

***EDUCATIONAL SERVICES COMMISSION  
OF MORRIS COUNTY***

***COMPREHENSIVE ANNUAL  
FINANCIAL REPORT***

***FISCAL YEAR ENDED JUNE 30, 2020***

***EDUCATIONAL SERVICES  
COMMISSION OF MORRIS COUNTY***

***Educational Services Commission of Morris County  
Morristown, New Jersey***

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

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
OF THE  
EDUCATIONAL SERVICES  
COMMISSION OF MORRIS COUNTY  
MORRISTOWN, NEW JERSEY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Prepared by  
Educational Services Commission of Morris County  
Finance Department**

**And  
Barre & Company LLC, CPAs**

## STATE BOARD OF EDUCATION

KATHY GOLDENBERG ..... Burlington  
President

ANDREW J. MULVIHILL ..... Sussex  
Vice President

ARCELIO APONTE ..... Middlesex

MARY BETH BERRY ..... Hunterdon

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MARY ELIZABETH GAZI ..... Somerset

NEDD JAMES JOHNSON ..... Salem  
Ed. D.

ERNEST P. LEPORE ..... Hudson

JOSEPH RICCA, JR. .... Morris  
Ed. D.

SYLVIA SYLVIA-CIOFFI ..... Monmouth

**Kevin Dehmer, Interim Commissioner**  
**Secretary, State Board of Education**

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***INTRODUCTORY SECTION***



**Educational  
Services  
Commission of Morris County**

"PROVIDING MODELS OF SHARED SERVICES FOR PUBLIC SCHOOL DISTRICTS"

***PO BOX 1944, MORRISTOWN, NEW JERSEY 07962-1944 – PH 973-540-8844***

February 5, 2021

Honorable President and  
Members of the Board of Education  
Educational Services Commission of Morris County  
County of Morris, New Jersey

Dear Board Members:

The Comprehensive Annual Financial Report (CAFR) of the Educational Services Commission of Morris County 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 Commission. 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, 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 Educational Services Commission of Morris County as of June 30, 2020, and the respective changes in financial position and cash flows, when applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Comprehensive Annual Financial Report is presented in four sections as follows:

- The Introductory Section contains a table of contents, Letter of Transmittal, List of Principal Officials, and an Organizational Chart of the School Commission;
- The Financial Section begins with the Independent Auditor's Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the Commission's financial position and operating results, and other schedules providing detailed budgetary information;
- The Statistical Section includes selected economic and demographic information, financial trends, and the fiscal capacity of the Commission, generally presented on a multi-year basis;

- The Single Audit Section — The Commission is required to undergo an annual single audit in conformity with the provisions of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (U.S. Uniform Guidance) and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the independent auditor’s report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

## **School Commission Organization**

An elected fifteen-member Board of Directors (the “Board”) serves as the policy maker for the Commission. The Board adopts an annual budget and directly approves all expenditures, which, serve as the basis for control over, and authorization for all expenditures of the Commission tax money.

The Superintendent is the chief executive officer of the Commission, responsible to the Board for total educational and support operations. The Board Secretary is the chief financial officer of the Commission, responsible to the Board for maintaining all financial records, issuing warrants in payment of liabilities incurred by the Commission, acting as custodian of all Commission funds, and investing idle funds as permitted by New Jersey law.

**1) REPORTING ENTITY AND ITS SERVICES:** The Educational Services Commission of Morris County is an independent reporting agency formed by the constituent districts of Morris County within the criteria adopted by the GASB, Statement No. 14, as amended. The Commission, its schools, and programs located throughout the County of Morris, constitute the reporting entity.

The Commission provides educational services to districts in Morris County either on a cooperative or a direct service basis. These services include: Cooperative Bid Purchasing; Coordinated Public, Special and Private School Transportation; Member District Bus Leasing; a Special Education Schools; Child Study Team Services; Shared Business Services; Professional Support Services; Health and Environmental Safety Services; Nonpublic Services: Chapters 192/193 Handicapped and Auxiliary Services, Nursing Services, Textbook Purchase and Processing, and Computer Support Services.

**2) ECONOMIC CONDITION AND OUTLOOK:** The need to develop economies of scale and cost effective measures to control spending amid sparse resources continues to create the demand for the Commission’s services and cooperative activities. Our programs and requests for additional types of programs are increasing. Budgeting estimates based on the amount of business we expect to do are increasing each year. As we continue to be receptive to the needs of the districts, we expect to increase our economic condition. A sound infrastructure will enable us to take the lead in developing new and innovative strategies for cost effective programming, which relieves districts of

many administrative burdens, and redirect saved resources to needed programs to enhance the quality of education for the children in the community.

**3) MAJOR INITIATIVES:** Park Lake School and Regional Day Schools have been combined into one school: Central Park School located at the Regional Day School building owned by the NJ Department of Education. Regional Day School has undergone upgrades to its environmental control of the climate in the building to accommodate the extensive health issues of our students, and to address the impact of the COVID-19 virus in creating a safe school. All major ventilations systems and exterior upgrades have been completed..

**4) INTERNAL ACCOUNTING CONTROLS:** The Administration of the Commission is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Commission are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- (1) the cost of control should not exceed the benefits likely to be derived;
- (2) the valuation of costs and benefits requires estimates and judgments by Administration;

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

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

**5) BUDGETARY CONTROLS:** In addition to internal accounting controls, the Commission maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by Representative Assembly of the Educational Services Commission. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as re-appropriations of fund balance in the subsequent year.

Those amounts to be re-appropriated are reported as assignments of fund balance at June 30, 2020.

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

**7) DEBT ADMINISTRATION:** The Commission's facility funding agreement with the Morris County Improvement Authority for the issuance of \$4.9 million in bonds to finance old debt and new construction at the Park Lake School maybe retired in the next fiscal year as a result of current negotiations to sell the building. The Commission through its fees for services, funds these projects. The ESC has retired its funding agreement with the Morris County Improvement Authority for \$1.7 million in bonds to finance busses for use by member districts to meet their transportation needs.

**8) CASH MANAGEMENT:** The investment policy of the Commission is guided by state statute as detailed in "Notes to Basic Financial Statements", Note 2. The Commission has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the 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.

**9) RISK MANAGEMENT:** The Board carries 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.

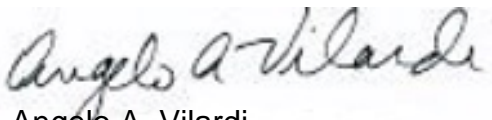
**10) OTHER INFORMATION:**

**Independent Audit** – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of VM Associates, Inc., was selected. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of Single Audit Act Amendments of 1996 and the related Federal Uniform Guidance and State Treasury Circular Letter 15-08 OMB. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.


**11) ACKNOWLEDGMENTS:**

We would like to express our appreciation and thanks to the members of the Educational Services Commission of Morris County's Board of Directors for their commitment in providing fiscal accountability to the citizens and taxpayers of Morris County 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,



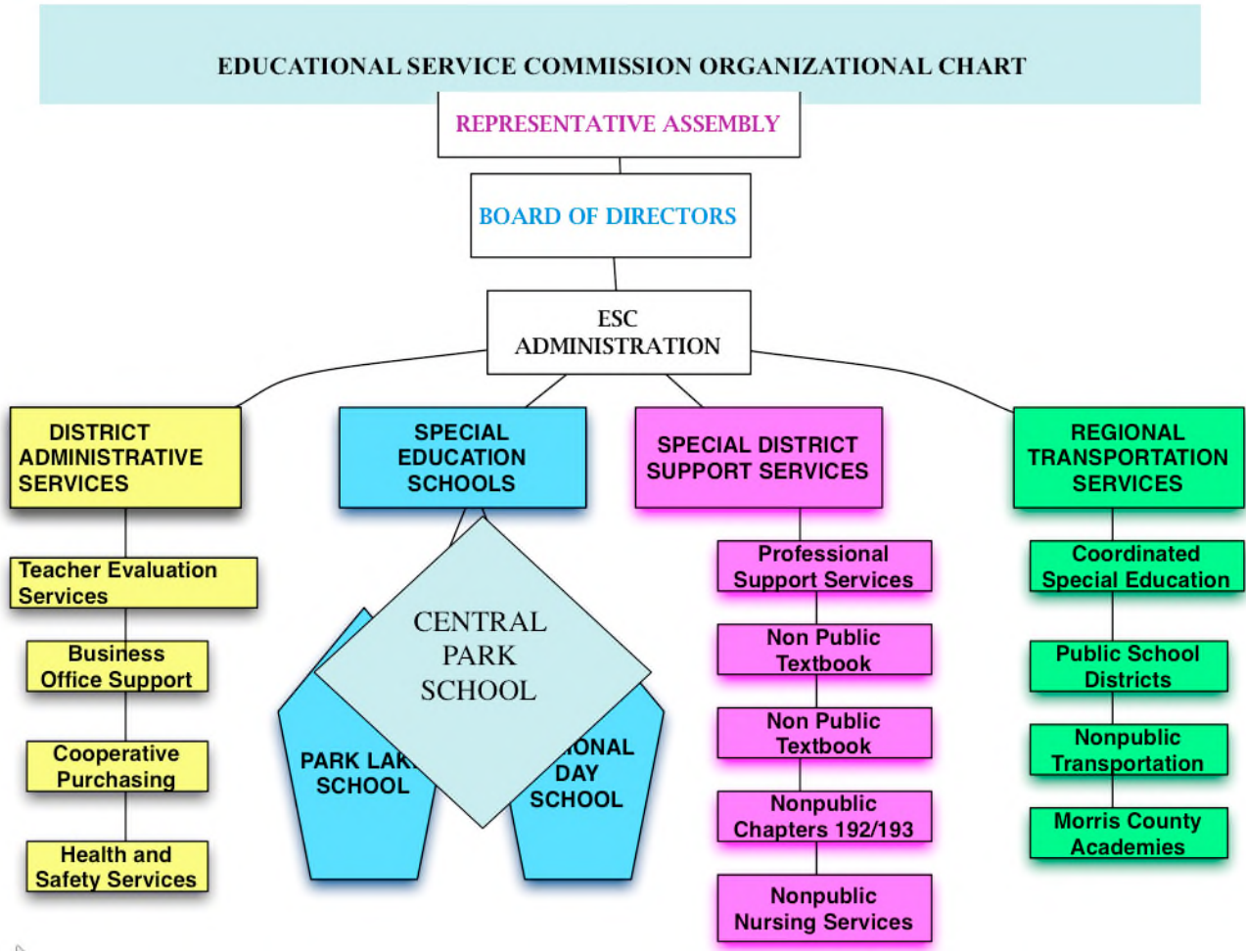
Angelo A. Vilarde  
Superintendent



Catarina Bilotta  
Business Administrator

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
MORRISTOWN, NEW JERSEY**

**Organizational Chart**





**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
MORRISTOWN, NEW JERSEY**

**ROSTER OF OFFICIALS  
JUNE 30, 2020**

<b><u>MEMBERS OF THE BOARD OF DIRECTORS</u></b>	<b><u>TERM EXPIRES</u></b>
<b>Michael Bertram</b> ..... President, Morris Hills Regional Board of Education	2021
<b>Karen Nyquist</b> ..... Vice President, Long Hill Township Board of Education	2021
<b>Irene LeFebvre</b> ..... Boonton Town Board of Education	2021
<b>Richard Bruno</b> ..... Harding Township Board of Education	2021
<b>Amy Gould</b> ..... Jefferson Township Board of Education	2021
<b>Patrick Antonetti</b> ..... Lincoln Park Borough Board of Education	2021
<b>Diane Morris</b> ..... Mine Hill Township Board of Education	2020
<b>John Morella</b> ..... Montville Township Board of Education	2021
<b>Diane DelRusso</b> ..... Morris Plains Board of Education	2021
<b>Meredith Davidson</b> ..... Morris School District Board of Education	2021
<b>John Kehmna</b> ..... Mt. Olive Township Board of Education	2021
<b>Anne Witt</b> ..... Netcong Township Board of Education	2021
<b>Frank Neglia</b> ..... Parsippany Troy-Hills Board of Education	2021
<b>Richard Prezioso</b> ..... Pequanock Township Board of Education	2021
<b>Lisa Mezik</b> ..... Rockaway Township Board of Education	2021

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
MORRISTOWN, NEW JERSEY**

**ROSTER OF OFFICIALS  
JUNE 30, 2020  
(CONTINUED)**

**OTHER OFFICIALS**

**Angelo A. Vilardi, Ed.D.** – Superintendent

**Catarina Bilotta, MBA** – Business Administrator / Board Secretary

**Marci Spadafora** – Director of Special Services

**Frank Romano** – Director of Transportation

**Denise Moore** – Principal, Central Park School

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
MORRISTOWN, NEW JERSEY**

**CONSULTANTS AND ADVISORS**

***Audit Firm***

Barre & Company LLC  
Certified Public Accountants  
2204 Morris Avenue, Suite 206  
Union, New Jersey 07083

***Attorney***

Paul Green, Esq.  
Schenck, Price, Smith & King, LLP  
220 Park Avenue, P.O. Box 991  
Florham Park, NJ 07932

***Official Depository***

Bank of America  
Rt. 53  
Denville, NJ 07834

***FINANCIAL SECTION***

**BARRE & COMPANY LLC**  
**CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS**  
*2204 Morris Avenue, Suite 206*  
*Union, New Jersey 07083*  
*908-686-3484*  
*FAX – 908-686-6055*  
*www.cpa-bc.com ♦ info@cpa-bc.com*

**Independent Auditor's Report**

Honorable President  
Members of the Board of Education  
Educational Services Commission of Morris County  
County of Morris  
Morristown, 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 Morris County (School Commission), in the County of Morris, State of New Jersey, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School Commission's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

### ***Opinions***

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

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, following this report, and pension and post-employment benefit schedules in Exhibits L-1 through L-3, M-1 and the related notes be presented to supplement the basic financial statements and budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response 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 Foundation Academy Charter School's basic financial statements. The introductory section, combining statements and related major fund supporting statements and schedules, and statistical section are presented for purposes of additional analysis, as required by the Office of School Finance, Department of Education, State of New Jersey, and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and State of New Jersey Circular 15-08-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, respectively, are also presented for purposes of additional analysis and are not a required part of the basic financial statements..

The accompanying combining statements and related major fund supporting statements and schedules and 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 accompanying combining statements and related major fund supporting statements and schedules and 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 it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2021 on our consideration of the Educational Services Commission of Morris County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's

internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

  
BARRE & COMPANY LLC  
Certified Public Accountants  
Public School Accountants

  
Richard M. Barre, CPA  
Public School Accountant  
PSA Number CS-01181

Union, New Jersey  
February 5, 2021



***REQUIRED SUPPLEMENTARY INFORMATION – PART I***

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
MORRISTOWN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
UNAUDITED**

The Management's Discussion and Analysis (MD&A) of Educational Services Commission of Morris County's financial performance provides an overall review of the School Commission's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the School Commission's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School Commission's financial performance. Certain comparative information between the current year (2019-2020) and the prior year (2018-2019) is required to be presented in the MD&A.

**Financial Highlights**

Key financial highlights for 2020 are as follows:

- ❖ The assets of the ESC were exceeded by its liabilities at the close of the most recent fiscal year by \$(4,299,469) (net position) as a result of showing net pension liability of \$3,791,547.
- ❖ The ESC's total net position decreased \$306,913. The decrease is attributable to the Regional Day School and the transportation programs.
- ❖ Governmental funds general revenues accounted for \$817,885 in revenue or 3% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions and capital grants accounted for \$31,264,480 or 97% of total revenues of \$32,082,365.
- ❖ The ESC had \$32,389,278 in expenses and \$31,264,480 was offset by program specific charges for services, grants or contributions. General revenues (primarily tuition) of \$817,885 were not adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$21,754,389 in revenues and \$22,374,703 in expenditures and other financing sources General Fund's fund balance decreased \$620,314 from the June 30, 2019.

**Using this Comprehensive Annual Financial Report (CAFR)**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Educational Services Commission of Morris County as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
MORRISTOWN, NEW JERSEY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
UNAUDITED  
(CONTINUED)**

**Using this Comprehensive Annual Financial Report (CAFR) (Continued)**

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School district, presenting both an aggregate view of the School Commission’s finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School commission’s most significant funds. In the case of Educational Services Commission of Morris County, the General Fund is by far the most significant fund.

**Reporting the School Commission as a Whole**

**Statement of Net Position and the Statement of Activities**

While this document contains the large number of funds used by the School Commission to provide programs and activities, the view of the School Commission as a whole looks at all financial transactions and ask the question, “How did we do financially during 2020?” The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

These two statements report the School Commission’s net position and changes in that position. This change in net position is important because it tells the reader that, for the school commission as a whole, the financial position of the School Commission have improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include the School Commission’s property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the *Statement of Net Position* and the *Statement of Activities*, the School Commission is divided into two distinct kinds of activities:

- ❖ Governmental activities — All of the School Commission’s programs and services are reported here including instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- ❖ Business-Type Activity — This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
MORRISTOWN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
UNAUDITED  
(CONTINUED)**

**Reporting the School Commission's Most Significant Funds**

**Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds-not the ESC as a whole. Some funds are required to be established by State law. The ESC's two kinds of funds, governmental and proprietary, use different accounting approaches.

**Governmental Funds**

The School 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 spending in the 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 School district's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational 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.

**Proprietary Funds**

When the ESC charges customers for the full cost of the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the ESC's enterprise funds (a component of business type funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The enterprise fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

**The ESC as Trustee**

**Reporting the ESC's Fiduciary Responsibilities**

The ESC is the trustee, or *fiduciary*, for the Student Activity and Agency Funds. All of the ESC's fiduciary activities are reported in separate Statements of Fiduciary Net

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
MORRISTOWN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
UNAUDITED  
(CONTINUED)**

**The ESC as Trustee (Continued)**

**Reporting the ESC's Fiduciary Responsibilities (Continued)**

Position and Changes in Fiduciary Net Position. We exclude these activities from the ESC's other financial statements because the ESC cannot use these assets to finance its operations. The ESC is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Figure A-1 summarizes the major features of the ESC's financial statements, including the portion of the ESC's government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Major Features of the Education Services Commission of Morris County  
Government-Wide and Fund Financial Statements  
(Figure A-1)**

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire ESC  (except fiduciary funds)	The activities of the ESC that are not proprietary or fiduciary, such as food service and student activities	Activities the ESC operates similar to private businesses; N/A	Instances in which the ESC is the trustee or agent for someone else's resources, such as payroll agency and student activities
Required financial statements	Statement of net position  Statement of activities	Balance sheet  Statement of revenues, expenditures, and changes in fund balance	Statement of net position  Statement of revenues, expenses, and changes in net position  Statement of cash flows	Statement of fiduciary net position  Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
MORRISTOWN, NEW JERSEY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
UNAUDITED  
(CONTINUED)**

**The ESC as Trustee (Continued)**

**Reporting the ESC's Fiduciary Responsibilities (Continued)**

Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the District -wide and fund financial statements. The notes to the financial statements can be found starting on page 44 of this report.

**Other Information**

The combining statements referred to earlier in connection with governmental funds and enterprise funds are presented immediately following the notes to the basic financial statements.

**The School Commission as a Whole**

Recall that the *Statement of Net Position* provides the perspective of the School Commission as a whole. Net position may serve over time as a useful indicator of a government’s financial position. The Commission’s financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. Our analysis focuses on the net position and changes in net position of

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
MORRISTOWN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
UNAUDITED  
(CONTINUED)**

**The School Commission as a Whole (Continued)**

the ESC's governmental and business-type activities as of June 30, 2020. But since the ESC does not receive state aid, nor ad valorem taxes, the true measure of the success of the ESC operation of programs of shared services needs to be constructed using a cost efficiency business model, not available through this mandated reporting mechanism.

Table 1 provides a summary of the School District's net position for 2020 and 2019.

**Table 1  
Net Position**

	2020	2019
<b>Assets</b>		
Current and Other Assets	\$ 4,085,937	\$ 2,584,082
Capital Assets	<u>1,928,617</u>	<u>2,211,151</u>
Total Assets	<u>6,014,554</u>	<u>4,795,233</u>
<b>Deferred Outflows of Resources</b>		
Related to Pensions	<u>1,019,203</u>	<u>1,060,359</u>
<b>Liabilities</b>		
Account and Other Payables	4,231,624	2,154,479
Other Current Liabilities	-	-
Long-Term Liabilities	<u>5,156,271</u>	<u>5,336,334</u>
Total Liabilities	<u>9,387,895</u>	<u>7,490,813</u>
<b>Deferred Inflows of Resources</b>		
Related to Pensions	<u>1,945,331</u>	<u>2,357,335</u>
<b>Net Position</b>		
Net Investment in Capital Assets	(6,334,453)	791,151
Restricted	259,921	261,257
Unrestricted	<u>1,775,063</u>	<u>(5,044,964)</u>
<b>Total Net Position</b>	<u>\$ (4,299,469)</u>	<u>\$ (3,992,556)</u>

The District's combined net position (deficit) were \$(4,299,469) on June 30, 2020, and \$(3,992,556) for 2019.

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
MORRISTOWN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
UNAUDITED  
(CONTINUED)**

**The School Commission as a Whole (Continued)**

Table 2 shows changes in net position for fiscal years ended 2020 and 2019.

**Table 2  
Changes in Net Position**

	2020	2019
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 25,745,836	\$ 21,945,623
Operating Grants and Contributions	5,518,644	5,925,004
General Revenues:		
Other Local Government Units	709,426	816,287
Other	<u>108,459</u>	<u>2,948,995</u>
Total Revenues	<u>32,082,365</u>	<u>31,635,909</u>
<b>Program Expenses</b>		
Instruction	1,339,185	2,543,535
Support Services:		
Student and Instruction Related	3,313,446	3,896,746
General and Business Administrative	1,992,737	3,256,755
School Administrative	9,693	195,062
Plant Operations and Maintenance	405,871	443,890
Pupil Transportation	19,248,420	17,611,930
Capital Outlay	227,411	217,931
Food Service	30,098	41,038
Regional Day School	3,674,162	1,620,784
DOSS	358,316	387,493
Transportation Leasing	<u>1,789,939</u>	<u>2,208,766</u>
Total Program Expenses	<u>32,389,278</u>	<u>32,423,930</u>
<b>Changes in Net Position</b>	<u>\$ (306,913)</u>	<u>\$ (788,021)</u>



**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
MORRISTOWN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
UNAUDITED  
(CONTINUED)**

**Governmental Activities**

The ESC's total revenue were \$26,269,234 for 2020 and \$27,839,960 for 2019. This includes \$1,003,799 for 2020 and \$1,004,028 for 2019 of state reimbursed TPAF On-Behalf Pensions and Social Security Contributions.

The total cost of all program and services were \$26,536,763 for 2020 and \$28,165,849 for 2019. Instruction comprises 5% for 2020 and 9% for 2019. The ESC primarily conducts its operations from the revenue it receives from its pupil transportation services. Revenues generated from enterprise funds which include the operation of the Regional Day School, and direct transportation with ESC vehicles is not included in this report.

The total cost of all programs and services was \$26,536,763. The ESC's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students. The ESC's administrative and maintenance activities accounted for 13.83 percent of total costs. It is important to note that depreciation of \$189,229 is included in expenses for the year.

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services. The statement shows the total cost of services and the net cost of services. The net cost shows the financial burden that was placed on the Commission's taxpayers by each of these functions.

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

Tuition and Students and Instruction Related expenses include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development.

General and Business Administration and School Administration expenses include expenses associated with administrative and financial supervision of the Commission.

Plant Operations and Maintenance expenses involve keeping the school grounds, buildings, and equipment in an effective working condition.

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
MORRISTOWN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
UNAUDITED  
(CONTINUED)**

**Governmental Activities (Continued)**

Pupil Transportation expenses 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.

- The cost of all governmental activities this year was \$27,264,753.
- The federal and state governments subsidized certain programs with grants and contributions.
- Most of the ESC's costs, however, were financed by pupil transportation charges \$19,932,705.
- The remainder of governmental activities funding came from charges for services, local grants and miscellaneous

**Business-Type Activities**

The ESC's major Enterprise Funds consist of the Food Services, DOSS, Transportation Leasing and the Regional Day School. Revenues for the Food Service Program were comprised of charges for services. Food Service expenses exceeded revenues by \$335. Charges for food service represent \$2,881 of revenue, this is the amount paid by patrons for daily food service and special functions. Regional Day School expenses exceeded revenues by \$26,882, and charges for services represent \$3,674,162 of revenue. DOSS revenues exceeded expenditures by \$21,190 and transportation leasing expenditures exceeded revenues by \$60,239. Charges for DOSS and transportation leasing represent \$379,506 and \$1,729,700, respectively. The ESC receives no Federal and State reimbursements for its business-type activities.

The basic financial statements for the major funds are included in this report. Because the focus on business-type funds is a cost of service measurement or capital maintenance, we have included these funds in the statements, which demonstrates return on ending assets and return on ending net position.

**THE ESC'S FUNDS**

The ESC uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds: The ESC's governmental fund is comprised of the general fund, special revenue fund, and capital projects fund and is accounted for using the modified accrual basis of accounting.

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
MORRISTOWN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
UNAUDITED  
(CONTINUED)**

**THE ESC'S FUNDS (CONTINUED)**

The focus of the ESC's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the ESC's financing requirements. The unrestricted fund balance is divided between assigned to and unassigned balances. The ESC has assigned portions of the unrestricted fund balance to earmark resources for the payment of certain government-wide liabilities that are not recognized in the governmental funds.

*General Fund:* The general fund is the main operating fund of the ESC. At the end of the current fiscal year, unassigned and total fund balance was \$354,455.

As demonstrated by the various statements, the ESC maintains a sound financial position.

The increase in Local Government Units is mainly attributable to an increase in member participation.

The increase in Miscellaneous is the result of prior year refunds.

The increase in State Sources is a result of an increase in nonpublic school services funding as a result of the restoration of nonpublic technology services and the addition of nonpublic school security services.

The decrease in Federal Sources is primarily due a decrease in the use of IDEA by the ESC to provide additional services to classified students attending nonpublic school and an increase in the number of students served.

The Special Education Instruction expenditures decreased due to IEP requirements to provide additional services for students in ESC schools.

The Student and Instruction Related Services increased due to additional responsibilities assigned to teaching personnel.

Employee Benefits increased because of an increase in health care premiums.

All other fluctuations are within the normal range of plus or minus 10% and therefore further explanation is not provided

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
MORRISTOWN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
UNAUDITED  
(CONTINUED)**

**General Fund Budgeting Highlights**

The School Commission's budget is prepared according to 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.

Over the course of the year, the Commission revised the annual operating budget several times. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over-expenditures in specific line item accounts. Several of these revisions bear notation:

- ♣ TPAF, which is the state's contribution to the pension fund, is neither a revenue item nor an expenditure item to the district but is required to be reflected in the financial statements.
- ♣ Tuition for special education students is budgeted based on the existing and known incoming students at the time the budget is submitted. Students move into the Commission during the summer as well as the school year which necessitates transferring funds to the appropriate account to pay these special education costs.

**Capital Assets**

The School Commission had \$1,546,667 at June 30, 2020 invested in building, furniture and equipment, and vehicles.

For more detailed information, please refer to the Notes to the Financial Statements.

**Debt Administration**

At June 30, 2020, the School Commission had \$5,156,271 of outstanding debt. Of this amount, \$169,724 is for compensated absences; \$1,195,000 is for bonds payable, and \$3,791,541 is for net pension liability.

For more detailed information, please refer to the Notes to the Financial Statements.

**For the Future**

In preparing the 2019-2020 budget, the primary goal of the Board was to develop a budget that would meet the ESC's educational priorities, provide accountability to the

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
MORRISTOWN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
UNAUDITED  
(CONTINUED)**

**For the Future (Continued)**

taxpaying community, and comply with the stringent restrictions placed on ESC budgets by the new legislation. This legislation put a "2% cap" on the local tax levy for the local participating districts. Being mindful of our district limitations, the ESC prepares its budgets with cost containment to recognize district limitations on revenues. During the preparation of the 2020-2021 budget, the ESC continued to exercise restraint in budgeting to assist districts in sharing services, which keep district costs contained within their budgetary guidelines.

Looking ahead to the development of the 2020-2021 budget, the new budget law put into effect by the State of New Jersey Department of Education will have a significant impact on the Commission and its members. The law goes beyond the capping of revenues for the budget, but it also authorizes the Executive County Superintendent to look into the budget and challenge the ESC in their expenditure decisions.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School Commission's finances and to show the School Commission's accountability for the money it receives. If you have questions about this report or need additional information, contact the School Business Official, Catarina Bilotta at Educational Services Commission of Morris County, PO Box 1944, Morristown, New Jersey 07962-1944.

***BASIC FINANCIAL STATEMENTS***

## **SECTION A - DISTRICT-WIDE FINANCIAL STATEMENTS**

*The statement of net position and the statement of activities display information about the District. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District.*

BOARD OF EDUCATION  
EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
STATEMENT OF NET POSITION  
JUNE 30, 2020

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents:			
Unrestricted	\$ 2,063,564	\$ -	\$ 2,063,564
Restricted	264,762		264,762
Receivables	2,307,713	262,040	2,569,753
Capital Assets, Net	1,546,667	381,950	1,928,617
<b>Total Assets</b>	<b>6,182,706</b>	<b>643,990</b>	<b>6,826,696</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Related to Pensions	1,019,203		1,019,203
<b>Total Deferred Outflows of Resources</b>	<b>1,019,203</b>	<b>-</b>	<b>1,019,203</b>
<b>LIABILITIES:</b>			
Cash Overdraft		812,142	812,142
Payable to Federal Government	1,219,255	10,925	1,230,180
Accounts Payable	3,001,444		3,001,444
Noncurrent Liabilities:			
Due Within One Year	230,000		230,000
Due Beyond One Year:			
Other Long-Term Liabilities	1,134,724		1,134,724
Net Pension Liability	3,791,547		3,791,547
<b>Total Liabilities</b>	<b>9,376,970</b>	<b>823,067</b>	<b>10,200,037</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Related to Pensions	1,945,331		1,945,331
<b>Total Deferred Outflows of Resources</b>	<b>1,945,331</b>	<b>-</b>	<b>1,945,331</b>
<b>NET POSITION (DEFICIT):</b>			
Net Investment in Capital Assets	(6,811,293)	476,840	(6,334,453)
Restricted for:			
Debt Service Fund	259,921		259,921
Unassigned (Deficit)	2,430,980	(655,917)	1,775,063
<b>Total Net Position (Deficit)</b>	<b>\$ (4,120,392)</b>	<b>\$ (179,077)</b>	<b>\$ (4,299,469)</b>

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



BOARD OF EDUCATION  
EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes In Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>GOVERNMENTAL ACTIVITIES:</b>							
Instruction:							
Regular	\$ 1,155,494	\$ -	\$ -	\$ -	\$ (1,155,494)	\$ -	\$ (1,155,494)
Special Education	183,691		2,975,010		2,791,319		2,791,319
Support Services:							
Student and Instruction Related Services	3,313,446		1,201,398		(2,112,048)		(2,112,048)
General and Business Administrative Services	1,992,737		1,342,236		(650,501)		(650,501)
School Administrative Services	9,693				(9,693)		(9,693)
Plant Operations and Maintenance	405,871				(405,871)		(405,871)
Pupil Transportation	19,248,420	19,932,705			684,285		684,285
Capital Outlay	227,411				(227,411)		(227,411)
Total Governmental Activities	26,536,763	19,932,705	5,518,644	-	(1,085,414)	-	(1,085,414)
<b>BUSINESS-TYPE ACTIVITIES:</b>							
Food Service	30,098	2,881				(27,217)	(27,217)
Regional Day School	3,674,162	3,701,044			26,882		26,882
DOSS	358,316	379,506			21,190		21,190
Transportation Leasing	1,789,939	1,729,700			(60,239)		(60,239)
Total Business-Type Activities	5,852,515	5,813,131			(39,384)		(39,384)
Total Primary Government	\$ 32,389,278	\$ 25,745,836	\$ 5,518,644	\$ -	\$ (1,085,414)	\$ (39,384)	\$ (1,124,798)
<b>GENERAL REVENUES:</b>							
Other Local Government Units					\$ 709,426	\$ -	\$ 709,426
Miscellaneous Income					108,459		108,459
Total General Revenues					817,885	-	817,885
Change in Net Position					(267,529)	(39,384)	(306,913)
Net Position (Deficit) - Beginning of Year					(3,852,863)	(139,693)	(3,992,556)
Net Position (Deficit) - Ending					\$ (4,120,392)	\$ (179,077)	\$ (4,299,469)

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

## ***SECTION B - FUND FINANCIAL STATEMENTS***

***The individual Fund statements and schedules present more detailed information for the individual fund in a format that segregates information by fund type.***

***GOVERNMENTAL FUNDS***

BOARD OF EDUCATION  
EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
GOVERNMENT FUNDS  
BALANCE SHEET  
JUNE 30, 2020

	General Fund	Special Revenue Fund	Capital Projects Fund	Total
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 2,636,968	\$ -	\$ 7,792	\$ 2,644,760
Internal Balances	12,633			12,633
Receivables From Other Governments	9,536	601,436		610,972
Other Receivables	1,696,741			1,696,741
Restricted Cash and Cash Equivalents			264,762	264,762
<b>Total Assets</b>	<b>\$ 4,355,878</b>	<b>\$ 601,436</b>	<b>\$ 272,554</b>	<b>\$ 5,229,868</b>
<b>LIABILITIES AND FUND BALANCES:</b>				
<b>Liabilities:</b>				
Cash Overdraft	\$ -	\$ 581,196	\$ -	\$ 581,196
Interfund Accounts Payable			12,633	12,633
Payable to Federal Government	1,199,015	20,240		1,219,255
Accounts Payable	2,802,408			2,802,408
<b>Total Liabilities</b>	<b>4,001,423</b>	<b>601,436</b>	<b>12,633</b>	<b>4,615,492</b>
<b>Fund Balances:</b>				
<b>Reserved For:</b>				
Debt Service Fund			259,921	259,921
<b>Unassigned:</b>				
General Fund	354,455			354,455
<b>Total Fund Balances</b>	<b>354,455</b>	<b>-</b>	<b>259,921</b>	<b>614,376</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,355,878</b>	<b>\$ 601,436</b>	<b>\$ 272,554</b>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is \$5,152,331 and the accumulated depreciation is \$3,605,664.	1,546,667
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(1,364,724)
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.	(3,791,547)
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.	(199,036)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows related to pensions	1,019,203
Deferred inflows related to pensions	(1,945,331)
<b>Net Position (Deficit) of Governmental Activities</b>	<b>\$ (4,120,392)</b>

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

BOARD OF EDUCATION  
 EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
 GOVERNMENTAL FUNDS  
 STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General Fund	Special Revenue Fund	Capital Projects Fund	Total
REVENUES:				
Local Sources:				
Other Local Government Units	\$ 711,662	\$ -	\$ -	\$ 711,662
Transportation Fees	19,932,705			19,932,705
Miscellaneous	106,223			106,223
Total Local Sources	<u>20,750,590</u>	<u>-</u>	<u>-</u>	<u>20,750,590</u>
State Sources	1,003,799	3,456,808		4,460,607
Federal Sources		719,600		719,600
Total Revenues	<u>21,754,389</u>	<u>4,176,408</u>	<u>-</u>	<u>25,930,797</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular		1,155,494		1,155,494
Support Services and Undistributed Costs:				
Student and Instruction Related Services	294,943	3,018,503		3,313,446
General and Business Administrative Services	368,252			368,252
School Administrative Services	9,693			9,693
Plant Operations and Maintenance	405,871			405,871
Pupil Transportation	19,248,420			19,248,420
Employee Benefits	1,822,524			1,822,524
Capital Outlay	225,000	2,411		227,411
Total Expenditures	<u>22,374,703</u>	<u>4,176,408</u>	<u>-</u>	<u>26,551,111</u>
NET CHANGE IN FUND BALANCES	(620,314)	-	-	(620,314)
FUND BALANCES, JULY 1	<u>974,769</u>	<u>-</u>	<u>259,921</u>	<u>1,234,690</u>
FUND BALANCES, JUNE 30	<u>\$ 354,455</u>	<u>\$ -</u>	<u>\$ 259,921</u>	<u>\$ 614,376</u>

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

BOARD OF EDUCATION  
 EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
 RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Total net change in fund balances - governmental funds (B-2) \$ (620,314)

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, on the statement of activities, the cost of those  
 assets which are capitalized are allocated over their estimated useful lives  
 as depreciation expense in the current fiscal year.

Depreciation Expense	\$ (187,644)	
Capital Outlay	<u>          -</u>	(187,644)

Repayment of bond principal is an expenditure in the governmental funds,  
 but the repayment reduces long-term liabilities in the statement of net  
 assets and is not reported in the statement of activities. 225,000

In the statement of activities, certain expenses, e.g., compensated  
 absences (vacations & sick pay) are measured by the amounts earned  
 during the year. In the governmental funds, however, expenditures for  
 these items are reported in the amount of financial resources used (paid).  
 When the earned amount exceeds the paid amount, the difference is a  
 reduction in the reconciliation; when the paid amount exceeds the earned  
 amount, the difference is an addition to the reconciliation. (5,953)

Pension costs associated with the PERS pension plan are reported in the  
 governmental funds as expenditures in the year the school pension contribution is  
 paid. However, on the statement of activities, the net difference between the current  
 and prior year net pension liability is recognized. 321,382

Change in net position of governmental activities \$ (267,529)

***PROPRIETARY FUNDS***

BOARD OF EDUCATION  
EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2020

**Business-Type Activities - Enterprise Funds**

	Food Service Programs-School Nutrition					Totals
	Regional Day	Operating	Food Service ESC	DOSS	Transportation Leasing	
<b>ASSETS:</b>						
Current Assets:						
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 213,582	\$ -	\$ 213,582
Receivables from Other Governments	104,396	104,396	-	4,783	152,861	262,040
<b>Total Current Assets</b>	-	104,396	-	218,365	152,861	475,622
Noncurrent Assets:						
Machinery and Equipment					1,339,067	1,339,067
Less: Accumulated Depreciation					(957,117)	(957,117)
<b>Total Noncurrent Assets</b>	-	-	-	-	381,950	381,950
<b>Total Assets</b>	\$ -	\$ 104,396	\$ -	\$ 218,365	\$ 534,811	\$ 857,572
<b>LIABILITIES AND NET POSITION:</b>						
Liabilities:						
Cash Overdraft	\$ -	\$ 680,316	\$ -	\$ -	\$ 345,408	\$ 1,025,724
Payable to Federal Government					10,925	10,925
<b>Total Liabilities</b>	-	680,316	-	-	356,333	1,036,649
Net Position:						
Net Investment in Capital Assets Unrestricted	-	(575,920)	-	218,365	(298,362)	(655,917)
<b>Total Net Position</b>	-	(575,920)	-	218,365	178,478	(179,077)
<b>Total Liabilities and Net Position</b>	\$ -	\$ 104,396	\$ -	\$ 218,365	\$ 534,811	\$ 857,572

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



BOARD OF EDUCATION  
 EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES,  
 AND CHANGES IN NET POSITION  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<b>Business-Type Activities - Enterprise Funds</b>					
	Food Service Programs-School Nutrition			Totals		
	Regional Day	Food Service	Food Service ESC	DOSS	Transportation Leasing	Totals
<b>OPERATING REVENUES:</b>						
Charges for Services:						
Daily Sales - Program (Reimbursable Program) Meals	-	-	-	-	-	-
Daily Sales - Non-Program (Non-Reimbursable Program) Meals	-	-	2,881	-	-	2,881
Program Fees	3,701,044	-	-	379,506	1,729,700	5,810,250
<b>Total Operating Revenues</b>	<b>-</b>	<b>3,701,044</b>	<b>2,881</b>	<b>379,506</b>	<b>1,729,700</b>	<b>5,813,131</b>
<b>OPERATING EXPENSES:</b>						
Cost of Sales - Program (Reimbursable Program) Meals	-	-	-	-	-	-
Cost of Sales - Non-Program (Non-Reimbursable Program) Meals	-	-	10,266	-	779,296	10,266
Salaries	2,111,817	8,239	-	40,666	365,196	2,940,018
Support Services - Employee Benefits	1,062,472	-	-	92,912	3,056	1,427,668
Other Purchased Professional Services	177,238	-	10,000	-	38,370	273,206
Purchased Property Services	103,040	-	-	-	33,775	48,370
Cleaning, Repair, and Maintenance Services	-	-	-	-	299,901	136,815
Rentals	-	-	-	224,738	10,947	299,901
Other Purchased Services	103,957	-	-	-	144,302	339,642
General Supplies	18,742	-	-	-	5,307	163,044
Utilities	79,204	-	-	-	94,891	84,511
Depreciation Expense	-	-	-	-	14,898	94,891
Miscellaneous Expenditures	17,692	1,593	-	-	-	34,183
<b>Total Operating Expenses</b>	<b>-</b>	<b>3,674,162</b>	<b>30,098</b>	<b>358,316</b>	<b>1,789,939</b>	<b>5,852,515</b>
<b>OPERATING INCOME (LOSS)</b>	<b>-</b>	<b>26,882</b>	<b>(27,217)</b>	<b>21,190</b>	<b>(60,239)</b>	<b>(39,384)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers In (Out)	-	(26,882)	26,882	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(26,882)</b>	<b>26,882</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>	<b>-</b>	<b>-</b>	<b>(335)</b>	<b>21,190</b>	<b>(60,239)</b>	<b>(39,384)</b>
<b>TOTAL NET POSITION - JULY 1</b>	<b>-</b>	<b>(575,920)</b>	<b>335</b>	<b>197,175</b>	<b>238,717</b>	<b>(139,693)</b>
<b>TOTAL NET POSITION - JUNE 30</b>	<b>\$ -</b>	<b>\$ (575,920)</b>	<b>\$ -</b>	<b>\$ 218,365</b>	<b>\$ 178,478</b>	<b>\$ (179,077)</b>

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

BOARD OF EDUCATION  
EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<b>Business-Type Activities - Enterprise Funds</b>					
	Food Service Programs-School Nutrition			Food Service		
	Regional Day	Operating	ESC	DOSS	Transportation Leasing	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Receipts From Customers	\$ -	\$ 3,615,231	\$ 2,881	\$ 374,723	\$ 1,649,667	\$ 5,642,502
Payments To Employees		(2,111,817)	(8,239)	(40,666)	(779,296)	(2,940,018)
Payments For Employee Benefits		(1,062,472)			(365,196)	(1,427,668)
Payments To Suppliers		(499,873)	(21,524)	(317,650)	(539,632)	(1,378,679)
<b>Net Cash Provided By (Used For) Operating Activities</b>	<b>-</b>	<b>(58,931)</b>	<b>(26,882)</b>	<b>16,407</b>	<b>(34,457)</b>	<b>(103,863)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Operating Subsidies and Transfers to/From Other Funds		(26,882)	26,882			-
<b>Net Cash Provided By (Used For) Noncapital Financing Activities</b>	<b>-</b>	<b>(26,882)</b>	<b>26,882</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>-</b>	<b>(85,813)</b>	<b>-</b>	<b>16,407</b>	<b>(34,457)</b>	<b>(103,863)</b>
<b>CASH AND CASH EQUIVALENTS, JULY 1</b>	<b>-</b>	<b>(594,503)</b>	<b>-</b>	<b>197,175</b>	<b>(310,951)</b>	<b>(708,279)</b>
<b>CASH AND CASH EQUIVALENTS, JUNE 30</b>	<b>\$ -</b>	<b>\$ (680,316)</b>	<b>\$ -</b>	<b>\$ 213,582</b>	<b>\$ (345,408)</b>	<b>\$ (812,142)</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</b>						
Operating Income (Loss)	\$ -	\$ 26,882	\$ (27,217)	\$ 21,190	\$ (60,239)	\$ (39,384)
Depreciation					94,891	94,891
Change In Assets And Liabilities:						
Increase In Receivables From Other Governments		(85,813)	335	(4,783)	(80,033)	(170,629)
Decrease In Inventories					335	335
Increase In Payables to Governments					10,925	10,925
<b>Net Cash Provided By (Used For) Operating Activities</b>	<b>\$ -</b>	<b>\$ (58,931)</b>	<b>\$ (26,882)</b>	<b>\$ 16,407</b>	<b>\$ (34,456)</b>	<b>\$ (103,862)</b>

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

***FIDUCIARY FUNDS***

BOARD OF EDUCATION  
 EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
 FIDUCIARY FUNDS  
 STATEMENT OF FIDUCIARY NET POSITION  
 JUNE 30, 2020

	<u>Agency Fund</u>
<b>ASSETS:</b>	
Cash and Cash Equivalents	<u>\$ 3,430</u>
Total Assets	<u><u>\$ 3,430</u></u>
<b>LIABILITIES:</b>	
Payroll Deductions and Withholdings	<u>\$ 3,430</u>
Total Liabilities	<u><u>\$ 3,430</u></u>

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

***NOTES TO THE FINANCIAL STATEMENTS***

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Board of Education (the “Board”) of Educational Services Commission of Morris County (the “Commission”) have been prepared in conformity with accounting principles generally accepted in the United States of America (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 Board’s accounting policies are described below.

**A. Reporting Entity**

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the Commission. A superintendent is appointed by the Board and is responsible for the administrative control of the Commission.

The primary criterion for including activities within the Commission’s reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is whether:

- the organization is legally separate (can sue or be sued in their own name)
- the Commission holds the corporate powers of the organization
- the Commission appoints a voting majority of the organization’s board
- the Commission is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Commission
- there is a fiscal dependency by the organization on the Commission

Based on the aforementioned criteria, the Commission has no component units.

**B. Basis of Presentation, Basis of Accounting**

The School Commission’s basic financial statements consist of District-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation, Basis of Accounting (Continued)**

Basis of Presentation

*District-Wide Statements:* The statement of net position and the statement of activities display information about the Commission as a whole.

These statements include the financial activities of the overall Commission, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activity of the Commission. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net position presents the financial condition of the governmental and business-type activity of the School Commission at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the Commission and for each function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the Commission.

*Fund Financial Statements:* During the fiscal year, the School Commission segregates transactions related to certain Commission functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the Commission's funds, including its fiduciary funds. Separate statements for each fund category — *governmental, proprietary, and fiduciary* — are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation, Basis of Accounting (Continued)**

NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.

The Commission reports the following governmental funds:

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

As required by the New Jersey State Department of Education, the Commission includes budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes, and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by Board resolution.

Special Revenue Fund: The special revenue fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from sale of bonds, lease purchases and other revenues.



**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation, Basis of Accounting (Continued)**

The Commission reports the following proprietary funds:

Enterprise Fund (Food Service): The enterprise fund accounts for all revenues and expenses pertaining to the Board's operations. The funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

The Enterprise Funds: Utilized to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the Board is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the Commission has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Commission's Enterprise Funds are comprised of the Food Service Fund, Regional Day School, BOSS and Transportation Leasing operations.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Food Service Fund:	
Equipment	12 Years

Transportation Leasing:	
Vehicles	12 Years

In its accounting and financial reporting, the Commission follows the pronouncements of the GASB and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation, Basis of Accounting (Continued)**

conflict with or contradict GASB pronouncements. The Commission's business-type activities and enterprise funds have elected not to apply the standards issued by the FASB after November 30, 1989.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements, however, interfund services provided and used are not eliminated in the process of consolidation.

Additionally, the Commission reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the District on behalf of others and include the Student Activities Fund, Payroll Agency Fund and Scholarship Funds.

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

*District-Wide, Proprietary, and Fiduciary Fund Financial Statements*: The District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey State Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements*: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation, Basis of Accounting (Continued)**

amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All governmental and business-type activities and enterprise funds of the Commission follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

**C. Budgets/Budgetary Control**

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting except for the special revenue fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be approved by School Board resolution. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures. Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no appropriations compared to current year expenditures. Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles (GAAP) with the exception of the

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets/Budgetary Control (Continued)**

legally mandated revenue recognition of the last two state aid payments for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

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

**D. Encumbrances Accounting**

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

Open encumbrances in the special revenue fund, for which the Commission has received advances, are reflected in the balance sheet as deferred revenues at fiscal year-end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

**E. Assets, Liabilities, and Equity**

**Interfund Transactions:**

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Equity (Continued)**

reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Inventories:

Inventory purchases, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase. Enterprise fund inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method.

The United States Department of Agriculture (USDA) commodity portion of the Food Service Fund inventory consists of food donated by USDA. It is valued at estimated market prices by USDA. The amount of unused commodities at year end is reported on Schedule A as unearned revenue

Allowance for Uncollectible Accounts:

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

Capital Assets:

The Commission has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The Commission does not possess any infrastructure. The capitalization threshold used by school districts in the State of New Jersey is \$2,000.

All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Equity (Continued)**

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
School Buildings	50
Building Improvements	20
Electrical/Plumbing	30
Vehicles	8
Office & Computer Equipment	5-10
Instructional Equipment	10
Grounds Equipment	15

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

**Compensated Absences:**

The Commission accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the liability based on the accumulated sick and vacation days at the balance sheet date by those employees who are currently eligible to receive termination payments. Salary-related payments for the employer's share of social security and Medicare taxes, as well as pension contributions, are included.

For the District-wide Statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds, in the Fund Financial Statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and District-wide presentations.

**Deferred Revenue:**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2020, but which were levied to finance fiscal year 2021 operations, have been recorded as deferred revenue. Grants and entitlement received before the eligibility requirements are met are also recorded as deferred revenue.

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Equity (Continued)**

Accrued Liabilities and Long-Term Obligations:

All payables, accrued liabilities, and long-term obligations are reported on the District-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

Net Position:

Net position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Commission or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Commission's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Balance Reserves:

The Commission reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances.

Revenues — Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Equity (Continued)**

**Revenues — Exchange and Non-exchange Transactions (Continued)**

the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Commission, available means within sixty days of the fiscal year end.

Non-exchange transactions, in which the Commission receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Commission must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Commission on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, and tuition.

**Operating Revenues and Expenses:**

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the Commission, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

**Allocation of Indirect Expenses:**

The Commission reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement



**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Equity (Continued)**

Allocation of Indirect Expenses (Continued)

of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities.

Extraordinary and Special Items:

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

Management Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles 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.

**F. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net pension of the State of New Jersey Public Employees' Retirement System (PERS) and the State of New Jersey Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the PERS's and TPAF's net position have been determined on the same basis as they are reported by the PERS and the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension Plan investments are reported at fair value.

**G. Impact of Recently Issued Accounting Principles**

During fiscal year 2020, the Charter School did not adopt any new GASB statements.

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Impact of Recently Issued Accounting Principles (Continued)**

**The GASB has issued the following Statements that will become effective for the Charter School for fiscal years ending after June 30, 2020**

Statement No. 84, *Fiduciary Activities*, will be effective with the fiscal year ending June 30, 2021. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments.

Statement No. 87, *Leases*, will be effective with the fiscal year ending June 30, 2022. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

**H. Unearned Revenue**

Control of the employer and employee is accrued as employees earn the rights to the benefits.

Commission employees are granted varying amounts of vacation and sick leave in accordance with the Commission's personnel policies. Upon retirement and/or termination, employees are paid for accrued vacation. The Commission's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement employees shall be paid by the Commission for the unused sick leave in accordance with the Commission's agreements with the various employee unions.

The liability for compensated absences was accrued using the termination payment method, whereby the liability is calculated based on the amount of sick leave that is expected to become eligible for payment upon termination. The Commission estimates its accrued compensated absences.

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Unearned Revenue (Continued)**

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Unearned revenue in the special revenue fund represents cash that has been received but not yet earned. See Note 2(E) regarding the special revenue fund.

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Cash and cash equivalents includes petty cash, change funds, amounts in deposits, money market or less.

Investments are stated at cost, or amortized cost, which approximates market. The amortized cost method involves valuing a security at its cost on the date of purchase and thereafter assuming a constant amortization to maturity of any discount or premium. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 3 requires disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments. Category 1 includes deposits/investments held by the Board's custodial bank trust department or agent in the Board's name. Category 2 includes uninsured and unregistered deposits/investments held by the Board's custodial bank trust department or agent in the Board's name. Category 3 includes uninsured or unregistered deposits/investments held by a broker or dealer, or held by the Board's custodial bank trust department or agent but not in the Board's name. These categories are not broad representations that deposits or investments are "safe" or "unsafe".

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

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  
Deposits

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

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

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

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

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

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

Additionally, the Commission has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental 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 to the Governmental Units.

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

**A. Tuition Revenues/Receivable**

Tuition charges were established by the Board of Education based on estimated costs. The charges are not subject to adjustment when the final costs have been determined.

**B. Tuition Payable**

The Commission has no Tuitions Payable.

**Investments**

**C. Investment Rate Risk**

The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 18A:20-37 limits the length of time for most investment to 397 days.

New Jersey statutes permit the Board to purchase the following types of securities:

- a. Bonds or 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 Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase
- c. Bonds or other obligations of the Commission.

The investments recorded in the District-wide statements have been recorded at amortized cost. In accordance with GASB 31, participating interest earning investment contracts that have a remaining maturity at the time of purchase of one year or less may be reported at amortized cost. For those securities purchased more than one year from the maturity date, the difference between the carrying amount and market value is not material to the District-wide statements. The carrying amount of the Board's cash and cash equivalents at June 30, 2020 was \$110,958 and the bank balance was \$2,611,095. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes.

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

**D. Risk Category**

All bank deposits, as of the balance sheet date, are entirely insured or collateralized by a collateral pool maintained by public depositories as required by the Governmental Unit Deposit Protection Act. In general, bank deposits are classified as to credit risk by three categories described below:

Category 1 — Insured or collateralized with securities held by the Board or by its agent in the Board's name.

Category 2 — Collateralized with securities held by the pledging public depository's trust department or agent in the Board's name.

Category 3 — Uncollateralized, including any deposits that are collateralized with securities held by the pledging public depository, or by its trust department or agent, but not in the Board's name.

As of June 30, 2020, the Board has no funds invested and on deposit in checking accounts and New Jersey ARM. These funds constitute "deposits with financial institutions" as defined by GASB Statement No. 3 and are classified as Category 1, both at year-end and throughout the year.

**A. Credit Risk**

New Jersey Statutes 18A:20-37 limits school district investments to those specified in the Statutes. The type of allowance investments are Bonds of the United States of America, bonds or other obligations of the school districts or bonds or other obligations of the local unit or units within which the school district is located: obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

**B. Concentration of Credit Risk**

The Commission places no limit on the amount they may invest in any one issuer.

**New Jersey Cash Management Fund**

All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

**Risk Category (Continued)**

**Concentration of Credit Risk (Continued)**

**New Jersey Cash Management Fund (Continued)**

investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other-than-State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

As of June 30, 2020, the Commission had no funds on deposit with the New Jersey Cash Management Fund.

**C. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2020, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**NOTE 3: RECEIVABLES**

Receivables at June 30, 2020, consisted of accounts (tuition), intergovernmental, grants, and miscellaneous.

All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Funds			Proprietary Fund	Total		Total
	General Fund	Special Revenue Fund	Total Governmental Activities	Food Service Fund	Business Type Activities	Fiduciary Funds	
State Aid	\$ 9,536	\$ -	\$ 9,536	\$ -	\$ -	\$ -	\$ 9,536
Federal Aid	-	-	-	-	-	-	-
Other	1,696,741	601,436	2,298,177	262,040	262,040	-	2,560,217
Gross Receivables	1,706,277	601,436	2,307,713	262,040	262,040	-	2,569,753
Less: Allowance for Uncollectibles	-	-	-	-	-	-	-
Total Receivables, Net	\$ 1,706,277	\$ 601,436	\$ 2,307,713	\$ 262,040	\$ 262,040	\$ -	\$ 2,569,753

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 4: INTERFUND TRANSFERS AND BALANCES**

Transfers between funds are used to repay expenses paid by another fund.

The following interfund balances remained on the fund financial statements at June 30, 2020:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 12,633	\$ -
Capital Projects Fund		12,633
Total	<u>\$ 12,633</u>	<u>\$ 12,633</u>

**NOTE 5: CAPITAL ASSETS**

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

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Governmental Activities:</b>				
<i>Capital Assets Being Depreciated:</i>				
Building and Building Improvements	\$ 4,940,000	\$ -	\$ -	\$ 4,940,000
Machinery and Equipment	212,331	-	-	212,331
Totals at Historical Cost	<u>5,152,331</u>	<u>-</u>	<u>-</u>	<u>5,152,331</u>
Less Accumulated Depreciation For:				
Building and Building Improvements	3,230,300	182,600	-	3,412,900
Machinery and Equipment	187,720	5,044	-	192,764
Total Accumulated Depreciation	<u>3,418,020</u>	<u>187,644</u>	<u>-</u>	<u>3,605,664</u>
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	<u>1,734,311</u>	<u>(187,644)</u>	<u>-</u>	<u>1,546,667</u>
Government Activity Capital Assets, Net	<u>\$ 1,734,311</u>	<u>\$ (187,644)</u>	<u>\$ -</u>	<u>\$ 1,546,667</u>
<b>Business-Type Activities:</b>				
<i>Capital Assets Being Depreciated:</i>				
Machinery and Equipment	\$ 1,339,067	\$ -	\$ -	\$ 1,339,067
Less Accumulated Depreciation	(862,227)	(94,890)	-	(957,117)
Enterprise Fund Capital Assets, Net	<u>\$ 476,840</u>	<u>\$ (94,890)</u>	<u>\$ -</u>	<u>\$ 381,950</u>

The governmental fund balance sheet includes a reconciliation between fund balance-total governmental funds and net position-governmental activities as reported in the District-wide statement of net position. One item of that reconciliation explains that capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. An addition to the fund balance-total governmental funds is made to reflect the carrying value of the Commission's capital assets at year-end in the District-wide financial statements.



**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 5: CAPITAL ASSETS (CONTINUED)**

At the end of the fiscal year 2020, the depreciation expense was charged to governmental function as follows:

Instruction Services	\$ 183,691
General and Business Administrative Services	<u>3,953</u>
Total	<u><u>\$ 187,644</u></u>

**NOTE 6: LONG-TERM OBLIGATIONS**

Changes in long-term obligations for the year ended June 30, 2020, are as follows:

	Balance			Balance	Amounts
	<u>July 1, 2019</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2020</u>	<u>Due Within</u>
					<u>One Year</u>
Morris County Improvement Authority Bonds	\$ 1,420,000	\$ -	\$ 225,000	\$ 1,195,000	\$ 230,000
Compensated Absences Payable	165,107	16,624	12,007	169,724	-
Net Pension Liability	<u>3,751,227</u>	<u>108,480</u>	<u>68,160</u>	<u>3,791,547</u>	<u>-</u>
Total	<u><u>\$ 5,336,334</u></u>	<u><u>\$ 125,104</u></u>	<u><u>\$ 305,167</u></u>	<u><u>\$ 5,156,271</u></u>	<u><u>\$ 230,000</u></u>

(1) Paid by General Fund

Compensated absences, capital leases, and net pension liability have been liquidated in the General Fund.

**A. Bonds Payable**

The Board issued General Obligation Bonds to provide funds for the acquisition and construction of major capital facilities and other capital assets.

Bonds are authorized in accordance with State Law by the voters of the District through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the District are General Obligation Bonds.

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 6: LONG-TERM OBLIGATIONS (CONTINUED)**

Bonds Payable (Continued)

Outstanding Bonds Payable at June 30, 2018 consisted of the following:

<u>Description</u>	<u>Interest Rate</u>	<u>Due Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Morris County ESC Project (Refunding)	2.09%	10/1/19	10/1/24	\$2,075,000	\$1,195,000

Principal and interest due on Serial Bonds Outstanding is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	230,000	22,572	252,572
2022	235,000	17,713	252,713
2023	240,000	12,749	252,749
2024	240,000	7,733	247,733
2025	250,000	2,613	252,613
	<u>\$ 1,195,000</u>	<u>\$ 63,380</u>	<u>\$ 1,258,380</u>

**NOTE 7: PENSION PLANS**

A substantial number of the District's employees participate in one of the following defined benefit pension plans: the Teachers' Pension and Annuity Fund ("TPAF") and the Public Employees' Retirement System ("PERS"), which are administered by the New Jersey Division of Pensions and Benefits (the "Division"). In addition, several School District employees participate in the Defined Contribution Retirement Program ("DCRP"), which is a defined contribution pension plan. This plan is administered by Prudential Financial for the Division. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to:

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2020**

**NOTE 7: PENSION PLANS (CONTINUED)**

State of New Jersey  
 Division of Pensions and Benefits  
 P.O. Box 295  
 Trenton, New Jersey 08625-0295  
<http://www.nj.gov/treasury/pensions>.

**A. Public Employees' Retirement System (PERS)**

**Plan Description**

The State of New Jersey, Public Employees; Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

**Vesting and Benefit Provisions**

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

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

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 and Tier 5 with 30 more years of service

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7: PENSION PLANS (CONTINUED)**

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

**Vesting and Benefit Provisions (Continued)**

credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age of which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

**Contributions**

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2016, the State's pension contribution was less than actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. School District contributions to PERS amounted to \$199,035 for fiscal year 2020.

The employee contribution rate was 7.34% effective July 1, 2017. Subsequent increases after October 1, 2011 are being phased on over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7: PENSION PLANS (CONTINUED)**

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

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

At June 30, 2020, the School District reported a liability of \$3,574,587 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 01, 2018 which was rolled forward to June 30, 2019. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. For the June 30, 2019 measurement date, the School District's proportion was 0.0203934298%, which was 0.0190519149% an increase of 0.0013415149% from its proportion measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the School District recognized pension expense of (\$239,972), in the government-wide financial statements. This pension expense was based on the pension plans June 30, 2019 measurement date.

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 65,954	\$ 16,233
Changes in Assumptions	366,921	1,275,437
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	58,005
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	387,292	595,656
School District Contributions Subsequent to the Measurement Date	<u>199,036</u>	<u>-</u>
	<u>\$ 1,019,203</u>	<u>\$ 1,945,331</u>

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7: PENSION PLANS (CONTINUED)**

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

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

\$199,035, included in deferred outflows of resources, will be included as a reduction of the net pension liability in the fiscal year ending June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Total
2021	\$ (107,185)
2022	(347,706)
2023	(310,481)
2024	(145,786)
2025	(14,970)
	<u>\$ (926,128)</u>

**Changes in Proportion**

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.21, 5.63, 5.48, 5.57, 5.72 and 6.44 years for the 2019, 2018, 2017, 2016, 2015, and 2014 amounts, respectively.

The amortization of the other deferred outflows of resources and deferred inflows of resources related to pensions will be over the following number of years:

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7: PENSION PLANS (CONTINUED)**

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2015	5.72 years	-
June 30, 2016	5.57 years	-
June 30, 2017	5.48 years	-
June 30, 2018	-	5.63 years
Changes in Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44 years	-
June 30, 2015	5.72 years	-
June 30, 2016	5.57 years	-
June 30, 2017	-	5.48 years
June 30, 2019	-	5.21 years
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2015	5.00 years	-
June 30, 2016	5.00 years	-
June 30, 2018	5.00 years	-
June 30, 2019	5.00 years	-
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44 years	-
June 30, 2015	5.72 years	-
June 30, 2017	-	5.48 years
June 30, 2018	-	5.63 years

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2020**

**NOTE 7: PENSION PLANS (CONTINUED)**

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

**Actuarial Assumptions**

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 01, 2018. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2019. This actuarial valuations used the following actuarial assumptions, applied to all periods in the measurement.

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%

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, 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.

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, 2011 to June 30, 2014. It is like that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from



**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7: PENSION PLANS (CONTINUED)**

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

**Actuarial Assumptions (Continued)**

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.

**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 Investment 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 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%

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7: PENSION PLANS (CONTINUED)**

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

**Discount Rate**

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. 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 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 investments was applied to projected benefit payment through 2057. Therefore the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the School District's proportionate share of the collective net pension liability of the participating employers as of June 30, 2019, calculated using the discount rate as disclosed above as well as what the School District's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Measurement Date June 30, 2019		
	1% Decrease (5.28%)	Current Discount Rate (6.28%)	1% Increase (7.28%)
School District's Proportionate Share of the Net Pension Liability	\$ 4,673,890	\$ 3,700,150	\$ 2,879,635

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7: PENSION PLANS (CONTINUED)**

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

**Pension Plan Fiduciary Net Position**

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 respective fiduciary net position of the PERS and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by TPAF and PERS. Accordingly, 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. For additional information about PERS, please refer to the plan's Comprehensive Annual Financial Report (CAFR) which can be found at [www.nj.gov/treasury/pensions](http://www.nj.gov/treasury/pensions).

**A. Teacher's Pension Annuity Fund (TPAF)**

**Plan Description**

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

**Vesting and Benefit Provisions**

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

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7: PENSION PLANS (CONTINUED)**

**Teacher's Pension Annuity Fund (TPAF) (Continued)**

**Vesting and Benefit Provisions (Continued)**

The following represents the membership tiers for TPAF:

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

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, Tiers 3 and 4 with 25 or more years of service credit before age 62, and Tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

**Contributions**

The contribution policy for TPAF is set by N.J.S.A 18A:66 and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For Fiscal year 2019, the State's pension contribution was less than the actuarially determined amount.

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

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7: PENSION PLANS (CONTINUED)**

**Teacher’s Pension Annuity Fund (TPAF) (Continued)**

**Contributions (Continued)**

special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the School District. However, the notes to the financial statements of the School District must disclose the portion of the School District’s total proportionate share of the net pension liability that is associated with the School District. During the fiscal year ended June 30, 2020, the State of New Jersey contributed \$41,674 to the TPAF for normal pension benefits on behalf of the School District, which is less than the contractually required contribution of \$557,321.

The employee contribution rate was 7.34% effective July 1, 2017. Subsequent increases after October 1, 2011 are being phased on over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2020, the School District was not required to report a liability for its proportionate share of the net pension liability because of a 100% special funding situation by the State of New Jersey.

The State’s proportionate share of the net pension liability, attributable to the School District is as follows:

School District's Proportionate Share of the Net Pension Liability	\$ -
State of New Jersey 's Proportionate Share of the Net Pension Liability Associated with the School District	<u>17,011,135</u>
Total	<u><u>\$ 17,011,135</u></u>

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 01, 2018. The total pension liability was calculated through the use of updated procedures to roll forward from

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7: PENSION PLANS (CONTINUED)**

**Teacher’s Pension Annuity Fund (TPAF) (Continued)**

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

the actuarial valuation date to the measurement date of June 30, 2019. For the June 30, 2019 measurement date, the School District’s proportion of the net pension liability was based on a projection of the School District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State of New Jersey, actuarially determined. At June 30, 2019, School District’s proportion was 0.00% due to the 100% special funding situation with the State of New Jersey. For the June 30, 2019 measurement date, the State’s proportionate share of the TPAF net pension liability associated with the School District was 0.0277185492%, which was a decrease of 0.0011898746% from its proportion measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the School District recognized \$1,003,362 in pension expense and revenue, in the government-wide financial statements, for the State of New Jersey on behalf TPAF pension contributions. This pension expense and revenue was based on the pension plans June 30, 2019 measurement date.

The State reported the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended June 30, 2019:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	\$ 8,729,264,342	\$ 17,163,131,436
Difference Between Expected and Actual Experience	1,203,503,264	213,344,311
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	<u>-</u>	<u>163,369,676</u>
	<u>\$ 9,932,767,606</u>	<u>\$ 17,539,845,423</u>

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7: PENSION PLANS (CONTINUED)**

**Teacher's Pension Annuity Fund (TPAF) (Continued)**

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

The amortization of the deferred outflows of resources and deferred inflows of resources related to pensions will be over the following number of years:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	8.50 years
June 30, 2015	8.30 years	-
June 30, 2016	-	8.30 years
June 30, 2017	8.30 years	-
June 30, 2018	8.29 years	-
Changes in Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	8.50 years	-
June 30, 2015	8.30 years	-
June 30, 2016	8.30 years	-
June 30, 2017	-	8.30 years
June 30, 2019	-	8.04 years
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2015	-	5.00 years
June 30, 2017	-	5.00 years
June 30, 2018	-	5.00 years
June 30, 2019	-	5.00 years

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense excluding that attributable to employer-paid member contributions as follows:

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2020

NOTE 7: **PENSION PLANS (CONTINUED)**

**Teacher's Pension Annuity Fund (TPAF) (Continued)**

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

Fiscal Year Ending June 30,	Total
2020	\$ (272,405,510)
2021	(704,260,700)
2022	(630,562,767)
2023	(1,216,378,743)
2024	(2,381,316,232)
Thereafter	<u>(2,402,153,865)</u>
	<u>\$ (7,607,077,817)</u>

**Actuarial Assumptions**

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 01, 2018. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2019. This actuarial valuations used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	1.55% - 4.45%
	based on years of service
Thereafter	2.75% - 5.65%
	based on years of service
Investment Rate of Return	7.00%



**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7: PENSION PLANS (CONTINUED)**

**Teacher's Pension Annuity Fund (TPAF) (Continued)**

**Actuarial Assumptions (Continued)**

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.

The actuarial assumptions used in the July 01, 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 Investment 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 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:

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7: PENSION PLANS (CONTINUED)**

**Actuarial Assumptions (Continued)**

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%

**Discount Rate**

The discount rate used to measure the total pension liability was 5.60% as of June 30, 2019. 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 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 investments was applied to projected benefit payment 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.

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7: PENSION PLANS (CONTINUED)**

**Teacher's Pension Annuity Fund (TPAF) (Continued)**

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

As previously mentioned, TPAF has a special funding situation where the State pays 100% of the School District's annual required contribution. As such, the proportionate share of the net pension liability as of June 30, 2019, the pension plans measurement date, attributable to the School District is \$0, and the State of New Jersey's proportionate share of the net pension liability, attributable to the School District, using a discount rate of 5.60%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	Measurement Date June 30, 2019		
	1% Decrease (4.60%)	Current Discount Rate (5.60%)	1% Increase (6.60%)
School District's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -
State of New Jersey's Proportionate Share of the Net Pension Liability Associated with the School District	20,108,324	17,052,205	14,516,592
	<u>\$ 20,108,324</u>	<u>\$ 17,052,205</u>	<u>\$ 14,516,592</u>

**Pension Plan Fiduciary Net Position**

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 respective fiduciary net position of the PERS and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by TPAF and PERS. Accordingly, 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. For additional information about PERS, please refer to the plan's Comprehensive Annual Financial Report (CAFR) which can be found at [www.nj.gov/treasury/pensions](http://www.nj.gov/treasury/pensions).

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7: PENSION PLANS (CONTINUED)**

**C. Defined Contribution Retirement Program (DCRP)**

**Plan Description**

The Defined Contribution Retirement Program (DCRP) is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of Chapter 92, P.L. 2007, and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.). 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 DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in TPAF or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees enrolled in New Jersey State Police Retirement System (SPRS) or the Police and Firemen's Retirement System (PFRS) after May 21, 2010, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in TPAF or PERS on or after November 2, 2008, who do not earn the minimum annual salary for Tier 3 enrollment but who earn salary of at least \$5,000.00 annually; and employees otherwise eligible to enroll in TPAF or PERS after May 21, 2010 who do not work the minimum number of hours per week required for Tiers 4 or 5 enrollment, but who earn salary of at least \$5,000.00 annually.

**Vesting and Benefit Provisions**

Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and non-forfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and non-forfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7: PENSION PLANS (CONTINUED)**

**Defined Contribution Retirement Program (DCRP) (Continued)**

**Contributions**

The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the School District contributes 3% of the employees' base salary, for each pay period, to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

For the fiscal year ended June 30, 2020, employee contributions totaled to \$53,837, and the School District recognized pension expense, which equaled the required contributions, of \$73,112.

**NOTE 8: POST-RETIREMENT MEDICAL BENEFITS**

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

As a result of implementing GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, the post-retirement health benefit program plan is reported in an Agency Fund in the New Jersey Comprehensive Annual Financial Report effective for the fiscal year ended June 30, 2020. Therefore, the plan has no assets accumulated in a trust. In accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension* (GASB No. 75), the plan is classified as a single employer defined benefit OPEB plan with a special funding situation that is not administered through a trust that meets the criteria in paragraph 4 of GASB No. 75.

**Plan Description and Benefits Provided**

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

**State Health Benefit Program Fund – Local Education Retired** (including Prescription Drug Program Fund) – N.J.S.A. 52:14-17.32f provides medical coverage and prescription drug benefits to qualified retired education participants. The State of New Jersey provides

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 8: POST-RETIREMENT MEDICAL BENEFITS (CONTINUED)**

**Plan Description and Benefits Provided (Continued)**

employer-paid coverage to members of the TPAF who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of Chapter 126, P.L. 1992, the State also provides employer-paid coverage to members of the PERS and Alternate Benefits Program (ABP) who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare Parts A and B by paying the cost of the insurance for themselves and their covered dependents.

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

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

**Plan Membership**

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

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

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 8: POST-RETIREMENT MEDICAL BENEFITS (CONTINUED)**

**Measurement Focus and Basis of Accounting**

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

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

**Investment Valuation**

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

**Collective Net OPEB Liability**

The collective net OPEB liability of the State, as the non-employer contributing entity, of the plan at June 30, 2019 is \$41,729,081,045, and the plan fiduciary net position as a percentage of the total OPEB liability is zero percent.

The total OPEB liabilities were determined based on actuarial valuation as of June 30, 2018 which were rolled forward to June 30, 2019.

**Actuarial Methods and Assumptions**

In the June 30, 2018 OPEB actuarial valuation, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The Plan selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 75. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 8: POST-RETIREMENT MEDICAL BENEFITS (CONTINUED)**

**Post-Retirement Medical Benefits Contributions**

The State provides post-retirement medical (PRM) benefits for certain State and other retired employees meeting the service credit eligibility requirements. In Fiscal Year 2018, the State paid PRM benefits for 148,401 State and local retirees.

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 2018, the State contributed \$1.909 billion to pay for pay-as-you-go PRM benefit costs incurred by covered retirees. The increase in the State’s pay-as-you-go contribution between Fiscal Year 2017 and Fiscal Year 2018 is attributed to rising health care costs, an increase in the number of participants qualifying for State-paid PRM benefits at retirement and larger fund balance utilization in Fiscal Year 2017 than in Fiscal Year 2018. The Fiscal Year 2019 Appropriations Act includes \$1.921 billion 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. As such, the Fiscal Year 2017 total State OPEB liability to provide these benefits has been re-measured to \$97.1 billion, an increase of \$60.6 billion or 166 percent from the previous year’s \$36.5 billion liability booked in accordance with GASB Statement No. 45. For Fiscal Year 2018, the total OPEB liability for the State is \$90.5 billion, a decrease of \$6.6 billion or 7 percent from the re-measured total OPEB liability in Fiscal Year 2017.

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.

The State sets the contribution rate based on a pay as you go basis rather



**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 8: POST-RETIREMENT MEDICAL BENEFITS (CONTINUED)**

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

than the actuarial determined contribution, an amount actuarially determined in accordance with the parameters of GASB Statement 75. The actuarial determined contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any unfunded actuarial liabilities (or funding excess) of the plan using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan. The State's contributions, as a non-employer contributing entity, to the State Health Benefits Program Fund-Local Education Retired for retirees' post-retirement benefits on behalf of the School District for the fiscal years ended June 30, 2020, 2019, and 2018 were \$219,885, \$252,458 and \$281,636, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund – Local Education Retired for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey. The on-behalf OPEB contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 85.

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

GASB Statement No. 75 requires participating employers in the State Health Benefit Program Fund – Local Education Retired to recognize their proportionate share of the collective OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense. The non-employer allocation percentages presented are based on the ratio of the State's contributions made as a non-employer toward the actuarially determined contribution amount to total contributions to the plan during the measurement period July 01, 2018 through June 30, 2019. Non-employer allocation percentages have been rounded for presentation purposes.

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

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 8: POST-RETIREMENT MEDICAL BENEFITS (CONTINUED)**

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

At June 30, 2019, the State had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Actual and Expected Experience	\$ -	\$ (10,484,965,300)
Net Difference Between Expected and Actual Earnings on OPEB Plan Investments	-	-
Assumptions Changes	<u>-</u>	<u>(8,481,529,343)</u>
Sub Total	-	(18,966,494,643)
Contributions Made in Fiscal Year Ending 2018 After June 30, 2017 Measurement Date	TBD	Not Available
Total	<u>\$ -</u>	<u>\$ (18,966,494,643)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in State's OPEB expense as follows:

<u>Measurement Period Ending June 30,</u>	<u>Total</u>
2019	\$ (2,546,527,182)
2020	(2,546,527,182)
2021	(2,546,527,182)
2022	(2,546,527,182)
2023	(2,546,527,182)
Total Thereafter	<u>(6,233,858,733)</u>
	<u>\$ (18,966,494,643)</u>

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 8: POST-RETIREMENT MEDICAL BENEFITS (CONTINUED)**

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

For the fiscal year ended June 30, 2020, the District recognized in the district-wide statement of activities (accrual basis) OPEB expense of \$338,437. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 85.

At June 30, 2020, the State's proportionate share of the OPEB liability attributable to the District is \$16,021,251. The non-employer allocation percentages are based on the ratio of the State's proportionate share of the OPEB liability attributable to the District at June 30, 2019 to the total OPEB liability of the State Health Benefit Program Fund – Local Education Retired Employees Plan at June 30, 2019. At June 30, 2019, the state's share of the OPEB liability attributable to the District was 0.0383934911%, which was an increase of 0.0010449248% from its proportionate share measured as of June 30, 2018 of 0.0373485662%.

**Actuarial Assumptions**

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

Inflation Rate 2.50%

	<b>TPAF/ABP</b>	<b>PERS</b>	<b>PFRS</b>
Salary Increases:			
Through 2026	1.55 - 3.05% based on service years	2.00 - 6.00% based on service years	3.25 - 15.25% based on service years
Thereafter	1.55 - 3.05% based on service years	3.00 - 7.00% based on service years	Applied to all future years

Salary increases are based on the defined benefit plan that the individual is enrolled in and his or her year of service for TPAF or his or her age for PERS.

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 8: POST-RETIREMENT MEDICAL BENEFITS (CONTINUED)**

**Actuarial Assumptions (Continued)**

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

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the TPAF and PERS actuarial experience studies for the period July 1, 2012 to June 30, 2015 and July 1, 2011 to June 30, 2014, respectively.

**Long-Term Expected Rate of Return**

As the OPEB plan only invests in the State of New Jersey Cash Management Fund, the long-term expected rate of return on OPEB investments was based off the best-estimate ranges of future real rates of return (expected returns, net of OPEB plan investment expense and inflation) for cash equivalents, which is 1.00% as of June 30, 2019.

**Discount Rate**

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

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 8: POST-RETIREMENT MEDICAL BENEFITS (CONTINUED)**

**Discount Rate (Continued)**

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2020	June 30, 2019	3.50%
2019	June 30, 2018	3.87%

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

**Changes in the Total OPEB Liability**

The change in the State's proportionate share of the OPEB liability attributable to the District for the fiscal year ended June 30, 2020 (measurement date June 30, 2019) is as follows:

	<u>Commissin's Total OPEB Liability (State Share 100%)</u>	<u>State of New Jersey's Total OPEB Liability</u>
Balance at June 30, 2018 Measurement Date	<u>\$ 17,221,735</u>	<u>\$ 46,110,832,982</u>
Changes Recognized for the Fiscal Year:		
Service Cost	606,626	1,734,404,850
Interest on Total OPEB Liability	680,811	1,827,787,206
Changes of Benefit Terms Differences between Expected and Actual Experiences	(2,249,572)	(7,323,140,818)
Effect of Changes of Assumptions	238,878	622,184,027
Contributions - Employees	14,578	37,971,171
Gross Benefits Paid by the State	(491,805)	(1,280,958,373)
<b>Net Changes</b>	<u>(1,200,484)</u>	<u>(4,381,751,937)</u>
Balance at June 30, 2019 Measurement Date	<u>\$ 16,021,251</u>	<u>\$ 41,729,081,045</u>

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 8: POST-RETIREMENT MEDICAL BENEFITS (CONTINUED)**

**Changes in the Total OPEB Liability (Continued)**

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

The change in the total OPEB liability was based on the State's proportionate share of the OPEB liability attributable to the District at June 30, 2019. A change in the total OPEB liability specific to the State's proportionate share of the OPEB liability attributable to the District for the fiscal year ended June 30, 2019 was not provided by the pension system.

**Sensitivity of OPEB Liability**

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the State's proportionate share of the OPEB liability attributable to the District calculated using the discount rate of 3.50%, as well as what the State's proportionate share of the OPEB liability attributable to the District that would be if it were 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%)
Net OPEB Liability (Allocable to the Commission and the responsibility of the State)	\$ 18,927,429	\$ 16,021,251	\$ 13,712,743

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

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability (Allocable to the Commission and the responsibility of the State)	\$ 13,200,797	\$ 16,021,251	\$ 19,754,953

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 8: **POST-RETIREMENT MEDICAL BENEFITS (CONTINUED)**

**Sensitivity of OPEB Liability (Continued)**

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

NOTE 9: **FUND BALANCE APPROPRIATED**

**General Fund** – Of the \$354,455 General Fund fund balance at June 30, 2020, it is unreserved and undesignated.

- **Non-spendable** fund balance includes amounts that are not in a spendable form (inventory, for example) or are required to be maintained intact (the principal of an endowment fund, for example).
- **Restricted** fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers (for example, grant providers), constitutionally, or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use). Effectively, restrictions may be changed or lifted only with the consent of resource providers.
- **Committed** fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the Board's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.
- **Assigned** fund balance comprises amounts *intended* to be used by the Board for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 9: FUND BALANCE APPROPRIATED (CONTINUED)**

**General Fund (Continued)**

- **Unassigned** fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. If another governmental fund has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund. Positive unassigned amounts will be reported only in the general fund.

**NOTE 10: RESERVED FUND BALANCES – GENERAL FUND**

**Calculation Of Excess Surplus** – In accordance with N.J.S.A. 18A:7F-7, as amended, the designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. At June 30, 2020, there is no excess fund balance.

**NOTE 11: 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** – The Commission maintains commercial insurance coverage for property, liability, student accident, and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

**NOTE 12 CONTINGENT LIABILITIES**

**Litigation** – The Board's attorney is unaware of any potential claims against the Commission that would materially affect the financial condition of the Commission.



**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 13: SUBSEQUENT EVENTS**

The District's management has informed us that there are no significant events that need to be disclosed after the balance sheet date through the date of the audit.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company's financial condition, liquidity, and future results of operations.

Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

Although the Charter School cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material effect on the Charter School's results of future operations, financial position, and liquidity in fiscal year 2021.

***REQUIRED SUPPLEMENTARY INFORMATION – PART II***

***SECTION C – BUDGETARY COMPARISON SCHEDULE***

BOARD OF EDUCATION  
EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
<b>REVENUES:</b>					
Local Sources:					
Other Local Government Units	\$ 916,604	\$ (204,942)	\$ 711,662	\$ 711,662	\$ -
Transportation Fees	19,710,022	210,091	19,920,113	19,932,705	12,592
Other Revenues from Local Sources	1,000	92,590	93,590	106,223	12,633
<b>Total Local Sources</b>	<b>20,627,626</b>	<b>97,739</b>	<b>20,725,365</b>	<b>20,750,590</b>	<b>25,225</b>
State Sources:					
On-Behalf TPAF Pension Aid				592,712	592,712
Reimbursed TPAF Social Security Aid				191,033	191,033
On-Behalf TPAF Post-Retirement Medical Aid				219,885	219,885
On-Behalf TPAF Long-Term Disability Insurance Aid				169	169
<b>Total State Sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,003,799</b>	<b>1,003,799</b>
<b>Total Revenues</b>	<b>20,627,626</b>	<b>97,739</b>	<b>20,725,365</b>	<b>21,754,389</b>	<b>1,029,024</b>
<b>EXPENDITURES:</b>					
Current Expenses:					
Undistributed Expenditures:					
Health Services:					
Purchased Prof/Tech Services	1,680	(720)	960	960	-
<b>Total Health Services</b>	<b>1,680</b>	<b>(720)</b>	<b>960</b>	<b>960</b>	<b>-</b>
Other Support Services Students - Related Services:					
Salaries	99,200	(30,401)	68,799	68,799	-
<b>Total Other Support Services Students - Related Services</b>	<b>99,200</b>	<b>(30,401)</b>	<b>68,799</b>	<b>68,799</b>	<b>-</b>
Other Support Services Students - Special Services:					
Salaries of Other Professional Staff	45,000	20,951	65,951	65,951	-
Other Salaries	22,000	(20,770)	1,230	1,230	-
Other Purchased Prof/Tech Services	195,000	(65,559)	129,441	129,441	-
Miscellaneous Purchased Services	750	(232)	518	518	-
Supplies and Materials	32,327	(13,435)	18,892	18,892	-
Other Objects		9,152	9,152	9,152	-
<b>Total Other Support Services Students - Special Services</b>	<b>295,077</b>	<b>(69,893)</b>	<b>225,184</b>	<b>225,184</b>	<b>-</b>
Support Services General Administration:					
Salaries	38,760	(38,760)	-	-	-
Audit Fees	21,000	1,688	22,688	22,688	-
Purchased Technical Services	12,665	(919)	11,746	11,746	-
Communications/Telephone	40,514	2,040	42,554	42,554	-
BOE Other Purchased Services	14,315	3,217	17,532	17,532	-
Other Purchased Services	98,748	(541)	98,207	98,207	-
General Supplies	27,900	(11,695)	16,205	16,205	-
Miscellaneous Expenditures	29,000	(9,846)	19,154	19,154	-
BOE Membership Dues and Fees	3,000	(700)	2,300	2,300	-
<b>Total Support Services General Administration</b>	<b>285,902</b>	<b>(55,516)</b>	<b>230,386</b>	<b>230,386</b>	<b>-</b>
Support Services School Administration:					
Salaries of Other Professional Staff	46,096	(46,096)	-	-	-
Salaries of Secretarial and Clerical Assistants	35,475	(25,782)	9,693	9,693	-
Other Purchased Services	9,173	(9,173)	-	-	-
<b>Total Support Services School Administration</b>	<b>90,744</b>	<b>(81,051)</b>	<b>9,693</b>	<b>9,693</b>	<b>-</b>
Central Services:					
Salaries	88,698	(2,902)	85,796	85,796	-
Purchased Technical Services	16,527	2,851	19,378	19,378	-
Interest for Lease Purchased Agreements	27,327		27,327	27,327	-
Miscellaneous Expenditures	800	4,565	5,365	5,365	-
<b>Total Central Services</b>	<b>133,352</b>	<b>4,514</b>	<b>137,866</b>	<b>137,866</b>	<b>-</b>

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

BOARD OF EDUCATION  
EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
(Continued from Prior Page)					
Required Maintenance for School Facilities:					
Cleaning, Repair and Maintenance Services	\$ -	\$ 207,719	\$ 207,719	\$ 207,719	\$ -
Total Required Maintenance for School Facilities	<u>-</u>	<u>207,719</u>	<u>207,719</u>	<u>207,719</u>	<u>-</u>
Other Operation and Maintenance of Plant Services:					
Cleaning, Repair and Maintenance Services		16,217	16,217	16,217	-
Rental of Land and Buildings					
- Other Than Lease Purchase Agreements	137,001	14,094	151,095	151,095	-
Energy (Heat and Electricity)		30,840	30,840	30,840	-
Total Other Operation and Maintenance of Plant Services	<u>137,001</u>	<u>61,151</u>	<u>198,152</u>	<u>198,152</u>	<u>-</u>
Student Transportation Services:					
Salaries for Pupil Transportation (B/T Home & School) - Regular	286,349	14,071	300,420	300,420	-
Other Purchased Professional and Technical Services	33,125	(11,780)	21,345	21,345	-
Cleaning, Repair and Maintenance Services	5,000	(5,000)	-	-	-
Contracted Services - Aid In Lieu of Payment for Non-public School Students	2,500,000	367,157	2,867,157	2,867,157	-
Contracted Services - Transportation (B/T Home & School) - Vendors	775,000	(174,365)	600,635	594,914	5,721
Contracted Services (B/T Home & School) - Joint Agreements	1,100,000	45,270	1,145,270	1,134,808	10,462
Contracted Services (Special Ed Students) - Vendors	13,000,000	(107,891)	12,892,109	12,834,766	57,343
Contracted Services (Special Ed Students) - Joint Agreements	1,400,000	74,447	1,474,447	1,474,447	-
Supplies and Materials	14,000	(2,885)	11,115	11,115	-
Other Objects	16,900	(7,452)	9,448	9,448	-
Total Student Transportation Services	<u>19,130,374</u>	<u>191,572</u>	<u>19,321,946</u>	<u>19,248,420</u>	<u>73,526</u>
Unallocated Benefits - Employee Benefits:					
Social Security Contribution	64,958	(6,014)	58,944	58,944	-
Other Retirement Contributions - Regular	38,303	31,290	69,593	69,593	-
Unemployment Compensation	6,800	(999)	5,801	5,801	-
Workmen's Compensation	35,778		35,778	35,778	-
Health Benefits	637,810	(4,301)	633,509	633,509	-
Tuition Reimbursement	12,600	2,500	15,100	15,100	-
Total Unallocated Benefits - Employee Benefits	<u>796,249</u>	<u>22,476</u>	<u>818,725</u>	<u>818,725</u>	<u>-</u>
On-Behalf TPAF Pension Contributions (Non-Budgeted)				592,712	(592,712)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				191,033	(191,033)
On-Behalf TPAF Post-Retirement Medical Contributions (Non-Budgeted)				219,885	(219,885)
On-Behalf TPAF Long-Term Disability Insurance Contributions (Non-Budgeted)				169	(169)
Total Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,003,799</u>	<u>(1,003,799)</u>
(Continued from Prior Page)					
Total Undistributed Expenditures	<u>\$ 20,969,579</u>	<u>\$ 249,851</u>	<u>\$ 21,219,430</u>	<u>\$ 22,149,703</u>	<u>\$ (930,273)</u>
Total Expenditures - Current Expenses	<u>20,969,579</u>	<u>249,851</u>	<u>21,219,430</u>	<u>22,149,703</u>	<u>(930,273)</u>
Capital Outlay:					
Facilities Acquisition and Construction Services:					
Lease Purchase Agreements - Principal	225,000		225,000	225,000	-
Total Capital Outlay	<u>225,000</u>	<u>-</u>	<u>225,000</u>	<u>225,000</u>	<u>-</u>
Total Expenditures	<u>21,194,579</u>	<u>249,851</u>	<u>21,444,430</u>	<u>22,374,703</u>	<u>(930,273)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(566,953)</u>	<u>(152,112)</u>	<u>(719,065)</u>	<u>(620,314)</u>	<u>98,751</u>
OTHER FINANCING SOURCES (USES):					
Interfund Transfers	566,953	152,112	719,065		(719,065)
Total Other Financing Sources (Uses)	<u>566,953</u>	<u>152,112</u>	<u>719,065</u>	<u>-</u>	<u>(719,065)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(620,314)</u>	<u>(620,314)</u>
FUND BALANCES, JULY 1	<u>974,769</u>	<u>-</u>	<u>974,769</u>	<u>974,769</u>	<u>-</u>
FUND BALANCES, JUNE 30	<u>\$ 974,769</u>	<u>\$ -</u>	<u>\$ 974,769</u>	<u>\$ 354,455</u>	<u>\$ (620,314)</u>

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

BOARD OF EDUCATION  
EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
RECAPITULATION:					
Unassigned:					
Unassigned Fund Balance				\$ 354,455	
				<u>354,455</u>	
Reconciliation to Governmental Funds Statement (GAAP):					
Last State Aid Payment Not Recognized on GAAP Basis				-	
Fund Balance Per Governmental Funds (GAAP)				<u>\$ 354,455</u>	

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

BOARD OF EDUCATION  
 EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUE SOURCES:</b>					
State	\$ 3,016,788	\$ 440,020	\$ 3,456,808	\$ 3,456,808	\$ -
Federal	1,046,606	(327,006)	719,600	719,600	-
<b>Total Revenues</b>	<b>4,063,394</b>	<b>113,014</b>	<b>4,176,408</b>	<b>4,176,408</b>	<b>-</b>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers	1,466,845	(311,351)	1,155,494	1,155,494	-
<b>Total Instruction</b>	<b>1,466,845</b>	<b>(311,351)</b>	<b>1,155,494</b>	<b>1,155,494</b>	<b>-</b>
Support Services:					
Salaries of Other Professional Staff	974,532	41,469	1,016,001	1,016,001	-
Salaries of Secretarial and Clerical Assistants	122,239	27,130	149,369	149,369	-
Personal Services - Employee Benefits	76,930	20,784	97,714	97,714	-
Purchased Professional Services	322,925	(33,688)	289,237	289,237	-
Travel	285	(205)	80	80	-
Other Purchased Services		91	91	91	-
Supplies and Materials	1,097,776	368,235	1,466,011	1,466,011	-
<b>Total Support Services</b>	<b>2,594,687</b>	<b>423,816</b>	<b>3,018,503</b>	<b>3,018,503</b>	<b>-</b>
Facilities Acquisition and Construction Services:					
Instructional Equipment	1,862	549	2,411	2,411	-
<b>Total Facilities Acquisition and Construction Services</b>	<b>1,862</b>	<b>549</b>	<b>2,411</b>	<b>2,411</b>	<b>-</b>
<b>Total Expenditures</b>	<b>4,063,394</b>	<b>113,014</b>	<b>4,176,408</b>	<b>4,176,408</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

***NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
PART II***



BOARD OF EDUCATION  
 EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 NOTE TO RSI  
 FISCAL YEAR ENDED JUNE 30, 2020

**Note A - Explanation of Differences between Budgetary Inflows and Outflows and  
 GAAP Revenues and Expenditures**

	General Fund	Special Revenue Fund
<b>Sources/Inflows of Resources</b>		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	[C-1] \$ 21,754,389	[C-2] \$ 4,176,408
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized		-
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	-	
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	-	
	-	-
Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds.	[B-2] \$ <u>21,754,389</u>	[B-2] \$ <u>4,176,408</u>
<b>Uses/Outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 22,374,703	[C-2] \$ 4,176,408
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial accounting purposes.		-
Transfers to and from other fund are presented as outflows of budgetary resources but are not expenditures for financial accounting purposes.		
Net Transfers (Outflows) to/from general fund.	-	
	-	-
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2] \$ <u>22,374,703</u>	[B-2] \$ <u>4,176,408</u>

***REQUIRED SUPPLEMENTARY INFORMATION – PART III***

***SECTION L – DISTRICT’S PROPORTIONATE SHARE OF THE NET  
PENSION LIABILITY FOR TPAF AND PERS AND DISTRICT’S PERS  
AND TPAF CONTRIBUTIONS***

*The schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.*

BOARD OF EDUCATION  
 EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
 REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
 SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 PUBLIC EMPLOYEES RETIREMENT SYSTEM  
 LAST SEVEN FISCAL YEARS  
 UNAUDITED

	Fiscal Year Ending June 30,						
	2020	2019	2018	2017	2016	2015	2014
School District's proportion of the net pension liability	0.0203934298%	0.0190519149%	0.0180772052%	0.0200952128%	0.0249996568%	0.0261517191%	0.0333544542%
School District's proportionate share of the net pension liability	\$ 3,574,587	\$ 3,751,227	\$ 4,208,084	\$ 5,951,626	\$ 5,611,922	\$ 4,896,317	\$ 6,374,699
School District's covered payroll (plan measurement period)	\$ 1,120,642	\$ 1,268,727	\$ 1,397,519	\$ 1,302,476	\$ 1,300,552	\$ 1,400,231	\$ 1,752,290
School District's proportionate share of the net pension liability as a percentage of it's covered employee payroll	318.98%	295.67%	301.11%	456.95%	349.68%	363.79%	363.79%
Plan fiduciary net position as a percentage of the total pension liability	56.27%	53.60%	48.10%	40.14%	47.93%	47.92%	48.72%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

BOARD OF EDUCATION  
 EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
 REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
 SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS  
 PUBLIC EMPLOYEES RETIREMENT SYSTEM  
 LAST SEVEN FISCAL YEARS  
 UNAUDITED

	Fiscal Year Ending June 30,						
	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 189,505	\$ 189,505	\$ 167,466	\$ 178,523	\$ 214,930	\$ 215,591	\$ 251,319
Contributions in relation to the contractually required contribution	(199,035)	(189,890)	(168,324)	(178,964)	(214,930)	(215,591)	(198,459)
Contribution deficiency/(excess)	<u>\$ (9,530)</u>	<u>\$ (385)</u>	<u>\$ (858)</u>	<u>\$ (441)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,860</u>
School District's covered employee payroll	\$ 1,120,642	\$ 1,268,727	\$ 1,397,519	\$ 1,302,476	\$ 1,300,552	\$ 1,400,231	\$ 1,752,290
Contributions as a percentage of covered employee payroll	16.91%	14.94%	11.98%	13.71%	16.53%	15.40%	14.34%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

BOARD OF EDUCATION  
 EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
 REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
 SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 TEACHERS PENSION AND ANNUITY FUND  
 LAST SEVEN FISCAL YEARS  
 UNAUDITED

	Fiscal Year Ending June 30,						
	2020	2019	2018	2017	2016	2015	2014
State's proportion of the net pension liability attributable of the School District	0.0277185492%	0.0289084238%	0.0310184317%	0.0328924709%	0.0329276634%	0.0385944861%	0.0437368374%
State's proportionate share of the net pension liability attributable to the School District	\$ 17,011,135	\$ 18,390,918	\$ 20,913,745	\$ 25,875,312	\$ 20,811,689	\$ 20,627,497	\$ 22,104,254
School District's covered payroll (plan measurement period)	\$ 2,746,243	\$ 2,816,517	\$ 2,917,630	\$ 2,890,550	\$ 2,980,111	\$ 34,418,369	\$ 3,379,176
School District's proportionate share of the net pension liability as a percentage of it's covered employee payroll	619.43%	652.97%	716.81%	895.17%	698.35%	59.93%	654.13%
Plan fiduciary net position as a percentage of the total pension liability	26.95%	26.49%	25.41%	22.33%	28.71%	33.64%	33.76%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
 REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
 SCHEDULE OF THE SCHOOL DISTRICT'S CONTRIBUTIONS  
 TEACHERS PENSION AND ANNUITY FUND  
 LAST SEVEN FISCAL YEARS  
 UNAUDITED

	Fiscal Year Ending June 30,						
	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 557,321	\$ 436,995	\$ 348,310	\$ 261,955	\$ 176,962	\$ 163,945	\$ 283,268
Contributions in relation to the contractually required contribution	(41,674)	(52,074)	(41,442)	(35,076)	(29,655)	(101,658)	(121,985)
Contribution deficiency/(excess)	\$ 515,647	\$ 384,921	\$ 306,868	\$ 226,879	\$ 147,307	\$ 62,287	\$ 161,283
School District's covered employee payroll	\$ 2,746,243	\$ 2,816,517	\$ 2,917,630	\$ 2,890,550	\$ 2,980,111	\$ 34,418,369	\$ 3,379,176
Contributions as a percentage of covered employee payroll	20.29%	15.52%	11.94%	9.06%	5.94%	0.48%	8.38%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

***Section M – Schedules Related to Accounting and Reporting for OPEB  
(GASB 75)***



BOARD OF EDUCATION  
EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF CHANGES IN THE COMMISSION'S PROPORTIONATE SHARE OF TOTAL OPEB LIABILITY AND RELATED RATIOS  
TEACHERS PENSION AND ANNUITY FUND AND PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST FOUR FISCAL YEARS  
UNAUDITED

	Fiscal Year Ending June 30,			
	2020	2019	2018	2017
OPEB Liability at Beginning of Measurement Period	\$ 17,221,735	\$ 20,596,446	\$ 22,147,626	\$ -
Changes Recognized for the Fiscal Year:				
Service Cost	606,626	698,955	830,984	Not Available
Interest on Total OPEB Liability	680,811	754,487	648,389	Not Available
Effect on Changes of Assumptions	238,878	(1,976,280)	(2,571,062)	Not Available
Contributions from the Employees	14,578	15,916	17,566	Not Available
Gross Benefit Paid by the State	(491,805)	(460,503)	(477,057)	Not Available
Net Changes	<u>(1,200,484)</u>	<u>(3,374,711)</u>	<u>(1,551,180)</u>	<u>-</u>
OPEB Liability at the End of Measurement Period	<u>\$ 16,021,251</u>	<u>\$ 17,221,735</u>	<u>\$ 20,596,446</u>	<u>\$ 22,147,626</u>
Commission's Proportionat Share of the Total OPEB Liability	0.0383934911%	0.0373485662%	0.0383976635%	0.0382966327%
Commission's Covered Employees Payroll	\$ 3,866,885	\$ 4,085,244	\$ 4,315,149	\$ 4,193,026
Total Commission's OPEB Liability as a Percentage of Covered Employee Payroll	414.32%	421.56%	477.31%	528.20%
Commission's Contributions	None	None	None	None

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

***NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PART III***

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
PUBLIC EMPLOYEES RETIREMENT SYSTEM  
FOR FISCAL YEAR ENDED JUNE 30, 2019

**NET PENSION LIABILITY (SCHEDULES L-1 AND L-2)**

**A. Benefit Changes**

There were none.

**B. Changes in Assumptions**

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

**NET OPEB LIABILITY (SCHEDULE M-1)**

**A. Benefit Changes**

There were none.

**B. Changes in Assumptions**

**NET OPEB LIABILITY (SCHEDULE M-1)**

**C. Benefit Changes**

There were none.

**D. Changes in Assumptions**

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

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
TEACHERS PENSION AND ANNUITY FUND  
FOR FISCAL YEAR ENDED JUNE 30, 2019

**NET PENSION LIABILITY (SCHEDULES L-3 AND L-4)**

**A. Benefit Changes**

There were none.

**B. Changes in Assumptions**

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

**NET OPEB LIABILITY (SCHEDULE M-1)**

**A. Benefit Changes**

There were none.

**B. Changes in Assumptions**

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

***OTHER SUPPLEMENTARY INFORMATION***

**SECTION E – SPECIAL REVENUE FUND  
DETAIL STATEMENTS**

*The Special Revenue Fund is used to account for the proceeds of specific sources (other than expandable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.*

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

	I.D.E.A. Part B	NJ Nonpublic Textbooks Aid	NJ Nonpublic Auxiliary Services		NJ Nonpublic Auxiliary Services ESL	NJ Nonpublic Auxiliary Services		NJ Nonpublic Handicapped Supplemental Instruction
			Compensatory Education	Education		Home Instruction	Instruction	
REVENUE SOURCES:								
State	-	\$ 213,477	\$ 379,885	\$ 9,099	\$ 13,714	\$ 369,941		
Federal	719,600							
Total Revenues	719,600	213,477	379,885	9,099	13,714	369,941		
EXPENDITURES:								
Instruction:								
Salaries of Teachers	564,241		231,396	9,099	13,714	265,929		
Total Instruction	564,241	-	231,396	9,099	13,714	265,929		
Support Services:								
Salaries of Other Professional Staff			92,276			78,926		
Salaries of Secretarial and Clerical Assistants			56,003			24,640		
Personal Services - Employee Benefits			210			360		
Purchased Professional Services	39,352							
Travel								86
Other Purchased Services	116,007	213,477						
Supplies and Materials								
Total Support Services	155,359	213,477	148,489	-	-	104,012		
Facilities Acquisition and Construction Services:								
Instructional Equipment								
Total Facilities Acquisition and Construction Services	-	-	-	-	-	-		
Total Expenditures	719,600	213,477	379,885	9,099	13,714	369,941		
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

	NJ Nonpublic Handicapped Examination Classification	NJ Nonpublic Services Corrective Speech	NJ Nonpublic Nursing Services	NJ Nonpublic Technology Initiative	NJ Nonpublic Security Aid	Grand Total
REVENUE SOURCES:						
State	\$ 487,204	\$ 170,523	\$ 724,014	\$ 254,808	\$ 834,143	\$ 3,456,808
Federal						719,600
Total Revenues	487,204	170,523	724,014	254,808	834,143	4,176,408
EXPENDITURES:						
Instruction:						
Salaries of Teachers	71,115					1,155,494
Total Instruction	-	71,115	-	-	-	1,155,494
Support Services:						
Salaries of Other Professional Staff	199,816	98,981	533,252	12,750		1,016,001
Salaries of Secretarial and Clerical Assistants	68,726					149,369
Personal Services - Employee Benefits	590	342	96,212			97,714
Purchased Professional Services	218,072		31,813			289,237
Travel		80				80
Other Purchased Services		5				91
Supplies and Materials			60,326	242,058	834,143	1,466,011
Total Support Services	487,204	99,408	721,603	254,808	834,143	3,018,503
Facilities Acquisition and Construction Services:						
Instructional Equipment			2,411			2,411
Total Facilities Acquisition and Construction Services	-	-	2,411	-	-	2,411
Total Expenditures	487,204	170,523	724,014	254,808	834,143	4,176,408
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



**SECTION G – PROPRIETARY FUNDS  
DETAIL STATEMENTS**

*Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the district’s board is that the costs of providing goods or services be financed through user charges.*

*Food Services Fund – The fund provides for the operation of food services in all schools within the school district.*

**THIS SECTION HAS ALREADY BEEN INCLUDED IN STATEMENTS B-4, B-5, AND  
B-6.**

**SECTION H – FIDUCIARY FUNDS  
DETAIL STATEMENTS**

*Fiduciary Funds are used to account for funds received by the school district for a specific purpose.*

*Unemployment Insurance Compensation Trust Fund – this expendable trust fund is used to account for deductions from employees' salaries which are utilized to pay unemployment compensation claims as they arise.*

*Scholarship Funds – these are nonexpendable trust funds and limit expenses to the amounts earned on the trust principal.*

*Agency Funds are used to account for assets held by the school district as an agent for individuals, private organizations, other governments and/or other funds.*

*Student Activity Fund – This agency fund is used to account for student funds held at the schools.*

*Payroll Fund – this agency fund is used to account for payroll transactions of the school district.*

BOARD OF EDUCATION  
 EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
 FIDUCIARY FUNDS  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 JUNE 30, 2020

	Student Activity	Payroll Agency	Net Payroll	Total Agency Fund
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ -	\$ 3,430	\$ -	\$ 3,430
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 3,430</b>	<b>\$ -</b>	<b>\$ 3,430</b>
<b>LIABILITIES:</b>				
Payable to Student Groups	\$ -	\$ -	\$ -	\$ -
Accrued Salaries and Benefits			-	-
Payroll Deductions and Withholdings		3,430		3,430
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 3,430</b>	<b>\$ -</b>	<b>\$ 3,430</b>

BOARD OF EDUCATION  
 EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
 FIDUCIARY FUNDS  
 STUDENT ACTIVITY  
 SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Schools	Balance July 1, 2019	Cash Receipts	Cash Disbursements	Balance June 30, 2020
Park Lake	\$ 484	\$ -	\$ 484	\$ -
Regional Day	453	-	453	-
Total	<u>\$ 937</u>	<u>\$ -</u>	<u>\$ 937</u>	<u>\$ -</u>

BOARD OF EDUCATION  
 EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
 FIDUCIARY FUNDS  
 PAYROLL AGENCY FUND  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FISCAL YEAR ENDED JUNE 30, 2020

	<u>Balance July 1, 2019</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2020</u>
Accrued Salaries and Benefits	\$ -	\$ 3,827,211	\$ 3,827,211	\$ -
Payroll Deductions and Withholding	<u>185</u>	<u>2,665,323</u>	<u>2,662,078</u>	<u>3,430</u>
Total Liabilities	<u>\$ 185</u>	<u>\$ 6,492,534</u>	<u>\$ 6,489,289</u>	<u>\$ 3,430</u>

## ***SECTION I – LONG-TERM DEBT SCHEDULES***

***The Long-Term Debt Schedules are used to reflect the outstanding principal balances of the general long-term liabilities of the school district. This includes serial bonds outstanding and obligations under capital leases.***

BOARD OF EDUCATION  
 EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
 LONG TERM DEBT  
 SCHEDULE OF MCIA BONDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Purpose	Date of Issue	Amount of Issue	Annual Maturities of Bonds Outstanding		Interest Rate	Balance June 30, 2019	Retired Current Year	Balance June 30, 2020
			Date	Amount				
COP'S Refunding and Various Improvements to Commission's School Buildings	3/31/2004	\$ 4,940,000	10/1/2020	\$ 230,000	2.090%	\$ 1,420,000	\$ 225,000	\$ 1,195,000
			10/1/2021	235,000	2.090%			
			10/1/2022	240,000	2.090%			
			10/1/2023	240,000	2.090%			
			10/1/2024	250,000	2.090%			
Total						\$ 1,420,000	\$ 225,000	\$ 1,195,000

**STATISTICAL SECTION (UNAUDITED)**

***GASB requires that ten years of statistical data be presented. The following information is presented utilizing information available. Each year thereafter, an additional year's data will be included until ten years of data is presented.***



**Contents**

**Financial Trends**

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

**Revenue Capacity**

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

**Debt Capacity**

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

**Demographic and Economic Information**

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

**Operating Information**

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

**Sources:** *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The district implemented GASB Statement 34 in the fiscal year ending June 30, 2004; schedules presenting district-wide information include information beginning that year.*

***FINANCIAL TRENDS***

BOARD OF EDUCATION  
EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NET ASSETS/POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
*(accrual basis of accounting)*

	Fiscal Year Ending June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Governmental Activities</b>										
Net Investment in Capital Assets/ Invested in capital assets, net of related debt	\$ (6,811,293)	\$ 314,311	\$ 279,609	\$ 264,136	\$ 2,373,513	\$ 2,363,214	\$ 2,266,622	\$ 2,175,030	\$ 2,093,438	\$ 1,993,346
Restricted	259,921	261,257	261,257	255,255	255,255	295,628	524,636	524,636	524,636	524,636
Unrestricted	2,430,980	(4,428,431)	(4,031,838)	(4,430,331)	(4,639,720)	(4,676,642)	1,087,623	1,095,502	1,256,042	2,457,736
Total Governmental Activities Net Assets/Position	<u>\$ (4,120,392)</u>	<u>\$ (3,852,863)</u>	<u>\$ (3,490,972)</u>	<u>\$ (3,910,940)</u>	<u>\$ (2,010,952)</u>	<u>\$ (2,017,800)</u>	<u>\$ 3,878,881</u>	<u>\$ 3,795,168</u>	<u>\$ 3,874,116</u>	<u>\$ 4,975,718</u>
<b>Business-Type Activities</b>										
Net Investment in Capital Assets/ Invested in capital assets, net of related debt	\$ 476,840	\$ 476,840	\$ 573,410	\$ 493,769	\$ 126,788	\$ 253,577	\$ 380,365	\$ 507,154	\$ 353,341	\$ 119,911
Restricted	-	-	-	-	-	-	6,978	6,978	144,360	198,640
Unrestricted	(655,917)	(616,533)	(286,973)	373,293	835,296	544,362	318,635	217,901	272,016	(587,221)
Total Business-Type Activities Net Assets/Position	<u>\$ (179,077)</u>	<u>\$ (139,693)</u>	<u>\$ 286,437</u>	<u>\$ 867,062</u>	<u>\$ 962,084</u>	<u>\$ 797,939</u>	<u>\$ 705,978</u>	<u>\$ 732,033</u>	<u>\$ 769,717</u>	<u>\$ (268,670)</u>
<b>District-wide</b>										
Net Investment in Capital Assets/ Invested in capital assets, net of related debt	\$ (6,334,453)	\$ 791,151	\$ 853,019	\$ 757,905	\$ 2,500,301	\$ 2,616,791	\$ 2,646,987	\$ 2,682,184	\$ 2,446,779	\$ 2,113,257
Restricted	259,921	261,257	261,257	255,255	255,255	295,628	531,614	531,614	668,996	723,276
Unrestricted	1,775,063	(5,044,964)	(4,318,811)	(4,057,038)	(3,804,424)	(4,132,280)	1,406,258	1,313,403	1,528,058	1,870,515
Total District-wide Net Assets/Position	<u>\$ (4,299,469)</u>	<u>\$ (3,992,556)</u>	<u>\$ (3,204,535)</u>	<u>\$ (3,043,878)</u>	<u>\$ (1,048,868)</u>	<u>\$ (1,219,861)</u>	<u>\$ 4,584,859</u>	<u>\$ 4,527,201</u>	<u>\$ 4,643,833</u>	<u>\$ 4,707,048</u>

BOARD OF EDUCATION  
EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
CHANGES IN NET ASSETS/POSITION  
LAST TEN FISCAL YEARS  
(*accrual basis of accounting*)

	Fiscal Year Ending June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Expenses</b>										
Governmental Activities:										
Instruction:										
Regular	\$ 1,155,494	\$ 1,254,097	\$ 1,068,915	\$ 4,715,502	\$ 4,017,730	\$ 3,036,154	\$ 2,519,840	\$ 2,516,032	\$ -	\$ 132,481
Special Education	183,691	1,289,438	1,431,674	-	-	-	-	-	2,760,660	2,665,112
Support Services:										
Tuition	-	-	-	4,002,036	3,469,026	2,992,881	2,708,871	2,823,887	-	-
Student and Instruction Related Services	3,313,446	3,896,746	3,615,036	659,995	554,039	357,766	385,061	346,290	2,589,574	2,709,253
General and Business Administration Services	1,654,300	2,564,403	3,438,325	936,870	734,365	784,179	781,389	899,184	362,730	341,136
School Administrative Services	9,693	195,062	66,380	455,417	427,005	394,660	424,484	409,460	952,784	1,007,248
Plant Operations and Maintenance	405,871	443,890	396,537	17,832,215	17,207,719	16,770,316	16,538,089	16,149,219	402,540	430,991
Pupil Transportation	19,248,420	17,611,930	15,437,531	-	-	-	-	-	14,725,657	14,828,152
Capital Outlay	227,411	217,931	217,103	-	-	59,008	-	-	-	-
Unallocated Depreciation	-	-	-	40,373	-	-	-	-	-	-
Total Governmental Activities Expenses	26,198,326	27,473,497	25,671,501	28,602,035	26,450,257	24,394,964	23,359,290	23,144,072	21,793,945	22,114,373
Business-Type Activities:										
Food Service	30,098	41,038	53,417	51,855	50,480	50,544	58,599	53,418	74,643	82,665
Regional Day School	-	-	2,192,486	2,556,739	2,627,702	2,940,373	3,469,956	3,376,680	3,629,847	3,993,500
Cornerstone College	-	-	-	-	-	-	-	-	-	27,762
DOSS (Formerly BOSS)	-	-	414,554	378,355	347,634	414,421	445,516	283,357	412,906	510,137
Transportation Leasing	-	-	2,334,100	1,595,410	1,175,243	1,084,348	974,398	771,703	1,078,816	1,053,232
Total Business-Type Activities Expenses	30,098	41,038	4,994,557	4,582,359	4,201,059	4,489,686	4,948,469	4,485,158	5,196,212	5,667,296
Total District Expenses	\$ 26,228,424	\$ 27,514,535	\$ 30,666,058	\$ 33,184,394	\$ 30,651,316	\$ 28,884,650	\$ 28,307,759	\$ 27,629,230	\$ 26,990,157	\$ 27,781,669
<b>Program Revenues</b>										
Governmental Activities:										
Charges for Services	\$ 19,932,705	\$ 18,149,674	\$ 15,903,597	\$ 17,909,887	\$ 17,243,077	\$ 17,106,950	\$ 16,912,766	\$ 16,417,352	\$ 15,025,164	\$ 15,058,641
Operating Grants and Contributions	5,518,644	5,925,004	5,977,383	6,177,478	4,909,428	3,288,607	2,678,782	2,741,818	2,686,079	2,466,732
Capital Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities Expenses	25,451,349	24,074,678	21,880,980	24,087,365	22,152,505	20,375,557	19,591,548	19,159,170	17,711,243	17,525,373
Business-Type Activities:										
Charges for Services	2,881	3,485	4,213,620	4,078,361	4,344,032	4,562,711	4,897,559	4,423,167	4,956,884	5,634,072
Operating Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Capital Grants and Contributions	-	-	-	386,612	-	-	-	-	-	-
Total Business-Type Activities Expenses	2,881	3,485	4,213,620	4,464,973	4,344,032	4,562,711	4,897,559	4,423,167	4,956,884	5,634,072
Total District Program Revenues	\$ 25,454,230	\$ 24,078,163	\$ 26,094,600	\$ 28,552,338	\$ 26,496,537	\$ 24,938,268	\$ 24,489,107	\$ 23,582,337	\$ 22,668,127	\$ 23,159,445
<b>Net (Expense)/Revenue</b>										
Governmental Activities	\$ (746,977)	\$ (3,398,819)	\$ (3,790,521)	\$ (4,514,670)	\$ (4,297,752)	\$ (4,019,407)	\$ (3,767,742)	\$ (3,984,902)	\$ (4,082,702)	\$ (4,589,000)
Business-Type Activities	(27,217)	(37,553)	(780,937)	(117,386)	142,973	73,025	(50,910)	(61,991)	(239,328)	(33,224)
Total District-wide Net Expense	\$ (774,194)	\$ (3,436,372)	\$ (4,571,458)	\$ (4,632,056)	\$ (4,154,779)	\$ (3,946,382)	\$ (3,818,652)	\$ (4,046,893)	\$ (4,322,030)	\$ (4,622,224)

BOARD OF EDUCATION  
EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
CHANGES IN NET ASSETS/POSITION  
LAST TEN FISCAL YEARS  
(*accrual basis of accounting*)

	Fiscal Year Ending June 30.									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>General Revenues and Other Changes in Net Assets/Position</b>										
Governmental Activities:										
Other Local Government Units	\$ 709,426	\$ 816,287	\$ 784,172	\$ 1,035,193	\$ 933,214	\$ 1,045,638	\$ 998,593	\$ 1,154,185	\$ 922,205	\$ 1,089,389
Investment Earnings	-	-	-	-	-	6	2	2	7	61
Tuition Revenue	-	2,918,361	3,440,049	3,721,197	3,526,771	3,203,599	2,789,774	2,716,638	3,088,317	3,563,164
Miscellaneous Income	108,459	30,634	18,768	12,094	799	51,419	87,942	59,435	43,814	42,149
Loss on Disposal of Fixed Assets	-	-	-	(2,131,439)	-	-	-	-	-	-
Refunding Debt Increase	-	-	-	-	(135,000)	-	-	-	-	-
Transfer	-	(36,002)	(24,101)	(22,362)	(21,173)	(18,938)	(24,885)	(24,307)	(1,073,244)	(22,246)
Total Governmental Activities	817,885	3,729,280	4,218,888	2,614,683	4,304,611	4,281,724	3,851,426	3,905,953	2,981,099	4,672,517
Business-Type Activities:										
Investment Earnings	-	-	-	-	-	-	-	-	-	27
Transfer	-	36,002	24,101	22,362	21,173	18,938	24,885	24,307	1,077,712	22,246
Total Business-Type Activities	-	36,002	24,101	22,362	21,173	18,938	24,885	24,307	1,077,712	22,273
Total District-wide	\$ 817,885	\$ 3,765,282	\$ 4,242,989	\$ 2,637,045	\$ 4,325,784	\$ 4,300,662	\$ 3,876,311	\$ 3,930,260	\$ 4,058,814	\$ 4,694,790
<b>Change in Net Assets/Position</b>										
Governmental Activities	\$ 70,908	\$ 330,461	\$ 428,367	\$ (1,899,987)	\$ 6,859	\$ 262,317	\$ 83,684	\$ (78,949)	\$ (1,101,603)	\$ 83,517
Business-Type Activities	(27,217)	(1,551)	(756,836)	(95,024)	164,146	91,963	(26,025)	(37,684)	838,387	(10,951)
Total District	\$ 43,691	\$ 328,910	\$ (328,469)	\$ (1,995,011)	\$ 171,005	\$ 354,280	\$ 57,659	\$ (116,633)	\$ (263,216)	\$ 72,566

BOARD OF EDUCATION  
 EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
 FUND BALANCES - GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (modified accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General Fund										
Assigned/Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unassigned/Unreserved	\$ 354,455	\$ 974,769	\$ 1,620,715	\$ 1,738,821	\$ 1,582,264	\$ 1,508,764	\$ 1,269,561	\$ 1,269,559	\$ 1,456,485	\$ 2,663,539
Total General Fund	\$ 354,455	\$ 974,769	\$ 1,620,715	\$ 1,738,821	\$ 1,582,264	\$ 1,508,764	\$ 1,269,561	\$ 1,269,559	\$ 1,456,485	\$ 2,663,539
All Other Governmental Funds										
Assigned/Reserved	\$ 259,921	\$ 261,257	\$ 261,257	\$ 255,255	\$ 295,628	\$ 524,636	\$ 524,636	\$ 524,363	\$ 524,636	\$ 524,636
Unassigned/Unreserved, Reported In:										
Capital Projects Fund	-	-	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	\$ 259,921	\$ 261,257	\$ 261,257	\$ 255,255	\$ 295,628	\$ 524,636	\$ 524,636	\$ 524,363	\$ 524,636	\$ 524,636

BOARD OF EDUCATION  
EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
*(modified accrual basis of accounting)*

Fiscal Year Ending June 30,	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Revenues:</b>										
Local Sources:										
Local Tax Levy	\$ -	\$ -	\$ 784,172	\$ 1,035,194	\$ 933,214	\$ 1,045,638	\$ 988,593	\$ 1,154,185	\$ 922,205	\$ 1,089,389
Tuition	-	2,918,361	3,440,049	3,721,198	3,526,771	3,203,599	2,789,774	2,716,638	3,088,317	3,563,164
Transportation Fees	-	-	15,903,597	17,909,887	17,243,077	17,106,950	16,912,766	16,417,352	15,025,164	15,058,641
Interest In Investments	106,223	27,834	(722,324)	12,093	799	51,419	87,942	59,435	43,814	61
Miscellaneous	4,460,607	4,509,304	4,032,585	3,613,751	3,124,513	2,949,628	2,431,014	2,547,761	2,334,319	42,149
State Sources	719,600	723,348	1,482,184	619,556	514,173	318,979	247,768	194,057	351,760	2,218,857
Federal Sources	5,286,430	8,178,847	24,920,263	26,911,679	25,342,547	24,676,219	23,467,859	23,089,430	21,765,586	247,875
<b>Total Revenues</b>	<b>\$ 11,551,111</b>	<b>\$ 27,757,552</b>	<b>\$ 25,008,266</b>	<b>\$ 26,732,762</b>	<b>\$ 25,288,248</b>	<b>\$ 24,647,087</b>	<b>\$ 23,443,001</b>	<b>\$ 23,252,050</b>	<b>\$ 21,899,397</b>	<b>\$ 22,154,685</b>
<b>Expenditures:</b>										
Instruction:										
Regular	1,155,484	1,254,097	1,068,915	-	-	-	1,556	-	-	132,481
Special Education	-	1,104,789	1,245,126	2,767,896	2,417,455	2,209,935	1,622,541	1,455,493	1,682,186	1,639,177
Support Services:										
Tuition	-	-	-	-	-	-	-	-	-	-
Student and Instructional Related Services	3,313,446	3,896,746	3,615,036	2,922,639	2,587,605	2,535,354	2,212,810	2,330,152	2,076,493	2,188,267
General and Business Administration Services	368,252	588,330	600,307	617,672	600,421	604,532	617,638	719,655	725,346	799,650
School Administrative Services	9,693	195,062	66,380	272,457	248,749	221,232	222,333	152,406	165,795	210,607
Plant Operations and Maintenance	405,871	443,890	396,537	357,979	351,303	368,985	393,571	373,348	375,382	379,235
Pupil Transportation	19,248,420	17,611,930	15,437,531	17,288,382	16,792,755	16,626,575	16,373,585	15,958,300	14,676,610	14,670,959
Employee Benefits	1,822,524	2,460,846	2,361,331	2,272,867	2,030,880	1,851,466	1,833,967	2,107,696	2,024,085	1,982,309
Capital Outlay	227,411	221,862	217,103	232,870	218,707	-	-	-	-	-
Debt Service:										
Interest and Other Charges	-	-	-	-	40,373	229,008	165,000	155,000	173,500	152,000
<b>Total Expenditures</b>	<b>\$ 26,551,111</b>	<b>\$ 27,757,552</b>	<b>\$ 25,008,266</b>	<b>\$ 26,732,762</b>	<b>\$ 25,288,248</b>	<b>\$ 24,647,087</b>	<b>\$ 23,443,001</b>	<b>\$ 23,252,050</b>	<b>\$ 21,899,397</b>	<b>\$ 22,154,685</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(21,264,681)	(19,578,705)	(88,003)	178,917	54,299	29,132	24,858	(162,620)	(133,811)	65,451
<b>Other Financing Sources (Uses):</b>										
Transfer to Food Service	-	(36,002)	(24,101)	(22,362)	(21,173)	(18,944)	(24,857)	(24,309)	(1,073,251)	(22,265)
Transfers In	-	-	-	-	-	6	2	2	7	19
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ (36,002)</b>	<b>\$ (24,101)</b>	<b>\$ (22,362)</b>	<b>\$ (21,173)</b>	<b>\$ (18,938)</b>	<b>\$ (24,855)</b>	<b>\$ (24,307)</b>	<b>\$ (1,073,244)</b>	<b>\$ (22,246)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (21,264,681)</b>	<b>\$ (19,614,707)</b>	<b>\$ (112,104)</b>	<b>\$ 156,555</b>	<b>\$ 33,126</b>	<b>\$ 10,194</b>	<b>\$ 3</b>	<b>\$ (186,927)</b>	<b>\$ (1,207,055)</b>	<b>\$ 43,205</b>
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%	0.16%	0.93%	0.70%	0.67%	0.79%	0.69%
<b>Source: District records</b>										

Note: Noncapital expenditures are total expenditures less capital outlay.  
Central Service and Administrative Information, Technology account classifications were added beginning with year end June 30, 2005.  
Prior to June 30, 2005, Central Service and Administrative Information Technology were combined in Other Support Services as Business and Other Support Services.

BOARD OF EDUCATION  
 EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
 GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE  
 LAST TEN FISCAL YEARS  
*(modified accrual basis of accounting)*

Fiscal Year Ending June 30,	Interest	Prior Year Refunds	Miscellaneous Revenue	Annual Total
2020	\$ -	\$ 70,357	\$ 38,102	\$ 108,459
2019	-	4,760	25,874	30,634
2018	-	588	12,178	12,766
2017	-	-	24,272	24,272
2016	-	-	799	799
2015	6	-	51,419	51,425
2014	2	-	87,942	87,944
2013	2	-	59,435	59,437
2012	7	-	43,814	43,821
2011	-	-	42,149	42,149

Source: District records



***DEMOGRAPHIC AND ECONOMIC INFORMATION***

BOARD OF EDUCATION  
 EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 LAST TEN FISCAL YEARS

<u>Year</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2019	N/A	5.30%
2018	N/A	2.60%
2017	N/A	3.60%
2016	N/A	3.90%
2015	86,582	4.20%
2014	83,876	4.90%
2013	80,783	6.30%
2012	80,013	7.30%
2011	77,213	7.10%
2010	74,473	7.40%

**N/A** At the time of CAFR completion, this data was not yet available

BOARD OF EDUCATION  
 EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
 PRINCIPAL EMPLOYERS  
 CURRENT YEAR AND TEN YEARS AGO

Employer	2020			2011		
	Employees	Rank	Percentage of Total Municipal Employment	Employees	Rank	Percentage of Total Municipal Employment
Company	N/A		N/A	N/A		N/A
Individual	N/A		N/A	N/A		N/A
	-		0.00%	-		0.00%

**N/A** At the time of CAFR completion, this data was not yet available

***OPERATING INFORMATION***

BOARD OF EDUCATION  
 EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
 FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM  
 LAST TEN FISCAL YEARS

Function/Program	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Instruction:										
Regular	-	-	-	-	-	-	-	-	-	4
Special Education	54	55	56	56	50	50	55	57	57	62
Support Services:										
Student and Instruction Related Services	4	4	4	4	5	5	5	4	4	4
General and Business Administration Services	4	4	4	4	4	4	4	4	4	4
School Administrative Services	2	2	4	4	4	4	4	4	4	4
Plant Operations and Maintenance	1	2	2	2	2	2	2	2	2	2
Pupil Transportation	19	18	15	15	15	14	14	13	10	11
<b>Total</b>	<b>84</b>	<b>85</b>	<b>85</b>	<b>85</b>	<b>80</b>	<b>79</b>	<b>84</b>	<b>84</b>	<b>81</b>	<b>91</b>

**Source:** District Personnel Records

**N/A** At the time of CAFR completion, this data was not yet available

BOARD OF EDUCATION  
EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
OPERATING STATISTICS  
LAST TEN FISCAL YEARS

Fiscal Year	Park Lake School Operating Expenditures <sup>a</sup>	Enrollment	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio	Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	Percent Change in Average Daily Enrollment	Student Attendance Percentage
2020	\$ 3,701,045	40.04	\$ 92,434	-13.44%	49	1:2	40.4	37.28	25.50%	92.28%
2019	3,156,197	30.1	104,857	11.69%	59	1:0	30.1	29.24	-100.00%	97.14%
2018	5,574,367	60.2	92,597	2.10%	59	1:0	60.20	54.10	-14.95%	89.87%
2017	6,273,388	69.2	90,656	8.15%	60	1:2	69.20	62.90	-5.92%	90.90%
2016	6,103,332	73.3	83,265	9.50%	55	1:3	73.30	67.70	-7.09%	92.36%
2015	5,915,560	78.5	75,357	-1.51%	55	1:4	78.50	73.00	-2.55%	92.99%
2014	6,157,840	80.5	76,495	2.39%	55	1:5	80.50	72.30	-3.23%	89.81%
2013	6,204,865	83.1	74,667	5.02%	57	1:5	83.10	74.40	-14.68%	89.53%
2012	6,737,386	95.0	70,920	10.31%	57	1:7	95.30	86.60	-17.52%	90.87%
2011	7,123,760	112.0	63,605	-8.67%	67	1:7	112.00	102.90	-7.86%	91.88%

Sources: District records

BOARD OF EDUCATION  
EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
SCHOOL BUILDING INFORMATION  
LAST TEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b><u>Commission Buildings</u></b>										
Park Lake School										
Square Feet	14,190	14,190	14,190	14,190	14,190	14,190	14,190	14,190	14,190	14,190
Capacity (students)	110	110	110	110	110	110	110	110	110	110
Enrollment	0	32.1	39	44	42	36.5	37	39	47	55
Central Park School										
Square Feet	21,590	21,590	21,590	21,590	21,590	21,590	21,590	21,590	21,590	21,590
Capacity (students)	100	100	100	100	100	100	100	100	100	100
Enrollment	18.4	18.4	25	25	31	44	44	44	49	56

Number of Schools at June 30, 2020  
Elementary = 1

**Source: District Facilities Office**

Note: Increases in square footage and capacity are the result of and additions.

Enrollment is based on the annual October District count.

**N/A** At the time of CAFR completion, this data was not yet available

BOARD OF EDUCATION  
 EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
 INSURANCE SCHEDULE  
 JUNE 30, 2020  
 UNAUDITED

A) Property Policy

On File	Blanket, Buildings, Contents
\$5,000,000	Business Interruption/Extra Expense
Sub-Limits:	
\$5,000,000	Earthquake (Annual Aggregate)
	Flood Categories:
\$5,000,000	Flood Zone A - \$500,000 Deductible
\$2,000,000	Flood Zone B - \$100,000 Deductible
\$5,000,000	Flood Zone 3 - \$50,000 Deductible
\$250,000	Debris Removal
\$25,000	Fire Department Service Charge
\$100,000	Pollutants Clean Up and Removal

B) Boilers & Machinery Policy:

\$50,000,000	Blanket
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C) Inland Marine Floater

\$5,000,000	Valuable Papers
\$2,500,000	Electronic Data Processing Equipment
\$250,000	Contractor's Equipment
\$100,000	School Property Coverage
\$250,000	Miscellaneous

D) Liability

\$1,000,000	Automobile
\$1,000,000 /\$2,000,000	General
\$1,000,000	Employee Benefit
\$10,000,000	Umbrella
\$50,000,000	Excess

E) Crime

\$500,000	Blanket Employee Dishonesty
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F) School Board Legal Liability

\$1,000,000	
-------------	--

Source: District records.



***SINGLE AUDIT SECTION***

**BARRE & COMPANY LLC**  
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**Independent Auditor’s 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**

Honorable President and  
Members of the Board of Education  
Educational Services Commission of Morris County  
County of Morris  
Morristown, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Educational Services Commission of Morris County (School District), in the County of Morris, State of New Jersey, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements as listed in table of contents and have issued our report thereon dated February 5, 2021.

**Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**


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

We also noted other matters that we reported to the Board of Trustees of the Educational Services Commission of Morris County in a separate report entitled, Auditor's Management Report on Administrative Findings dated February 5, 2021.

### 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the Office of School Finance, Department of Education, State of New Jersey, and state awarding agencies and pass-through entities, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
BARRE & COMPANY LLC  
Certified Public Accountants  
Public School Accountants

  
Richard M. Barre, CPA  
Public School Accountant  
PSA Number CS-01181

Union, New Jersey  
February 5, 2021

**BARRE & COMPANY LLC**  
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**Independent Auditor’s Report on Compliance for Each Major State Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 15-08**

Honorable President and  
Members of the Board of Education  
Educational Services Commission of Morris County  
County of Morris  
Morristown, New Jersey

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

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

***Management’s Responsibility***

The School District’s management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

***Auditor’s Responsibility***

Our responsibility is to express an opinion on compliance for each of the School District’s major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*; the audit requirements as prescribed by the Office of School Finance,

Department of Education, State of New Jersey; and New Jersey OMB's 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's Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

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

### **Report on Internal Control over Compliance**

Management of Educational Services Commission of Morris County 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 School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey 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 School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a 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 state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

#### **Report on Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB's Circular 15-08**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Educational Services Commission of Morris County, as of and for the fiscal year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements. We issued our report thereon dated February 5, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance as required by the New Jersey OMB's Circular 15-08 are presented for purposed of additional analysis and are not a required part of the basic financial statements. Such information is the responsibilities of management and was derived from and related directly to the underlying accounting and other records used to prepare basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the schedule of expenditures and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.



BARRE & COMPANY LLC  
Certified Public Accountants  
Public School Accountants



Richard M. Barre, CPA  
Public School Accountant  
PSA Number CS-01181

Union, New Jersey  
February 5, 2021



BOARD OF EDUCATION  
EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	FAIN	Grant or State Project Number	Program or Award Amount	Grant Period From To	Balance at June 30, 2019	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Passed Through to Recipients	Adjustments	Repayment Of Prior Years' Balances	Accounts Receivable	Balance at June 30, 2020 Unearned Revenue	Due to Grantor
U.S. Department of Education Passed-through State Department of Education Special Revenue Fund: IDEA, Part B IDEA, Part B Disabilities Cluster: IDEA, Part B Basic Carryover	84.027 84.027	H027A160100 H027A160100	IDEA- 3364 - 20 IDEA- 3364 - 19	\$ 719,600 723,348	7/1/19 6/30/20 7/1/18 6/30/19	\$ - (105,080)	-	\$ 562,063 105,080	\$ (719,600)	-	-	\$ -	(157,537)	\$ -	\$ -
Sub-Total Federal Financial Awards				\$ 667,143		(105,080)		\$ 667,143	(719,600)				(157,537)		

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

BOARD OF EDUCATION  
EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From To	Balance at June 30, 2019			Balance at June 30, 2020			MEMO			
				Unexpended (Accounts Receivable)	Due to Grantor	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments/Repayment of Prior Year's Balance		(Accounts Receivable)	Unexpended Revenue/ Interfund Payable	Due to Grantor
<b>State Department of Education</b>													
<b>Other General Funds:</b>													
On-Behalf TPAF Post-Retirement Medical Contributions	20-495-034-5094-001	\$ 219,885	7/1/19	6/30/20	\$ -	\$ -	\$ 219,885	\$ (219,885)	-	\$ -	-	\$ -	\$ 219,885
On-Behalf TPAF Pension Contributions	20-495-034-5094-002	592,712	7/1/19	6/30/20	-	-	592,712	(592,712)	-	-	-	-	592,712
Reimbursed TPAF - Social Security	19-103-034-5094-003	191,033	7/1/19	6/30/20	(9,052)	-	181,981	(191,033)	(9,536)	-	-	9,536	191,033
On-Behalf TPAF Non-Contributory Insurance	20-495-034-5094-004	169	7/1/19	6/30/20	-	-	169	(169)	-	-	-	-	169
<b>Total General Fund</b>					(9,052)	-	1,003,315	(1,003,799)	(9,536)	-	-	9,536	1,003,799
<b>Special Revenue Fund:</b>													
Non-Replicable Aid:													
Textbook Aid	20-100-034-5120-064	213,477	7/1/19	6/30/20	-	-	213,477	(213,477)	-	-	306	(306)	213,477
Nursing Services	19-100-034-5120-070	724,014	7/1/19	6/30/20	(4,257)	-	713,718	(724,014)	(11,151)	-	855	10,296	724,014
Technology Initiative	20-100-034-5120-070	254,808	7/1/19	6/30/20	(1,709)	-	255,182	(254,808)	-	-	374	(374)	254,808
Security Aid	20-100-034-5120-373	281,933	7/1/19	6/30/20	(3,019)	-	780,009	(834,143)	(72,839)	-	18,705	54,134	834,143
Auxiliary Services:													
Compensatory Education	20-100-034-5120-067	379,885	7/1/19	6/30/20	(64,552)	-	303,674	(379,885)	(76,211)	-	-	76,211	379,885
English as a Second Language	20-100-034-5120-067	397,709	7/1/19	6/30/20	(1,105)	-	9,099	(9,099)	-	-	-	-	9,099
Home Instruction	20-100-034-5120-067	15,012	7/1/19	6/30/20	(946)	-	13,714	(13,714)	-	-	-	-	13,714
Indivdual Services:													
Examination and Classification	20-100-034-5120-066	487,204	7/1/19	6/30/20	(163,939)	-	305,042	(487,204)	(182,162)	-	-	182,162	487,204
Corrective Speech	20-100-034-5120-066	170,523	7/1/19	6/30/20	(28,906)	-	138,442	(170,523)	(32,081)	-	-	32,081	170,523
Supplemental Instruction	20-100-034-5120-066	369,941	7/1/19	6/30/20	(54,440)	-	300,486	(369,941)	(69,455)	-	-	69,455	369,941
<b>Total Special Revenue Fund</b>					(428,507)	-	3,481,656	(3,456,808)	(443,899)	-	20,240	423,659	3,456,808
<b>Total State Financial Assistance</b>					(437,559)	-	4,464,971	(4,460,607)	(453,435)	-	20,240	433,195	4,460,607
<b>State Financial Assistance Not Subject to Major Program Determination:</b>													
On-Behalf TPAF Post-Retirement Medical Contributions	20-495-034-5094-001	219,885	7/1/19	6/30/20	-	-	(219,885)	219,885	-	-	-	-	(219,885)
On-Behalf TPAF Pension Contributions	20-495-034-5094-002	592,712	7/1/19	6/30/20	-	-	(592,712)	592,712	-	-	-	-	(592,712)
On-Behalf TPAF Non-Contributory Insurance	20-495-034-5094-004	169	7/1/19	6/30/20	-	-	(169)	169	-	-	-	-	(169)
<b>Total On-Behalf TPAF Pension System Contributions</b>							(812,766)	812,766	-	-	-	-	(812,766)
<b>Total State Financial Assistance Subject to Major Program Determination</b>					(437,559)	-	3,652,205	(3,647,841)	(453,435)	-	20,240	433,195	3,647,841

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE  
FINANCIAL ASSISTANCE  
JUNE 30, 2020**

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**NOTE 1. GENERAL**

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Board of Education, Educational Services Commission of Morris County. The Board of Education is defined in Note 1 to the board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedules of expenditures of federal awards and state financial assistance.

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the board's basic financial statements. The information in this schedule is presented in accordance with the requirements of 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's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements. This does not apply to charter schools as districts are not permitted to defer the June payments to charter schools.

**NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes payments are not recognized until the subsequent

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE  
FINANCIAL ASSISTANCE  
JUNE 30, 2020**

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**NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

budget year due to the state deferral and recording of the one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or more June state aid payment in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is none for the general fund and none for the special revenue fund. See Notes to the Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the board's basic financial statements on a GAAP basis as presented below:

	Federal	State	Total
General Fund	\$ -	\$ 1,003,799	\$ 1,003,799
Special Revenue Fund	719,600	3,456,808	4,176,408
Food Service Fund	-	-	-
Total Awards & Financial Assistance	<u>\$ 719,600</u>	<u>\$ 4,460,607</u>	<u>\$ 5,180,207</u>

**NOTE 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.

**NOTE 5. FEDERAL AND STATE LOANS OUTSTANDING**

Educational Services Commission of Morris County has no loan balances outstanding at June 30, 2020.

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE  
FINANCIAL ASSISTANCE  
JUNE 30, 2020**

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**NOTE 6. OTHER**

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amounts reported as TPAF Pension Contributions, TPAF Post-Retirement Medical Contributions, and TPAF Long-Term Disability Insurance Contributions represent the amount paid by the State on behalf of the school district for the year ended June 30, 2020. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2020.

**NOTE 7. ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT**

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

**NOTE 8. INDIRECT COST RATE**

The Educational Services Commission of Morris County has elected not to use the 10 percent de minimis Indirect Cost Rate as allowed under the Uniform Guidance.

**NOTE 9. SCHOOLWIDE PROGRAM FUNDS**

Schoolwide programs are not separate federal programs as defined in the Uniform Guidance; amounts used in schoolwide programs are included in the total expenditures of the program contributing the funds in the Schedule of Expenditures of Federal Awards.

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditors’ report issued on financial statements Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified?  Yes  No

2) Significant deficiencies identified that are not considered to be material weaknesses?  Yes  None Reported

Noncompliance material to basic financial statements noted?  Yes  No

**Federal Awards – N/A**

**State Awards**

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

Auditee qualified as low-risk auditee?  Yes  No

Internal control over major programs:

1) Material weakness(es) identified?  Yes  No

2) Significant deficiencies identified that are not considered to be material weaknesses?  Yes  None Reported

Type of auditors’ report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 15-08?  Yes  No

Identification of major state programs:

<b>GMIS Number(s)</b>	<b>Name of State Program</b>
<u>20-100-034-5120-070</u>	<u>N.J. Nonpublic Aid-Nursing Services</u>
<u>20-100-034-5120-509</u>	<u>N.J. Nonpublic Aid-Security Aid</u>
<u>20-100-034-5120-0766</u>	<u>N.J. Nonpublic Aid-Handicapped Services</u>

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

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***Section II – Financial Statement Findings – N/A***

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* requires reporting in the Uniform Guidance audit. See paragraphs 13.15 and 13.35.

**Finding**

There were no matters reported.

***Section III – Schedule of Federal and State Award  
Findings and Questioned Costs As Prepared By Management – N/A***

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

**STATE AWARDS**

**Findings**

There were no matters reported.

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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**STATUS OF PRIOR YEAR FINDINGS – N/A**

This section identifies the status of prior year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, Uniform Guidance (.511(a)(b)) and NJOMB's Circular 15-08, as amended.

**Findings**

There were no matters reported.