension expenses are measured by the liability accrued during the year. In the governmental funds, however, expenditures are reported in the amount of financial resources used (paid).

(Increase) Decrease in Pension Expense		
Public Employees' Retirement System	(141,021)	
Essex County Pension Fund	<u>(5,824)</u>	(146,845)

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

Decrease in Accrued Interest		<u>10,443</u>
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**Change in Net Position of Governmental Activities (Exhibit A-2)** **\$ (4,504,144)**

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION**  
**PROPRIETARY FUNDS**  
**ENTERPRISE FUNDS**  
**STATEMENT OF NET POSITION**  
**AS OF JUNE 30, 2019**

	<b>Non-Major Programs</b>
<b>ASSETS</b>	
Current Assets	
Intergovernmental Accounts Receivable	
Federal	\$ 18,644
State	158
Total Current Assets	18,802
Non-Current Assets	
Capital Assets	21,225
Accumulated Depreciation	(9,981)
Total Capital Assets, Net	11,244
Total Assets	30,046
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	215
Due to Other Funds	61,710
Total Liabilities	61,925
<b>NET POSITION</b>	
Net Investment in Capital Assets	11,244
Unrestricted	(43,123)
Total Net Position	\$ (31,879)

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 PROPRIETARY FUND  
 ENTERPRISE FUNDS  
 STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN NET POSITION  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Non-Major Programs</u>
<b>OPERATING REVENUES</b>	
Participation Fees	\$ 900
Total Operating Revenues	<u>900</u>
<b>OPERATING EXPENSES</b>	
Cost of Sales - Reimbursable Programs	82,056
Depreciation	<u>2,811</u>
Total Operating Expenses	<u>84,867</u>
Operating (Loss)	<u>(83,967)</u>
<b>NONOPERATING REVENUES</b>	
State Sources	
State School Lunch Program	558
Federal Sources	
School Breakfast Program	21,088
National School Lunch Program	34,392
After School Snack Program	<u>9,044</u>
Total Nonoperating Revenues	<u>65,082</u>
Change in Net Position	(18,885)
Net Position, Beginning of Year	<u>(12,994)</u>
Net Position, End of Year	<u>\$ (31,879)</u>

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 PROPRIETARY FUNDS  
 ENTERPRISE FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Non-Major Programs</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Participating Members	\$ 900
Cash Payments for Goods and Services	<u>(89,424)</u>
Net Cash (Used for) Operating Activities	<u>(88,524)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Cash Received (Paid) from Interfund Activities	23,187
Cash Received from State and Federal Subsidy Reimbursements	<u>65,337</u>
Net Cash Provided By Non-Capital Financing Activities	<u>88,524</u>
Net Change in Cash and Cash Equivalents	-
Cash and Cash Equivalents, Beginning of Year	<u>-</u>
Cash and Cash Equivalents, End of Year	<u>\$ -</u>
<b>Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:</b>	
Operating (Loss)	\$ (83,967)
Depreciation	2,811
Decrease in Accounts Payable	<u>(7,368)</u>
Net Cash (Used for) Operating Activities	<u>\$ (88,524)</u>

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
AS OF JUNE 30, 2019**

		<u>Agency Fund</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$	225,444
		<hr/>
Total Assets	\$	225,444
		<hr/> <hr/>
<b>LIABILITIES</b>		
Due to Student Groups	\$	2,272
Payroll Deductions and Withholdings		214,640
Due to Other Funds		8,532
		<hr/>
Total Liabilities	\$	225,444
		<hr/> <hr/>

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



**NOTES TO THE FINANCIAL STATEMENTS**

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

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

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

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

**B. New Accounting Standards**

During fiscal year 2019, the Commission adopted the following GASB statement:

- GASB No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistency provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms association with debt will be disclosed.

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

- GASB No. 84, *Fiduciary Activities*, will be effective with the fiscal year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019 ..**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. New Accounting Standards (Continued)**

- GASB No. 87, *Leases*, will be effective with the fiscal year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.
- GASB No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*, will be effective beginning with the fiscal year ending June 30, 2020. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

**C. Basis of Presentation - Financial Statements**

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

**Commission-Wide Financial Statements**

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

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

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

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements

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

The Commission reports the following major governmental funds:

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

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

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

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

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

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

Additionally, the Commission reports the following fund types:

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

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

Reclassifications

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting**

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

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

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

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

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

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

**1. *Cash, Cash Equivalents and Investments***

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

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

**2. *Receivables***

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**3. *Inventories***

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

**4. *Restricted Assets***

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

**5. *Capital Assets***

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

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

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

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

**6. *Deferred Outflows/Inflows of Resources***

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 NOTES TO THE FINANCIAL STATEMENT  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

General Fund	
Intergovernmental Receivables:	
Tuition	\$ 192,796
Transportation Fees	3,864,149
Miscellaneous Service Fees	<u>621,772</u>
 Total Unavailable Revenue	 <u>\$ 4,678,717</u>

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

**7. *Compensated Absences***

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

**8. *Pensions***

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

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

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. *Long-Term Obligations*

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

10. *Net Position/Fund Balance*

Commission-Wide Statements

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

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

Governmental Fund Statements

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

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

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

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

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

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

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



ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

11. *Fund Balance Policies*

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Commission's highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the Commission that can, by adoption of a resolution or formal Board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The Commission has no committed fund balances at year end.

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

F. Revenues and Expenditures/Expenses

1. *Program Revenues*

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

2. *Tuition Revenues and Expenditures*

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

Tuition Expenditures - Tuition charges for the fiscal years 2017-2018 and 2018-2019 were based on rates established by the receiving Commission. These rates are subject to change when the actual costs have been certified by the State Department of Education.

3. *Proprietary Funds, Operating and Nonoperating Revenues and Expenses*

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

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

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

Budget adoptions and amendments are recorded in the Commission’s minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Commission approved several budget transfers during 2018/2019. Also, during 2018/2019 the Board increased the original budget of the General Fund by \$386,244 and the Special Revenue Fund by \$1,624,278. The increases were funded by grant awards and additional program fees.

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

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**B. Excess Expenditures Over Appropriations**

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

	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund			
Undistributed Expenditures			
General Administration			
Miscellaneous Expenditures	\$ 1,624,867	\$ 1,943,286	\$ 318,419

The above variances were offset with other available resources.

**C. Deficit Fund Equity**

The Food Service Enterprise Fund has a cumulative deficit in net position of \$16,229 as of June 30, 2019. In addition, the Cooperative Purchasing Enterprise Fund has a cumulative deficit in net position of \$15,650 as of June 30, 2019. The Commission expects to eliminate these deficits through normal operations in subsequent fiscal years or with a budget contribution.

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. Cash Deposits and Investments**

**Cash Deposits**

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

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2019, the book value of the Commission's deposits were \$13,422,271 and bank and brokerage firm balances of the Commission's deposits amounted to \$16,240,034. The Board's deposits which are displayed on the various fund balance sheets as "cash and cash equivalents" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ <u>16,240,034</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**A. Cash Deposits and Investments (Continued)**

**Cash Deposits (Continued)**

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Commission does not have a policy for custodial credit risk. As of June 30, 2019 the Commission’s bank balances were not exposed to custodial credit risk.

**Investments**

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

**B. Receivables**

Receivables as of June 30, 2019 for the Commission’s individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Food Service</u>	<u>Total</u>
Receivables:				
Accounts	\$ 24,502	\$ 37,961		\$ 62,463
Intergovernmental				
Federal		615,411	\$ 18,644	634,055
State	37,074		158	37,232
Local	<u>14,960,516</u>	<u>3,501,024</u>	<u>-</u>	<u>18,461,540</u>
Gross Receivables	15,022,092	4,154,396	18,802	19,195,290
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 15,022,092</u>	<u>\$ 4,154,396</u>	<u>\$ 18,802</u>	<u>\$ 19,195,290</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**C. Unearned Revenue**

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

General Fund	
Summer School Tuition	\$ 20,730
Special Revenue Fund	
Unencumbered Grant Drawdowns	<u>890,396</u>
	<u>\$ 911,126</u>

**D. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	Balance, July 1, 2018	Prior Period Adjustment	Increases	Decreases	Balance, June 30, 2019
<b>Governmental Activities:</b>					
Capital Assets, Not Being Depreciated:					
Land	\$ 2,924,000	-	-	-	\$ 2,924,000
Total Capital Assets, Not Being Depreciated	<u>2,924,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,924,000</u>
Capital Assets, Being Depreciated:					
Site Improvements	35,692	\$ 4,158			39,850
Building and Building Improvements	21,556,166	(4,158)	\$ 565,353		22,117,361
Leasehold Improvements	154,389				154,389
Machinery and Equipment	1,892,129	33,817	78,260	\$ (422,470)	1,581,736
Total Capital Assets Being Depreciated	<u>23,638,376</u>	<u>33,817</u>	<u>643,613</u>	<u>(422,470)</u>	<u>23,893,336</u>
Less Accumulated Depreciation For:					
Site Improvements	(4,540)		(1,993)		(6,533)
Building and Building Improvements	(3,977,912)	(455,968)	(570,806)		(5,004,686)
Leasehold Improvements	(56,089)		(7,673)		(63,762)
Machinery and Equipment	(1,262,096)	(24,322)	(104,320)	422,470	(968,268)
Total Accumulated Depreciation	<u>(5,300,637)</u>	<u>(480,290)</u>	<u>(684,792)</u>	<u>422,470</u>	<u>(6,043,249)</u>
Total Capital Assets, Being Depreciated, Net	<u>18,337,739</u>	<u>(446,473)</u>	<u>(41,179)</u>	<u>-</u>	<u>17,850,087</u>
Governmental Activities Capital Assets, net	<u>\$ 21,261,739</u>	<u>\$ (446,473)</u>	<u>\$ (41,179)</u>	<u>\$ -</u>	<u>\$ 20,774,087</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**D. Capital Assets (Continued)**

	Balance, July 1, 2018	Increases	Decreases	Balance, June 30, 2019
<b>Business-Type Activities:</b>				
Capital Assets, Not Being Depreciated:				
Machinery and Equipment	\$ 21,225	-	-	\$ 21,225
Total Capital Assets Being Depreciated	<u>21,225</u>	<u>-</u>	<u>-</u>	<u>21,225</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	(7,170)	\$ (2,811)	-	(9,981)
Total Accumulated Depreciation	<u>(7,170)</u>	<u>(2,811)</u>	<u>-</u>	<u>(9,981)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 14,055</u>	<u>\$ (2,811)</u>	<u>\$ -</u>	<u>\$ 11,244</u>

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

**Governmental Activities:**

Instruction

Regular	\$ 12,676
Special	<u>258</u>

Total Instruction 12,934

Support Services

General Administration	78,176
Operations and Maintenance of Plant	580,761
Pupil Transportation	<u>12,921</u>

Total Support Services 671,858

Total Depreciation Expense - Governmental Activities \$ 684,792

**Business Type Activities:**

Food Service Fund	<u>\$ 2,811</u>
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The Commission conducted an update and appraisal of its capital assets inventory during the 2018/19 fiscal year. The Commission has recorded a prior period adjustment to its July 1, 2018 capital asset values as well as the accumulated depreciation amount. The net effect of this adjustment was a decrease to governmental activities net position of \$446,473.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**E. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2019, is as follows:

**Due To/From Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 2,737,572
General Fund	Cooperative Purchasing Fund	15,650
General Fund	Food Service Fund	46,060
General Fund	Payroll Agency Fund	<u>8,532</u>
Total		<u>\$ 2,807,814</u>

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

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

**Interfund Transfers**

	<u>Transfer In:</u>
	Capital
	Projects
	<u>Fund</u>
Transfer Out:	
General Fund	\$ <u>230,000</u>

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

**F. Leases**

**Operating Leases**

The Commission leases buildings and office equipment under noncancelable operating leases. Lease payments for the fiscal year ended June 30, 2019 were \$476,560. The future minimum lease payments for these operating leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2020	\$ 485,119
2021	493,848
2022	<u>458,681</u>
Total	<u>\$ 1,437,648</u>

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

F. Leases (Continued)

Capital Leases

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

The capital assets acquired through capital leases are as follows:

	Governmental <u>Activities</u>
Land	\$ 2,924,000
Building and Building Improvements	19,831,935
Machinery and Equipment	<u>103,374</u>
 Total	 <u>\$ 22,859,309</u>

The unexpended proceeds from capital leases in the amount of \$365,031 at June 30, 2019 are held with the Fiscal Agent.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019 were as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2020	\$ 1,337,449
2021	1,458,918
2022	1,436,983
2023	3,057,328
2024	1,437,359
2025-2029	7,187,718
2030-2034	4,391,814
2035-2038	<u>1,771,008</u>
 Total Minimum Lease Payments	 22,078,577
Less: Amount Representing Interest	<u>(4,100,280)</u>
 Present Value of Minimum Lease Payments	 <u>\$ 17,978,297</u>



**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**G. Other Long-Term Liabilities**

**Changes in Long-Term Liabilities**

Long-term liability activity for the fiscal year ended June 30, 2019, was as follows:

	Balance, July 1, 2018	Additions	Reductions	Balance, June 30, 2019	Due Within One Year
<b>Governmental activities:</b>					
Capital Leases	\$ 18,796,505		\$ 818,208	\$ 17,978,297	\$ 851,904
Compensated Absences	422,135	\$ 70,419		492,554	
Net Pension Liability					
Essex County	20,221	4,875		25,096	
PERS	14,095,321	-	1,260,089	12,835,232	-
Governmental Activity Long-Term Liabilities	<u>\$ 33,334,182</u>	<u>\$ 75,294</u>	<u>\$ 2,078,297</u>	<u>\$ 31,331,179</u>	<u>\$ 851,904</u>

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

**NOTE 4 OTHER INFORMATION**

**A. Risk Management**

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

**B. Contingent Liabilities**

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

**Federal and State Awards** – The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2019, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Commission.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 4 OTHER INFORMATION (Continued)**

**C. Employee Retirement Systems and Pension Plans**

**Plan Descriptions and Benefits Provided**

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all Board employees who are eligible for pension coverage:

**Public Employees’ Retirement System (PERS)** – Established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, to substantially all full time employees of the State or any county, municipality, school Commission, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees. PERS is a cost sharing multiple employer defined benefit pension plan. For additional information about PERS, please refer to the State Division of Pension and Benefits (Division’s) Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

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

The following represents the membership tiers for PERS:

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

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

**Teachers’ Pension and Annuity Fund (TPAF)** – Established in January 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage to substantially all full time certified teachers or professional staff of the public school systems in the State. Membership is mandatory for such employees. TPAF is a cost sharing multiple- employer defined benefit pension plan with a special funding situation, which the State is responsible to fund 100% of local employer contributions, excluding any local employer early retirement incentive (ERI) contributions. For additional information about TPAF, please refer to the State Division of Pension and Benefits (Division’s) Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 4 OTHER INFORMATION (Continued)**

**C. Employee Retirement Systems and Pension Plans (Continued)**

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

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

The following represent the membership tiers for TPAF:

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

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

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

**Defined Contribution Retirement Program (DCRP)** – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007 and employees enrolled in PERS on or after July 1, 2007 who earn in excess of established annual maximum compensation limits (equivalent to annual maximum wage for social security deductions). This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees (Tier 2) of the PFRS and new employees who would otherwise be eligible to participate in PERS and do not earn the minimum salary required or do not work the minimum required hours but earn a base salary of at least \$5,000 are eligible for participation in the DCRP. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 4 OTHER INFORMATION (Continued)**

**C. Employee Retirement Systems and Pension Plans (Continued)**

**Other Pension Funds**

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

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

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

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

**Plan Amendments**

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

**Measurement Focus and Basis of Accounting**

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

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 4 OTHER INFORMATION (Continued)**

**C. Employee Retirement Systems and Pension Plans (Continued)**

**Investment Valuation**

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of the retirement systems. Prudential retirement is the third-party administrator for the DCRP and provides record keeping, administrative services and investment options. Investment transactions are accounted for on a trade or investment date basis. Interest and dividend income is recorded on the accrual basis, with dividends accruing on the ex-dividend date. The net increase or decrease in the fair value of investments includes the net realized and unrealized gains or losses on investments.

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

**Collective Net Pension Liability**

The collective net pension liability of the participating employers for local PERS at June 30, 2018 is \$19.7 billion and the plan fiduciary net position as a percentage of the total pension liability is 53.60%. The collective net pension liability of the State funded TPAF at June 30, 2018 is \$63.81 billion and the plan fiduciary net position as a percentage of total pension liability is 26.49%.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2017 which were rolled forward to June 30, 2018.

**Actuarial Methods and Assumptions**

In the July 1, 2017 PERS and TPAF actuarial valuation, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The pension systems selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 68. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

**Employer and Employee Pension Contributions**

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 7.50% for PERS, 7.50% for TPAF and 5.50% for DCRP of the employee's annual compensation for fiscal year 2019.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 4 OTHER INFORMATION (Continued)**

**C. Employee Retirement Systems and Pension Plans (Continued)**

**Employer and Employee Pension Contributions (Continued)**

PERS employers' and TPAF State's nonemployer contributions are based on actuarially determined amounts, which include the normal cost and unfunded accrued liability. For the fiscal year ended June 30, 2019 for TPAF, which is a cost sharing multiple employer defined benefit pension plan with a special funding situation, the State's annual pension contribution was less than this actuarial determined amount. For PERS, which is a cost sharing multiple employer defined benefit pension plan, the annual pension contributions were equal to the actuarial determined amounts. TPAF nonemployer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution. All PERS and DCRP contributions made by the Board for fiscal years 2019, 2018 and 2017 were equal to the required contributions.

During the fiscal years ended June 30, 2019, 2018 and 2017 the Board was required to contribute for PERS and DCRP and the State of New Jersey, as a nonemployer contributing entity, contributed for TPAF, respectively for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Fiscal Year Ended <u>June 30,</u>	<u>PERS</u>	On-Behalf <u>TPAF</u>	<u>DCRP</u>
2019	\$648,412	\$ 1,254,747	\$ 303,235
2018	560,941	905,410	253,279
2017	551,022	719,272	209,401

In addition for fiscal years 2019, 2018 and 2017 the Commission contributed \$2,834, \$4,848 and \$1,554, respectively for PERS and the State contributed \$1,145, \$857 and \$1,061, respectively for TPAF for Long Term Disability Insurance Premium (LTDI).

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

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$420,853 during the fiscal year ended June 30, 2019 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been recognized in the Commission-wide financial statements (accrual basis) and the governmental fund financial statements (modified accrual basis) as a revenue and expense/expenditure in accordance with GASB No. 85.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 4 OTHER INFORMATION (Continued)**

**C. Employee Retirement Systems and Pension Plans (Continued)**

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

**Public Employees Retirement System (PERS)**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, (GASB No. 68) requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the measurement period July 1, 2017 through June 30, 2018. Employer allocation percentages have been rounded for presentation purposes.

Although the NJ Division of Pensions and Benefits (“Division”) administers one cost-sharing multiple employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense are determined separately for each individual employer of the State and local groups of the plan.

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages are presented for each group. The allocation percentages for each group as of June 30, 2018 are based on the ratio of each employer’s contribution to total employer contributions of the group for the fiscal year ended June 30, 2018.

At June 30, 2019, the Commission reported in the statement of net position (accrual basis) a liability of \$12,835,232 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission’s proportionate share of the net pension liability was based on the Commission’s share of contributions to the pension plan relative to the contributions of all participating governmental entities, actuarially determined. At June 30, 2018, the Commission’s proportionate share was .06519 percent, which was an increase of .00464 percent from its proportionate share measured as of June 30, 2017 of .06055 percent.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 4 OTHER INFORMATION (Continued)**

**C. Employee Retirement Systems and Pension Plans (Continued)**

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

**Public Employees Retirement System (PERS) (Continued)**

For the fiscal year ended June 30, 2019, the Commission recognized in the Commission-wide statement of activities (accrual basis) pension expense of \$789,433 for PERS. The pension contribution made by the Commission during the current 2018/2019 fiscal year is the contribution that is applied to the net pension liability reported at the end of the current fiscal year of June 30, 2019 with a measurement date of the prior fiscal year end of June 30, 2018. Since the State of New Jersey applies the current year pension contribution towards the calculation of the net pension liability reported at the end of the current fiscal year, which has a measurement date of the preceding fiscal year end, there is no deferred outflows of resources reported as of June 30, 2019 for contributions made subsequent to the measurement date. At June 30, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 244,770	\$ 66,183
Changes of Assumptions	2,115,034	4,104,025
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		120,395
Changes in Proportion and Differences Between Commission Contributions and Proportionate Share of Contributions	<u>982,962</u>	<u>363,422</u>
Total	<u>\$ 3,342,766</u>	<u>\$ 4,654,025</u>

At June 30, 2019, the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2020	\$ 138,084
2021	(8,805)
2022	(721,719)
2023	(591,076)
2024	(127,743)
Thereafter	<u>-</u>
	<u>\$ (1,311,259)</u>



**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 4 OTHER INFORMATION (Continued)**

**C. Employee Retirement Systems and Pension Plans (Continued)**

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

**Public Employees Retirement System (PERS) (Continued)**

*Actuarial Assumptions*

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

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

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

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

*Long-Term Expected Rate of Return*

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and actuaries. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2018 are summarized in the following table:

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

*Discount Rate*

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

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2019	June 30, 2018	5.66%
2018	June 30, 2017	5.00%



**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 4 OTHER INFORMATION (Continued)**

**C. Employee Retirement Systems and Pension Plans (Continued)**

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

**Teachers Pension and Annuity Fund (TPAF)**

GASB No. 68, requires participating employers in TPAF to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense. The non-employer allocation percentages presented are based on the ratio of the State's contributions made as an employee and non-employer adjusted for unpaid early retirement incentives to total contributions to TPAF during the fiscal year ended June 30, 2018. Non-employer allocation percentages have been rounded for presentation purposes.

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and non-employer contributions by the State. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. For the fiscal year ended June 30, 2018, the State's pension contribution was less than the actuarial determined amount.

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

For the fiscal year ended June 30, 2019, the Commission recognized in the Commission-wide statement of activities (accrual basis) pension expense of \$2,226,150 for TPAF. This amount has been included in the Commission-wide statement of activities (accrual basis) as both a revenue and expense in accordance with GASB No. 85.

At June 30, 2019 the State's proportionate share of the net pension liability attributable to the Commission is \$38,186,687. The nonemployer allocation percentages are based on the ratio of the State's contributions made as an employer and nonemployer adjusted for unpaid early retirement incentives to total contributions to TPAF during the year ended June 30, 2018. At June 30, 2018, the State's share of the net pension liability attributable to the Commission was .06003 percent, which was a decrease of .00392 percent from its proportionate share measured as of June 30, 2017 of .06395 percent.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 4 OTHER INFORMATION (Continued)**

**C. Employee Retirement Systems and Pension Plans (Continued)**

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

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

**Actuarial Assumptions**

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

Inflation Rate	2.25%
Salary Increases:	
2011-2026	1.55-4.55%
Thereafter	2.00-5.45%
Investment Rate of Return	7.00%
Mortality Rate Table	RP-2006

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

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 4 OTHER INFORMATION (Continued)**

**C. Employee Retirement Systems and Pension Plans (Continued)**

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

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

**Long-Term Expected Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and actuaries. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2018 are summarized in the following table:

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

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

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

*Discount Rate*

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

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2019	June 30, 2018	4.86%
2018	June 30, 2017	4.25%

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

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

\* The municipal bond return rate used is 3.87% as of the measurement date of June 30, 2018. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

*Sensitivity of Net Pension Liability*

The following presents the State’s proportionate share of the TPAF net pension liability attributable to the Commission calculated using the discount rate of 4.86%, as well as what the State’s proportionate share of the TPAF net pension liability attributable to the Commission that would be if it were calculated using a discount rate that is 1-percentage-point lower (3.86 percent) or 1-percentage-point higher (5.86 percent) than the current rate:

	<b>1% Decrease (3.86%)</b>	<b>Current Discount Rate (4.86%)</b>	<b>1% Increase (5.86%)</b>
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the Commission	\$ 45,135,939	\$ 38,186,687	\$ 32,425,927

The sensitivity analysis was based on the State’s proportionate share of the net pension liability attributable to the Commission at June 30, 2018. A sensitivity analysis specific to the State’s proportionate share of the net pension liability attributable to the Commission at June 30, 2018 was not provided by the pension system.

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

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

*Pension Plan Fiduciary Net Position*

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

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

Plan Description

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

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

Benefits Provided

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

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

Contributions

Contributions are made by the members at 3%, the maximum contribution rate required by statute, of their annual compensation. Contributions made by the Boards are determined annually based upon actuarial valuations. The Boards are required to reimburse the Plan for administrative expenses and cost of living increases associated with its retirees. Plan provisions and contribution requirements are established by New Jersey state statute assets. District contributions to the Plan amounted to \$3,234 for fiscal year 2019.



**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 4 OTHER INFORMATION (Continued)**

**C. Employee Retirement Systems and Pension Plans (Continued)**

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

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

At June 30, 2019, the District reported in the statement of net position (accrual basis) a liability of \$25,096 for its proportionate share of the ECPF net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2018, the District's proportionate share was .07986 percent, which was an increase of .00911 percent from its proportionate share measured as of June 30, 2017 of 0.07075.

For the fiscal year ended June 30, 2019, the District recognized in the district wide statement of activities (accrual basis) a pension expense adjustment of \$9,058 for ECPF. At June 30, 2019, the District reported deferred outflows of resources related to ECPF from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>
Net Difference Between Projected and Actual	
On Pension Plan Investments	\$ <u>892</u>

At June 30, 2019, the amounts reported as deferred outflows of resources related to ECPF pension will be recognized as pension expense of \$178 per year for the fiscal years ended June 30, 2020 through June 30, 2024.

***Actuarial Assumptions***

The District's total pension liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

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

*Actuarial Assumptions (Continued)*

*Long-Term Rate of Return*

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investments expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Cash Equivalents	0-5.00%	
Domestic Fixed Income	30.00-50.00%	1.75%
U.S. Large Cap Growth Equity	15.00-30.00%	6.40%
U.S. Large Cap Value Equity	15.00-30.00%	
U.S. Small Cap Equity	5.00-15.00%	6.40%
Foreign Equity	0-10.00%	
	<u>100.00%</u>	

\* Net of 2.0% inflation assumption.

*Discount Rate*

The discount rate used to measure the total pension liability of the ECPF was 6.00% (measurement date June 30, 2018).

*Sensitivity of Net Pension Liability*

The following presents the District's proportionate share of the ECPF net pension liability calculated using the discount rate of 6.50% as well as what the District's proportionate share of the ECPF net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.0 percent) or 1-percentage-point higher (7.0 percent) than the current rate:

	<u>Decrease (5.0%)</u>	<u>Discount Rate (6.0%)</u>	<u>Increase (7.0%)</u>
District's Proportionate Share of the Net Pension Liability	<u>\$ 34,246</u>	<u>\$ 25,096</u>	<u>\$ 17,138</u>

*Pension Plan Fiduciary Net Position*

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Post-Retirement Medical Benefits**

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

As a result of implementing GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, the post-retirement health benefit program plan is reported in an Agency Fund in the New Jersey Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018. Therefore, the plan has no assets accumulated in a trust. In accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension* (GASB No. 75), the plan is classified as a single employer defined benefit OPEB plan with a special funding situation that is not administered through a trust that meets the criteria in paragraph 4 of GASB No. 75.

**Plan Description and Benefits Provided**

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

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

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

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

**Plan Membership**

Membership of the defined benefit OPEB plan consisted of the following at June 30, 2017:

Active Plan Members	217,131
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	145,050
Inactive Plan Members Entitled to but not yet Receiving Benefits	_____ -
Total	<u>362,181</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Post-Retirement Medical Benefits (Continued)**

**Measurement Focus and Basis of Accounting**

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

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

**Investment Valuation**

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

**Collective Net OPEB Liability**

The collective net OPEB liability of the State, as the non-employer contributing entity, of the plan at June 30, 2018 is \$46.1 billion, and the plan fiduciary net position as a percentage of the total OPEB liability is zero percent.

The total OPEB liabilities were determined based on actuarial valuations as of June 30, 2017 which were rolled forward to June 30, 2018.

**Actuarial Methods and Assumptions**

In the June 30, 2017 OPEB actuarial valuation, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The Plan selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 75. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

**Post-Retirement Medical Benefits Contributions**

The funding policy of the OPEB plan is pay as you go basis; therefore, there is no prefunding of the liability. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are made by the State, as a non-employer contributing entity, under a special funding situation in accordance with State statutes as previously disclosed. The State as a non-employer contributing entity made contributions of \$1.23 billion to the OPEB plan in fiscal year 2018.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Post-Retirement Medical Benefits (Continued)**

**Post-Retirement Medical Benefits Contributions (Continued)**

The State sets the contribution rate based on a pay as you go basis rather than the actuarial determined contribution amount actuarially determined in accordance with the parameters of GASB Statement 75. The actuarial determined contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any unfunded actuarial liabilities (or funding excess) of the plan using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan. The State's contributions, as a nonemployer contributing entity, to the State Health Benefits Program Fund – Local Education Retired Employees Plan for retirees' post-retirement benefits on behalf of the School Commission for the fiscal years ended June 30, 2019, 2018 and 2017 were \$569,152, \$584,785 and \$599,317, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund – Local Education Retired Employees Plan for PERS retirees' post-retirement benefits on behalf of the School Commission was not determined or made available by the State of New Jersey. The on-behalf OPEB contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 85.

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

GASB Statement No. 75 requires participating employers in the State Health Benefit Program Fund – Local Education Retired Employees Plan to recognize their proportionate share of the collective OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense. The nonemployer allocation percentages presented are based on the ratio of the State's contributions made as a nonemployer toward the actuarially determined contribution amount to total contributions to the plan during the measurement period July 1, 2017 through June 30, 2018. Nonemployer allocation percentages have been rounded for presentation purposes.

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

For the fiscal year ended June 30, 2019, the Commission recognized in the Commission-wide statement of activities (accrual basis) OPEB expense of \$1,883,507. This amount has been included in the Commission-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 85.

At June 30, 2019 the State's proportionate share of the OPEB liability attributable to the Commission is \$41,138,758. The nonemployer allocation percentages are based on the ratio of the State's proportionate share of the OPEB liability attributable to the Commission at June 30, 2018 to the total OPEB liability of the State Health Benefit Program Fund – Local Education Retired Employees Plan at June 30, 2018. At June 30, 2018, the state's share of the OPEB liability attributable to the Commission was .09 percent, which was an increase of .01 percent from its proportionate share measured as of June 30, 2017 of .08 percent.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Post-Retirement Medical Benefits (Continued)**

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

**Actuarial Assumptions**

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

Inflation Rate	2.50%
Salary Increases *	
Initial Fiscal Year Applied Through	2026
Rate	1.55% to 4.55%
Rate Thereafter	2.00% to 5.45%

Mortality Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disable Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Long-Term Rate of Return	1.00%
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\*Salary increases are based on the defined benefit plan that the individual is enrolled in and his or her year of service for TPAF or his or her age for PERS.

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

Healthcare cost trend rates for pre-Medicare Preferred Provider Organization (PPO) medical benefits, this amount initially is 5.8 percent and decreases to a 5.0 percent long-term trend rate after eight years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5 percent. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8 percent and decreases to a 5.0 percent long-term trend rate after eight years. For prescription drug benefits, the initial trend rate is 8.0 percent and decreases to a 5.0 percent long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0 percent. This reflects the known underlying cost of the Part B premium. The Medicare Advantage trend rate is 4.5 percent and will continue in all future years.

**Long-Term Expected Rate of Return**

As the OPEB plan only invests in the State of New Jersey Cash Management Fund, the long-term expected rate of return on OPEB investments was based off the best-estimate ranges of future real rates of return (expected returns, net of OPEB plan investment expense and inflation) for cash equivalents, which is 1.00% as of June 30, 2018.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Post-Retirement Medical Benefits (Continued)**

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

**Discount Rate**

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

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2019	June 30, 2018	3.87%
2018	June 30, 2017	3.58%

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

**Changes in the Total OPEB Liability**

The change in the State’s proportionate share of the OPEB liability attributable to the Commission for the fiscal year ended June 30, 2019 (measurement date June 30, 2018) is as follows:

	<u>Total OPEB Liability</u> <u>(State Share 100%)</u>
Balance, June 30, 2017 Measurement Date	\$ <u>44,987,306</u>
Changes Recognized for the Fiscal Year:	
Service Cost	1,397,777
Interest on the Total OPEB Liability	1,641,743
Differences Between Expected and Actual Experience	(1,105,173)
Changes of Assumptions	(4,720,878)
Gross Benefit Payments	(1,100,036)
Contributions from the Member	38,019
Net Changes	\$ <u>(3,848,548)</u>
Balance, June 30, 2018 Measurement Date	\$ <u>41,138,758</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.58 percent in 2017 to 3.87 percent in 2018.

The change in the total OPEB liability was based on the State’s proportionate share of the OPEB liability attributable to the Commission at June 30, 2018. A change in the total OPEB liability specific to the State’s proportionate share of the OPEB liability attributable to the Commission for the fiscal year ended June 30, 2018 was not provided by the pension system.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Post-Retirement Medical Benefits (Continued)**

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

**Sensitivity of OPEB Liability**

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the State’s proportionate share of the OPEB liability attributable to the Commission calculated using the discount rate of 3.87%, as well as what the State’s proportionate share of the OPEB liability attributable to the Commission that would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) or 1-percentage-point higher (4.87 percent) than the current rate:

	<b>1% Decrease <u>(2.87%)</u></b>	<b>Current Discount Rate <u>(3.87%)</u></b>	<b>1% Increase <u>(4.87%)</u></b>
State's Proportionate Share of the OPEB Liability Attributable to the Commission	\$ 48,634,386	\$ 41,138,758	\$ 35,180,507

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

	<b>1% Decrease</b>	<b>Healthcare Cost Trend Rates</b>	<b>1% Increase</b>
Total OPEB Liability (School Retirees)	\$ 34,003,579	\$ 41,138,758	\$ 50,575,305

The sensitivity analyses were based on the State’s proportionate share of the OPEB liability attributable to the Commission at June 30, 2018. Sensitivity analyses specific to the State’s proportionate share of the OPEB liability attributable to the Commission at June 30, 2018 were not provided by the pension system.

**E. Subsequent Events**

On September 26, 2019, the Board of Directors deemed certain accounts receivable as uncollectible, and approved a write-off of \$169,416 of General and Special Revenue Fund receivables.



**REQUIRED SUPPLEMENTARY INFORMATION - PART II**

**BUDGETARY COMPARISON SCHEDULES**

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Original Budget	Adjustments	Final Budget	Actual	Variance Final To Actual
<b>REVENUES</b>					
Local Sources					
Tuition	\$ 4,841,992	\$ 7,700	\$ 4,849,692	\$ 2,778,270	\$ (2,071,422)
Transportation Fees	36,043,680	1,900,041	37,943,721	35,373,105	(2,570,616)
Miscellaneous	16,374,206	(1,521,497)	14,852,709	12,581,880	(2,270,829)
Total Local Sources	57,259,878	386,244	57,646,122	50,733,255	(6,912,867)
State Sources					
On-Behalf TPAF (Non-Budget)					
Pension Contribution				1,229,020	1,229,020
NCGI Premium				25,727	25,727
LTDI				1,145	1,145
Post Retirement Medical Benefits				569,152	569,152
Social Security Contributions (Non-Budget)	-	-	-	420,853	420,853
Total State Sources	-	-	-	2,245,897	2,245,897
Total Revenues	57,259,878	386,244	57,646,122	52,979,152	(4,666,970)
<b>CURRENT EXPENDITURES</b>					
Instruction - Regular Programs					
Salaries of Teachers:					
Grades 9 - 12	398,757	132,400	531,157	488,817	42,340
Home Instruction:					
Salaries of Teachers	650,000	(11,528)	638,472	633,585	4,887
Purchased Professional - Educational Services	15,000	(8,000)	7,000	1,838	5,162
Other Purchased Services	1,000	-	1,000		1,000
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction		95,615	95,615	95,615	
General Supplies	13,000	(6,266)	6,734	3,182	3,552
Total Instruction Regular Programs	1,077,757	202,221	1,279,978	1,223,037	56,941
Special Education					
Learning/Language Disabilities					
Salaries of Teachers	285,856	70,321	356,177	351,517	4,660
Other Salaries for Instruction	199,592	-	199,592	188,837	10,755
General Supplies	15,000	2,667	17,667	16,669	998
Other Objects	1,500	500	2,000	1,941	59
Total Learning/Language Disabilities	501,948	73,488	575,436	558,964	16,472
Behavioral Disabilities					
Salaries of Teachers	588,804	(171,032)	417,772	374,793	42,979
Other Salaries for Instruction	8,609,975	(1,563,305)	7,046,670	7,022,554	24,116
Purchased Professional Educational Services		875	875		875
General Supplies	5,000	10,744	15,744	12,037	3,707
Textbooks	1,000	(1,000)			-
Other Objects	17,500	(12,580)	4,920	3,063	1,857
Total Behavioral Disabilities	9,222,279	(1,736,298)	7,485,981	7,412,447	73,534
Total Special Education	9,724,227	(1,662,810)	8,061,417	7,971,411	90,006
Bilingual Education					
Other Salaries for Instruction	-	16,069	16,069	16,011	58
Total Bilingual Education	-	16,069	16,069	16,011	58
Community Services Programs					
Salaries	107,897	52,936	160,833	160,833	
Purchased Services	2,500	(2,210)	290	-	290
Total Community Services Programs	110,397	50,726	161,123	160,833	290
Total Instruction	10,912,381	(1,393,794)	9,518,587	9,371,292	147,295

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
<b>CURRENT EXPENDITURES (Continued)</b>					
Undistributed Expenditures					
Instruction					
Tuition to County Voc. School District-Special	\$ 25,000	\$ (12,095)	\$ 12,905	\$ 7,920	\$ 4,985
Total Undistributed Expenditures - Instruction	25,000	(12,095)	12,905	7,920	4,985
Health Services					
Salaries	145,525	(60,922)	84,603	79,416	5,187
Supplies and Materials	2,000	(900)	1,100	209	891
Total Health Services	147,525	(61,822)	85,703	79,625	6,078
Other Supp. Serv. - Speech, OT, PT & Related Services					
Salaries	21,000	3,648	24,648	24,339	309
Purchased Professional-Educational Services	43,400	30,963	74,363	73,863	500
Total Other Supp. Serv. - Speech, OT, PT & Related Serv.	64,400	34,611	99,011	98,202	809
Child Study Teams					
Salaries of Other Professional Staff	266,096	10,264	276,360	242,010	34,350
Purchased Professional-Educational Services	149,798	1,584	151,382	91,141	60,241
Total Child Study Teams	415,894	11,848	427,742	333,151	94,591
Improvement of Inst. Serv.					
Purchased Professional-Educational Services	13,000	5,400	18,400	18,309	91
Total Improvement of Inst. Serv.	13,000	5,400	18,400	18,309	91
Instructional Staff Training Services					
Purchased Professional - Educational Services	15,500	(10,899)	4,601	3,860	741
Total Instructional Staff Training Services	15,500	(10,899)	4,601	3,860	741
Support Services General Administration					
Salaries	1,135,162	(144,289)	990,873	875,260	115,613
Legal Services	90,000	91,681	181,681	159,108	22,573
Audit Fees	35,000	13,200	48,200	48,171	29
Other Purchased Professional Services	85,000	20,188	105,188	87,276	17,912
Communications/Telephone	35,500	13,707	49,207	44,656	4,551
Misc. Purchased Services	5,500	1,700	7,200	3,795	3,405
General Supplies	4,000	4,231	8,231	5,004	3,227
BOE In-House Training/Meeting Supplies	1,000	996	1,996	1,996	-
Miscellaneous Expenditures	1,524,600	100,267	1,624,867	1,943,286	(318,419)
BOE Membership Dues and Fees	15,500	3,395	18,895	15,646	3,249
Total Support Services General Administration	2,931,262	105,076	3,036,338	3,184,198	(147,860)
Support Services School Administration					
Salaries of Principals and Assistant Principals	535,873	13,396	549,269	525,888	23,381
Salaries of Other Professional Staff	80,000	5,000	85,000	60,208	24,792
Salaries of Secretarial and Clerical Assistants	512,690	(103,997)	408,693	377,197	31,496
Purchased Prof. and Tech. Services	6,000	12,193	18,193	18,180	13
Other Purchased Services	25,600	7,965	33,565	32,165	1,400
Supplies and Materials	5,500	14,747	20,247	7,433	12,814
Other Objects	18,400	(2,295)	16,105	13,793	2,312
Total Support Services School Administration	1,184,063	(52,991)	1,131,072	1,034,864	96,208

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
<b>CURRENT EXPENDITURES (Continued)</b>					
Central Services					
Salaries	\$ 1,132,982	\$ 19,000	\$ 1,151,982	\$ 764,353	\$ 387,629
Purchased Professional Services	144,516	3,000	147,516	125,668	21,848
Purchased Technical Services	94,000	26,343	120,343	75,213	45,130
Miscellaneous Purchased Services	38,900	23,331	62,231	55,046	7,185
Supplies and Materials	7,000	1,700	8,700	5,872	2,828
Interest on Lease Purchase Agreements	509,720	11	509,731	509,228	503
Miscellaneous Expenditures	33,100	23,076	56,176	55,062	1,114
<b>Total Central Services</b>	<b>1,960,218</b>	<b>96,461</b>	<b>2,056,679</b>	<b>1,590,442</b>	<b>466,237</b>
Admin. Info. Tech.					
Salaries	163,894	69,100	232,994	231,970	1,024
Supplies and Materials		2,725	2,725	2,721	4
Other Objects	-	13,810	13,810	3,775	10,035
<b>Total Admin. Info. Technology</b>	<b>163,894</b>	<b>85,635</b>	<b>249,529</b>	<b>238,466</b>	<b>11,063</b>
Required Maintenance for School Facilities					
Cleaning, Repair and Maintenance Services	19,000	48,267	67,267	63,738	3,529
General Supplies	11,000	(161)	10,839	8,725	2,114
Other Objects	6,500	6,230	12,730	10,371	2,359
<b>Total Required Maintenance for School Facilities</b>	<b>36,500</b>	<b>54,336</b>	<b>90,836</b>	<b>82,834</b>	<b>8,002</b>
Custodial Services					
Salaries	255,085	14,724	269,809	253,782	16,027
Purchased Prof. and Tech. Services	40,000	(5,760)	34,240	34,240	-
Cleaning, Repair and Maintenance Services	45,000	(5,234)	39,766	36,975	2,791
Rental of Land & Bldg. Oth. Than Lease Pur Agreement	419,551	8,400	427,951	418,942	9,009
Insurance	27,000	124,650	151,650	150,431	1,219
Miscellaneous Purchased Services	2,000	(823)	1,177	194	983
General Supplies	13,500	(6,648)	6,852	2,236	4,616
Energy (Heat and Electricity)	184,400	115,863	300,263	263,186	37,077
Other Objects	4,000	10,309	14,309	13,382	927
<b>Total Custodial Services</b>	<b>990,536</b>	<b>255,481</b>	<b>1,246,017</b>	<b>1,173,368</b>	<b>72,649</b>
Security					
Salaries	3,000	66,607	69,607	69,111	496
<b>Total Security</b>	<b>3,000</b>	<b>66,607</b>	<b>69,607</b>	<b>69,111</b>	<b>496</b>
Student Transportation Services					
Salaries for Pupil Trans (Bet Home & Sch)-Sp Ed.	921,134	(13,767)	907,367	907,197	170
Contr Serv(Special Education)-Vendors	33,703,000	1,888,100	35,591,100	32,140,590	3,450,510
<b>Total Student Transportation Services</b>	<b>34,624,134</b>	<b>1,874,333</b>	<b>36,498,467</b>	<b>33,047,787</b>	<b>3,450,680</b>
Unallocated Employee Benefits					
Social Security Contributions	1,132,493	(106,196)	1,026,297	884,505	141,792
Other Retirement Contributions - PERS	792,588	18,343	810,931	742,681	68,250
Unemployment Compensation	297,114	(175,533)	121,581	98,154	23,427
Workers Compensation	685,680	(428,286)	257,394	155,645	101,749
Health Benefits	1,274,100	(20,334)	1,253,766	999,724	254,042
Tuition Reimbursements	9,000	(917)	8,083	3,082	5,001
<b>Total Unallocated Employee Benefits</b>	<b>4,190,975</b>	<b>(712,923)</b>	<b>3,478,052</b>	<b>2,883,791</b>	<b>594,261</b>
On-Behalf TPAF (Non-Budget)					
Pension Contribution				1,229,020	(1,229,020)
NCGI Premium				25,727	(25,727)
LTDI				1,145	(1,145)
Post Retirement Medical Benefits				569,152	(569,152)
Social Security Contributions (Non-Budget)	-	-	-	420,853	(420,853)
<b>Total TPAF Pension and Social Security Contributions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,245,897</b>	<b>(2,245,897)</b>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Original Budget	Adjustments	Final Budget	Actual	Variance Final To Actual
<b>CURRENT EXPENDITURES (Continued)</b>					
Total Undistributed Expenditures	\$ 46,765,901	\$ 1,739,058	\$ 48,504,959	\$ 46,091,825	\$ 2,413,134
Total Current Expenditures	<u>57,678,282</u>	<u>345,264</u>	<u>58,023,546</u>	<u>55,463,117</u>	<u>2,560,429</u>
<b>CAPITAL OUTLAY</b>					
Equipment					
Instruction					
Learning and/or Language Disabled		42,000	42,000	39,628	2,372
Behavioral Disabilities		280	280		280
Undistributed Expenditures					
Central Services	40,000	-	40,000		40,000
Non-Instructional Services	<u>4,000</u>	<u>(1,300)</u>	<u>2,700</u>	<u>-</u>	<u>2,700</u>
Total Equipment	<u>44,000</u>	<u>40,980</u>	<u>84,980</u>	<u>39,628</u>	<u>45,352</u>
Facilities Acquisition and Constr. Services					
Other Purchased Prof. and Tech Services		-			
Construction Services	10,000	-	10,000		10,000
Lease Purchase Agreements - Principal	<u>797,990</u>	<u>-</u>	<u>797,990</u>	<u>797,978</u>	<u>12</u>
Total Facilities Acquisition and Constr. Services	<u>807,990</u>	<u>-</u>	<u>807,990</u>	<u>797,978</u>	<u>10,012</u>
Total Expenditures - Capital Outlay	<u>851,990</u>	<u>40,980</u>	<u>892,970</u>	<u>837,606</u>	<u>55,364</u>
<b>SPECIAL SCHOOLS</b>					
Summer School- Support Services					
Purchase Professional and Technical Services	<u>36,313</u>	<u>-</u>	<u>36,313</u>	<u>16,380</u>	<u>19,933</u>
Total Summer School- Support Services	<u>36,313</u>	<u>-</u>	<u>36,313</u>	<u>16,380</u>	<u>19,933</u>
Total Expenditures - Special Schools	<u>36,313</u>	<u>-</u>	<u>36,313</u>	<u>16,380</u>	<u>19,933</u>
Total Expenditures - General Fund	<u>58,566,585</u>	<u>386,244</u>	<u>58,952,829</u>	<u>56,317,103</u>	<u>2,635,726</u>
Excess (Deficiency) of Revenues					
Over/(Under) Expenditures	<u>(1,306,707)</u>	<u>-</u>	<u>(1,306,707)</u>	<u>(3,337,951)</u>	<u>(2,031,244)</u>
Other Financing Sources (Uses)					
Transfer Out - Capital Projects Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>(230,000)</u>	<u>(230,000)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(230,000)</u>	<u>(230,000)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	<u>(1,306,707)</u>	<u>-</u>	<u>(1,306,707)</u>	<u>(3,567,951)</u>	<u>(2,261,244)</u>
Fund Balance, Beginning of Year	<u>26,005,095</u>	<u>-</u>	<u>26,005,095</u>	<u>26,005,095</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 24,698,388</u>	<u>\$ -</u>	<u>\$ 24,698,388</u>	<u>\$ 22,437,144</u>	<u>\$ (2,261,244)</u>
<b>Recapitulation of Fund Balance</b>					
Assigned Fund Balance					
Designated for Capital Projects				\$ 338,218	
Designated for Repairs and Replacements				283,175	
Designated for Building Leases				20,415,451	
Unassigned Fund Balance				<u>1,400,300</u>	
Fund Balance (Budgetary Basis/GAAP Basis)				<u>\$ 22,437,144</u>	

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION**  
**SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET (NON-GAAP) AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Original Budget	Adjustments	Final Budget	Actual	Variance Final to Actual
<b>REVENUES</b>					
Local Sources	\$ 10,160,516	\$ (232,297)	\$ 9,928,219	\$ 9,353,117	\$ (575,102)
State	124,998	-	124,998	108,065	(16,933)
Federal	420,132	1,856,575	2,276,707	1,360,043	(916,664)
Total Revenues	<u>10,705,646</u>	<u>1,624,278</u>	<u>12,329,924</u>	<u>10,821,225</u>	<u>(1,508,699)</u>
<b>EXPENDITURES</b>					
<b>Instruction</b>					
Salaries of Teachers	3,723,403	298,113	4,021,516	3,626,374	395,142
Other Salaries for Instruction	759,341	(73,781)	685,560	652,795	32,765
Purchased Professional and Technical Services	141,481	(101,823)	39,658	38,560	1,098
Other Purchased Services	3,000	41,042	44,042	9,237	34,805
General Supplies	171,000	103,499	274,499	192,220	82,279
Textbooks	1,000	-	1,000	878	122
Other Objects	26,056	3,163	29,219	15,710	13,509
Total Instruction	<u>4,825,281</u>	<u>270,213</u>	<u>5,095,494</u>	<u>4,535,774</u>	<u>559,720</u>
<b>Support Services</b>					
Salaries of Supervisors of Instruction	369,295	(15,093)	354,202	327,421	26,781
Salaries of Principals/Program Directors	467,557	171,997	639,554	563,630	75,924
Salaries of Other Professional Staff	173,367	216,666	390,033	343,696	46,337
Salaries of Secretaries and Clerical Assistants	269,840	71,370	341,210	292,478	48,732
Other Salaries	780,598	176,899	957,497	860,693	96,804
Purchased Professional-Educational Services	1,200,500	(182,103)	1,018,397	1,013,509	4,888
Other Purchased Professional Services	66,000	104,412	170,412	150,465	19,947
Purchased Technical Services	16,000	(6,351)	9,649	9,649	-
Cleaning, Repairs and Maintenance	7,200	3,822	11,022	11,021	1
Rentals	43,200	(943)	42,257	31,137	11,120
Indirect Costs	549,430	151,557	700,987	665,739	35,248
Travel	11,750	19,009	30,759	17,315	13,444
Other Purchased Services	71,828	41,742	113,570	106,182	7,388
Supplies and Materials	132,866	292,687	425,553	334,630	90,923
Telephone	13,500	3,591	17,091	13,110	3,981
Utilities	23,000	13,423	36,423	30,568	5,855
Other Objects	39,122	23,641	62,763	51,947	10,816
Total Support Services	<u>4,235,053</u>	<u>1,086,326</u>	<u>5,321,379</u>	<u>4,823,190</u>	<u>498,189</u>
<b>Transportation</b>					
Transportation Salaries	14,233	9,000	23,233	22,642	591
Contracted Services - Transportation	28,447	113,730	142,177	96,550	45,627
Total Transportation	<u>42,680</u>	<u>122,730</u>	<u>165,410</u>	<u>119,192</u>	<u>46,218</u>
<b>Personal Services - Employee Benefits</b>					
	<u>1,586,632</u>	<u>70,818</u>	<u>1,657,450</u>	<u>1,253,792</u>	<u>403,658</u>
<b>Equipment Facilities Acq. and Construction</b>					
Instructional Equipment	1,000	76,036	77,036	76,122	914
Construction Services	15,000	(1,845)	13,155	13,155	-
Total Equipment and Facilities Acq. and Construction	<u>16,000</u>	<u>74,191</u>	<u>90,191</u>	<u>89,277</u>	<u>914</u>
Total Expenditures	<u>10,705,646</u>	<u>1,624,278</u>	<u>12,329,924</u>	<u>10,821,225</u>	<u>1,508,699</u>
Excess of Revenue over Expenditures	-	-	-	-	-
Fund Balances, Beginning of Year	-	-	-	-	-
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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

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

	<b>General Fund</b>	<b>Special Revenue Fund</b>
<b>Sources/Inflows of Resources</b>		
Actual Revenue Amounts (Budgetary Basis)	\$ 52,979,152	\$ 10,821,225
Total Revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 52,979,152</u>	<u>\$ 10,821,225</u>
<b>Uses/Outflows of Resources</b>		
Actual expenditure amounts (Budgetary Basis)	\$ 56,317,103	\$ 10,821,225
Total Expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 56,317,103</u>	<u>\$ 10,821,225</u>



**REQUIRED SUPPLEMENTARY INFORMATION - PART III**

**PENSION INFORMATION**

**AND**

**OTHER POST-EMPLOYMENT BENEFITS INFORMATION**

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

**PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
Last Six Fiscal Years \***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Commission's Proportion of the Net Position Liability (Asset)	0.06519%	0.06055%	0.06203%	0.06146%	0.06023%	0.06396%
Commission's Proportionate Share of the Net Pension Liability (Asset)	\$ 12,835,232	\$ 14,095,321	\$ 18,370,051	\$ 13,796,195	\$ 11,277,307	\$ 12,224,394
Commission's Covered-Employee Payroll	\$ 4,546,675	\$ 4,151,769	\$ 4,074,250	\$ 4,080,778	\$ 4,036,385	\$ 4,098,734
Commission's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	282.30%	339.50%	450.88%	338.08%	279.39%	298.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%

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

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

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 648,412	\$ 560,941	\$ 551,022	\$ 528,378	\$ 496,554	\$ 481,940
Contributions in Relation to the Contractually Required Contributions	<u>648,412</u>	<u>560,941</u>	<u>551,022</u>	<u>528,378</u>	<u>496,554</u>	<u>481,940</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commission's Covered- Employee Payroll	\$ 4,171,001	\$ 4,546,675	\$ 4,151,769	\$ 4,074,250	\$ 4,080,778	\$ 4,036,385
Contributions as a Percentage of Covered-Employee Payroll	15.55%	12.34%	13.27%	12.97%	12.17%	11.94%

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

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

**TEACHERS' PENSION AND ANNUITY FUND  
Last Six Fiscal Years \***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Commission's Proportion of the Net Position Liability (Asset)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Commission's Proportionate Share of the Net Pension Liability (Asset)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's Proportionate Share of the Net Pension Liability (Asset) Associated With the Commission	<u>38,186,687</u>	<u>43,115,001</u>	<u>56,683,140</u>	<u>51,495,835</u>	<u>42,303,700</u>	<u>42,289,363</u>
Total	<u>\$ 38,186,687</u>	<u>\$ 43,115,001</u>	<u>\$ 56,683,140</u>	<u>\$ 51,495,835</u>	<u>\$ 42,303,700</u>	<u>\$ 42,289,363</u>
Commission's Covered-Employee Payroll	\$ 6,868,336	\$ 6,118,584	\$ 5,975,010	\$ 6,692,070	\$ 7,355,503	\$ 7,705,990
Commission's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	0	0	0	0	0	0
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	26.49%	25.41%	22.33%	28.71%	33.64%	33.76%

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

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

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

**Board of Education Employees' Pension Fund of Essex County**

**Last Four Fiscal Years\***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Contribution	\$ 3,133	\$ 2,917	\$ 3,410	\$ 3,381
Contributions in Relation to the Contractually Required Contribution	<u>(3,133)</u>	<u>(2,917)</u>	<u>(3,410)</u>	<u>(3,381)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commission's Covered Employee Payroll	\$ -	\$ -	\$ -	\$ -
Contributions as a Percentage of Covered Employee Payroll	0%	0%	0%	0%

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

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF COMMISSION'S PROPORTIONATE SHARE OF NET PENSION LIABILITY  
AND SCHEDULE OF COMMISSION CONTRIBUTIONS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**Change of Benefit Terms:** None.

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

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

**Postemployment Health Benefit Plan**

**Last Two Fiscal Years\***

	<u>2019</u>	<u>2018</u>
Service Cost	\$ 1,397,777	\$ 1,687,623
Interest on Total OPEB Liability	1,641,743	1,419,263
Differences Between Expected and Actual Experience	(1,105,173)	-
Changes of Assumptions	(4,720,878)	(5,943,474)
Gross Benefit Payments	(1,100,036)	(491,559)
Contribution from the Member	<u>38,019</u>	<u>18,100</u>
Net Change in Total OPEB Liability	(3,848,548)	(3,310,047)
Total OPEB Liability - Beginning	<u>44,987,306</u>	<u>48,297,353</u>
Total OPEB Liability - Ending	<u>\$ 41,138,758</u>	<u>\$ 44,987,306</u>
District's Proportionate Share of OPEB Liability	\$ -	\$ -
State's Proportionate Share of OPEB Liability	<u>41,138,758</u>	<u>44,987,306</u>
Total OPEB Liability - Ending	<u>\$ 41,138,758</u>	<u>\$ 44,987,306</u>
District's Covered-Employee Payroll	<u>\$ 11,415,011</u>	<u>\$ 10,270,353</u>
District's Proportionate Share of the Total OPEB Liability as a Percentage of its Covered-Employee Payroll	<u>0%</u>	<u>0%</u>

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

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

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE DISTRICT'S PROPORTIONATE SHARE OF THE OPEB LIABILITY  
AND SCHEDULE OF DISTRICT PROPORTIONATE SHARE OF THE OPEB LIABILITY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Changes in Benefit Terms:**

None.

**Changes of Assumptions**

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



**SCHOOL LEVEL SCHEDULES**

**(General Fund)**

**NOT APPLICABLE**

**SPECIAL REVENUE FUND**

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Migrant Education CY 2019	Migrant Education CY 2018	McKinney Homeless Education	Migrant Education Summer	Total Brought Forward (Ex. E-1a)	Total Brought Forward (Ex. E-1b)	Totals
<b>REVENUES</b>							
Local Sources					\$ 7,021,889	\$ 2,331,228	\$ 9,353,117
State Sources					108,065		108,065
Federal Sources	\$ 142,114	\$ 384,597	\$ 339,376	\$ 40,384	-	453,572	1,360,043
<b>Total Revenues</b>	<b>\$ 142,114</b>	<b>\$ 384,597</b>	<b>\$ 339,376</b>	<b>\$ 40,384</b>	<b>\$ 7,129,954</b>	<b>\$ 2,784,800</b>	<b>\$ 10,821,225</b>
<b>EXPENDITURES</b>							
<b>Instruction:</b>							
Salaries of Teachers	\$ 16,066	\$ 89,859	\$ 53,902		\$ 2,275,810	\$ 1,190,737	\$ 3,626,374
Other Salaries for Instruction		3,776	13,536		411,181	224,302	652,795
Purchased Prof. and Technical Services					32,860	5,700	38,560
Other Purchased Services		2,267	6,452		518		9,237
General Supplies		1,666	820		151,826	37,908	192,220
Textbooks							878
Other Objects	-	1,625	-	-	2,470	11,615	15,710
<b>Total Instruction</b>	<b>16,066</b>	<b>99,193</b>	<b>74,710</b>	<b>-</b>	<b>2,874,665</b>	<b>1,471,140</b>	<b>4,535,774</b>
<b>Support Services</b>							
Salaries of Supervisors of Instruction					327,421		327,421
Salaries of Principals/Program Directors		49,200	96,203		125,886	292,341	563,630
Salaries of Other Professional Staff	2,588	13,012	10,219			317,877	343,696
Salaries of Secretaries and Clerical Assistants		18,360			202,870	71,248	292,478
Other Salaries	44,289	57,327	41,224		717,853		860,693
Transportation Salaries			8,521		14,121		22,642
Personal Services - Employee Benefits	44,302	27,747	65,673		733,723	382,347	1,253,792
Purchased Professional-Educational Services					1,013,195	314	1,013,509
Other Purchased Professional Services		13,335			137,130		150,465
Purchased Technical Services					9,649		9,649
Cleaning, Repairs and Maintenance					11,021		11,021
Rentals		3,000			16,617	11,520	31,137
Contracted Services - Transportation	17,340	44,570	11,943		22,697		96,550
Indirect Costs					544,239	121,500	665,739
Travel	6,565	5,763	498		4,489		17,315
Other Purchased Services	4,418	7,562	15,535	\$ 40,384	34,283	4,000	106,182
Supplies and Materials	6,546	39,461	7,460		267,718	13,445	334,630
Telephone			2,390		5,146	5,574	13,110
Utilities					30,568		30,568
Other Objects	-	6,067	5,000	-	23,508	17,372	51,947
<b>Total Support Services</b>	<b>126,048</b>	<b>285,404</b>	<b>264,666</b>	<b>40,384</b>	<b>4,242,134</b>	<b>1,237,538</b>	<b>6,196,174</b>
<b>Equipment and Facilities Acquisition and Construction</b>							
Instructional Equipment						76,122	76,122
Construction Services	-	-	-	-	13,155	-	13,155
<b>Total Equipment and Facilities Acquisition</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,155</b>	<b>76,122</b>	<b>89,277</b>
<b>Total Expenditures</b>	<b>\$ 142,114</b>	<b>\$ 384,597</b>	<b>\$ 339,376</b>	<b>\$ 40,384</b>	<b>\$ 7,129,954</b>	<b>\$ 2,784,800</b>	<b>\$ 10,821,225</b>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION**  
**SPECIAL REVENUE FUND**  
**COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Extended Day Program	IDEA - B Services	Non Public Technology Services	Chapter 192/193 Services	Title I Services	Non Public Nursing Services	Total Carried Forward
<b>REVENUES</b>							
Local Sources		\$ 752,595	\$ 197,375	\$ 4,258,016	\$ 491,793	\$ 1,322,110	\$ 7,021,889
State Sources	\$ 108,065						108,065
Federal Sources	-	-	-	-	-	-	-
<b>Total Revenues</b>	<b>\$ 108,065</b>	<b>\$ 752,595</b>	<b>\$ 197,375</b>	<b>\$ 4,258,016</b>	<b>\$ 491,793</b>	<b>\$ 1,322,110</b>	<b>\$ 7,129,954</b>
<b>EXPENDITURES</b>							
Instruction:							
Salaries of Teachers		\$ 4,439		\$ 2,069,605	\$ 201,766		\$ 2,275,810
Other Salaries for Instruction	\$ 17,443	393,738					411,181
Purchased Prof. and Technical Services			\$ 5,250	17,416	10,194		32,860
Other Purchased Services					518		518
General Supplies		82,043		413	69,370		151,826
Other Objects	2,470	-	-	-	-	-	2,470
<b>Total Instruction</b>	<b>19,913</b>	<b>480,220</b>	<b>5,250</b>	<b>2,087,434</b>	<b>281,848</b>	<b>-</b>	<b>2,874,665</b>
Support Services							
Salaries of Supervisors of Instruction				152,760	83,640	\$ 91,021	327,421
Salaries of Program Directors	16,334			109,552			125,886
Salaries of Other Professional Staff							-
Salaries of Secretaries and Clerical Assistants	7,005			195,865			202,870
Other Salaries				68,731		649,122	717,853
Transportation Salaries	14,121						14,121
Personal Services - Employee Benefits	7,238	66,912		399,070	94,481	166,022	733,723
Purchased Professional-Educational Services		151,665		861,530			1,013,195
Other Purchased Professional Services					7,167	129,963	137,130
Purchased Technical Services				9,364		285	9,649
Cleaning, Repairs and Maintenance				11,021			11,021
Rentals	9,000			7,617			16,617
Contracted Services - Transportation	22,697						22,697
Indirect Costs	7,500	53,798	\$ 9,828	263,044	24,657	185,412	544,239
Travel				4,489			4,489
Other Purchased Services				17,948		16,335	34,283
Supplies and Materials	111		182,297	1,360		83,950	267,718
Telephone				5,146			5,146
Utilities	4,146			26,422			30,568
Other Objects	-	-	-	23,508	-	-	23,508
<b>Total Support Services</b>	<b>88,152</b>	<b>272,375</b>	<b>192,125</b>	<b>2,157,427</b>	<b>209,945</b>	<b>1,322,110</b>	<b>4,242,134</b>
Equipment and Facilities Acquisition and Construction							
Construction Services	-	-	-	13,155	-	-	13,155
<b>Total Equipment and Facilities Acquisition</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,155</b>	<b>-</b>	<b>-</b>	<b>13,155</b>
<b>Total Expenditures</b>	<b>\$ 108,065</b>	<b>\$ 752,595</b>	<b>\$ 197,375</b>	<b>\$ 4,258,016</b>	<b>\$ 491,793</b>	<b>\$ 1,322,110</b>	<b>\$ 7,129,954</b>

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Union Detention Center	Union Detention Center Title I Services	Essex Detention Center	Essex Detention Center Title I	Essex Detention Center Title I	Safety Grant	Total Carried Forward
<b>REVENUES</b>							
Local Sources	\$ 490,163	\$ 41,759	\$ 1,791,421			\$ 7,885	\$ 2,331,228
State Sources							-
Federal Sources	-	-	-	\$ 383,472	\$ 70,100	-	453,572
<b>Total Revenues</b>	<b>\$ 490,163</b>	<b>\$ 41,759</b>	<b>\$ 1,791,421</b>	<b>\$ 383,472</b>	<b>\$ 70,100</b>	<b>\$ 7,885</b>	<b>\$ 2,784,800</b>
<b>EXPENDITURES</b>							
Instruction:							
Salaries of Teachers	\$ 241,131	\$ 21,742	\$ 744,779	\$ 183,085			\$ 1,190,737
Other Salaries for Instruction	7,805		126,434	90,063			224,302
Purchased Prof. and Technical Services	4,500		1,200				5,700
General Supplies			27,819	10,089			37,908
Textbooks			878				878
Other Objects	-	-	11,615	-	-	-	11,615
<b>Total Instruction</b>	<b>253,436</b>	<b>21,742</b>	<b>912,725</b>	<b>283,237</b>	<b>-</b>	<b>-</b>	<b>1,471,140</b>
Support Services							
Salaries of Program Directors	84,897		207,444				292,341
Salaries of Other Professional Staff	62,001		255,876				317,877
Salaries of Secretaries and Clerical Assistants	29,780		41,468				71,248
Personal Services - Employee Benefits	39,546	20,017	222,549	100,235			382,347
Purchased Professional-Educational Services	157		157				314
Rentals	4,484		7,036				11,520
Indirect Costs	7,500		114,000				121,500
Other Purchased Services	2,000		2,000				4,000
Supplies and Materials	517		5,043			7,885	13,445
Telephone	852		4,722				5,574
Other Objects	3,193	-	14,179	-	-	-	17,372
<b>Total Support Services</b>	<b>234,927</b>	<b>20,017</b>	<b>874,474</b>	<b>100,235</b>	<b>-</b>	<b>7,885</b>	<b>1,237,538</b>
Equipment and Facilities Acquisition and Construction							
Instructional Equipment	1,800	-	4,222	-	70,100	-	76,122
<b>Total Equipment and Facilities Acquisition</b>	<b>1,800</b>	<b>-</b>	<b>4,222</b>	<b>-</b>	<b>70,100</b>	<b>-</b>	<b>76,122</b>
<b>Total Expenditures</b>	<b>\$ 490,163</b>	<b>\$ 41,759</b>	<b>\$ 1,791,421</b>	<b>\$ 383,472</b>	<b>\$ 70,100</b>	<b>\$ 7,885</b>	<b>\$ 2,784,800</b>

**CAPITAL PROJECTS FUND**

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF PROJECT EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<u>Issue/Project Title</u>	<u>Revised Appropriation</u>	<u>Transfers</u>	<u>Expenditures</u>		<u>Project Balance June 30, 2019</u>
			<u>Prior Periods</u>	<u>Current Year</u>	
Various Capital Improvements	\$ 90,000	\$ (28,000)	\$ 38,414		\$ 23,586
Capital Improvements - 369 Passaic Avenue	1,500,000		881,934	\$ 288,502	329,564
Various Capital Improvements	300,000	(35,000)	221,785		43,215
Various Capital Improvements	<u>230,000</u>	<u>63,000</u>	<u>-</u>	<u>276,851</u>	<u>16,149</u>
	<u>\$ 2,120,000</u>	<u>\$ -</u>	<u>\$ 1,142,133</u>	<u>\$ 565,353</u>	<u>\$ 412,514</u>
			Project Balances		\$ 412,514
			Interest on Lease Purchase		<u>32,467</u>
			Fund Balance		<u>\$ 444,981</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Revenues and Other Financing Sources**

Other Financing Sources	
Interest on Lease Purchase	\$ 9,205
Transfer from General Fund	<u>230,000</u>
 Total Revenues and Other Financing Sources	 <u>239,205</u>

**Expenditures and Other Financing Uses**

Expenditures:	
Capital Outlay	
Facilities Acquisition and Construction	
Purchased Professional Services	325,948
Construction Services	<u>239,405</u>
 Total Expenditures	 <u>565,353</u>

Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(326,148)
 Fund Balance, Beginning of Year	 <u>771,129</u>
 Fund Balance, End of Year	 <u><u>\$ 444,981</u></u>



**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS  
VARIOUS CAPITAL IMPROVEMENTS  
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
Local Sources - Transfer from Reserve For Capital Projects	\$ 90,000	\$ (28,000)	\$ 62,000	\$ 62,000
Total Revenues and Other Financing Sources	<u>90,000</u>	<u>(28,000)</u>	<u>62,000</u>	<u>62,000</u>
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services	6,374		6,374	22,000
Construction Services	<u>32,040</u>	<u>-</u>	<u>32,040</u>	<u>40,000</u>
Total Expenditures and Other Financing Uses	<u>38,414</u>	<u>-</u>	<u>38,414</u>	<u>62,000</u>
Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ 51,586</u>	<u>\$ (28,000)</u>	<u>\$ 23,586</u>	<u>\$ -</u>
<b>Additional Project Information:</b>				
Original Authorized Cost	\$ 40,000			
Revised Authorized Cost	\$ 62,000			
Percentage Increase Over Original Authorized Cost	55%			
Percentage Completion	62%			
Original Target Completion Date	June 30, 2018			
Revised Target Completion Date	June 30, 2018			

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS  
CAPITAL IMPROVEMENTS - 369 PASSAIC AVENUE  
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
Proceeds from Lease Purchase Agreement	\$ 1,500,000	-	\$ 1,500,000	\$ 1,500,000
Total Revenues and Other Financing Sources	<u>1,500,000</u>	<u>-</u>	<u>1,500,000</u>	<u>1,500,000</u>
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services	99,073	\$ 49,097	148,170	100,000
Construction Services	<u>782,861</u>	<u>239,405</u>	<u>1,022,266</u>	<u>1,400,000</u>
Total Expenditures and Other Financing Uses	<u>881,934</u>	<u>288,502</u>	<u>1,170,436</u>	<u>1,500,000</u>
Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ 618,066</u>	<u>\$ (288,502)</u>	<u>\$ 329,564</u>	<u>\$ -</u>
<b>Additional Project Information:</b>				
Original Authorized Cost	\$ 1,500,000			
Revised Authorized Cost	\$ 1,500,000			
Percentage Completion	78%			
Original Target Completion Date	June 30, 2018			
Revised Target Completion Date	December 31, 2018			

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS  
VARIOUS CAPITAL IMPROVEMENTS  
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
Local Sources - Transfer from Reserve For Capital Projects	\$ 300,000	\$ (35,000)	\$ 265,000	\$ 265,000
Total Revenues and Other Financing Sources	<u>300,000</u>	<u>(35,000)</u>	<u>265,000</u>	<u>265,000</u>
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services	221,785		221,785	260,000
Construction Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
Total Expenditures and Other Financing Uses	<u>221,785</u>	<u>-</u>	<u>221,785</u>	<u>265,000</u>
Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ 78,215</u>	<u>\$ (35,000)</u>	<u>\$ 43,215</u>	<u>\$ -</u>
<b>Additional Project Information:</b>				
Original Authorized Cost	\$ 300,000			
Revised Authorized Cost	\$ 265,000			
Percentage Completion	84%			
Original Target Completion Date	June 30, 2018			
Revised Target Completion Date	June 30, 2018			

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION**  
**CAPITAL PROJECTS FUND**  
**SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS**  
**IMPROVEMENTS AT 23 FAIRFIELD PLACE**  
**FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
Local Sources - Transfer from Reserve For Capital Projects	\$ -	\$ 293,000	\$ 293,000	\$ 293,000
Total Revenues and Other Financing Sources	<u>-</u>	<u>293,000</u>	<u>293,000</u>	<u>293,000</u>
<b>Expenditures and Other Financing Uses</b>				
Purchased Professional and Technical Services		276,851	276,851	293,000
Construction Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures and Other Financing Uses	<u>-</u>	<u>276,851</u>	<u>276,851</u>	<u>293,000</u>
Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ 16,149</u>	<u>\$ 16,149</u>	<u>\$ -</u>
<b>Additional Project Information:</b>				
Original Authorized Cost	\$	293,000		
Revised Authorized Cost	\$	293,000		
Percentage Completion		94%		
Original Target Completion Date		December 31, 2019		
Revised Target Completion Date		December 31, 2019		

**PROPRIETARY FUND**

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NON-MAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF NET POSITION  
AS OF JUNE 30, 2019**

	<u>Non-Major Enterprise Funds</u>		
	<u>Food Service</u>	<u>Cooperative Purchasing</u>	<u>Total</u>
<b>ASSETS</b>			
Current Assets			
Intergovernmental Accounts Receivable			
Federal	\$ 18,644		\$ 18,644
State	158	-	158
	<u>18,802</u>	<u>-</u>	<u>18,802</u>
Total Current Assets			
	<u>18,802</u>	<u>-</u>	<u>18,802</u>
Non-Current Assets			
Capital Assets	21,225		21,225
Accumulated Depreciation	(9,981)	-	(9,981)
	<u>11,244</u>	<u>-</u>	<u>11,244</u>
Total Capital Assets, Net			
	<u>11,244</u>	<u>-</u>	<u>11,244</u>
Total Assets	<u>30,046</u>	<u>-</u>	<u>30,046</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	215		215
Due to Other Funds	46,060	\$ 15,650	61,710
	<u>46,275</u>	<u>15,650</u>	<u>61,925</u>
Total Liabilities			
	<u>46,275</u>	<u>15,650</u>	<u>61,925</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	11,244		11,244
Unrestricted	(27,473)	(15,650)	(43,123)
	<u>(16,229)</u>	<u>(15,650)</u>	<u>(31,879)</u>
Total Net Position	<u>\$ (16,229)</u>	<u>\$ (15,650)</u>	<u>\$ (31,879)</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NON-MAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Non-Major Enterprise Funds</u>		
	<u>Food Service</u>	<u>Cooperative Purchasing</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Participation Fees	-	\$ 900	\$ 900
Total Operating Revenues	-	900	900
<b>OPERATING EXPENSES</b>			
Cost of Sales - Reimbursable Programs	\$ 82,056		82,056
Depreciation	2,811	-	2,811
Total Operating Expenses	84,867	-	84,867
Operating Income (Loss)	(84,867)	900	(83,967)
<b>NONOPERATING REVENUES</b>			
State Sources			
State School Lunch Program	558		558
Federal Sources			
School Breakfast Program	21,088		21,088
National School Lunch Program	34,392		34,392
After School Snack Program	9,044	-	9,044
Total Nonoperating Revenues	65,082	-	65,082
Change in Net Position	(19,785)	900	(18,885)
Net Position, Beginning of Year	3,556	(16,550)	(12,994)
Net Position, End of Year	\$ (16,229)	\$ (15,650)	\$ (31,879)

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NON-MAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Non-Major Enterprise Funds</u>		
	<u>Food Service</u>	<u>Cooperative Purchasing</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Participating Members		\$ 900	\$ 900
Cash Payments for Goods and Services	\$ (89,424)	-	(89,424)
Net Cash Provided By (Used For) Operating Activities	(89,424)	900	(88,524)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Cash Received (Paid) from Interfund Activities	24,087	(900)	23,187
Cash Received from State and Federal Subsidy Reimbursements	65,337	-	65,337
Net Cash Provided By (Used For) Non-Capital Financing Activities	89,424	(900)	88,524
Net Change in Cash and Cash Equivalents	-	-	-
Cash and Cash Equivalents, Beginning of Year	-	-	-
Cash and Cash Equivalents, End of Year	\$ -	\$ -	\$ -
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$ (84,867)	\$ 900	\$ (83,967)
Depreciation	2,811		2,811
Decrease in Accounts Payable	(7,368)	-	(7,368)
Net Cash Provided By (Used For) Operating Activities	\$ (89,424)	\$ 900	\$ (88,524)



**FIDUCIARY FUNDS**

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF AGENCY ASSETS AND LIABILITIES  
AS OF JUNE 30, 2019**

	<u>Student Activity</u>	<u>Payroll Agency Funds</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,272	\$ 223,172	\$ 225,444
Total Assets	<u>\$ 2,272</u>	<u>\$ 223,172</u>	<u>\$ 225,444</u>
<b>LIABILITIES</b>			
Due to Student Groups	\$ 2,272		\$ 2,272
Payroll Deductions and Withholdings		\$ 214,640	214,640
Due to Other Funds	<u>-</u>	<u>8,532</u>	<u>8,532</u>
Total Liabilities	<u>\$ 2,272</u>	<u>\$ 223,172</u>	<u>\$ 225,444</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOT APPLICABLE

**STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Balance</u> <u>July 1, 2018</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disburse-</u> <u>ments</u>	<u>Balance</u> <u>June 30, 2019</u>
Essex Junior Academy	\$ 1,042	\$ 10		\$ 1,052
Essex High School	496	5		501
Essex Campus Academy	167	2		169
Sojourn High School	898	27	\$ 375	550
	<u>\$ 2,603</u>	<u>\$ 44</u>	<u>\$ 375</u>	<u>\$ 2,272</u>

**PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Balance,</u> <u>July 1,</u> <u>2018</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance,</u> <u>June 30,</u> <u>2019</u>
Payroll Deductions and Withholdings	\$ 262,564	\$ 23,461,290	\$ 23,509,214	\$ 214,640
Accrued Salaries and Wages		14,602,767	14,602,767	-
Due to Other Funds	8,532	840	840	8,532
	<u>\$ 271,096</u>	<u>\$ 38,064,897</u>	<u>\$ 38,112,821</u>	<u>\$ 223,172</u>
Total Liabilities				

**LONG-TERM DEBT**

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
LONG-TERM DEBT  
SCHEDULE OF SERIAL BONDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOT APPLICABLE

**SCHEDULE OF CAPITAL LEASES PAYABLE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<u>Issue</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Balance, July 1, 2018</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance, June 30, 2019</u>
369 Passaic Avenue	2.90%	\$ 12,500,000	\$ 9,785,001		\$ 519,978	\$ 9,265,023
333 Fairfield Road	3.15%	7,465,499	7,329,499		278,000	7,051,499
23 Fairfield Place		1,620,000	1,620,000			1,620,000
School Bus	2.15%	103,374	62,005	-	20,230	41,775
			<u>\$ 18,796,505</u>	<u>\$ -</u>	<u>\$ 818,208</u>	<u>\$ 17,978,297</u>

**DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOT APPLICABLE

## STATISTICAL SECTION

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

### Contents

### Exhibits

#### **Financial Trends**

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

J-1 to J-5

#### **Revenue Capacity**

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

J-6 to J-9

#### **Debt Capacity**

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

J-10 to J-13

#### **Demographic and Economic Information**

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

J-14 and J-15

#### **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs. J-16 to J-20

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

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

	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014 (Restated)	2015	2016	2017	2018	2019
<b>Governmental Activities</b>										
Net Investment in Capital Assets	\$ 3,392,027	\$ 3,411,282	\$ 3,123,390	\$ 2,976,864	\$ 2,831,476	\$ 2,756,573	\$ 2,591,880	\$ 2,541,005	\$ 3,083,300	\$ 3,125,354
Restricted	1,815,535	1,761,854	1,697,005	1,414,198	88,212	36,052	-	57,960	153,063	115,417
Unrestricted	<u>25,031,661</u>	<u>25,777,639</u>	<u>26,373,107</u>	<u>26,679,257</u>	<u>17,995,299</u>	<u>18,809,424</u>	<u>23,060,890</u>	<u>19,714,712</u>	<u>17,195,870</u>	<u>12,240,845</u>
<b>Total Governmental Activities Net Position</b>	<b><u>\$ 30,239,223</u></b>	<b><u>\$ 30,950,775</u></b>	<b><u>\$ 31,193,502</u></b>	<b><u>\$ 31,070,319</u></b>	<b><u>\$ 20,914,987</u></b>	<b><u>\$ 21,602,049</u></b>	<b><u>\$ 25,652,770</u></b>	<b><u>\$ 22,313,677</u></b>	<b><u>\$ 20,432,233</u></b>	<b><u>\$ 15,481,616</u></b>
<b>Business-Type Activities</b>										
Investment in Capital Assets		\$ 5,736	\$ 4,302	\$ 2,868	\$ 1,434				\$ 14,055	\$ 11,244
Unrestricted	<u>\$ 6,026</u>	<u>7,371</u>	<u>14,807</u>	<u>18,842</u>	<u>25,163</u>	<u>\$ 40,253</u>	<u>\$ 22,631</u>	<u>\$ 5,992</u>	<u>(27,049)</u>	<u>(43,123)</u>
<b>Total Business-Type Activities Net Position</b>	<b><u>\$ 6,026</u></b>	<b><u>\$ 13,107</u></b>	<b><u>\$ 19,109</u></b>	<b><u>\$ 21,710</u></b>	<b><u>\$ 26,597</u></b>	<b><u>\$ 40,253</u></b>	<b><u>\$ 22,631</u></b>	<b><u>\$ 5,992</u></b>	<b><u>\$ (12,994)</u></b>	<b><u>\$ (31,879)</u></b>
<b>Commission-Wide</b>										
Net Investment in Capital Assets	\$ 3,392,027	\$ 3,417,018	\$ 3,127,692	\$ 2,979,732	\$ 2,832,910	\$ 2,756,573	\$ 2,591,880	\$ 2,541,005	\$ 3,097,355	\$ 3,136,598
Restricted	1,815,535	1,761,854	1,697,005	1,414,198	88,212	36,052	-	57,960	153,063	115,417
Unrestricted	<u>25,037,687</u>	<u>25,785,010</u>	<u>26,387,914</u>	<u>26,698,099</u>	<u>18,020,462</u>	<u>18,849,677</u>	<u>23,083,521</u>	<u>19,720,704</u>	<u>17,168,821</u>	<u>12,197,722</u>
<b>Total Commission Net Position</b>	<b><u>\$ 30,245,249</u></b>	<b><u>\$ 30,963,882</u></b>	<b><u>\$ 31,212,611</u></b>	<b><u>\$ 31,092,029</u></b>	<b><u>\$ 20,941,584</u></b>	<b><u>\$ 21,642,302</u></b>	<b><u>\$ 25,675,401</u></b>	<b><u>\$ 22,319,669</u></b>	<b><u>\$ 20,419,239</u></b>	<b><u>\$ 15,449,737</u></b>

Source: Commission's financial statements

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

	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Expenses</b>										
<b>Governmental Activities</b>										
Instruction										
Regular	\$ 4,088,268	\$ 4,098,815	\$ 3,631,613	\$ 4,122,477	\$ 3,480,682	\$ 4,470,116	\$ 3,871,547	\$ 5,012,806	\$ 4,188,444	\$ 4,054,676
Special Education	3,835,227	2,910,254	8,530,077	9,136,576	9,773,594	10,245,503	10,717,912	14,128,685	16,308,664	11,997,948
Other Instruction	7,436,822	6,760,567	6,321,903	4,875,645	5,099,113	5,331,868	5,739,014	4,033,579	3,920,277	3,418,164
Community Services/Other Instruction								71,700	152,942	219,076
Support Services:										
Student & Instruction Related Services	7,884,319	12,979,070	7,860,385	6,420,782	6,234,603	6,322,752	6,144,644	5,063,109	4,774,875	4,316,450
General Administrative Services	718,073	774,117	683,125	934,794	2,276,788	1,784,255	1,683,334	3,935,822	4,412,369	4,517,319
School Administrative Services	1,068,755	1,054,926	1,136,124	1,255,294	1,207,752	1,171,115	1,361,735	2,599,427	3,053,961	3,014,382
Central Services	798,615	900,040	770,527	782,318	725,075	727,272	712,869	961,956	1,481,206	1,542,509
Administrative Info. Technology	133,380	159,899	234,833	194,258	151,218	132,698	137,436	248,240	336,974	322,472
Plant Operations And Maintenance	1,491,935	1,595,476	1,642,414	1,690,455	1,487,824	1,488,500	1,530,426	1,574,760	1,686,201	2,023,005
Pupil Transportation	39,939,543	38,457,959	42,106,886	43,751,326	43,201,600	55,971,127	71,711,850	41,370,389	47,538,897	33,493,611
Interest On Long-Term Debt	479,404	472,165	461,169	384,009	436,410	422,747	407,624	390,852	889,536	499,619
<b>Total Governmental Activities Expenses</b>	<b>67,874,341</b>	<b>70,163,288</b>	<b>73,379,056</b>	<b>73,547,934</b>	<b>74,074,659</b>	<b>88,067,953</b>	<b>104,018,391</b>	<b>79,391,325</b>	<b>88,744,346</b>	<b>69,419,231</b>
<b>Business-Type Activities</b>										
Cooperative Purchasing								20,750		
Food Service	62,433	71,978	78,552	68,163	94,109	87,471	68,942	86,674	101,422	84,867
<b>Total Business-Type Activities Expense</b>	<b>62,433</b>	<b>71,978</b>	<b>78,552</b>	<b>68,163</b>	<b>94,109</b>	<b>87,471</b>	<b>68,942</b>	<b>107,424</b>	<b>101,422</b>	<b>84,867</b>
<b>Total District Expenses</b>	<b>\$ 67,936,774</b>	<b>\$ 70,235,266</b>	<b>\$ 73,457,608</b>	<b>\$ 73,616,097</b>	<b>\$ 74,168,768</b>	<b>\$ 88,155,424</b>	<b>\$ 104,087,333</b>	<b>\$ 79,498,749</b>	<b>\$ 88,845,768</b>	<b>\$ 69,504,098</b>
<b>Program Revenues</b>										
<b>Governmental Activities:</b>										
Charges For Services:										
Instruction (Regular)	\$ 4,519,577	\$ 3,472,176	\$ 3,053,560	\$ 2,783,443	\$ 2,201,921	\$ 2,493,540	\$ 2,449,612	\$ 2,787,678	\$ 2,230,013	\$ 2,391,345
Special Education	6,323,649	6,021,136	5,972,108	5,530,256	5,656,240	5,009,749	4,906,330	4,812,603	4,143,574	3,134,266
Other Instruction	6,922,642	5,948,585	5,612,115	4,630,818	4,846,085	4,299,240	3,501,992	3,543,957	3,662,178	2,910,442
Student and Instruction Related Services	7,637,326	12,763,421	12,621,977	11,611,081	12,465,347	13,243,687	13,062,651	12,601,468	14,610,704	11,510,853
General Administrative Services	169,870	577,577	434,196	262,489	1,764,771	1,110,950	636,931	1,024,340	794,872	778,489
School Administrative Services								580,602	1,074,012	1,165,486
Central Services		475,278	298,455	106,842						
Administration Info. Technology		84,437	90,960	26,609						
Plant Operations and Maintenance						13,866	37,458	34,810	111,957	104,372
Pupil Transportation	41,189,384	39,447,997	43,475,789	45,303,697	45,293,817	56,991,948	77,109,790	41,843,848	50,167,515	34,505,363
Interest on Long-Term Debt	54,000									
Operating Grants And Contributions	2,005,024	2,034,702	2,210,734	2,659,389	2,299,589	4,654,659	5,809,409	6,789,033	7,305,308	6,007,648
<b>Total Governmental Activities Program Revenues</b>	<b>68,821,472</b>	<b>70,825,309</b>	<b>73,769,894</b>	<b>72,914,624</b>	<b>74,527,770</b>	<b>87,817,639</b>	<b>107,514,173</b>	<b>74,018,339</b>	<b>84,100,133</b>	<b>62,508,264</b>



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

	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Business-Type Activities:</b>										
Charges For Services										
Cooperative Purchasing									\$ 4,200	\$ 900
Food Service	\$ 351	\$ 322								
Operating Grants And Contributions	55,410	67,036	\$ 82,873	\$ 70,764	\$ 98,996	\$ 101,127	\$ 51,320	\$ 90,785	78,236	65,082
Capital Grants and Contributions	-	7,170	-	-	-	-	-	-	-	-
<b>Total Business Type Activities Program Revenues</b>	<b>55,761</b>	<b>74,528</b>	<b>82,873</b>	<b>70,764</b>	<b>98,996</b>	<b>101,127</b>	<b>51,320</b>	<b>90,785</b>	<b>82,436</b>	<b>65,982</b>
<b>Total District Program Revenues</b>	<b>\$ 68,877,233</b>	<b>\$ 70,899,837</b>	<b>\$ 73,852,767</b>	<b>\$ 72,985,388</b>	<b>\$ 74,626,766</b>	<b>\$ 87,918,766</b>	<b>\$ 107,565,493</b>	<b>\$ 74,109,124</b>	<b>\$ 84,182,569</b>	<b>\$ 62,574,246</b>
<b>Net (Expense)/Revenue</b>										
Governmental Activities	\$ 947,131	\$ 662,021	\$ 390,838	\$ (633,310)	\$ 453,111	\$ (250,314)	\$ 3,495,782	\$ (5,372,986)	\$ (4,644,213)	\$ (6,910,967)
Business-Type Activities	(6,672)	2,550	4,321	2,601	4,887	13,656	(17,622)	(16,639)	(18,986)	(18,885)
<b>Total District-Wide Net Expense</b>	<b>\$ 940,459</b>	<b>\$ 664,571</b>	<b>\$ 395,159</b>	<b>\$ (630,709)</b>	<b>\$ 457,998</b>	<b>\$ (236,658)</b>	<b>\$ 3,478,160</b>	<b>\$ (5,389,625)</b>	<b>\$ (4,663,199)</b>	<b>\$ (6,929,852)</b>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
Miscellaneous Income	169,372	54,062	117,164	510,127	1,615,851	937,376	554,939	2,033,893	2,102,804	2,406,823
Loss on Disposal of Capital Assets	(50,427)									
Transfers	(6,672)	(4,531)	(1,681)	-	-	-	-	-	-	-
<b>Total Governmental Activities</b>	<b>112,273</b>	<b>49,531</b>	<b>115,483</b>	<b>510,127</b>	<b>1,615,851</b>	<b>937,376</b>	<b>554,939</b>	<b>2,033,893</b>	<b>2,102,804</b>	<b>2,406,823</b>
Business-Type Activities:										
Transfers	6,672	4,531	1,681	-	-	-	-	-	-	-
<b>Total Business-Type Activities</b>	<b>6,672</b>	<b>4,531</b>	<b>1,681</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Commission-Wide</b>	<b>\$ 118,945</b>	<b>\$ 54,062</b>	<b>\$ 117,164</b>	<b>\$ 510,127</b>	<b>\$ 1,615,851</b>	<b>\$ 937,376</b>	<b>\$ 554,939</b>	<b>\$ 2,033,893</b>	<b>\$ 2,102,804</b>	<b>\$ 2,406,823</b>
<b>Change in Net Position</b>										
Governmental Activities	\$ 1,059,404	\$ 711,552	\$ 506,321	\$ (123,183)	\$ 2,068,962	\$ 687,062	\$ 4,050,721	\$ (3,339,093)	\$ (2,541,409)	\$ (4,504,144)
Business-Type Activities	-	7,081	6,002	2,601	4,887	13,656	(17,622)	(16,639)	(18,986)	(18,885)
<b>Total Commission</b>	<b>\$ 1,059,404</b>	<b>\$ 718,633</b>	<b>\$ 512,323</b>	<b>\$ (120,582)</b>	<b>\$ 2,073,849</b>	<b>\$ 700,718</b>	<b>\$ 4,033,099</b>	<b>\$ (3,355,732)</b>	<b>\$ (2,560,395)</b>	<b>\$ (4,523,029)</b>

Source: Commission's financial statements

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

	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Unreserved	\$ 25,032,511									
Assigned		\$ 5,012,173	\$ 4,533,122	\$ 16,441,121	\$ 17,134,018	\$ 16,385,038	\$ 15,671,090	\$ 14,811,090	\$ 24,795,602	\$ 21,036,844
Unassigned	-	19,972,123	20,443,335	7,611,329	7,610,158	8,282,043	13,089,192	15,828,831	1,209,493	1,400,300
Total General Fund	<u>\$ 25,032,511</u>	<u>\$ 24,984,296</u>	<u>\$ 24,976,457</u>	<u>\$ 24,052,450</u>	<u>\$ 24,744,176</u>	<u>\$ 24,667,081</u>	<u>\$ 28,760,282</u>	<u>\$ 30,639,921</u>	<u>\$ 26,005,095</u>	<u>\$ 22,437,144</u>
All Other Governmental Funds										
Unreserved	\$ 1,815,535									
Restricted	-	\$ 1,761,854	\$ 1,697,005	\$ 1,414,198	\$ 88,212	\$ 36,052	-	\$ 57,960	\$ 771,129	\$ 444,981
Total All Other Governmental Funds	<u>\$ 1,815,535</u>	<u>\$ 1,761,854</u>	<u>\$ 1,697,005</u>	<u>\$ 1,414,198</u>	<u>\$ 88,212</u>	<u>\$ 36,052</u>	<u>\$ -</u>	<u>\$ 57,960</u>	<u>\$ 771,129</u>	<u>\$ 444,981</u>

Source: Commission's financial statements

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

	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenues</b>										
Tuition Charges	\$ 4,689,320	\$ 4,505,166	\$ 4,767,441	\$ 4,733,809	\$ 3,867,628	\$ 4,679,444	\$ 3,848,879	\$ 4,137,786	\$ 3,604,340	\$ 2,778,270
Transportation Fees	41,143,289	39,522,391	42,790,390	44,296,463	43,808,107	54,508,463	77,827,845	44,805,695	47,628,824	35,373,105
Miscellaneous	22,489,071	25,043,753	24,218,331	20,531,007	23,266,126	24,109,079	20,142,315	24,325,451	25,153,444	21,944,202
State Sources	1,426,946	1,400,857	1,620,817	1,915,432	1,592,682	1,811,978	1,881,895	2,031,729	2,111,594	2,353,962
Federal Sources	570,036	633,845	589,917	743,957	706,907	1,006,830	1,321,631	1,217,627	1,213,240	1,360,043
<b>Total Revenue</b>	<b>70,318,662</b>	<b>71,106,012</b>	<b>73,986,896</b>	<b>72,220,668</b>	<b>73,241,450</b>	<b>86,115,794</b>	<b>105,022,565</b>	<b>76,518,288</b>	<b>79,711,442</b>	<b>63,809,582</b>
<b>Expenditures</b>										
<b>Instruction</b>										
Regular Instruction	4,086,428	4,101,707	3,633,314	4,124,419	3,456,189	3,259,296	3,223,866	3,741,810	3,478,654	3,559,060
Special Education Instruction	3,782,426	2,866,453	8,479,605	9,107,491	9,713,583	10,136,081	10,264,996	12,376,851	14,192,142	10,888,821
Other Instruction	7,440,226	6,760,567	6,330,597	4,875,645	5,099,113	5,331,868	4,824,129	4,033,579	3,911,863	3,411,893
Community Services								71,700	152,942	200,691
<b>Support Services</b>										
Student and Inst. Related Services	7,886,846	12,997,008	7,878,960	6,423,908	6,226,591	6,003,875	5,696,875	4,588,859	4,472,001	4,181,008
General Administration	1,761,518	1,730,966	1,328,410	928,168	2,268,945	1,743,482	1,472,773	3,455,369	3,952,551	4,243,940
School Administrative Services	1,044,182	1,034,202	1,121,016	1,240,552	1,189,158	1,050,228	1,159,525	1,987,351	2,575,900	2,741,680
Central Services	798,926	901,066	770,824	780,663	722,882	727,501	700,842	912,902	1,309,634	1,426,432
Admin. Information Technology	133,450	160,140	235,181	194,422	150,289	133,282	134,202	231,984	303,897	295,954
Plant Operations And Maintenance	1,094,485	1,165,627	1,209,822	1,201,781	1,049,769	1,057,239	1,080,251	1,119,946	1,207,507	1,405,334
Pupil Transportation	39,940,116	38,459,828	42,108,609	43,752,176	43,199,016	55,975,710	71,681,291	41,258,298	47,366,120	33,376,985
Capital Outlay	970,380	355,966	241,718	153,257	79,635	96,487		32,040	10,234,161	643,613
<b>Debt Service</b>										
Principal	152,016	193,345	252,965	255,073	277,160	300,286	334,613	370,551	607,053	818,208
Interest and Other Charges	484,232	476,502	466,882	389,927	442,840	429,714	415,387	399,449	860,578	510,062
<b>Total Expenditures</b>	<b>69,575,231</b>	<b>71,203,377</b>	<b>74,057,903</b>	<b>73,427,482</b>	<b>73,875,710</b>	<b>86,245,049</b>	<b>100,988,750</b>	<b>74,580,689</b>	<b>94,625,003</b>	<b>67,703,681</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>743,431</b>	<b>(97,365)</b>	<b>(71,007)</b>	<b>(1,206,814)</b>	<b>(634,260)</b>	<b>(129,255)</b>	<b>4,033,815</b>	<b>1,937,599</b>	<b>(14,913,561)</b>	<b>(3,894,099)</b>
<b>Other Financing Sources (Uses)</b>										
Insurance Recovery							23,334			
Lease Purchase Proceeds									9,085,499	
Refunding Lease Purchase Proceeds									10,034,501	
Payments for Refunding Lease Purchase									(8,128,096)	
Transfers In	2,000,000				1,562,898	18,980	36,052	90,000	300,000	230,000
Transfers Out	(2,006,672)	(4,531)	(1,681)	-	(1,562,898)	(18,980)	(36,052)	(90,000)	(300,000)	(230,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(6,672)</b>	<b>(4,531)</b>	<b>(1,681)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,334</b>	<b>-</b>	<b>10,991,904</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>\$ 736,759</b>	<b>\$ (101,896)</b>	<b>\$ (72,688)</b>	<b>\$ (1,206,814)</b>	<b>\$ (634,260)</b>	<b>\$ (129,255)</b>	<b>\$ 4,057,149</b>	<b>\$ 1,937,599</b>	<b>\$ (3,921,657)</b>	<b>\$ (3,894,099)</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>0.93%</b>	<b>0.95%</b>	<b>0.98%</b>	<b>0.88%</b>	<b>0.98%</b>	<b>0.85%</b>	<b>0.74%</b>	<b>1.03%</b>	<b>1.74%</b>	<b>1.98%</b>

\* Noncapital expenditures are total expenditures less Capital Outlay.

Source: Commission's financial statements

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

<b>Fiscal Year Ended June 30</b>	<b>Local Education Agency Fees</b>	<b>Indirect Cost Fees</b>	<b>Interest</b>	<b>Miscellaneous</b>	<b>Total</b>
2010	\$ 4,244,377	\$ 1,055,997	\$ 132,867	\$ 8,725	\$ 5,441,966
2011	9,471,705	968,497	22,608	31,454	10,494,264
2012	10,414,271	654,016	17,007	117,164	11,202,458
2013	8,958,318	228,221	26,577	483,550	9,696,666
2014	9,655,402	1,597,052	7,012	11,788	11,271,254
2015	11,688,846	937,376			12,626,222
2016	9,766,625	469,212	2,757	82,970	10,321,564
2017	12,177,461	1,865,118		162,979	14,205,558
2018	12,754,041	1,989,508	23,347	61,209	14,828,105
2019	10,184,262	2,158,128	148,692	90,798	12,581,880

Source: Commission's financial statements

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

**NOT APPLICABLE**

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

**NOT APPLICABLE**

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

**NOT APPLICABLE**

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

**NOT APPLICABLE**

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

Fiscal Year Ended June 30,	Governmental Activities			County Population	Per Capita
	General Obligation Bonds	Capital Leases	Total Commission		
2010		\$ 10,313,837	\$ 10,313,837	784,062	\$ 13
2011		10,120,492	10,120,492	785,531	13
2012		9,867,527	9,867,527	785,137	13
2013		9,612,454	9,612,454	786,817	12
2014		9,335,294	9,335,294	788,975	12
2015		9,035,008	9,035,008	790,508	11
2016		8,700,395	8,700,395	792,617	11
2017		8,329,844	8,329,844	795,908	10
2018		18,796,505	18,796,505	799,767	24
2019		17,978,297	17,978,297	799,767 (E)	22

Source: Commission records

(E) - Estimate

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

NOT APPLICABLE

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

NOT APPLICABLE

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

NOT APPLICABLE

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

<u>Year Ended December 31,</u>	<u>Unemployment Rate</u>	<u>Per Capita Income</u>	<u>County Population</u>
2010	11.0%	\$ 51,884	784,062
2011	10.8%	54,086	785,531
2012	10.8%	54,783	785,137
2013	10.8%	55,369	786,817
2014	9.5%	57,817	788,975
2015	7.9%	60,131	790,508
2016	6.7%	61,287	792,617
2017	6.0%	63,554	795,908
2018	5.7%	63,554 (E)	799,767
2019	5.2%	63,554 (E)	799,767 (E)

Note: Information represents County of Essex demographics

Source: New Jersey Department of Work Force Development

E = Estimate



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

**NOT APPLICABLE**

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

<u>Function/Program</u>	<u>Fiscal Year Ended June 30,</u>									
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Instruction	150	150	140	140	145	142	393	482	482	206
Support Services:										
Student and Instruction Related Services	106	324	280	290	292	298	10	38	38	16
General Administration	5	5	5	5	5	5	8	11	11	11
School Administrative Services	10	10	10	10	10	9	12	10	10	14
Central and Other Support Services	17	17	16	17	18	18	6	39	39	36
Plant Operations And Maintenance	7	6	6	6	6	6	4	3	3	3
Pupil Transportation	17	13	15	15	15	17	17	15	15	16
Total	<u>312</u>	<u>525</u>	<u>472</u>	<u>483</u>	<u>491</u>	<u>495</u>	<u>450</u>	<u>598</u>	<u>598</u>	<u>302</u>

Source: Commission's Personnel Records

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

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

Pupil/Teacher Ratio

Fiscal Year Ended June 30,	Enrollment	Operating Expenditures	Teaching Staff	Elementary/ Middle School		Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
					High School				
2010	122.0	\$ 67,968,603	17	8.7:1	6.3:1	122.0	89.4	-13.87%	60
2011	128.0	70,177,564	19	7.0:1	6.6:1	128.0	90.0	0.67%	70
2012	135.0	73,096,338	17	11.0:1	7.1:1	135.0	104.1	15.67%	76
2013	126.8	72,629,225	20	7.5:1	6.2:1	126.8	96.9	-6.92%	76
2014	120.0	73,076,075	20	6.8:1	5.6:1	120.0	106.5	9.91%	90
2015	122.0	85,418,562	20	7.0:1	5.7:1	122.0	105.0	-1.41%	85
2016	118.0	100,238,750	N/A	N/A	N/A	118.0	93.3	-11.14%	79
2017	138.7	73,778,649	N/A	N/A	N/A	138.7	99.5	6.65%	72
2018	103.0	82,923,211	N/A	N/A	N/A	98.5	70.4	-29.25%	73
2019	75.0	65,731,798	N/A	N/A	N/A	75.0	58.7	-16.68%	71

Sources: Commission's records

N/A - Not Available

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

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

	Fiscal Year Ended June 30,										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
<b><u>District Building</u></b>											
<b><u>Dr. Jacqueline A. Young Education Center</u></b>											
Square Feet	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	-
<b><u>Essex Campus Academy</u></b>											
Square Feet	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	25,000	17,000	
Capacity (students)	125	125	125	125	125	125	125	125	125	125	
Enrollment	52	52	46	36	40	40	41	45	34	26	
<b><u>Essex Junior Academy</u></b>											
Square Feet	33,276	33,276	33,276	38,000	38,000	38,000	38,000	19,000	19,000	19,000	
Capacity (students)	192	192	192	220	220	220	220	110	110	110	
Enrollment	35	35	46	44	41	42	41	48	33	15	
<b><u>Essex High School</u></b>											
Square Feet	7,580	7,580	7,580	7,580	7,580	7,580	7,580	19,000	19,000	17,000	
Capacity (students)	48	48	48	48	48	48	48	110	110	110	
Enrollment	35	35	44	46	39	40	36	45	36	34	
<b><u>Central Office/Administration</u></b>											
Square Feet										25,000	
<b><u>23 Fairfield Place</u></b>											
Square Feet										15,500	
Capacity (students)										N/A	
Enrollment										N/A	
<b>Number of Schools at June 30, 2019</b>											
Elementary/Middle School	1	1	1	1	1	1	1	1	1	1	
Senior High School	2	2	2	2	2	2	2	2	2	2	

Source: Commission's Records

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

NOT APPLICABLE

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION**  
**SCHEDULE OF INSURANCE**  
**JUNE 30, 2019**  
**(Unaudited)**

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

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

Source: Commission's records

**SINGLE AUDIT SECTION**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-1

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

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

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

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Essex Regional Educational Services Commission as of and for the fiscal year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Essex Regional Educational Services Commission's basic financial statements and have issued our report thereon dated January 16, 2020.

***Internal Control Over Financial Reporting***

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses or significant deficiencies.



A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of schedule of findings and questioned costs as item 2019-002 to be a significant deficiency.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Essex Regional Educational Services Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey and which are described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002.


We also noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Essex Regional Educational Services Commission in a separate report entitled, "Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance" dated January 16, 2020.


### ***Essex Regional Educational Services Commission's Responses to Findings***

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

### ***Purpose of this Report***

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

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

  
Gary J. Vinci  
Public School Accountant  
PSA Number CS00829



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

**EXHIBIT K-2**

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

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

**INDEPENDENT AUDITOR'S REPORT**

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

***Report on Compliance for Each Major Federal and State Program***

We have audited the Essex Regional Educational Services Commission's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement and the New Jersey OMB Circular 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the Essex Regional Educational Services Commission's major federal and state programs for the fiscal year ended June 30, 2019. The Essex Regional Educational Services Commission's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

### ***Opinion on Each Major Federal and State Program***

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

### ***Report on Internal Control Over Compliance***

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

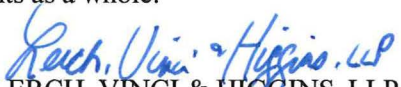
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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


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

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

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

We have audited the financial statements of the Essex Regional Educational Services Commission, as of and for the fiscal year ended June 30, 2019 and have issued our report thereon dated January 16, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards as required by the U.S. Uniform Guidance and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

  
Gary J. Vinci  
Public School Accountant  
PSA Number CS00829

Fair Lawn, New Jersey  
January 16, 2020

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	FAIN Number	Grant Period	Award Amount	Balance July 1, 2018		Carryover Amount	Cash Received	Budgetary Expenditures	Adjustment	Balance June 30, 2019			Memo GAAP Receivable
					(Accounts Receivable)	Unearned Revenue					(Accounts Receivable)	Unearned Revenue	Due to LEA	
<b>U.S. Department of Education</b>														
<b>Passed Through State Department of Education</b>														
<u>Special Revenue Fund:</u>														
Migrant Education	84.011A	S011A150030	1/1/16-12/31/16	\$ 518,391	\$ (485)					\$ 485				
Migrant Education	84.011A	S011A160030	1/1/17-12/31/17	672,462		28,173				(485)			\$ 27,688	
Migrant Education	84.011A	S011A170030	1/1/18-12/31/18	672,466	(672,466)	537,195		523,113	384,597				3,245	
Migrant Education	84.011A	S011A180030	1/1/19-12/31/19	845,000					142,114		(845,000)	702,886		\$ (142,114)
Migrant Education	84.011A	NA	1/1/15-12/31/15	518,391	-	5,082	-	-	-	-	-	-	5,082	-
<b>Total Migrant Education</b>					(672,951)	570,450	-	523,113	526,711	-	(845,000)	702,886	36,015	(142,114)
McKinney Comp Competitive Grant	84.196	S196A180031	9/1/18-8/31/19	339,376				169,886	339,376		(169,490)			(169,490)
Homeless Children and Youth Ed.	84.196	S196A170031	9/1/17-8/31/18	139,413	(66,917)			66,917						
Homeless Children and Youth Ed.	84.196	S196A170031	9/1/17-8/31/18	54,391	(41,973)			41,973						
Homeless Children and Youth Ed.	84.196	S196A160031	9/1/16-8/31/17	139,415		2,684							2,684	
Homeless Children and Youth Ed.	84.196	S196A160031	7/1/16-6/30/17	54,391		350							350	
Homeless Children and Youth Ed.	84.196	NA	9/1/14-9/30/15	335,393	-	13,107	-	-	-	-	-	-	13,107	-
<b>Total Homeless Children and Youth</b>					(108,890)	16,141	-	278,776	339,376	-	(169,490)	-	16,141	(169,490)
Title I Part D	84.013	S013A180030	7/1/18-6/30/19	383,472				149,765	383,472		(233,707)	-		(233,707)
Title I Part D	84.013	S013A170030	7/1/18-6/30/19	70,100			70,100		70,100	(70,100)	(70,100)	-		(70,100)
Title I Part D	84.013	S013A170030	7/1/17-6/30/18	458,862	(199,104)	73,505	(70,100)	125,271		70,428				-
Title I Part D	84.013	S013A160030	7/1/16-6/30/17	518,202	-	22,461	-	-	-	(328)	-	-	22,133	-
<b>Total Title I</b>					(199,104)	95,966	-	275,036	453,572	-	(303,807)	-	22,133	(303,807)
<b>U.S. Department of Agriculture</b>														
<b>Passed Through State Department of Agriculture</b>														
Summer Food Service Program	10.559	191NJ304N1099	7/1/18-8/31/18	40,384	-	-	-	40,384	40,384	-	-	-	-	-
<b>Total Special Revenue Fund</b>					(980,945)	682,557	-	1,117,309	1,360,043	-	(1,318,297)	702,886	74,289	(615,411)
<b>U.S. Department of Agriculture</b>														
<b>Passed Through State Department of Agriculture</b>														
<u>Enterprise Fund:</u>														
National School Lunch Program	10.555	181NJ304N1099	7/1/17-6/30/18	33,714	(2,405)			2,405						-
National School Lunch Program	10.555	191NJ304N1099	7/1/18-6/30/19	34,392				24,635	34,392		(9,757)			(9,757)
National School Breakfast Program	10.553	181NJ304N1099	7/1/17-6/30/18	20,259	(1,454)			1,454						-
National School Breakfast Program	10.553	191NJ304N1099	7/1/18-6/30/19	21,088				14,886	21,088		(6,202)			(6,202)
After School Snack Program	10.558	181NJ304N1099	7/1/17-6/30/18	9,260	(778)	-		778		-		-		-
After School Snack Program	10.558	191NJ304N1099	7/1/18-6/30/19	9,044				6,359	9,044		(2,685)			(2,685)
NSLP Equipment Assistance Grant	10.579	16161NJ3548103	2/1/18-6/30/18	14,375	(14,375)	-	-	14,375	-	-	-	-	-	-
<b>Total Enterprise Fund</b>					(19,012)	-	-	64,892	64,524	-	(18,644)	-	-	(18,644)
<b>Total Federal Financial Awards</b>					\$ (999,957)	\$ 682,557	\$ -	\$ 1,182,201	\$ 1,424,567	\$ -	\$ (1,336,941)	\$ 702,886	\$ 74,289	\$ (634,055)

The Notes to the Schedules of Expenditures of Federal and State Awards are an Integral Part of this Statement

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

State Department of Education	Grant or State Project Number	Grant Period	Award Amount	Balance July 1, 2018	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustment	Balance June 30, 2019			MEMO		
									(Accts. Receivable)	Unearned Revenue	Due to LEA	GAAP Receivable	Cumulative Total Expenditures	
<b>General Fund:</b>														
TPAF On-Behalf														
Pension Contribution	19-495-034-5094-002	7/1/18-6/30/18	\$ 1,229,020			\$ 1,229,020	\$ 1,229,020							\$ 1,229,020
NCGI Premium	19-495-034-5094-004	7/1/18-6/30/18	25,727			25,727	25,727							25,727
LTDI Insurance	19-495-034-5094-004	7/1/18-6/30/18	1,145			1,145	1,145							1,145
Post Retirement Medical	19-495-034-5094-001	7/1/18-6/30/18	569,152	-	-	569,152	569,152	-	-	-	-	-	-	569,152
Total On-Behalf TPAF Pension				-	-	1,825,044	1,825,044	-	-	-	-	-	-	1,825,044
Reimbursed TPAF Social Security Contr.	19-495-034-5094-003	7/1/18-6/30/18	420,853			383,779	420,853			\$ (37,074)			\$ (37,074)	420,853
Reimbursed TPAF Social Security Contr.	18-495-034-5095-003	7/1/17-6/30/18	495,244	\$ (44,613)	-	44,613	-	-	-	-	-	-	-	-
Total General Fund				(44,613)	-	2,253,436	2,245,897	-	(37,074)	-	-	(37,074)	-	2,245,897
<b>Special Revenue Fund:</b>														
State Division of Youth and Family Serv.														
Extended Day Care	19AJGM	7/1/18-6/30/19	124,998			124,998	108,065			\$ 16,933				108,065
Extended Day Care	16AJGM	7/1/15-6/30/16	124,997	9,283	-	-	-	200	-	9,483	-	-	-	-
Total Special Revenue Fund				9,283	-	124,998	108,065	200	-	26,416	-	-	-	108,065
<b>Enterprise Fund:</b>														
State School Lunch Program	18-100-034-5120-122	7/1/18-6/30/19	558			400	558			(158)			(158)	558
State School Lunch Program	18-100-034-5120-122	7/1/17-6/30/18	628	(45)	-	45	-	-	-	-	-	-	-	-
Total Enterprise Fund				(45)	-	445	558	-	(158)	-	-	(158)	-	558
Total State Financial Assistance Subject to Single Audit Determination				(35,375)	-	2,378,879	2,354,520	200	(37,232)	26,416	-	(37,232)	-	2,354,520
<b>General Fund</b>														
TPAF Pension Contributions														
Normal Contributions						(1,229,020)	(1,229,020)							(1,229,020)
NCGI Premium						(25,727)	(25,727)							(25,727)
LTDI Insurance						(1,145)	(1,145)							(1,145)
Post Retirement Medical						(569,152)	(569,152)							(569,152)
Total State Assistance Subject to Major Program Determination				\$ (35,375)	\$ -	\$ 553,835	\$ 529,476	\$ 200	\$ (37,232)	\$ 26,416	\$ -	\$ (37,232)	\$ -	\$ 529,476

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE SCHEDULES OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 1 GENERAL**

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

**NOTE 2 BASIS OF ACCOUNTING**

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

**NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS**

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

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 2,245,897	\$ 2,245,897
Special Revenue Fund	\$ 1,360,043	108,065	1,468,108
Food Service Fund	64,524	558	65,082
	<hr/>	<hr/>	<hr/>
Total Financial Assistance	\$ 1,424,567	\$ 2,354,520	\$ 3,779,087
	<hr/>	<hr/>	<hr/>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
NOTES TO THE SCHEDULES OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

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

**NOTE 5 OTHER INFORMATION**

TPAF Social Security contributions in the amount of \$420,853 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2019. The amount reported as TPAF Pension System Contributions in the amount of \$1,254,747, TPAF Post-Retirement Medical Benefits Contributions in the amount of \$569,152 and TPAF Long-Term Disability Insurance in the amount of \$1,145 represents the amount paid by the State on behalf of the Commission for the fiscal year ended June 30, 2019.

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

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

**NOTE 7 DE MINIMIS INDIRECT COST RATE**

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



**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

*Part I – Summary of Auditor’s Results*

**Financial Statement Section**

Type of auditors' report issued Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified:  X  yes   no

2) Significant deficiency(ies) identified?  X  yes   none reported

Noncompliance material to the basic financial statements noted?  X  yes   no

**Federal Awards Section**

Internal Control over major programs:

1) Material weakness(es) identified:   yes  X  no

2) Significant deficiency(ies) identified?   yes  X  none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section .516(a) of Uniform Guidance   yes  X  no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>FAIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.011A</u>	<u>S011A170030</u>	<u>Migrant Education</u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>

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

Auditee qualified as low-risk auditee?   yes  X  no

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

*Part I – Summary of Auditor’s Results*

**State Awards Section**

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

\$750,000

Auditee qualified as low-risk auditee?

X  yes          no

Internal Control over major programs:

(1) Material weaknesses identified?

   yes       X  no

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

   yes       X  none reported

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

Unmodified

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

   yes       X  no

Identification of major state programs:

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

Name of State Program
TPAF Social Security Contribution

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

*Part 2 – Schedule of Financial Statement Findings*

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

**Finding 2019-001:**

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

- a) The Commission's year end accounts payable was overstated by \$2.5 million in the General Fund and \$16 thousand in the Special Revenue Fund.
- b) Certain indirect costs and administrative fees were not charged to the Commission's Special Revenue Fund programs.
- c) The General Fund revenues as reported in the Commission's Board Secretary's report was not in agreement with the subsidiary accounting records. The Board Secretary's report revenues were overstated by approximately \$7.5 million.

**Criteria or Specific Requirement:**

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

**Condition:**

- a) Amounts recorded as accounts payable at June 30, 2019 included residual balances on open purchase orders which were not cancelled prior to year-end. An audit adjustment was made to cancel the invalid purchase orders.
- b) In certain instances, administrative and indirect costs were not charged to the Commission's Special Revenue programs. An audit adjustment was made to record these costs to the respective Special Revenue Fund programs.
- c) The Board Secretary's report overstated General Fund revenues by amounts that the Commission wrote off (\$1,499,523) and for double billings and other miscellaneous adjustments (\$5,996,297). An audit adjustment was made to correct the revenue amounts.

**Context:**

The Commission's liabilities were overstated and certain revenue and expense accounts were over (under) stated at June 30, 2019.

**Effect:**

Accounts payable were overstated resulting in the understatement of fund balance. Revenue and expense accounts were over (under) stated.

**Cause:**

Unknown.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

*Part 2 – Schedule of Financial Statement Findings*

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

**Finding 2019-001: (Continued)**

**Recommendation:**

- Internal control procedures be reviewed and enhanced to ensure that all liabilities are properly reported in the Commission's year-end financial reports.
- The Commission review its Special Revenue Fund revenues and expenditures prior to the year end close out to ensure that the central and general administrative costs are recorded in the budgetary accounting system.
- The Commission review the monthly Board Secretary's report to ensure that revenues are in agreement with subsidiary financial reports.

**Views of Responsible Officials and Planned Corrective Action Plan:**

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

*Part 2 – Schedule of Financial Statement Findings*

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

**Finding 2019-002:**

Our audit revealed the following:

- a) Monthly bank reconciliations were not completed in a timely manner.
- b) Monthly Board Secretary's report and the Board's certification of availability of funds were not completed and submitted to the Board of Commissioners for their approval in a timely manner.
- c) Documentation for additional budget appropriations and reductions were not always available for audit, nor could the adjustments be verified to the Commission's official minutes.

**Criteria or Specific Requirement:**

New Jersey State Statutes and Administrative Code

**Condition:**

- a) Monthly bank reconciliations were not completed in a timely manner.
- b) Monthly Board Secretary's reports and the Board's certification of availability of funds were not completed in a timely manner.
- c) Changes to the Commission's adopted budget (in the aggregate) were not supported by a resolution approved by the Board.

**Context:**

The Commission's financial reconciliations and reports were not prepared in a timely manner. Certain increases and decreases to the Commission's anticipated budget revenues/expenditures were not approved by a resolution of the Commission.

**Effect:**

The financial reports were not prepared in a timely manner. Financial information was not currently available.

**Cause:**

Unknown.

**Recommendation:**

Internal control procedures be reviewed and enhanced to ensure that all monthly financial reports are completed and approved by the Board in a timely manner. In addition, all modifications to the Commission's budget be submitted to the Board for their approval.

**Views of Responsible Officials and Planned Corrective Action Plan:**

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

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

**CURRENT YEAR FEDERAL AWARDS**

There are none.

**CURRENT YEAR STATE AWARDS**

There are none.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

**STATUS OF PRIOR YEAR FINDINGS**

**Finding 2018-001:**

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

**Current Status:**

Corrective action has been taken.

**Finding 2018-002:**

Our audit of federal grant awards revealed the following:

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

**Current Status:**

Corrective action was taken except as noted in the Auditor's Management Report on Administrative Findings.