

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Fairfield, New Jersey

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

of the

Essex Regional Educational Services Commission

Fairfield, New Jersey

For The Fiscal Year Ended June 30, 2020

Prepared by

Business Office

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INTRODUCTORY SECTION



**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SUPERINTENDENT'S OFFICE**

333 Fairfield Road
Fairfield, New Jersey 07004
Tel: (973) 405-6262 x244 / Fax: (973) 405-6944

LAURIE W. NEWELL, Ph.D.
Superintendent
www.eresc.org

April 6, 2021

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 (the "Commission") for the fiscal year ended June 30, 2020, 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.

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 Commission is generated from our school tuitions and various fee based educational services offered to local school districts and charter schools.

The Commission provides a broad range of quality educational and administrative services in a cost effective manner. These services include 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>School Year</u>	<u>Essex Junior Academy</u>	
	<u>Average Daily Enrollment</u>	<u>Percent Change</u>
2019-20	34.8	64%
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

<u>School Year</u>	<u>Essex High School</u>	
	<u>Average Daily Enrollment</u>	<u>Percent Change</u>
2019-20	21.0	-32%
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

<u>School Year</u>	<u>Essex Campus Academy</u>	
	<u>Average Daily Enrollment</u>	<u>Percent Change</u>
2019-20	17.3	-40%
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

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, 2020.

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.

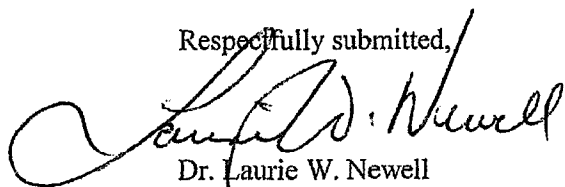
6) CASH MANAGEMENT: The investment policy of the Commission is guided in large part by state statutes as detailed in "Notes to the Financial Statements". The Commission has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions 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.

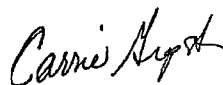
8) OTHER INFORMATION: Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Lerch, Vinci, & Higgins, LLP was appointed as auditor at the reorganization meeting. In addition to meeting the requirements 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,

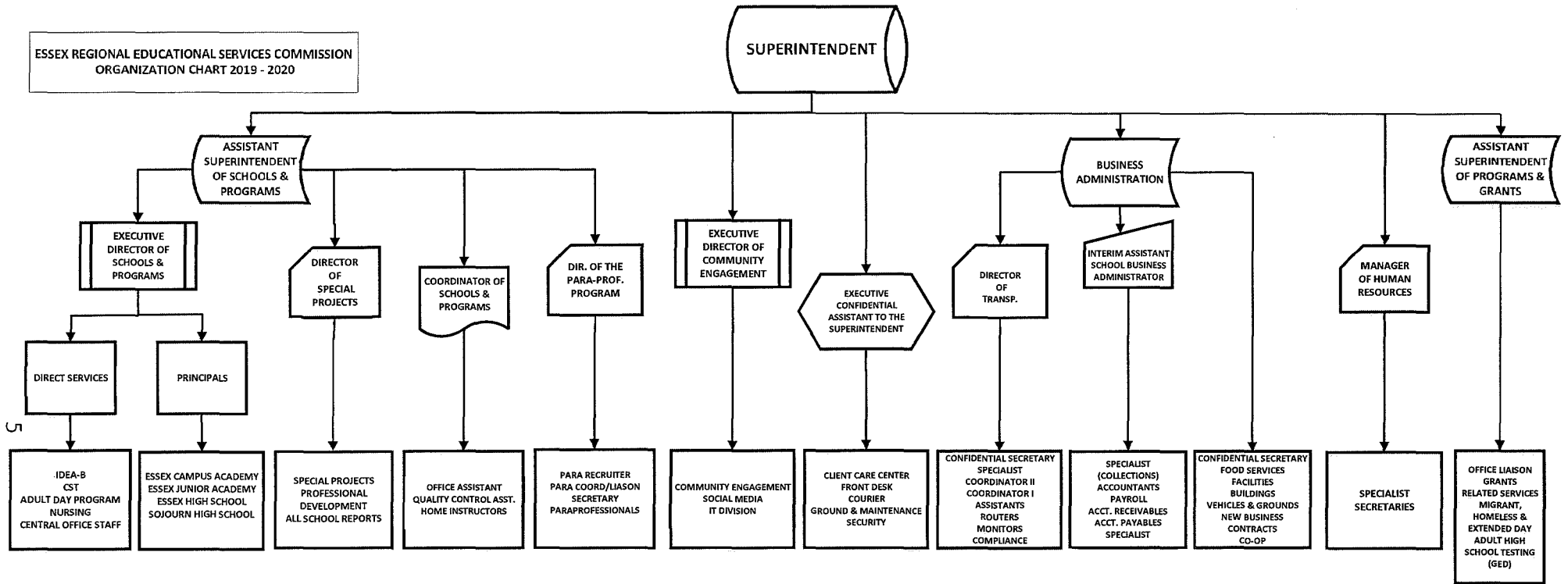


Dr. Laurie W. Newell
Superintendent of Schools



Carrie Grapstein
School Business Administrator

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
ORGANIZATION CHART 2019 - 2020



ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
Roster of Officials

MEMBERS OF THE BOARD OF DIRECTORS

Mr. Richard Williams, President
Mr. Salvatore Carnovale, Vice President
Ms. Christine Lamperello, Executive Committee Member
Ms. Ellen Rogers
Ms. Andrea McPhatter
Ms. Samantha Messer
Ms. Robin Baker
Ms. Latifah Jannah
Ms. A'Dorian Murray-Thomas
Mr. Tyrone Tarver

SCHOOL DISTRICT

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

Sciarrillo, Cornell, Merlino, McKeever & Osborne, LLC
238 St. Paul Street
Westfield, NJ 07090

OFFICIAL DEPOSITORY

PNC Bank
49 Little Falls Road
Fairfield, NJ 07004

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
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
RALPH M. PICONE, III, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
DEBRA GOLLE, CPA
MARK SACO, CPA
ROBERT LERCH, CPA
CHRIS SOHN, CPA
CHRISTOPHER M. VINCI, CPA
CHRISTINA CUIFFO, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Directors
Essex Regional Educational Services Commission
333 Fairfield Road
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, 2020 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, 2020, 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

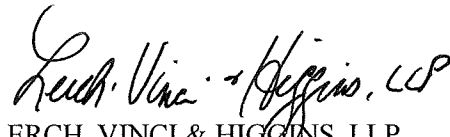
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Essex Regional Educational Services Commission's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, financial schedules, 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 April 6, 2021 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
April 6, 2021

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, 2020. 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 2019-2020 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 \$10,460,069 (net position).
- The Commission's total net position decreased \$4,989,668.
- Overall Commission revenues were \$57,033,121. General revenues accounted for \$627,770 or 1% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$56,405,351 or 99% of total revenues.
- The Commission had \$61,977,280 in expenses for governmental activities, most of these expenses were offset by program specific charges, grants or contributions. Expenses and transfers for governmental activities exceeded revenues by \$5,029,829.
- As of the close of the current fiscal year, the Commission's governmental funds reported a combined ending fund balance of \$18,764,488, a decrease of \$4,117,637 when compared to the previous year ending fund balance.
- The General Fund unassigned fund balance at June 30, 2020 was \$1,295,794 a decrease of \$104,506 when compared with the beginning unassigned fund balance at July 1, 2019 of \$1,400,300.

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.

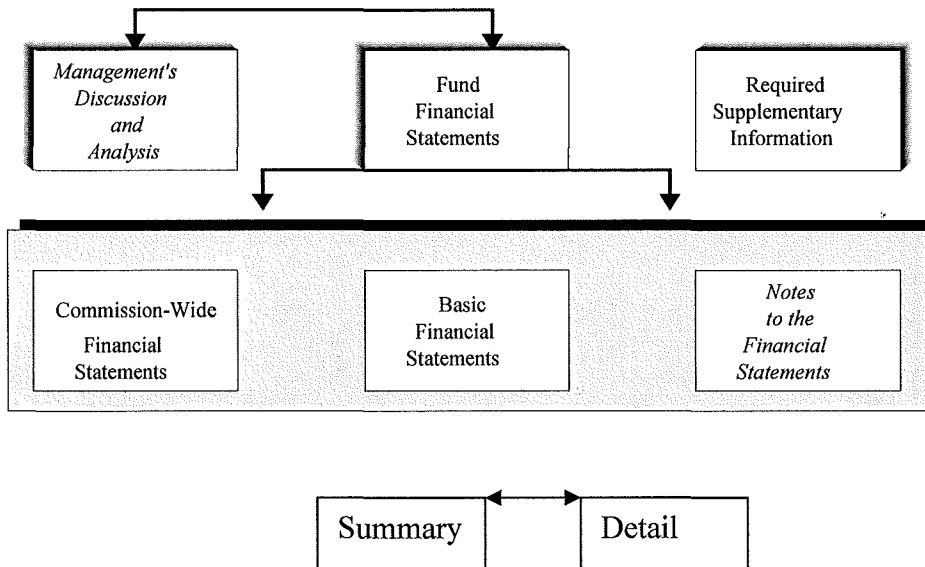
**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
FAIRFIELD, NEW JERSEY**

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 \$10,460,069 and \$15,449,737 as of June 30, 2020 and 2019.

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, 2020 and 2019**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Assets						
Current Assets	\$ 32,292,712	\$ 32,506,890		\$ 18,802	\$ 32,292,712	\$ 32,525,692
Capital Assets	<u>20,172,162</u>	<u>20,774,087</u>	\$ 8,433	<u>11,244</u>	<u>20,180,595</u>	<u>20,785,331</u>
Total Assets	<u>52,464,874</u>	<u>53,280,977</u>	<u>8,433</u>	<u>30,046</u>	<u>52,473,307</u>	<u>53,311,023</u>
Deferred Outflows of Resources						
Deferred Amounts on Net						
Pension Liability	<u>2,118,841</u>	<u>3,343,658</u>	<u>-</u>	<u>-</u>	<u>2,118,841</u>	<u>3,343,658</u>
Liabilities						
Long-Term Liabilities	29,512,012	31,331,179			29,512,012	31,331,179
Other Liabilities	<u>10,106,958</u>	<u>5,157,815</u>	<u>151</u>	<u>61,925</u>	<u>10,107,109</u>	<u>5,219,740</u>
Total Liabilities	<u>39,618,970</u>	<u>36,488,994</u>	<u>151</u>	<u>61,925</u>	<u>39,619,121</u>	<u>36,550,919</u>
Deferred Inflows of Resources						
Deferred Amounts on Net						
Pension Liability	<u>4,512,958</u>	<u>4,654,025</u>	<u>-</u>	<u>-</u>	<u>4,512,958</u>	<u>4,654,025</u>
Net Position						
Net Investment						
in Capital Assets	3,359,146	3,125,354	8,433	11,244	3,367,579	3,136,598
Restricted	50,032	115,417			50,032	115,417
Unrestricted	<u>7,042,609</u>	<u>12,240,845</u>	<u>(151)</u>	<u>(43,123)</u>	<u>7,042,458</u>	<u>12,197,722</u>
Total Net Position	<u>\$ 10,451,787</u>	<u>\$ 15,481,616</u>	<u>\$ 8,282</u>	<u>\$ (31,879)</u>	<u>\$ 10,460,069</u>	<u>\$ 15,449,737</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, 2020 and 2019**

	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues						
Program Revenues						
Charges for Services	\$ 50,955,874	\$ 56,500,616		\$ 900	\$ 50,955,874	\$ 56,501,516
Operating Grants and Contributions	5,409,616	6,007,648	\$ 39,861	65,082	5,449,477	6,072,730
General Revenues						
Other	<u>627,770</u>	<u>2,406,823</u>	<u>-</u>	<u>-</u>	<u>627,770</u>	<u>2,406,823</u>
Total Revenues	<u>56,993,260</u>	<u>64,915,087</u>	<u>39,861</u>	<u>65,982</u>	<u>57,033,121</u>	<u>64,981,069</u>
Expenses						
Instruction						
Regular	2,905,673	4,054,676			2,905,673	4,054,676
Special Education	8,014,396	11,997,948			8,014,396	11,997,948
Other Instruction	2,934,250	3,418,164			2,934,250	3,418,164
Community Services		219,076			-	219,076
Support Services						
Student and Instruction Related Services	3,536,236	4,316,450			3,536,236	4,316,450
General Administrative Services	2,230,622	4,517,319			2,230,622	4,517,319
School Administrative Services	2,881,470	3,014,382			2,881,470	3,014,382
Central Services	1,235,548	1,542,509			1,235,548	1,542,509
Administrative Info. Technology	296,899	322,472			296,899	322,472
Plant Operations and Maintenance	2,106,950	2,023,005			2,106,950	2,023,005
Pupil Transportation	35,360,572	33,493,611			35,360,572	33,493,611
Interest on Long Term Debt	474,664	499,619			474,664	499,619
Food Services	<u>-</u>	<u>-</u>	<u>45,509</u>	<u>84,867</u>	<u>45,509</u>	<u>84,867</u>
Total Expenses	<u>61,977,280</u>	<u>69,419,231</u>	<u>45,509</u>	<u>84,867</u>	<u>62,022,789</u>	<u>69,504,098</u>
Change in Net Position	(4,984,020)	(4,504,144)	(5,648)	(18,885)	(4,989,668)	(4,523,029)
Transfers	(45,809)		45,809		-	
Net Position, Beginning of Year	15,481,616	20,432,233	(31,879)	(12,994)	15,449,737	20,419,239
Prior Period Adjustments	<u>-</u>	<u>(446,473)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(446,473)</u>
Net Position, End of Year	<u>\$ 10,451,787</u>	<u>\$ 15,481,616</u>	<u>\$ 8,282</u>	<u>\$ (31,879)</u>	<u>\$ 10,460,069</u>	<u>\$ 15,449,737</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 \$56,993,260 and \$64,915,087 for the fiscal years ended June 30, 2020 and 2019, respectively. Tuition charges and local education fees of \$50,955,874 and \$56,500,616 represented 89% and 87% of the revenues for the respective years. Grants and contributions of \$5,409,616 and \$6,007,648 were realized for the fiscal years ended June 30, 2020 and 2019. In addition, the Commission realized in excess of \$600 thousand from miscellaneous income, which includes items such as interest, prior year refunds, indirect cost allocations and other items.

The total cost of all governmental activities programs and services were \$61,977,280 and \$69,419,231 for the fiscal years ended June 30, 2020 and 2019, 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 \$13,854,319 and \$19,689,864 representing 22% and 28% of total expenses for the fiscal years ended June 30, 2020 and 2019, respectively. Support services (including pupil transportation), totaled \$47,648,297 and \$49,229,748 representing 77% and 71% of total expenditures for the fiscal years ended June 30, 2020 and 2019, respectively. Interest on long term debt totaled less than 1%. In addition, the Commission transferred \$45,809 from governmental activities to business-type activities to cover deficits in its food service and cooperative purchasing enterprise funds.

Net Cost of Governmental Activities. The Commission's total cost of services \$61,977,280 and \$69,419,231 for the fiscal years ended June 30, 2020 and 2019. After applying program revenues, derived from charges for services and grants and contributions of \$56,365,490 and \$62,508,264, the net expense for fiscal years ended June 30, 2020 and 2019 were \$5,611,790 and \$6,910,967, respectively.

**Total and Net (Expense) Revenue from Governmental Activities
For the Fiscal Years Ended June 30, 2020 and 2019**

	<u>Total Cost of Services</u>		<u>Net (Cost) Income of Services</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Instruction				
Regular	2,905,673	4,054,676	\$ (865,687)	\$ (353,191)
Special Education	8,014,396	11,997,948	(4,032,279)	(7,404,644)
Other Instruction	2,934,250	3,418,164	(95,903)	33,563
Community Services		219,076		(203,695)
Support Services				
Student and Instruction Related Services	3,536,236	4,316,450	7,204,749	8,361,484
General Administrative Services	2,230,622	4,517,319	(1,455,121)	(3,317,092)
School Administrative Services	2,881,470	3,014,382	(1,287,474)	(1,191,979)
Central Services	1,235,548	1,542,509	(1,073,798)	(1,369,703)
Administrative Info. Technology	296,899	322,472	(288,168)	(300,287)
Plant Operations and Maintenance	2,106,950	2,023,005	(2,006,102)	(1,887,753)
Pupil Transportation	35,360,572	33,493,611	(1,238,242)	1,221,949
Interest on Long Term Debt	474,664	499,619	(473,765)	(499,619)
	<u>474,664</u>	<u>499,619</u>	<u>(473,765)</u>	<u>(499,619)</u>
Total	\$ 61,977,280	\$ 69,419,231	\$ (5,611,790)	\$ (6,910,967)

Business-Type Activities – The Commission's total business-type activities revenues were \$39,861 and \$65,982 for the fiscal years ended June 30, 2020 and June 30, 2019. Grants and contributions accounted for 100% and 99% of total revenue for the fiscal years ended June 30, 2020 and 2019.

The total cost of all business-type activities programs and services were \$45,509 and \$84,867 for the fiscal years ended June 30, 2020 and 2019. 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 \$18,764,488 for the fiscal year ended June 30, 2020 compared to \$22,882,125 for the fiscal year ended June 30, 2019.

Revenues for the Commission's governmental funds were \$56,776,236 and \$63,809,582, while total expenses were \$60,848,064 and \$67,703,681 for the fiscal years ended June 30, 2020 and 2019, 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>2020</u>	<u>2019</u>		
Local Sources				
Tuition Charges	\$ 2,939,807	\$ 2,778,270	\$ 161,537	6%
Transportation Fees	34,300,797	35,373,105	(1,072,308)	-3%
Miscellaneous	9,332,325	12,581,880	(3,249,555)	-26%
State Sources	<u>2,303,219</u>	<u>2,245,897</u>	<u>57,322</u>	3%
Total General Fund Revenues	<u>\$ 48,876,148</u>	<u>\$ 52,979,152</u>	<u>\$ (4,103,004)</u>	-8%

Total revenues decreased \$4,103,004 or 8% from the previous year. Transportation fees decreased in excess of \$1 million due to a decrease in services provided to other local education agencies and due to decreased services as a result of the Covid-19 pandemic. Miscellaneous revenues decreased \$3.2M mainly attributed to a decrease in fees and or services provided to other local education agencies which is again largely attributable to the Covid-19 pandemic. State aid revenues increased \$57,322 due to the increase in State funding for TPAF On-Behalf contributions. Tuition charges increased over \$161,000 primarily from an increase 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 Change
	June 30,			
	<u>2020</u>	<u>2019</u>		
Instruction	\$ 9,038,671	\$ 12,716,666	\$ (3,677,995)	-29%
Support Services	42,511,849	42,266,591	245,258	1%
Capital Outlay		27,140	(27,140)	-100%
Debt Service	<u>1,315,885</u>	<u>1,306,706</u>	<u>9,179</u>	1%
 Total Expenditures	 <u>\$ 52,866,405</u>	 <u>\$ 56,317,103</u>	 <u>\$ (3,450,698)</u>	 -6%

Total General Fund expenditures decreased \$3,450,698 or 6% from the previous year. This is a result of a decrease in the services and cost of transportation 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 \$7,895,398 and \$10,821,225 for the fiscal years ended June 30, 2020 and 2019. Local sources accounted for the majority of Special Revenue Fund's revenue which represented 80% and 86% of the total revenues for fiscal years June 30, 2020 and June 30, 2019.

Total Special Revenue Fund revenues decreased \$2,925,827 or 27% from the previous year.

Expenditures of the Special Revenue Fund were \$7,895,398 and \$10,821,225 for the fiscal years ended June 30, 2020 and 2019. Instructional expenditures were \$4,050,639 and \$5,343,799 or 51% and 49% and expenditures for the support services were \$3,823,195 and \$5,404,742 or 48% and 50% of total expended for the fiscal years ended June 30, 2020 and 2019. In addition, expenditures for capital totaled \$51,120 for the fiscal year ended June 30, 2019 and expenditures for debt service totaled \$21,564 for the fiscal years ended June 30, 2020 and 2019.

Capital Projects Fund – The Commission had expenditures of \$86,261 in the Capital Projects Fund during 2019-2020.

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, 2020 and 2019 amounted to \$20,172,162 and \$20,774,087. The Commission's business-type activities capital assets totaled \$8,433 as of June 30, 2020. 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 2019-2020 and 2018-2019 amounted to \$686,068 and \$684,792 for governmental activities. Depreciation expense on the business-type activities capital assets amounted to \$2,811 for the 2019-2020 and 2018/19 fiscal years.

Capital Assets at June 30, 2020 and 2019
(Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$ 2,924,000	\$ 2,924,000		
Site Improvements	31,324	33,317		
Building and Building Improvements	16,618,164	17,112,675		
Leasehold Improvements	82,954	90,627		
Machinery and Equipment	<u>515,720</u>	<u>613,468</u>	<u>\$ 8,433</u>	<u>\$ 11,244</u>
 Total Capital Assets, Net	 <u>\$ 20,172,162</u>	 <u>\$ 20,774,087</u>	 <u>\$ 8,433</u>	 <u>\$ 11,244</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 \$614,131 and \$492,554, capital leases payable in the amount of \$17,126,394 and \$17,978,297 and net pension liability of \$11,771,487 and \$12,860,328 for the fiscal years ended June 30, 2020 and 2019.

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 2020-2021 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, 2020

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 17,599,757		\$ 17,599,757
Receivables from Other Governments	14,167,775		14,167,775
Other Receivables	105,562		105,562
Other Assets	63,333		63,333
Internal Balances	151	\$ (151)	
Restricted Assets			
Cash and Cash Equivalents	356,134		356,134
Capital Assets			
Capital Assets Not Being Depreciated	2,924,000		2,924,000
Capital Assets Being Depreciated (Net)	<u>17,248,162</u>	<u>8,433</u>	<u>17,256,595</u>
Total Assets	<u>52,464,874</u>	<u>8,282</u>	<u>52,473,156</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts on Net Pension Liability	<u>2,118,841</u>	<u>-</u>	<u>2,118,841</u>
Total Deferred Outflows of Resources	<u>2,118,841</u>	<u>-</u>	<u>2,118,841</u>
Total Assets and Deferred Outflows	<u>54,583,715</u>	<u>8,282</u>	<u>54,591,997</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	9,763,199	-	9,763,199
Accrued Interest Payable	200,885		200,885
Unearned Revenue	142,874		142,874
Noncurrent Liabilities			
Due Within One Year	999,697		999,697
Due Beyond One Year	<u>28,512,315</u>	<u>-</u>	<u>28,512,315</u>
Total Liabilities	<u>39,618,970</u>	<u>-</u>	<u>39,618,970</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Amounts on Net Pension Liability	<u>4,512,958</u>	<u>-</u>	<u>4,512,958</u>
Total Deferred Inflows of Resources	<u>4,512,958</u>	<u>-</u>	<u>4,512,958</u>
Total Liabilities and Deferred Inflows	<u>44,131,928</u>	<u>-</u>	<u>44,131,928</u>
NET POSITION			
Net Investment in Capital Assets	3,359,146	8,433	3,367,579
Restricted	50,032		50,032
Unrestricted	<u>7,042,609</u>	<u>(151)</u>	<u>7,042,458</u>
Total Net Position	<u>\$ 10,451,787</u>	<u>\$ 8,282</u>	<u>\$ 10,460,069</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, 2020

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
Governmental Activities						
Instruction						
Regular	\$ 2,905,673	\$ 1,101,759	\$ 938,227	\$ (865,687)		\$ (865,687)
Special Education	8,014,396	3,105,016	877,101	(4,032,279)		(4,032,279)
Other Instruction	2,934,250	2,076,336	762,011	(95,903)		(95,903)
Support Services						
Student and Instruction Related Services	3,536,236	9,580,767	1,160,218	7,204,749		7,204,749
General Administrative Services	2,230,622	372,571	402,930	(1,455,121)		(1,455,121)
School Administrative Services	2,881,470	632,669	961,327	(1,287,474)		(1,287,474)
Central Services	1,235,548		161,750	(1,073,798)		(1,073,798)
Administrative Info. Technology	296,899		8,731	(288,168)		(288,168)
Plant Operations and Maintenance	2,106,950	87,920	12,928	(2,006,102)		(2,006,102)
Pupil Transportation	35,360,572	33,998,836	123,494	(1,238,242)		(1,238,242)
Interest and Other Charges	474,664	-	899	(473,765)	-	(473,765)
Total Governmental Activities	61,977,280	50,955,874	5,409,616	(5,611,790)	-	(5,611,790)
Business-Type Activities						
Cooperative Purchasing						
Food Service	45,509	-	39,861	-	\$ (5,648)	(5,648)
Total Business-Type Activities	45,509	-	39,861	-	(5,648)	(5,648)
Total Primary Government	\$ 62,022,789	\$ 50,955,874	\$ 5,449,477	(5,611,790)	(5,648)	(5,617,438)
General Revenues						
Indirect Cost Reimbursement and Miscellaneous				627,770		627,770
Transfers				(45,809)	45,809	-
Total General Revenues				581,961	45,809	627,770
Change in Net Position				(5,029,829)	40,161	(4,989,668)
Net Position, Beginning of Year				15,481,616	(31,879)	15,449,737
Net Position, End of Year				\$ 10,451,787	\$ 8,282	\$ 10,460,069

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, 2020

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 17,538,687		\$ 61,070	\$ 17,599,757
Receivables, Net				
Accounts	38,978	\$ 58,045		97,023
Receivables from Other Governments	12,123,999	2,043,776		14,167,775
Due from Other Funds	1,402,908			1,402,908
Security Deposits	63,333			63,333
Restricted Cash - Cash with Fiscal Agent	-	-	356,134	356,134
	<u>31,167,905</u>	<u>2,101,821</u>	<u>417,204</u>	<u>33,686,930</u>
Total Assets	<u>\$ 31,167,905</u>	<u>\$ 2,101,821</u>	<u>\$ 417,204</u>	<u>\$ 33,686,930</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES				
FUND BALANCE				
Liabilities				
Accounts Payable	\$ 9,056,317	\$ 412,247	\$ 53,794	\$ 9,522,358
Accrued Salaries and Wages	86,854	99,671		186,525
Other Liabilities	1,505	52,420		53,925
Intergovernmental Payables		391		391
Due to Other Funds		1,394,218		1,394,218
Unearned Revenue	-	142,874	-	142,874
	<u>9,144,676</u>	<u>2,101,821</u>	<u>53,794</u>	<u>11,300,291</u>
Total Liabilities	<u>9,144,676</u>	<u>2,101,821</u>	<u>53,794</u>	<u>11,300,291</u>
Deferred Inflows of Resources				
Unavailable Revenue - Program Fees	<u>3,622,151</u>	-	-	<u>3,622,151</u>
Total Deferred Inflows of Resources	<u>3,622,151</u>	-	-	<u>3,622,151</u>
Fund Balances				
Restricted				
Capital Lease Purchase			313,378	313,378
Assigned				
Designated for Capital Projects			50,032	50,032
Designated for Building Leases	17,105,284			17,105,284
Unassigned	<u>1,295,794</u>	-	-	<u>1,295,794</u>
Total Fund Balances	<u>18,401,078</u>	-	<u>363,410</u>	<u>18,764,488</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 31,167,905</u>	<u>\$ 2,101,821</u>	<u>\$ 417,204</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 \$26,897,839 and the accumulated depreciation is \$6,725,677.	20,172,162
Unearned revenues in the funds that do not provide current financial resources are realized as revenues in the statement of activities	3,622,151
The District has financed capital assets through the issuance of long-term debt. The interest accrued at year end is:	(200,885)
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	\$ (17,126,394)
Compensated Absences	(614,131)
Net Pension Liability	(11,771,487)
Deferred Amounts on Net Pension Liability	
Deferred Inflows	(4,512,958)
Deferred Outflows	<u>2,118,841</u>
	<u>(31,906,129)</u>
Net Position of Governmental Activities	<u>\$ 10,451,787</u>

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, 2020

	<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>
REVENUES				
Local Sources				
Tuition Charges	\$ 2,939,807			\$ 2,939,807
Transportation Fees	34,300,797			34,300,797
Miscellaneous	9,332,325	\$ 6,320,848	\$ 4,690	15,657,863
	<hr/>	<hr/>	<hr/>	<hr/>
Total - Local Sources	46,572,929	6,320,848	4,690	52,898,467
State Sources	2,303,219	97,669		2,400,888
Federal Sources	-	1,476,881	-	1,476,881
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	48,876,148	7,895,398	4,690	56,776,236
EXPENDITURES				
Current				
Instruction				
Regular Instruction	1,671,283	914,962		2,586,245
Special Education Instruction	7,269,028	300,895		7,569,923
Other Special Instruction	98,360	2,834,782		2,933,142
Support Services				
Student and Instruction Related Services	834,038	2,577,335		3,411,373
General Administrative Services	1,793,831	233,564		2,027,395
School Administrative Services	1,793,000	841,777		2,634,777
Central Services	1,166,795			1,166,795
Administrative Info. Technology	285,957			285,957
Plant Operations and Maintenance	1,412,101	87,920		1,500,021
Pupil Transportation	35,226,127	82,599		35,308,726
Capital Outlay			86,261	86,261
Debt Service				
Principal	831,238	20,665		851,903
Interest and Other Charges	484,647	899	-	485,546
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	52,866,405	7,895,398	86,261	60,848,064
Excess (Deficiency) of Revenues Over (Under) Expenditures	<hr/> (3,990,257) <hr/>	<hr/> - <hr/>	<hr/> (81,571) <hr/>	<hr/> (4,071,828) <hr/>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<hr/> (45,809) <hr/>	<hr/> - <hr/>	<hr/> - <hr/>	<hr/> (45,809) <hr/>
Total Other Financing Sources (Uses)	<hr/> (45,809) <hr/>	<hr/> - <hr/>	<hr/> - <hr/>	<hr/> (45,809) <hr/>
Net Change in Fund Balances	(4,036,066)	-	(81,571)	(4,117,637)
Fund Balance, Beginning of Year	<hr/> 22,437,144 <hr/>	<hr/> - <hr/>	<hr/> 444,981 <hr/>	<hr/> 22,882,125 <hr/>
Fund Balance, End of Year	<hr/> <u>\$ 18,401,078</u> <hr/>	<hr/> <u>\$ -</u> <hr/>	<hr/> <u>\$ 363,410</u> <hr/>	<hr/> <u>\$ 18,764,488</u> <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, 2020**

Net Change in Fund Balances - Governmental Funds (Exhibit B-2) \$ (4,117,637)

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, 2019	\$ (4,678,717)	
Unearned Revenue - June 30, 2020	<u>3,622,151</u>	
		(1,056,566)

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	86,261	
Depreciation Expense	<u>(686,068)</u>	
		(599,807)

Loss On Disposal of Capital Assets		(2,118)
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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		851,903
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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		(121,577)
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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	12,829	
Essex County Pension Fund	<u>(7,738)</u>	
		5,091

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>10,882</u>
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Change in Net Position of Governmental Activities (Exhibit A-2) **\$ (5,029,829)**

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, 2020**

	<u>Non-Major Programs</u>
ASSETS	
Non-Current Assets	
Capital Assets	\$ 21,225
Accumulated Depreciation	<u>(12,792)</u>
Total Capital Assets, Net	<u>8,433</u>
Total Assets	<u>8,433</u>
 LIABILITIES	
Current Liabilities	
Due to Other Funds	<u>151</u>
Total Liabilities	<u>151</u>
 NET POSITION	
Investment in Capital Assets	8,433
Unrestricted	<u>(151)</u>
Total Net Position	<u>\$ 8,282</u>

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, 2020**

	<u>Non-Major Programs</u>
OPERATING REVENUES	
Participation Fees	-
Total Operating Revenues	-
OPERATING EXPENSES	
Cost of Sales - Reimbursable Programs	\$ 42,698
Depreciation	2,811
Total Operating Expenses	45,509
Operating (Loss)	(45,509)
NONOPERATING REVENUES	
State Sources	
State School Lunch Program	373
Federal Sources	
School Breakfast Program	14,872
National School Lunch Program	23,744
Fresh Fruits and Vegetables	872
Total Nonoperating Revenues	39,861
Change in Net Position Before Transfer In	(5,648)
Transfer In - Board Contributions	45,809
Change in Net Position	40,161
Net Position, Beginning of Year	(31,879)
Net Position, End of Year	\$ 8,282

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, 2020**

	<u>Non-Major Programs</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Payments for Goods and Services	\$ (42,913)
Net Cash (Used for) Operating Activities	<u>(42,913)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Cash Received (Paid) from Interfund Activities	(61,559)
Cash Received from Board Contributions	45,809
Cash Received from State and Federal Subsidy Reimbursements	<u>58,663</u>
Net Cash Provided By Non-Capital Financing Activities	<u>42,913</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>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:	
Operating (Loss)	\$ (45,509)
Depreciation	2,811
Decrease in Accounts Payable	<u>(215)</u>
Net Cash (Used for) Operating Activities	<u>\$ (42,913)</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, 2020**

		<u>Agency Fund</u>
ASSETS		
Cash and Cash Equivalents	\$	<u>112,997</u>
Total Assets	\$	<u>112,997</u>
LIABILITIES		
Due to Student Groups	\$	2,604
Payroll Deductions and Withholdings		101,854
Due to Other Funds		<u>8,539</u>
Total Liabilities	\$	<u>112,997</u>

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, 2020**

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 fiscal control of the Commission. A Superintendent of Schools is appointed by the Board and is responsible for the administrative control of the District. A School Business Administrator/Board Secretary is also appointed by the Board and oversees the business functions of the District. Under existing statutes, the Board's 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 Superintendent of Schools is the Chief Administrative Officer of the District who is responsible for general supervision of all schools, planning and operational functions of the District. The School Business Administrator/Board Secretary is the Chief Financial Officer and is responsible for budgeting, financial accounting and reporting and reports through the Superintendent to the Board.

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 District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the Essex Regional Educational Services Commission this includes general operations, food service and student related activities of the District.

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

For fiscal year 2020, there were no GASB statements required to be adopted and implemented by the District.

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

- GASB No. 84, *Fiduciary Activities*, implementation postponed will be effective beginning with the fiscal year ending June 30, 2021. 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, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

- GASB No. 87, *Leases*, implementation postponed will be effective beginning with the fiscal year ending June 30, 2022. 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*, implementation postponed will be effective beginning with the fiscal year ending June 30, 2022. The objectives of this Statement is to improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities.
- GASB No. 92, *Omnibus 2020*, implementation postponed will be effective beginning with the fiscal year ending June 30, 2022 except requirements related to GASB No. 87 and Implementation Guide No. 2019-3 are effective upon issuance. The objective of this Statement is to enhance comparability in the application of accounting and financial reporting requirements and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics.
- GASB No. 96, *Subscription – Based Information Technology Arrangements*, will be effective beginning with the fiscal year ending June 30, 2023. The objective of this Statement will be to improve financial reporting by establishing a definition for subscription-based information technology arrangements (SBITAs) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.
- GASB No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No.84, and a Supersession of GASB Statement No. 32*, the section that maybe applicable to the District will be effective beginning with the fiscal year ending June 30, 2022. The objective of this Statement is to provide more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The requirements also will enhance the relevance, consistency, and comparability of (1) the information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 property taxes and 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 districts, 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.

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 District considers all of its governmental funds to be major 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.

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (Continued)

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.

Additionally, the Commission reports the following fund types:

The *fiduciary agency funds* account for assets held by the District 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 and clubs 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 district-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.

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.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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 120 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.

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.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

5. *Capital Assets*

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the district-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	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 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 district-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 STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 qualify 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. 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	\$ 62,500
Transportation Fees	3,551,358
Miscellaneous Service Fees	<u>8,293</u>
 Total Unavailable Revenue	 <u>\$ 3,622,151</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 district-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, personal, and sick leave benefits. A long-term liability of accumulated vacation, personal 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 and proprietary fund types in the fund 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, 2020**

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.

Restricted Fund Balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Capital Lease Purchase – This restriction was created for the unexpended proceeds of a lease purchase agreement.

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 Building Leases – This designation was created to dedicate a portion of fund balance for the repayment of the outstanding principal balance on the 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, 2020**

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 Commission 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 Trustees 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 Commission 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 2018-2019 and 2019-2020 were based on rates established by the receiving district. 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 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, 2020**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

In accordance with the requirements of the New Jersey Department of Education (“the Department”), the District annually prepares its operating budget for the forthcoming year. The budget, except for 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 2019/2020. Also, during 2019/2020 the Commission increased the original budget of the General Fund by \$10,543,384 and the Special Revenue Fund by \$3,916,183. The increases were funded by additional program fees and grant awards.

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 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.

B. Excess Expenditures Over Appropriations

The following is a summary of expenditures in excess of available appropriations. The overexpended appropriations which were the result of audit adjustments resulted in unfavorable variances which were offset with other available resources.

	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund			
Support Services General Administration			
General Supplies	\$ 6,880	\$12,174	\$5,294
Unallocated Employee Benefits			
Health Benefits	934,617	1,226,671	292,054

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 Commission 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, 2020, the book value of the Commission’s deposits were \$18,068,888 and bank and brokerage firm balances of the Commission’s deposits amounted to \$19,014,860. The Commission’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>\$ 19,014,860</u>

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, 2020 none of the Commission’s bank balances were 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 local unit or units within which the 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 districts, 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 districts; 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.

As of June 30, 2020, the Commission had no outstanding investments.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

Receivables as of June 30, 2020 for the Commission’s individual major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Receivables:			
Accounts	\$ 38,978	\$ 58,045	\$ 97,023
Intergovernmental			
Federal		483,623	483,623
State	32,446		32,446
Local	<u>12,091,553</u>	<u>1,560,153</u>	<u>13,651,706</u>
Gross Receivables	12,162,977	2,101,821	14,264,798
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 12,162,977</u>	<u>\$ 2,101,821</u>	<u>\$ 14,264,798</u>

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:

Special Revenue Fund	
Unencumbered Grant Drawdowns	<u>\$ 142,874</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

	<u>Balance, July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2020</u>
Governmental Activities:				
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>2,924,000</u>
Capital Assets, Being Depreciated:				
Site Improvements	39,850			39,850
Building and Building Improvements	22,117,361	\$ 86,261	\$ (5,758)	22,197,864
Leasehold Improvements	154,389			154,389
Machinery and Equipment	1,581,736	-	-	1,581,736
Total Capital Assets Being Depreciated	<u>23,893,336</u>	<u>86,261</u>	<u>(5,758)</u>	<u>23,973,839</u>
Less Accumulated Depreciation For:				
Site Improvements	(6,533)	(1,993)		(8,526)
Building and Building Improvements	(5,004,686)	(578,654)	3,640	(5,579,700)
Leasehold Improvements	(63,762)	(7,673)		(71,435)
Machinery and Equipment	(968,268)	(97,748)	-	(1,066,016)
Total Accumulated Depreciation	<u>(6,043,249)</u>	<u>(686,068)</u>	<u>3,640</u>	<u>(6,725,677)</u>
Total Capital Assets, Being Depreciated, Net	<u>17,850,087</u>	<u>(599,807)</u>	<u>(2,118)</u>	<u>17,248,162</u>
Governmental Activities Capital Assets, net	<u>\$ 20,774,087</u>	<u>\$ (599,807)</u>	<u>\$ (2,118)</u>	<u>\$ 20,172,162</u>
	<u>Balance, July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2020</u>
Business-Type Activities:				
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	(9,981)	\$ (2,811)	-	(12,792)
Total Accumulated Depreciation	<u>(9,981)</u>	<u>(2,811)</u>	<u>-</u>	<u>(12,792)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 11,244</u>	<u>\$ (2,811)</u>	<u>\$ -</u>	<u>\$ 8,433</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

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

Governmental Activities:

Instruction		
Regular		\$ 24,459
Total Instruction		<u>24,459</u>
Support Services		
General Administrative Services		60,078
Plant Operations and Maintenance		588,609
Pupil Transportation		<u>12,922</u>
Total Support Services		<u>661,609</u>
Total Depreciation Expense - Governmental Activities		<u>\$ 686,068</u>

Business Type Activities:

Food Service Fund		<u>\$ 2,811</u>
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E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2020, is as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 1,394,218
General Fund	Food Service Fund	151
General Fund	Payroll Agency Fund	<u>8,539</u>
Total		<u>\$ 1,402,908</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 District expects all interfund balances to be liquidated within one year.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivables, Payables, and Transfers (Continued)

Interfund Transfers

	<u>Transfer In:</u>		<u>Total</u>
	<u>Food Service</u>	<u>Cooperative Purchasing</u>	
Transfer Out:			
General Fund	\$ 30,159	\$ 15,650	\$ 45,809

The above transfers are the result of board contributions to cover deficits.

F. Leases

Operating Leases

The Commission leases buildings and office equipment under noncancelable operating leases. Lease payments for the fiscal year ended June 30, 2020 were \$485,119. The future minimum lease payments for these operating leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2021	\$ 493,848
2022	<u>458,681</u>
Total	<u>\$ 952,529</u>

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:

	<u>Governmental Activities</u>
Land	\$ 2,924,000
Building and Building Improvements	19,848,121
Machinery and Equipment	<u>103,374</u>
Total	<u>\$ 22,875,495</u>

The unexpended proceeds from capital leases in the amount of \$356,134 at June 30, 2020 are held with the Fiscal Agent.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

F. Leases (Continued)

Capital Leases

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020 were as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2021	\$ 1,458,918
2022	1,436,983
2023	3,057,328
2024	1,437,359
2025	1,438,074
2026-2030	6,255,604
2031-2035	4,391,712
2036-2038	<u>1,265,152</u>
Total Minimum Lease Payments	20,741,130
Less: Amount Representing Interest	<u>(3,614,736)</u>
Present Value of Minimum Lease Payments	<u>\$ 17,126,394</u>

G. Other Long-Term Liabilities

Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2020, was as follows:

	<u>Balance, July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, June 30, 2020</u>	<u>Due Within One Year</u>
Governmental activities:					
Capital Leases	\$ 17,978,297		\$ 851,903	\$ 17,126,394	\$ 999,697
Compensated Absences	492,554	\$ 121,577		614,131	
Net Pension Liability					
Essex County	25,096	8,872	3,234	30,734	
PERS	<u>12,835,232</u>	<u>-</u>	<u>1,094,479</u>	<u>11,740,753</u>	<u>-</u>
Governmental Activity Long-Term Liabilities	<u>\$ 31,331,179</u>	<u>\$ 130,449</u>	<u>\$ 1,949,616</u>	<u>\$ 29,512,012</u>	<u>\$ 999,697</u>

Liabilities for capital leases, compensated absences and net pension liability are generally liquidated by the general fund.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 commercial insurance coverage 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 district 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.

Due to the pandemic which began in March 2020 and the sheltering of county-based programs, the Essex Regional Educational Services Commission suspended transportation services provided to constituent districts. Essex Regional Educational Services Commission continues to make payments to contractors upon receipt of payment from participating school districts. The Commission continues to pursue payment from all school districts and payment of invoices due to transportation contractors.

Federal and State Awards – The Commission 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 Commission may be required to reimburse the grantor government. As of June 30, 2020, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Commission 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.

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 district, 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.

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.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

Public Employees' Retirement System (PERS) (Continued)

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon 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.

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:

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

Service retirement benefits of 1/55th 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 1/60th 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 Commission 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 PERS 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.

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.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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.

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.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

Collective Net Pension Liability

The collective net pension liability of the participating employers for local PERS at June 30, 2019 is \$18.1 billion and the plan fiduciary net position as a percentage of the total pension liability is 56.27%. The collective net pension liability of the State funded TPAF at June 30, 2019 is \$61.5 billion and the plan fiduciary net position as a percentage of total pension liability is 26.95%.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2018 which were rolled forward to June 30, 2019.

Actuarial Methods and Assumptions

In the July 1, 2018 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 2020.

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, 2020 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 the 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 Commission 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 Commission for fiscal years 2020, 2019 and 2018 were equal to the required contributions.

During the fiscal years ended June 30, 2020, 2019 and 2018 the Commission 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 unfunded 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>
2020	\$633,813	\$ 1,396,708	\$ 198,781
2019	648,412	1,254,747	303,235
2018	560,941	905,410	253,279

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

Employer and Employee Pension Contributions (Continued)

In addition for fiscal years 2020, 2019 and 2018 the Commission contributed \$2,726, \$2,834 and \$4,848, respectively for PERS and the State contributed \$1,157, \$1,145 and \$857, 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 Commission \$387,201 during the fiscal year ended June 30, 2020 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 both a revenue and expense/expenditure in accordance with GASB No. 85.

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, 2018 through June 30, 2019. 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, 2019 are based on the ratio of each employer's contribution to total employer contributions of the group for the fiscal year ended June 30, 2019.

At June 30, 2020, the Commission reported in the statement of net position (accrual basis) a liability of \$11,740,753 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2019 and was determined by an actuarial valuation as of July 1, 2018. The Commission's proportionate share of the net pension liability was based on the ratio of the Commission's share of contributions to the pension plan relative to the total contributions of all participating governmental entities, for the year ended June 30, 2019. At June 30, 2019, the Commission's proportionate share was .06516 percent, which was a decrease of .00003 percent from its proportionate share measured as of June 30, 2018 of .06519 percent.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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, 2020, the Commission recognized in the commission-wide statement of activities (accrual basis) pension expense of \$620,984 for PERS. The pension contribution made by the Commission during the current 2019/2020 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, 2020 with a measurement date of the prior fiscal year end of June 30, 2019. 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, 2020 for contributions made subsequent to the measurement date. At June 30, 2020, 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	\$ 210,731	\$ 51,865
Changes of Assumptions	1,172,357	4,075,178
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		185,332
Changes in Proportion and Differences Between Commission Contributions and Proportionate Share of Contributions	<u>735,753</u>	<u>199,375</u>
Total	<u>\$ 2,118,841</u>	<u>\$ 4,511,750</u>

At June 30, 2020, the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense/(benefit) as follows:

Year Ending <u>June 30,</u>	<u>Total</u>
2021	\$ (232,557)
2022	(945,471)
2023	(814,828)
2024	(351,496)
2025	(48,557)
Thereafter	<u>-</u>
	<u>\$ (2,392,909)</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00-6.00% Based on Years of Service
Thereafter	3.00%-7.00% Based on Years of Service
Investment Rate of Return	7.00%
Mortality Rate Table	Pub-2010

Assumptions for mortality improvements are based on Society of Actuaries Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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, 2019) 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 rates 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 PERS's target asset allocation as of June 30, 2019 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	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
US Equity	28.00%	8.26%
Non-US Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
High Yield	2.00%	5.37%
Real Assets	2.50%	9.31%
Private Credit	6.00%	7.92%
Real Estate	7.50%	8.33%
Private Equity	12.00%	10.85%

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>
2020	June 30, 2019	6.28%
2019	June 30, 2018	5.66%

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 measurement period July 1, 2018 through June 30, 2019. 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, 2019, 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, 2020, the Commission recognized in the district-wide statement of activities (accrual basis) pension expense of \$2,262,015 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, 2020 the State's proportionate share of the net pension liability attributable to the Commission is \$38,350,505. The nonemployer allocation percentages are based on the ratio of the State's contributions made as a nonemployer attributable to the Commission adjusted for unpaid early retirement incentives relative to total contributions to TPAF during the year ended June 30, 2019. At June 30, 2019, the State's share of the net pension liability attributable to the Commission was .06249 percent, which was an increase of .00246 percent from its proportionate share measured as of June 30, 2018 of .06003 percent.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	1.55-4.55% Based on Years of Service
Thereafter	2.75%-5.65% Based on Years of Service
Investment Rate of Return	7.00%
Mortality Rate Table	Pub-2010

Assumptions for mortality improvements are based on Society of Actuaries Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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, 2019) 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 TPAF's target asset allocation as of June 30, 2019 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	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
US Equity	28.00%	8.26%
Non-US Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
High Yield	2.00%	5.37%
Real Assets	2.50%	9.31%
Private Credit	6.00%	7.92%
Real Estate	7.50%	8.33%
Private Equity	12.00%	10.85%

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
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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:

Fiscal Year	<u>Measurement Date</u>	<u>Discount Rate</u>
2020	June 30, 2019	5.60%
2019	June 30, 2018	4.86%

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, 2054
Municipal Bond Rate *	From July 1, 2054 and Thereafter

* The municipal bond return rate used is 3.50% as of the measurement date of June 30, 2019. 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 5.60%, as well as what the State's proportionate share of the TPAF net pension liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (4.60 percent) or 1-percentage-point higher (6.60 percent) than the current rate:

	1% Decrease <u>(4.60%)</u>	Current Discount Rate <u>(5.60%)</u>	1% Increase <u>(6.60%)</u>
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the Commission	<u>\$ 45,223,734</u>	<u>\$ 38,350,505</u>	<u>\$ 32,647,896</u>

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the District as of the measurement date of June 30, 2019. A sensitivity analysis specific to the State's proportionate share of the net pension liability attributable to the Commission at June 30, 2019 was not provided by the pension system.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
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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.

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 and Educational Services Commission 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 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 New Jersey Public Employees Retirement System (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

Participants are eligible for retirement benefits on or after their normal retirement age (defined as the 60th birthday or 5th anniversary of joining the Plan, if later), which is equal to 2% of the member's average compensation during the highest three consecutive years of service from the date of hire multiplied by the number of years of credited service. The maximum monthly benefit is the lesser of \$15,457 and 100% of the highest three year average salary, subject to service requirements. Normally, benefits are calculated with payments guaranteed for 10 years.

Participants' beneficiaries will be entitled to death benefits equal to the actuarial equivalent to the participant's retirement benefit earned to the date of death.

Contributions

The Plan's contractually required contribution rate for the fiscal year ended June 30, 2019 was 100.77% of covered payroll, actuarially determined as an amount that is expected to finance costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Plan provisions and contribution requirements are established by contractually required provision. Commission contributions to the Plan amounted to \$3,234 for fiscal year 2020.

At June 30, 2020, the Commission reported in the statement of net position (accrual basis) a liability of \$30,734 for its proportionate share of the ECPF net pension liability. The net pension liability was measured as of June 30, 2019, 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 a projection of the Commission'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, 2019, the Commission's proportionate share was 0.09210 percent, which was an increase of .01224 percent from its proportionate share measured as of June 30, 2018 of 0.07986.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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)

For the fiscal year ended June 30, 2020, the Commission recognized in the commission wide statement of activities (accrual basis) a pension expense of \$10,972 for ECPF. At June 30, 2020, the Commission reported deferred inflows of resources related to ECPF from the following sources in the amount of \$1,208.

	<u>Deferred Inflows of Resources</u>
Net Difference Between Projected and Actual On Pension Plan Investments	\$ <u>1,208</u>

Actuarial Assumptions

The Commission's total pension liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Salary Increases	4.50%
Investment Rate of Return	6.00%
Cost-of-living adjustments	2.00%

• **Mortality rates:**

Active members, inactive members and healthy retirees:
110% of PubG-2010 mortality tables with MP-2018 mortality projection, in 2019.

RP-2000 separate annuitant and non-annuitant tables with static projections through the valuation year plus 7 years for annuitants and the valuation year plus 15 years for non-annuitants, in 2018.

Disabled retirees:
110% of PubNJ-2010 mortality tables with MP-2018 mortality projection, in 2019.

1994 Group Annuity Mortality Table set forward 10 years, in 2018.

Long-Term Rate of Return

The long-term expected rate of return on 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 Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target assets allocation percentage and by adding expected inflation. Best estimates or arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of June 30, 2019 and 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Real Rate of Return*</u>	
	<u>2019</u>	<u>2018</u>
U.S. Fixed Income	1.96%	1.75%
U.S. Large Cap Equity	6.41%	6.40%
U.S. Small Cap Equity	6.41%	6.40%

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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)

Discount Rate

The discount rate used to measure the total pension liability of the ECPF was as follows:

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2020	June 30, 2019	6.00%
2019	June 30, 2018	6.00%

Sensitivity of Net Pension Liability

The following presents the Commission's proportionate share of the ECPF net pension liability calculated using the discount rate of 6.00% as well as what the Commission'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:

	Decrease (5.0%)	Discount Rate (6.0%)	Increase (7.0%)
Commission's Proportionate Share of the Net Pension Liability	<u>\$ 38,600</u>	<u>\$ 30,734</u>	<u>\$ 20,454</u>

D. Post-Retirement Medical Benefits

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

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, 2019. 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 district employees, including those Commission employees and retirees eligible for coverage.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 4 OTHER INFORMATION (Continued)

D. Post-Retirement Medical Benefits (Continued)

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.

Plan Membership

Membership of the defined benefit OPEB plan consisted of the following at June 30, 2018:

Active Plan Members	216,892
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	148,051
Inactive Plan Members Entitled to but not yet Receiving Benefits	<u> -</u>
Total	<u>364,943</u>

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.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 4 OTHER INFORMATION (Continued)

D. Post-Retirement Medical Benefits (Continued)

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, 2019 is \$41.7 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, 2018 which were rolled forward to June 30, 2019.

Actuarial Methods and Assumptions

In the June 30, 2018 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 \$1.28 billion to the OPEB plan in fiscal year 2019.

The State sets the contribution rate based on a pay as you go basis rather than the actuarial determined contribution an 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. over a period not to exceed thirty years. 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 Commission for the fiscal years ended June 30, 2020, 2019 and 2018 were \$518,153, \$569,152 and \$584,785, 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 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.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

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, 2018 through June 30, 2019. 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, 2020, the Commission recognized in the commission-wide statement of activities (accrual basis) OPEB expense of \$926,436. 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, 2020 the State’s proportionate share of the OPEB liability attributable to the Commission is \$35,681,764. 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, 2019 to the total OPEB liability of the State Health Benefit Program Fund – Local Education Retired Employees Plan at June 30, 2019. At June 30, 2019, the state’s share of the OPEB liability attributable to the Commission was .09 percent, which was no change from its proportionate share measured as of June 30, 2018 of .09 percent.

Actuarial Assumptions

The OPEB liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases*	
PERS:	
Initial Fiscal Year Applied Through	2026
Rate	2.00% to 6.00%
Rate Thereafter	3.00% to 7.00%
TPAF:	
Initial Fiscal Year Applied Through	2026
Rate	1.55% to 3.05%
Rate Thereafter	1.55% to 3.05%

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 (Continued)

Mortality:	
PERS	Pre-retirement and Post-retirement based on Pub-2010 Healthy "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.
TPAF	Pre-retirement and Post-retirement based on Pub-2010 "Teachers" and "General" classifications respectively, headcount-weighted mortality tables with fully generational mortality improvement projections from the central year using Scale MP-2019.
Long-Term Rate of Return	2.00%

*Salary increases are based on the defined benefit pension plan that the member is enrolled in and the members years of service.

For the June 30, 2019 measurement date healthcare cost trend rates for pre-Medicare medical benefits, the trend is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the TPAF and PERS actuarial experience studies for the period July 1, 2015 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively.

100% of active members are considered to participate in the plan upon retirement.

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 2.00% as of June 30, 2019.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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>
2020	June 30, 2019	3.50%
2019	June 30, 2018	3.87%

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, 2020 (measurement date June 30, 2019) is as follows:

	<u>Total OPEB Liability (State Share 100%)</u>
Balance, June 30, 2018 Measurement Date	\$ <u>41,138,758</u>
Changes Recognized for the Fiscal Year:	
Service Cost	1,427,899
Interest on the Total OPEB Liability	1,626,959
Differences Between Expected and Actual Experience	(7,981,014)
Changes of Assumptions	532,018
Gross Benefit Payments	(1,095,324)
Contributions from the Member	<u>32,468</u>
Net Changes	<u>(5,456,994)</u>
Balance, June 30, 2019 Measurement Date	\$ <u>35,681,764</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.87% percent in 2018 to 3.50% percent in 2019.

The change in the total OPEB liability was based on the State's proportionate share of the OPEB liability attributable to the District at June 30, 2019.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 3.50%, 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 (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current rate:

	1% Decrease <u>(2.50%)</u>	Current Discount Rate <u>(3.50%)</u>	1% Increase <u>(4.50%)</u>
State's Proportionate Share of the OPEB Liability Attributable to the Commission	\$ 42,154,264	\$ 35,681,764	\$ 30,540,365

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:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability (School Retirees)	\$ 29,400,183	\$ 35,681,764	\$ 43,997,287

The sensitivity analyses were based on the State’s proportionate share of the OPEB liability attributable to the Commission at June 30, 2019. Sensitivity analyses specific to the State’s proportionate share of the OPEB liability attributable to the Commission at June 30, 2019 were not provided by the pension system.

NOTE 5 INFECTIOUS DISEASE OUTBREAK – COVID-19 PANDEMIC

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the “Pandemic”) by the World Health Organization and is currently affecting many parts of the world, including the United States and the State of New Jersey. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President’s Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 5 INFECTIOUS DISEASE OUTBREAK – COVID-19 PANDEMIC (Continued)

New Jersey Governor Phil Murphy has issued multiple Executive Orders since March 16, 2020 including but not limited to aggressive social distancing measures, restrictions on local elections, restrictions on foreclosure and evictions, suspension of all elective surgeries, closing of all schools and child care centers, the commandeering of property such as medical supplies, the cessation of all non-essential construction projects, extending insurance premium grace periods, the temporary reprieve to certain at-risk inmates and the extension of the permitted statutory grace period from May 11, 2020 to June 1, 2020 for quarterly property taxes due May 1, 2020. The Board expects ongoing actions will be taken by State, federal and local governments and private entities to mitigate the spread and impacts of COVID-19. The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. The declaration of a public health emergency remains in effect as of the date of audit. As part of a planned multi-stage approach to restart the State's economy, Governor Murphy has signed a series of Executive Orders permitting the resumption of certain activities.

Because of the evolving nature of the outbreak and federal, state and local responses thereto, the Board cannot predict how the outbreak will impact the financial condition or operations of the Commission. The Commission cannot predict costs associated with this or any other potential infectious disease outbreak, including whether there will be any increase in operational costs incurred to clean, sanitize and maintain its facilities either before or after an outbreak of an infectious disease.

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, 2020

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
REVENUES					
Local Sources					
Tuition	\$ 3,200,000	\$ 1,351,610	\$ 4,551,610	\$ 2,939,807	\$ (1,611,803)
Transportation Fees	34,554,000	6,911,812	41,465,812	34,300,797	(7,165,015)
Miscellaneous	10,100,000	2,123,667	12,223,667	9,332,325	(2,891,342)
Total Local Sources	47,854,000	10,387,089	58,241,089	46,572,929	(11,668,160)
State Sources					
On-Behalf TPAF (Non-Budget)					
Pension Contribution				1,372,114	1,372,114
NCGI Premium				24,594	24,594
LTDI				1,157	1,157
Post Retirement Medical Benefits				518,153	518,153
Social Security Contributions (Non-Budget)	-	-	-	387,201	387,201
Total State Sources	-	-	-	2,303,219	2,303,219
Total Revenues	47,854,000	10,387,089	58,241,089	48,876,148	(9,364,941)
CURRENT EXPENDITURES					
Instruction - Regular Programs					
Salaries of Teachers:					
Grades 9 - 12	623,703	(73,527)	550,176	463,688	86,488
Home Instruction:					
Salaries of Teachers	599,144	(200,000)	399,144	382,392	16,752
Purchased Professional - Educational Services	33,000	(19,000)	14,000	5,539	8,461
Other Purchased Services	500	-	500	104	396
Regular Programs - Undistributed Instruction					
General Supplies	17,652	(8,698)	8,954	8,953	1
Other Objects	100,424	(40,353)	60,071	48,416	11,655
Total Instruction Regular Programs	1,374,423	(341,578)	1,032,845	909,092	123,753
Special Education					
Learning/Language Disabilities					
Salaries of Teachers	385,977	1,664	387,641	369,766	17,875
Other Salaries for Instruction	194,326	(26,778)	167,548	153,162	14,386
General Supplies	10,000	(2,000)	8,000	7,267	733
Other Objects	-	1,500	1,500	600	900
Total Learning/Language Disabilities	590,303	(25,614)	564,689	530,795	33,894
Behavioral Disabilities					
Salaries of Teachers	398,000	(120,660)	277,340	265,869	11,471
Other Salaries for Instruction	6,030,504	69,488	6,099,992	4,402,078	1,697,914
General Supplies	10,000	3,886	13,886	11,605	2,281
Textbooks	1,000	(1,000)	-	-	-
Other Objects	11,000	(4,214)	6,786	2,690	4,096
Total Behavioral Disabilities	6,450,504	(52,500)	6,398,004	4,682,242	1,715,762
Total Special Education	7,040,807	(78,114)	6,962,693	5,213,037	1,749,656
Bilingual Education					
Salaries of Teachers	10,000	-	10,000	3,262	6,738
Total Bilingual Education	10,000	-	10,000	3,262	6,738
Before/After School Programs					
Purchased Professional and Technical Services	107,397	(15,236)	92,161	92,160	1
Total Before/After School Programs	107,397	(15,236)	92,161	92,160	1
Total Instruction	8,532,627	(434,928)	8,097,699	6,217,551	1,880,148

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, 2020

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures					
Instruction					
Tuition to County Voc. School District-Special	\$ 5,000	\$ 104,198	\$ 109,198	\$ 74,712	\$ 34,486
Total Undistributed Expenditures - Instruction	5,000	104,198	109,198	74,712	34,486
Health Services					
Salaries	81,835	-	81,835	79,946	1,889
Supplies and Materials	500	300	800	540	260
Total Health Services	82,335	300	82,635	80,486	2,149
Other Supp. Serv. - Speech, OT, PT & Related Services					
Salaries	18,000	238,990	256,990	65,956	191,034
Purchased Professional-Educational Services	45,900	19,100	65,000	7,132	57,868
Total Other Supp. Serv. - Speech, OT, PT & Related Serv.	63,900	258,090	321,990	73,088	248,902
Child Study Teams					
Salaries of Other Professional Staff	301,751	(27,926)	273,825	221,904	51,921
Purchased Professional-Educational Services	105,333	36,150	141,483	48,129	93,354
Total Child Study Teams	407,084	8,224	415,308	270,033	145,275
Improvement of Inst. Serv.					
Purchased Professional-Educational Services	22,500	149,383	171,883	73,406	98,477
Total Improvement of Inst. Serv.	22,500	149,383	171,883	73,406	98,477
Instructional Staff Training Services					
Purchased Professional - Educational Services	8,700	-	8,700	1,398	7,302
Total Instructional Staff Training Services	8,700	-	8,700	1,398	7,302
Support Services General Administration					
Salaries	1,048,919	(154,331)	894,588	827,335	67,253
Legal Services	110,000	46,000	156,000	93,594	62,406
Audit Fees	40,000	3,143	43,143	41,721	1,422
Other Purchased Professional Services	65,769	62,811	128,580	117,641	10,939
Communications/Telephone	53,396	4,464	57,860	51,951	5,909
Misc. Purchased Services	5,000	3,849	8,849	7,108	1,741
General Supplies	4,880	2,000	6,880	12,174	(5,294)
BOE In-House Training/Meeting Supplies	500	(415)	85		85
Miscellaneous Expenditures	80,000	117,316	197,316	165,237	32,079
BOE Membership Dues and Fees	14,000	54	14,054	13,414	640
Total Support Services General Administration	1,422,464	84,891	1,507,355	1,330,175	177,180
Support Services School Administration					
Salaries of Principals and Assistant Principals	462,040	119,983	582,023	580,713	1,310
Salaries of Other Professional Staff	88,000	7,000	95,000	95,000	-
Salaries of Secretarial and Clerical Assistants	340,469	43,346	383,815	344,580	39,235
Purchased Prof. and Tech. Services	8,000	11,514	19,514	15,268	4,246
Other Purchased Services	13,650	27,674	41,324	24,901	16,423
Supplies and Materials	7,500	(3,400)	4,100	3,734	366
Other Objects	4,900	14,700	19,600	13,530	6,070
Total Support Services School Administration	924,559	220,817	1,145,376	1,077,726	67,650

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, 2020

	Original Budget	Adjustments	Final Budget	Actual	Variance Final To Actual
CURRENT EXPENDITURES (Continued)					
Central Services					
Salaries	\$ 618,680	\$ 87,292	\$ 705,972	\$ 620,126	\$ 85,846
Purchased Professional Services	36,128	127,573	163,701	163,628	73
Purchased Technical Services	36,129	58,537	94,666	67,580	27,086
Miscellaneous Purchased Services	58,724	(10,449)	48,275	39,860	8,415
Supplies and Materials	2,000	(516)	1,484	1,340	144
Interest on Lease Purchase Agreements	470,636	997	471,633	470,955	678
Miscellaneous Expenditures	10,348	11,547	21,895	19,233	2,662
Total Central Services	1,232,645	274,981	1,507,626	1,382,722	124,904
Admin. Info. Tech.					
Salaries	236,610	(17,500)	219,110	217,962	1,148
Purchased Professional Services	2,000	(1,600)	400	262	138
Supplies and Materials	-	150	150	106	44
Other Objects	-	225	225	224	1
Total Admin. Info. Technology	238,610	(18,725)	219,885	218,554	1,331
Required Maintenance for School Facilities					
Cleaning, Repair and Maintenance Services	17,000	12,218	29,218	18,388	10,830
General Supplies	773	3,042	3,815	3,381	434
Other Objects	12,000	3,694	15,694	10,653	5,041
Total Required Maintenance for School Facilities	29,773	18,954	48,727	32,422	16,305
Custodial Services					
Salaries	166,863	103,317	270,180	222,803	47,377
Purchased Prof. and Tech. Services	41,290	(15,650)	25,640	25,160	480
Cleaning, Repair and Maintenance Services	23,449	16,685	40,134	34,752	5,382
Rental of Land & Bldg. Oth. Than Lease Pur Agreement	1,068,732	(646,744)	421,988	421,966	22
Insurance	30,000	77,172	107,172	101,984	5,188
Miscellaneous Purchased Services	1,803	7,630	9,433	8,617	816
General Supplies	7,000	6,640	13,640	9,049	4,591
Energy (Heat and Electricity)	180,000	100,679	280,679	232,187	48,492
Other Objects	2,000	2,367	4,367	3,897	470
Total Custodial Services	1,521,137	(347,904)	1,173,233	1,060,415	112,818
Security					
Salaries	46,328	55,026	101,354	99,902	1,452
Total Security	46,328	55,026	101,354	99,902	1,452
Student Transportation Services					
Salaries for Pupil Trans (Bet Home & Sch)-Sp Ed.	1,108,150	(6,700)	1,101,450	775,340	326,110
Contr Serv(Special Education)-Vendors	30,303,000	9,518,900	39,821,900	34,211,020	5,610,880
Total Student Transportation Services	31,411,150	9,512,200	40,923,350	34,986,360	5,936,990
Unallocated Employee Benefits					
Social Security Contributions	912,135	(28,788)	883,347	614,524	268,823
Other Retirement Contributions - PERS	687,925	(834)	687,091	632,476	54,615
Unemployment Compensation	152,117	(37,006)	115,111	62,637	52,474
Workers Compensation	363,839	(175,081)	188,758	92,819	95,939
Health Benefits	1,031,672	(97,055)	934,617	1,226,671	(292,054)
Tuition Reimbursements	4,500	-	4,500	-	4,500
Total Unallocated Employee Benefits	3,152,188	(338,764)	2,813,424	2,629,127	184,297
On-Behalf TPAF (Non-Budget)					
Pension Contribution	-	-	-	1,372,114	(1,372,114)
NCGI Premium	-	-	-	24,594	(24,594)
LTDI	-	-	-	1,157	(1,157)
Post Retirement Medical Benefits	-	-	-	518,153	(518,153)
Social Security Contributions (Non-Budget)	-	-	-	387,201	(387,201)
Total TPAF Pension and Social Security Contributions	-	-	-	2,303,219	(2,303,219)

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, 2020

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
CURRENT EXPENDITURES (Continued)					
Total Undistributed Expenditures	\$ 40,568,373	\$ 9,981,671	\$ 50,550,044	\$ 45,693,745	\$ 4,856,299
Total Current Expenditures	49,101,000	9,546,743	58,647,743	51,911,296	6,736,447
CAPITAL OUTLAY					
Facilities Acquisition and Constr. Services					
Lease Purchase Agreements - Principal	-	950,832	950,832	950,819	13
Total Facilities Acquisition and Constr. Services	-	950,832	950,832	950,819	13
Total Expenditures - Capital Outlay	-	950,832	950,832	950,819	13
SPECIAL SCHOOLS					
Summer School- Support Services					
Purchased Professional and Technical Services	18,000	-	18,000	4,290	13,710
Total Summer School- Support Services	18,000	-	18,000	4,290	13,710
Total Expenditures - Special Schools	18,000	-	18,000	4,290	13,710
Total Expenditures - General Fund	49,119,000	10,497,575	59,616,575	52,866,405	6,750,170
Excess (Deficiency) of Revenues					
Over/(Under) Expenditures	(1,265,000)	(110,486)	(1,375,486)	(3,990,257)	(2,614,771)
Other Financing Sources (Uses)					
Transfers to Cover Deficit (Enterprise Fund)	-	(45,809)	(45,809)	(45,809)	-
Total Other Financing Sources (Uses)	-	(45,809)	(45,809)	(45,809)	-
Excess (Deficiency) of Revenues and Other					
Financing Sources Over/(Under) Expenditures and					
Other Financing Uses	(1,265,000)	(156,295)	(1,421,295)	(4,036,066)	(2,614,771)
Fund Balance, Beginning of Year	22,437,144	-	22,437,144	22,437,144	-
Fund Balance, End of Year	\$ 21,172,144	\$ (156,295)	\$ 21,015,849	\$ 18,401,078	\$ (2,614,771)
Recapitulation of Fund Balance					
Assigned Fund Balance					
Designated for Building Leases				\$ 17,105,284	
Unassigned Fund Balance				1,295,794	
Fund Balance (Budgetary Basis/GAAP Basis)				\$ 18,401,078	

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, 2020

	Original Budget	Adjustments	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local Sources	\$ 5,796,750	\$ 1,958,273	\$ 7,755,023	\$ 6,320,848	\$ (1,434,175)
State	93,748	31,250	124,998	97,669	(27,329)
Federal	1,045,334	1,926,660	2,971,994	1,476,881	(1,495,113)
Total Revenues	<u>6,935,832</u>	<u>3,916,183</u>	<u>10,852,015</u>	<u>7,895,398</u>	<u>(2,956,617)</u>
EXPENDITURES					
Instruction					
Salaries of Teachers	2,212,691	1,109,094	3,321,785	2,948,630	373,155
Other Salaries for Instruction	465,904	160,023	625,927	484,412	141,515
Purchased Professional and Technical Services	103,510	(81,972)	21,538	20,463	1,075
Other Purchased Services	16,685	44,024	60,709	36,062	24,647
General Supplies	141,568	1,373	142,941	36,593	106,348
Textbooks	237	763	1,000	694	306
Other Objects	9,554	27,230	36,784	22,381	14,403
Total Instruction	<u>2,950,149</u>	<u>1,260,535</u>	<u>4,210,684</u>	<u>3,549,235</u>	<u>661,449</u>
Support Services					
Salaries of Supervisors of Instruction	276,972	85,907	362,879	263,043	99,836
Salaries of Principals/Program Directors	273,942	241,651	515,593	471,458	44,135
Salaries of Other Professional Staff	63,494	183,802	247,296	201,830	45,466
Salaries of Secretaries and Clerical Assistants	156,336	185,865	342,201	277,451	64,750
Other Salaries	644,414	167,035	811,449	609,799	201,650
Purchased Professional-Educational Services	916,555	(201,825)	714,730	700,851	13,879
Other Purchased Professional Services	57,540	87,735	145,275	126,306	18,969
Purchased Technical Services	12,000	3,078	15,078	15,078	-
Cleaning, Repairs and Maintenance	26,588	(9,695)	16,893	16,892	1
Rentals	26,963	39,406	66,369	46,433	19,936
Indirect Costs	339,903	548,979	888,882	233,564	655,318
Travel	15,874	20,233	36,107	6,371	29,736
Other Purchased Services	67,398	17,746	85,144	82,451	2,693
Supplies and Materials	133,318	344,380	477,698	346,223	131,475
Telephone	6,689	8,551	15,240	10,949	4,291
Utilities	17,250	7,047	24,297	24,297	-
Other Objects	30,681	27,808	58,489	41,261	17,228
Total Support Services	<u>3,065,917</u>	<u>1,757,703</u>	<u>4,823,620</u>	<u>3,474,257</u>	<u>1,349,363</u>
Transportation Salaries	17,425	17,646	35,071	35,069	2
Contracted Services - Transportation	57,110	124,880	181,990	63,972	118,018
Total Transportation	<u>74,535</u>	<u>142,526</u>	<u>217,061</u>	<u>99,041</u>	<u>118,020</u>
Personal Services - Employee Benefits	<u>844,994</u>	<u>755,520</u>	<u>1,600,514</u>	<u>772,865</u>	<u>827,649</u>
Equipment Facilities Acq. and Construction					
Instructional Equipment	237	(101)	136	-	136
Construction Services	-	-	-	-	-
Total Equipment and Facilities Acq. and Construction	<u>237</u>	<u>(101)</u>	<u>136</u>	<u>-</u>	<u>136</u>
Total Expenditures	<u>6,935,832</u>	<u>3,916,183</u>	<u>10,852,015</u>	<u>7,895,398</u>	<u>2,956,617</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, 2020

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

	Special Revenue Fund
Sources/Inflows of Resources	
Actual Revenue Amounts (Budgetary Basis)	\$ <u>7,895,398</u>
 Total Revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	 \$ <u>7,895,398</u>
 Uses/Outflows of Resources	
Actual expenditure amounts (Budgetary Basis)	\$ <u>7,895,398</u>
 Total Expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	 \$ <u>7,895,398</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 Seven Fiscal Years ***

	<u>2020</u>	<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)	0.06516%	0.06519%	0.06055%	0.06203%	0.06146%	0.06023%	0.06396%
Commission's Proportionate Share of the Net Pension Liability (Asset)	\$ 11,740,753	\$ 12,835,232	\$ 14,095,321	\$ 18,370,051	\$ 13,796,195	\$ 11,277,307	\$ 12,224,394
Commission's Covered-Employee Payroll	\$ 4,171,001	\$ 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	281.49%	282.30%	339.50%	450.88%	338.08%	279.39%	298.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.27%	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 Seven Fiscal Years**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 633,813	\$ 648,412	\$ 560,941	\$ 551,022	\$ 528,378	\$ 496,554	\$ 481,940
Contributions in Relation to the Contractually Required Contributions	<u>633,813</u>	<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>	<u>\$ -</u>
Commission's Covered- Employee Payroll	\$ 3,372,601	\$ 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	18.79%	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 Seven Fiscal Years ***

	<u>2020</u>	<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%	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>38,350,505</u>	<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>\$ 38,350,505</u>	<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	\$ 5,761,496	\$ 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	0
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	26.95%	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
SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

Board of Education Employees' Pension Fund of Essex County

Last Five Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Commission's Proportion of the Net Position Liability (Asset)	0.09210%	0.07986%	0.07075%	0.06557%	0.05777%
Commission's Proportionate Share of the Net Pension Liability (Asset)	30,734	25,096	20,221	23,737	22,251
Commission's Covered - Employee Payroll	\$0	\$0	\$0	\$0	\$0
Commission's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its General Employee Payroll	N/A	N/A	N/A	N/A	N/A

Note : The Plan Fiduciary Net Position as a Percentage of the Total Pension Liability is not available.

**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 Five Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Contribution	\$ 3,234	\$ 3,133	\$ 2,917	\$ 3,410	\$ 3,381
Contributions in Relation to the Contractually Required Contribution	<u>(3,234)</u>	<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>	<u>\$ -</u>
Commission's Covered Employee Payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a Percentage of Covered Employee Payroll	0%	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, 2020**

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 Three Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service Cost	\$ 1,427,899	\$ 1,397,777	\$ 1,687,623
Interest on Total OPEB Liability	1,626,959	1,641,743	1,419,263
Differences Between Expected and Actual Experience	(7,981,014)	(1,105,173)	-
Changes of Assumptions	532,018	(4,720,878)	(5,943,474)
Gross Benefit Payments	(1,095,324)	(1,100,036)	(491,559)
Contribution from the Member	<u>32,468</u>	<u>38,019</u>	<u>18,100</u>
Net Change in Total OPEB Liability	(5,456,994)	(3,848,548)	(3,310,047)
Total OPEB Liability - Beginning of Year	<u>41,138,758</u>	<u>44,987,306</u>	<u>48,297,353</u>
Total OPEB Liability - End of Year	<u>\$ 35,681,764</u>	<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>35,681,764</u>	<u>41,138,758</u>	<u>44,987,306</u>
Total OPEB Liability - End of Year ³	<u>\$ 35,681,764</u>	<u>\$ 41,138,758</u>	<u>\$ 44,987,306</u>
District's Covered-Employee Payroll	<u>\$ 9,932,497</u>	<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>	<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, 2020**

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, 2020

	Migrant Education CY 2020	Migrant Education CY 2019	McKinney Homeless Education	Migrant Education Summer	Total Brought Forward (Ex. E-1a)	Total Brought Forward (Ex. E-1b)	Totals
REVENUES							
Local Sources					\$ 4,780,025	\$ 1,540,823	\$ 6,320,848
State Sources					97,669		97,669
Federal Sources	\$ 49,658	\$ 376,155	\$ 368,545	\$ 40,682	-	641,841	1,476,881
Total Revenues	\$ 49,658	\$ 376,155	\$ 368,545	\$ 40,682	\$ 4,877,694	\$ 2,182,664	\$ 7,895,398
EXPENDITURES							
Instruction:							
Salaries of Teachers	\$ 4,823	\$ 89,677	\$ 49,734		\$ 1,833,327	\$ 971,069	\$ 2,948,630
Other Salaries for Instruction		8,488	23,870		268,251	183,803	484,412
Purchased Prof. and Technical Services					14,790	5,673	20,463
Other Purchased Services		709	6,919		-	28,434	36,062
General Supplies		6,220	1,755		9,411	19,207	36,593
Textbooks						694	694
Other Objects	-	-	-	-	811	21,570	22,381
Total Instruction	4,823	105,094	82,278	-	2,126,590	1,230,450	3,549,235
Support Services							
Salaries of Supervisors of Instruction					263,043		263,043
Salaries of Principals/Program Directors		49,500	98,936		111,500	211,522	471,458
Salaries of Other Professional Staff		13,012	7,568			181,250	201,830
Salaries of Secretaries and Clerical Assistants		18,360			200,635	58,456	277,451
Other Salaries	8,031	48,816	35,902		517,050		609,799
Transportation Salaries			17,384		17,685		35,069
Personal Services - Employee Benefits	34,804	42,055	81,118		263,414	351,474	772,865
Purchased Professional-Educational Services			1,074		699,777	-	700,851
Other Purchased Professional Services	1,711	18,045			106,550		126,306
Purchased Technical Services					15,078		15,078
Cleaning, Repairs and Maintenance					16,892		16,892
Rentals		14,993			21,804	9,636	46,433
Contracted Services - Transportation		25,394	21,563		17,015		63,972
Indirect Costs					119,564	114,000	233,564
Travel		4,096	604		1,671		6,371
Other Purchased Services	289	9,004	3,093	\$ 40,682	29,383	-	82,451
Supplies and Materials		15,833	13,835		299,285	17,270	346,223
Telephone		4,713	1,440		4,460	336	10,949
Utilities					24,297		24,297
Other Objects	-	7,240	3,750	-	22,001	8,270	41,261
Total Support Services	44,835	271,061	286,267	40,682	2,751,104	952,214	4,346,163
Total Expenditures	\$ 49,658	\$ 376,155	\$ 368,545	\$ 40,682	\$ 4,877,694	\$ 2,182,664	\$ 7,895,398

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Extended Day Program	IDEA - B Services	Non Public Technology Services	Chapter 192/193 Services	Title I Services	Non Public Nursing Services	Total Carried Forward
REVENUES							
Local Sources		\$ 449,677	\$ 149,508	\$ 2,901,856	\$ 206,115	\$ 1,072,869	\$ 4,780,025
State Sources	\$ 97,669						97,669
Federal Sources	-	-	-	-	-	-	-
Total Revenues	<u>\$ 97,669</u>	<u>\$ 449,677</u>	<u>\$ 149,508</u>	<u>\$ 2,901,856</u>	<u>\$ 206,115</u>	<u>\$ 1,072,869</u>	<u>\$ 4,877,694</u>
EXPENDITURES							
Instruction:							
Salaries of Teachers				\$ 1,711,768	\$ 121,559		\$ 1,833,327
Other Salaries for Instruction	\$ 10,493	257,758					268,251
Purchased Prof. and Technical Services				11,036	3,754		14,790
Other Purchased Services							-
General Supplies		5,491		3,589	331		9,411
Other Objects	811	-	-	-	-	-	811
Total Instruction	<u>11,304</u>	<u>263,249</u>	<u>-</u>	<u>1,726,393</u>	<u>125,644</u>	<u>-</u>	<u>2,126,590</u>
Support Services							
Salaries of Supervisors of Instruction				124,657	70,219	\$ 68,167	263,043
Salaries of Program Directors	16,500			95,000			111,500
Salaries of Other Professional Staff							-
Salaries of Secretaries and Clerical Assistants	7,005			193,630			200,635
Other Salaries				62,341		454,709	517,050
Transportation Salaries	17,685						17,685
Personal Services - Employee Benefits	6,125	49,828		38,285	4,544	164,632	263,414
Purchased Professional-Educational Services		136,600		563,177			699,777
Other Purchased Professional Services					280	106,270	106,550
Purchased Technical Services				9,153	4,765	1,160	15,078
Cleaning, Repairs and Maintenance				16,892			16,892
Rentals	14,535			7,269			21,804
Contracted Services - Transportation	17,015						17,015
Indirect Costs	7,500						119,564
Travel				1,671			1,671
Other Purchased Services				13,048		16,335	29,383
Supplies and Materials			\$ 149,508	245		149,532	299,285
Telephone				4,460			4,460
Utilities				24,297			24,297
Other Objects	-	-	-	21,338	663	-	22,001
Total Support Services	<u>86,365</u>	<u>186,428</u>	<u>149,508</u>	<u>1,175,463</u>	<u>80,471</u>	<u>1,072,869</u>	<u>2,751,104</u>
Total Expenditures	<u>\$ 97,669</u>	<u>\$ 449,677</u>	<u>\$ 149,508</u>	<u>\$ 2,901,856</u>	<u>\$ 206,115</u>	<u>\$ 1,072,869</u>	<u>\$ 4,877,694</u>

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Essex Detention Center	Essex Detention Center Title I	Safety Grant	Total Carried Forward
REVENUES				
Local Sources	\$ 1,531,673		\$ 9,150	\$ 1,540,823
State Sources				-
Federal Sources	-	\$ 641,841	-	641,841
Total Revenues	<u>\$ 1,531,673</u>	<u>\$ 641,841</u>	<u>\$ 9,150</u>	<u>\$ 2,182,664</u>
EXPENDITURES				
Instruction:				
Salaries of Teachers	\$ 715,901	\$ 255,168		\$ 971,069
Other Salaries for Instruction	45,839	137,964		183,803
Purchased Prof. and Technical Services	1,046	4,627		5,673
Other Purchased Services		28,434		28,434
General Supplies	5,821	13,386		19,207
Textbooks	694			694
Other Objects	21,570	-	-	21,570
Total Instruction	<u>790,871</u>	<u>439,579</u>	<u>-</u>	<u>1,230,450</u>
Support Services				
Salaries of Program Directors	211,522			211,522
Salaries of Other Professional Staff	181,250			181,250
Salaries of Secretaries and Clerical Assistants	50,956	7,500		58,456
Personal Services - Employee Benefits	164,422	187,052		351,474
Purchased Professional-Educational Services				-
Rentals	9,636			9,636
Indirect Costs	114,000			114,000
Other Purchased Services				-
Supplies and Materials	410	7,710	9,150	17,270
Telephone	336			336
Other Objects	8,270	-	-	8,270
Total Support Services	<u>740,802</u>	<u>202,262</u>	<u>9,150</u>	<u>952,214</u>
Total Expenditures	<u>\$ 1,531,673</u>	<u>\$ 641,841</u>	<u>\$ 9,150</u>	<u>\$ 2,182,664</u>

CAPITAL PROJECTS FUND

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 CAPITAL PROJECTS FUND
 SUMMARY SCHEDULE OF PROJECT EXPENDITURES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

<u>Issue/Project Title</u>	<u>Revised Appropriation</u>	<u>Transfers</u>	<u>Expenditures</u>		<u>Project Balance June 30, 2020</u>
			<u>Prior Periods</u>	<u>Current Year</u>	
Various Capital Improvements	\$ 90,000	\$ (51,586)	\$ 38,414		
Capital Improvements - 369 Passaic Avenue	1,500,000		1,170,436	\$ 16,186	\$ 313,378
Various Capital Improvements	300,000	4,735	221,785	70,075	12,875
Various Capital Improvements	<u>230,000</u>	<u>46,851</u>	<u>276,851</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,120,000</u>	<u>\$ -</u>	<u>\$ 1,707,486</u>	<u>\$ 86,261</u>	<u>\$ 326,253</u>
			Project Balances		\$ 326,253
			Interest on Lease Purchase		<u>37,157</u>
			Fund Balance		<u>\$ 363,410</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, 2020**

Revenues and Other Financing Sources

Other Financing Sources	
Interest on Lease Purchase	\$ 4,690
Transfer from General Fund	<u>-</u>
 Total Revenues and Other Financing Sources	 <u>4,690</u>

Expenditures and Other Financing Uses

Expenditures:	
Capital Outlay	
Facilities Acquisition and Construction	
Purchased Professional Services	
Construction Services	<u>86,261</u>
 Total Expenditures	 <u>86,261</u>

Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	 (81,571)
 Fund Balance, Beginning of Year	 <u>444,981</u>
 Fund Balance, End of Year	 <u>\$ 363,410</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, 2020**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Local Sources - General Fund	\$ 62,000	\$ (23,586)	\$ 38,414	\$ 38,414
Total Revenues and Other Financing Sources	<u>62,000</u>	<u>(23,586)</u>	<u>38,414</u>	<u>38,414</u>
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services	6,374		6,374	6,374
Construction Services	<u>32,040</u>	<u>-</u>	<u>32,040</u>	<u>32,040</u>
Total Expenditures and Other Financing Uses	<u>38,414</u>	<u>-</u>	<u>38,414</u>	<u>38,414</u>
Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ 23,586</u>	<u>\$ (23,586)</u>	<u>\$ -</u>	<u>\$ -</u>
Additional Project Information:				
Original Authorized Cost	\$ 40,000			
Revised Authorized Cost	\$ 38,414			
Percentage Increase Over Original Authorized Cost	-4%			
Percentage Completion	100%			
Original 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, 2020

	<u>Prior</u> <u>Periods</u>	<u>Current</u> <u>Year</u>	<u>Totals</u>	<u>Revised</u> <u>Authorized</u> <u>Cost</u>
Revenues and Other Financing Sources				
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>
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services	148,170		148,170	100,000
Construction Services	<u>1,022,266</u>	\$ 16,186	<u>1,038,452</u>	<u>1,400,000</u>
Total Expenditures and Other Financing Uses	<u>1,170,436</u>	<u>16,186</u>	<u>1,186,622</u>	<u>1,500,000</u>
Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ 329,564</u>	<u>\$ (16,186)</u>	<u>\$ 313,378</u>	<u>\$ -</u>
Additional Project Information:				
Original Authorized Cost	\$ 1,500,000			
Revised Authorized Cost	\$ 1,500,000			
Percentage Completion		79%		
Original Target Completion Date		June 30, 2018		
Revised Target Completion Date		June 30, 2021		

**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, 2020**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Local Sources - Transfer from General Fund	\$ 265,000	\$ 39,735	\$ 304,735	\$ 304,735
Total Revenues and Other Financing Sources	<u>265,000</u>	<u>39,735</u>	<u>304,735</u>	<u>304,735</u>
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services	221,785		221,785	221,785
Construction Services	<u>-</u>	<u>70,075</u>	<u>70,075</u>	<u>82,950</u>
Total Expenditures and Other Financing Uses	<u>221,785</u>	<u>70,075</u>	<u>291,860</u>	<u>304,735</u>
Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ 43,215</u>	<u>\$ (30,340)</u>	<u>\$ 12,875</u>	<u>\$ -</u>
Additional Project Information:				
Original Authorized Cost	\$ 300,000			
Revised Authorized Cost	\$ 304,735			
Percentage Completion	96%			
Original Target Completion Date	June 30, 2018			
Revised Target Completion Date	June 30, 2021			

**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, 2020**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Local Sources - Transfer from General Fund	\$ 293,000	\$ (16,149)	\$ 276,851	\$ 276,851
Total Revenues and Other Financing Sources	<u>293,000</u>	<u>(16,149)</u>	<u>276,851</u>	<u>276,851</u>
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services	276,851		276,851	276,851
Construction Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures and Other Financing Uses	<u>276,851</u>	<u>-</u>	<u>276,851</u>	<u>276,851</u>
Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ 16,149</u>	<u>\$ (16,149)</u>	<u>\$ -</u>	<u>\$ -</u>
Additional Project Information:				
Original Authorized Cost	\$ 293,000			
Revised Authorized Cost	\$ 276,851			
Percentage Completion	100%			
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, 2020**

	<u>Food Service</u>	<u>Cooperative Purchasing</u>	<u>Total</u>
ASSETS			
Non-Current Assets			
Capital Assets	\$ 21,225		\$ 21,225
Accumulated Depreciation	<u>(12,792)</u>	<u>-</u>	<u>(12,792)</u>
Total Capital Assets, Net	<u>8,433</u>	<u>-</u>	<u>8,433</u>
Total Assets	<u>8,433</u>	<u>-</u>	<u>8,433</u>
LIABILITIES			
Current Liabilities			
Due to Other Funds	<u>151</u>	<u>-</u>	<u>151</u>
Total Liabilities	<u>151</u>	<u>-</u>	<u>151</u>
NET POSITION			
Net Investment in Capital Assets	8,433		8,433
Unrestricted	<u>(151)</u>	<u>-</u>	<u>(151)</u>
Total Net Position	<u>\$ 8,282</u>	<u>\$ -</u>	<u>\$ 8,282</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, 2020**

	<u>Food Service</u>	<u>Cooperative Purchasing</u>	<u>Total</u>
OPERATING REVENUES			
Participation Fees	-	-	-
Total Operating Revenues	-	-	-
OPERATING EXPENSES			
Cost of Sales - Reimbursable Programs	\$ 42,698		\$ 42,698
Depreciation	2,811	-	2,811
Total Operating Expenses	45,509	-	45,509
Operating Income (Loss)	(45,509)	-	(45,509)
NONOPERATING REVENUES			
State Sources			
State School Lunch Program	373		373
Federal Sources			
School Breakfast Program	14,872		14,872
National School Lunch Program	23,744		23,744
Fresh Fruits and Vegetables Program	872	-	872
Total Nonoperating Revenues	39,861	-	39,861
Change in Net Position Before Transfers In	(5,648)	-	(5,648)
Transfer In - Board Contributions	30,159	\$ 15,650	45,809
Change in Net Position	24,511	15,650	40,161
Net Position, Beginning of Year	(16,229)	(15,650)	(31,879)
Net Position, End of Year	\$ 8,282	\$ -	\$ 8,282

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Food Service</u>	<u>Cooperative Purchasing</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Payments for Goods and Services	\$ (42,913)	-	\$ (42,913)
Net Cash Provided By (Used For) Operating Activities	<u>(42,913)</u>	<u>-</u>	<u>(42,913)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Cash Received (Paid) from Interfund Activities	(45,909)	\$ (15,650)	(61,559)
Cash Received from Board Contributions	30,159	15,650	45,809
Cash Received from State and Federal Subsidy Reimbursements	<u>58,663</u>	<u>-</u>	<u>58,663</u>
Net Cash Provided By (Used For) Non-Capital Financing Activities	<u>42,913</u>	<u>-</u>	<u>42,913</u>
Net Change in Cash and Cash Equivalents	-	-	-
Cash and Cash Equivalents, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Cash and Cash Equivalents, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (45,509)	\$ -	\$ (45,509)
Depreciation	2,811		2,811
Decrease in Accounts Payable	<u>(215)</u>	<u>-</u>	<u>(215)</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ (42,913)</u>	<u>\$ -</u>	<u>\$ (42,913)</u>

FIDUCIARY FUNDS

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
FIDUCIARY FUNDS
COMBINING STATEMENT OF AGENCY ASSETS AND LIABILITIES
AS OF JUNE 30, 2020**

	<u>Student Activity</u>	<u>Payroll Agency Funds</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 2,604	\$ 110,393	\$ 112,997
Total Assets	<u>\$ 2,604</u>	<u>\$ 110,393</u>	<u>\$ 112,997</u>
LIABILITIES			
Due to Student Groups	\$ 2,604		\$ 2,604
Payroll Deductions and Withholdings		\$ 101,854	101,854
Due to Other Funds	<u>-</u>	<u>8,539</u>	<u>8,539</u>
Total Liabilities	<u>\$ 2,604</u>	<u>\$ 110,393</u>	<u>\$ 112,997</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOT APPLICABLE

**STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Balance</u> <u>July 1, 2019</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disburse-</u> <u>ments</u>	<u>Balance</u> <u>June 30, 2020</u>
Essex Junior Academy	\$ 1,052	\$ 9		\$ 1,061
Essex High School	501	5		506
Essex Campus Academy	169	32		201
Sojourn High School	550	286	-	836
	<u>\$ 2,272</u>	<u>\$ 332</u>	<u>\$ -</u>	<u>\$ 2,604</u>

**PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Balance,</u> <u>July 1,</u> <u>2019</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance,</u> <u>June 30,</u> <u>2020</u>
Payroll Deductions and Withholdings	\$ 214,640	\$ 18,036,635	\$ 18,149,421	\$ 101,854
Accrued Salaries and Wages		10,926,592	10,926,592	-
Due to Other Funds	8,532	2,971	2,964	8,539
	<u>\$ 223,172</u>	<u>\$ 28,966,198</u>	<u>\$ 29,078,977</u>	<u>\$ 110,393</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, 2020**

NOT APPLICABLE

**SCHEDULE OF CAPITAL LEASES PAYABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

<u>Issue</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Balance, July 1, 2019</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance, June 30, 2020</u>
369 Passaic Avenue	2.90%	\$ 12,500,000	\$ 9,265,023		\$ 545,238	\$ 8,719,785
333 Fairfield Road	3.15%	7,465,499	7,051,499		286,000	6,765,499
23 Fairfield Place		1,620,000	1,620,000			1,620,000
School Bus	2.15%	103,374	41,775	-	20,665	21,110
			<u>\$ 17,978,297</u>	<u>\$ -</u>	<u>\$ 851,903</u>	<u>\$ 17,126,394</u>

**DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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,									
	2011	2012	2013	2014 (Restated)	2015	2016	2017	2018	2019	2020
Governmental Activities										
Net Investment in Capital Assets	\$ 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	\$ 3,359,146
Restricted	1,761,854	1,697,005	1,414,198	88,212	36,052	-	57,960	153,063	115,417	50,032
Unrestricted	<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>	<u>7,042,609</u>
Total Governmental Activities Net Position	<u>\$ 30,950,775</u>	<u>\$ 31,193,502</u>	<u>\$ 31,070,319</u>	<u>\$ 20,914,987</u>	<u>\$ 21,602,049</u>	<u>\$ 25,652,770</u>	<u>\$ 22,313,677</u>	<u>\$ 20,432,233</u>	<u>\$ 15,481,616</u>	<u>\$ 10,451,787</u>
Business-Type Activities										
Investment in Capital Assets	\$ 5,736	\$ 4,302	\$ 2,868	\$ 1,434				\$ 14,055	\$ 11,244	\$ 8,433
Unrestricted	<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>	<u>(151)</u>
Total Business-Type Activities Net Position	<u>\$ 13,107</u>	<u>\$ 19,109</u>	<u>\$ 21,710</u>	<u>\$ 26,597</u>	<u>\$ 40,253</u>	<u>\$ 22,631</u>	<u>\$ 5,992</u>	<u>\$ (12,994)</u>	<u>\$ (31,879)</u>	<u>\$ 8,282</u>
Commission-Wide										
Net Investment in Capital Assets	\$ 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	\$ 3,367,579
Restricted	1,761,854	1,697,005	1,414,198	88,212	36,052	-	57,960	153,063	115,417	50,032
Unrestricted	<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>	<u>7,042,458</u>
Total Commission Net Position	<u>\$ 30,963,882</u>	<u>\$ 31,212,611</u>	<u>\$ 31,092,029</u>	<u>\$ 20,941,584</u>	<u>\$ 21,642,302</u>	<u>\$ 25,675,401</u>	<u>\$ 22,319,669</u>	<u>\$ 20,419,239</u>	<u>\$ 15,449,737</u>	<u>\$ 10,460,069</u>

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,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 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	\$ 2,905,673
Special Education	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	8,014,396
Other Instruction	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	2,934,250
Community Services/Other Instruction							71,700	152,942	219,076	
Support Services:										
Student & Instruction Related Services	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	3,536,236
General Administrative Services	774,117	683,125	934,794	2,276,788	1,784,255	1,683,334	3,935,822	4,412,369	4,517,319	2,230,622
School Administrative Services	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	2,881,470
Central Services	900,040	770,527	782,318	725,075	727,272	712,869	961,956	1,481,206	1,542,509	1,235,548
Administrative Info. Technology	159,899	234,833	194,258	151,218	132,698	137,436	248,240	336,974	322,472	296,899
Plant Operations And Maintenance	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	2,106,950
Pupil Transportation	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	35,360,572
Interest On Long-Term Debt	472,165	461,169	384,009	436,410	422,747	407,624	390,852	889,536	499,619	474,664
Total Governmental Activities Expenses	70,163,288	73,379,056	73,547,934	74,074,659	88,067,953	104,018,391	79,391,325	88,744,346	69,419,231	61,977,280
Business-Type Activities										
Coopertive Purchasing							20,750			
Food Service	71,978	78,552	68,163	94,109	87,471	68,942	86,674	101,422	84,867	45,509
Total Business-Type Activities Expense	71,978	78,552	68,163	94,109	87,471	68,942	107,424	101,422	84,867	45,509
Total District Expenses	\$ 70,235,266	\$ 73,457,608	\$ 73,616,097	\$ 74,168,768	\$ 88,155,424	\$ 104,087,333	\$ 79,498,749	\$ 88,845,768	\$ 69,504,098	\$ 62,022,789
Program Revenues										
Governmental Activities:										
Charges For Services:										
Instruction (Regular)	\$ 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	\$ 1,101,759
Special Education	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	3,105,016
Other Instruction	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	2,076,336
Student and Instruction Related Services	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	9,580,767
General Administrative Services	577,577	434,196	262,489	1,764,771	1,110,950	636,931	1,024,340	794,872	778,489	372,571
School Administrative Services							580,602	1,074,012	1,165,486	632,669
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	87,920
Pupil Transportation	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	33,998,836
Interest on Long-Term Debt										
Operating Grants And Contributions	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	5,409,616
Total Governmental Activities Program Revenues	70,825,309	73,769,894	72,914,624	74,527,770	87,817,639	107,514,173	74,018,339	84,100,133	62,508,264	56,365,490

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

	Fiscal Year Ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Business-Type Activities:										
Charges For Services								\$ 4,200	\$ 900	
Cooperative Purchasing										
Food Service	\$ 322									
Operating Grants And Contributions	67,036	82,873	70,764	98,996	101,127	51,320	90,785	78,236	65,082	39,861
Capital Grants and Contributions	7,170	-	-	-	-	-	-	-	-	-
Total Business Type Activities Program Revenues	74,528	82,873	70,764	98,996	101,127	51,320	90,785	82,436	65,982	39,861
Total District Program Revenues	\$ 70,899,837	\$ 73,852,767	\$ 72,985,388	\$ 74,626,766	\$ 87,918,766	\$ 107,565,493	\$ 74,109,124	\$ 84,182,569	\$ 62,574,246	\$ 56,405,351
Net (Expense)/Revenue										
Governmental Activities	\$ 662,021	\$ 390,838	\$ (633,310)	\$ 453,111	\$ (250,314)	\$ 3,495,782	\$ (5,372,986)	\$ (4,644,213)	\$ (6,910,967)	\$ (5,611,790)
Business-Type Activities	2,550	4,321	2,601	4,887	13,656	(17,622)	(16,639)	(18,986)	(18,885)	(5,648)
Total District-Wide Net Expense	\$ 664,571	\$ 395,159	\$ (630,709)	\$ 457,998	\$ (236,658)	\$ 3,478,160	\$ (5,389,625)	\$ (4,663,199)	\$ (6,929,852)	\$ (5,617,438)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Miscellaneous Income	54,062	117,164	510,127	1,615,851	937,376	554,939	2,033,893	2,102,804	2,406,823	627,770
Loss on Disposal of Capital Assets										
Transfers	(4,531)	(1,681)	-	-	-	-	-	-	-	(45,809)
Total Governmental Activities	49,531	115,483	510,127	1,615,851	937,376	554,939	2,033,893	2,102,804	2,406,823	581,961
Business-Type Activities:										
Transfers	4,531	1,681	-	-	-	-	-	-	-	45,809
Total Business-Type Activities	4,531	1,681	-	-	-	-	-	-	-	45,809
Total Commission-Wide	\$ 54,062	\$ 117,164	\$ 510,127	\$ 1,615,851	\$ 937,376	\$ 554,939	\$ 2,033,893	\$ 2,102,804	\$ 2,406,823	\$ 627,770
Change in Net Position										
Governmental Activities	\$ 711,552	\$ 506,321	\$ (123,183)	\$ 2,068,962	\$ 687,062	\$ 4,050,721	\$ (3,339,093)	\$ (2,541,409)	\$ (4,504,144)	\$ (5,029,829)
Business-Type Activities	7,081	6,002	2,601	4,887	13,656	(17,622)	(16,639)	(18,986)	(18,885)	40,161
Total Commission	\$ 718,633	\$ 512,323	\$ (120,582)	\$ 2,073,849	\$ 700,718	\$ 4,033,099	\$ (3,355,732)	\$ (2,560,395)	\$ (4,523,029)	\$ (4,989,668)

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,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
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	\$ 17,105,284
Unassigned	<u>19,972,123</u>	<u>20,443,335</u>	<u>7,611,329</u>	<u>7,610,158</u>	<u>8,282,043</u>	<u>13,089,192</u>	<u>15,828,831</u>	<u>1,209,493</u>	<u>1,400,300</u>	<u>1,295,794</u>
Total General Fund	<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>	<u>\$ 18,401,078</u>
All Other Governmental Funds										
Restricted							\$ 618,066	\$ 329,564	\$ 313,378	
Assigned	<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>153,063</u>	<u>115,417</u>	<u>50,032</u>
Total All Other Governmental Funds	<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>	<u>\$ 363,410</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,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Tuition Charges	\$ 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	\$ 2,939,807
Transportation Fees	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	34,300,797
Miscellaneous	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	15,657,863
State Sources	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	2,400,888
Federal Sources	633,845	589,917	743,957	706,907	1,006,830	1,321,631	1,217,627	1,213,240	1,360,043	1,476,881
Total Revenue	71,106,012	73,986,896	72,220,668	73,241,450	86,115,794	105,022,565	76,518,288	79,711,442	63,809,582	56,776,236
Expenditures										
Instruction										
Regular Instruction	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	2,586,245
Special Education Instruction	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	7,569,923
Other Instruction	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	2,933,142
Community Services							71,700	152,942	200,691	
Support Services										
Student and Inst. Related Services	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	3,411,373
General Administration	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	2,027,395
School Administrative Services	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	2,634,777
Central Services	901,066	770,824	780,663	722,882	727,501	700,842	912,902	1,309,634	1,426,432	1,166,795
Admin. Information Technology	160,140	235,181	194,422	150,829	133,282	134,202	231,984	303,897	295,954	285,957
Plant Operations And Maintenance	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	1,500,021
Pupil Transportation	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	35,308,726
Capital Outlay	355,966	241,718	153,257	79,635	96,487		32,040	10,234,161	643,613	86,261
Debt Service										
Principal	193,345	252,965	255,073	277,160	300,286	334,613	370,551	607,053	818,208	851,903
Interest and Other Charges	476,502	466,882	389,927	442,840	429,714	415,387	399,449	860,578	510,062	485,546
Total Expenditures	71,203,377	74,057,903	73,427,482	73,875,710	86,245,049	100,988,750	74,580,689	94,625,003	67,703,681	60,848,064
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	(97,365)	(71,007)	(1,206,814)	(634,260)	(129,255)	4,033,815	1,937,599	(14,913,561)	(3,894,099)	(4,071,828)
Other Financing Sources (Uses)										
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				1,562,898	18,980	36,052	90,000	300,000	230,000	
Transfers Out	(4,531)	(1,681)	-	(1,562,898)	(18,980)	(36,052)	(90,000)	(300,000)	(230,000)	(45,809)
Total Other Financing Sources (Uses)	(4,531)	(1,681)	-	-	-	23,334	-	10,991,904	-	(45,809)
Net Change in Fund Balances	\$ (101,896)	\$ (72,688)	\$ (1,206,814)	\$ (634,260)	\$ (129,255)	\$ 4,057,149	\$ 1,937,599	\$ (3,921,657)	\$ (3,894,099)	\$ (4,117,637)
Debt Service as a Percentage of										
Noncapital Expenditures	0.95%	0.98%	0.88%	0.98%	0.85%	0.74%	1.03%	1.74%	1.98%	2.20%

* 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)**

Fiscal Year Ended June 30	Local Education Agency Fees	Indirect Cost Fees	Interest	Miscellaneous	Total
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
2020	8,709,244	207,997	132,584	282,500	9,332,325

Source: Commission's financial statements

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

NOT APPLICABLE

**DIRECT 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		
2011		\$ 10,120,492	\$ 10,120,492	785,551	\$ 13
2012		9,867,527	9,867,527	785,063	13
2013		9,612,454	9,612,454	786,649	12
2014		9,335,294	9,335,294	788,726	12
2015		9,035,008	9,035,008	790,439	11
2016		8,700,395	8,700,395	792,689	11
2017		8,329,844	8,329,844	796,349	10
2018		18,796,505	18,796,505	798,570	24
2019		17,978,297	17,978,297	798,975	23
2020		17,126,394	17,126,394	798,975 (E)	21

Source: Commission records

(E) - Estimate

EXHIBIT J-11

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

NOT APPLICABLE

EXHIBIT J-12

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

NOT APPLICABLE

EXHIBIT J-13

**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>
2011	10.8%	\$ 50,908	785,551
2012	10.8%	51,947	785,063
2013	10.8%	54,225	786,649
2014	9.5%	55,049	788,726
2015	7.9%	55,797	790,439
2016	6.7%	58,470	792,689
2017	6.0%	60,836	796,349
2018	5.7%	62,253	798,570
2019	5.2%	64,232	798,975
2020	4.5%	67,459 (E)	798,975 (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>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>	<u>2020</u>
Instruction	150	140	140	145	142	393	482	482	206	183
Support Services:										
Student and Instruction Related Services	324	280	290	292	298	10	38	38	16	37
General Administration	5	5	5	5	5	8	11	11	11	13
School Administrative Services	10	10	10	10	9	12	10	10	14	20
Central and Other Support Services	17	16	17	18	18	6	39	39	36	13
Plant Operations And Maintenance	6	6	6	6	6	4	3	3	3	3
Pupil Transportation	13	15	15	15	17	17	15	15	16	14
Total	<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>	<u>283</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)**

Fiscal Year Ended June 30,	Enrollment	Operating Expenditures	Pupil/Teacher Ratio			Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
			Teaching Staff	Elementary/ Middle School	High School				
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	-16.62%	71
2020	73.0	59,424,354	N/A	N/A	N/A	73.13	52.39	-10.75%	70

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,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<u>District Building</u>										
<u>Dr. Jacqueline A. Young Education Center</u>										
Square Feet	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	-	-
<u>Essex Campus Academy</u>										
Square Feet	30,000	30,000	30,000	30,000	30,000	30,000	30,000	25,000	17,000	17,000
Capacity (students)	125	125	125	125	125	125	125	125	125	125
Enrollment	52	46	36	40	40	41	45	34	26	26
<u>Essex Junior Academy</u>										
Square Feet	33,276	33,276	38,000	38,000	38,000	38,000	19,000	19,000	19,000	19,000
Capacity (students)	192	192	220	220	220	220	110	110	110	110
Enrollment	35	46	44	41	42	41	48	33	15	15
<u>Essex High School</u>										
Square Feet	7,580	7,580	7,580	7,580	7,580	7,580	19,000	19,000	17,000	17,000
Capacity (students)	48	48	48	48	48	48	110	110	110	110
Enrollment	35	44	46	39	40	36	45	36	34	34
<u>Central Office/Administration</u>										
Square Feet									25,000	25,000
<u>23 Fairfield Place</u>										
Square Feet									15,500	15,500
Capacity (students)									N/A	N/A
Enrollment									N/A	N/A
Number of Schools at June 30, 2020										
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, 2020
(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
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
RALPH M. PICONE, III, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
DEBRA GOLLE, CPA
MARK SACO, CPA
ROBERT LERCH, CPA
CHRIS SOHN, CPA
CHRISTOPHER M. VINCI, CPA
CHRISTINA CUIFFO, 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
333 Fairfield Road
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, 2020 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 April 6, 2021.

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.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002 that we consider to be significant deficiencies.

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 instances of noncompliance or other matters that are 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 2020-001 and 2020-002.

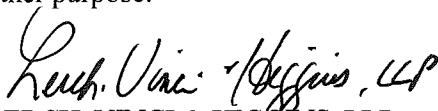
We also noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Essex Regional Educational Services Commission in a separate report entitled, “Auditor’s Management Report on Administrative Findings – Financial, Compliance and Performance” dated April 6, 2021.


Essex Regional Educational Services Commission’s Responses to Findings

The Essex Regional Educational Services Commission’s responses 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 responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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

Fair Lawn, New Jersey
April 6, 2021



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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**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
333 Fairfield Road
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, 2020. 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 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, 2020.

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. 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 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, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements. We have issued our report thereon dated April 6, 2021, 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
April 6, 2021

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	FAIN Number	Grant Period	Award Amount	Balance July 1, 2019			Carryover Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Year Balance	Balance June 30, 2020			Memo GAAP Receivable
					(Accounts Receivable)	Unearned Revenue	Due to Grantor					(Accounts Receivable)	Unearned Revenue	Due to Grantor	
U.S. Department of Education															
Passed Through State Department of Education															
<u>Special Revenue Fund:</u>															
Migrant Education	84.011A	S011A190030	1/1/20-12/31/20	\$ 918,500					\$ 49,658			\$ (918,500)	\$ 868,842	\$ (49,658)	
Migrant Education	84.011A	S011A160030	1/1/17-12/31/17	672,462		\$ 27,688				\$ 27,688					
Migrant Education	84.011A	S011A170030	1/1/18-12/31/18	672,466		3,245				3,245					
Migrant Education	84.011A	S011A180030	1/1/19-12/31/19	845,000	\$ (845,000)	\$ 702,886		\$ 518,660	376,155					\$ 391	
Migrant Education	84.011A	NA	1/1/15-12/31/15	518,391	-	-	5,082	-	-	-	5,082	-	-	-	
Total Migrant Education					(845,000)	702,886	36,015	-	518,660	425,813	36,015	(918,500)	868,842	391	
McKinney Comp Competitive Grant	84.196	S196A190031	9/1/19-12/31/20	369,968					138,887	368,545		(231,081)	1,423	(229,658)	
McKinney Comp Competitive Grant	84.196	S196A180031	9/1/18-8/31/19	339,376	(169,490)				169,490					-	
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	-	-	-	
Total Homeless Children and Youth					(169,490)	-	16,141	-	308,377	368,545	16,141	(231,081)	1,423	(229,658)	
Title I Part D	84.013	S013A190030	7/1/19-6/30/20	655,742					437,534	641,841		(218,208)	13,901	(204,307)	
Title I Part D	84.013	S013A180030	7/1/18-6/30/19	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					-	
Title I Part D	84.013	S013A160030	7/1/16-6/30/17	518,202	-	-	22,133	-	-	-	22,133	-	-	-	
Total Title I					(303,807)	-	22,133	-	741,341	641,841	22,133	(218,208)	13,901	(204,307)	
U.S. Department of Agriculture															
Passed Through State Department of Agriculture															
Summer Food Service Program	10.559	201NJ304N1099	7/1/19-8/31/20	40,682	-	-	-	-	40,682	40,682	-	-	-	-	
Total Special Revenue Fund					(1,318,297)	702,886	74,289	-	1,609,060	1,476,881	74,289	(1,367,789)	884,166	391	
U.S. Department of Agriculture															
Passed Through State Department of Agriculture															
<u>Enterprise Fund:</u>															
National School Lunch Program	10.555	201NJ304N1099	7/1/19-6/30/20	23,744					23,744	23,744				-	
National School Lunch Program	10.555	191NJ304N1099	7/1/18-6/30/19	34,392	(9,757)				9,757					-	
National School Breakfast Program	10.553	201NJ304N1099	7/1/19-6/30/20	14,872					14,872	14,872				-	
National School Breakfast Program	10.553	191NJ304N1099	7/1/18-6/30/19	21,088	(6,202)				6,202					-	
After School Snack Program	10.558	191NJ304N1099	7/1/18-6/30/19	9,044	(2,685)				2,685					-	
Fresh Fruits and Vegetables Program	10.582	201NJ304L1603	7/1/19-6/30/20	872	-	-	-	-	872	872	-	-	-	-	
Total Enterprise Fund					(18,644)	-	-	-	58,132	39,488	-	-	-	-	
Total Federal Financial Awards					\$ (1,336,941)	\$ 702,886	\$ 74,289	\$ -	\$ 1,667,192	\$ 1,516,369	\$ 74,289	\$ (1,367,789)	\$ 884,166	\$ 391	

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

State Department of Education	Grant or State Project Number	Grant Period	Award Amount	Balance July 1, 2019	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustment	Balance June 30, 2020			MEMO			
									(Accts. Receivable)	Unearned Revenue	Due to Grantor	GAAP Receivable	Cumulative Total Expenditures		
General Fund:															
TPAF On-Behalf															
	20-495-034-5094-002	7/1/19-6/30/20	\$ 1,372,114			\$ 1,372,114	\$ 1,372,114							\$ 1,372,114	
	NCGI Premium	20-495-034-5094-004	24,594			24,594	24,594							24,594	
	LTDI Insurance	20-495-034-5094-004	1,157			1,157	1,157							1,157	
	Post Retirement Medical	20-495-034-5094-001	518,153	-	-	518,153	518,153	-	-	-	-	-	-	518,153	
	Total On-Behalf TPAF Pension			-	-	1,916,018	1,916,018	-	-	-	-	-	-	1,916,018	
	Reimbursed TPAF Social Security Contr.	19-495-034-5094-003	420,853	\$ (37,074)		37,074									
	Reimbursed TPAF Social Security Contr.	20-495-034-5095-003	387,201	-	-	354,755	387,201	-	\$ (32,446)	-	-	\$ (32,446)	-	387,201	
	Total General Fund			(37,074)	-	2,307,847	2,303,219	-	(32,446)	-	-	(32,446)	-	2,303,219	
Special Revenue Fund:															
State Division of Youth and Family Serv.															
	20AJGM	7/1/19-6/30/20	124,997			124,997	97,669			\$ 27,328				97,669	
	Extended Day Care	19AJGM	124,998	16,933						16,933				-	
	Extended Day Care	16AJGM	124,997	9,483	-	-	-	-	-	9,483	-	-	-	-	
	Total Special Revenue Fund			26,416	-	124,997	97,669	-	-	53,744	-	-	-	97,669	
Enterprise Fund:															
	State School Lunch Program	18-100-034-5120-122	558	(158)		158				-				-	
	State School Lunch Program	20-100-034-5120-122	373	-	-	373	373	-	-	-	-	-	-	373	
	Total Enterprise Fund			(158)	-	531	373	-	-	-	-	-	-	373	
	Total State Financial Assistance Subject to Single Audit Determination			(10,816)	-	2,433,375	2,401,261	-	(32,446)	53,744	-	(32,446)	-	2,401,261	
General Fund															
TPAF Pension Contributions															
	Normal Contributions					(1,372,114)	(1,372,114)							(1,372,114)	
	NCGI Premium					(24,594)	(24,594)							(24,594)	
	LTDI Insurance					(1,157)	(1,157)							(1,157)	
	Post Retirement Medical					(518,153)	(518,153)							(518,153)	
	Total State Assistance Subject to Major Program Determination			\$ (10,816)	\$ -	\$ 517,357	\$ 485,243	\$ -	\$ (32,446)	\$ 53,744	\$ -	\$ (32,446)	\$ -	\$ 485,243	

**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, 2020**

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 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 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.

The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

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		\$ 2,303,219	\$ 2,303,219
Special Revenue Fund	\$ 1,476,881	97,669	1,574,550
Food Service Fund	<u>39,488</u>	<u>373</u>	<u>39,861</u>
Total Financial Assistance	<u>\$ 1,516,369</u>	<u>\$ 2,401,261</u>	<u>\$ 3,917,630</u>

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 District’s fiscal year and grant program years.

**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, 2020****NOTE 5 OTHER INFORMATION**

TPAF Social Security contributions in the amount of \$387,201 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, 2020. The amount reported as TPAF Pension System Contributions in the amount of \$1,396,708, TPAF Post-Retirement Medical Benefits Contributions in the amount of \$518,153 and TPAF Long-Term Disability Insurance in the amount of \$1,157 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2020.

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 (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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, 2020**

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 2020-001:

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

- a) At June 30, 2020 the Commission had receivables from other Local Education Agencies ("LEA's") in excess of \$16.5 million in the General Fund and \$3.4 million on the Special Revenue Fund. As of March 31, 2021, the outstanding receivable balance was in excess of \$3.9 million in the General Fund and \$1.5 million in the Special Revenue Fund.
- b) The Commission's year end accounts payable in the General Fund was in excess of \$9 million. As of March 31, 2021, there remains over \$1 million of unpaid prior year payables.
- c) Amounts reported in the Commission's June 30, 2020 financial statements for accounts payable and accrued salaries and benefits were not in agreement with subsidiary records. In addition, billings in the Commission's subsidiary reports were not always in agreement with amounts recorded in the Commission's Board Secretary Report.

Criteria or Specific Requirement:

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

Condition:

- a) Accounts receivable were not collected in a timely manner. Audit adjustments were made to reduce the receivables based on collections through March 31, 2021.
- b) Accounts payable were not always liquidated in a timely manner.
- c) The Commission's accrued salaries and wages balances in the General and Special Revenue Funds were overstated by \$34,797 and \$86,689, respectively. The accounts payable balances are understated by \$15,930 in the General Fund and \$71,411 in the Special Revenue Fund.
- d) In certain instances, revenues reported in the Commission's Board Secretary Report were greater than billings.

Context:

The Commission's receivables were overstated, resulting in the overstatement of fund balance. In addition, certain liability, revenue and expense accounts were over (under) stated at June 30, 2020.

Effect:

The Commission's fund balance per the internal accounting records was overstated at June 30, 2020.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 2020-001: (Continued)

Cause:

Unknown.

Recommendation:

- Internal control procedures be reviewed and enhanced to ensure the accuracy and collection of outstanding accounts receivable, as well as the timely liquidation of accounts payable.
- Procedures be implemented to ensure that the Commission's financial statements are in agreement with the monthly Board Secretary's report and subsidiary records.

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, 2020**

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 2020-002:

Our audit revealed the following:

- a) Monthly Board Secretary's report and the Board's certification of availability of funds were not completed and submitted to the Board of Directors for their approval in a timely manner.
- b) Documentation for additional budget appropriations could not always be verified to the amounts approved in Commission's official minutes. In addition, there were differences between the amounts listed in the Commission's minutes for receivable write-offs and the funding of the Enterprise Fund deficits.

Criteria or Specific Requirement:

New Jersey State Statutes and Administrative Code

Condition:

- a) Monthly Board Secretary's reports and the Board's certification of availability of funds were not completed in a timely manner.
- b) Changes to the Commission's adopted budget (in the aggregate) could not always be verified to a resolution approved by the Board. The resolutions did not include the budget account number of the revenue and/or appropriation being modified. In addition, the Commission's minutes did not always agree with the adjustment made to the financial statements.

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 and other adjustments could not be verified to the resolutions approved by the Board.

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 required monthly financial reports are completed and submitted to the Board for their timely approval. In addition, modifications to the Commission's budget be in agreement with the amounts recorded in the Commission's financial report, and include the proper state revenue or appropriation budget account number.

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, 2020

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, 2020**

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 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.

Current Status:

See Auditing Finding 2020-001.

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.

Current Status:

See Audit Finding 2020-002.