

EDUCATIONAL SERVICES COMMISSION
OF NEW JERSEY



BOARD OF DIRECTORS
PISCATAWAY, NJ 08854

Comprehensive **A**nnual **F**inancial **R**eport
for the **F**iscal **Y**ear **E**nded **J**une 30, 2020

Educational Services Commission of New Jersey
Piscataway, New Jersey

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2020

Prepared by

Educational Services Commission of New Jersey
Business Office

Table of Contents

	<u>Page</u>
INTRODUCTORY SECTION – Other Information	
Letter of Transmittal	1
Organizational Chart	17
Roster of Officials	18
Consultants, Independent Auditors and Advisors	19
FINANCIAL SECTION	
Independent Auditors' Report	20
Required Supplementary Information – Part I	
Management's Discussion and Analysis	23
Basic Financial Statements	
Government-wide Financial Statements:	
A-1 Statement of Net Position	37
A-2 Statement of Activities	38
Fund Financial Statements	
Governmental Funds:	
B-1 Balance Sheet	39
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	40
B-3 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	41
Proprietary Funds:	
B-4 Statement of Net Position	42
B-5 Statement of Revenues, Expenses and Changes in Fund Net Position	43
B-6 Statement of Cash Flows	44
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Position	45
B-8 Statement of Changes in Fiduciary Net Position	46
Notes to the Basic Financial Statements	47

Table of Contents (continued)

	<u>Page</u>
FINANCIAL SECTION (continued)	
Required Supplementary Information – Part II	
<i>Schedules Related to Accounting and Reporting for Pensions (GASB 68)</i>	
L-1	Schedule of the Commission’s Proportionate Share of the Net Pension Liability – Public Employee’s Retirement System (PERS) 90
L-2	Schedule of the Commission’s Pension Contributions – Public Employee’s Retirement System (PERS) 91
L-3	Schedule of the State’s Proportionate Share of the Net Pension Liability Associated with the Commission – Teacher’s Pension and Annuity Fund (TPAF) 92
<i>Schedule Related to Accounting and Reporting for OPEB (GASB 75)</i>	
M-1	Schedule of the State’s Proportionate Share of the Net OPEB Liability Associated with the Commission and Changes in the Total OPEB Liability and Related Ratios - Public Employee’s Retirement System (PERS) and Teacher’s Pension and Annuity Fund (TPAF) 93
	Notes to Required Supplementary Information 94
Required Supplementary Information – Part III	
Budgetary Comparison Schedules:	
C-1	Budgetary Comparison Schedule – General Fund 95
C-1a	Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – Not Applicable N/A
C-1b	Community Development Block Grant Program – Budget and Actual (Budgetary Basis) – Not Applicable N/A
C-2	Budgetary Comparison Schedule – Special Revenue Fund (Budgetary Basis) 99
C-3	Note to Required Supplementary Information – Budget to GAAP Reconciliation 100

Table of Contents (continued)

	Page
FINANCIAL SECTION (continued)	
D School Level Schedules – Not Applicable	N/A
Supplementary Information	
Special Revenue Fund:	
E-1 Combining Schedule of Revenues and Expenditures – Budgetary Basis	101
E-2 Schedule of Preschool Education Aid Expenditures – Budgetary Basis – Not Applicable	N/A
Capital Projects Fund:	
F-1 Summary of Project Revenues, Expenditures, Project Balance and Project Status – Budgetary Basis	103
F-2 Summary Schedule of Revenue, Expenditures and Changes in Fund Balance – Budgetary Basis	104
Enterprise Funds:	
G-1 Combining Statement of Net Position	105
G-2 Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	106
G-3 Combining Statement of Cash Flows	107
Fiduciary Funds:	
H-1 Combining Statement of Fiduciary Net Position	108
H-2 Combining Statement of Changes in Fiduciary Net Position	109
H-3 Schedule of Cash Receipts and Disbursements – Student Activity Agency Fund	110
H-4 Schedule of Cash Receipts and Disbursements – Payroll Agency Fund	111
Long-Term Debt:	
I-1 Schedule of Bonds/Loans Payable	112
I-2 Schedule of Obligations Under Capital Lease	113
I-3 Budgetary Comparison Schedule – Debt Service Fund	114
STATISTICAL SECTION (Unaudited) – Other Information	
Financial Trends:	
J-1 Net Position by Component	115
J-2 Changes in Net Position	116
J-3 Fund Balances – Government Funds	117
J-4 Changes in Fund Balances – Governmental Funds	118
J-5 General Fund Other Local Revenue by Source	120

Table of Contents (continued)

	Page
STATISTICAL SECTION (Unaudited) – Other Information (continued)	
Revenue Capacity:	
J-6 Assessed Value and Estimated Actual Value of Taxable Property – Not Applicable	N/A
J-7 Direct and Overlapping Property Tax Rates – Not Applicable	N/A
J-8 Principal Property Taxpayers – Not Applicable	N/A
J-9 Property Tax Levies and Collections – Not Applicable	N/A
Debt Capacity:	
J-10 Ratios of Outstanding Debt by Type	121
J-11 Ratios of General Bonded Debt Outstanding – Not Applicable	N/A
J-12 Ratios of Overlapping Governmental Activities Debt – Not Applicable	N/A
J-13 Legal Debt Margin Information – Not Applicable	N/A
Demographic and Economic Information:	
J-14 Demographic and Economic Statistics	122
J-15 Principal Employers – Not Applicable	N/A
Operating Information:	
J-16 Full-time Equivalent District Employees by Function/Program	123
J-17 Operating Statistics	125
J-18 School Building Information	126
J-19 Schedule of Required Maintenance for School Facilities	128
J-20 Insurance Schedule	129
SINGLE AUDIT SECTION	
K-1 Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	131
K-2 Report on Compliance For Each Major Federal and State Program and Report on Internal Control Over Compliance Required by the Uniform Guidance and New Jersey OMB Circular 15-08	133
K-3 Schedule A – Schedule of Expenditures of Federal Awards – Supplementary Information	136
K-4 Schedule B – Schedule of Expenditures of State Financial Assistance – Supplementary Information	137
K-5 Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance	138
K-6 Schedule of Findings and Questioned Costs	141
K-7 Summary Schedule of Prior Year Audit Findings	145

Introductory Section

EDUCATIONAL SERVICES COMMISSION OF NEW JERSEY

<http://www.escnj.us>

1660 Stelton Road

Piscataway, New Jersey 08854

Telephone: (732) 777-9848 Fax: (732) 777-9855

Mark J. Finkelstein
Superintendent

Gary E. Molenaar
Assistant Superintendent for
Learning/Educational Services



Patrick M. Moran
Business Administrator/
Board Secretary

January 25, 2021

President, Vice President and Board of Directors
Educational Services Commission of New Jersey
1660 Stelton Road
Piscataway, NJ 08854

Dear Board Members and Constituents:

The Comprehensive Annual Financial Report ("CAFR") of the Educational Services Commission of New Jersey (the "Commission") as of and for the fiscal year ended June 30, 2020, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Directors. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the government-wide financial statements and the various funds of the Commission. All disclosures necessary to enable the reader to gain an understanding of the Commission's financial activities have been included.

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

1. Reporting Entity and its Services

The Commission was created in 1977 pursuant to NJSA 18A:6-51 through 70, by the twenty-four (24) boards of education in Middlesex County (member districts), to respond to increasing federal and state mandates by developing needed educational programs and services that were best provided cooperatively by a single coordinating agency in an efficient and economic manner. On June 1, 2006, the State Board of Education officially approved a name change for the Middlesex County Educational Services Commission to the Middlesex Regional Educational Services Commission to reflect shared services offered to 11 counties statewide at that time. On May 2, 2016, the State Board of Education unanimously approved a name change for the Middlesex Regional Educational Services Commission to the Educational Services Commission of New Jersey to more accurately reflect its scope of services offered to a presence in all 21 counties. The Commission is a public education agency reporting within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by GASB Statement No. 14. All funds and the Government-wide financial statements of the Commission are included in this report for Fiscal Year 2020 (FY2020). The Commission and all of its educational programs constitute the Commission's reporting entity.

The Commission provided educational services and programs to the following member districts, through multi-year contracts during FY2020:

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

In addition, approximately one hundred ninety-four (94) non-member districts contracted with the Commission for educational services and programs during the FY2020 school year.

The following educational services and programs were provided during the FY2020 school year:

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

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

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

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

As of June 30, 2020 the following services were provided:

Compensatory Education	1,933 services
English as a Second Language	150 services
Home Instruction	1,427 hours
Examination/Classification	1,291 services
Supplemental Instruction	952 services
Speech Correction	623 services
Speech Evaluations	13 services

NuVIEW ACADEMY

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

NuView Academy operates on a twelve (12) month basis. In FY2020, NuView Academy served ninety-six (96) students from thirty-one (31) sending districts within seven (7) counties.

PISCATAWAY REGIONAL DAY SCHOOL (PRDS)

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

The PRDS utilizes individual and small group instruction to develop functional language, academic and social skills for students with multiple disabilities. A career exploration program combined with job sampling in the community is offered, in addition to classes in adaptive physical education, art and music. Community-based consumer skills instruction is provided. Augmentative Communication Evaluation Services are also offered,

One hundred twelve (112) students with disabilities received educational services at the PRDS during the FY2020 school year.

PRDS EXTENDED SCHOOL YEAR PROGRAM (PRDS ESY)

During the summer of 2020, forty-eight (48) students participated in the PRDS ESY program.

ACADEMY LEARNING CENTER (ALC)

The ALC provides a comprehensive day school program for students with autism or multiple disabilities based on the principles of Applied Behavior Analysis. The staff, of approximately ninety-five (95)

teachers, instructional aides and therapists, is skilled in the education and the development of appropriate behavior for students with autism or multiple disabilities. The staff provide intensive instruction to students in a team model based upon the goals and objectives of each student's individualized educational program (IEP). Students develop skills in the areas of language and communication, social, academic, activities of daily living, vocational, fine motor and gross motor skills.

The school program is housed in a modern facility located in Monroe Township, New Jersey, especially designed and built for the needs of students with moderate to severe disabilities. In addition to the instructional areas, each classroom has an adjoining observation room for parents/guardians to observe their son/daughter in the classroom, as well as a storage room and a bathroom. The school serves approximately one hundred thirty-four (134) students from 3-21 years of age in eighteen (18) classrooms. The building contains eight (8) speech and language therapy rooms, a large occupational and physical therapy room, a spacious multipurpose room, along with administrative offices and a Health office. Three age appropriate playgrounds are on the ten (10) acre site.

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

The program for students with multiple disabilities focuses on the development of independent functional skills in language, academic, social and vocational areas. Staff utilize the VB-MAPP and the ALC Functional Skills Assessment to drive instructional planning. Teachers utilize individual and small group instruction to develop functional skills in a student-centered environment. Speech, occupational and physical therapists work closely with classroom staff to integrate instruction. A vocational program combined with paid school jobs, job sampling in the community may be available for students as appropriate. Special subject classes include Adaptive Physical Education, Art and Music. Community-based instruction is provided as well as a six (6) week Extended School Year Program. As in the autism program, an extensive series of field trips develop community integration training including swimming, consumer shopping, recreation, etc. Comprehensive inclusion support is provided to all ALC students if they return to their home district on a part-time or full-time basis.

ALC EXTENDED SCHOOL YEAR PROGRAM (ALC ESY)

The ALC ESY program is a continuation of the ten month program and provides a six week program from the last week in June through the first week in August. A high percentage of ten month employees also work in the ESY program. One hundred (100) students participated in the 2020 ESY program.

TITLE I PROGRAM

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

During FY2020, two hundred seventy (270) hours of services were provided to thirty-eight (38) students from eight (8) nonpublic schools. Additionally, three (3) Professional Development workshops were provided through Title I this year.

COOPERATIVE TRANSPORTATION PROGRAM

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

Two thousand two hundred twenty-four (2,224) cooperative special and regular education routes, public school routes, vo-tech and nonpublic school routes, transported more than eleven thousand sixty-one (11,061) students to and from over three hundred twenty-one (321) destinations each day from seventy-one (71) districts before-and-after-care transportation and work-study program transportation and mid-day shuttles between schools. Additionally, approximately two thousand (2,000) students are transported daily on athletic/late routes.

NONPUBLIC TEXTBOOK LOAN PROGRAM

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

For the FY2020 school year, seventy-four (74) nonpublic schools, located within twenty (20) districts in Middlesex, Mercer, Somerset, Ocean and Monmouth Counties, have benefited from this service.

NONPUBLIC NURSING SERVICES

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

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

- (e) Preparing miscellaneous reports as required by State rules and regulations, including reportable diseases to the local health department.

For the FY2020 school year, one hundred eleven (111) nonpublic schools located within thirty (30) districts have benefited from this service.

NONPUBLIC SECURITY AID

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

For the FY2020 school year, seventy-four (74) nonpublic schools located in twenty-one (21) districts have benefited from this service.

NONPUBLIC TECHNOLOGY

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

For the FY2020 school year, eighty-four (84) nonpublic schools located in twenty-three (23) districts have benefited from this service.

E.S.C. GENERAL PROGRAM

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

HOME INSTRUCTION TO PUBLIC STUDENTS

The Commission has provided home instruction services to three hundred sixty-two (362) public school students from thirty-one (31) school districts in and out of Middlesex County during the 2019–2020 school year.

CHARTER SCHOOL SERVICES

The Commission provided an array of services to sixteen (16) charter schools in Middlesex, Mercer, Essex, Hudson and Union Counties.

COUNTY DIAGNOSTIC SERVICES

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

OCCUPATIONAL AND PHYSICAL THERAPY

Occupational therapy and physical therapy were provided to three (3) public school districts during the FY2020 school year. The Commission provided sixty-one (61) OT/PT evaluations for nine (9) districts during the FY2020 school year.

PROFESSIONAL DEVELOPMENT ACADEMY (PDA)

The PDA completed its seventeenth full year of operation in June 2020. The PDA provided learning opportunities to approximately six-hundred (600) educators.

During the 2019 – 2020 school year Commission staff participated in professional development opportunities offered through the PDA, which was designed to address current trends in instructional differentiation and the infusion of technology into the classroom.

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

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

BRIGHT BEGINNINGS LEARNING CENTER (BBLC)

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

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

It remains a school of choice for twenty-two (22) districts seeking placement for students with preschool disabilities, multiple disabilities, and/or autism who require a highly specialized educational program. One hundred twenty-seven (127) students, ages 3 to 13 years, were enrolled at BBLC during the FY2020 school year.

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

The program for students with multiple disabilities addresses the development of physical, cognitive, communicative and social skills through individual and small group instruction. Classes are designed for a 3:1 student to staff ratio. Speech, occupational, and physical therapists work closely with classroom and nursing staff to integrate instruction. Special subject classes include Adaptive Physical Education, Art and Music. BBLC staff strives to establish and strengthen meaningful partnerships between the home and school setting.

BBLC EXTENDED SCHOOL YEAR PROGRAM (BBLC ESY)

The BBLC ESY program is a continuation of the ten month program and provides a six week program from the last week in June through the first week in August. Seventy-six (76) students participated in 2020.

FUTURE FOUNDATIONS ACADEMY (FFA)

The Future Foundations Academy services students with Autism, ages 11 to 21, implementing the principles of Applied Behavior Analysis (ABA). Community-based education and career exploration programs, including job sampling at community worksites, provides students with opportunities for vocational practice in preparation for post-graduation employment.

FFA focuses on learning experiences geared toward functional and independent living, including culinary, horticulture, activities of daily living, and fitness and recreation. The expanded FFA facility offers a new gymnasium, space for related services such as Speech, OT, and PT, specials such as art and music, a simulated apartment for independent living preparation, a fitness center to promote a healthy lifestyle, a student-run organic garden, an outdoor learning courtyard, a Community-Based Instruction center, and Lucy's Café, a student-run farm to table culinary program boasting a successful salad business, where both employable culinary and hospitality skills are honed.

The new Future Foundations Academy also includes an impressive Professional Development Center capable of seating three hundred (300) attendees. Future Foundations Academy currently has twelve (12) classrooms and an enrollment of ninety-one (91) students for the FY 20 school year, with a 2:1 student to staff ratio.

FFA EXTENDED SCHOOL YEAR PROGRAM (FFA ESY)

The FFA ESY program is a continuation of the ten month program and provides a six week program from the first week in July through the second week in August. Seventy-six (76) students participated in the ESY.

CENTER FOR LIFELONG LEARNING (CLL)

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

The Center for Lifelong Learning has developed into a program of choice for thirty-seven (37) districts in five (5) counties seeking placement for students classified as /,preschool disabled, multiply disabled and autistic. One hundred ninety-seven (197) students, ages 3 to 21 years, were enrolled at CLL during the FY2020 school year.

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

CLL EXTENDED SCHOOL YEAR PROGRAM (CLL ESY)

The CLL ESY program is a continuation of the ten month program and provides a six week program from the last week in June through the first week in August. During the summer of 2020, one hundred twenty-seven (127) students participated in the Remote Extended School Year.

PATHWAYS TO ADULT LIVING (PAL)

The Pathways to Adult Living (PAL) program opened September 2017. PAL is designed to ensure a successful transition to independent living for 18-21 year old students. The program is open to students who have completed their high school academic requirements. Under the guidance of appropriately certified faculty and staff (e.g., SLE-endorsed teacher, instructional aide, job coach, etc.), students enrolled in the PAL program would begin each day at a newly built storefront in downtown Sayreville. Functional academics will be a key component of the PAL program with technology infused throughout the day. Students will be engaged in household chores ranging from washing dishes, cleaning, changing bed sheets, and learn safe, effective practices pertaining to use of a washer/dryer, vacuum cleaner, and microwave. Students will also learn practical home skills including meal preparation, painting, hanging shelves, organizing closets, etc. Students will also participate both individually and in groups in Structured Learning Experiences while enrolled in the PAL program,

including job sampling and internships. To access Community-based instructional opportunities, students will receive travel training in the use of public transportation

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

TURNING POINT ACADEMY (TPA)

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

ADULT COMMUNITY SERVICES (ACS)

The Adult Community Services (ACS) program opened December, 2019. ACS is a program that offers individuals 21 and over an opportunity to strive for independence by helping to develop their social, emotional and life skills.

To explore individuals' interests, the ACS offers opportunities to participate in community inclusion and pre-vocational learning experiences. Hands-on experience that can be transferred to real-world opportunities is a cornerstone of the program to bridge the gap between school and adulthood.

IDEA-B

IDEA-B provides additional educational services to classified students attending private schools. These services provide speech therapy, occupational therapy and physical therapy, supplemental instruction, counseling, instructional aides, nursing and supplies. This program is funded through the federal government IDEA-B grant programs for FY2020. The Commission provides services to twenty-eight (28) districts and fifty-one (51) nonpublic schools.

THE ESCNJ COOPERATIVE PRICING SYSTEM

The Commission has operated a State approved Cooperative Pricing System since 1996. During FY2020, the Commission expanded this program to include the following bids and expanded its membership to include over one thousand four hundred (1,400) public agencies, which includes public school districts, municipalities, county governments, county and state colleges.

Absorbed Glass Mat (AGM) Batteries	Energy Conservation & Education Svs.	Pest Control Svs. w/IPM Mgmt.
ACT Data/Broadband/Hosted Services	Emergency Notification Systems	Playground Equipment
ACT Telecommunications	Energy Savings Device for Commercial Refrigeration	Playground Surfacing
ACT Wide Area Network Services	Facility Management Software	Playground Surfacing Materials, Installation & Inspections
Apple Educational Products	Fire Alarm Systems	Plumbing -- Time and Material
Athletic Equip. Recond. & Repair	Fire Extinguisher Inspection & Related Svs. (Annual)	Pool Supplies and Services
Athletic Equip. & Supplies	Flexible Spending Acct. Mgmt.	Printing Services
Automotive and Diesel Lubricants and Fuel Treatment Products	Furniture and Accessories	Radios

Bio-Decontamination Services	Gaggle Software Service	Recording & Sound Systems – Purchase & Installation
Bleacher (Int/Ext) Syst. Purch. & Instal.	Generator Equipment & Maintenance	Recycling Containers
Boiler, Maintenance & Repair	Grounds Equipment	Restorative Bonding Sys. & Svs.
Building Access & Security Systems	Gym Floors-Repair/Refinishing/T&M	Roofing Repair & Maint. Svs.
Career and Technical Education (AEPA)	HVAC: Airdale; Repair & Maint. Svs.; Time & Material	Safety and Security Window Film
Carpet and Flooring	Hybrid Phone Systems	School Buses
Cars, Crossovers, SUVs and Trucks	Integrated Cloud Based Bldg. Access	School Bus Surveillance Cameras
Ceiling Tiles	Interactive Floor Projectors	Scientific Equipment Accessories & Supplies
Classroom Supplies	Internet and Technology Consulting Svs RFP	Scoreboards Equip. and Install.
Classroom Supplies – Cosmetology	Job Order Contracting; Repair/Maint. Electric; General; HVAC; Plumbing; Paving	Security Risk Assessment & Emergency Mgmt. Consulting Svs.
Commercial Bus	Job Order Contracting: T&M Electrician; Plumbing	Shredding & Disposal of Records
Concrete Repair Systems - Ardex	Landscaping Services	Snow Vehicle Attachments & Accessories
Copy Paper (white/color)	Lawn Care Products and Services	Speech Services
Credit Card Processing	Lead Testing Consultant Services	Staffing Services (Non-Certified)
Custodial Supplies and Plastic Liners	Learning Management System	Stage Curtains-Purch., Install. & Repair
Demand Response	LED/Other Lighting Supplies & Equip.	Technology Supplies & Services
Digital Display Solutions	Lockers-Purch./Install.& Repairs	Toilet Partitions
Digital Learning and Professional Develop.	Locking Hardware & Keying Systems	Toner and Ink Cartridges
Digital Readiness for Learning & Assmt Broadband Component, Wide Area Network & Internet Coop Purchasing Initiative (DRLAP)	Maintenance Equipment	Tracks/Courts–Athletic Surfacing AEPA
Digital Resources & Instructional Materials	Maintenance & Repair Service Vehicles and Equipment 14,000 lbs. GVRW and Greater	Trip Hazard Removal Services
Disaster Recovery	Maintenance, Repair & Operation	Truck Maintenance & Repair
Distribution of Textbook Services	Medical Supplies	Turf-Synthetic-Repair, Maint. & Replacement AEPA
Document Mgmt. for Records Retention and Disposal RFP	Musical Instruments	Uniforms and Workwear
Document Management Services	Musical Instrument Repair	Utility Bill Audit/Cost Recovery
Electric Truck Chassis – 26,000 lbs. GVW or Greater	Natural Gas-Supply of	Vehicle Service Lifts & Accessories
Electric Vehicle Charging Stations	Nursing Services	Visitor Management System
Electrician-Time & Material	Occupational & Physical Therapy	Voice, Unified Communications & Collaboration Solutions
Electricity-Supply of	Office Supplies	Water Meter Management Svs.
Electronic Cylinder Access Control Sys.	Paint & Supplies	Wireless Duress Monitoring Sys.

2. Economic Condition and Outlook

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

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

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

The Commission continued to support and help organize the exchange of disabled students between public school districts. In addition, it reorganized the PRDS to increase the number of placements available.

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

Examples of consolidated services include:

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

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

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

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

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

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

3. Internal Control

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

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

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

4. Budgetary Controls

In addition to internal controls, the Commission maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Annual appropriated budgets are adopted for the general fund, special revenue fund and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The legal level of budgetary control is established at the line item level within each fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balances in the subsequent year. Those amounts to be reappropriated are reported as assigned fund balance on June 30, 2020.

5. Accounting Systems and Reports

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

6. Cash Management

The investment policy of the Commission is guided in large part by state statute as detailed in “Notes to the Basic Financial Statements,” Note 3. The public depositories are protected from loss under the provisions of the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

7. Risk Management

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

8. Service Efforts and Accomplishments

The Commission continued to develop new programs and services for its member districts during the FY2020 school year. These efforts were highlighted by the expansion of the Cooperative Pricing Program. Management has continued to expand the Cooperative Pricing System membership to include over one thousand four hundred (1,400) public agencies serving all twenty-one (21) counties in New Jersey. The Commission also continued its efforts in the area of technology, initiating major initiatives in all programs. These efforts include the updating of hardware and software necessary to develop a computer assisted instructional program and to allow student media access for purposes of research as well as internet resources.

The Commission also served as lead agency for the statewide Digital Readiness Learning Assessment Program in cooperation with the New Jersey Department of Education. This program dramatically affected the economics of acquiring broadband and internet services by using cooperative purchasing to drive down the cost.

9. Major Operational or Fiscal Concerns

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

10. Other Information

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

Self-Recognition - The following Commission Staff were recognized for the Governor Educator of the Year Program for the FY2020 school year:

Lisa Santomarcio	Academy Learning Center
Tina Giovannucci	Academy Learning Center
Mark Risola	Bright Beginnings Learning Center
Jenn Nesi	Bright Beginnings Learning Center
Sashi Gross	Center for Lifelong Learning
Karoline Stankiewicz	Piscataway Regional Day School
Kiyoe Parker	Future Foundations Academy
Kathy Scognamiglio	Nonpublic Department
Rochelle Wistreich	Nonpublic Department

Student Recognition Program – Seven (7) students from the Commission were honored in February 2020 at the Annual Unsung Heroes and Heroines Student Recognition Dinner. The students were as follows:

Kevin Hansen	Academy Learning Center
Austin Farrell	Academy Learning Center
Kareen Williams	Center for Lifelong Learning
Nigel Ogelsby	Future Foundations Academy
Aaron Fellerman	Future Foundations Academy
Penelope Reyes-Burgos	Piscataway Regional Day School
Yefrison Castillos-Reyes	Piscataway Regional Day School

Services – Other significant developments and acknowledgments during the FY2020 school year:

- Approval of curricula as follows – September 2019
 - Academy Learning Center, Bright Beginnings Learning Center, Center for Lifelong Learning, Future Foundations Academy, NuView Academy, Piscataway Regional Day School, Turning Point Academy
 - New Jersey Student Learning Standards – Social Studies, Comprehensive Health & Physical Education, Visual & Performing Arts, Technology, 21st Century Life & Careers.
 - Restraint/Seclusion Update

11. COVID-19 Pandemic

Educational Services Commission began a program to prevent the transmission of the coronavirus in March 2020, beginning with cautionary signage and enhanced cleaning of buildings as well as more frequent cleaning of surfaces. As the pandemic continued, the Commission took a variety of safety precautions, including implementing remote learning, providing PPE to staff, enforcing physical distancing in the buildings, improving ventilation and HVAC systems, and sharing information with employees and students about safety protocols. The Commission has changed protocols for classrooms, buses, cafeterias, and shared spaces. Improvements to the ventilation and HVAC systems have included upgrades to MERV-13 filters wherever possible in schools to improve air filtration. The Commission has also implemented more frequent cleaning and deployed more people to do cleaning. In addition, the Commission has provided hand sanitizer, and distributed a range of PPE to staff including cloth masks, surgical masks, face shields, and lab coats as needed. Masks are required in all buildings. Students and

staff are screened before entering buildings and non-touch temperature taking has been instituted as well as daily health screening form. The Commission anticipates continued vigilance will be necessary and will examine any new options or protocols that become available to keep students and staff as safe as possible.

12. For the Future

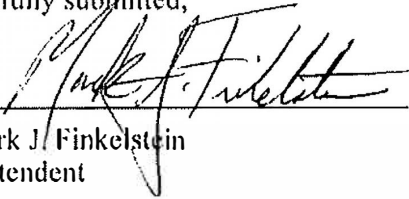
The Commission is presently in excellent financial condition and continues to expand service offerings to its participating districts.

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


13. Acknowledgments

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

Respectfully submitted,



Mr. Mark J. Finkelstein
Superintendent

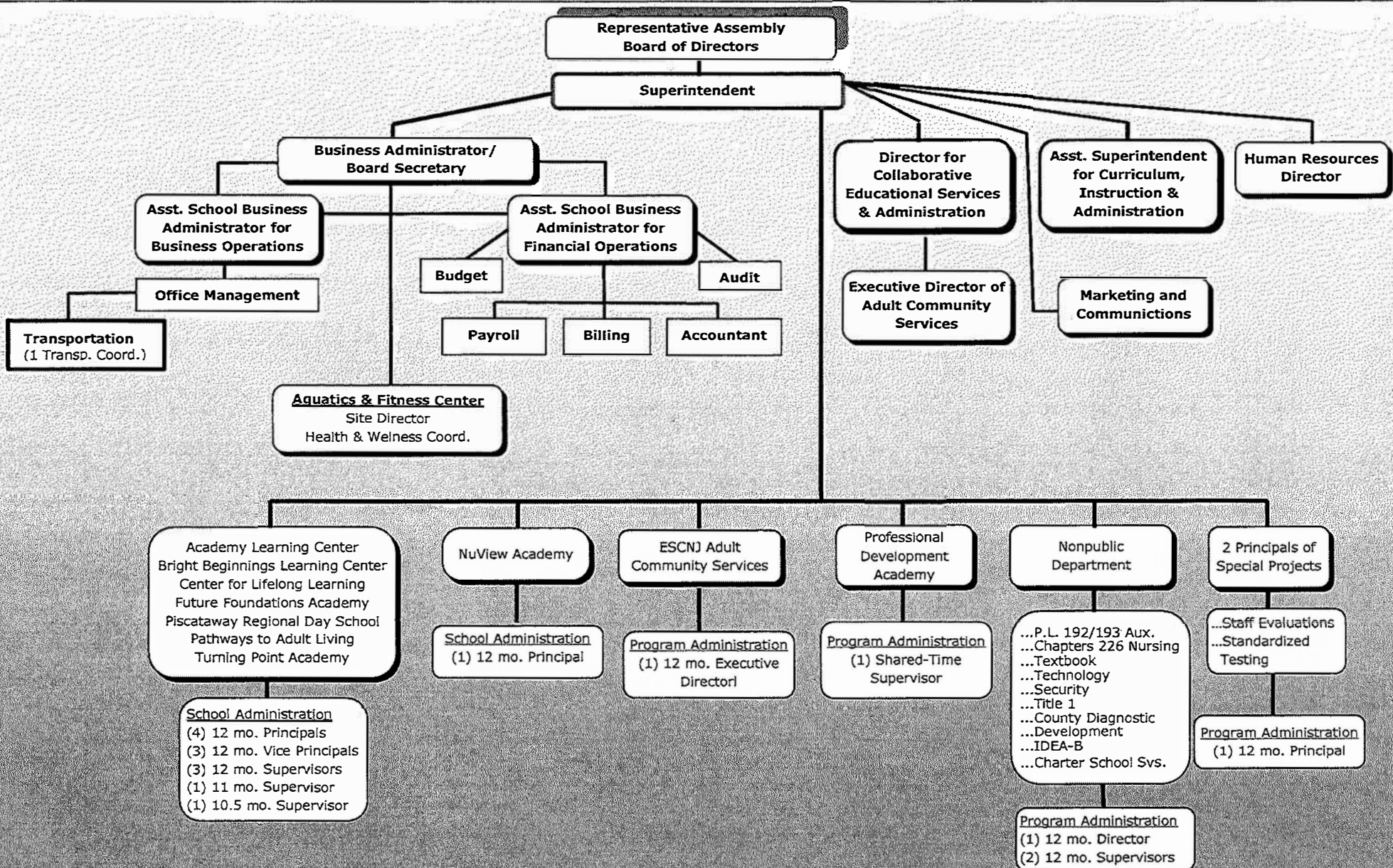


Mr. Patrick M. Moran
Business Administrator/Board Secretary

Educational Services Commission of New Jersey
Piscataway, New Jersey

Organizational Chart

June 30, 2020



Educational Services Commission of New Jersey
Piscataway, New Jersey

Roster of Officials
June 30, 2020

Members of the Board of Directors

Name of School District

Dr. Richard Tomko	Belleville
Dr. Howard Lerner	Bergen County Vo. Tech./Spec. Svs.
Ms. Rosa Diaz	Carteret
Ms. Kathleen Haines	Clementon
Dr. Susan Genco	Cranbury
Mr. Eugene Mosley	Dunellen
Dr. Victor Valeski	East Brunswick
Ms. Beth Moroney	Edison
Dr. Scott Taylor	Highland Park
Dr. Robert McGarry	Holmdel
Mr. Stephen Genco	Jackson
Mr. Brian Betze	Jamesburg
Dr. Vincent Caputo	Metuchen
Dr. Frederick Williams	Middlesex
Mr. Bill Petscavage	Milltown
Dr. Dori Alvich	Monroe
Dr. Dale Caldwell	New Brunswick
Dr. Brian Zychowski	North Brunswick
Mr. David Cittadino	Old Bridge
Mr. Tony Trongone	Pemberton
Dr. David Roman	Perth Amboy
Ms. Brenda Smith	Piscataway
Mr. John Walsh	Sayreville
Dr. Gretchen Dempsey	Somerset Hills Regional
Mr. Jorge Diaz	South Amboy
Mr. Scott Feder	South Brunswick
Dr. Noreen Lishak	South Plainfield
Ms. Sylvia Zircher	South River
Mr. Graham Peabody	Spotswood
Dr. Robert Zega	Woodbridge
Ms. Dianne Veilleux	Middlesex County Vo. Tech.

ESCNJ Officials

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

Educational Services Commission of New Jersey
Piscataway, New Jersey

Consultants, Independent Auditors and Advisors

June 30, 2020

Attorneys

Anthony B. Vignuolo, Esq.
Borrus, Goldin, Foley, Vignuolo, Hyman & Stahl, P.C.
2875 US Highway 1
Route 1 & Finnegans Lane
North Brunswick, New Jersey 08902

McManimon, Scotland & Baumann, L.L.C.
75 Livingston Avenue
Roseland, NJ 07068

Audit Firm

Wiss & Company, LLP
100 Campus Drive, Suite 400
Florham Park, NJ 07932

Labor Consultant

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

Official Depository

TD Bank
1906 Lincoln Highway
Edison, New Jersey 08817

Architects

USA Architects
20 North Doughty Avenue
Somerville, New Jersey 08876

Financial Section



Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Educational Services Commission of New Jersey (the "Commission"), as of and for the year ended June 30, 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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Commission as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

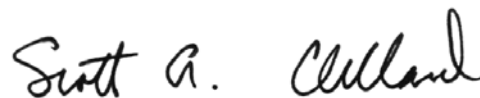
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The combining and individual fund financial statements, long-term debt schedules and the schedules of expenditures of federal awards and state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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2021 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.



Scott A. Clelland
Licensed Public School Accountant
No. 1049



WISS & COMPANY, LLP

January 25, 2021
Florham Park, New Jersey

Required Supplementary Information - Part I

Management's Discussion and Analysis

Educational Services Commission of New Jersey
Piscataway, New Jersey

Management's Discussion and Analysis
Year Ended June 30, 2020

As management of the Educational Services Commission of New Jersey (the "Commission"), we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages as listed on the table of contents.

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

Financial Highlights

Key financial highlights for 2020 are as follows:

- General revenues accounted for \$31,993,834 or 26.33 percent of all revenues. Program specific revenues in the form of charges for services and operating and capital grants and contributions accounted for \$89,505,070 or 73.67 percent of total revenues of \$121,498,904.
- The Commission had \$110,113,499 in expenses (governmental and business-type activities); \$89,505,070 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily fees for tuition and services provided to other districts) of \$31,993,834 were adequate to provide for these programs.
- Among major funds, the General Fund had \$100,969,257 in revenues and \$98,450,050 in expenditures and net other financing sources and uses. The General Fund's fund balance increased \$2,519,207 over 2019. This increase was mainly due to the increases in transportation, enrollment, educational services provided to other districts and to the co-op purchasing and pricing programs.
- In total, net position increased \$11,385,405, or 24.04 percent.

Overview of the Financial Statements

This discussion and analysis of the Commission's financial performance provides an overall review of the Commission's financial activities for the year ended June 30, 2020 with certain comparisons to the year ended June 30, 2019. The intent of this discussion and analysis is to look at the Commission's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Commission's financial performance. The Commission's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This document also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

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

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

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

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

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

Reporting the Commission's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

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

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

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

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

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

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

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

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

Government-Wide (Governmental Activities) Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Commission, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$54,506,425 at the close of the most recent fiscal year.

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

Table 1 shows the comparison of the Commission's Government-Wide net position from fiscal year 2019 to 2020.

**Table 1 - Net Position
June 30, 2020 and 2019**

	Governmental		Business-type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 56,871,585	\$ 43,395,989	\$3,392,871	\$2,626,560	\$60,264,456	\$46,022,549
Capital assets, net	79,648,905	78,998,235	975,583	1,026,816	80,624,488	80,025,051
Total assets	136,520,490	122,394,224	4,368,454	3,653,376	140,888,944	126,047,600
Deferred Outflows of Resources	6,420,073	8,170,388			6,420,073	8,170,388
Current liabilities and other	10,082,970	4,546,558	122,749	174,200	10,205,719	4,720,758
Net pension liability	17,476,404	19,271,871			17,476,404	19,271,871
Long-term liabilities	53,732,102	55,592,272			53,732,102	55,592,272
Total liabilities	81,291,476	79,410,701	122,749	174,200	81,414,225	79,584,901
Deferred Inflows of Resources	7,142,662	7,266,362			7,142,662	7,266,362
Net position:						
Net investment in capital assets	29,913,254	27,134,556	975,583	1,026,816	30,888,837	28,161,372
Restricted	9,463,146	7,976,589			9,463,146	7,976,589
Unrestricted	15,130,025	8,776,404	3,270,122	2,452,360	18,400,147	11,228,764
Total net position	\$ 54,506,425	\$ 43,887,549	\$ 4,245,705	\$ 3,479,176	\$ 58,752,130	\$ 47,366,725

Restricted net position represents resources that are subject to external restrictions on how they may be used. The remaining balance consists of governmental activities unrestricted net position of \$15,130,025 and may be used to meet the government's ongoing obligations to member districts.

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

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

Total liabilities increased mainly due to the new Lease Purchase issued during fiscal year 2020.

Restricted Net Position increased mainly due to an increase in Capital Projects for the Aquatic Fitness construction in progress.

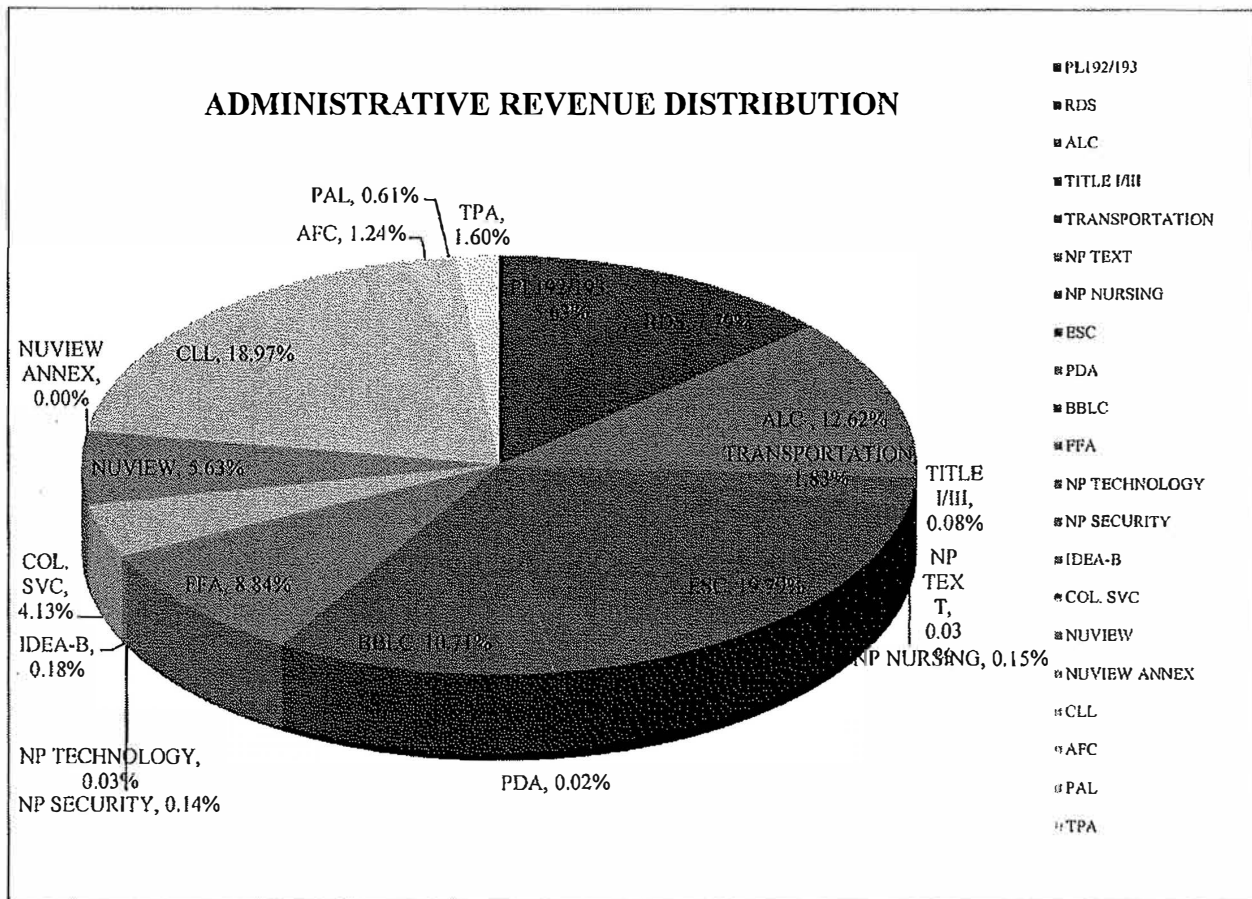
Unrestricted net position increased mainly due to an excess of revenues over expenses and other financing sources of governmental activities.

Table 2 shows the changes in the Commission’s net position from fiscal year 2019 to 2020.

Government-Wide Activities

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for Services	\$37,660,076	\$42,525,136	\$ 6,426,978	\$ 6,762,741	\$44,087,054	\$49,287,877
Operating/Cap Grants and Contributions	10,238,750	11,231,610	222,245	291,524	10,460,995	11,523,134
Transportation	34,957,021	36,003,555			34,957,021	36,003,555
General Revenues:						
Service Provided to Other Districts	22,530,597	20,729,834			22,530,597	20,729,834
Grants and Entitlements	8,952,472	10,226,451			8,952,472	10,226,451
Miscellaneous	510,765	486,608			510,765	486,608
Total Revenues	114,849,681	121,203,194	6,649,223	7,054,265	121,498,904	128,257,459
Program Expenses:						
Instructional Services	23,404,394	23,221,555	5,424,465	5,720,035	28,828,859	28,941,590
Support Services	74,948,864	85,737,701			74,948,864	85,737,701
Special Schools	2,856,474	3,165,847			2,856,474	3,165,847
Interest on Long-Term Debt	2,060,011	2,316,236			2,060,011	2,316,236
Operation of non-instructional services			1,419,291	1,300,426	1,419,291	1,300,426
Total Expenses	103,269,743	114,441,339	6,843,756	7,020,461	110,113,499	121,461,800
Transfers In (Out)	(961,062)	66,980	961,062	(66,980)	-	-
Change In Net Position	10,618,876	6,828,835	766,529	(33,176)	11,385,405	6,795,659
Net Position—Beginning	43,887,549	37,058,714	3,479,176	3,512,352	47,366,725	40,571,066
Net Position—Ending	\$54,506,425	\$43,887,549	\$ 4,245,705	\$ 3,479,176	\$58,752,130	\$47,366,725

Revenues and expenses decreased primarily due to the decreases in transportation and educational services provided to other districts due to school closure during the COVID-19 pandemic.



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

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

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

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

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

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

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

Financial Analysis of the Commission's Funds

Financial Information at Fiscal Year-End

As demonstrated by the various statements and schedules included in the financial section of this report, the Commission continues to meet its responsibility for sound financial management. The following schedule presents a summary of the general fund, special revenue fund and debt service fund revenues for the fiscal year ended June 30, 2020 and the amount and percentages of decreases in relation to the prior year's revenues.

Revenues Year Ended June 30, 2020

Revenues	Amount	Percentage of Total	Decrease from 2019	Percentage of Decrease
Local sources	\$ 95,679,150	86.01%	\$ (4,080,587)	(4.09)%
State sources	13,288,424	11.95	(908,597)	(6.40)
Federal sources	2,273,680	2.04	(18,678)	(0.81)
Total	<u>\$111,241,254</u>	<u>100.00%</u>	<u>\$ (5,007,862)</u>	<u>(4.31)%</u>

The decrease in local sources is attributable to decreases in transportation, educational and co-op purchasing and pricing services provided to districts due to school closure during the COVID-19 pandemic. The decrease in State revenue sources is mainly attributable to decreases in Non-Public PL192, Non-Public PL193 and Non-Public Nursing and Security Services from State sources.

The following schedule presents a summary of general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2020 and the amount and percentages of increases (decreases) in relation to the prior year's expenditures.

Expenditures
Year Ended June 30, 2020

Expenditures	Amount	Percentage of Total	(Decrease) Increase from 2019	Percentage of (Decrease) Increase
Current:				
Instruction	\$ 18,772,441	18.50%	\$ (277,542)	(1.46) %
Undistributed expenditures	73,174,891	72.15	(9,301,356)	(11.28)
Capital outlay	1,550,589	1.53	283,647	22.39
Special schools	2,856,474	2.82	(309,373)	(9.77)
Debt service:				
Principal	2,930,000	2.89	45,000	1.56
Interest	2,138,087	2.11	(345,626)	(13.92)
Total	\$101,422,482	100.00%	\$ (9,905,250)	(8.90)%

The decrease in instruction is due to a decrease in educational services provided to districts. The decrease in undistributed expenditures is mainly due to a decrease in transportation services and all other services provided to districts due to school closure during the COVID-19 pandemic. The increase in capital outlay is mainly related to construction services related to the HVAC, pole barn and paver projects. The decrease in special schools is mainly attributable to the reduction of enrollment for extended school program for all Commission schools.

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

As of the end of the current fiscal year, the Commission's governmental funds reported combined fund balances of \$46,507,948, an increase of \$10,790,918 in comparison with the prior year. \$29,667,612 of this total amount represents of *unassigned fund balance*, which is available for spending at the Commission's discretion. The remainder of fund balance is *restricted and assigned* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period, 2) to pay debt service or 3) support program budgets, respectively.

The general fund is the main operating fund of the Commission. At the end of the current fiscal year, unassigned fund balance of the general fund was \$29,667,612, while total fund balance

reached \$32,842,001. As a measure of the general fund's viability, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 30.13 percent of total general fund expenditures, while total fund balances represent 33.36 percent of that same amount.

The total fund balance of the Commission's general fund increased by \$2,519,207 during the current fiscal year and the unassigned fund balance increased by \$4,650,803 during the current fiscal year.

The fund balance of the Commission's capital projects fund increased by \$7,703,018 due to proceeds from the capital lease and general account fund transfers for the Aquatic Fitness Center capital projects. The capital projects fund has a total fund balance of \$7,791,244 as of June 30, 2020.

The debt service fund has a total fund balance of \$5,874,703, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was \$568,693.

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

General Fund Budgeting Highlights

Significant Budget Variances or Budget Modifications

During the 2020 school year, the Commission experienced several significant budget variances and modifications as compared to original budget.

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

During the course of the 2020 fiscal year, the Commission amended its General Fund budget as needed. The Commission uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

For the General Fund, final budgeted budgetary-basis revenue and other financing sources was \$100,969,257, (\$451,200) under original budgeted estimates of \$96,076,412. This difference was due primarily to conservative revenue estimates for 1:1 aides and the reduction of transportation services during school closure during the COVID-19 pandemic.

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

1. Salaries of teachers for home instruction were increased by \$167,240. These increases are directly related to the actual salaries paid and are related to the actual number of services requested by districts compared to the original budget estimates.
2. Salaries of instruction for behavioral disabilities were decreased by (\$190,317). These decreases are directly related to the decrease of instructional staff related to reduction in enrollment for Nuview Academy.
3. Salaries of teachers for Multiple disabilities were decreased by (\$200,760). These decreases are related to the reduction of multiple disabled students enrolled in the Academy Learning Center, the Bright Beginning Learning Center and the Center for Lifelong Learning as compared to the original budget estimates.
4. Salaries of teachers for Autism were decreased by (\$299,031). These decreases are related to the reduction of Autistic students enrolled in the Academy Learning Center, the Bright Beginning Learning Center, Future Foundation Academy and the Center for Lifelong Learning as compared to the original budget estimates.
5. Salaries of teachers for Preschool Disabilities were increased by \$190,082. These increases are directly related to the reorganization of Bright Beginning Learning Center as compared to the original budget estimates.
6. Other Support Health Services for Purchased Professional Educational Services was decreased by (\$232,783). This decrease was directly related to the actual cost paid as compared to the original budget estimates for medical consultants and Rutgers University Health Care.
7. Other Support for Students for Purchased Professional Educational Services was increased by \$126,241. This increase was directly related to the actual cost paid as compared to the original budget estimates for Occupational and Physical Therapy Services.
8. Other Support Services for Students salary for instructional 1:1 aides increased \$912,620. This increase was primarily related to conservative estimates for additional 1:1 aide services provided to all districts.
9. Other Support Services for Students for Purchased Professional and Guidance Service were decreased by (\$117,673). These decreases are directly related to the cost paid to the agency and related to the on-site clinical support.
10. Other Support Services for other salaries of support services were decreased by (\$112,182). This decrease was directly related to the actual salary paid for Case Managers as compared to the original budget estimates.

11. Other Support for Students for other Purchased Professional and Technical Services was increased by \$108,448. This increase was directly related to the actual cost paid as compared to the original budget estimates for Speech Services and Temp agency.
12. Salaries of general administration were decreased by (\$120,637). This decrease is directly related to the variance of the Assistant Superintendent's position as compared to the original budget.
13. Miscellaneous Purchased services for Central Services was decreased by (\$111,941). This decrease was directly related to the actual cost paid as compared to the original budget estimates for Speech Services and Temp agency.
14. Required maintenance of school facilities for cleaning, repair and maintenance line was increased by \$2,799,576. This increase is directly related to various maintenance projects including ESIP, paver replacement, perimeter fence replacement, flooring playground and Pole Barn projects during fiscal year 2020.
15. Energy for Custodial services was decreased by (\$120,515). This decrease was directly related to the actual cost paid for natural gas and electricity as compared to the original budget estimates.
16. Salaries of secretarial and clerical assistants for student transportation services was decreased by (\$157,482). This decrease is directly related to the vacant secretarial positions as compared to the original budget.
17. Student Transportation Contracted Services between Home, School and field trips decreased by (\$7,598,411) and (\$177,907). These decreases were directly related to the reduction of transportation service provided to participating districts and all field trip services during the COVID-19 pandemic as compared to budget estimates.
18. Employee Benefits for Social Security increased \$211,341. This increase is directly related to the actual social security tax paid as compared to the original budget estimates for all programs.
19. Health Benefits increased \$7,671,345. This increase represents the distribution of additional revenue for increases in services and tuition during year 2020 as compared to original budget estimates.
20. Capital outlay for non-instruction Equipment increased by \$650,761. This increase is mainly related to the purpose of upgrading technology, flooring, acquisition of commission vehicles and ground utility tractor, and office furniture during fiscal year 2020.
21. Capital outlay for construction services increased by \$525,049. This increase is mainly related to HVAC, Pole Barn, and Paver Projects.

22. Summer School Support Services for other salaries of instruction was increased \$141,131. This increase is directly related to the actual salary paid as compared to the original budget estimates for all extended school programs.
23. Summer School Support Services for other objects was increased \$620,297. This increase represents the distribution of additional extended school revenue for increases in services and tuition during year 2020 as compared to original budget estimates.

The General Fund revenues of the Commission exceeded expenditures and other financing sources (uses) by \$2,519,207.

Capital Assets

At the end of the fiscal year 2020, the Commission had \$79,648,905 (net) investment in land and land improvements, buildings, furniture and equipment, and vehicles and construction in progress. Table 3 shows a comparison of governmental activities capital assets (net of depreciation) from fiscal year 2019 to 2020.

**Table 3 – Capital Assets (Net of Depreciation)
Governmental Activities**

	<u>2020</u>	<u>2019</u>
Land and land improvements	\$ 5,381,879	\$ 5,428,011
Construction in progress	1,821,667	18,992,163
Buildings and improvements	68,886,329	50,806,969
Machinery, equipment and vehicles	3,559,030	3,771,092
Totals	<u>\$ 79,648,905</u>	<u>\$ 78,998,235</u>

At the end of the fiscal year 2020, the Commission had \$975,583 (net) investment in land improvements, buildings and equipment. Table 4 shows a comparison of business-type activities capital assets (net of depreciation) from fiscal year 2019 to 2020.

**Table 4 – Capital Assets (Net of Depreciation)
Business-Type Activities**

	<u>2020</u>	<u>2019</u>
Land improvements	\$ 1,143	\$ 1,451
Buildings and improvements	612,309	672,932
Equipment	362,131	352,433
Totals	<u>\$ 975,583</u>	<u>\$ 1,026,816</u>

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

Debt Administration

On June 30, 2020, the Commission had \$47,020,000 in outstanding bonds/loans payable and \$6,000,000 in an outstanding lease for school construction. In addition, the District has other long-term liabilities recorded on its financial statements.

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

Economic Factors and Next Year's Budget

- The Commission budgeted \$500,000 of its June 30, 2020 fund balance to partially fund 2020-2021 operations.
- The Commission considered the effects of the COVID-19 pandemic on its operations and believes it has a plan in place to address the impact in the 2020-21 fiscal year and beyond.

Contacting the Commission's Financial Management

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

Basic Financial Statements

Government-wide Financial Statements

The government-wide financial statements provide a financial overview of the Commission's operations. These financial statements present the financial position and operating results of all governmental activities and business-type activities as of and for the year ended June 30, 2020.

Educational Services Commission of New Jersey

Statement of Net Position

June 30, 2020

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 23,624,053	\$ 2,297,129	\$ 25,921,182
Cash held with Fiscal Agent	201,681		201,681
Internal balances	(17,433)	17,433	-
Receivables, net	24,474,940	1,078,309	25,553,249
Restricted assets:			
Cash and cash equivalents-restricted	8,588,344		8,588,344
Capital assets, nondepreciable	7,053,281		7,053,281
Capital assets, depreciable, net	72,595,624	975,583	73,571,207
Total assets	<u>136,520,490</u>	<u>4,368,454</u>	<u>140,888,944</u>
Deferred outflows of resources			
Deferred loss on refunding of debt	3,298,524		3,298,524
Pension deferrals	3,121,549		3,121,549
Total deferred outflows of resources	<u>6,420,073</u>		<u>6,420,073</u>
Liabilities			
Accounts payable	3,429,492	118,296	3,547,788
Accrued interest payable	513,918		513,918
Intergovernmental accounts payable:			
Districts	907,242		907,242
Unearned revenue	732,537	4,453	736,990
Noncurrent liabilities:			
Net Pension Liability	17,476,404		17,476,404
Due within one year	4,499,781		4,499,781
Due beyond one year	53,732,102		53,732,102
Total liabilities	<u>81,291,476</u>	<u>122,749</u>	<u>81,414,225</u>
Deferred inflow of resources			
Pension deferrals	<u>7,142,662</u>		<u>7,142,662</u>
Net Position			
Net Investment in Capital Assets	29,913,254	975,583	30,888,837
Restricted for:			
Capital Projects	2,715,073		2,715,073
Capital Reserve	216,392		216,392
Maintenance Reserve	1,170,896		1,170,896
Debt Service	5,360,785		5,360,785
Unrestricted	15,130,025	3,270,122	18,400,147
Total Net Position	<u>\$ 54,506,425</u>	<u>\$ 4,245,705</u>	<u>\$ 58,752,130</u>

See accompanying notes to the basic financial statements

Educational Services Commission of New Jersey

Statement of Activities

Year ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities						
Instruction	\$ 23,404,394	\$ 37,660,076	\$ 5,624,594	\$ 19,880,276		\$ 19,880,276
Support Services:						
Health Services	1,942,666			(1,942,666)		(1,942,666)
Student and Instruction Related Services	18,129,452		4,614,156	(13,515,296)		(13,515,296)
General and Business Administrative Services	1,301,676			(1,301,676)		(1,301,676)
School Administrative Services	2,615,369			(2,615,369)		(2,615,369)
Central Services	2,615,463			(2,615,463)		(2,615,463)
Administrative Information Technology	372,265			(372,265)		(372,265)
Plant Operations and Maintenance	3,845,704			(3,845,704)		(3,845,704)
Pupil Transportation	42,431,965	34,957,021		(7,474,944)		(7,474,944)
Employee Benefits	1,694,304			(1,694,304)		(1,694,304)
Special Schools	2,856,474			(2,856,474)		(2,856,474)
Interest on Long-Term Debt	2,060,011			(2,060,011)		(2,060,011)
Total Governmental Activities	103,269,743	72,617,097	10,238,750	(20,413,896)		(20,413,896)
Business-type activities						
Regional Day School	5,424,465	5,562,975			\$ 138,510	138,510
Pool Services	750,724	748,792			(1,932)	(1,932)
Adult Community Services	354,469	59,151			(295,318)	(295,318)
Food Services	314,098	56,060	222,245		(35,793)	(35,793)
Total Business-Type Activities	6,843,756	6,426,978	222,245		(194,533)	(194,533)
Total Primary Government	\$ 110,113,499	\$ 79,044,075	\$ 10,460,995	(20,413,896)	(194,533)	(20,608,429)
General Revenues and Transfers:						
Federal And State Sources				8,952,472		8,952,472
Services Provided to Districts				22,530,597		22,530,597
Interest Income				304,230		304,230
Miscellaneous				206,535		206,535
Transfers				(961,062)	961,062	
Total General Revenues and Transfers				31,032,772	961,062	31,993,834
Change In Net Position				10,618,876	766,529	11,385,405
Net Position—Beginning				43,887,549	3,479,176	47,366,725
Net Position—Ending				\$ 54,506,425	\$ 4,245,705	\$ 58,752,130

See accompanying notes to the basic financial statements

Fund Financial Statements

Governmental Funds

Educational Services Commission of New Jersey
Governmental Funds

Balance Sheet

June 30, 2020

	Major Funds				Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Service	
Assets					
Cash and Cash Equivalents	\$ 9,992,335	\$ 502,348	\$ 2,747,758	\$ 3,723,795	\$ 16,966,236
Deposits with Trustees			5,076,171	2,124,885	7,201,056
Accounts Receivable:					
State	52,704				52,704
Intergovernmental - Other Districts	21,290,608	2,984,708			24,275,316
Other	50,147	216			50,363
Interfunds Receivable	2,029,298			26,023	2,055,321
Restricted Cash and Cash Equivalents	1,387,288				1,387,288
Total Assets	\$ 34,802,380	\$ 3,487,272	\$ 7,823,929	\$ 5,874,703	\$ 51,988,284
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	\$ 1,620,461	\$ 170,151	\$ 11,662		\$ 1,802,274
Intergovernmental Accounts Payable:					
Other Districts	304,602	602,640			907,242
Interfunds Payable	22,433	1,994,827	21,023		2,038,283
Unearned Revenue	12,883	719,654			732,537
Total Liabilities	1,960,379	3,487,272	32,685		5,480,336
Fund Balances:					
Restricted For:					
Capital Reserve	216,392				216,392
Maintenance Reserve	1,170,896				1,170,896
Capital Projects			7,791,244		7,791,244
Debt Service				\$ 5,874,703	5,874,703
Assigned To:					
Other Purposes	1,787,101				1,787,101
Unassigned	29,667,612				29,667,612
Total Fund Balances	32,842,001	-	7,791,244	5,874,703	46,507,948
Total Liabilities and Fund Balances	\$ 34,802,380	\$ 3,487,272	\$ 7,823,929	\$ 5,874,703	

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 \$107,179,722 and the accumulated depreciation is \$27,530,817. 79,648,905

Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds. (513,918)

Deferred pension costs in governmental activities are not financial resources and are therefore not reported in the funds. (4,021,113)

Losses arising from the issuance of refunding bonds that are a result of the difference in the carrying value of the refunded bonds and the new bonds are deferred and amortized over the life of the bonds. 3,298,524

Net pension liability is not due and payable in the current period and therefore is not reported as a liability in the funds. (17,476,404)

Accrued pension contributions for the June 30, 2020 plan year end are not paid with current economic resources and are therefore not reported as a liability in the funds, but are included in accounts payable in the government-wide statement of net position. (1,021,428)

Long-term liabilities, including bonds payable and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds (See Note 5). (58,231,883)

Internal service funds are used by the District to charge the costs of the self insurance program to the individual funds. The activities of this fund are included in the Statement of Activities. 6,315,794
Net position of governmental activities (A-1) \$ 54,506,425

See accompanying notes to the basic financial statements

Educational Services Commission of New Jersey
Governmental Funds

Statements of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2020

	Major Funds				Total
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	
Revenues:					
Local Sources:					
Tuition from Districts	\$ 37,660,076				\$ 37,660,076
Transportation Fees	34,957,021				34,957,021
Services Provided to Districts	22,530,597				22,530,597
Interest on Investments	270,983		\$ 21,023	\$ 12,224	304,230
Miscellaneous	206,535	\$ 20,691			227,226
Total – Local Sources	95,625,212	20,691	21,023	12,224	95,679,150
State Sources	5,344,045	7,944,379			13,288,424
Federal Sources		2,273,680			2,273,680
Total Revenues	100,969,257	10,238,750	21,023	12,224	111,241,254
Expenditures:					
Current:					
Instruction	13,147,847	5,624,594			18,772,441
Support Services					
Health Services	1,593,839				1,593,839
Other Support: Special	10,471,835	3,926,612			14,398,447
General Administration	1,067,946				1,067,946
School Administration	2,145,751				2,145,751
Central Services	2,145,828				2,145,828
Administrative Information Technology	305,421				305,421
Required Maintenance for School Facilities	2,535,149				2,535,149
Operation of Plant	620,017				620,017
Student Transportation	34,812,844				34,812,844
Employee Benefits	8,205,604				8,205,604
On-behalf TPAF Social Security, Disability Insurance and Pension (Non-Budgeted)	5,344,045				5,344,045
Capital Outlay	970,821	579,768	2,296,982		3,847,571
Special Schools	2,856,474				2,856,474
Debt Service:					
Principal				2,930,000	2,930,000
Interest				2,138,087	2,138,087
Total Expenditures	86,223,421	10,130,974	2,296,982	5,068,087	103,719,464
Excess (Deficiency) of Revenues Over (Under) Expenditures	14,745,836	107,776	(2,275,959)	(5,055,863)	7,521,790
Other Financing Sources (Uses):					
Transfers In	59,621		4,000,000	5,684,177	9,743,798
Transfers Out	(12,286,250)	(107,776)	(21,023)	(59,621)	(12,474,670)
Capital Lease			6,000,000		6,000,000
Total Other Financing Sources (Uses)	(12,226,629)	(107,776)	9,978,977	5,624,556	3,269,128
Excess of Revenues Over Expenditures and Other Financing Sources (Uses)	2,519,207	-	7,703,018	568,693	10,790,918
Fund Balances, July 1	30,322,794	-	88,226	5,306,010	35,717,030
Fund Balances, June 30	\$ 32,842,001	\$ -	\$ 7,791,244	\$ 5,874,703	\$ 46,507,948

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

See accompanying notes to the basic financial statements

Educational Services Commission of New Jersey
Governmental Funds

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

Year ended June 30, 2020

Total net change in fund balances - governmental funds (B-2) \$ 10,790,918

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

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

	Depreciation Expense	\$ (2,617,133)	
	Capital Asset Additions	<u>3,267,803</u>	650,670

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

	Issuance of Capital Lease	(6,000,000)	
	Repayment of Bond Principal	2,930,000	
	Amortization of Premium on Bonds	431,935	
	Amortization of Deferred Loss on Refunding	<u>(310,078)</u>	(2,948,143)

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due.

(43,781)

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation; when the paid amount exceeds the earned amount the difference is an addition to the reconciliation.

(1,546)

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

1,769,810

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

400,948

Change in net position of governmental activities (A-2)

\$ 10,618,876

See accompanying notes to the basic financial statements

Proprietary Funds

Educational Services Commission of New Jersey
Proprietary Funds

Statement of Net Position

June 30, 2020

	Major Enterprise Funds				Totals	Internal
	Regional Day School Fund	Pool Services Fund	Adult Community Services Fund	Food Services Fund		Service Fund
Assets						
Current Assets:						
Cash and Cash Equivalents	\$ 1,065,752	\$ 552,720	\$ 631,002	\$ 47,655	\$ 2,297,129	\$ 6,657,817
Cash Held with Fiscal Agent						201,681
Intergovernmental Accounts Receivable:						
Other Districts	1,072,839	3,745	1,668	57	1,078,309	
Interfunds Receivable	13,026			17,433	30,459	62,086
Total Current Assets	2,151,617	556,465	632,670	65,145	3,405,897	6,921,584
Capital Assets:						
Depreciable:						
Land and Building Improvements	1,109,024				1,109,024	
Equipment	990,277	17,564	75,806		1,083,647	
Accumulated Depreciation	(1,211,776)	(2,943)	(2,369)		(1,217,088)	
Total Capital Assets, Net	887,525	14,621	73,437		975,583	
Total Assets	3,039,142	571,086	706,107	65,145	4,381,480	6,921,584
Liabilities						
Current Liabilities:						
Accounts Payable	99,744	17,127	1,425		118,296	605,790
Interfunds Payable				13,026	13,026	
Unearned Revenues		637		3,816	4,453	
Total Current Liabilities	99,744	17,764	1,425	16,842	135,775	605,790
Net Position						
Investment in Capital Assets	887,525	14,621	73,437		975,583	
Unrestricted	2,051,873	538,701	631,245	48,303	3,270,122	6,315,794
Total Net Position	\$ 2,939,398	\$ 553,322	\$ 704,682	\$ 48,303	\$ 4,245,705	\$ 6,315,794

See accompanying notes to the basic financial statements.

Educational Services Commission of New Jersey
Proprietary Funds

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

Year ended June 30, 2020

	Major Enterprise Funds				Totals	Internal Service Fund
	Regional	Pool	Adult	Food		Self Insurance Fund
	Day School Fund	Services Fund	Community Services Fund	Services Fund		
Operating Revenues:						
Services Provided by Other Funds						\$ 7,724,364
Charges for Services:						
Daily Sales - Reimbursable Programs				\$ 45,971	\$ 45,971	
Daily Sales - Non-Reimbursable Programs				10,089	10,089	
Tuition	\$ 4,693,920				4,693,920	
Services	867,955	\$ 740,097	\$ 59,151		1,667,203	
Miscellaneous	1,100	8,695			9,795	
Total Operating Revenues	5,562,975	748,792	59,151	56,060	6,426,978	7,724,364
Operating Expenses:						
Cost of Sales - Reimbursable Programs				246,174	246,174	
Cost of Sales - Non-Reimbursable Programs				8,962	8,962	
Salaries and Wages	3,098,220	386,873	294,690	58,962	3,838,745	
Employee Benefits	1,419,438	148,831	34,418		1,602,687	7,724,364
Other Professional Services	446,133	24,944	1,728		472,805	
Maintenance and Repairs	32,327	28,024	2,471		62,822	
Insurance	10,512				10,512	
Telephone/Communications	20,884	1,116			22,000	
Materials and Supplies	49,203	83,050	17,960		150,213	
Utilities	192,543	36,908			229,451	
Depreciation	128,337	1,167	2,369		131,873	
Miscellaneous	26,868	39,811	833		67,512	
Total Operating Expenses	5,424,465	750,724	354,469	314,098	6,843,756	7,724,364
Operating Income (Loss)	138,510	(1,932)	(295,318)	(258,038)	(416,778)	-
Nonoperating Revenues:						
State School Lunch Program				2,771	2,771	
Federal School Breakfast Program				72,257	72,257	
Federal National School Lunch Program				147,217	147,217	
Total Nonoperating Revenues				222,245	222,245	
Income (Loss) Before Transfers	138,510	(1,932)	(295,318)	(35,793)	(194,533)	-
Transfers:						
Transfers In		135,450	1,000,000		1,135,450	1,769,810
Transfers Out	(123,163)	(51,225)			(174,388)	
Total Transfers	(123,163)	84,225	1,000,000		961,062	1,769,810
Change in Net Position	15,347	82,293	704,682	(35,793)	766,529	1,769,810
Net Position, Beginning	2,924,051	471,029		84,096	3,479,176	4,545,984
Net Position, Ending	\$ 2,939,398	\$ 553,322	\$ 704,682	\$ 48,303	\$ 4,245,705	\$ 6,315,794

See accompanying notes to the basic financial statements

Educational Services Commission of New Jersey
Proprietary Fund

Statement of Cash Flows

Year ended June 30, 2020

	Major Enterprise Funds					Internal Service Fund
	Regional Day School Fund	Pool Services Fund	Adult Community Services Fund	Food Services Fund	Totals	Self Insurance Fund
Cash Flows From Operating Activities						
Receipts from customers	\$ 5,963,336	\$ 663,209	\$ 57,483	\$ 55,490	\$ 6,739,518	
Payments to employees	(3,098,220)	(386,873)	(294,690)	(58,962)	(3,838,745)	
Payments for employee benefits	(1,419,438)	(148,831)	(34,418)		(1,602,687)	\$ 7,751,135
Payments to suppliers	(724,312)	(230,884)	(21,567)	(255,942)	(1,232,705)	
Receipts from services provided						(7,812,869)
Net cash provided by (used in) operating activities	721,366	(103,379)	(293,192)	(259,414)	65,381	(61,734)
Cash Flows From Noncapital Financing Activities						
State sources				3,068	3,068	
Federal sources				243,715	243,715	
Operating subsidies and transfers (to) from other funds	(152,866)	78,309	1,000,000	30,359	955,802	2,518,379
Net cash (used in) provided by noncapital financing activities	(152,866)	78,309	1,000,000	277,142	1,202,585	2,518,379
Cash Flows From Capital and Related Financing Activities						
Purchases of capital assets	(4,834)		(75,806)		(80,640)	
Net cash used in capital and related financing activities	(4,834)		(75,806)		(80,640)	
Net increase (decrease) in cash and cash equivalents	563,666	(25,070)	631,002	17,728	1,187,326	2,456,645
Balances—beginning of year	502,086	577,790		29,927	1,109,803	4,201,172
Balances—end of year	\$ 1,065,752	\$ 552,720	\$ 631,002	\$ 47,655	\$ 2,297,129	\$ 6,657,817
Reconciliation of operating income (loss) to net cash (used in) provided by operating activities						
Operating income (loss)	\$ 138,510	\$ (1,932)	\$ (295,318)	\$ (258,038)	\$ (416,778)	
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	128,337	1,167	2,369		131,873	
Change in assets and liabilities:						
Decrease (Increase) in accounts receivable	400,361	3,101	(1,668)	(57)	401,737	\$ 26,771
Increase (Decrease) in accounts payable	54,158	(17,031)	1,425	(806)	37,746	(88,505)
(Decrease) in unearned revenue		(88,684)		(513)	(89,197)	
Net cash provided by (used in) operating activities	\$ 721,366	\$ (103,379)	\$ (293,192)	\$ (259,414)	\$ 65,381	\$ (61,734)

See accompanying notes to the basic financial statements

Fiduciary Funds

Educational Services Commission of New Jersey
Fiduciary Funds

Statement of Fiduciary Net Position

June 30, 2020

	Unemployment Compensation Trust Fund	Agency Fund
	<hr/>	<hr/>
Assets		
Cash and Cash Equivalents	\$ 322,846	\$ 298,259
Accounts Receivable - Other		5,911
Total Assets	<hr/> <u>322,846</u>	<hr/> <u>\$ 304,170</u>
Liabilities		
Accounts Payable		\$ 197,818
Interfunds Payable		96,557
Due to Student Groups		9,795
Total Liabilities		<hr/> <u>\$ 304,170</u>
Net Position		
Held in Trust for Unemployment Claims	<hr/> <u>\$ 322,846</u>	

See accompanying notes to the basic financial statements

Educational Services Commission of New Jersey
Fiduciary Funds

Statement of Changes in Fiduciary Net Position

Year ended June 30, 2020

	<u>Unemployment Compensation Trust Fund</u>
Additions	
Contributions	\$ 153,952
Interest on Investments	2,585
Total Additions	<u>156,537</u>
Deductions	
Payment of Claims	<u>153,952</u>
Total Deductions	<u>153,952</u>
Change in Net Position	2,585
Net Position, Beginning	<u>320,261</u>
Net Position, Ending	<u><u>\$ 322,846</u></u>

See accompanying notes to the basic financial statements

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

1. Summary of Significant Accounting Policies

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

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

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

A. Reporting Entity

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

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

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

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

1. Summary of Significant Accounting Policies (continued)

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

1. Summary of Significant Accounting Policies (continued)

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

The Commission has reported the following major governmental funds:

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

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

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

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

The Commission reports the following major proprietary funds:

Enterprise Funds (Food Service Fund, Regional Day School Fund, Pool Service Fund and Adult Community Services Fund): The Food Service Fund accounts for all revenues and expenses pertaining to cafeteria operations. The stated intent is that the cost (i.e., expenses including

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

1. Summary of Significant Accounting Policies (continued)

depreciation and any indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges. The Regional Day School Fund, Pool Service Fund and Adult Community Services Fund (commenced operations in 19-20 fiscal year) account for all revenues and expenses in the operation of the school or service similar to a private business enterprise.

The Commission reports the following major internal service fund:

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

Additionally, the Commission reports the following fiduciary fund types:

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

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

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

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

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

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

I. Summary of Significant Accounting Policies (continued)

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

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

D. Budgets/Budgetary Control

Annual budgets are adopted each year for the general fund, special revenue fund and debt service fund. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23. All budget amendments must be approved by Commission resolution. Budget amendments during the year ended June 30, 2020 were properly approved by Commission resolution.

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

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

1. Summary of Significant Accounting Policies (continued)

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.

E. Cash and Cash Equivalents

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

F. Deposits Held by Bond Trustees

Deposits held by bond trustees are recorded in the financial statements at fair value, which is based on quoted market price and consist of cash and equivalents and U.S. Treasury notes and government securities.

G. Interfund Receivables/Payables

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

H. Capital Assets

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

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

1. Summary of Significant Accounting Policies (continued)

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

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

I. Compensated Absences

A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits. The Commission uses the “vesting method” for estimating its accrued sick and vacation leave liability. Commission employees are granted vacation and sick leave in varying amounts under the Commission’s personnel policies and according to the negotiated contracts. In the event of retirement, according to contract, an employee is reimbursed for accumulated vacation and sick leave. Non-affiliated employees who resign with more than ten years of service will be reimbursed for accumulated vacation leave pursuant to the Policy 4433.2 Accumulated Vacation Leave (Resignation) approved on October 15, 2010. As of June 30, 2020, a liability existed for compensated absences in the government-wide financial statements in the amount of \$121,537.

The liability for compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2020, no liability existed for compensated absences in the proprietary fund types.

J. Unearned Revenue

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

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

1. Summary of Significant Accounting Policies (continued)

K. Deferred Outflows / Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The Commission has one item that qualifies for reporting in this category, deferred amounts related to pensions.

L. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

M. Pension

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

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

1. Summary of Significant Accounting Policies (continued)

N. Fund Balance

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

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

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

1. Summary of Significant Accounting Policies (continued)

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

Of the \$32,842,001 of fund balance in the General Fund, \$1,787,101 of encumbrances is assigned to other purposes, \$216,392 has been restricted in the capital reserve account; \$1,170,896 has been restricted in the maintenance reserve account; and the remaining \$29,667,612 is unassigned. The Capital Projects Fund fund balance is \$7,791,244, which is restricted for capital projects and the Debt Service Fund fund balance is \$5,874,703, which is restricted for debt service.

O. Net Position

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

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

P. Management Estimates

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

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

1. Summary of Significant Accounting Policies (continued)

Q. On-Behalf Payments

Revenues and expenditures of the general fund include payments made by the State of New Jersey for social security and pension contributions for certified members of the New Jersey Teachers Pension and Annuity Fund. Additionally, revenues and expenses related to on-behalf pension contributions in the government-wide financial statements have been increased by \$2,042,592 adjust for the full accrual basis incurred by the State of New Jersey during the most recent measurement period. The amounts are not required to be included in the Commission's annual budget.

R. Deferred Loss on Defeasance of Debt

Deferred loss on defeasance of debt arising from the issuance of the refunding bonds is recorded as a deferred outflow of resources. It is amortized in a systematic and rational manner over the duration of the related debt as a component of interest expense. As of June 30, 2020, the Commission has recorded an unamortized balance of \$3,298,524 as a deferred outflow of resources. Amortization expense for the year ended June 30, 2020 was \$310,078.

S. GASB Pronouncements

Recently Issued and Adopted Accounting Principles

The GASB issued Statement No. 84, *Fiduciary Activities* in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018. Due to the COVID-19 pandemic, the effective date has been postponed by one year. Management has not determined the impact of the statement on the financial statements.

The GASB issued Statement No. 87, *Leases* in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019. Due to the COVID-19 pandemic, the effective date has been postponed by eighteen months. Management has not determined the impact of the statement on the financial statements.

The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* in June 2018. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for periods beginning after December 15, 2019. Due to the COVID-19 pandemic, the

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

1. Summary of Significant Accounting Policies (continued)

effective date has been postponed by one year. Management has not determined the impact of the statement on the financial statements.

The GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61* in August 2018. This Statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization. This Statement also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit. The requirements of this Statement are effective for periods beginning after December 15, 2018. Due to the COVID-19 pandemic, the effective date has been postponed by one year. Management has determined that this statement did not impact the Commission's financial statements.

The GASB issued Statement No. 91, *Conduit Debt Obligations* in May 2019. This Statement establishes a single method of reporting conduit debt obligations by issuers to eliminate diversity in practice. The requirements of this Statement are effective for periods beginning after December 15, 2020. Due to the COVID-19 pandemic, the effective date has been postponed by one year. Management has not determined the impact of the statement on the financial statements.

T. Subsequent Events

Management has reviewed and evaluated all events and transactions that occurred from June 30, 2020 through January 25, 2021, the date that the financial statements were available for issuance. The effect of those events and transactions that provide additional pertinent information about conditions that existed at the balance sheet and statement of net position date, have been recognized in the accompanying financial statements.

As of June 30, 2020, Commission operations and the ways in which education is provided have been disrupted by the outbreak of the novel coronavirus COVID-19. Going forward, COVID-19 could further limit the Commission's operations, including a slowdown in collections from participating districts and an increase in expenses associated with this or any other potential infectious disease outbreak. Commission management cannot reasonably predict how long the pandemic in New Jersey is expected to last and how the outbreak may impact the financial condition or operations of the Commission. Commission management continues to monitor the Pandemic and plans to take action to address any significant impact on future operations.

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

2. Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheets includes reconciliation between fund balance/net position – total governmental funds and net position– governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds and loans payable, unamortized bond issuance premium, compensated balances and the net pension liability, are not due and payable in the current period and therefore are not reported in the funds. The details of the \$58,231,883 difference are as follows:

Bonds/loans payable	\$ 47,020,000
Capital lease	6,000,000
Unamortized bond issuance premium	5,090,346
Compensated absences	<u>121,537</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net position – governmental activities	<u>\$ 58,231,883</u>

3. Deposits and Investments

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

New Jersey school Commissions are limited as to the types of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school Commissions.

Additionally, the Commission has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

3. Deposits and Investments (continued)

Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect Government Units from a loss of funds on deposit with a failed banking institution in New Jersey.

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

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

Deposits

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

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

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

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

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

3. Deposits and Investments (continued)

institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

At June 30, 2020, the carrying amount of the Commission's deposits was \$27,929,575 and the bank balance was \$35,121,022. Of the bank balance, \$250,000 was covered by the Federal Depository Insurance and \$33,895,200 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Governmental Unit Deposit Protection Act (GUDPA). \$975,822 held in the Commission's agency accounts are not covered by GUDPA.

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

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

Investments

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

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

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

3. Deposits and Investments (continued)

Deposits Held by Bond Trustees and Lease Purchase Escrow Agent – At June 30, 2020, the deposits held by bond trustees under bond indenture agreements and lease purchase loan are maintained for the following:

Revenue fund	\$ 54,282
Debt service fund for principal and interest	2,023,948
Operating fund	81,092
Loan - Lease Purchase Escrow account	<u>5,041,734</u>
Deposits Held by Trustees	<u>\$ 7,201,056</u>

Deposits held by bond trustees and lease purchase Escrow agent are recorded in the financial statements at fair value, as determined by quoted market prices, and consist of the following:

	<u>Cost</u>	<u>Fair Value</u>
Cash and equivalents	\$7,128,056	\$7,128,056
Investments -		
Certificates of deposit	<u>73,000</u>	<u>73,000</u>
	<u>\$7,201,056</u>	<u>\$7,201,056</u>

Custodial Credit Risk: The Commission does not have a policy for custodial credit risk other than to maintain a safekeeping account for the securities at a financial institution. The Commission's deposits held with bond trustees are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Commission, and are held by either the counterparty or the counterparty's trust department or agent but not in the Commission's name. As of June 30, 2020, the Commission's deposits held with bond trustees are invested in money market accounts or certificates of deposit.

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

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

3. Deposits and Investments (continued)

Concentration of Credit Risk: The Commission places no limit on the amount the Commission may invest in any one issuer. Assets held under bond indenture agreements represent assets held by bond trustees under the terms of various bond and other long-term debt agreements. Assets held under bond indenture agreements are carried in the financial statements at fair value, and consist of cash and equivalents and certificates of deposit.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Commission does not have a policy to limit interest rate risk. As of June 30, 2020, no deposits held with bond trustees had maturities greater than one year.

4. Capital Assets

The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2020:

	Beginning Balance	Increases	Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,231,614			\$ 5,231,614
Construction in progress	18,992,163	\$ 1,592,638	\$ (18,763,134)	1,821,667
Total capital assets, not being depreciated	24,223,777	1,592,638	(18,763,134)	7,053,281
Capital assets, being depreciated:				
Buildings and building improvements	70,221,719	1,252,964	18,763,134	90,237,817
Land improvements	1,192,854			1,192,854
Vehicles	531,816	80,660		612,476
Machinery and equipment	7,741,753	341,541		8,083,294
Total capital assets, being depreciated	79,688,142	1,675,165	18,763,134	100,126,441
Less accumulated depreciation for:				
Buildings and building improvements	(19,414,750)	(1,936,738)		(21,351,488)
Land improvements	(996,457)	(46,132)		(1,042,589)
Vehicles	(327,196)	(59,174)		(386,370)
Machinery and equipment	(4,175,281)	(575,089)		(4,750,370)
Total accumulated depreciation	(24,913,684)	(2,617,133)	-	(27,530,817)
Total capital assets, being depreciated, net	54,774,458	(941,968)	18,763,134	72,595,624
Governmental activities capital assets, net	\$ 78,998,235	\$ 650,670	\$ -	\$ 79,648,905

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

4. Capital Assets (continued)

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

Instruction	\$ 523,427
Business and other support services	<u>2,093,706</u>
Total allocated depreciation	<u>\$ 2,617,133</u>

The following is a summary of business-type capital assets for the fiscal year ended June 30, 2020:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Ending Balance</u>
Business-type activities:			
Capital assets, being depreciated:			
Land improvements	\$ 6,163		\$ 6,163
Building and building improvements	1,102,861		1,102,861
Machinery and equipment	<u>1,003,007</u>	\$ 80,640	<u>1,083,647</u>
Total capital assets being depreciated	2,112,031	80,640	2,192,671
Less accumulated depreciation for:			
Land improvements	(4,712)	(308)	(5,020)
Building and building improvements	(429,929)	(60,623)	(490,552)
Machinery and equipment	<u>(650,574)</u>	<u>(70,942)</u>	<u>(721,516)</u>
Total accumulated depreciation	(1,085,215)	(131,873)	(1,217,088)
Business-type activities capital assets, net	<u>\$ 1,026,816</u>	<u>\$ (51,233)</u>	<u>\$ 975,583</u>

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

5. Long-Term Liabilities

During the year ended June 30, 2020, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated absences payable	\$ 119,991	\$ 2,246	\$ (700)	\$ 121,537	\$ 30,896
MICA bonds/ loans payable	49,950,000		(2,930,000)	47,020,000	3,045,000
Capital lease		6,000,000		6,000,000	991,950
Unamortized premium	5,522,281		(431,935)	5,090,346	431,935
Subtotal	55,592,272	6,002,246	(3,362,635)	58,231,883	4,499,781
Net pension liability	19,271,871		(1,795,467)	17,476,404	
Total governmental activities long-term liabilities	\$ 74,864,143	\$ 6,002,246	\$ (5,158,102)	\$ 75,708,287	\$ 4,499,781

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

Bonds/Loan Payable

On June 24, 2010, the Middlesex County Improvement Authority issued County-Guaranteed Revenue Refunding Bonds, Series 2010 in the amount of \$5,300,000 of the 1999 County Guaranteed Revenue Bonds. The principal amount outstanding as of June 30, 2011 was \$5,185,000. Terms of the loan repayment called for semi-annual interest with rates varying from 2.00% to 4.00% and annual principal repayments. The last payment of the Bonds was made on September 15, 2019.

On May 7, 2014, the Commission advance refunded \$9,385,000 of the 2004 County Guaranteed Revenue Bonds. The principal amount outstanding as of June 30, 2014 was \$11,230,000. Terms of the loan repayment call for semi-annual interest with rates that vary from 2.00% to 5.00% and annual principal repayments. The Commission completed the refunding to reduce total debt service payment by over 10%. The principal amount outstanding of the series 2014 as of June 30, 2020 is \$5,650,000.

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

5. Long-Term Liabilities (continued)

On December 16, 2014, the Middlesex County Improvement Authority issued the Middlesex County Guaranteed Lease Revenue Refunding Bonds (Middlesex Regional Educational Services Commission Projects). These bonds were issued to refund \$29,225,000 of 2008 Bonds maturing December 15, 2019 to 2033. The par amount of the 2014 Refunding Bonds totals \$30,170,000 and debt service savings equate to \$2,159,982 or 7.391% of Refunded Bonds on a present value basis. The average interest rate of the Series 2014A is 3.15% compared with the average interest rate of the refunded bonds of 5.15%, with a final maturity date of December 15, 2033. The principal amount outstanding for series 2014A as of June 30, 2020 is \$28,350,000.

On August 31, 2017, the Middlesex County Improvement Authority issued the Middlesex County Guaranteed Lease Revenue Bonds, Series 2017 (Educational Services Commission of New Jersey Projects). These bonds were issued in the par amount of \$13,170,000 maturing July 15, 2019 to 2037 with interest rates that vary from 3.00% to 5.00%. Terms of the loan repayment call for semi-annual interest and annual principal repayments. The principal amount outstanding of the series 2017 as of June 30, 2020 is \$13,020,000. The funds were obtained for the NuView Academy Annex project.

As of June 30, 2020, \$40,315,000 of all defeased bonds remain outstanding.

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

Future loan payments are as follows:

	Principal	Interest	Total
Fiscal year ending June 30:			
2021	\$ 3,045,000	\$ 2,007,912	\$ 5,052,912
2022	3,190,000	1,860,688	5,050,688
2023	3,340,000	1,701,837	5,041,837
2024	3,505,000	1,535,538	5,040,538
2025	3,675,000	1,360,862	5,035,862
2026-2030	14,455,000	4,619,563	19,074,563
2031-2035	13,375,000	1,470,706	14,845,706
2036-2038	2,435,000	144,375	2,579,375
	\$47,020,000	\$ 14,701,481	\$ 61,721,481

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

5. Long-Term Liabilities (continued)

Capital Lease Payable

On December 18, 2019, a Lease Purchase Agreement was entered into between TD Equipment Finance, Inc., as Lessor, and the Educational Services Commission of New Jersey, as Lessee. The lease was obtained for a Capital Project at the Aquatic Fitness Center and various upgrades to the facilities at NuView Academy Annex project and the leased Premises described on the Tax Map of the Township of Piscataway as Block 9201, Lot 46.09 and the existing building facilities and fixtures thereon. The lease was issued in the amount of \$6,000,000 maturing July 15, 2025 with interest rates that vary from 2.1330% to 2.1725%. The principal amount outstanding on the lease as of June 30, 2020 is \$6,000,000. The following is a schedule of the future minimum lease payments under this capital lease and the net minimum lease payments at June 30, 2020:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending June 30:			
2021	\$ 991,950	\$ 74,655	\$ 1,066,605
2022	959,783	106,822	1,066,605
2023	980,255	86,350	1,066,605
2024	1,001,164	65,441	1,066,605
2025	1,022,519	44,086	1,066,605
2026	1,044,329	22,276	1,066,605
	<u>\$ 6,000,000</u>	<u>\$ 399,630</u>	<u>\$ 6,399,630</u>

6. Pension Plans

Description of Systems

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

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

6. Pension Plans (continued)

Teachers' Pension and Annuity Fund

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

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

Public Employee's Retirement System

The Public Employees' Retirement System was established in January 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school Board or public agency provided the employee is not a member of another State-administered retirement system. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60, and 62, respectively with an annual benefit generally determined to be $1/55^{\text{th}}$ of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively with an annual benefit generally determined to be $1/60^{\text{th}}$ of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

6. Pension Plans (continued)

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

Funding Policy

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

During the year ended June 30, 2020, the State of New Jersey contributed \$4,275,450 to the TPAF for on-behalf pension, non-contributory insurance and post-retirement medical benefits on behalf of the Commission. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Commission \$1,068,595 during the year ended June 30, 2020 for the employer's share of social security contributions for TPAF members as calculated on their base salaries.

The Commission's actuarially determined contributions to PERS for each of the years ended June 30, 2020, 2019, and 2018 were \$943,446, \$973,579, and \$936,292, respectively, equal to the required contributions for each year.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For the purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

6. Pension Plans (continued)

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

Public Employee's Retirement System (PERS)

At June 30, 2020, the Commission reported a liability of \$17,476,404 for its proportionate share of the 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 July 1, 2018 which was rolled forward to June 30, 2019. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the Commission's proportion was 0.0969915418 percent, which was a decrease of 0.0008873782 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Commission recognized full accrual pension expense of \$542,498 in the government-wide financial statements. Pension expense is reported in the Commission's financial statements as part of employee benefits expense. At June 30, 2020, the Commission reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 313,679	\$ 77,203
Changes of assumptions	1,745,083	6,066,005
Net difference between projected and actual earnings on pension plan investments		275,872
Changes in proportion and differences between Commission contributions and proportionate share of contributions	41,359	723,582
Commission contributions subsequent to the measurement date	1,021,428	
	\$ 3,121,549	\$ 7,142,662

\$1,021,428 is reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability for the year ended June 30, 2021. Other amounts reported as

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

6. Pension Plans (continued)

deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	\$ (724,417)
2022	(1,811,599)
2023	(1,636,424)
2024	(794,042)
2025	<u>(76,059)</u>
	<u>\$ (5,042,541)</u>

Actuarial Assumptions

The collective 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:

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%

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. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females,

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

6. Pension Plans (continued)

and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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%
High yield	2.00%	5.37%
Private credit	6.00%	7.92%
Real assets	2.50%	9.31%
Real estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private equity	12.00%	10.85%
	<u>100.00%</u>	

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

6. Pension Plans (continued)

Discount rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019 and 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.50% as of June 30, 2019 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 70% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the Commission's proportionate share of the net pension liability as of June 30, 2019 calculated using the discount rate as disclosed above as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.28 percent) or 1-percentage-point higher (7.28 percent) than the current rate:

	At 1% Decrease (5.28%)	At Current Discount Rate (6.28%)	At 1% Increase (7.28%)
Commission's proportionate share of the net pension liability	\$22,075,538	\$ 17,476,404	\$13,600,982

Pension Plan Fiduciary Net Position

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

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

6. Pension Plans (continued)

Additional Information

Collective balances - Local Group at June 30, 2019 are as follows:

Deferred outflows of resources	\$	3,149,522,616
Deferred inflows of resources	\$	7,645,087,574
Net pension liability	\$	18,143,832,135
Commission's Proportion		0.0969915418%

Collective pension expense for the Local Group for the measurement period ended June 30, 2019 is \$974,471,686.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2019, 2018, 2017, 2016, 2015 and 2014 is 5.21, 5.63, 5.48, 5.57, 5.72, and 6.44 years, respectively.

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

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the these local participating employers does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the these local participating employers. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer. The State's portion of the net pension liability that was associated with the Commission as of June 30, 2019 was \$87,466,227. The Commission's contractually required contribution rate for the year ended June 30, 2019, was 0% of the annual covered payroll of which 100% was required from the State.

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 July 1, 2018, which was rolled forward to June 30, 2019. The State's proportionate share of the net pension liability associated with the Commission was based on a projection of the State's long-term

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

6. Pension Plans (continued)

contributions to the pension plan associated with the Commission relative to the projected contributions by the State associated with all participating school Commissions, actuarially determined. At June 30, 2019, the State's proportionate share of the TPAF net pension liability associated with the Commission was 0.1425205832 percent, which was an increase of 0.0056911313 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Commission recognized on-behalf pension expense and revenue in the government-wide financial statements of \$2,042,592 for contributions incurred by the State.

Actuarial assumptions

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

Inflation rate:	
Price	2.75%
Wage	3.25%
Salary increases:	
Through 2026	1.55 - 4.45 based on years of service
Thereafter	2.75 - 5.65% based on years of service
Investment rate of return	7.00%

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

6. Pension Plans (continued)

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.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expecting future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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%
High yield	2.00%	5.37%
Private credit	6.00%	7.92%
Real assets	2.50%	9.31%
Real estate	7.50%	8.33%
U.S. equity	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private equity	12.00%	10.85%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 5.60% as of June 30, 2019 and 4.86% as of June 30, 2018. This single blended discount rate was based on the long-term rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.50% as of June 30,

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

6. Pension Plans (continued)

2019 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 70% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2054. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2054, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the State's proportionate share of the net pension liability associated with the Commission as of June 30, 2019 calculated using the discount rate as disclosed above as well as what the State's proportionate share of the net pension liability associated with the Commission would be if it were calculated using a discount rate that is 1-percentage point lower (4.60 percent) or 1-percentage-point higher (6.60 percent) than the current rate:

	At 1% Decrease (4.60%)	At Current Discount Rate (5.60%)	At 1% Increase (6.60%)
Commission's proportionate share of the net pension liability	\$ 103,142,041	\$ 87,466,227	\$ 74,460,251

Pension plan fiduciary net position

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

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

6. Pension Plans (continued)

Additional Information

Collective balances of the Local Group at June 30, 2019 are as follows:

Collective deferred outflows of resources	\$	10,077,460,797
Collective deferred inflows of resources	\$	17,525,379,167
Collective net pension liability	\$	61,370,943,870

State's proportionate share associated with the Commission	0.1425205832%
---	---------------

Collective pension expense-Local Group for the plan for the measurement period ended June 30, 2019 is \$3,642,191,152.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2019, 2018, 2017, 2016, 2015, and 2014 is 8.04, 8.29, 8.30, 8.30, and 8.50 years, respectively.

Defined Contribution Plan

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

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

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

6. Pension Plans (continued)

the annual maximum wage contribution base for Social Security pursuant to the Federal Insurance Contributions Act (\$137,700 in 2020), may elect to waive participation in the DCRP. PERS and TPAF members who participate in the DCRP are immediately vested in the DCRP with a right to a benefit at retirement based on both employee and employer contribution. There is no minimum retirement age under the DCRP. The member will automatically be considered retired, regardless of age, if there is any distribution of mandatory contributions. However, lump-sum cash distributions to members under the age of 55 are limited to the member's contributions and earnings. The remaining employer contributions and earnings are only available after age 55. A member may take a distribution at any time after termination of employment; however, if member returns to public employment in New Jersey, member cannot participate in any State-administered retirement systems. The Commission's expense for the DCRP was \$231,899 for the fiscal year ended June 30, 2020.

7. Post-Retirement Benefits

Plan Description and Benefits Provided

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health benefits) for State Health Benefit Local Education Retired Employees Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other than Pensions*. The State Health Benefit Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers. The State Health Benefits Program Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et. seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SHBP. That report may be obtained by writing to Division of Pension and Benefits, PO Box 295, Trenton, NJ 08625-0295.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A 52:14-17.32f. According to N.J.S.A. 52:14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in or retires in a disability pension from one or more of the following plans: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS) or the Alternate Benefit Program

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

7. Post-Retirement Benefits (continued)

(ABP). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of health care coverage in retirement provided that 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 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. In Fiscal Year 2019, the State paid PRM benefits for 153,893 State and local retirees. The total nonemployer OPEB liability does not include certain other postemployment obligations that are provided by the local education employers.

The State's contributions to the SHBP Fund for TPAF retirees' post-retirement benefits on behalf of the Commission for the years ended June 30, 2020, 2019 and 2018 were \$1,156,127, \$1,298,067 and \$1,333,038 respectively, which equaled the required contributions for each year.

The State funds post-retirement medical benefits on a "pay-as-you-go" basis, which means that the State does not pre-fund, or otherwise establish a reserve or other pool of assets against the PRM expenses that the State may incur in future years. For Fiscal Year 2019, the State contributed \$1.908 billion to pay for pay-as-you-go PRM benefit costs incurred by covered retirees. The State's "pay-as-you-go" contributions have remained consistent with Fiscal Year 2018 amounts. The State has appropriated \$1.612 billion in Fiscal Year 2020 as the State's contribution to fund pay-as-you-go PRM costs.

In accordance with the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the State is required to quantify and disclose its obligations to pay Other Postemployment Benefits (OPEB) to retired plan members. This new standard supersedes the previously issued guidance, GASB Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for Fiscal Year 2018. The State is now required to accrue a liability in all instances where statutory language names the State as the legal obligor for benefit payments. The Fiscal Year 2019 total State OPEB liability to provide these benefits is \$76.0 billion, a decrease of \$14.5 billion or 16 percent from the \$90.5 billion liability recorded in Fiscal Year 2018.

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

7. Post-Retirement Benefits (continued)

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et. seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASBS No. 75.

Total OPEB Liability

The total non-employer (State) OPEB liability from New Jersey's plan is \$41,729,081,045.

Changes in Total Nonemployer OPEB Liability

Below represents the changes in the Commission's total OPEB liability for the year ended June 30, 2020:

	<u>Total OPEB Liability</u>
Beginning Total OPEB Liability, June 30, 2019	\$ 61,364,051
Changes for the year:	
Service cost	3,298,613
Interest	2,469,131
Differences between expected and actual experiences	(7,910,869)
Changes of assumptions	870,045
Member contributions	53,098
Benefit payments	<u>(1,791,257)</u>
Net changes for the year	(3,011,239)
Ending Total OPEB Liability, June 30, 2020	<u>\$ 58,352,812</u>

Employees covered by benefit terms

The following employees were covered by the benefit terms:

<u>Local Education Group</u>	<u>June 30, 2019</u>
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	-
Total Plan Members	<u>364,943</u>

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

7. Post-Retirement Benefits (continued)

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The LEA's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the LEA did not recognize any portion of the collective total OPEB liability on the Statement of Net Position. The State's proportionate share of the total OPEB liability associated with the Commission as of June 30, 2020 was \$58,352,812. Additional information can be obtained from the State of New Jersey's comprehensive annual financial report.

Actuarial assumptions and other inputs

The total nonemployer OPEB liability in the June 30, 2019 actuarial valuation reported by the State in the State's most recently issued CAFR was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

	TPAF	PERS
Inflation rate:	2.50%	2.50%
Salary increases:		
Through 2026	1.55 - 3.05%	2.00 - 6.00%
	based on years of service	based on years of service
Thereafter	1.55 - 3.05%	3.00 - 7.00%
	based on years of service	based on years of service

The total nonemployer OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the actual experience studies for the periods July 1, 2015 – June 30, 2018 and July 1, 2014 – June 30, 2018 for TPAF and PERS, respectively.

Mortality Rates

Preretirement mortality rates were based on the Pub-2010 Healthy "Teachers" (TPAF/ABP) and "General" (PERS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Postretirement mortality rates were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Disability mortality was based on the Pub-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

7. Post-Retirement Benefits (continued)

Discount Rate

The discount rate for June 30, 2019 and 2018 was 3.50% and 3.87%, respectively. This 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.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate 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 rate 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 following represents sensitivity of the Total Nonemployer OPEB liability associated with the District to changes in the discount rate and healthcare cost trend rate

The following presents the non-employer OPEB liability associated with the District as of June 30, 2019 calculated using the discount rate as disclosed above as well as what the total non-employer OPEB liability would be if it was calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current rate:

	At 1% decrease (2.50%)	At current discount rate (3.50%)	At 1% increase (4.50%)
Total OPEB Liability (Allocable to the Commission and the responsibility of the State)	\$ 68,937,730	\$ 58,352,812	\$ 49,944,733

The following presents the total non-employer OPEB liability associated with the Commission as of June 30, 2019 calculated using the healthcare cost trend rate as disclosed above as well as what the total non-employer OPEB liability would be if it was calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

7. Post-Retirement Benefits (continued)

	At 1% decrease	Healthcare Cost Trend Rates	At 1% increase
Total OPEB Liability (Allocable to the Commission and the the responsibility of the State)	\$ 48,080,116	\$ 58,352,812	\$ 71,951,752

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

For the year ended June 30, 2020, the Commission recognized on-behalf OPEB expense and revenue in the government-wide financial statements of \$1,565,835 for OPEB expenses incurred by the State.

Collective balances of the Local Education Group at June 30, 2019 are as follows:

Deferred outflow of resources	\$ 1,921,145,183
Deferred inflow of resources	\$ 20,887,639,826
Collective OPEB expense	\$ 1,015,664,874
 Commission's Proportion	 0.14%

Special Funding Situation

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

8. Contingent Liabilities

The Commission is involved in various claims and lawsuits incidental to its operations. In the opinion of the administration and legal counsel, the ultimate resolution of these matters will not have a material adverse effect on the financial position of the Commission. The Commission participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the Commission has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2020 may be impaired. In the opinion of the Commission, there are no significant contingent liabilities relating to compliance

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

8. Contingent Liabilities (continued)

with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying financial statements for such contingencies.

9. Risk Management

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

Property and Liability Insurance

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

New Jersey Unemployment Compensation Insurance

Effective January 1, 2010, the Commission elected to switch from a Reimbursable Unemployment Account to a Contributory Unemployment Account. The Employer Unemployment Compensation Insurance Contribution rate is 0.70% through June 30, 2020. Based on final unemployment experience rate, the Commission allocated to the Unemployment and Workforce Funds the total amount of \$153,952 for fiscal year 2020.

Self-Insurance: The Commission is self-insured for medical, prescription and dental benefits and has established an internal service fund to account for its self-insurance activities. The Commission contracts with Horizon Blue Cross/Blue Shield, SynchronyRX and Delta Dental to provide claims administration and payment services for health benefits. The Commission switched contracts with Horizon Blue Cross/Blue Shield from a prospective funding plan to a self-insured plan with advance weekly deposits of \$171,221 being held by Horizon Blue Cross/Blue Shield of June 30, 2020 and an estimate of \$586,500 within accounts payable for incurred but not reported (IBNR) claims which was developed and calculated by an independent actuary. In addition, at June 30, 2020, \$30,460 of funds are held by other health care service providers on behalf of the District.

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

9. Risk Management (continued)

The change in the IBNR for the past three years as follows:

Year	Beginning Balance	Claims and Estimates	Payments	Ending Balance
2019-2020	\$ 574,000	\$ 7,724,364	\$ 7,711,864	\$ 586,500
2018-2019	\$ 503,000	\$ 7,449,617	\$ 7,378,617	\$ 574,000
2017-2018	\$ -	\$ 8,032,051	\$ 7,529,051	\$ 503,000

10. Capital Reserve Account

Capital reserve accounts may be established for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. A capital reserve account is maintained in the General Fund and its activity is included in the General Fund annual budget. Funds placed in the capital reserve account are restricted to capital outlay expenditures and transfers of such funds for other uses are prohibited pursuant to N.J.S.A. 18A:22-8.2. A capital reserve account was established by the Commission for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years.

Funds placed in the capital reserve account are restricted to capital projects in the Commission's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the Department, the Commission may increase the balance in the capital reserve by appropriating funds in the annual general fund budget or by transfer by board resolution at year end (June 1 to June 30) of any unanticipated revenue or unexpended line – item appropriation amounts, or both. Pursuant to N.J.A.C. 6A:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP. The amount included in the Commission's capital reserve account at June 30, 2020 is \$216,392 and there were no deposits or withdrawals during the 2020 fiscal year.

11. Maintenance Reserve Account

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

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

11. Maintenance Reserve Account (continued)

The activity of the maintenance reserve for the July 1, 2019 to June 30, 2020 fiscal year is as follows:

Beginning balance, July 1, 2019	\$2,836,098
Withdrawals	<u>1,665,202</u>
Ending balance, June 30, 2020	<u>\$1,170,896</u>

12. Interfund Receivables and Payables

The following interfund balances remained on the balance sheet at June 30, 2020:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 2,029,298	\$ 22,433
Special Revenue Fund		1,994,827
Capital Projects Fund		21,023
Debt Service Fund	26,023	
Regional Day School Enterprise Fund	13,026	
Food Services Enterprise Fund	17,433	13,026
Internal Service Fund - self insurance	62,086	
Payroll Agency Fund		96,557
	<u>\$ 2,147,866</u>	<u>\$ 2,147,866</u>

The General Fund receivable represents amounts owed from Special Revenue Fund and Payroll Agency fund for short term cash loans to liquidate the fund cash deficits. The General Fund payable represents cash owed to the Debt Service Fund for the annual MCIA fee and trustee fee paid through debt service fund and Food service account. The interfund between the Capital Projects Fund and the Debt Service Fund represents interest earned in the Capital Projects Fund not turned over to the Debt Service Fund at June 30, 2020. The Regional Day School Fund receivable represents amounts owed from the Food Service Fund for cafeteria aides. The Internal Service Fund – Self Insurance receivable represents amounts owed from the Payroll Agency Fund for health benefits.

The Commission expects to liquidate all interfunds within one year.

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

13. Transfers – Reconciliation

The following represents a reconciliation of transfers made during the 2020 fiscal year:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 59,621	\$ 12,286,250
Special Revenue Fund		107,776
Capital Projects Fund	4,000,000	21,023
Debt Service Fund	5,684,177	59,621
Enterprise Fund – Regional Day School		123,163
Enterprise Fund – Pool Services	135,450	51,225
Enterprise Fund – Adult Community Services	1,000,000	
Internal Service Fund - Self Insurance	1,769,810	
Total	<u>\$ 12,649,058</u>	<u>\$ 12,649,058</u>

The transfers represent an allocation to the various funds except of the internal service fund for debt service charges to pay for the Commission's interest and principal on its outstanding debt. The Commission does not have the ability to raise taxes and does not receive any debt service aid. The internal service – self-insurance transfer in represents the health benefit expenditures offset by the health benefit deposits.

14. Commitments

The Commission has contractual commitments at June 30, 2020 to various vendors, which are recorded in the general fund as fund balance assigned to other purposes in the amount of \$1,787,101.

The Commission also has \$5,367,892 of encumbrances outstanding at June 30, 2020 for various construction contracts recorded in the capital projects fund as restricted for capital projects.

15. Restricted Assets

The Commission has \$216,392 of capital reserve funds and \$1,170,896 of maintenance reserve funds that are classified as restricted assets because they are restricted by the New Jersey Department of Education to be utilized for future capital projects that have been approved in the Commission's Long-Range Facility Plan and for maintenance purposes, respectively.

Educational Services Commission of New Jersey

Notes to the Basic Financial Statements

Year ended June 30, 2020

16. Liquidity, Management Plans and Intentions

Due to the COVID-19 Pandemic, the Commission closed its schools on March 16, 2020 and continued to provide online instruction to its students through the end of the school year. The Pandemic did not have a significant impact on the financial statements of the Commission for the year ended June 30, 2020. However, the Pandemic did result in the State of New Jersey taking steps to reduce the amount of state aid to be provided to school districts for the 2020-21 fiscal year. The Commission provides transportation and other services to school districts throughout the state and may experience cash flow issues as districts may be slower to pay as a result of the decrease in funding. Management believes that the unassigned fund balance available as of June 30, 2020 and the anticipated revenues will be sufficient to meet the Commission's financial needs for one year from the date of the issuance of this report.

Required Supplementary Information - Part II

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

	Year Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Commission's proportion of the net pension liability (asset) - Local Group	0.0969915418%	0.0978789200%	0.1010685311%	0.1007793105%	0.1007043122%	0.1047205366%	0.1040601532%	n/a	n/a	n/a
Commission's proportionate share of the net pension liability (asset)	\$ 17,476,404	\$ 19,271,871	\$ 23,527,139	\$ 29,847,941	\$ 22,606,100	\$ 19,606,549	\$ 19,887,963	n/a	n/a	n/a
Commission's covered payroll	\$ 6,627,753	\$ 6,694,238	\$ 6,808,739	\$ 6,834,840	\$ 6,859,933	\$ 6,756,533	\$ 6,996,216	\$ 7,003,742	\$ 7,852,556	\$ 8,408,353
Commission's proportionate share of the net pension liability (asset) as a percentage as a percentage of its covered payroll	263.69%	287.89%	345.54%	436.70%	329.54%	290.19%	284.27%	n/a	n/a	n/a
Plan fiduciary net position as a percentage of the total pension liability - Local Group	56.27%	53.60%	48.10%	40.14%	47.93%	52.08%	52.08%	n/a	n/a	n/a

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

See notes to Required Supplementary Information

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

	Year Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 943,446	\$ 973,579	\$ 936,292	\$ 895,309	\$ 865,787	\$ 863,301	\$ 784,072	\$ 870,819	\$ 972,536	\$ 1,024,842
Contributions in relation to the contractually required contribution	943,446	973,579	936,292	895,309	865,787	863,301	784,072	870,819	972,536	1,024,842
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commission's covered payroll	\$ 6,879,663	\$ 6,627,753	\$ 6,694,238	\$ 6,808,739	\$ 6,834,840	\$ 6,859,933	\$ 6,756,533	\$ 6,996,216	\$ 7,003,742	\$ 7,852,556
Contributions as a percentage of covered payroll	13.71%	14.69%	13.99%	13.15%	12.67%	12.58%	11.60%	12.45%	13.89%	13.05%

See notes to Required Supplementary Information

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

Last Ten Fiscal Years*

	Year Ended June 30,					
	2020	2019	2018	2017	2016	2015
State's proportion of the net pension liability (asset) associated with the Commission - Local Group	0.1425205832%	0.1368294519%	0.1335566447%	0.1295079730%	0.1302616210%	0.1323959546%
Commission's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the Commission	\$ 87,466,227	\$ 87,017,958	\$ 90,048,706	\$ 101,879,217	\$ 82,330,907	\$ 70,761,329
Total proportionate share of the net pension liability (asset) associated with the Commission	<u>\$ 87,466,227</u>	<u>\$ 87,017,958</u>	<u>\$ 90,048,706</u>	<u>\$ 101,879,217</u>	<u>\$ 82,330,907</u>	<u>\$ 70,761,329</u>
Plan fiduciary net position as a percentage of the total pension liability	26.95%	26.49%	25.41%	22.33%	28.71%	33.64%

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

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

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

See notes to Required Supplementary Information

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

Last Ten Fiscal Years*

	Year Ended June 30,			
	2020	2019	2018	2017
State's proportion of the net OPEB liability (asset) associated with the Commission -	0.14%	0.13%	0.14%	0.13%
Commission's proportionate share of the net liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the Commission	\$ 58,352,812	\$ 61,364,051	\$ 72,474,891	\$ 76,911,187
Total proportionate share of the net OPEB liability (asset) associated with the Commission	\$ 58,352,812	\$ 61,364,051	\$ 72,474,891	\$ 76,911,187
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%
	2020	2019	2018	2017*
Total OPEB Liability				
Service cost	3,298,613	3,861,009	4,618,069	
Interest cost	2,469,131	2,704,718	2,300,705	
Differences between expected and actual experiences	(7,910,869)	(9,050,592)	-	
Changes of assumptions	870,045	(7,041,832)	(9,738,211)	
Member contributions	53,098	56,710	61,813	
Gross benefit payments	(1,791,257)	(1,640,853)	(1,678,672)	
Net change in total OPEB liability	(3,011,239)	(11,110,840)	(4,436,296)	
Total OPEB liability - beginning	61,364,051	72,474,891	76,911,187	
Total OPEB liability - ending	\$ 58,352,812	\$ 61,364,051	\$ 72,474,891	
Covered-employee payroll	\$ 22,320,901	\$ 21,364,986	\$ 21,339,903	
Total OPEB liability as a percentage of covered-employee payroll	261.43%	287.22%	339.62%	

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

** n/a - information not available

See notes to Required Supplementary Information

EDUCATIONAL SERVICES COMMISSION
OF NEW JERSEY

Notes to Required Supplementary Information

Year ended June 30, 2020

PUBLIC EMPLOYEES' RETIREMENT SYSTEM - PENSION

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.66% as of June 30, 2018 to 6.25% as of June 30, 2019.

TEACHERS PENSION AND ANNUITY FUND - PENSION

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.86% as of June 30, 2018 to 5.60% as of June 30, 2019.

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

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 3.87% as of June 30, 2018 to 3.50% as of June 30, 2019.

Required Supplementary Information - Part III

Budgetary Comparison Schedules

Educational Services Commission of New Jersey
General Fund
Budgetary Basis

Budgetary Comparison Schedule

Year ended June 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources:					
Tuition	\$ 36,937,067	\$ 723,009	\$ 37,660,076	\$ 37,660,076	
Transportation fees	42,646,000	(7,688,979)	34,957,021	34,957,021	
Services provided to districts	16,118,045	6,412,552	22,530,597	22,530,597	
Interest on investments	200,000	70,983	270,983	270,983	
Miscellaneous	175,300	31,235	206,535	206,535	
Total - local sources	96,076,412	(451,200)	95,625,212	95,625,212	
State sources:					
On-behalf TPAF Pension Contributions				3,116,400	\$ 3,116,400
TPAF post-retirement medical (on-behalf - non-budgeted)				1,156,127	1,156,127
TPAF non-contributory insurance (on-behalf - non-budgeted)				2,923	2,923
Reimbursed TPAF Social Security				1,068,595	1,068,595
Total - state sources				5,344,045	5,344,045
Total revenues	96,076,412	(451,200)	95,625,212	100,969,257	5,344,045
Expenditures					
Current:					
Home instruction:					
Salaries of teachers	414,500	167,240	581,740	581,740	
Other objects	10,500	(6,625)	3,875	1,125	2,750
Total home instruction	425,000	160,615	585,615	582,865	2,750
Total instruction - home instruction	425,000	160,615	585,615	582,865	2,750
Special education:					
Learning and/or language disabilities:					
Salaries of teachers	3,350	(700)	2,650	2,650	
Total learning and/or language disabilities	3,350	(700)	2,650	2,650	
Auditory Impairments:					
Salaries of teachers	81,000	(8,216)	72,784	72,784	
Purchased professional-educational services	45,000	(8,500)	36,500	28,609	7,891
General supplies	5,000	(2,500)	2,500	1,635	865
Other objects	1,000	(427)	573	573	
Total auditory impairments	132,000	(19,643)	112,357	103,601	8,756
Behavioral disabilities:					
Salaries of teachers	1,361,000	(190,317)	1,170,683	1,170,683	
Other salaries of instruction	218,000	(14,371)	203,629	203,629	
General supplies	15,120	(353)	14,767	14,666	101
Textbooks	15,480	(10,660)	4,820	4,728	92
Other objects	7,776	(4,870)	2,906	2,873	33
Total behavioral disabilities	1,617,376	(220,571)	1,396,805	1,396,579	226
For Keeps Children's Program:					
Salaries of teachers	74,000	(15,356)	58,644	58,644	
General supplies	1,000	(1,000)			
Total For Keeps Children's program	75,000	(16,356)	58,644	58,644	
Multiple disabilities:					
Salaries of teachers	2,109,450	(200,760)	1,908,690	1,908,690	
Other salaries of instruction	1,198,850	(74,813)	1,124,037	1,124,037	
General supplies	48,855	(2,536)	46,319	43,102	3,217
Textbooks	420	(420)			
Other objects	41,380	(39,045)	2,335	2,335	
Total multiple disabilities	3,398,955	(317,574)	3,081,381	3,078,164	3,217
Autism:					
Salaries of teachers	4,308,650	(299,031)	4,009,619	4,009,619	
Other salaries of instruction	3,045,250	25,445	3,070,695	3,070,695	
General supplies	109,425	(7,787)	101,638	91,308	10,330
Textbooks	3,005	(1,702)	1,303	1,068	235
Other objects	51,777	(47,451)	4,326	3,810	516
Total autism	7,518,107	(330,526)	7,187,581	7,176,500	11,081

Educational Services Commission of New Jersey
General Fund
Budgetary Basis

Budgetary Comparison Schedule

Year ended June 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Preschool Disabilities Full Time:					
Salaries of teachers	\$ 299,300	\$ 190,082	\$ 489,382	\$ 489,382	
Other salaries of instruction	287,500	(36,111)	251,389	251,389	
General supplies	16,510	(8,484)	8,026	7,981	\$ 45
Textbooks	1,042	(1,042)			
Other objects	2,271	(2,179)	92	92	
Total preschool disabilities full time	606,623	142,266	748,889	748,844	45
Total special education	13,351,411	(763,104)	12,588,307	12,564,982	23,325
Total instruction	13,776,411	(602,489)	13,173,922	13,147,847	26,075
Support services:					
Health services:					
Salaries	500,400	34,950	535,350	535,350	
Purchased professional and technical services	1,254,820	(232,783)	1,022,037	1,021,547	490
Supplies and materials	22,460	27,862	50,322	36,942	13,380
Total health services	1,777,680	(169,971)	1,607,709	1,593,839	13,870
Other support services - students special services:					
Salaries of instruction (Speech/OT/PT)	2,345,200	126,241	2,471,441	2,207,198	264,243
Purchased Professional - Ed. Services	2,473,709	(4,040)	2,469,669	2,309,263	160,406
Other salaries of instruction (1:1)	2,145,900	912,620	3,058,520	3,058,520	
Other Purchased Prof. And Guidance Service	897,100	(117,673)	779,427	779,427	
Other salaries of support Services	697,800	(112,182)	585,618	584,590	1,028
Other Purchased Prof. And Tech Services	1,729,048	108,448	1,837,496	1,461,428	376,068
Supplies and materials	6,500	15,882	22,382	22,382	
Total other support services - students special services	10,295,257	929,296	11,224,553	10,422,808	801,745
Improvement of Instructional Services:					
Other purchased services	97,500	(48,473)	49,027	49,027	
Total Improvement of Instructional Services	97,500	(48,473)	49,027	49,027	
Support services - general administration:					
Salaries	744,200	(120,637)	623,563	623,563	
Legal services	40,700	(24,232)	16,468	15,983	485
Audit fees	57,090	46,375	103,465	51,783	51,682
Other purchased professional Services	50,900	38,901	89,801	88,396	1,405
Communications / telephone	160,110	40,854	200,964	200,964	
General supplies	14,000	(2,078)	11,922	11,672	250
Miscellaneous expenditures	91,712	(16,127)	75,585	75,585	
Total support services - general administration	1,158,712	(36,944)	1,121,768	1,067,946	53,822
Support services - school administration:					
Salaries of principals/asst. principals	1,604,400	4,604	1,609,004	1,609,004	
Salaries of secretarial and clerical assistants	537,800	(58,417)	479,383	479,383	
Other purchased services	67,862	(57,058)	10,804	10,804	
Supplies and materials	46,000	(8,417)	37,583	35,705	1,878
Other objects	22,122	(11,267)	10,855	10,855	
Total support services - school administration	2,278,184	(130,555)	2,147,629	2,145,751	1,878
Central services:					
Salaries	1,392,100	(98,760)	1,293,340	1,293,340	
Purchased professional services	225,350	49,442	274,792	201,942	72,850
Misc. purchased services (400-500 series)	312,492	(111,941)	200,551	183,927	16,624
Supplies and materials	42,000	(16,798)	25,202	23,765	1,437
Miscellaneous expenditures	60,600	385,554	446,154	442,854	3,300
Total central services	2,032,542	207,497	2,240,039	2,145,828	94,211
Admin. Inform. Technology:					
Salaries	182,600	(3,088)	179,512	179,512	
Other purchased services	166,780	(21,066)	145,714	118,062	27,652
Supplies and materials	28,000	(19,820)	8,180	7,847	333
Total admin. infor. technology	377,380	(43,974)	333,406	305,421	27,985

Educational Services Commission of New Jersey
General Fund
Budgetary Basis

Budgetary Comparison Schedule

Year ended June 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Undistributed expenditures (continued):					
Required maintenance of school facilities:					
Salaries	\$ 538,800	\$ (31,678)	\$ 507,122	\$ 507,122	
Cleaning, repair and maintenance services	282,075	2,799,576	3,081,651	1,888,707	\$ 1,192,944
General supplies	183,800	(38,926)	144,874	139,320	5,554
Total required maintenance of school facilities	1,004,675	2,728,972	3,733,647	2,535,149	1,198,498
Custodial services:					
Salaries	93,300	(45,351)	47,949	47,949	
Rent		27,400	27,400	27,400	
Other Purchased Property Services	52,800	(10,584)	42,216	42,216	
Insurance	135,280	(38,815)	96,465	96,465	
Energy (natural gas and electricity)	526,180	(120,515)	405,665	405,665	
Other objects	14,590	(14,268)	322	322	
Total custodial services	822,150	(202,133)	620,017	620,017	
Student transportation services:					
Salaries for pupil transportation (between home and school) - regular	114,000	12,000	126,000	126,000	
Salaries of secretarial and clerical assistants	292,000	(157,482)	134,518	134,518	
Contracted svc (bet. Home and Sch) - Vendors	42,500,000	(7,598,411)	34,901,589	34,417,746	483,843
Contracted svc (oth. Than bet. Home and Sch)	269,300	(177,907)	91,393	91,393	
Contracted svc -Aids in Lieu Pymts -NP Sch	66,900	(31,767)	34,233	34,233	
General supplies	22,750	(13,518)	9,232	8,954	278
Total student transportation services	43,264,050	(7,967,085)	35,296,965	34,812,844	484,121
Employee benefits:					
Social security contributions	746,000	211,341	957,341	934,278	23,063
Other retirement contributions - regular	842,500	68,803	911,303	911,303	
Unemployment compensation	154,400	(36,837)	117,563	117,563	
Workers' compensation	463,800	(48,308)	415,492	415,492	
Health benefits	7,703,873	7,671,345	15,375,218	5,643,528	9,731,690
Tuition reimbursement	100,000	4,356	104,356	47,098	57,258
Other employee benefits	140,800	31,742	172,542	136,342	36,200
Total employee benefits	10,151,373	7,902,442	18,053,815	8,205,604	9,848,211
On-behalf TPAF Pension Contributions				3,116,400	(3,116,400)
TPAF post-retirement medical (on-behalf - non-budgeted)				1,156,127	(1,156,127)
TPAF non-contributory insurance (on-behalf - non-budgeted)				2,923	(2,923)
Reimbursed TPAF Social Security				1,068,595	(1,068,595)
Total				5,344,045	(5,344,045)
Total undistributed expenditures	73,259,503	3,169,072	76,428,575	69,248,279	7,180,296
Total expenditures - current	87,035,914	2,566,583	89,602,497	82,396,126	7,206,371
Capital outlay					
Equipment:					
Regular programs - instruction:					
Special education - instruction:					
Multiple disabilities	4,500	17,182	21,682	11,612	10,070
Autism	4,500	17,182	21,682	11,612	10,070
Special education - non-instruction:					
Others	101,850	650,761	752,611	427,222	325,389
Total equipment	110,850	685,125	795,975	450,446	345,529
Facilities acquisition and construction services:					
Construction services	550,000	525,049	1,075,049	520,375	554,674
Total facilities acquisition and construction services	550,000	525,049	1,075,049	520,375	554,674
Total capital outlay	660,850	1,210,174	1,871,024	970,821	900,203

Educational Services Commission of New Jersey
General Fund
Budgetary Basis

Budgetary Comparison Schedule

Year ended June 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Summer school:					
Summer School - Instruction					
Salaries of teachers	\$ 836,331	\$ (48,714)	\$ 787,617	\$ 787,617	
Other salaries of instruction	494,926	141,131	636,057	636,057	
General supplies	37,520	(3,829)	33,691	33,352	\$ 339
Total summer school - Instruction	1,368,777	88,588	1,457,365	1,457,026	339
Summer School - Support Services					
Salaries	822,885	(74,282)	748,603	748,603	
Purch Professional and Tech Services	493,372	(80,319)	413,053	413,053	
Other Purchased Services	38,970	(21,663)	17,307	17,307	
Other Objects	253,944	620,297	874,241	220,485	653,756
Total summer school - Support Services	1,609,171	444,033	2,053,204	1,399,448	653,756
Total special schools	2,977,948	532,621	3,510,569	2,856,474	654,095
Total expenditures	90,674,712	4,309,378	94,984,090	86,223,421	8,760,669
Excess (deficiency) of revenues (under) over expenditures	5,401,700	(4,760,578)	641,122	14,745,836	14,104,714
Other financing sources (uses):					
Transfers in		59,621	59,621	59,621	
Transfers out	(5,401,700)	(114,740)	(5,516,440)	(12,286,250)	6,769,810
Total other financing sources (uses)	(5,401,700)	(55,119)	(5,456,819)	(12,226,629)	6,769,810
(Deficiency) excess of revenues (under) over expenditures and other financing sources (uses)	-	(4,815,697)	(4,815,697)	2,519,207	7,334,904
Fund balances, July 1	4,987,027	(26,451,072)	(21,464,045)	30,322,794	
Fund balances, June 30	\$ 4,987,027	\$ (31,266,769)	\$ (26,279,742)	\$ 32,842,001	\$ 7,334,904
Recapitulation of (deficiency) excess of revenues (under) over expenditures and other financing (uses)					
Adjustment for prior year encumbrances		\$ (2,253,495)	\$ (2,253,495)	\$ (2,253,495)	
Budgeted fund balance		(2,562,202)	(2,562,202)	4,772,702	\$ 7,334,904
Total	\$ -	\$ (4,815,697)	\$ (4,815,697)	\$ 2,519,207	\$ 7,334,904

Educational Services Commission of New Jersey
Special Revenue Fund

Budgetary Comparison Schedule
(Budgetary Basis)
Year ended June 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources		\$ 25,227	\$ 25,227	\$ 1,287	\$ (23,940)
State sources	\$ 9,479,638	(920,295)	8,559,343	7,943,262	(616,081)
Federal sources	2,256,430	874,839	3,131,269	2,300,884	(830,385)
Total revenues	11,736,068	(20,229)	11,715,839	10,245,433	(1,470,406)
Expenditures					
Instruction:					
Salaries of teachers	2,312,000	(188,898)	2,123,102	2,123,102	
Purchased professional and technical services	2,983,749	507,166	3,490,915	2,660,529	830,386
General supplies	446,196	(53,153)	393,043	361,594	31,449
Textbooks	599,844	(49,711)	550,133	503,545	46,588
Total instruction	6,341,789	215,404	6,557,193	5,648,770	908,423
Support services:					
Salaries of supervisors of instruction	283,000	(27,646)	255,354	255,354	
Salaries of other professional staff	1,846,210	(65,703)	1,780,507	1,663,316	117,191
Salaries of secretarial and clerical employees	174,600	(30,724)	143,876	143,876	
Personal services-employee benefits	909,722	(41,907)	867,815	849,054	18,761
Travel	20,000	(10,105)	9,895	9,895	
Supplies and materials	1,120,169	(389,232)	730,937	645,140	85,797
Other	732,153	25,178	757,331	490,101	267,230
Total support services	5,085,854	(540,139)	4,545,715	4,056,736	488,979
Facilities acquisition and construction services:					
Instructional equipment	60,000	(23,532)	36,468	36,468	
Noninstructional equipment	240,025	328,690	568,715	495,711	73,004
Total facilities acquisition and construction services	300,025	305,158	605,183	532,179	73,004
Total expenditures	11,727,668	(19,577)	11,708,091	10,237,685	1,470,406
Other financing uses:					
Transfers out	(8,400)	652	(7,748)	(7,748)	
Total other financing uses	(8,400)	652	(7,748)	(7,748)	
Excess (deficiency) of revenues over (under) expenditures and other financing (uses)	\$ -	\$ -	\$ -	\$ -	\$ -

Educational Services Commission of New Jersey
 Note to Required Supplementary Information

Budget to GAAP Reconciliation

Year ended June 30, 2020

	<u>Special Revenue Fund</u>
Sources/inflows of resources	
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule (C-2)	\$ 10,245,433
Differences - Budgetary to GAAP:	
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	
Prior year	690,155
Current year	<u>(696,838)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (B-2)	<u>\$ 10,238,750</u>
Uses/outflows of resources	
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule (C-2)	\$ 10,245,433
Differences - Budgetary to GAAP:	
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	
Prior year	690,155
Current year	<u>(696,838)</u>
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(107,776)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	<u>\$ 10,130,974</u>

Supplementary Information

**Special Revenue Fund
Detail Statements**

Educational Services Commission of New Jersey
Special Revenue Fund
Combining Schedule of Revenues and Expenditures --
Budgetary Basis
Year ended June 30, 2020

Non-Public Grants									
	Compensatory Education	ESL	Home Instruction	Transportation	Supp. Instruct	Exam and Class	Speech Corr.	Text- Books	Nursing
Revenues:									
Local sources									
State sources	\$ 1,552,009	\$ 121,272	\$ 56,049	\$ 190,492	\$ 751,137	\$ 798,886	\$ 553,045	\$ 503,545	\$ 1,741,322
Federal sources									
Total revenues	\$ 1,552,009	\$ 121,272	\$ 56,049	\$ 190,492	\$ 751,137	\$ 798,886	\$ 553,045	\$ 503,545	\$ 1,741,322
Expenditures:									
Instruction:									
Salaries of teachers	\$ 1,255,403		\$ 31,481		\$ 240,272	\$ 14,076	\$ 550,299		
Purchased professional and technical services	1,813		12,236			508,088			
General supplies	3,757					1,367	2,746		
Textbooks	-							\$ 503,545	
Total instruction	1,260,973		43,717		240,272	523,531	553,045	503,545	
Support services:									
Salaries of supervisors of instruction	55,016	\$ 22,925			96,571	52,052			\$ 5,660
Salaries of other professional staff	56,908	23,713		\$ 13,098	99,893	53,842			1,342,407
Salaries of secretarial and clerical employees	28,274	11,781	1,198	6,507	49,630	26,750			12,833
Personal services - employee benefits	116,541	48,562	9,681	39,485	204,569	110,262			287,516
Travel	2,254	939	95	519	3,956	2,132			
Supplies and materials	1,403	585	59	7,447	2,463	1,328			88,535
Other	30,640	12,767	1,299	123,436	53,783	28,989			4,371
Total support services	291,036	121,272	12,332	190,492	510,865	275,355			1,741,322
Facilities acquisition and construction services:									
Instructional equipment									
Noninstructional equipment									
Total facilities acquisition and construction services									
Total expenditures	\$ 1,552,009	\$ 121,272	\$ 56,049	\$ 190,492	\$ 751,137	\$ 798,886	\$ 553,045	\$ 503,545	\$ 1,741,322

Educational Services Commission of New Jersey
Special Revenue Fund

Combining Schedule of Revenues and Expenditures –
Budgetary Basis

Year ended June 30, 2020

	Non-Public Grants		Local	Federal Grants			Total
	Technology	Security	Recycling Grant	Title I Grant	Title III Grant	IDEA-B Regular	
Revenues:							
Local sources			\$ 1,287				\$ 1,287
State sources	\$ 388,779	\$ 1,286,726		\$ 178,775	\$ 630	\$ 2,121,479	7,943,262
Federal sources							2,300,884
Total revenues	\$ 388,779	\$ 1,286,726	\$ 1,287	\$ 178,775	\$ 630	\$ 2,121,479	\$ 10,245,433
Expenditures:							
Instruction:							
Salaries of teachers				\$ 31,571			\$ 2,123,102
Purchased professional and technical services				21,100		\$ 2,117,292	2,660,529
General supplies	\$ 331,300			18,237		4,187	361,594
Textbooks							503,545
Total instruction	331,300			70,908		2,121,479	5,648,770
Support services:							
Salaries of supervisors of instruction	10,463			12,583	\$ 84		255,354
Salaries of other professional staff	924	\$ 27,720	\$ 1,287	43,481	43		1,663,316
Salaries of secretarial and clerical employees	4,340			2,496	67		143,876
Personal services - employee benefits	4,876	6,930		20,207	425		849,054
Travel							9,895
Supplies and materials		543,320					645,140
Other	408	241,735		410	11		497,849
Total support services	21,011	819,705	1,287	79,177	630		4,064,484
Facilities acquisition and construction services:							
Instructional equipment	36,468						36,468
Noninstructional equipment		467,021		28,690			495,711
Total facilities acquisition and construction services	36,468	467,021		28,690			532,179
Total expenditures	\$ 388,779	\$ 1,286,726	\$ 1,287	\$ 178,775	\$ 630	\$ 2,121,479	\$ 10,245,433

**Capital Projects Fund
Detail Statements**

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

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

Year ended June 30, 2020

Revenues and Other Financing Sources	
Proceeds - Capital Lease	\$ 6,000,000
Interest on Investments	21,023
Transfers In	4,000,000
Total revenues and other financing sources	<u>10,021,023</u>
Expenditures and Other Financing Uses	
Construction Services	2,296,982
Transfers Out	21,023
Total expenditures and other financing uses	<u>2,318,005</u>
Excess of revenues and other financing sources over expenditures and other financing uses	7,703,018
Fund balance, July 1	88,226
Fund balance, June 30	<u>\$ 7,791,244</u>

Educational Services Commission of New Jersey
Capital Projects Fund

Summary Schedule of Project Expenditures

Year ended June 30, 2020

Project Title	Appropriations	Prior Years Expenditures	Current Year Expenditures	Unexpended Balance
NuView Academy Annex Project	\$ 20,000,000	\$ 18,927,078	\$ 706,094	\$ 366,828
HVAC and AFC Projects	10,000,000	984,696	1,590,888	7,424,416
Total	<u>\$ 30,000,000</u>	<u>\$ 19,911,774</u>	<u>\$ 2,296,982</u>	<u>\$ 7,791,244</u>

Analysis of Appropriations:

NuView Academy Annex Project

Bond/Loan Proceeds	\$ 15,000,000
Commission Funds	5,000,000
Total	<u>\$ 20,000,000</u>

HVAC Project at 1690 and AFC Project

Lease Proceeds	\$ 6,000,000
Commission Funds	4,000,000
Total	<u>\$ 10,000,000</u>

Enterprise Funds
Detail Statements

Educational Services Commission of New Jersey
Proprietary Funds

Combining Statement of Net Position

June 30, 2020

	Major Enterprise Funds				Total
	Regional Day School Fund	Pool Services Fund	Adult Community Services Fund	Food Services Fund	
Assets					
Current assets:					
Cash and cash equivalents	\$ 1,065,752	\$ 552,720	\$ 631,002	\$ 47,655	\$ 2,297,129
Intergovernmental accounts receivable:					
Other districts	1,072,839	3,745	1,668	57	1,078,309
Interfunds receivable	13,026			17,433	30,459
Total current assets	<u>2,151,617</u>	<u>556,465</u>	<u>632,670</u>	<u>65,145</u>	<u>3,405,897</u>
Capital assets:					
Land and building improvements	1,109,024				1,109,024
Equipment	990,277	17,564	75,806		1,083,647
Accumulated depreciation	(1,211,776)	(2,943)	(2,369)		(1,217,088)
Total capital assets, net	<u>887,525</u>	<u>14,621</u>	<u>73,437</u>		<u>975,583</u>
Total assets	<u>3,039,142</u>	<u>571,086</u>	<u>706,107</u>	<u>65,145</u>	<u>4,381,480</u>
Liabilities					
Current liabilities:					
Accounts payable	99,744	17,127	1,425		118,296
Interfunds payable				13,026	13,026
Unearned revenues		637		3,816	4,453
Total current liabilities	<u>99,744</u>	<u>17,764</u>	<u>1,425</u>	<u>16,842</u>	<u>135,775</u>
Net Position					
Investment in capital assets	887,525	14,621	73,437		975,583
Unrestricted	2,051,873	538,701	631,245	48,303	3,270,122
Total net position	<u>\$ 2,939,398</u>	<u>\$ 553,322</u>	<u>\$ 704,682</u>	<u>\$ 48,303</u>	<u>\$ 4,245,705</u>

Educational Services Commission of New Jersey
Proprietary Funds
Combining Statement of Revenues, Expenses
and Changes in Fund Net Position

Year ended June 30, 2020

	Major Enterprise Funds				Total
	Regional		Adult		
	Day School Fund	Pool Services Fund	Community Services Fund	Food Services Fund	
Operating revenues:					
Charges for services:					
Daily sales - reimbursable programs				\$ 45,971	\$ 45,971
Daily sales - non-reimbursable programs				10,089	10,089
Tuition	\$ 4,693,920				4,693,920
Services	867,955	\$ 740,097	\$ 59,151		1,667,203
Miscellaneous	1,100	8,695			9,795
Total operating revenues	5,562,975	748,792	59,151	56,060	6,426,978
Operating expenses:					
Cost of sales - reimbursable programs				246,174	246,174
Cost of sales - non-reimbursable programs				8,962	8,962
Salaries and wages	3,098,220	386,873	294,690	58,962	3,838,745
Employee benefits	1,419,438	148,831	34,418		1,602,687
Other professional services	446,133	24,944	1,728		472,805
Maintenance and repairs	32,327	28,024	2,471		62,822
Insurance	10,512				10,512
Telephone/Communications	20,884	1,116			22,000
Materials and supplies	49,203	83,050	17,960		150,213
Utilities	192,543	36,908			229,451
Depreciation	128,337	1,167	2,369		131,873
Miscellaneous	26,868	39,811	833		67,512
Total operating expenses	5,424,465	750,724	354,469	314,098	6,843,756
Operating income (loss)	138,510	(1,932)	(295,318)	(258,038)	(416,778)
Nonoperating revenues:					
State school lunch program				2,771	2,771
School breakfast program - federal				72,257	72,257
Federal National school lunch program				147,217	147,217
Total nonoperating revenues				222,245	222,245
Income (loss) before transfers	138,510	(1,932)	(295,318)	(35,793)	(194,533)
Transfers:					
Transfers in		135,450	1,000,000		1,135,450
Transfers out	(123,163)	(51,225)			(174,388)
Total Transfers	(123,163)	84,225	1,000,000		961,062
Change in net position	15,347	82,293	704,682	(35,793)	766,529
Net position, beginning	2,924,051	471,029		84,096	3,479,176
Net position, ending	\$ 2,939,398	\$ 553,322	\$ 704,682	\$ 48,303	\$ 4,245,705

Educational Services Commission of New Jersey
Proprietary Fund

Combining Statement of Cash Flows

Year ended June 30, 2020

Major Enterprise Funds

	Major Enterprise Funds				Total
	Regional Day School Fund	Pool Services Fund	Adult Community Services Fund	Food Services Fund	
Cash flows from operating activities					
Receipts from customers	\$ 5,963,336	\$ 663,209	\$ 57,483	\$ 55,490	\$ 6,739,518
Payments to employees	(3,098,220)	(386,873)	(294,690)	(58,962)	(3,838,745)
Payments for employee benefits	(1,419,438)	(148,831)	(34,418)		(1,602,687)
Payments to suppliers	(724,312)	(230,884)	(21,567)	(255,942)	(1,232,705)
Net cash provided by (used in) operating activities	721,366	(103,379)	(293,192)	(259,414)	65,381
Cash flows from noncapital financing activities					
State sources				3,068	3,068
Federal sources				243,715	243,715
Operating subsidies and transfers to/from other funds	(152,866)	78,309	1,000,000	30,359	955,802
Net cash (used in) provided by noncapital financing activities	(152,866)	78,309	1,000,000	277,142	1,202,585
Cash flows from capital and related financing					
Purchases of capital assets	(4,834)		(75,806)		(80,640)
Net cash (used in) capital and related financing activities	(4,834)		(75,806)		(80,640)
Net increase (decrease) in cash and cash equivalents	563,666	(25,070)	631,002	17,728	1,187,326
Balances—beginning of year	502,086	577,790		29,927	1,109,803
Balances—end of year	\$ 1,065,752	\$ 552,720	\$ 631,002	\$ 47,655	\$ 2,297,129
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ 138,510	\$ (1,932)	\$ (295,318)	\$ (258,038)	\$ (416,778)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	128,337	1,167	2,369		131,873
Change in assets and liabilities:					
Decrease (increase) in accounts receivable	400,361	3,101	(1,668)	(57)	401,737
Increase (decrease) in accounts payable	54,158	(17,031)	1,425	(806)	37,746
(Decrease) in unearned revenue		(88,684)		(513)	(89,197)
Net cash provided by (used in) operating activities	\$ 721,366	\$ (103,379)	\$ (293,192)	\$ (259,414)	\$ 65,381

Fiduciary Funds
Detail Statements

Educational Services Commission of New Jersey
Trust and Agency Funds

Combining Statement of Fiduciary Net Position

June 30, 2020

	Trust	Agency		Total Agency
	Unemployment Compensation	Student Activity	Payroll	
Assets				
Cash and cash equivalents	\$ 322,846	\$ 9,795	\$ 288,464	\$ 298,259
Accounts receivable - other			5,911	5,911
Total assets	\$ 322,846	\$ 9,795	\$ 294,375	\$ 304,170
Liabilities				
Accounts payable			\$ 197,818	\$ 197,818
Interfund payable			96,557	96,557
Due to student groups		\$ 9,795		9,795
Total liabilities		\$ 9,795	\$ 294,375	\$ 304,170
Net position held in trust for unemployment claims	\$ 322,846			

Educational Services Commission of New Jersey
Trust Funds

Statement of Changes in Fiduciary Net Position

Year ended June 30, 2020

	<u>Unemployment Compensation Trust Fund</u>
Additions:	
Contributions	\$ 153,952
Interest on investments	2,585
Total additions	<u>156,537</u>
Deductions:	
Payment of claims	<u>153,952</u>
Total deductions	<u>153,952</u>
Change in net position	2,585
Net position - beginning	<u>320,261</u>
Net position - ending	<u><u>\$ 322,846</u></u>

Educational Services Commission of New Jersey
Student Activity Agency Fund

Schedule of Receipts and Disbursements

Year ended June 30, 2020

	Balance July 1, 2019	Cash Receipts	Cash Disbursements	Balance June 30, 2020
Piscataway Regional Day School				
Student activity	\$ 899	\$ 3,930	\$ 3,297	\$ 1,532
Total	899	3,930	3,297	1,532
Academy Learning Center				
Student activity	1,316	4,446	4,335	1,427
Total	1,316	4,446	4,335	1,427
Bright Beginning Learning Center				
Student activity	1,213	488	919	782
Year Book	1,008	8		1,016
Total	2,221	496	919	1,798
Future Foundations Academy				
Student activity	3,043	716	652	3,107
Total	3,043	716	652	3,107
Center for Lifelong Learning				
Student activity	1,488	743	300	1,931
Total	1,488	743	300	1,931
Total of all schools	\$ 8,967	\$ 10,331	\$ 9,503	\$ 9,795

Educational Services Commission of New Jersey
Payroll Agency Fund

Schedule of Cash Receipts and Disbursements

Year ended June 30, 2020

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Assets				
Cash and cash equivalents	\$ 386,766	\$ 38,189,293	\$ 38,287,595	\$ 288,464
Interfund receivable	256		256	
Accounts receivable - other	8,185	5,911	8,185	5,911
Total assets	<u>\$ 395,207</u>	<u>\$ 38,195,204</u>	<u>\$ 38,296,036</u>	<u>\$ 294,375</u>
Liabilities				
Accounts payable	\$ 301,154	\$ 197,818	\$ 301,154	\$ 197,818
Interfund payable	94,053	73,924	71,420	96,557
Payroll, payroll deductions and withholdings payable		37,923,462	37,923,462	
Total liabilities	<u>\$ 395,207</u>	<u>\$ 38,195,204</u>	<u>\$ 38,296,036</u>	<u>\$ 294,375</u>

Long-Term Debt

Educational Services Commission of New Jersey
Long-Term Debt

Schedule of Bonds/Loans Payable

Year ended June 30, 2020

Description	Interest Rate Payable	Amount of Issue	Balance July 1, 2019	Retired	Balance June 30, 2020
Bonds/loan payable –					
Middlesex County Improvement Authority - 2010	Various	\$ 5,300,000	\$ 635,000	\$ 635,000	
Middlesex County Improvement Authority - 2014	Various	9,385,000	6,465,000	815,000	\$ 5,650,000
Middlesex County Improvement Authority - 2014A	Various	30,170,000	29,770,000	1,420,000	28,350,000
Middlesex County Improvement Authority - 2017	Various	13,170,000	13,080,000	60,000	13,020,000
			<u>\$ 49,950,000</u>	<u>\$ 2,930,000</u>	<u>\$ 47,020,000</u>

Educational Services Commission of New Jersey
 Long-Term Debt

Schedule of Obligations Under Capital Lease

Year ended June 30, 2020

Purpose	Interest Rate Payable	Amount of Issue	Balance July 1, 2019	Issued	Retired	Balance June 30, 2020
HVAC Project at 1690 and AFC Project	2.13%	\$ 6,000,000		\$ 6,000,000		\$ 6,000,000
			\$ -	\$ 6,000,000	\$ -	\$ 6,000,000

Educational Services Commission of New Jersey
Debt Service Fund

Budgetary Comparison Schedule

Year ended June 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Actual to Final
Revenues:					
Interest on Investments		\$ 12,224	\$ 12,224	\$ 12,224	
Total Revenues		12,224	12,224	12,224	
Expenditures:					
Regular Debt Service:					
Interest	\$ 2,138,088	568,692	2,706,780	2,138,087	\$ 568,693
Principal	2,930,000		2,930,000	2,930,000	
Total Expenditures	5,068,088	568,692	5,636,780	5,068,087	568,693
(Deficiency) excess of revenues (under) over expenditures	(5,068,088)	(556,468)	(5,624,556)	(5,055,863)	568,693
Other Financing Sources (Uses):					
Transfers In	5,068,088	616,089	5,684,177	5,684,177	
Transfers Out		(59,621)	(59,621)	(59,621)	
Total Other Financing Sources (Uses)	5,068,088	556,468	5,624,556	5,624,556	-
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)	-	-	-	568,693	568,693
Fund balance, July 1	5,306,010	-	5,306,010	5,306,010	-
Fund balance, June 30	\$ 5,306,010	\$ -	\$ 5,306,010	\$ 5,874,703	\$ 568,693

Statistical Section
(Unaudited)

Statistical Section
Unaudited

Contents

Financial Trends

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

Demographic and Economic Information

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

Operating Information

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

Revenue Capacity

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

Debt Capacity

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

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

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

(Accrual basis of accounting)
Unaudited

	June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities										
Net investment in capital assets	\$ 13,000,522	\$ 13,575,508	\$ 13,740,089	\$ 14,499,327	\$ 14,336,092	\$ 16,281,147	\$ 19,515,282	\$ 11,321,517	\$ 27,134,556	\$ 29,913,254
Restricted for:										
Capital projects and reserve	231,255	236,824	236,825	216,392	216,392	216,392	4,409,598	14,470,348	304,618	2,931,465
Maintenance reserve								4,411,843	2,836,098	1,170,896
Debt service	2,650,293	2,705,422	2,874,638	2,715,406	4,937,974	4,338,969	4,460,918	4,063,306	4,835,873	5,360,785
Unrestricted	6,039,488	7,930,075	11,672,605	15,244,558	1,503,075	6,103,319	1,422,006	2,791,700	8,776,404	15,130,025
Total governmental activities net position	\$ 21,921,558	\$ 24,447,827	\$ 28,524,157	\$ 32,675,685	\$ 20,993,533	\$ 26,939,827	\$ 29,807,804	\$ 37,058,714	\$ 43,887,549	\$ 54,506,425
Business-type activities										
Investment in capital assets	\$ 955,897	\$ 924,861	\$ 922,350	\$ 878,927	\$ 941,075	\$ 943,506	\$ 1,160,614	\$ 1,145,123	\$ 1,026,816	\$ 975,583
Unrestricted	640,588	813,654	785,052	998,669	(819,552)	(585,298)	1,945,873	2,367,229	2,452,360	3,270,122
Total business-type activities net position	\$ 1,596,485	\$ 1,738,515	\$ 1,707,402	\$ 1,877,596	\$ 121,523	\$ 358,208	\$ 3,106,487	\$ 3,512,352	\$ 3,479,176	\$ 4,245,705
Government-wide										
Net investment in capital assets	\$ 13,956,419	\$ 14,500,369	\$ 14,662,439	\$ 15,378,254	\$ 15,277,167	\$ 17,224,653	\$ 20,675,896	\$ 12,466,640	\$ 28,161,372	\$ 30,888,837
Restricted for:										
Capital projects and reserve	14,863	236,824	236,825	216,392	216,392	216,392	4,409,598	14,470,348	304,618	2,931,465
Maintenance reserve								4,411,843	2,836,098	1,170,896
Debt service	2,650,293	2,705,422	2,874,638	2,715,406	4,937,974	4,338,969	4,460,918	4,063,306	4,835,873	5,360,785
Unrestricted	6,896,468	8,743,727	12,457,657	16,243,227	683,523	5,518,021	3,367,879	5,158,929	11,228,764	18,400,147
Total government net position	\$ 23,518,043	\$ 26,186,342	\$ 30,251,559	\$ 34,553,279	\$ 21,115,056	\$ 27,298,035	\$ 32,914,291	\$ 40,571,066	\$ 47,366,725	\$ 58,752,130

Source: CAFR Schedule A-1

Fiduciary Services, Commission of New Jersey
 Changes in Net Position, Last Ten Fiscal Years
 (Accrual basis of accounting)
 Unaudited

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental activities										
Instruction	\$ 17,099,823	\$ 16,034,030	\$ 17,164,004	\$ 17,965,689	\$ 19,038,846	\$ 20,254,890	\$ 20,321,034	\$ 23,282,761	\$ 22,634,713	\$ 22,752,616
Student services	719,248	697,076	681,030	707,233	717,186	803,236	988,093	1,446,911	1,446,911	1,887,328
Health services	10,172,638	10,081,083	10,818,703	11,895,280	12,684,624	15,214,105	16,215,742	17,970,925	18,127,757	17,629,539
Student & instruction related services	748,892	933,886	897,651	1,093,306	1,093,306	1,179,015	1,095,716	1,429,446	1,294,233	1,264,597
General administrative services	1,758,468	1,706,098	1,909,556	1,911,362	1,769,994	2,154,248	2,146,272	2,234,749	2,234,749	2,540,869
School administrative services	1,018,260	1,180,180	1,180,180	1,365,905	1,487,527	1,761,051	1,938,402	2,021,975	2,021,975	2,010,900
Central Services	331,041	302,361	372,711	372,711	433,429	544,368	661,661	748,568	748,568	748,568
Admin. Infr. Technology	2,895,022	2,895,022	3,462,225	3,462,225	3,462,225	3,462,225	3,462,225	3,462,225	3,462,225	3,462,225
Plant operations and maintenance	20,978,077	20,978,077	20,978,077	20,978,077	20,978,077	20,978,077	20,978,077	20,978,077	20,978,077	20,978,077
Transportation	800,225	1,378,136	34,106,665	37,059,233	39,891,586	44,472,181	44,191,633	52,419,219	49,778,315	41,224,325
Employee benefits	520,225	1,378,136	34,106,665	37,059,233	39,891,586	44,472,181	44,191,633	52,419,219	49,778,315	41,224,325
Capital outlay	928,963	828,963	666,338	39,727	119,906	1,948,191	3,441,362	2,933,062	1,536,435	1,694,304
Special Schools	2,522,036	2,623,432	2,715,991	2,678,384	2,917,352	2,804,465	2,902,818	2,438,363	3,165,847	2,856,474
Interest on long-term debt	2,599,131	2,671,147	2,699,251	2,597,814	2,860,255	1,921,105	1,841,789	2,808,255	2,316,216	2,060,011
Total governmental activities expenses	\$ 66,539,055	\$ 69,559,290	\$ 76,171,225	\$ 81,722,055	\$ 87,443,811	\$ 95,059,072	\$ 97,420,350	\$ 110,877,350	\$ 111,700,143	\$ 101,547,281
Business-type activities										
Rational Dev School	\$ 5,536,555	\$ 5,384,440	\$ 4,666,612	\$ 4,429,114	\$ 4,815,152	\$ 5,041,677	\$ 4,009,676	\$ 5,188,438	\$ 5,720,035	\$ 5,424,465
Post service	786,413	740,370	684,430	738,043	816,249	872,415	926,535	866,219	875,561	750,224
Adult community services	278,054	290,893	312,229	311,148	323,522	314,364	318,777	342,333	424,865	314,088
Food services	6,681,448	6,681,448	5,633,171	5,478,325	5,935,013	6,238,656	6,156,988	6,306,990	7,020,461	6,843,756
Total business-type activities expense	\$ 72,270,903	\$ 72,361,534	\$ 81,754,906	\$ 86,600,334	\$ 93,908,624	\$ 101,267,228	\$ 103,577,641	\$ 115,882,340	\$ 118,720,608	\$ 107,901,357
Total district expenses										
Program Revenues	\$ 22,596,936	\$ 25,926,911	\$ 29,200,853	\$ 31,624,638	\$ 33,420,236	\$ 37,292,147	\$ 37,962,302	\$ 40,848,533	\$ 42,525,136	\$ 36,003,555
Governmental activities:										
Charges for services	8,455,057	6,567,326	6,931,101	7,378,259	8,600,511	9,631,166	10,397,889	10,499,236	11,231,610	34,957,021
Grants	30,971,993	32,503,240	36,131,254	30,022,817	42,020,247	46,923,313	48,350,291	85,766,048	89,780,301	85,955,857
Operating and capital grants and contributions										
Operating grants and contributions										
Capital grants and contributions										
Other grants and contributions										
Business-type activities:										
Charges for services	5,694,351	5,599,225	4,660,330	4,740,445	5,428,678	5,193,004	5,250,786	5,538,753	5,779,697	5,562,975
Rational Dev School	575,609	688,928	554,933	613,974	900,343	988,296	1,023,269	1,015,417	917,694	748,292
Adult community services	82,779	73,992	62,077	63,500	69,722	66,330	75,852	71,350	71,350	56,660
Food services	232,103	239,042	241,718	263,220	272,112	265,478	295,168	299,168	291,524	229,245
Operating grants and contributions	6,515,257	5,526,018	5,236,018	5,609,716	6,654,633	6,623,902	6,849,190	7,052,265	7,052,265	6,409,223
Total business-type activities program revenues	\$ 37,487,729	\$ 39,668,817	\$ 41,657,472	\$ 44,702,433	\$ 48,685,800	\$ 53,440,713	\$ 54,984,193	\$ 62,215,238	\$ 66,814,566	\$ 49,585,020
Net (Expense)/Revenue	\$ (35,267,062)	\$ (46,955,040)	\$ (39,989,270)	\$ (42,119,262)	\$ (45,423,664)	\$ (48,059,763)	\$ (49,059,763)	\$ (34,771,302)	\$ (21,939,842)	\$ (17,691,934)
Business-type activities	1,055,821	1,055,821	1,055,821	1,055,821	1,055,821	1,055,821	1,055,821	1,055,821	1,055,821	1,055,821
Total government-wide net expense	\$ (33,211,241)	\$ (45,899,219)	\$ (40,933,449)	\$ (41,063,441)	\$ (44,367,843)	\$ (47,003,942)	\$ (48,003,942)	\$ (33,715,481)	\$ (20,883,921)	\$ (16,636,113)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Federal and state aid not restricted	\$ 1,827,530	\$ 2,189,991	\$ 2,655,091	\$ 2,447,550	\$ 4,788,742	\$ 6,025,265	\$ 3,774,676	\$ 13,212,440	\$ 7,482,355	\$ 6,230,210
Tuition received	27,207,213	27,809,066	30,247,995	32,136,205	32,716,393	32,765,239	34,258,120	30,729,834	20,729,834	22,520,497
Services provided to districts	8,433,509	9,349,864	10,785,815	12,268,807	13,160,428	14,976,777	15,910,374	18,184,116	18,184,116	20,828,239
Interest income	12,176	8,909	9,236	9,283	12,827	22,214	11,616	11,616	11,616	304,330
Miscellaneous income	22,685	22,685	44,640	44,640	44,640	44,640	44,640	44,640	44,640	208,235
Transfers	7,641	7,641	7,641	7,641	7,641	7,641	7,641	7,641	7,641	7,641
Total governmental activities	\$ 37,539,253	\$ 39,481,390	\$ 44,165,611	\$ 47,062,738	\$ 51,243,331	\$ 54,082,035	\$ 51,927,739	\$ 31,972,212	\$ 28,766,677	\$ 28,310,110
Business-type activities:										
Transfers	77,481	(793)	76,640	(51,197)	(79,177)	(52,050)	2,281,365	(146,333)	(66,880)	861,062
Total business-type activities	\$ 77,481	\$ (793)	\$ 76,640	\$ (51,197)	\$ (79,177)	\$ (52,050)	\$ 2,281,365	\$ (146,333)	\$ (66,880)	\$ 861,062
Total government-wide	\$ 37,616,734	\$ 39,480,597	\$ 44,242,251	\$ 46,981,541	\$ 51,164,154	\$ 53,989,985	\$ 54,209,104	\$ 31,825,879	\$ 28,700,007	\$ 29,171,172
Net (Expense) / Revenue	\$ 2,072,491	\$ 2,566,569	\$ 4,076,331	\$ 4,928,136	\$ 5,819,257	\$ 5,946,294	\$ 2,867,977	\$ 7,250,910	\$ 6,828,835	\$ 10,618,576
Governmental activities	(92,210)	142,030	(31,113)	170,104	170,104	236,682	2,748,279	405,865	405,865	765,239
Business-type activities	1,980,281	2,668,299	4,055,218	\$ 5,098,140	\$ 6,442,740	\$ 6,182,479	\$ 5,616,256	\$ 7,158,775	\$ 6,795,659	\$ 11,385,405
Total government-wide net expense										

Source: CAFR Schedule A-2

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

J-3

(Modified accrual basis of accounting)
Unaudited

	June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Restricted for:										
Other Purposes	\$ 216,392	\$ 216,392	\$ 216,392	\$ 216,392	\$ 216,392	\$ 216,392	\$ 216,392	\$ 4,628,235	\$ 3,052,490	\$ 1,387,288
Assigned	1,451,392	1,172,668	2,184,551	558,758	1,403,302	1,767,776	922,308	1,936,602	2,255,495	1,787,101
Unassigned	5,036,204	7,184,958	9,919,008	14,935,187	17,988,468	22,639,538	25,109,569	20,757,520	25,016,809	29,667,612
Total general fund	<u>\$ 6,683,988</u>	<u>\$ 8,574,018</u>	<u>\$ 12,319,951</u>	<u>\$ 15,710,337</u>	<u>\$ 19,608,162</u>	<u>\$ 24,623,706</u>	<u>\$ 24,248,269</u>	<u>\$ 27,332,337</u>	<u>\$ 30,322,794</u>	<u>\$ 32,842,001</u>
All Other Governmental Funds										
Restricted for:										
Debt service fund	\$ 2,650,293	\$ 2,705,422	\$ 2,874,638	\$ 2,715,406	\$ 4,937,974	\$ 4,338,969	\$ 4,460,918	\$ 4,579,064	\$ 5,305,010	\$ 5,874,703
Capital projects fund	14,865	20,432	20,433				4,193,205	14,253,956	88,226	7,791,244
Total all other governmental funds	<u>\$ 2,665,156</u>	<u>\$ 2,725,854</u>	<u>\$ 2,895,071</u>	<u>\$ 2,715,406</u>	<u>\$ 4,937,974</u>	<u>\$ 4,338,969</u>	<u>\$ 8,654,124</u>	<u>\$ 18,833,020</u>	<u>\$ 5,394,236</u>	<u>\$ 13,665,947</u>
Total Governmental Funds	<u>\$ 9,349,144</u>	<u>\$ 11,299,872</u>	<u>\$ 15,215,022</u>	<u>\$ 18,425,743</u>	<u>\$ 24,546,136</u>	<u>\$ 28,962,675</u>	<u>\$ 32,902,393</u>	<u>\$ 46,165,377</u>	<u>\$ 35,717,030</u>	<u>\$ 46,507,948</u>

Source: CAFR Schedule B-1

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

(modified accrual basis of accounting)
Unaudited

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
June 30,										
General Fund										
Revenues										
Local sources:										
Tuition	\$ 27,207,213	\$ 27,809,066	\$ 30,247,995	\$ 32,136,205	\$ 32,716,393	\$ 32,765,239	\$ 34,258,120	\$ 34,418,279	\$ 36,003,555	\$ 37,600,076
Transportation fees	22,506,936	25,925,911	29,200,853	31,624,558	33,420,238	37,992,147	37,962,502	40,848,533	42,525,136	34,997,021
Services provided to districts	8,433,509	9,249,964	10,785,815	12,268,807	13,160,428	14,576,777	15,910,374	18,184,116	20,729,834	22,530,597
Interest on investments	12,077	9,287	8,871	9,738	25,226	61,020	171,522	316,701	97,179	270,983
Miscellaneous	232,606	222,586	443,414	133,836	484,794	237,419	205,792	116,616	97,179	206,535
Total - Local sources	\$8,392,341	\$5,276,936	\$7,087,364	\$6,173,144	\$9,794,653	\$8,526,808	\$8,537,608	\$9,739,066	\$9,672,405	\$9,625,212
State sources:										
Reimbursed TPAF S.S. Contributions	910,176	953,223	946,962	969,128	981,118	998,232	1,015,224	1,046,264	1,109,392	1,068,595
On-behalf TPAF Pension Contributions	917,554	1,236,768	1,708,129	1,478,422	1,822,226	2,271,542	2,758,452	3,402,840	4,165,081	4,755,450
Total - State sources	1,827,730	2,190,991	2,655,091	2,447,550	2,803,344	3,269,774	3,773,676	4,449,104	5,274,473	5,824,045
Total revenue	60,219,871	65,416,389	73,342,455	78,620,694	82,597,997	88,566,572	92,171,284	98,186,170	104,941,778	100,989,257
Expenditures										
Instruction	9,236,148	9,259,286	10,135,939	10,495,818	10,605,100	10,887,627	11,154,594	11,858,427	13,068,874	13,147,847
Support Services:										
Health services	643,890	607,982	589,017	610,328	605,879	676,405	852,975	1,136,340	1,762,481	1,593,839
Student & instruction related services	6,111,787	6,755,318	7,067,113	7,706,612	8,312,851	9,249,904	9,787,094	9,811,271	10,413,775	10,471,835
General administrative services	814,525	814,525	776,571	945,537	955,080	992,478	945,881	1,064,695	1,064,992	1,067,946
School Administrative services	1,531,779	1,508,972	1,651,473	1,650,008	1,493,293	1,813,667	1,852,777	1,997,164	1,916,902	2,145,751
Central Services	886,994	905,256	1,020,728	1,179,998	1,171,038	1,356,357	1,500,233	1,734,406	2,145,828	2,145,828
Admin. Infor. Technology	288,365	263,715	240,501	324,611	382,737	449,516	300,900	236,317	224,542	305,421
Required maint for school facilities	707,884	765,797	925,595	913,923	909,697	975,401	1,073,422	951,198	4,700,342	2,535,149
Operation of plant	942,846	776,994	722,237	784,342	767,654	773,536	789,227	708,475	620,017	620,017
Pupil transportation	22,855,243	26,318,186	29,397,624	32,000,567	33,692,013	37,336,204	38,149,495	41,167,738	42,698,368	34,312,844
Unallocated employee benefits	5,881,886	5,786,788	6,618,812	7,672,501	7,579,806	8,354,892	8,354,892	8,734,296	7,269,511	8,205,604
Reimbursed S.S. contributions	910,176	953,223	946,962	969,128	981,118	998,232	1,015,224	1,046,264	1,109,392	1,068,595
On-behalf TPAF pension contributions	917,554	1,236,768	1,708,129	1,478,422	1,822,226	2,271,542	2,758,452	3,402,840	4,165,081	4,755,450
Capital outlay	207,423	103,616	515,286	435,476	735,096	1,199,073	1,703,932	1,399,351	770,420	970,821
Special Schools	2,522,036	2,678,384	2,917,532	2,678,384	2,917,532	2,803,445	2,902,818	2,338,383	3,163,847	2,856,474
Total expenditures	54,984,272	58,679,858	65,131,768	69,842,355	72,936,176	79,752,222	83,148,009	87,511,955	94,776,607	89,343,541
Excess of revenues over expenditures	5,925,649	6,736,531	8,210,687	8,778,339	9,661,791	8,814,350	9,025,275	10,674,215	10,168,169	14,745,836
Other Financing sources (uses)										
Transfers in	46,179			20,433					55,436	59,621
Transfers out	(5,124,367)	(4,846,501)	(4,964,754)	(5,408,386)	(5,763,966)	(3,798,806)	(9,398,712)	(7,590,127)	(7,233,168)	(12,286,250)
Proceeds from Loans										
Total other financing sources (uses)	(5,078,688)	(4,846,501)	(4,964,754)	(5,387,953)	(5,763,966)	(3,798,806)	(9,398,712)	(7,590,127)	(7,177,732)	(12,226,629)
Net change in fund balances, General Fund	\$ 46,961	\$ 1,890,020	\$ 3,745,933	\$ 3,390,386	\$ 3,897,825	\$ 5,015,544	\$ (375,437)	\$ 3,084,088	\$ 2,990,437	\$ 2,519,207
Special Revenue Fund										
Revenues										
Local sources	\$ 291,470	\$ 20,874	\$ 10,763	\$ 21,924	\$ 21,924	\$ 16,321	\$ 16,321	\$ 14,604	\$ 20,691	\$ 20,691
State sources	5,141,173	4,360,609	4,204,934	5,199,431	6,871,156	7,136,094	8,072,656	8,148,977	8,924,648	7,944,379
Federal sources	3,032,414	2,379,246	2,631,844	3,887,638	1,707,131	2,465,072	2,309,032	2,350,259	2,292,158	2,373,680
Total revenue	\$ 8,465,057	\$ 6,967,729	\$ 6,937,541	\$ 7,378,259	\$ 8,600,311	\$ 9,631,166	\$ 10,597,989	\$ 10,499,256	\$ 11,231,610	\$ 10,238,750
Expenditures										
Instruction	5,189,149	4,420,463	4,450,245	4,718,315	5,180,722	5,878,076	6,063,374	6,099,152	5,981,109	5,624,594
Other support: special	2,740,460	2,077,388	2,389,896	2,562,141	3,244,933	3,557,109	4,087,691	3,974,421	4,704,779	3,926,612
Capital outlay	43,170	20,118	122,624	31,219	123,917	153,281	194,824	374,866	496,522	579,768
Total expenditures	\$ 8,281,779	\$ 6,518,169	\$ 6,962,765	\$ 7,311,675	\$ 8,549,372	\$ 9,588,466	\$ 10,348,889	\$ 10,448,579	\$ 11,182,410	\$ 10,130,974
Excess (Deficiency) of revenues over (under) expenditures	183,278	3,449,560	(25,224)	66,584	50,939	42,700	52,100	50,797	49,200	1,107,776
Other Financing (uses)										
Transfers out	(183,260)	(89,160)	(68,160)	(66,584)	(50,939)	(42,700)	(52,100)	(50,797)	(49,200)	(107,776)
Total other financing (uses)	(183,260)	(89,160)	(68,160)	(66,584)	(50,939)	(42,700)	(52,100)	(50,797)	(49,200)	(107,776)
Net change in fund balances, Special Revenue fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

(modified accrual basis of accounting)
Unaudited

	June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Capital Projects Fund										
Revenues										
Interest Earned	\$ 55	\$ 2	\$ 1					\$ 37,247	\$ 55,112	\$ 21,023
Total revenue	\$ 55	\$ 2	\$ 1					\$ 37,247	\$ 55,112	\$ 21,023
Expenditures										
Costs of issuance								200,507		
Capital outlay	620,902	344,333					\$ 806,794	4,939,250	14,165,720	2,296,982
Total expenditures	620,902	344,333					806,794	5,139,757	14,165,720	2,296,982
Excess (Deficiency) of revenues over (under) expenditures	(620,847)	(344,331)	1				(806,794)	(5,102,510)	(14,110,618)	(2,275,959)
Other financing sources (uses)										
Transfers in	127,018						5,000,000			4,000,000
Transfers out	(26,461)			(20,433)				(57,391)	(55,112)	(21,023)
Premium on loan issuance		250,000						2,050,651		
Proceeds - Capital Lease										6,000,000
Proceeds - Loans/Bonds										
Proceeds - Loans/Bonds										
Other financing sources (uses)	100,557	250,000		(20,433)			5,000,000	13,170,000	(55,112)	9,978,977
Total other financing sources (uses)	100,557	250,000		(20,433)			5,000,000	13,170,000	(55,112)	9,978,977
Net change in fund balances, Capital projects fund	\$ (520,290)	\$ 5,569	\$ 1	\$ (20,433)	\$	\$	\$ 4,193,206	\$ 10,067,750	\$ (14,165,720)	\$ 2,703,018
Debt Service Fund										
Revenues										
Interest Earned	\$ 44	\$ 36	\$ 38	\$ 45	\$ 55	\$ 68	\$ 122	\$ 3,956	\$ 17,616	\$ 12,224
Total revenue	\$ 44	\$ 36	\$ 38	\$ 45	\$ 55	\$ 68	\$ 122	\$ 3,956	\$ 17,616	\$ 12,224
Expenditures										
Principal	2,178,534	2,090,000	2,314,838	2,333,166	1,729,659	2,531,174	2,646,163	2,695,000	2,885,000	2,950,000
Interest	2,559,972	2,541,361	2,473,054	2,395,439	1,958,584	1,961,464	1,867,875	1,760,437	2,483,713	2,138,087
Total expenditures	4,738,506	4,631,361	4,787,872	4,728,605	3,688,243	4,492,638	4,514,038	4,455,437	5,368,713	5,088,087
Excess (Deficiency) of revenues over (under) expenditures	(4,738,462)	(4,631,325)	(4,787,834)	(4,728,560)	(3,688,188)	(4,492,570)	(4,513,916)	(4,451,501)	(5,351,097)	(5,055,863)
Other financing sources (uses)										
Transfers in										
Transfers out	5,207,029	4,936,454	4,937,050	5,226,167	5,894,042	3,893,565	4,635,865	4,569,647	6,135,479	5,684,177
Proceeds from principal	(119,719)	(230,000)								(59,621)
Proceeds from premium	22,691			10,511,398	30,170,000	3,923,921				
Cost of issuance				(1,011,254)	(4,425,103)					
Advanced refunding escrow				(10,456,983)	(29,225,000)					
Payment to refunded bond escrow agent				4,369,378	5,910,726					
Other financing sources (uses)	5,110,601	4,686,454	4,937,050	4,369,378	3,893,565	3,893,565	4,635,865	4,569,647	6,078,043	5,624,556
Total other financing sources (uses)	5,110,601	4,686,454	4,937,050	4,369,378	3,893,565	3,893,565	4,635,865	4,569,647	6,078,043	5,624,556
Net change in fund balances, Debt Svc Fund	\$ 372,139	\$ 55,129	\$ 169,216	\$ (159,232)	\$ 2,222,588	\$ (599,005)	\$ 1,211,949	\$ 118,146	\$ 726,946	\$ 568,693
Net change in fund balances, Governmental Funds	\$ 698,810	\$ 1,950,728	\$ 3,915,150	\$ 3,219,721	\$ 6,120,393	\$ 4,416,539	\$ 3,939,718	\$ 13,262,984	\$ (10,448,347)	\$ 10,790,918

Source: CAFR, Schedule E-2

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

**(modified accrual basis of accounting)
Unaudited**

	Year Ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Miscellaneous Revenue:										
Insurance proceeds	\$ 28,800		\$ 102,261	\$ 27,284	\$ 27,019	\$ 96,663	\$ 66,249	\$ 40,212	\$ 8,444	\$ 17,436
Refunds	1,590	\$ 22,033	5,656	2,215	4,136	50,945	3,640	6,569	256	1,055
Cancellation of aging liabilities	5,841	54,633	38,744	(93,095)	117,609	(96,387)			(35,339)	14,330
E-rate reimbursement	130,655	68,689	88,702	104,688	227,969	131,899	117,710	47,016	38,021	15,034
Other	65,720	77,231	103,751	92,744	98,782	54,299	18,193	22,819	85,797	158,680
Total Other Local Revenue	\$ 232,606	\$ 222,586	\$ 443,414	\$ 133,836	\$ 484,794	\$ 237,419	\$ 205,792	\$ 116,616	\$ 97,179	\$ 206,535

Source: Commission records

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

<u>Governmental Activities</u>					
Fiscal Year Ended June 30,	Loans Payable	Capital Leases	Total District	Percentage of Personal Income ^a	Per Capita Personal Income ^a
2011	\$ 56,405,000		\$ 56,405,000	0.08%	\$ 47,392
2012	54,315,000		54,315,000	0.09%	48,256
2013	52,150,000	\$ 350,162	52,500,162	0.09%	49,203
2014	48,070,000	251,996	48,321,996	0.11%	52,108
2015	47,385,000	152,337	47,537,337	0.11%	52,291
2016	44,955,000	51,163	45,006,163	0.12%	52,486
2017	42,360,000		42,360,000	0.13%	53,467
2018	52,835,000		52,835,000	0.11%	55,980
2019	49,950,000		49,950,000	0.12%	57,598
2020	47,020,000	6,000,000	53,020,000	0.12%	61,065

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

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

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

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

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income (thousands of dollars) ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2011	790,738	\$ 37,474,655	\$ 47,392	8.7%
2012	810,747	39,123,407	48,256	8.7%
2013	814,217	40,061,919	49,203	8.5%
2014	823,041	42,887,020	52,108	8.5%
2015	830,815	43,444,147	52,291	7.4%
2016	836,297	43,893,884	52,486	6.0%
2017	840,900	44,960,400	53,467	5.0%
2018	842,798	47,179,832	55,980	4.1%
2019	829,685	47,788,197	57,598	3.6%
2020	825,062	50,382,411	61,065	3.1%

Source:

- a Population based on annual Estimates of the Resident Population for Municipalities in New Jersey, by County April 1, 2010 to July 1, 2019
- b Personal income based on Per Capita Personal Income times Population
- c Per capita personal income was computed using Census Bureau midyear population estimates.
- d New Jersey Department of Labor and Workforce Development, Office of Research and Information, Local Area Unemployment Statistics

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

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Instruction										
PL192/193	30.00	22.90	22.79	21.29	25.77	32.72	38.50	37.90	34.54	33.48
RVA	16.21	13.36	9.69	9.27	8.44					
NuView Annex						8.32	10.52	8.60		
NuView	13.21	15.52	13.52	14.30	15.35	18.30	18.30	17.70	19.55	21.00
Piscataway Regional Day School	70.74	68.40	44.00	47.35	48.75	52.35	54.05	62.65	63.65	63.15
Academy Learning Center	86.11	84.78	82.80	79.85	79.85	83.05	86.85	87.85	94.85	93.85
Title I	0.40									
Middlesex County Academy High School	5.16	4.10	3.75	3.07	2.68	2.80				
Bright Beginnings Learning Center	68.53	57.10	74.50	78.45	78.65	88.45	95.58	95.25	59.85	67.65
Future Foundations Academy									48.30	51.95
IDEA B	57.88	28.00	37.27	34.89	28.55	34.40	36.12	33.70	36.60	37.66
New Brunswick preschool and other col svc							5.40	4.40	6.81	9.22
Carteret Collaborative Services		13.00	12.00	12.45	20.15	15.83	23.00	21.29	26.71	37.62
PIC-C	1.00									
Center for Lifelong Learning	101.50	109.10	106.80	115.40	120.90	128.00	133.10	139.10	140.30	136.30
Pathways to Adult Living									3.00	3.00
Turning Point Academy									9.45	9.45
Adult Community Services										1.00
Health Services:										
RVA	1.00	1.00	0.30	0.20	0.20					
NuView Annex						0.20				
Piscataway Regional Day School	2.00	2.00	1.20	1.50	2.00	2.00	2.00	2.00	2.00	2.00
Academy Learning Center	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Non-Public Nursing	40.00	42.00	45.00	48.00	66.00	77.00	71.00	77.00	77.00	77.00
Middlesex County Academy High School			0.10	0.10	0.05	0.10				
Bright Beginnings Learning Center	2.00	2.00	2.40	2.20	2.25	2.25	2.25	3.00	3.00	2.00
Future Foundations Academy									1.00	1.00
Center for Lifelong Learning	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Support Services:										
RVA	3.00	3.00	3.00	3.00	3.00					
NuView Annex						2.00				
Piscataway Regional Day School	2.00	2.00	1.00	1.00	1.00	1.50	2.00	2.00	2.00	2.00
Academy Learning Center	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Middlesex County Academy High School	0.44	0.44	0.30							
Bright Beginnings Learning Center	1.00	1.00	1.50	2.00	2.00	3.00	3.00	3.00	3.00	3.00
Future Foundations Academy									1.00	1.00
New Brunswick preschool and other col svc									0.40	0.40
Carteret Collaborative Services		3.00	3.00	4.00						
PIC-C	3.50									
Center for Lifelong Learning	4.50	5.50	7.50	8.30	10.00	9.00	9.00	7.84	6.60	7.00
Turning Point Academy									0.40	0.60
Adult Community Services										3.00
General Administration										
	5.00	5.00	5.00	4.75	4.75	5.00	5.00	5.57	5.95	5.95
School Administration										
PL192/193	5.63	5.63	3.85	4.55	3.19	3.35	4.05	5.78	5.78	5.09
RVA	2.12	2.12	1.62	1.52	1.52					
NuView Annex						1.27	2.02	2.02		
NuView	2.15	2.15	2.18	2.03	2.03	2.03	2.03	2.03	2.03	2.05
Piscataway Regional Day School	3.94	3.94	3.12	2.20	2.45	3.08	2.98	2.95	3.15	3.15
Academy Learning Center	3.97	3.97	4.19	4.02	4.02	4.02	4.02	4.02	4.22	4.22
Title I	0.21	0.21	0.10	0.08	0.15	0.10	0.10	0.04	0.07	0.08
Non-Public Textbook	0.25	0.25	0.23	0.27	0.27	0.27	0.21	0.14	0.14	0.19
Non-Public Nursing	0.30	0.30	0.40	0.40	0.62	0.65	0.70	0.70	0.70	0.48
Professional Development Program	1.00	0.40	0.40	0.15	0.40	0.10	0.15	0.15	0.05	0.05
ESC-(CSH, CST, Charter)	1.20	1.20	2.34	2.29	4.21	4.35	5.52	5.30	3.67	4.13
Middlesex County Academy High School	2.00	2.00	1.50	1.00	1.00	0.75				
Bright Beginnings Learning Center	3.95	3.95	5.10	5.35	4.93	4.58	4.73	5.68	6.13	3.95
Future Foundations Academy									2.70	3.70
Bright Beginnings Learning Center Annex										
Non-Public Technology				0.16	0.15	0.26	0.18	0.17	0.17	0.18
Non-Public Security							0.17	0.20	0.50	0.80
IDEA B	0.99	0.99	1.42							
New Brunswick preschool and other col svc								0.03	0.03	0.45
Carteret Collaborative Services		1.00	1.00	1.00						
Center for Lifelong Learning	3.97	3.97	4.37	4.11	4.11	6.11	6.11	5.81	5.71	6.30
Center for Lifelong Learning- Pool			2.00	2.00	2.00	1.00	2.00	2.00	2.00	2.00
Pathways to Adult Living									0.20	0.20
Turning Point Academy									2.00	2.00
Adult Community Services										1.00
Central Services										
	20.65	19.50	19.50	22.00	20.00	20.00	20.50	23.00	23.10	24.50
Information technology Services										
	3.00	3.00	3.00	3.00	4.00	4.00	3.00	3.00	3.00	3.00

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

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operations & Maintenance										
PL192/193	1.15	1.25	1.65	1.65	1.15	1.15	1.15	1.15	1.15	1.35
RVA	2.13	2.23	1.13	1.13	1.63					
NuView Annex						1.63	1.63	1.13		
NuView	1.50	1.23	1.00	1.13	1.13	1.13	1.13	1.13	1.13	1.13
Piscataway Regional Day School	2.15	2.25	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.15
Academy Learning Center	2.15	2.25	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.15
Middlesex County Academy High School	0.25	0.25	1.25	1.00	0.25	0.25				
ESC-General	1.00	1.30	1.75	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Bright Beginnings Learning Center	2.15	2.25	2.15	2.15	2.40	2.40	2.65	3.15	3.05	2.15
Future Foundations Academy									3.05	1.93
Sayreville Collaborative Service	0.25									
Early Childhood Program	4.00									
Center for Lifelong Learning	4.15	4.25	4.15	4.15	4.15	4.15	4.15	4.15	4.15	4.15
Adult Community Services										0.50
Student Transportation	6.50	6.50	6.50	6.50	6.50	6.50	6.00	6.00	7.00	7.00
Student Transportation - Bus driver										
Total	<u>603.89</u>	<u>567.54</u>	<u>563.62</u>	<u>577.51</u>	<u>604.90</u>	<u>651.70</u>	<u>683.15</u>	<u>700.88</u>	<u>743.14</u>	<u>768.31</u>

Source: Based on Commission budget record.

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

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Other Staff ^c	Average Daily Enrollment (ADE) ^d	Average Daily Attendance (ADA) ^d	% Change in Average Daily Enrollment	Student Attendance Percentage
2011	710	\$ 62,325,417	\$ 87,782	2.35%	195	424	735.20	646.90	0.67%	87.99%
2012	719	65,033,993	90,451	3.04%	188	410	727.60	649.30	-1.03%	89.24%
2013	744	71,356,623	95,909	6.04%	199	412	738.20	661.90	1.46%	89.66%
2014	754	76,689,335	101,710	6.05%	215	460	749.90	658.00	1.58%	87.75%
2015	732	82,612,133	112,858	10.96%	208	477	752.00	665.00	0.28%	88.43%
2016	722	90,743,835	125,684	11.36%	232	463	717.00	641.00	-4.65%	89.40%
2017	722	91,595,142	126,863	0.94%	220	519	710.00	626.00	-0.98%	88.17%
2018	730	96,185,977	131,762	3.86%	241	534	721.00	638.00	1.55%	88.49%
2019	708	104,692,077	164,094	24.54%	219	532	708.00	628.00	-1.80%	88.70%
2020	713	94,803,806	132,965	-18.97%	238	405	710.00	622.00	0.28%	87.61%

Sources: Commission records.

Note: Enrollment for 2011-2020 was based on actual enrollment as of June.

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

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

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

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

d Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS). prior GASB 44 J-13 (2017/2018/2019 corrected in 2020)

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

		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
District Building											
NuView Academy Annex, 1690 Stelton Rd, Piscataway											
(September 1997, name changed from RVA to NVA on 09/01/2016, ACS effective 01/01/2020)											
NVA/ACS	Square Feet	48,525	44,149	38,379	38,379	38,379	38,379	20,379	20,379	20,379	20,379
NVA/ACS	Capacity (students)	174	114	72	72	72	72	72	72	72	72
NVA/ACS	Enrollment	53	41	41	40	25	28	26	27	15	8
(April 2017, Name changed from BBSEC to FFA on 06/26/2018, square footage combined to FFA on 07/01/2019)											
BB Secondary	Square Feet			5,770	5,770	5,770	5,770	28,146	28,146	28,146	
BB Secondary	Capacity (students)			42	42	42	42	108	108	108	
BB Secondary	Enrollment			23	32	41	41	53	60	0	
Nonpublic	Square Feet	2360	2360	2360	2360	1415	1415	1415	1,415	1,415	1,415
Transportation	Square Feet (moved from BB 3/2014)					945	945	945	945	945	945
Nuview Academy, 1 Park Ave, Piscataway											
(September 2001, September 2008)											
NV	Square Feet	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500
NV	Capacity (students)	72	72	73	73	73	73	73	73	73	73
NV	Enrollment	67	63	73	66	60	70	63	57	64	57
Academy Learning Center, 145 Pergola Ave. Monroe											
(September 2000)											
ALC	Square Feet	42,516	42,516	42,516	42,516	42,516	42,516	42,516	42,516	42,516	42,516
ALC	Capacity (students)	148	148	148	148	148	148	148	148	148	148
ALC	Enrollment	141	142	141	144	142	133	137	136	134	127
Bright Beginnings Learning Center, 1660 Stelton Rd, Piscataway											
(September 1998, September 2002)											
BBLC	Square Feet	36,422	36,422	36,422	36,422	36,422	36,422	36,422	36,422	36,422	36,422
BBLC	Capacity (students)	130	130	130	130	130	130	130	130	130	130
BBLC	Enrollment	121	130	124	128	119	114	120	120	122	126
Central Office	Square Feet	7,583	7,583	7,583	7,583	8,503	8,503	8,503	8,503	8,503	8,503
Transportation	Square Feet (moved to RVA-NP 3/2014)	920	920	920	920						
Center for Lifelong Learning, 333 Cheesequake Rd, Parlin											
(September 2009)											
CLL/AFC	Square Feet	88,000	88,000	88,000	88,000	88,000	88,000	88,000	88,000	88,000	88,000

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

		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
CLL	Capacity (students)	288	288	288	288	288	288	288	288	288	288
CLL	Enrollment	170	183	208	209	206	204	209	201	195	198

Future Foundations Academy, 1690 Stelton Rd, Piscataway
 (July 2019, Combine Square footage from BBSEC 07/01/2019)

FFA	Square Feet									50,000	78,146
FFA	Capacity (students)									108	216
FFA	Enrollment									70	90
CONF CTR	Square Feet									26,000	26,000

Source: Commission records.

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

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

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

School Facilities	Year ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
RVA	\$ 132,440	\$ 74,646	\$ 83,454	\$ 134,629	\$ 108,808	\$ 492				
ALC	146,036	181,696	145,269	130,937	165,516	161,624	\$ 229,125	\$ 161,899	\$ 139,581	\$ 145,153
Transportation	1,510	4,114	1,550	2,183	431	615	2,658	3,484	15,744	11,608
ESC - General	69,034	99,350	194,362	178,259	148,669	167,200	170,526	128,413	3,953,803	1,729,545
ESC - MCA	8,234	39,170	51,925	35,126	23,593	17,496				
BBLC	130,425	124,586	141,799	138,914	182,484	154,216	212,145	195,459	125,137	146,370
FFA									94,733	139,534
Nuview	64,724	83,947	83,297	86,402	98,808	117,674	98,696	78,681	87,426	82,682
Nuview Annex						146,129	116,423	82,535	35,098	
Center for Lifelong Learning	155,481	158,288	223,939	207,473	181,388	209,955	243,849	280,918	244,290	273,886
Pathways to Adult Living								19,809	5,130	6,371
Total School Facilities	\$ 707,884	\$ 765,797	\$ 925,595	\$ 913,923	\$ 909,697	\$ 975,401	\$ 1,073,422	\$ 951,198	\$ 4,700,942	\$ 2,535,149

Source: Commission records

Educational Services Commission of New Jersey
Insurance Schedule
June 30, 2020
Unaudited

Company	Type of Coverage	Coverage	Deductible
NJSIG	MULTI PERIL PACKAGE POLICY		
	Property:		
	Blanket Building and Contents	\$ 130,831,802	\$ 5,000
	Extra Expense	50,000,000	
	Flood	Various limits	
	Musical Instruments & Misc Equipment	Incl in prop limit	
	Data processing equipment	1,000,000	
	Loss of Rents	3,000,000	
	Equipment Breakdown	100,000,000	5,000
	Commercial Liability:		
	Bodily Injury & Property Damage		
	Each Occurrence	31,000,000	
	Products/Completed Operations	31,000,000	
	Sexual Abuse/NJSIG Annual Agg.	17,000,000/17,000,000	
	Personal & Advertising Injury	31,000,000	
	Employee Benefits Liability	11,000,000	
	Medical expense Per Accident/Per Person	10,000/5,000	
	Crime:		
	Employee Dishonesty	1,000,000	
	Money & Securities	100,000	
	Money Orders & Counterfeit Currency	50,000	
	Depositors Forgery or Alteration	1,000,000	
	Computer Fraud	1,000,000	
	Automobile:		
	Bodily Injury/Property Damage	31,000,000	
	Personal Injury Protection	Statutory	
	Underinsured/uninsured	1,000,000	
	Private passenger	10,000	
	Comprehensive deductible		1,000
	Collision deductible		1,000
NJSIG	BONDS		
	Business Administrator - Patrick Moran	500,000	1,000
NJSIG	WORKERS COMPENSATION		
	Section "A"	Statutory	
	Section "B"	3,000,000	
NJSIG (Chubb)	SUPPLEMENTARY WORKERS COMP		
	Maximum Weekly Benefit	2,500	(7 days waiting period)
	Aggregate Per Accident	100,000	
Beazley (Lloyd's)	ENVIRONMENTAL IMPAIRMENT		
	Limit of Liability/Aggregate	1,000,000/1,000,000	10,000
	First Party Personal Property Sublimit	100,000	
	Microbial Matter Deductibles:		
	Building Age 0-20 Years		50,000
	Building Age 20-50 Years		100,000
	Building Age over 50 Years		250,000
	Location without A/C		250,000

Educational Services Commission of New Jersey
Insurance Schedule
June 30, 2020
Unaudited

Berkley (McCloskey)	STUDENT ACCIDENT Accident Medical Excess Benefit Period AD&D/Aggregate	\$ 1,000,000 3 Years 10,000/500,000	
US Fire (McCloskey)	Excess Medical Benefit Period	5,000,000 10 Years	\$ 25,000
QBE Insurance	ACCIDENT POLICY - SUMMER CAMP Insurance Death Benefits	500,000	
Fireman's Fund (Allianz)	CAP EXCESS LIABILITY Each Occurrence/Agg. Per Insured Master Policy Aggregate EPL Sublimit	50,000,000/50,000,000 150,000,000 25,000,000	
Selective	BUILDERS RISK Limit at Job Site Property in Transit Property at any Temp Location All Covered Property at All Location Property at any Temp Storage All covered property at all location	7,000,000 250,000 250,000 7,000,000 250,000 7,000,000	5,000 5,000 5,000 5,000 5,000

Source: Commission Records

Single Audit Section



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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Educational Services Commission of New Jersey (the "Commission") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated January 25, 2021.

Internal Control Over Financial Reporting

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

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

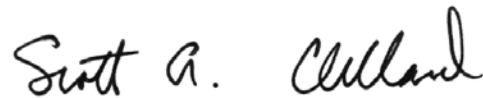
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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



Scott A. Clelland
Licensed Public School Accountant
No. 1049



WISS & COMPANY, LLP

January 25, 2021
Florham Park, New Jersey



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

Independent Auditors' Report

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

Report on Compliance for Each Major Federal and State Program

We have audited the Educational Services Commission of New Jersey's (the "Commission") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Commission's major federal and state programs for the year ended June 30, 2020. The Commission's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

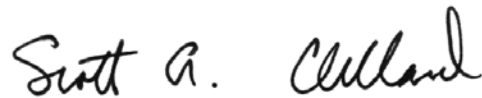
Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with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

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

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

Purpose of this Report

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



Scott A. Clelland
Licensed Public School Accountant
No. 1049



WISS & COMPANY, LLP

January 25, 2021
Florham Park, New Jersey

Educational Services Commission of New Jersey
 Schedule of Expenditures of State Financial Assistance

Year ended June 30, 2020

State Grantor/Program Title	Grant or Project Number	Program or Award Amount	Grant Period From To	Balance at June 30, 2019		Due to Grantor	Cash Received	Budgetary Expenditures	Adjustments	Remainder of Prior Year's Balances	Unearned Revenue	Balance at June 30, 2020		Due to Grantor	Budgetary Available	Cumulative Total Expenditures
				(Accounts Receivable)	(Due to Grantor)							(Accounts Receivable)	(Due to Districts)			
State Department of Education																
General Fund:																
Reimbursed TPAF Social Security Contributions	19-495-034-5094-003	\$ 1,109,292	7/1/2018	6/30/2019	\$ (51,859)	\$	\$ 53,859	\$ (1,068,595)		\$ (9)	\$	\$ (52,704)	\$		\$	\$ (1,068,595)
Reimbursed TPAF Social Security Contributions	20-495-034-5094-003	1,088,595	7/1/2019	6/30/2020			1,015,891	(1,068,595)								(3,116,400)
On Behalf TPAF Pension Contribution	20-495-034-5094-002	3,116,400	7/1/2019	6/30/2020			3,116,400	(3,116,400)								(1,156,127)
On Behalf TPAF Post-Retirement Medical	20-495-034-5094-001	1,156,127	7/1/2019	6/30/2020			1,156,127	(1,156,127)								(2,923)
On Behalf TPAF Non-Contributory Insurance	20-495-034-5094-004	2,923	7/1/2019	6/30/2020			2,923	(2,923)								(5,344,045)
Total General Fund		\$ (53,859)			\$	\$	\$ 3,345,200	\$ (5,344,045)		\$ (9)		\$ (52,704)				\$ (5,344,045)
State Department of Education - Passed Through																
New Jersey School Districts																
Special Revenue Fund:																
N.J. Nonpublic Aid:																
Textbooks Aid	100-034-5120-064	621,931	7/1/2017	6/30/2018		\$ 833										
Textbooks Aid	100-034-5120-064	575,920	7/1/2018	6/30/2019		9,235	70,617	(903,545)		(833)						(803,545)
Textbooks Aid	100-034-5120-064	593,545	7/1/2019	6/30/2020			498,452	(903,545)		(9,235)			\$ 44,173			
Nursing Services Aid	100-034-5120-070	1,971,541	7/1/2017	6/30/2018		1,953										
Nursing Services Aid	100-034-5120-070	1,941,350	7/1/2018	6/30/2019		41,137	583,500	(1,741,322)		(1,953)						(1,741,322)
Nursing Services Aid	100-034-5120-070	1,941,322	7/1/2019	6/30/2020			1,478,357	(1,741,322)		(41,137)			7			
Technology Initiative	100-034-5120-373	478,938	7/1/2017	6/30/2018		2,133										
Technology Initiative	100-034-5120-373	435,840	7/1/2018	6/30/2019		53,554	39,156	(988,779)		(2,133)						(988,779)
Technology Initiative	100-034-5120-373	388,779	7/1/2019	6/30/2020			358,500	(988,779)		(53,554)						
Security Aid Program	100-034-5120-509	820,619	7/1/2017	6/30/2018		6,427	6,427									
Security Aid Program	100-034-5120-509	1,111,488	7/1/2018	6/30/2019		(6,427)	342,984									
Security Aid Program	100-034-5120-509	(343,983)	7/1/2019	6/30/2020		207,269	1,447,425	(1,286,726)		(680)						(1,286,726)
Auxiliary services (Chapter 192):																
Compensatory Education	100-034-5120-067	1,525,637	7/1/2017	6/30/2018		924,1283	91,242									
Compensatory Education	100-034-5120-067	1,803,599	7/1/2018	6/30/2019		63,36,636	327,881									
Compensatory Education	100-034-5120-067	1,552,089	7/1/2019	6/30/2020		11,659	1,122,390	(1,552,009)		(9,243)			3,126			(1,552,009)
English as a Second Language	100-034-5120-067	156,820	7/1/2017	6/30/2018		(23,487)										
English as a Second Language	100-034-5120-067	156,748	7/1/2018	6/30/2019		6,582	7,256	(121,272)		(6,582)						(121,272)
English as a Second Language	100-034-5120-067	121,272	7/1/2019	6/30/2020			81,565	(121,272)								
Transportation	100-034-5120-067	234,842	7/1/2017	6/30/2018		(65)										
Transportation	100-034-5120-067	200,015	7/1/2018	6/30/2019		(71,106)	66,138									
Transportation	100-034-5120-067	190,492	7/1/2019	6/30/2020			144,213	(190,492)								(190,492)
Nonpublic Home Instruction	100-034-5120-067	22,239	7/1/2013	6/30/2014		(1,912)										
Nonpublic Home Instruction	100-034-5120-067	41,699	7/1/2016	6/30/2017		(605)	605									
Nonpublic Home Instruction	100-034-5120-067	51,702	7/1/2017	6/30/2018		(4,613)	906									
Nonpublic Home Instruction	100-034-5120-067	49,560	7/1/2018	6/30/2019		(9,560)	42,649									
Nonpublic Home Instruction	100-034-5120-067	56,649	7/1/2019	6/30/2020			1,251	(56,049)								(56,049)
Supplemental Instruction	100-034-5120-066	721,912	7/1/2017	6/30/2018		(10,309)	7,278									
Supplemental Instruction	100-034-5120-066	764,096	7/1/2018	6/30/2019		(155,342)	103,909									
Supplemental Instruction	100-034-5120-066	751,137	7/1/2019	6/30/2020			683,302	(751,137)		(1)						(751,137)
Examination and Classification	100-034-5120-066	1,147,299	7/1/2017	6/30/2018		3,820										
Examination and Classification	100-034-5120-066	1,110,778	7/1/2018	6/30/2019		(406,977)	397,206									
Examination and Classification	100-034-5120-066	798,886	7/1/2019	6/30/2020			580,144	(798,886)		(909)						(798,886)
Concurrent Speech	100-034-5120-066	597,727	7/1/2017	6/30/2018		(3,570)	2,366									
Concurrent Speech	100-034-5120-066	586,000	7/1/2018	6/30/2019		(93,977)	77,359									
Concurrent Speech	100-034-5120-066	553,045	7/1/2019	6/30/2020			499,902	(553,045)		(893)						(553,045)
Total State Department of Education - passed through																
New Jersey School Districts																
Total Special Revenue Fund						\$ 372,206	\$ 9,845,157	\$ (7,843,262)		\$ 12,513		\$ (1,886,118)		\$ 577,542		\$ (7,843,262)
Enterprise Fund:																
National School Lunch Program (State share)	100-010-3359-023	3,579	7/1/2018	6/30/2019		(2,977)	297									
National School Lunch Program (State share)	100-010-3359-023	2,771	7/1/2019	6/30/2020			3,068									
Total Enterprise Fund						\$ (2,514,547)	\$ 3,72,206	\$ (2,771)								
Total State Financial Assistance Expenditures						\$ (2,514,547)	\$ 3,72,206	\$ (2,771)								
On Behalf TPAF Pension Contributions	20-495-034-5094-002	3,116,400	7/1/2019	6/30/2020			3,116,400									(3,116,400)
On Behalf TPAF Post-Retirement Medical	20-495-034-5094-001	1,156,127	7/1/2019	6/30/2020			1,156,127									(1,156,127)
On Behalf TPAF Non-Contributory Insurance	20-495-034-5094-004	2,923	7/1/2019	6/30/2020			2,923									(2,923)
Total for State Financial Assistance - Major Program Determination						\$ (2,514,547)	\$ 3,72,206	\$ (9,014,638)		\$ 12,513		\$ (1,898,823)		\$ 577,542		\$ (9,014,638)

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

Educational Services Commission of New Jersey

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

Year ended June 30, 2020

1. Basis of Presentation

The accompanying schedules of expenditures of federal awards and state financial assistance include the federal award and state financial assistance activity under programs of the federal and state government for the year ended June 30, 2020. The Commission is defined in Note 1 to the Commission's basic financial statements. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, are included on the schedules of expenditures of federal awards and state financial assistance.

The information in these schedules are presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200-*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in these schedules may differ from amounts presented, or used in the preparation of, the basic financial statements. Because the schedules present only selected portions of the operations of the District, they are not intended to and do not present the financial position, changes in net position, or cash flows of the Commission.

2. Summary of Significant Accounting Policies

The expenditures reported on the accompanying schedules of expenditures of federal awards and state financial assistance (Schedules) are presented on the budgetary basis of accounting with the exception of programs recorded in the enterprise fund, which are presented using the accrual basis of accounting and those recorded in the special revenue fund, which are presented using the budgetary basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and New Jersey OMB Circular 15-08, wherein certain types of expenditures are allowable or are limited as to reimbursement. These bases of accounting are described in Note 1 to the Commission's basic financial statements.

Educational Services Commission of New Jersey

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

Year ended June 30, 2020

3. Relationship to Basic Financial Statements

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$6,683 for the special revenue fund. See note to Required Supplementary Information (C-3) for a reconciliation of the budgetary basis to GAAP of accounting for the special revenue funds. Financial award revenues are reported in the Commission's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 5,344,045	\$ 5,344,045
Special Revenue Fund	\$ 2,273,680	7,944,379	10,218,059
Food Service Enterprise Fund	219,474	2,771	222,245
Total financial award revenues	<u>\$ 2,493,154</u>	<u>\$ 13,291,195</u>	<u>\$ 15,784,349</u>

4. Relationship to Federal and State Financial Reports

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

Educational Services Commission of New Jersey

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

Year ended June 30, 2020

5. Other

TPAF Social Security Contributions represent the amount reimbursed by the State for the employer's share of Social Security for TPAF members for the year ended June 30, 2020.

The post retirement pension, disability insurance and medical benefits received on-behalf of the Commission for the year ended June 30, 2020 amounted to \$4,275,450. Since on-behalf post retirement pension, disability insurance and medical benefits are paid by the State directly, these expenditures are not subject to a single audit in accordance with New Jersey OMB's Circular 15-08, as directed by the funding agency.

6. Indirect Costs

The Commission elected to not use the 10% de minimis indirect cost rate as allowed by the Uniform Guidance.

7. Adjustments

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

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

Year ended June 30, 2020

Part I - Summary of Auditors' Results (continued)

State Financial Assistance

Internal control over major state programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None Reported

Type of auditors' report on compliance for major state programs: _____ Unmodified _____

Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular 15-08? _____ Yes X No

Identification of major state programs:

GMIS/Program Number	Name of State Program or Cluster
100-034-5120-066	N.J. Nonpublic Handicapped Services Aid

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

Auditee qualified as low-risk auditee? X Yes _____ No

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

Year ended June 30, 2020

Part II - Schedule of Financial Statement Findings

No federal award or state financial assistance program internal control over compliance or compliance findings or questioned costs were noted that are required to be reported under *Government Auditing Standards*.

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

Year ended June 30, 2020

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

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

Educational Services Commission of New Jersey
Summary Schedule of Prior Year Audit Findings

Year ended June 30, 2020

No prior year audit findings were noted.