

**Comprehensive Annual
Financial Report**

of the

Somerset County Educational Services Commission

County of Somerset

Bridgewater, New Jersey

For the Fiscal Year Ended June 30, 2020

Prepared by

**Somerset County Educational Services Commission
Finance Department**

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INTRODUCTORY SECTION



Somerset County Educational Services Commission

www.sc.esc.k12.nj.us

991 Route 22 West, Suite 301 • Bridgewater, NJ • 08807

Phone: 908-707-0070 • Fax: 908-429-3947

Harold Dunsavage

Superintendent

Daniel Kerr

Assistant Superintendent

Jeffrey Slipola

Business Administrator

Board Secretary

December 17, 2020

Honorable President and
Members of the Representative Assembly/ Board of Directors
Somerset County Educational Services Commission
991 Route 22 West, Suite 301
Bridgewater, NJ 08807

Dear Representative Assembly/Board of Directors:

The Comprehensive Annual Financial Report of the Somerset County Educational Services Commission 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 Representative Assembly/Board of Directors. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the Commission. All disclosures necessary to enable the reader to gain an understanding of the Commission's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical, and single audit. The introductory section includes this transmittal letter, the Commission's organizational chart and a list of principal officials. The financial section includes the basic financial statements and required supplemental information, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The Commission is required to undergo an annual single audit in conformity with the audit requirements of Title 2 U.S. Code of Federal regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance), and the State Treasury Circular Letter 15-08 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations are included in the single audit section of this report.

1) **REPORTING ENTITY AND ITS SERVICES:** Somerset County Educational Services Commission is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds and account groups of the Commission are included in this report. The Somerset County Educational Services Commission and its schools constitute the Commission's reporting entity.

The Commission provides a full range of educational services appropriate to grade level pre-K through 12, as well as staff development for educators. These services include students in special and general education programs. All public school districts in Somerset County are members of the Commission, and various out-of-county districts also request to use our programs and services.

2) **ECONOMIC CONDITION AND OUTLOOK:** The Somerset County Educational Services Commission continues expanding and diversifying its services. This expansion and diversification, in conjunction with reviewing efficiency and budgeting for each established program, are expected to continue in order for the Commission to operate within its anticipated budget. The Commission continues to assist school districts maximize their assets, share services, and expand their educational options.

3) **MAJOR INCENTIVES:** In an effort to meet district needs, the Commission worked on developing an alternative education program for therapeutic and substance recovery students in grades 5-12 to be called New Dawn Academy for the 2019-2020 school year. The program's maxim is "Where every day is a new beginning for a better future." The goal of New Dawn Academy is for students to develop the skills they need for long term success in all aspects of their life. We created a culture of positive learning that encourages student participation in a supportive, small classroom setting. Rutgers University Behavioral Health clinicians are on site to provide students with the mental health support they need. On Tuesday, November 26, 2019 we welcomed our first New Dawn Academy student!

Our culinary kitchen renovations are complete were ready for the start of the 2019-2020 school year. Staff toured similar culinary arts programs in other districts for the purposes of esthetics, curriculum, and suggestions. The program was a success and enjoyed throughout all grade levels.

On Thursday, December 5, 2019 Assistant Superintendent Dan Kerr presented "Walking Down the Long and Winding Road" at the 2019 Annual Association of Educational Services Agencies (AESA) Conference in Phoenix, Arizona. Mr. Kerr talked about the new and innovative programs and services that the Somerset County ESC offers to our districts as well as the processes used in their development. This was the third year that the Somerset County ESC has had the honor to present at this national conference.

The Commission continued to offer rental of our full size gymnasium. From colleges and universities to municipal and philanthropic organizations, our state of the art gymnasium has met our renter's needs in both room and technology. Facility renters included: Rally Social Sports for adult basketball leagues, BAM Social Sports for various leagues, Sussex County ESC to host Google training, the Somerset County Department of Education for numerous meetings.

In conjunction with the Somerset County Office of the Executive County Superintendent of Schools, the Commission was pleased to announce the investigation of establishing a Students with Limited/Interrupted Formal Education (SLIFE) program. On Friday, January 10, 2020 we met with North Plainfield Superintendent Michelle Aquino and Somerville Superintendent Timothy Teehan to develop survey questions to assess districts needs for the County Office's review.

As President of the New Jersey Council of Educational Services Commissions (NJCESC) I implemented monthly meetings to discuss collaborations between member ESC's. These partnerships would provide sending districts with additional service options while forming stronger individual ESC programs.

The Commission held three additional complimentary Lunch & Learns on October 18, 2019, November 22, 2019 and December 13, 2019. School districts in attendance included: Branchburg, Carteret, Delaware Valley Regional High School, Dunellen, Montgomery High School, Plainfield, and South Brunswick. At the Lunch & Learns mindfulness meditation benefits were discussed, followed by a tour of our school, and ending with a delicious luncheon. Lunch & Learns have created excellent networking opportunities developing relationships with school districts and proved to have a positive effect on the number of our student intakes.

The Commission continues to offer rental of our full size gymnasium. From colleges and universities to municipal and philanthropic organizations, our state of the art gymnasium has met our renter's needs in both room and technology. Facility renters include: Rally Social Sports for adult basketball leagues, BAM Social Sports for various leagues, Sussex County ESC to host Google training, the Somerset County Department of Education for numerous meetings.

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

As a recipient of funds from Somerset County school districts, the Commission also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the Commission management.

As part of the Commission's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal awards 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 those budgetary controls is to ensure compliance with legal provisions embodied in the annual budget. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

6) **ACCOUNTING SYSTEM AND REPORTS:** The Commission's accounting records reflect U.S. generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the Commission 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) **FINANCIAL INFORMATION AT FISCAL YEAR-END:** As demonstrated by the various statements and schedules included in the financial section of this report, the Commission continues meeting its responsibility for sound financial management. You should review in detail the management's discussion and analysis for the fiscal year ended June 30, 2020, for Financial Summaries.

8) **CASH MANAGEMENT:** The investment policy of the Commission is guided in large part by state statute as detailed in "Notes to the 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 funds are secured in accordance with the Act.

9) **RISK MANAGEMENT:** The Board carries various forms of insurance, including but not limited to general liability, automobile liability, workers' compensation, errors and omission, automotive comprehensive and collision, hazard and theft 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 Board of Directors selected the accounting firm, Suplee, Clooney & Company CPAs. In addition to meeting the requirements set forth in State statutes, the audit also was designated to meet the requirements of the Single Audit Act as amended and the related Uniform Guidance and State Treasury Circular Letter 15-08. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

11) **ACKNOWLEDGMENT:** Suplee, Clooney & Company is acknowledged for its review of the Business Office operations and for financial advisory services.

Appreciation is expressed to the members of the Commission's Board of Directors for their concern for providing fiscal accountability to the districts that use the Commission's services and thereby contributing their support to the development and maintenance of our financial operation. Special appreciation is expressed to the members of the Representative Assembly/Board of Directors and Commission staff for their dedication, time, and hard work in an effort to move the Commission forward in 2020-2021 during these challenging economic times.

Respectfully submitted,



Harold Dunsavage, Superintendent

Honorable President and Members of the Representative Assembly/ Board of Directors

**SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
 ROSTER OF OFFICIALS
 JUNE 30, 2020**

Board of Directors/Representative Assembly

District

Jennifer Giordano	Bedminster
Karen Gray (Karen Richman - Alt.)	Bernards
Lizeth Martinez	Bound Brook
Jonathan Sarles	Branchburg
Barry Walker	Bridgewater-Raritan
<i>Vacancy</i>	Franklin
<i>Vacancy</i>	Green Brook
Judith Haas	Hillsborough
Lou Petzinger (Sharon Liszczak - Alt.)	Manville
<i>Vacancy</i> (Dr. Biren Saraiya - Alt.)	Montgomery
Willie Vick (Sandra Dodd - Alt.)	North Plainfield
Gretchen Dempsey	Somerset Hills
<i>Vacancy</i> (Dr. Chrys Harttraft - Alt.)	Somerset Vo-Tech
Daniel Puntillo, Jr.	Somerville
Dr. Lorise Goeke	South Bound Brook
Mark Bisci (Patricia Zohn - Alt.)	Warren
Gail Tafaro O'Donnell	Watchung
Peter Fallon	Watchung Hills Regional

Executive Committee

Position

Daniel Puntillo, Jr.	President
Judith Haas	Vice-President
Barry Walker	Member
Peter Fallon	Executive Committee Alternate
Vacancy	Executive Committee Alternate

Other Officials

Harold Dunsavage	Superintendent
Daniel Kerr	Assistant Superintendent/Principal
Jeffrey Siipola	Business Administrator
Dr. Nicholas Celso, III Esq.	Attorney

**SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
CONSULTANTS AND ADVISORS
June 30, 2020**

Audit Firm

Suplee, Clooney & Company
Certified Public Accountants
308 East Broad Street
Westfield, New Jersey 07090-2122

Attorney

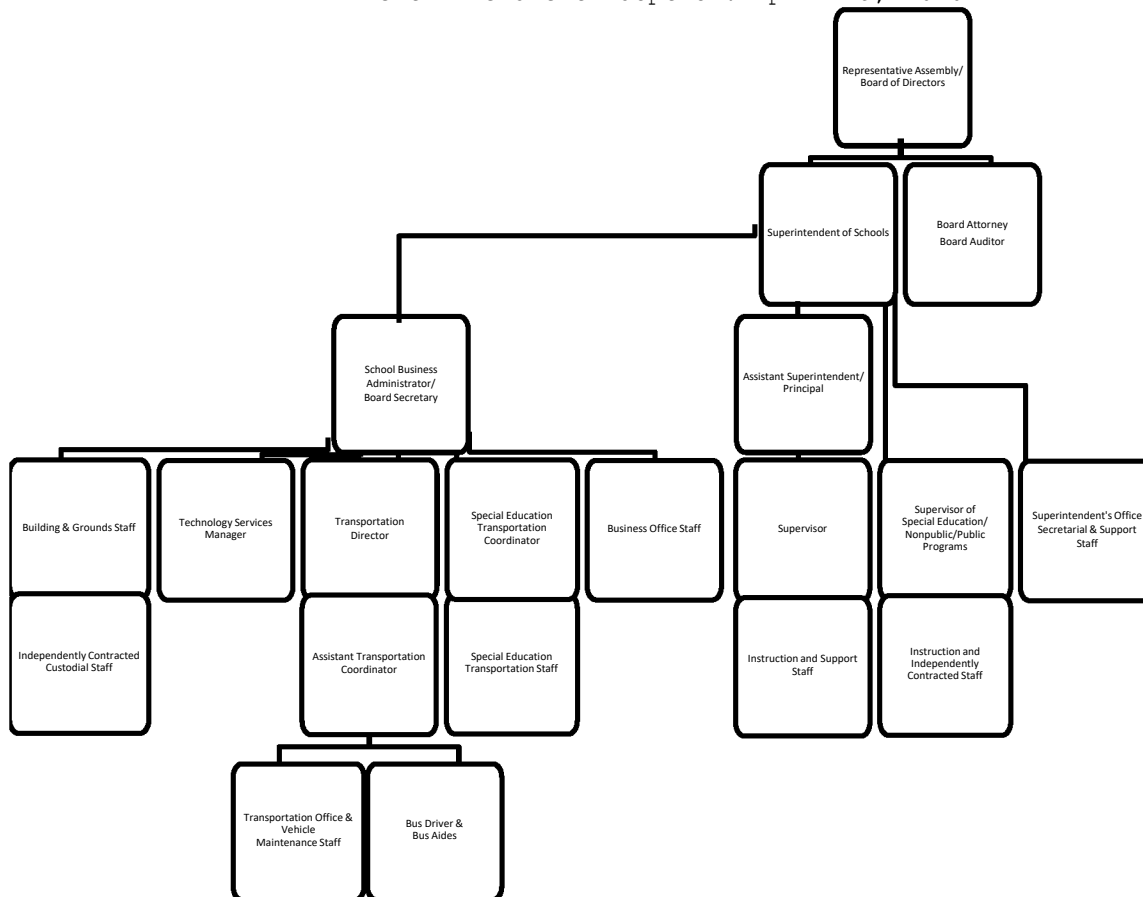
Nicholas Celso, Esq.
Busch Law Group, LLC
450 Main Street
Metuchen, New Jersey 08840

Official Depository

TD North Bank
50 West Main Street
Somerville, New Jersey 08876

1110 ORGANIZATIONAL CHART

Adoption: February 18, 2009
 Amendment First Reading: August 12, 2010
 Amendment Adoption: October 14, 2010
 Second Amendment First Reading: June 2, 2011
 Second Amendment Adoption: August 7, 2011
 Third Amendment First Reading: December 8, 2011
 Third Amendment Adoption: February 16, 2012
 Fourth Amendment First Reading: April 11, 2013
 Fourth Amendment Adoption: June 6, 2013
 Fifth Amendment First Reading: April 10, 2014
 Fifth Amendment Adoption: June 5, 2014
 Sixth Amendment First Reading: October 5, 2016
 Sixth Amendment Adoption: December 7, 2016
 Seventh Amendment First Reading: April 5, 2017
 Seventh Amendment Adoption: June 7, 2017
 Eighth Amendment First Reading: August 7, 2019
 Eighth Amendment Adoption: October 2, 2019
 Ninth Amendment First Reading: December 4, 2019
 Ninth Amendment Adoption: February 5, 2020
 Tenth Amendment First Reading: April 7, 2020
 Tenth Amendment Adoption: April 29, 2020



FINANCIAL SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300

Fax 908-789-8535

E-mail info@scnco.com

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Directors
Somerset County Educational Services Commission
County of Somerset
Bridgewater, New Jersey 08807

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 Somerset County Educational Services Commission, in the County of Somerset, State of New Jersey (the "Commission") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the State of New Jersey *OMB Circular 15-08* "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

SUPLEE, CLOONEY & COMPANY

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 Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information in Exhibit C-1 through C-3, the schedules related to accounting and reporting for pensions in Exhibit L-1 through L-4 and the schedule related to accounting and reporting for postretirement benefits other than pensions (OPEB) in Exhibit M-1 and M-2 are presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

SUPLEE, CLOONEY & COMPANY

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying supplementary information schedules such as the introductory section, combining statements and individual fund financial statements, the statistical section and the Schedules of Expenditures of Federal Awards and State Financial Assistance, as listed in the table of contents, as required by State of New Jersey's OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid," and the State of New Jersey, Department of Education, Division of Finance, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and the Schedules of Expenditures of Federal Awards and State Financial Assistance, as listed in the table of contents, as required by State of New Jersey's OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid," and the State of New Jersey, Department of Education, Division of Finance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and the schedule 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 other information, such as the introductory and statistical sections, has 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 December 17, 2020 on our consideration of the Somerset County Educational Services Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commission's internal control over financial reporting and compliance.


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 962

December 17, 2020

REQUIRED SUPPLEMENTARY INFORMATION – PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
SOMERSET COUNTY, NEW JERSEY

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

The Management's Discussion and Analysis of the Somerset County Educational Services Commission (the "Commission") offers readers of the Commission's financial statements a narrative overview of the financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the Commission's financial performance as a whole; therefore, readers should also review the transmittal letter at the front of this report, along with the Commission's financial statements and notes to the financial statements to enhance their understanding of the Commission's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the Required Supplementary Information (RSI) specified in the Governmental Accounting Standards Board's (GASB) Statement Number 34, Basic Financial Statements and Management's Discussion and Analysis of State and Local Governments. Certain comparative information between the current fiscal year (2019-2020) and the prior fiscal year (2018-2019) is required to be presented in the MD&A.

Financial Highlights

In the Commission-Wide Financial Statements:

- Net position of Governmental Activities increased \$1,349,306.51
- Net position of the Business-type Activities decreased \$1,741.10.

In the Major Fund Financial Statements:

- Governmental fund expenditures exceed revenues by \$306,086.53.
- Among governmental funds, the General Fund's fund balance decreased \$306,086.53.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
SOMERSET COUNTY, NEW JERSEY

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

Overview of the Financial Statements

This Comprehensive Annual Financial Report ("CAFR") consists of three parts: Management's Discussion and Analysis (this section), The Basic Financial Statements, and Required Supplementary Information. The Basic Financial Statements include two kinds of statements that present different views of the Commission, Commission-wide Financial Statements and Fund Financial Statements.

- Commission-Wide Financial Statements provide both short-term and long-term information about the Commission's overall financial status.
- Major Fund Financial Statements report the Commission's operations in more detail than the Commission-wide statements on individual parts of the Commission, the Governmental Funds, Proprietary Funds and Fiduciary Funds.
- Governmental Funds Statements tell how basic services such as instruction were financed in the short-term as well as what remains for future spending.
- Proprietary Funds Statements offer short and long-term financial information about the activities the Commission operates like a business, which include food services and the Career Center.
- Fiduciary Funds Statements provide information about the financial relationships in which the Commission acts solely as a trustee or agent for the benefit of others.

The notes to financial statements are also included, which are an integral part of the financial statements. The information in the notes provides detailed data on the Commission's financial operations.

Required supplementary information further explains and supports the financial statements with a comparison of the Commission's budget for the year

Commission-Wide Financial Statements

The Commission-Wide Financial Statements report information about the Commission as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Commission's assets and liabilities. All current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or disbursed.

The Commission-Wide Financial Statements report the Commission's net position and how they have changed. Net position, the difference between the Commission's assets and liabilities, is one way to measure the Commission's financial health or position. Over time, increases or decreases in the Commission's net position are an indicator of whether its financial position has improved or diminished. The causes of this change may be a result of many factors, some financial and some not.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
SOMERSET COUNTY, NEW JERSEY

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

In the Commission-Wide Financial Statements, the Commission's activities are divided into two categories, governmental and business-type activities.

- Governmental activities - All of the Commission's programs and services are reported here including, but not limited to instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities. Tuition and transportation fees finance most of these activities.
- Business-Type activities - These services are provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. Commission charges fees to help it cover the costs of certain services it provided. The food service activities and Career Center are reported as business activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Commission's funds, focusing on major funds. Funds are accounting devices the Commission uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law and by bond covenants. The Commission establishes other funds to control and manage money for particular purposes (i.e., long-term debt) or to show that it is properly using certain restricted revenues (i.e., entitlement grants).

The Commission maintains three financial funds:

- Governmental Funds: The Commission's activities reported in governmental funds 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 that measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Commission's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the government-wide Statement of Net Position and Statement of Activities) and governmental funds statements is reconciled in the financial statements.
- Proprietary Funds: Services for which the Commission charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Commission-wide financial statements. The Commission's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flow.
- Fiduciary Funds: The Commission is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds. The Commission is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The Commission excludes these activities from the Commission-wide financial statements because it cannot use these assets to finance its operations.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
SOMERSET COUNTY, NEW JERSEY

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

Financial Analysis of the Commission as a Whole

Table 1 below reflects the Commission's net position as a whole.

**Table 1
Statement of Net Position**

	<u>FY 2020</u>	<u>FY 2019</u>
ASSETS		
Current and Other Assets	\$13,701,412.19	\$13,684,906.39
Capital Assets	<u>18,038,953.55</u>	<u>17,807,503.60</u>
Total Assets	<u>31,740,365.74</u>	<u>31,492,409.99</u>
DEFERRED OUTFLOWS		
Related to Pensions	<u>983,199.00</u>	<u>1,453,402.00</u>
LIABILITIES		
Current Liabilities	3,303,895.16	1,728,049.92
Long-Term Liabilities	<u>18,618,553.46</u>	<u>21,512,476.08</u>
Total Liabilities	<u>21,922,448.62</u>	<u>23,240,526.00</u>
DEFERRED INFLOWS		
Related to Pensions	3,225,041.00	3,447,030.00
Related to Refunding Debt	<u>249,273.84</u>	<u>279,020.12</u>
Total Deferred Inflows	<u>3,474,314.84</u>	<u>3,726,050.12</u>
NET POSITION		
Net Investment in Capital Assets	4,793,136.25	3,772,717.57
Restricted	-	
Unrestricted	<u>2,533,665.03</u>	<u>2,206,518.30</u>
Total Net Position	<u><u>\$7,326,801.28</u></u>	<u><u>\$5,979,235.87</u></u>

The Commission's combined net position was \$7,326,801.28 on June 30, 2020. The Commission's investment in capital assets is shown net of any related debt used to acquire those assets.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
SOMERSET COUNTY, NEW JERSEY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
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Table 2 shows changes in net position for fiscal years 2020 and 2019.

	<u>FY 2020</u>	<u>FY 2019</u>
Revenue:		
Program Revenue:		
Charges for Services	\$16,491,486.08	\$18,103,856.55
Operating Grants and Contributions	2,274,314.06	2,955,286.52
General Revenue:		
Tuition	6,961,007.63	6,791,267.30
Other	836,049.71	419,141.65
	<u>26,562,857.48</u>	<u>28,269,552.02</u>
Total Revenue		
Expenses:		
Instruction	3,955,870.16	4,878,908.66
Student and Instructional Related Services:	1,605,366.12	1,537,149.98
Administrative and Business	2,677,928.96	2,923,593.11
Maintenance and Operations	1,008,646.85	1,224,611.10
Transportation	15,552,424.95	16,611,241.55
Other	72,760.11	111,894.87
Depreciation	342,294.92	348,280.28
	<u>25,215,292.07</u>	<u>27,635,679.55</u>
Total Expenses		
Increase/(Decrease) in Net Position	<u>1,347,565.41</u>	<u>633,872.47</u>
Net Position July 1,	5,979,235.87	5,345,363.40
Net Position June 30,	<u>\$7,326,801.28</u>	<u>\$5,979,235.87</u>

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Both revenues and expenses decreased mainly as a result of the Commission's transportation services programs offered to other districts.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
SOMERSET COUNTY, NEW JERSEY

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

Sources of Revenue for Fiscal Year 2020

The Commission's total revenue for the 2019-2020 school year was \$26,562,857.48 as reflected in Table 3 below. Charges for services accounted for 62.08%, operating grants and contributions accounted for 8.56% tuition fees accounted for 26.21% of the total revenue with the other 3.15% consisting of miscellaneous sources.

**Table 3
Sources of Revenue for Fiscal Year 2020**

<u>Sources of Revenue</u>	<u>Amount</u>	<u>Percentage</u>
Charges for Services	\$16,491,486.08	62.08%
Operating Grants and Contributions	2,274,314.06	8.56%
Tuition	6,961,007.63	26.21%
Miscellaneous	836,049.71	3.15%
	<u>\$26,562,857.48</u>	<u>100.00%</u>

Expenses for the Fiscal Year 2020

The total expenses for the 2019-2020 fiscal year for all programs and services were \$25,215,292.07. Table 4 below summarizes these program costs.

**Table 4
Expenses for Fiscal Year 2020**

<u>Expense Category</u>	<u>Amount</u>	<u>Percentage</u>
Instruction	\$3,955,870.16	15.69%
Student and Instructional Related Service:	1,605,366.12	6.37%
Administrative and Business	2,677,928.96	10.62%
Maintenance and Operations	1,008,646.85	4.00%
Transportation	15,552,424.95	61.68%
Other	72,760.11	0.29%
Depreciation	342,294.92	1.35%
	<u>\$25,215,292.07</u>	<u>100.00%</u>

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
SOMERSET COUNTY, NEW JERSEY

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

The Commission's expenses are predominantly related to instructing, providing services and transporting students. Administrative and business expenses account for the costs of the Office of the Superintendent of Schools, the Business Office, and the Principal's Office. Maintenance and operations account for the costs of keeping the school buildings and grounds safe, clean and in good operating condition, and includes all the utility costs related to the school facilities. Other costs include interest on long-term debt, unallocated depreciation expense and the costs of the business-type activities of the proprietary funds. It is important to note that depreciation expense on capital assets is included in expenses for the year under the GASB entity-wide reporting model; expenses therefore include \$1,010,251.16 for depreciation.

Governmental Activities

Table 5 presents the net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs) of eight major Commission activities: instruction, student and instructional services, administration and business, maintenance and operations, transportation, interest on long-term debt, other and depreciation.

Table 5
Net Cost of Governmental Activities

<u>Function/Program</u>	<u>FY2020</u>		<u>FY2019</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Instruction	\$2,557,242.48	39.65%	\$3,022,468.92	45.96%
Student and Instructional Related Services	995,299.69	15.43%	802,797.92	12.21%
Administrative and Business	2,460,375.26	38.15%	2,632,754.38	40.03%
Maintenance and Operations	1,008,646.85	15.64%	1,224,611.10	18.62%
Transportation	(934,182.41)	-14.48%	(1,481,452.65)	-22.53%
Other	19,815.14	0.31%	27,076.54	0.41%
Depreciation	342,294.92	5.31%	348,280.28	5.30%
	<u>\$6,449,491.93</u>	<u>100.00%</u>	<u>\$6,576,536.49</u>	<u>100.00%</u>

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
SOMERSET COUNTY, NEW JERSEY

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

Capital Assets

At the end of the fiscal year 2020, the Commission had \$18,038,953.55 invested in land, building, machinery and equipment. Table 6 shows fiscal year 2020 balances compared to 2019.

**Table 6
Capital Assets (Net of Depreciation)**

Capital Assets (Net of Depreciation)	June 30 <u>2020</u>	June 30 <u>2019</u>
Sites	\$1,754,238.00	\$1,754,238.00
Site Improvements		282.50
Building and Building Improvements	12,488,411.49	12,803,585.23
Machinery and Equipment	<u>3,796,304.06</u>	<u>3,249,397.87</u>
Total	<u><u>\$18,038,953.55</u></u>	<u><u>\$17,807,503.60</u></u>

Debt Administration

At June 30, 2020, the Commission had \$18,618,553.46 of outstanding long-term debt, consisting of capital leases, compensated absences and net pension liability. The Commission will continue to pay down its debt, as the obligations are due. Table 7 reflects the comparison of outstanding debt for the past two fiscal years. More information of the Commission's long-term debt is presented in Note 4 to the financial statements.

**Table 7
Long-Term Debt**

	<u>FY 2020</u>	<u>FY 2019</u>
Capital Leases	\$12,996,543.46	\$14,971,351.13
Compensated Absences	202,047.00	227,353.95
Net Pension Liability	<u>5,419,963.00</u>	<u>6,313,771.00</u>
	<u><u>\$18,618,553.46</u></u>	<u><u>\$21,512,476.08</u></u>

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
SOMERSET COUNTY, NEW JERSEY

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

Contacting the Commission's Financial Management Office

This financial report is designed to provide SCESC member school Commissions, Commission Board members, Board of Directors, and the general public with an overview of the Somerset County Educational Services Commission's business activities for the fiscal year. To contact the business office, call or write to Jeff Siipola, Business Administrator, or Harold Dunsavage, Superintendant, Somerset County Educational Services Commission, 991 Rt. 22 West, Suite 102, Bridgewater, New Jersey 08807 or (908) 707-1640.

BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the Commission's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2020.

COMMISSION-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities display information about the Commission. 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 activities of the Commission.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2020

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
ASSETS:			
Cash and cash equivalents	\$8,370,266.82	\$1,006.36	\$8,371,273.18
Receivables, net	5,190,460.39	14,249.83	5,204,710.22
Prepaid expenses	105,588.12		105,588.12
Interfund receivable	13,583.57	330.78	13,914.35
Restricted assets:			
Restricted cash and cash equivalents	5,926.32		5,926.32
Capital assets:			
Land and Construction in Progress	1,754,238.00		1,754,238.00
Other capital assets, net of depreciation	16,284,715.55		16,284,715.55
Total Assets	31,724,778.77	15,586.97	31,740,365.74
DEFERRED OUTFLOW OF RESOURCES:			
Related to pension	983,199.00		983,199.00
	983,199.00		983,199.00
LIABILITIES:			
Accounts payable	3,096,845.70		3,096,845.70
Interfund payables		19,300.35	19,300.35
Unearned revenue	6,276.08		6,276.08
Accrued interest on leases payable	181,473.03		181,473.03
Noncurrent liabilities:			
Due within one year:			
Capital leases payable	1,947,611.45		1,947,611.45
Due beyond one year:			
Compensated absences payable	202,047.00		202,047.00
Capital leases payable	11,048,932.01		11,048,932.01
Net pension liability	5,419,963.00		5,419,963.00
Total liabilities	21,903,148.27	19,300.35	21,922,448.62
DEFERRED INFLOW OF RESOURCES:			
Related to pension	3,225,041.00		3,225,041.00
Related to Refunding of Debt	249,273.84		249,273.84
	3,474,314.84		3,474,314.84
NET POSITION:			
Net investment in capital assets	4,793,136.25		4,793,136.25
Unrestricted (deficit)	2,537,378.41	(3,713.38)	2,533,665.03
Total net position	\$7,330,514.66	(\$3,713.38)	\$7,326,801.28

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

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

Functions/Programs	Expenses	Indirect Expense Allocation	Programs Revenues		Net (Expense) Revenue and Changes in Net Position			
			Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Governmental Activities:								
Instruction:								
Special	\$ 2,209,168.44	\$ 1,729,250.93	\$	\$ 1,398,627.68	\$ (2,539,791.69)	\$	\$ (2,539,791.69)	(17,450.79)
Other instruction	17,450.79				(17,450.79)			
Support services:								
Student & instruction related services	1,148,065.96	457,300.16		610,066.43	(995,299.69)		(995,299.69)	(663,797.57)
General administrative services	636,645.10	27,152.47			(663,797.57)		(663,797.57)	(714,860.90)
School administrative services	594,728.78	337,685.82		217,553.70	(714,860.90)		(714,860.90)	(904,474.17)
Central services	828,090.63	76,383.54			(904,474.17)		(904,474.17)	(177,242.62)
Administration information technology	165,257.60	11,985.02			(177,242.62)		(177,242.62)	(1,008,646.85)
Plant operations and maintenance	993,316.81	15,330.04	16,486,607.36		(1,008,646.85)		(1,008,646.85)	934,182.41
Pupil transportation	14,467,621.50	1,084,803.45			934,182.41		934,182.41	(342,294.92)
Unallocated benefits	3,071,935.19	(3,071,935.19)						(6,429,676.79)
Unallocated depreciation	1,010,251.16	(667,956.24)						
Total governmental activities	25,142,531.96		16,486,607.36	2,226,247.81	(6,429,676.79)		(6,429,676.79)	
Business-type activities								
Food Service	66,003.45			48,066.25		(17,937.20)	(17,937.20)	(1,877.94)
Career Center	6,756.66		4,878.72			(1,877.94)	(1,877.94)	(19,815.14)
Total business-type activities	72,760.11		4,878.72	48,066.25		(19,815.14)	(19,815.14)	
Total primary government	\$ 25,215,292.07	\$	\$ 16,491,486.08	\$ 2,274,314.06	\$ (6,429,676.79)	\$ (19,815.14)	\$ (6,449,491.93)	
General Revenues:								
Tuition					6,961,007.63		6,961,007.63	836,049.71
Miscellaneous income					835,975.67	74.04	836,049.71	
Transfers					(18,000.00)	18,000.00		
Total general revenues and special items					7,778,983.30	18,074.04	7,797,057.34	
Change in net position					1,349,306.51	(1,741.10)	1,347,565.41	
Net Position - beginning					5,981,208.15	(1,972.28)	5,979,235.87	
Net Position - ending (deficit)					7,330,514.66	(3,713.38)	7,326,801.28	

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

MAJOR FUND FINANCIAL STATEMENTS

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

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	<u>GENERAL</u> <u>FUND</u>	<u>SPECIAL</u> <u>REVENUE</u> <u>FUND</u>	<u>TOTAL</u> <u>GOVERNMENTAL</u> <u>FUNDS</u>
ASSETS:			
Cash and cash equivalents	\$ 7,251,496.63	\$ 1,118,770.19	\$ 8,370,266.82
Cash with fiscal agents	5,926.32		5,926.32
Other receivables	4,913,075.10	267,720.07	5,180,795.17
Prepaid expenses	105,588.12		105,588.12
Due from other funds	1,369,493.43		1,369,493.43
Receivables from other governments	<u>9,665.22</u>		<u>9,665.22</u>
 Total assets	 \$ <u><u>13,655,244.82</u></u>	 \$ <u><u>1,386,490.26</u></u>	 \$ <u><u>15,041,735.08</u></u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	2,716,068.04	36,062.66	2,752,130.70
Interfund payables	5,832.02	1,350,077.84	1,355,909.86
Unearned revenue	<u>5,926.32</u>	<u>349.76</u>	<u>6,276.08</u>
 Total liabilities	 <u><u>2,727,826.38</u></u>	 <u><u>1,386,490.26</u></u>	 <u><u>4,114,316.64</u></u>
Fund balances:			
Restricted for:			
Unassigned:			
General Fund	<u>10,927,418.44</u>		<u>10,927,418.44</u>
 Total fund balances	 <u><u>10,927,418.44</u></u>		 <u><u>10,927,418.44</u></u>
 Total liabilities and fund balances	 \$ <u><u>13,655,244.82</u></u>	 \$ <u><u>1,386,490.26</u></u>	 \$ <u><u>15,041,735.08</u></u>

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

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

Total Fund Balances (Brought Forward)	\$	10,927,418.44
<p>Amounts Reported for Governmental Activities in the Statement of Net Position (A-1) are different because:</p> <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
Cost of Assets	\$ 28,387,989.64	
Accumulated Depreciation	<u>(10,349,036.09)</u>	18,038,953.55
<p>Long term liabilities, including bonds payable, and other related amounts that are not due and payable in the current period and therefore are not reported as liabilities in the funds.</p>		
Compensated Absences	(202,047.00)	
Net Pension Liability	(5,419,963.00)	
Capital Leases	<u>(12,996,543.46)</u>	<u>(18,618,553.46)</u>
<p>Deferred Outflows and Inflows of resources are applicable to future periods and therefore are not reported in the funds.</p>		
Pensions:		
Deferred Outflows		
Pension related		983,199.00
Deferred Inflows:		
Pension related	(3,225,041.00)	
Related to Refunding of Debt	<u>(249,273.84)</u>	(3,474,314.84)
<p>Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.</p>		
Accounts Payable - Pension Related	(344,715.00)	
Accrued Interest Payable	<u>(181,473.03)</u>	<u>(526,188.03)</u>
Net Position of Governmental Activities	\$	<u><u>7,330,514.66</u></u>

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

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	GENERAL FUND	SPECIAL REVENUE FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES:			
Local sources:			
Tuition	\$6,961,007.63		\$6,961,007.63
Transportation	16,486,607.36		16,486,607.36
Miscellaneous	835,975.67	\$597,851.82	1,433,827.49
Total revenues - local sources	24,283,590.66	597,851.82	24,881,442.48
State sources	985,015.99		985,015.99
Total revenues	25,268,606.65	597,851.82	25,866,458.47
EXPENDITURES:			
Current expense:			
Special instruction	1,926,154.85	283,013.59	2,209,168.44
Other Instruction	17,450.79		17,450.79
Support services:			
Student & instruction related services	833,227.73	314,838.23	1,148,065.96
General administrative services	636,645.10		636,645.10
School administrative services	594,728.78		594,728.78
Central services	863,347.41		863,347.41
Administration information technology	165,257.60		165,257.60
Plant operations and maintenance	993,316.81		993,316.81
Pupil transportation	15,584,230.97		15,584,230.97
Unallocated benefits	3,047,333.14		3,047,333.14
Capital outlay	1,241,701.11		1,241,701.11
Capital outlay - lease principal	895,000.00		895,000.00
Total expenditures	26,798,394.29	597,851.82	27,396,246.11
Excess (deficiency) of revenues over (under) expenditures	(1,529,787.64)		(1,529,787.64)
Other financing sources (uses):			
Transfers in/(out)	(18,000.00)		(18,000.00)
Assets acquired under capital leases (non-budgeted)	1,241,701.11		1,241,701.11
Total other financing sources (uses)	1,223,701.11		1,223,701.11
Net change in fund balances	(306,086.53)		(306,086.53)
Fund balances, July 1, 2019	11,233,504.97	-0-	11,233,504.97
Fund balances, June 30, 2020	\$10,927,418.44	\$-0-	\$10,927,418.44

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

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
RECONCILIATION OF THE STATEMENT 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 (from B-2) (\$306,086.53)

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

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

Depreciation expense	(\$1,010,251.16)	
Capital outlays	<u>1,241,701.11</u>	231,449.95

Proceeds from debt issues are a financing source in governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net position.

Capital lease proceeds (expended)		(1,241,701.11)
Deferred amortization on issuance of refunding bonds		<u>29,746.28</u>

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.

Payment of capital lease payable		2,000,923.56
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In the statement of activities, interest on long-term debt is accrued, regardless of when due. In governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation.

16,196.41

District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

District pension contributions	300,879.00	
Less: Pension expense	<u>292,592.00</u>	593,471.00

In the statement of activities, certain expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In 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 (+).

Decrease in Compensated Absences		<u>25,306.95</u>
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Change in net position of governmental activities		<u><u>\$1,349,306.51</u></u>
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The accompanying Notes to the Financial Statements are an integral part of this statement.

OTHER FUNDS

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND		
	FOOD SERVICE FUND	CAREER CENTER FUND	TOTAL
ASSETS:			
Current assets:			
Cash and cash equivalents	\$653.65	\$352.71	\$1,006.36
Interfund Receivable	330.78		330.78
Intergovernmental Receivables:			
State	148.11		148.11
Federal	14,101.72		14,101.72
	15,234.26	352.71	15,586.97
Total current assets			
	15,234.26	352.71	15,586.97
LIABILITIES:			
Current liabilities:			
Interfund payable	12,074.93	7,225.42	19,300.35
	12,074.93	7,225.42	19,300.35
Total current liabilities			
	12,074.93	7,225.42	19,300.35
NET POSITION:			
Unrestricted (deficit)	3,159.33	(6,872.71)	(3,713.38)
	3,159.33	(6,872.71)	(3,713.38)
Total net position	\$3,159.33	(\$6,872.71)	(\$3,713.38)

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

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

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND		
	FOOD SERVICE FUND	CAREER CENTER FUND	TOTAL
OPERATING REVENUES:			
Charges for services:			
Other sales		\$4,878.72	\$4,878.72
Total operating revenues		4,878.72	4,878.72
OPERATING EXPENSES:			
Cost of sales	\$66,003.45	6,756.66	72,760.11
Total operating expenses	66,003.45	6,756.66	72,760.11
Operating income (loss)	(66,003.45)	(1,877.94)	(67,881.39)
NONOPERATING REVENUES (EXPENSES):			
State Sources:			
State School Lunch Program	507.37		507.37
Federal Sources:			
National School Lunch Program	30,595.10		30,595.10
National School Breakfast Program	16,963.78		16,963.78
Interest on Investments	56.49	17.55	74.04
Total nonoperating revenues	48,122.74	17.55	48,140.29
Income/(loss) before contributions and transfers	(17,880.71)	(1,860.39)	(19,741.10)
Capital Contributions and Operating Transfers:			
Operating Transfers:			
General Fund	18,000.00		18,000.00
Total Capital Contributions and Operating Transfers	18,000.00		18,000.00
Change in net position	119.29	(1,860.39)	(1,741.10)
Total net position - beginning of the year	3,040.04	(5,012.32)	(1,972.28)
Total net position - end of the year (deficit)	\$3,159.33	(\$6,872.71)	(\$3,713.38)

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

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

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND</u>		
	<u>FOOD SERVICE FUND</u>	<u>CAREER CENTER FUND</u>	<u>TOTAL</u>
Cash flows from operating activities:			
Receipts from customers		\$4,878.72	\$4,878.72
Payments to suppliers	(\$73,214.55)	(6,756.66)	(79,971.21)
Net cash provided by (used for) operating activities	(73,214.55)	(1,877.94)	(75,092.49)
Cash flows from noncapital financing activities:			
State Sources	414.75		414.75
Federal Sources	38,452.36		38,452.36
Interfund Activity	15,343.99		15,343.99
Operating subsidies	18,000.00		18,000.00
Net cash provided by noncapital financing activities:	72,211.10		72,211.10
Cash flows from investing activities:			
Interest	56.49	17.55	74.04
Net cash provided by (used for) investing activities	56.49	17.55	74.04
Net increase (decrease) in cash and cash equivalents	(946.96)	(1,860.39)	(2,807.35)
Cash and cash equivalents, July 1, 2019	1,600.61	2,213.10	3,813.71
Cash and cash equivalents, June 30, 2020	\$653.65	\$352.71	\$1,006.36
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	(\$66,003.45)	(\$1,877.94)	(\$67,881.39)
Adjustments to reconciling operating income (loss) to net cash provided by (used for) operating activities:			
Change in assets and liabilities:			
Increase (Decrease) in accounts payable	(7,211.10)		(7,211.10)
Net cash provided by (used for) operating activities	(\$73,214.55)	(\$1,877.94)	(\$75,092.49)

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

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>AGENCY FUNDS</u>	<u>TRUST FUNDS</u>
	<u>PAYROLL</u>	<u>PRIVATE</u>
	<u>AGENCY</u>	<u>PURPOSE</u>
		<u>AWARD FUND</u>
ASSETS:		
Cash and cash equivalents	\$ 3,465.15	\$ 446.02
Interfund receivable	5,832.02	
	<hr/>	<hr/>
Total assets	<u>9,297.17</u>	<u>446.02</u>
LIABILITIES:		
Interfunds Payable		446.02
Payroll deductions and withholdings	9,297.17	
	<hr/>	<hr/>
Total liabilities	<u>\$ 9,297.17</u>	<u>\$ 446.02</u>

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

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

		<u>PRIVATE PURPOSE AWARD FUND</u>
ADDITIONS:		
Contributions:		
Board contribution	\$	2,910.90
Other		75.00
Total contributions		<u>2,985.90</u>
Investment earnings:		
Interest		7.15
Net investment earnings		<u>7.15</u>
Total additions		<u>2,993.05</u>
DEDUCTIONS:		
Awards		<u>2,993.05</u>
Total deductions		<u>2,993.05</u>
Change in net position		-0-
Net position - beginning of the year		<u>-0-</u>
Net position - end of the year	\$	<u><u>-0-</u></u>

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

Somerset County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Somerset County Educational Services Commission (Commission) have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Commission's accounting policies are described below.

Reporting Entity

The Somerset County Educational Services Commission is an instrumentality of the State of New Jersey, established to function as an educational institution in one or more counties for the purpose of carrying on programs of education, research and development, and providing to public school districts administrative services as may be authorized pursuant to the rules of the State Board of Education. The Commission consists of representatives of the membership districts and is responsible for the fiscal control of the Commission. A Superintendent is appointed by the Board of Directors of the Commission and is responsible for the administrative control of the Commission.

The primary criterion for including activities within the Commission's reporting entity, are set forth in Statement No. 39 of the Governmental Accounting Standards Board entitled "*Determining Whether Certain Organizations are Component Units*" (GASB 39) as codified in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards.

Organizations that are legally separate, tax-exempt entities and that meet *all* of the following criteria should be discretely presented as component units. These criteria are:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government.
2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources of the organization.
3. The economic resources received or held by an *individual organization* that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

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

Somerset County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

The Commission's basic financial statements consist of commission-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.

Commission-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 generally between the governmental and business-type activity of the Commission. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange 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 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 requirement of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as generally 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 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 entities to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among entity financial reporting models.

Somerset County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Types

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

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. 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 commission resolution.

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

Capital Projects Fund - Capital project funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Somerset County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund

Enterprise Fund - The enterprise fund accounts for all revenues and expenses pertaining to cafeteria operations. The food service fund is 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.

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
Light Trucks and Vehicles	4 Years
Heavy Trucks and Vehicles	6 Years

Fiduciary Fund Types

Payroll Agency Funds – These are agency funds used to account for the assets that the Commission holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

Private Purpose Trust Fund - A trust fund used to account for assets that will provide for the payment of awards to commission students.

Somerset County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting – Measurement Focus

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

Commission-wide, Proprietary, and Fiduciary Fund Financial Statements

The Commission-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified 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. Revenue from grants, entitlements, and donations are 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 amount of the transactions 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.

Somerset County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments and transfers must be approved by resolution. There was a \$6,859.50 budget amendment during the year ended June 30, 2020.

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 fiscal year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

Somerset County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrance 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 assigned fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

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.

Interfunds

Interfund receivables and payables arise from transactions between particular funds and are considered short term in duration. The interfund transactions are recorded by all funds affected in the period in which the transactions are executed and are part of the Commission's available spendable resources.

Inventories and Prepaid Expenses

Inventories of materials and supplies held for consumption in the governmental funds are recorded as expenditures at the time of purchase and year end balances are not reported in the financial statements.

Inventories of food and/or supplies in the food service fund are recorded at cost on a first-in, first-out basis at stated value which approximates market.

Prepaid expenses which benefit future period, other than those recorded in the enterprise fund, are recorded as an expenditure in the year of purchase.

Somerset County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

The Commission has an established formal system of accounting for its capital assets. Capital Assets used for governmental purposes, which include land, buildings and improvements and furniture and equipment, are only reported in the commission- wide financial statements. The Commission generally defines capital assets as assets with an initial cost of \$2,000.00 or more and an estimated useful life in excess of one year. 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.

Capital assets are depreciated in the Commission-wide statements using the straight-line method over the following estimated useful lives:

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

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

Somerset County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (Continued)

Commission employees are granted varying amounts of vacation and sick leave in accordance with the Commission's personnel policy. Upon 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 and vacation days that are expected to become eligible for payment upon termination. The Commission estimates its accrued compensated absences 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.

For the commission-wide statements, the current portion is the amount estimated to be used in the following year. For the governmental funds in the fund financial statements, a liability is reported only for to the extent of the amount actually due at year end as a result of employee resignations/retirements. Compensated absences are a reconciling item between the fund level and commission-wide presentations.

Unearned Revenue

Unearned revenue in the special revenue and capital projects funds represents funds which have been received but not yet earned. A corresponding accounts receivable has also been established for any open encumbrances at year end which is an allowable practice under generally accepted accounting principles.

Somerset County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the Commission-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. Long term debt is recognized as a liability on the fund financial statements when due.

Net Position

GASB 63 provides guidance for reporting net position in the statement of financial position and related disclosures. Net Position represents the difference between assets and liabilities. Net investment in capital assets 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 is 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 positions are available.

Somerset County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Restrictions

GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions" modifies fund balance reporting and clarifies fund type definitions. This Statement aims to enhance the usefulness of fund balance information by providing clearer fund balance clarifications that can be applied more consistently.

Under the standard, in the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Education, the Commission's highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education.

Assigned – includes amounts that the Commission intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the Commission's policy, amounts may be assigned by the Business Administrator.

Unassigned – is the residual classification for the general fund: This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Commission considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the Commission considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

Somerset County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues – Exchange and Nonexchange 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 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.

Nonexchange transactions, in which the Commission receives value without directly giving equal value in return, include grants, entitlements, and donations. 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 specific purpose; and expenditure requirements, in which the resources are provided to the Commission on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year-end: transportation fees, tuition charges and interest.

Somerset County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 in the Enterprise Funds. 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 the program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement 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 of occurrence. Special items are transactions or events that are within 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 GAAP requires management to make assumptions that affect the amounts reported as revenue and expenditures/expenses during the reporting period. These estimates may differ from actual results.

Somerset County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting and Financial Reporting for Pensions

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

In the Governmental Fund Financial Statements, the year end Net pension liability is not required to be reflected. Pension related revenues and expenditures are reflected based on amounts that are normally expected to be liquidated with available financial resources for required pension contributions. Expenditures for PERS are recognized based upon billings made by the State of New Jersey due April 1st of each fiscal year. TPAF contributions are paid on the Commission's behalf by the State of New Jersey. The governmental fund financial statements reflect both a revenue and expenses for this pension contribution.

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Commission has two items that qualify in this category, deferred amounts from a gain on refunding debt and deferred amounts related to pensions.

Somerset County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Commission considers petty cash, change funds, cash in banks, and short-term investments with original maturities of three months or less as cash and cash equivalents. Investments are stated at cost, which approximates market.

Deposits

New Jersey statutes permit the deposit of public funds in public depositories which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. Each depository participating in the GUDPA system must pledge collateral equal to 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of 75% of its capital funds. No collateral is required for amounts covered by FDIC insurance. The collateral which may be pledged to support these deposits includes obligations of the State and federal governments, insured securities and other collateral approved by the Department. When the capital position of the depository deteriorates or the depository takes an unusually large amount of public deposits, the Department of Banking and Insurance requires additional collateral to be pledged. Under (GUDPA), 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 the deposits to the governmental unit.

The Somerset County Educational Services Commission had the following cash and cash equivalents at June 30, 2020.

Fund Type	<u>Bank Balance</u>	<u>Reconciling Items: Deletions</u>	<u>Reconciled Balance</u>
Governmental	\$8,842,978.17	\$472,711.35	\$8,370,266.82
Proprietary	1,006.36		1,006.36
Fiduciary	92,895.31	88,984.14	3,911.17
	<u>\$8,936,879.84</u>	<u>\$561,695.49</u>	<u>\$8,375,184.35</u>

Somerset County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

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

Deposits (Continued)

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Commission does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of June 30, 2020, based upon the coverage provided by FDIC and NJ GUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on balance in the bank \$250,000.00 was covered by Federal Depository Insurance and \$8,686,879.84 was covered by NJ GUDPA.

Investments

The purchase of investments by the Commission is strictly limited by the express authority of the N.J.S.A. 18A:20-37 Education, Administration of School Districts. Permitted investments include any of the following type of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
2. Government money market mutual funds which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 18A:20-37. These funds are also required to be rated by a nationally recognized statistical rating organization.
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor.
4. Bonds or other obligations of the Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located.

Somerset County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

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

Investments (Continued)

5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Investment of the Department of Treasury for investment by School Districts.
6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 18A:20-37. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization.
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C. 52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is not more than 30 days;
 - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C. 17:19-41); and;
 - e. a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2020, the Commission had no investments as described above.

Somerset County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 3: CHANGE IN CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 1,750,000.00	\$	\$	\$ 1,750,000.00
Leasehold Improvements	<u>4,238.00</u>	<u> </u>	<u> </u>	<u>4,238.00</u>
Total Capital assets not being depreciated	<u>1,754,238.00</u>	<u> </u>	<u> </u>	<u>1,754,238.00</u>
Land Improvements	108,700.00			108,700.00
Building and Building Improvements	15,500,314.20			15,500,314.20
Trailers/Mobile Classrooms	81,975.00			81,975.00
Machinery & Equipment	<u>10,177,069.79</u>	<u>1,241,701.11</u>	<u>476,008.46</u>	<u>10,942,762.44</u>
Totals as historical cost	<u>25,868,058.99</u>	<u>1,241,701.11</u>	<u>476,008.46</u>	<u>26,633,751.64</u>
Total Gross assets (Memo only)	<u>\$ 27,622,296.99</u>	<u>\$ 1,241,701.11</u>	<u>\$ 476,008.46</u>	<u>\$ 28,387,989.64</u>
Less: Accumulated Depreciation for:				
Land Improvements	\$ (108,417.50)	\$ (282.50)	\$	\$ (108,700.00)
Building and Building Improvements	(2,696,728.97)	(315,173.74)		(3,011,902.71)
Trailers/Mobile Classrooms	(81,975.00)			(81,975.00)
Machinery & Equipment	<u>(6,927,671.92)</u>	<u>(694,794.92)</u>	<u>(476,008.46)</u>	<u>(7,146,458.38)</u>
Total depreciation	<u>(9,814,793.39)</u>	<u>(1,010,251.16)</u>	<u>(476,008.46)</u>	<u>(10,349,036.09)</u>
Total Capital assets being depreciated net of accumulated depreciation	<u>16,053,265.60</u>	<u>231,449.95</u>	<u> </u>	<u>16,284,715.55</u>
Governmental activities capital assets, net	<u>\$ 17,807,503.60</u>	<u>\$ 231,449.95</u>	<u>\$</u>	<u>\$ 18,038,953.55</u>

Somerset County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 3: CHANGE IN CAPITAL ASSETS (CONTINUED)

Depreciation Expense was charged to governmental expenses as follows:

Support Services:

Student transportation	\$	667,956.24
Unallocated depreciation		<u>342,294.92</u>
	\$	<u><u>1,010,251.16</u></u>

NOTE 4: LONG-TERM LIABILITIES

Operating Leases

The Commission has leases for certain properties which house its administrative offices, school facilities, and transportation department. The lease payments made during the years ended June 30, 2020, 2019 and 2018 were \$256,578.00, \$252,420.80 and \$246,600.72 respectively.

Somerset County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 4: LONG-TERM LIABILITIES (CONTINUED)

Capital Leases/Lease Purchase Agreements Payable

The Commission is leasing school buses and a copy machine under capital leases, and has financed the acquisition of land, buildings, and improvements through a lease purchase agreement. The following is a schedule of the future minimum lease payments under these leases, and the present value of the net minimum lease payments at June 30, 2020.

<u>Year</u>	<u>Amount</u>
2021	\$ 2,375,477.14
2022	2,133,021.13
2023	1,858,876.81
2024	1,577,779.89
2025	1,295,938.84
2026-2030	4,256,856.25
2031-2033	<u>1,659,440.09</u>
Total minimum lease payments	15,157,390.15
Less: Amount representing interest	<u>(2,160,846.69)</u>
Present value of net minimum lease payment	<u>\$ 12,996,543.46</u>

The following is a summary of changes in liabilities that effect other long-term obligations for the year ended June 30, 2020.

	<u>Net Pension Liability</u>	<u>Capital Leases Payable</u>	<u>Compensated Absences Payable</u>	<u>Total</u>
Balance June 30, 2019	\$ 6,313,771.00	\$ 14,971,351.13	\$ 227,353.95	\$ 21,512,476.08
Additions	<u>6,313,771.00</u>	<u>26,115.89</u>	<u>16,182.38</u>	<u>42,298.27</u>
Deletions	<u>893,808.00</u>	<u>14,997,467.02</u>	<u>243,536.33</u>	<u>21,554,774.35</u>
Balance June 30, 2020	<u>\$ 5,419,963.00</u>	<u>\$ 12,996,543.46</u>	<u>\$ 202,047.00</u>	<u>\$ 18,618,553.46</u>
Amounts due within one year		<u>\$ 1,947,611.45</u>		<u>\$ 1,947,611.45</u>

Somerset County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 5: PENSION PLANS

Description of Plans - All required employees of the Commission are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, N.J., 08625 or online at www.state.nj.us/treasury/pensions.

Teachers' Pension and Annuity Fund (TPAF) - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Commission and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provision of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

Defined Contribution Retirement Program (DCRP) - The Defined Contribution Retirement Program (DCRP) was established under the provision of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one year of membership.

Somerset County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 5: PENSION PLANS (CONTINUED)

Significant Legislation

Effective June 28, 2011, P.L. 2011, c. 78 enacted certain changes in the operations and benefit provisions of the TPAF and the PERS systems.

Pension Plan Design Changes

Effective June 28, 2011, P.L. 2011, c. 78, new members of TPAF and PERS, hired on or after June 28, 2011, will need 30 years of creditable service and have attained the age of 65 for receipt of the early retirement benefit without a reduction of 1/4 of 1% for each month that the member is under age 65. New members will be eligible for a service retirement benefit at age 65.

Funding Changes

Under the new legislation, the methodology for calculating the unfunded accrued liability payment portion of the employer's annual pension contribution to the PERS, and TPAF. The unfunded actuarial accrued liability (UAAL) will be amortized for each plan over an open-ended 30 year period and paid in level dollars. Beginning with the July 1, 2019 actuarial valuation (July 1, 2018 for PFRS), the UAAL will be amortized over a closed 30 year period until the remaining period reaches 20, when the amortization period will revert to an open-ended 20 year period.

COLA Suspension

The payment of automatic cost-of-living adjustment to current and future retirees and beneficiaries are suspended until reactivated as permitted by this law.

Vesting and Benefit Provisions - The vesting and benefit provisions of PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after ten years of service, except for post-retirement healthcare benefits that vest after 25 years of service.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Somerset County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 5: PENSION PLANS (CONTINUED)

Contribution Requirements The contribution policy is set by N.J.S.A. 43:15A and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation.

Effective June 28, 2011, P.L. 2011, c. 78 provides for increases in the employee contribution rates: from 5.5% to 6.5% plus an additional 1% phased-in over 7 years beginning in the first year, meaning after 12 months, after the law's effective date for TPAF and PERS.

Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Commission is a non-contributing employer of TPAF (*i.e.*, the State of new Jersey makes the employer contribution on behalf of public school entities.)

<u>Three-Year Trend Information for PERS</u>			
<u>Year</u> <u>June 30,</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2020	\$293,071.00	100.00%	\$293,071.00
2019	\$319,552.00	100.00%	\$319,552.00
2018	\$310,744.00	100.00%	\$310,744.00

<u>Three-Year Trend Information for TPAF (Paid on-behalf of the Commission)</u>			
<u>Year</u> <u>June 30,</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2020	\$567,884.00	100.00%	\$567,884.00
2019	\$528,258.00	100.00%	\$528,258.00
2018	\$381,284.00	100.00%	\$381,284.00

Also, in accordance with N.J.S.A. 18A:66-66 during the years ended June 30, 2020, 2019 and 2018, the State of New Jersey reimbursed the Commission \$191,816.99, \$201,391.44 and \$198,710.11 respectively for the employer's share of social security contributions for TPAF members, as calculated on their base salaries.

Somerset County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68

Public Employees Retirement System (PERS)

At June 30, 2020, the Commission reported a liability of \$5,419,963.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2019, the Commission's proportion was 0.0300800211 percent, which was a decrease of 0.0019866689 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Commission recognized pension benefit of \$285,366.00 in the government-wide financial statements. This pension income was based on the pension plans June 30, 2019 measurement date.

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

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$97,281.00	\$23,943.00
Changes of assumptions	541,203.00	1,881,252.00
Net difference between projected and actual earnings on pension plan investments		85,556.00
Changes in proportion and differences between Commission contributions and proportionate share of contributions		1,234,290.00
Commission contributions subsequent to the measurement date	<u>344,715.00</u>	
	<u><u>\$983,199.00</u></u>	<u><u>\$3,225,041.00</u></u>

The \$344,715.00 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date (i.e., for the school year ending June 30, 2020, the plan measurement date is June 30, 2019) will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

Somerset County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

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

Year Ended <u>June 30</u>	<u>Amount</u>
2020	(\$403,362.00)
2021	(754,554.00)
2022	(700,201.00)
2023	(459,726.00)
2024	<u>(268,714.00)</u>
	<u><u>(\$2,586,557.00)</u></u>

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which rolled forward to June 30, 2019. These actuarial valuations used the following assumptions:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Inflation	2.75%	2.25%
Salary Increases		
Through 2026	2.00-6.00%	1.65-4.15%
Thereafter	3.00-7.00%	2.65-5.15%
	Based on	Based on
	Years of Service	Age
Investment Rate of Return	7.00%	7.00%

Somerset County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

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, 2014 to June 30, 2018.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at both June 30, 2019 and June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and 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:

Somerset County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

Long-Term Rate of Return (Continued)

<u>Assets Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
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 Market Equity	12.50%	9.00%
Emerging Market Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

Discount Rate

The discount rate used to measure the total pension liability was 6.28% and 5.66% as of June 30, 2019 and June 30, 2018, respectively. These single blended discount rates were based on the long-term expected rate of return on pension plan investments of 7.00% for both June 30, 2019 and June 30, 2018 and a municipal bond rate of 3.50% and 3.87% for June 30, 2019 and June 30, 2018 respectively 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 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 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.

Somerset County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

Discount Rate (Continued)

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease	At Current Discount Rate	1% Increase
	<u>5.28%</u>	<u>6.28%</u>	<u>7.28%</u>
Commission's proportionate share of the net pension liability	\$ 7,446,995.00	\$ 5,419,963.00	\$ 4,643,742.00

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>.

Somerset County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Teachers Pensions and Annuity Fund (TPAF)

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the 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. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer.

The portion of the TPAF Net Pension Liability that was associated with the Commission recognized at June 30, 2020 was as follows:

Net Pension Liability:	
Commission's proportionate share	-0-
State's proportionate share	
associated with the Commission	<u>\$16,483,826</u>
	<u><u>\$16,483,826</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 June 30, 2017 which was rolled forward to June 30, 2019. The net pension liability associated with the Commission was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2019, the proportion of the TPAF net pension liability associated with the Commission was .0268593333% which was an increase of .0009682717 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Commission recognized on-behalf pension expense and revenue of \$972,260.00 in the government-wide financial statements for contributions provided by the State. This pension expense and revenue was based on the pension plans June 30, 2019 measurement date.

Somerset County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Teachers Pensions and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions

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

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Inflation rate:		2.25%
Price	2.75%	
Wage	3.25%	
Salary Increases:		
Through 2026	1.55%-4.45%	1.55%-4.55%
	Based on Years of Service	Based on Years of Service
Thereafter	2.75%-5.65%	2.00%-5.45%
	Based on Years of Service	Based on Years of Service
Investment Rate of Return	7.00%	7.00%

Mortality Rate

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

Somerset County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Teachers Pensions and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions (Continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% and 7.00% at June 30, 2019 and June 30, 2018 respectively) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries.

The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Assets Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
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 Market Equity	12.50%	9.00%
Emerging Market Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

Somerset County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Teachers Pensions and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 5.60% and 4.86% as of June 30, 2019 and 2018, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and 7.00, and a municipal bond rate of 3.50% and 3.87% as of June 30, 2019 and 2018, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 50% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2054. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2054, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

Because the Commission's proportionate share of the net pension liability is zero, consideration of potential changes in the discount rate is not applicable to the Commission.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Teachers Public and Annuity Fund (TPAF). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>.

Somerset County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75

Plan Description and Benefits Provided

The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan, which is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The State Health Benefit Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A 52:14-17.32f. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a non-employer contributing entity. According to N.J.S.A 52:14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of 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.

Employees Covered by Benefit Terms

The State Health Benefit Local Education Retired Employees Plan Membership covered by the benefit terms consisted of the following:

Active Plan Members	216,892
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	148,051
Inactive Plan Members or Beneficiaries Not Yet Receiving Benefits	- 0 -
Total Plan Members	<u>364,943</u>

Somerset County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

Total Non-Employer OPEB Liability

The portion of the total Non-Employer OPEB Liability that was associated with the Commission at June 30, 2020 was as follows:

Total OPEB Liability:	
Commission's Proportionate Share	\$-0-
State's Proportionate Share associated with the Commission	<u>13,951,408</u>
	<u><u>\$13,951,408</u></u>

The total Non-Employer OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019.

The total Non-Employer OPEB liability was determined separately based on actual data of the Commission.

For the year ended June 30, 2020, the Commission recognized on-behalf post-employment expense and revenue of \$464,319 in the government-wide financial statements for contributions provided by the State. This expense and revenue was based on the plans June 30, 2019 measurement date.

At June 30, 2019, the Commission's proportion was 0.0334332980 percent, which was an increase of .0003051695 from its proportion measured as of June 30, 2018.

The State, a non-employer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS, TPAF/ABP and PFRS participants. The Commission's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Consequently, the Commission did not recognize any portion of the collective Non-Employer OPEB liability on the Statement of Net Position.

Somerset County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

Actuarial Assumptions and Other Inputs

The total Non-Employer OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	<u>TPAF/ABP</u>	<u>June 30, 2019</u> <u>PERS</u>	<u>PFRS</u>
Inflation – 2.5%			
Salary Increases			
Through 2026	1.55-3.05%*	2.00-6.00%*	3.25-15.25%*
Thereafter	1.55-3.05%*	3.00-7.00%*	Applied to All Future Years

*Based on Years of Service

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

Somerset County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

Actuarial Assumptions and Other Inputs (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies for the periods July 1, 2015 — June 30, 2018, July 1, 2014 — June 30, 2018, and July 1, 2013 - June 30, 2018 for TPAF, PERS and PFRS, respectively.

Health Care Trend Assumptions

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

Discount Rate

The discount rate for June 30, 2020 and June 30, 2019 was 3.50% and 3.87% respectively. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Somerset County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

Changes in the Total Non-Employer OPEB Liability

Shown below are details regarding The Total OPEB non-employer Liability associated with the Commission for the measurement period from June 30, 2018 to June 30, 2019.

Balance at 6/30/18		\$15,275,656
Changes for the year:		
Service cost	746,359	
Interest	612,087	
Differences between expected and actual experience	(2,475,139)	
Changes in assumptions or other inputs	208,017	
Membership Contributions	12,695	
Benefit payments - Net	(428,267)	
Net changes		(1,324,248)
Balance at 6/30/19		\$13,951,408

Sensitivity of the Total Non-Employer OPEB Liability to Changes in the Discount Rate

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

	June 30, 2019		
	1.00% <u>Decrease (2.50%)</u>	At Discount <u>Rate (3.50)</u>	1.00% <u>Increase (4.50%)</u>
State of New Jersey's Proportionate Share of the total Non-Employer OPEB Liability associated with the Commission	\$16,482,126	\$13,951,408	\$11,941,144

Somerset County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

Sensitivity of the Total Non-Employer OPEB Liability to Changes in Healthcare Trends

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

	June 30, 2019		
	<u>1.00% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1.00% Increase</u>
State of New Jersey's Proportionate Share of the total Non-Employer OPEB Liability associated with the Commission	\$11,495,338	\$13,951,408	\$17,202,740

Somerset County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Non-Employer OPEB Liability

At June 30, 2019, the State reported deferred outflows of resources and deferred inflows of resources related to retired school employee's Non-Employer OPEB Liability associated with the Commission from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$	\$ 3,505,470.00
Changes of assumptions		2,835,655.00
Changes in proportion	<u>330,704.00</u>	<u>653,022.00</u>
	<u>\$ 330,704.00</u>	<u>\$ 6,994,147.00</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the State's proportionate share of the total Non-Employer OPEB Liability associated with the Commission will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2020	(\$915,852)
2021	(915,852)
2022	(915,852)
2023	(915,852)
2024	(915,852)
Total Thereafter	<u>(2,084,185)</u>
	<u>(\$6,663,443)</u>

Somerset County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Non-Employer OPEB Liability (Continued)

In accordance with GASBS No. 75, the Commission's proportionate share of school retirees OPEB is zero. There is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources in the financial statements.

State Health Benefit Local Education Retired Employee Plan Information

The New Jersey Division of Pension and Benefits issues publicly available reports on the OPEB plan. Those reports may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, NJ 08625-0295 or on their website at <http://www.state.nj.us/treasury/pensions/financial-reports.shtml>

NOTE 8: LITIGATION

The Commission attorney's letter advises that there is no litigation, pending litigation, claims, contingent liabilities, unasserted claims or assessments or statutory violations which involve the Commission and which might materially affect the Commission's financial position.

NOTE 9: CONTINGENCIES

The Commission receives financial assistance from the State of New Jersey and the U.S. Government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. The State and Federal grants received and expended in the 2019-2020 fiscal year were subject to the U.S. OMB Uniform Guidance and New Jersey OMB Circular 15-08 which mandates that grant revenues and expenditures be audited in conjunction with the Commission's annual audit if expenditures for federal or state programs exceed \$750,000. Findings and questioned costs, if any, relative to federal and state financial assistance programs are discussed in the Single Audit Section, Schedule of Findings and Questioned Costs. In addition, all grants and cost reimbursements are subject to financial and compliance audits by the grantors. The Commission's management does not believe any such audit would result in material amounts of disallowed costs.

Somerset County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 10: 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 coverage through the New Jersey School Boards Association Insurance Group (NJSBAIG). The administration believes such coverage is sufficient to preclude any significant uninsured losses to the Commission. Settled claims have not exceeded the commercial coverage in any of the past three years. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

NOTE 11: COMPENSATED ABSENCES

The Commission accounts for compensated absences (e.g., unused vacation and 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 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 policy. Upon termination, employees are paid for accrued vacation. The Commission's policy permits employees to accumulate unused sick leave and carry forward the 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 vested compensated absences of the governmental fund types are recorded in the commission - wide statement of net position. As of June 30, 2020, a liability existed for compensated absences for governmental fund-types in the commission-wide Statement of Net Position of \$202,047.00.

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

For additional descriptive information see Note 1, Summary of Significant Accounting Policies.

Somerset County Educational Services Commission
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2020

NOTE 12: FUND BALANCE APPROPRIATED

General Fund – Of the \$10,927,418.44 General Fund fund balance at June 30, 2020, the entire amount is unassigned.

NOTE 13: INTERFUND RECEIVABLES AND PAYABLES

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

<u>FUND</u>	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
General Fund	\$ 1,369,493.43	\$ 5,832.02
Special Revenue Fund		1,350,077.84
Proprietary Fund		18,969.57
Fiduciary Fund	<u>5,832.02</u>	<u>446.02</u>
	<u>\$ 1,375,325.45</u>	<u>\$ 1,375,325.45</u>

All balances resulted from the time lag between the dates that short-term loans were disbursed and payments between funds were made.

NOTE 14: DEFERRED COMPENSATION

The Commission offers its employees a choice of the deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457. The plans permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death, or unforeseeable emergency. Since the Commission does not have any property or rights to the plan assets and no fiduciary relationship exists between the Commission and the deferred compensation plan, the plan assets are not included in the Commission's financial statements as of June 30, 2020.

NOTE 15: SUBSEQUENT EVENTS

The Commission has evaluated subsequent events occurring after the financial statement date through December 17, 2019 which is the date the financial statements were available to be issued. The impact of the COVID-19 Corona Virus on the Commission's operations in the 2020-21 school year cannot reasonably be estimated at this time but may negatively affect revenues.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

BUDGETARY COMPARISON SCHEDULES

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2020

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
REVENUES:					
Local sources:					
Tuition from other LEA's within the State	\$ 8,340,776.00	\$	8,340,776.00	\$ 6,961,007.63	\$ (1,379,768.37)
Transportation fees from other LEAs	19,274,267.00		19,274,267.00	16,486,607.36	(2,787,659.64)
Unrestricted miscellaneous revenues				767,463.04	767,463.04
Sale of property				68,512.63	68,512.63
Total revenues-local sources	<u>27,615,043.00</u>		<u>27,615,043.00</u>	<u>24,283,590.66</u>	<u>(3,331,452.34)</u>
State sources:					
Reimbursed TPAF social security contributions (non-budgeted)				191,816.99	191,816.99
On-behalf TPAF post retirement medical (non-budgeted)				214,450.00	214,450.00
On-Behalf TPAF - Non-contributory insurance (non-budgeted)				10,179.00	10,179.00
On-Behalf TPAF - Long Term Disability (non-budgeted)				686.00	686.00
On-behalf TPAF pension contributions (non-budgeted)				567,884.00	567,884.00
Total - state sources				<u>985,015.99</u>	<u>985,015.99</u>
Total revenues	<u>27,615,043.00</u>		<u>27,615,043.00</u>	<u>25,268,606.65</u>	<u>(2,346,436.35)</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Special Education - Instruction:					
Multiple Disabilities:					
Salaries of Teachers	1,446,164.00	86,297.13	1,532,461.13	1,532,461.13	
Other Salaries for Instruction	512,961.00	(181,636.40)	331,324.60	325,497.12	5,827.48
Purchased Professional- Educational Services	21,500.00	600.00	22,100.00	18,889.37	3,210.63
General Supplies	40,100.00	6,519.98	46,619.98	28,200.87	18,419.11
Textbooks	15,375.00	14,275.88	29,650.88	20,002.14	9,648.74
Other Objects	900.00	750.00	1,650.00	1,104.22	545.78
Total Multiple Disabilities	<u>2,037,000.00</u>	<u>(73,193.41)</u>	<u>1,963,806.59</u>	<u>1,926,154.85</u>	<u>37,651.74</u>

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2020

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Total Special Education - Instruction	2,037,000.00	(73,193.41)	1,963,806.59	1,926,154.85	37,651.74
School Sponsored Co/Extra Curricular Activities - Instruction:					
Salaries					
Purchased Services (300-500 series)	20,000.00	(7,923.67)	12,076.33	10,869.78	1,206.55
Supplies and Materials	18,000.00	3,766.67	21,766.67	6,581.01	15,185.66
Total School Sponsored Co/Extra Curricular Activities - Instruction	38,000.00	(4,157.00)	33,843.00	17,450.79	16,392.21
Undistributed Expenditures - Health Services:					
Salaries	74,980.00	16,261.91	91,241.91	91,241.91	
Purchased Professional and Technical Services	4,800.00	1,022.70	5,822.70	3,152.18	2,670.52
Supplies and Materials	3,500.00	(1,109.70)	2,390.30	1,478.52	911.78
Total Undistributed Expenditures - Health Services	83,280.00	16,174.91	99,454.91	95,872.61	3,582.30
Undistributed Expend. - Speech, OT, PT & Related Services:					
Salaries	85,923.00	9.80	85,932.80	67,891.59	18,041.21
Purchased professional - Educational Services	88,823.00	(10.00)	88,813.00	74,569.12	14,243.88
Total Undistributed Expend. - Speech, OT, PT & Related Services	174,746.00	(0.20)	174,745.80	142,460.71	32,285.09
Undistributed Expend. - Other Supp. Serv. -Students- Extra Services:					
Salaries		81,675.47	81,675.47	81,675.47	
Total Undistributed Expend. - Other Supp. Serv. -Students- Extra Services		81,675.47	81,675.47	81,675.47	
Undistributed Expenditures - Child Study Teams:					
Salaries of Other Professional Staff	340,119.00		340,119.00	251,065.50	89,053.50
Other Salaries	69,660.00	352.00	70,012.00	70,012.00	
Purchased Professional - Educational Services	190,000.00		190,000.00	186,037.91	3,962.09
Total Undistributed Expenditures - Child Study Teams	599,779.00	352.00	600,131.00	507,115.41	93,015.59

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2020

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Undistributed Expend. - Instructional Staff Training Services: Other Purchased Services (400-500 series)	13,500.00		13,500.00	6,103.53	7,396.47
Total Undistributed Expend. - Instructional Staff Training Services	13,500.00		13,500.00	6,103.53	7,396.47
Undistributed Expend. - Support Services-General Administration:					
Salaries	411,328.00	63,020.96	474,348.96	416,326.64	58,022.32
Legal Services	75,000.00	35,238.84	110,238.84	45,854.95	64,383.89
Audit Fees	35,000.00		35,000.00	24,558.50	10,441.50
Other Purchased Professional Services	45,000.00		45,000.00	27,743.00	17,257.00
Purchased Technical Services	5,000.00		5,000.00		5,000.00
Communications/Telephone	123,086.00	20,000.00	143,086.00	99,265.26	43,820.74
BOE Other Purch Serv	20,000.00	(6,951.23)	13,048.77	1,989.27	11,059.50
Misc. Purchased Services (400-500 series, OJT 530 & 585)	8,200.00	6,951.23	15,151.23	10,128.92	5,022.31
General Supplies	2,500.00		2,500.00	2,225.84	274.16
Miscellaneous Expenditures	11,000.00		11,000.00	8,552.72	2,447.28
Total Undistributed Expend. - Support Services-General Administration	736,114.00	118,259.80	854,373.80	636,645.10	217,728.70
Undistributed Expend. - Support Services - School Administration:					
Salaries of Principals/Assistant Principals	174,975.00	41,571.68	216,546.68	216,546.68	38,467.79
Salaries of Other Professional Staff	266,655.00	(30,027.81)	236,627.19	198,159.40	5,049.63
Salaries of Secretarial and Clerical Assistants	149,780.00		149,780.00	144,730.37	5,305.00
Other Salaries	6,500.00		6,500.00	1,195.00	22.21
Other Purchased Services (400-500 series)	17,875.00	438.30	18,313.30	18,291.09	219.63
Supplies and Materials	15,000.00	(1,888.30)	13,111.70	12,892.07	635.83
Other Objects	3,550.00		3,550.00	2,914.17	49,700.09
Total Undistributed Expend. - Support Services - School Administration	634,335.00	10,093.87	644,428.87	594,728.78	49,700.09
Undistributed Expend. - Central Services					
Salaries	422,623.00	5,255.70	427,878.70	415,890.88	11,987.82
Purchased Professional Services	275,000.00	(112,851.85)	162,148.15	20,294.00	141,854.15
Miscellaneous Purchased Services- Public Relations Cost	22,000.00	(15.82)	21,984.18	1,443.83	20,540.35
Miscellaneous Purchased Services (400-500 series, OJT 594)	27,000.00		27,000.00	8,802.79	18,197.21
Supplies and Materials	17,500.00	(120.25)	17,379.75	12,638.76	4,740.99
Interest on Lease Purchase Agreements	395,031.00	0.25	395,031.25	395,031.25	
Other Objects	9,000.00	245.90	9,245.90	9,245.90	
Total Undistributed Expend. - Central Services	1,168,154.00	(107,486.07)	1,060,667.93	863,347.41	197,320.52

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2020

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Undistributed Expend. - Admin. Info. Technology:					
Salaries	56,650.00	17,350.00	74,000.00	74,000.00	
Purchased Technical Services	60,300.00	16,135.63	76,435.63	48,408.93	28,026.70
Other Purchased Services (400-500 series)		73.16	73.16	73.16	
Supplies and Materials	46,000.00	13,295.86	59,295.86	42,250.51	17,045.35
Other Objects		1,000.00	1,000.00	525.00	475.00
Total Undistributed Expend. - Admin. Info. Technology	162,950.00	47,854.65	210,804.65	165,257.60	45,547.05
Undistributed Expend.-Required Maintenance for School Facilities:					
Salaries	61,822.00		61,822.00	61,820.88	1.12
Cleaning, Repair and Maintenance Services	275,500.00	(30,455.90)	245,044.10	57,973.60	187,070.50
General Supplies	12,813.00	757.00	13,570.00	5,956.86	7,613.14
Other Objects	500.00		500.00	350.33	149.67
Total Undistributed Expend.-Required Maintenance for School Facilities	350,635.00	(29,698.90)	320,936.10	126,101.67	194,834.43
Undistributed Expend.-Custodial Services:					
Salaries of Non-Instructional Aides	7,500.00		7,500.00	945.00	6,555.00
Cleaning, Repair and Maintenance Services	85,000.00	11,416.68	96,416.68	92,043.22	4,373.46
Rental of Land & Bldg. Other Than Lease Purch. Agreement	262,000.00		262,000.00	256,578.00	5,422.00
Other Purchased Property Services	20,000.00	4,500.00	24,500.00	12,560.19	11,939.81
Insurance	480,000.00		480,000.00	339,765.94	140,234.06
General Supplies	10,500.00	5,875.00	16,375.00	8,375.33	7,999.67
Energy (Electricity)	122,500.00		122,500.00	106,834.04	15,665.96
Total Undistributed Expend.-Custodial Services:	987,500.00	21,791.68	1,009,291.68	817,101.72	192,189.96
Care and Upkeep of Grounds:					
Cleaning, Repair and Maintenance Services	75,000.00		75,000.00	15,095.00	59,905.00
Total Care and Upkeep of Grounds	75,000.00		75,000.00	15,095.00	59,905.00
Security:					
Purchased Professional and Technical Services	120,000.00	(80,000.00)	40,000.00	35,018.42	4,981.58
Total Security:	120,000.00	(80,000.00)	40,000.00	35,018.42	4,981.58
Total Undistributed Expend.- Oper. & Maintenance of Plant Serv.	1,533,135.00	(87,907.22)	1,445,227.78	993,316.81	451,910.97

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2020

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Undistributed Expend.-Student Transportation Services:					
Salaries of Non-Instructional Aides	129,599.00	93,235.17	222,834.17	201,134.44	21,699.73
Salaries for Pupil Transportation (bet. home & school)-Reg	1,714,384.00	(93,235.17)	1,621,148.83	1,486,796.39	134,352.44
Salaries for Pupil Transportation (other than bet. home & school)	1,087,110.00		1,087,110.00	889,227.05	197,882.95
Other Purchased Professional and Technical Services	7,500.00		7,500.00	4,069.40	3,430.60
Cleaning, Repair and Maintenance Services	5,500.00		5,500.00		5,500.00
Lease Purchase Payments - School Buses	1,165,424.00	5,433.08	1,170,857.08	1,170,857.08	
Contracted Services - Special Ed. Students-Vendors	12,200,000.00		12,200,000.00	11,436,176.11	763,823.89
Miscellaneous Purchased Services - Transportation	25,600.00	(2,676.00)	22,924.00	6,812.55	16,111.45
General Supplies	8,750.00		8,750.00	4,899.01	3,850.99
Transportation Supplies	500,000.00	(29,933.08)	470,066.92	376,677.41	93,389.51
Other Objects	7,500.00	2,676.00	10,176.00	7,581.53	2,594.47
Total Undistributed Expend.-Student Transportation Services	16,851,367.00	(24,500.00)	16,826,867.00	15,584,230.97	1,242,636.03
Unallocated Benefits:					
Social Security Contributions - Other	480,301.00		480,301.00	378,161.93	102,139.07
Other Retirement Contributions - Regular	350,000.00		350,000.00	293,071.00	56,929.00
Unemployment Compensation	65,000.00	(65,000.00)			
Workmen's Compensation	65,000.00	(65,000.00)			
Health Benefits	1,221,078.00	159,692.70	1,380,770.70	1,325,755.63	55,015.07
Tuition Reimbursement	44,000.00		44,000.00	11,294.00	32,706.00
Other Employee Benefits	364,416.00		364,416.00	54,034.59	310,381.41
Total Unallocated Benefits	2,589,795.00	29,692.70	2,619,487.70	2,062,317.15	557,170.55
Total Personal Services - Employee	2,589,795.00	29,692.70	2,619,487.70	2,062,317.15	557,170.55
Reimbursed TPAF social security contributions (non-budgeted)				191,816.99	(191,816.99)
On-behalf TPAF post retirement medical (non-budgeted)				214,450.00	(214,450.00)
On-Behalf TPAF - Non-contributory Insurance (non-budgeted)				10,179.00	(10,179.00)
On-Behalf TPAF - Long Term Disability (non-budgeted)				686.00	(686.00)
On-behalf TPAF pension contributions (non-budgeted)				567,884.00	(567,884.00)
TOTAL UNDISTRIBUTED EXPENDITURES	24,547,155.00	84,209.91	24,631,364.91	22,718,087.54	1,913,277.37
TOTAL GENERAL CURRENT EXPENSE	26,622,155.00	6,859.50	26,629,014.50	24,661,693.18	1,967,321.32

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2020

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
CAPITAL OUTLAY: Undistributed:					
Undist. Expend. - Required Maintenance for School Facilities	24,063.00		24,063.00		24,063.00
TOTAL EQUIPMENT	<u>24,063.00</u>		<u>24,063.00</u>		<u>24,063.00</u>
Facilities Acquisition and Construction Services: Lease Purchase Agreements - Principal	895,000.00		895,000.00	895,000.00	
	895,000.00		895,000.00	895,000.00	
Assets acquired under capital leases (non-budgeted)	919,063.00		919,063.00	1,241,701.11	(1,241,701.11)
08 TOTAL CAPITAL OUTLAY	<u>27,541,218.00</u>		<u>27,548,077.50</u>	<u>26,798,394.29</u>	<u>749,683.21</u>
TOTAL EXPENDITURES	73,825.00	(6,859.50)	66,965.50	(1,529,787.64)	(1,596,753.14)
Excess (Deficiency) of Revenues Over (Under) Expenditures					
Other financing sources (use)					
Transfer of funds:					
Assets acquired under capital leases (non-budgeted)	(73,825.00)		(73,825.00)	1,241,701.11	1,241,701.11
Transfer from (to) other funds				(18,000.00)	55,825.00
Total other financing sources	<u>(73,825.00)</u>		<u>(73,825.00)</u>	<u>1,223,701.11</u>	<u>1,297,526.11</u>
Excess/Deficit of Revenues and other Financing Sources Over Expenditures and Other Expenditures and Other Financing Sources		(6,859.50)	(6,859.50)	(306,086.53)	(299,227.03)
Fund Balances, July 1, 2019	11,233,504.97		11,233,504.97	11,233,504.97	
Fund Balances, June 30, 2020	<u>\$ 11,233,504.97</u>	<u>\$ (6,859.50)</u>	<u>\$ 11,226,645.47</u>	<u>\$ 10,927,418.44</u>	<u>\$ (299,227.03)</u>
Recapitulation:					
Unrestricted Fund Balance			\$	10,927,418.44	
Fund Balance per Governmental Funds (GAAP)			\$	<u>10,927,418.44</u>	

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS/ AMENDMENTS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FINAL TO ACTUAL</u>
REVENUES:					
Local education agencies	\$ 850,000.00	\$ (252,148.18)	\$ 597,851.82	\$ 597,851.82	\$
Total Revenues	<u>850,000.00</u>	<u>(252,148.18)</u>	<u>597,851.82</u>	<u>597,851.82</u>	<u></u>
EXPENDITURES:					
Instruction:					
Salaries	400,000.00	(294,842.56)	105,157.44	105,157.44	
Purchased Professional - Educational Services	112,095.00	(34,238.85)	112,095.00	112,095.00	
Textbooks	100,000.00	(34,238.85)	65,761.15	65,761.15	
Total Instruction	<u>500,000.00</u>	<u>(216,986.41)</u>	<u>283,013.59</u>	<u>283,013.59</u>	<u></u>
Support Services:					
Salaries	175,000.00	(125,464.43)	49,535.57	49,535.57	
Personal Services - Employee Benefits	28,343.16	28,343.16	28,343.16	28,343.16	
Purchased Professional and Technical Services	17,623.56	17,623.56	17,623.56	17,623.56	
Supplies and Materials	175,000.00	36,556.96	211,556.96	211,556.96	
Miscellaneous Expenditures	7,778.98	7,778.98	7,778.98	7,778.98	
Total Support Services	<u>350,000.00</u>	<u>(35,161.77)</u>	<u>314,838.23</u>	<u>314,838.23</u>	<u></u>
Total Expenditures	<u>850,000.00</u>	<u>(252,148.18)</u>	<u>597,851.82</u>	<u>597,851.82</u>	<u></u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
BUDGET TO GAAP RECONCILIATION
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note A - Explanation of difference between budgetary inflows and outflows and GAAP Revenues and Expenditures

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$25,268,606.65	\$597,851.82
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	N/A	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$25,268,606.65</u>	<u>\$597,851.82</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule.	\$26,798,394.29	\$597,851.82
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	N/A	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$26,798,394.29</u>	<u>\$597,851.82</u>

REQUIRED SUPPLEMENTARY INFORMATION – PART III

SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR PENSION (GASB 68)

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS

	Measurement Date Ending June 30, 2019	Measurement Date Ending June 30, 2018	Measurement Date Ending June 30, 2017	Measurement Date Ending June 30, 2016	Measurement Date Ending June 30, 2015	Measurement Date Ending June 30, 2014	Measurement Date Ending June 30, 2013
Commission's proportion of the net pension liability (asset)	0.0300800211%	0.0320666900%	0.0332888885%	0.0388824351%	0.0392574752%	0.0435481903%	0.0447786524%
Commission's proportionate share of the net pension liability (asset)	\$5,419,963	\$6,313,771	\$7,749,121	\$11,515,862	\$8,812,517	\$8,153,412	\$8,558,090
Commission's covered-employee payroll	2,208,506	2,148,900	2,218,329	2,263,054	2,529,313	2,617,706	2,938,629
Commission's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	245.41%	293.81%	349.32%	508.86%	348.42%	311.47%	291.23%
Plan fiduciary net position as a percentage of the total pension liability	56.27%	53.60%	48.10%	40.14%	47.92%	52.08%	48.72%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF THE COMMISSION'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS

	Fiscal Year Ending June 30, 2020	Fiscal Year Ending June 30, 2019	Fiscal Year Ending June 30, 2018	Fiscal Year Ending June 30, 2017	Fiscal Year Ending June 30, 2016	Fiscal Year Ending June 30, 2015	Fiscal Year Ending June 30, 2014
Contractually required contribution	\$ 344,715	\$ 292,592	\$ 304,457	\$ 310,744	\$ 345,426	\$ 337,509	\$ 337,398
Contributions in relation to the contractually required contribution	344,715	292,592	304,457	310,744	344,043	516,756	316,292
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ 1,383,00	\$ (179,247,00)	\$ 21,106,00
Commission's covered-employee payroll	2,315,493	2,208,506	2,148,900	2,218,329	2,263,054	2,529,313	2,617,706
Contributions as a percentage of covered-employee payroll	14.89%	13.25%	14.17%	14.01%	15.26%	13.34%	12.89%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS PENSION AND ANNUITY FUND
LAST TEN YEARS

	Measurement Date Ending June 30, 2019	Measurement Date Ending June 30, 2018	Measurement Date Ending June 30, 2017	Measurement Date Ending June 30, 2016	Measurement Date Ending June 30, 2015	Measurement Date Ending June 30, 2014	Measurement Date Ending June 30, 2013
Commission's proportion of the net pension liability (asset)	0.02685933333%	0.0258910616%	0.0286724013%	0.0267355546%	0.0253682418%	0.0263818248%	0.0370639388%
State's proportionate share of the net pension liability (asset) associated with the Commission	\$16,483,826	\$16,471,337	\$19,331,967	\$21,031,889	\$16,033,812	\$14,100,227	\$18,731,823
Commission's covered-employee payroll	2,707,036	2,771,548	2,570,984	2,597,577	2,683,193	2,529,198	2,368,437
Commission's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0%	0%	0%	0%	0%	0%	0%
State's Proportionate Share of the Total Net Pension Liability associated with the Commission as a percentage of the Commission's Covered-Employee Payroll	608.93%	594.30%	751.93%	809.67%	597.56%	557.50%	790.89%
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 is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION PART III
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Change in benefit terms:

None

Change in assumptions:

The following assumptions were used in calculating the net pension liability in their respective accounting periods:

Measurement Date Ending	Discount Rate	Long-Term Expected Rate of Return	Actuarial Experience Study Period
<u>June 30,</u> 2019	6.28%	7.00%	07/01/14-06/30/18
2018	5.66%	7.00%	07/01/11-06/30/14
2017	5.00%	7.00%	07/01/11-06/30/14
2016	3.98%	7.65%	07/01/11-06/30/14
2015	4.90%	7.90%	07/01/08-06/30/11
2014	5.39%	7.90%	07/01/08-06/30/11
2013	5.55%	7.90%	07/01/08-06/30/11

TEACHERS PENSION AND ANNUITY FUND (TPAF)

Change in benefit terms:

None

Change in assumptions:

The following assumptions were used in calculating the net pension liability in their respective accounting periods:

Measurement Date Ending	Discount Rate	Long-Term Expected Rate of Return	Actuarial Experience Study Period
<u>June 30,</u> 2019	5.60%	7.00%	07/01/15-06/30/18
2018	4.86%	7.00%	07/01/12-06/30/15
2017	4.25%	7.00%	07/01/12-06/30/15
2016	3.22%	7.65%	07/01/12-06/30/15
2015	4.13%	7.90%	07/01/09-06/30/12
2014	4.68%	7.90%	07/01/09-06/30/12
2013	4.95%	7.90%	07/01/09-06/30/12

REQUIRED SUPPLEMENTARY INFORMATION – PART IV

SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR OPEB (GASB 75)

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF CHANGES IN THE COMMISSION'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TEN YEARS

	Measurement Date Ended June 30,	
	2019	2017
Total Non-Employer OPEB Liability - State's Proportionate Share of Total OPEB Liability Associated with the School Commission		
Balance at 6/30	\$15,275,656	\$18,509,350
Changes for the year:		
Service cost	746,359	925,079
Interest	612,087	688,756
Changes of benefit terms and actual experience	(2,475,139)	(2,700,222)
Changes in assumptions or other inputs	208,017	(1,752,958)
Membership Contributions	12,695	14,117
Benefit payments - Net	(428,267)	(408,466)
Net changes	(1,324,248)	(3,233,694)
Balance at 6/30	\$13,951,408	\$15,275,656
Covered Employee Payroll	4,915,542	4,920,448
Commission's Proportionate Share of the Total Non-Employer OPEB Liability as a percentage of the Commission's Covered Employee Payroll	-0-	-0-
State's Proportionate Share of the Total Non-Employer OPEB Liability associated with the Commission as a percentage of the Commission's Covered Employee Payroll	283.82%	310.45%
		386.47%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION PART IV
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Change in benefit terms: None

Change in assumptions: The discount rate changed from 3.87% to 3.50% as of
June 30, 2019.

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND DETAIL STATEMENTS

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

	IDEA PROGRAM	NON-PUBLIC TEXTBOOKS	NON-PUBLIC NURSING	NON-PUBLIC TECHNOLOGY	NON-PUBLIC SECURITY	NON-PUBLIC CH 192-193	TOTAL
Revenues:							
Local Sources	\$ 46,810.00	\$ 65,761.15	\$ 104,066.56	\$ 40,270.93	\$ 138,003.42	\$ 202,939.76	\$ 597,851.82
Total Revenues	<u>46,810.00</u>	<u>65,761.15</u>	<u>104,066.56</u>	<u>40,270.93</u>	<u>138,003.42</u>	<u>202,939.76</u>	<u>597,851.82</u>
Expenditures:							
Instruction:							
Salaries	4,298.50						105,157.44
Purchased Professional - Educational Services	22,002.00						112,095.00
Textbooks		65,761.15					65,761.15
Total Instruction	<u>26,300.50</u>	<u>65,761.15</u>				<u>190,951.94</u>	<u>283,013.59</u>
Support Services:							
Salaries			37,547.75			11,987.82	49,535.57
Personal Services - Employee Benefits	20,509.50		7,833.66				28,343.16
Purchased Professional and Technical Services			17,623.56				17,623.56
Supplies and Materials			35,171.05	38,382.49	138,003.42		211,556.96
Miscellaneous Expenditures			5,890.54	1,888.44			7,778.98
Total Support Services	<u>20,509.50</u>		<u>104,066.56</u>	<u>40,270.93</u>	<u>138,003.42</u>	<u>11,987.82</u>	<u>314,838.23</u>
Total Expenditures	\$ <u>46,810.00</u>	\$ <u>65,761.15</u>	\$ <u>104,066.56</u>	\$ <u>40,270.93</u>	\$ <u>138,003.42</u>	\$ <u>202,939.76</u>	\$ <u>597,851.82</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)							

CAPITAL PROJECTS FUND DETAIL STATEMENTS

N/A

PROPRIETARY FUND 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 Commission’s board is that the costs of providing goods or services be financed through user charges.

Food Services Fund: This fund provides for the operation of food services within the Commission.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUNDS - ENTERPRISE FUNDS
JUNE 30, 2020

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND		
	FOOD SERVICE FUND	CAREER CENTER FUND	TOTAL
ASSETS:			
Current assets:			
Cash and cash equivalents	\$653.65	\$352.71	\$1,006.36
Interfund Receivable	330.78		330.78
Intergovernmental Receivables:			
State	148.11		148.11
Federal	14,101.72		14,101.72
	15,234.26	352.71	15,586.97
Total current assets			
	15,234.26	352.71	15,586.97
LIABILITIES:			
Current liabilities:			
Interfund payable	12,074.93	7,225.42	19,300.35
	12,074.93	7,225.42	19,300.35
Total current liabilities			
	12,074.93	7,225.42	19,300.35
NET POSITION:			
Unrestricted (deficit)	3,159.33	(6,872.71)	(3,713.38)
	3,159.33	(6,872.71)	(3,713.38)
Total net position	\$3,159.33	(\$6,872.71)	(\$3,713.38)

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS - ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND</u>		
	<u>FOOD SERVICE FUND</u>	<u>CAREER CENTER FUND</u>	<u>TOTAL</u>
OPERATING REVENUES:			
Charges for services:			
Other sales		\$4,878.72	\$4,878.72
Total operating revenues		4,878.72	4,878.72
OPERATING EXPENSES:			
Cost of sales	\$66,003.45	6,756.66	72,760.11
Total operating expenses	66,003.45	6,756.66	72,760.11
Operating income (loss)	(66,003.45)	(1,877.94)	(67,881.39)
NONOPERATING REVENUES (EXPENSES):			
State Sources:			
State School Lunch Program	507.37		507.37
Federal Sources:			
National School Lunch Program	30,595.10		30,595.10
National School Breakfast Program	16,963.78		16,963.78
Interest on Investments	56.49	17.55	74.04
Total nonoperating revenues	48,122.74	17.55	48,140.29
Income/(loss) before contributions and transfers	(17,880.71)	(1,860.39)	(19,741.10)
Capital Contributions and Operating Transfers:			
Operating Transfers:			
General Fund	18,000.00		18,000.00
Total Capital Contributions and Operating Transfers	18,000.00		18,000.00
Change in net position	119.29	(1,860.39)	(1,741.10)
Total net position - beginning of the year	3,040.04	(5,012.32)	(1,972.28)
Total net position - end of the year	\$3,159.33	(\$6,872.71)	(\$3,713.38)

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND</u>		
	<u>FOOD SERVICE FUND</u>	<u>CAREER CENTER FUND</u>	<u>TOTAL</u>
Cash flows from operating activities:			
Receipts from customers		\$4,878.72	\$4,878.72
Payments to suppliers	(\$73,214.55)	(6,756.66)	(79,971.21)
Net cash provided by (used for) operating activities	(73,214.55)	(1,877.94)	(75,092.49)
Cash flows from noncapital financing activities:			
State Sources	414.75		414.75
Federal Sources	38,452.36		38,452.36
Interfund Activity	15,343.99		15,343.99
Operating subsidies	18,000.00		18,000.00
Net cash provided by noncapital financing activities:	72,211.10		72,211.10
Cash flows from investing activities:			
Interest	56.49	17.55	74.04
Net cash provided by (used for) investing activities	56.49	17.55	74.04
Net increase (decrease) in cash and cash equivalents	(946.96)	(1,860.39)	(2,807.35)
Cash and cash equivalents, July 1, 2019	1,600.61	2,213.10	3,813.71
Cash and cash equivalents, June 30, 2020	\$653.65	\$352.71	\$1,006.36
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	(\$66,003.45)	(\$1,877.94)	(\$67,881.39)
Adjustments to reconciling operating income (loss) to net cash provided by (used for) operating activities:			
Change in assets and liabilities:			
Increase (Decrease) in accounts payable	(7,211.10)		(7,211.10)
	(7,211.10)		(7,211.10)
Net cash provided by (used for) operating activities	(\$73,214.55)	(\$1,877.94)	(\$75,092.49)

FIDUCIARY FUND DETAIL STATEMENTS

Fiduciary Funds are used to account for funds received by the Commission for a specific purpose:

Awards Fund: This trust fund is used to for the 'Rewards are Necessary' program awarding special needs students based upon behavior and performance.

Agency Funds are used to account for assets held by the Commission as an agent for another party:

Payroll Fund: This agency fund is used to account for the payroll transactions of the school Commission.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
COMBINING STATEMENT OF FIDUCIARY NET POSITION
TRUST AND AGENCY FUNDS
JUNE 30, 2020

	<u>AGENCY FUNDS</u>	<u>TRUST FUNDS</u>
	<u>PAYROLL</u>	<u>PRIVATE</u>
	<u>AGENCY</u>	<u>PURPOSE</u>
	<u>AWARD FUND</u>	<u>AWARD FUND</u>
ASSETS:		
Cash and cash equivalents	\$ 3,465.15	\$ 446.02
Interfund receivable	5,832.02	
	<hr/>	<hr/>
Total assets	<u>9,297.17</u>	<u>446.02</u>
LIABILITIES:		
Interfunds Payable		446.02
Payroll deductions and withholdings	9,297.17	
	<hr/>	<hr/>
Total liabilities	<u>\$ 9,297.17</u>	<u>\$ 446.02</u>

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>PRIVATE PURPOSE AWARD FUND</u>	<u>TOTAL</u>
ADDITIONS:		
Contributions:		
Board contribution	\$ 2,910.90	\$ 2,910.90
Other	75.00	75.00
Total contributions	<u>2,985.90</u>	<u>2,985.90</u>
Investment earnings:		
Interest	7.15	7.15
Net investment earnings	<u>7.15</u>	<u>7.15</u>
Total additions	<u>2,993.05</u>	<u>2,993.05</u>
DEDUCTIONS:		
Awards	2,993.05	2,993.05
Total deductions	<u>2,993.05</u>	<u>2,993.05</u>
Change in net position	-0-	-0-
Net position - beginning of the year	<u>-0-</u>	<u>-0-</u>
Net position - end of the year	<u>\$ -0-</u>	<u>\$ -0-</u>

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>BALANCE</u> <u>JULY 1, 2019</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2020</u>
ASSETS:				
Cash and cash equivalents	\$ 34,609.54	\$ 3,204,055.43	\$ 3,235,199.82	\$ 3,465.15
Interfunds receivable		5,832.02		5,832.02
Total assets	<u>34,609.54</u>	<u>3,209,887.45</u>	<u>3,235,199.82</u>	<u>9,297.17</u>
LIABILITIES:				
Payroll deductions and withholdings	7,178.64	3,209,887.45	3,207,768.92	9,297.17
Interfunds payable	<u>27,430.90</u>		<u>27,430.90</u>	
Total liabilities	<u>\$ 34,609.54</u>	<u>\$ 3,209,887.45</u>	<u>\$ 3,235,199.82</u>	<u>\$ 9,297.17</u>

LONG-TERM LIABILITY SCHEDULES

The long-term debt schedules are used to reflect the outstanding principal balances of the long-term liabilities of the Commission. This includes obligations under serial bonds and capital leases.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
AS OF JUNE 30, 2020

<u>DESCRIPTION</u>	<u>DATE OF LEASE</u>	<u>TERM OF LEASE</u>	<u>INTEREST RATE PAYABLE</u>	<u>AMOUNT OF ORIGINAL LEASE</u>	<u>AMOUNT OUTSTANDING JUNE 30, 2019</u>	<u>INCREASE</u>	<u>DECREASE</u>	<u>AMOUNT OUTSTANDING JUNE 30, 2020</u>
Career Center	2014	18 years	Various \$	8,000,000.00 \$	6,515,000.00 \$	\$	395,000.00 \$	6,120,000.00
Refinance- Land, Building & Improv.	2014	12 years	Various	5,715,000.00	4,690,000.00		500,000.00	4,190,000.00
Copy Machine	2015	5 years	Various	24,828.18	3,288.99		3,288.99	
Buses	2015	6 years	2.75%	207,464.99	121,075.33		20,682.79	100,392.54
Buses	2016	5 years	1.92%	496,065.15	102,851.48		102,851.48	
Buses	2015	5 years	1.54%	987,287.09	402,961.21		199,935.18	203,026.03
Buses	2016	5 years	1.99%	187,161.03	77,240.91		38,255.50	38,985.41
Copy Machine	2017	5 years	Various	28,446.56	17,496.58		5,698.51	11,798.07
Buses	2017	5 years	1.81%	1,263,111.03	770,556.52		252,238.21	518,318.31
Buses	2018	5 years	2.78%	1,259,625.05	1,019,567.63		244,417.83	775,149.80
Copy Machine	2019	5 years	Various	41,880.36	35,727.26		7,793.31	27,933.95
Buses	2019	5 years	2.6242%	1,215,585.22	1,215,585.22		228,482.20	987,103.02
Copy Machine	2020	5 years	5.89%	26,115.89		26,115.89	2,279.56	23,836.33
				\$	14,971,351.13 \$	26,115.89 \$	2,000,923.56 \$	12,996,543.46

STATISTICAL SECTION (UNAUDITED)

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
STATISTICAL SECTION

<u>Contents</u>	<u>Page</u>
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.	J-1 to J-4
Revenue Capacity:	
These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	J-5
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.	N/A
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.	N/A
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.	J-16 to J-20

Sources

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

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
NET POSITION BY COMPONENT
UNAUDITED

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Governmental activities										
Net investment in capital assets	\$4,793,136.25	\$3,772,717.57	\$2,915,227.57	\$2,205,887.56	\$1,672,004.22	\$906,027.65	\$1,809,974.12	\$1,847,024.66	\$2,035,672.83	\$1,894,069.30
Restricted	2,537,378.41	2,208,490.58	237,852.38	750,868.58	765,521.73	1,032,289.51	113,685.24	267,527.21	6,500.00	6,500.00
Unrestricted	\$7,330,514.66	\$5,981,208.15	2,195,265.30	1,548,932.36	1,476,952.21	564,400.84	7,959,115.05	5,240,715.42	3,976,702.14	4,678,523.12
Total governmental activities net position			\$5,348,345.25	\$4,506,688.50	\$3,914,478.16	\$2,502,718.00	\$9,882,774.41	\$7,355,267.29	\$6,018,874.97	\$6,579,092.42
Business-type activities										
Unrestricted (deficit)	(\$3,713.38)	(\$1,972.28)	(\$2,981.85)	\$575.68	\$1,378.72	\$2,619.36	\$2,589.26	\$2,563.95	\$2,464.53	\$2,926.40
Total business-type activities net position			(\$2,981.85)	\$575.68	\$1,378.72	\$2,619.36	\$2,589.26	\$2,563.95	\$2,464.53	\$2,926.40
District-wide										
Net investment in capital assets	\$4,793,136.25	\$3,772,717.57	\$2,915,227.57	\$2,205,887.56	\$1,672,004.22	\$906,027.65	\$1,809,974.12	\$1,847,024.66	\$2,035,672.83	\$1,894,069.30
Restricted	2,533,665.03	2,206,518.30	237,852.38	750,868.58	765,521.73	1,032,289.51	113,685.24	267,527.21	6,500.00	6,500.00
Unrestricted	\$7,326,801.28	\$5,979,235.87	2,192,283.45	1,549,508.04	1,476,330.93	567,020.20	7,961,704.31	5,243,279.37	3,979,166.67	4,681,449.52
Total district net position			\$5,345,363.40	\$4,506,264.18	\$3,915,856.88	\$2,505,337.36	\$9,885,363.67	\$7,357,831.24	\$6,021,339.50	\$6,582,018.82

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
CHANGES IN NET POSITION
UNAUDITED

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
EXPENSES										
Governmental activities										
Instruction	\$3,938,419.37	\$4,850,451.61	\$5,180,128.31	\$4,403,999.79	\$3,970,132.84	\$4,091,620.29	\$3,445,753.06	\$3,202,861.69	\$2,810,005.23	\$4,321,296.78
Special education	17,450.79	28,457.05	23,908.12	27,482.33	26,385.51	27,199.30	29,474.03	22,478.90	3,309.60	1,173,153.50
Support Services:										
Student & instruction related services	1,605,366.12	1,537,149.98	1,768,435.19	1,744,977.57	1,095,160.61	1,335,184.48	1,135,297.54	998,525.00	1,660,389.62	962,196.90
General administrative services	663,797.57	708,514.69	705,968.15	627,801.84	471,982.10	553,124.07	455,978.63	720,828.32	927,630.47	1,226,891.24
School administrative services	932,414.60	972,593.16	857,930.15	717,542.36	996,376.71	908,515.01	630,920.95	692,666.51	604,463.41	374,554.24
Central services/Admin. Info. Technology	1,081,716.79	1,242,485.27	1,172,892.85	1,108,214.34	1,324,105.09	1,123,372.87	1,019,519.00	985,576.94	982,004.28	977,258.53
Plant operations and maintenance	1,008,646.85	1,224,611.10	1,216,162.62	1,280,953.47	1,154,472.87	1,144,588.85	982,840.65	770,380.60	777,708.52	918,914.20
Student transportation services	15,552,424.95	16,611,241.55	15,606,916.12	12,789,991.57	11,304,380.13	10,552,145.40	11,473,626.98	12,806,590.24	13,928,146.82	14,561,992.19
Interest on long-term debt					(16,388.36)	120,926.53	41,498.91	202,245.37		
Unallocated depreciation	342,294.92	348,280.28	336,561.90	329,284.00	329,232.59	439,993.48	173,779.65	173,779.65	174,164.65	174,164.65
Total governmental activities expenses	\$25,142,531.96	\$27,823,784.88	\$26,868,903.41	\$23,030,247.27	\$20,655,840.09	\$20,296,670.28	\$19,387,689.40	\$20,575,933.22	\$21,867,822.80	\$24,690,422.22
Business-type activities:										
Food Service	66,003.45	101,535.35	106,392.55	107,896.05	103,540.10	118,712.96	104,979.75	87,966.50	51,789.37	44,425.10
Career Center	6,756.66	10,359.82	10,090.17	3,179.00	3,049.03					
Total business-type activities expense	72,760.11	111,894.87	116,482.72	111,075.05	106,589.13	118,712.96	104,979.75	87,966.50	51,789.37	44,425.10
Total district expenses	\$25,215,292.07	\$27,635,679.55	\$26,985,386.13	\$23,141,322.32	\$20,762,429.22	\$20,415,383.24	\$19,492,669.15	\$20,663,899.72	\$21,919,611.97	\$24,734,847.32
PROGRAM REVENUES										
Governmental activities:										
Charges for services	\$16,486,607.36	\$18,092,694.20	\$16,644,769.06	\$13,887,392.25	\$13,184,267.98	\$12,123,024.29	\$12,369,473.18	\$13,314,694.74	\$14,145,204.19	\$15,657,725.20
Operating grants and contributions	2,226,247.81	2,681,630.54	3,701,563.84	2,675,620.83	2,050,262.86	1,844,924.30	1,314,516.26	1,529,128.47	1,696,303.76	2,410,542.54
Total governmental activities program revenues	\$18,712,855.17	\$20,974,324.74	\$20,346,332.90	\$16,563,013.08	\$15,234,530.86	\$13,967,948.59	\$13,683,989.44	\$14,843,823.21	\$15,841,507.95	\$18,068,267.73
Business-type activities:										
Charges for services										
Food Service	4,878.72	11,162.35	6,313.22	2,375.54	1,801.48	3.45	2,162.70	2,233.85	1,236.00	1,576.10
Career Center	48,066.25	73,655.98	78,256.77	82,077.38	76,297.01	88,439.35	66,580.91	76,832.07	45,086.12	37,886.62
Operating grants and contributions	52,944.97	84,818.33	84,569.99	84,452.92	78,098.49	88,442.80	68,743.61	79,065.92	46,322.12	39,462.72
Total business-type activities program revenues	\$18,765,800.14	\$21,059,143.07	\$20,430,902.89	\$16,647,466.00	\$15,312,629.35	\$14,056,391.39	\$13,752,733.05	\$14,922,899.13	\$15,867,830.07	\$18,107,730.45
NET (EXPENSE)/REVENUE										
Governmental activities	(\$6,429,676.79)	(\$6,549,459.94)	(\$6,522,570.51)	(\$6,467,234.19)	(\$5,421,309.23)	(\$6,328,721.69)	(\$5,703,699.96)	(\$5,732,110.01)	(\$6,026,314.65)	(\$6,622,154.49)
Business-type activities	(19,815.14)	(27,076.54)	(31,912.73)	(26,622.13)	(28,490.64)	(30,270.16)	(36,236.14)	(8,900.58)	(5,467.25)	(4,962.38)
Total district-wide net expense	(\$6,449,491.93)	(\$6,576,536.49)	(\$6,554,483.25)	(\$6,493,856.33)	(\$5,449,799.88)	(\$6,358,991.85)	(\$5,739,936.10)	(\$5,741,010.59)	(\$6,031,781.90)	(\$6,627,116.87)

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
CHANGES IN NET POSITION
UNAUDITED

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Governmental activities:										
Tuition	\$6,961,007.63	\$6,791,267.30	\$7,117,649.18	\$6,846,434.78	\$6,611,156.08	\$7,294,507.67	\$8,013,354.77	\$6,929,369.42	\$5,289,504.73	\$5,627,123.04
Transfers	(18,000.00)	(28,000.00)	(46,500.00)	(69,230.00)	(27,250.00)	(30,291.01)	(36,250.00)	(9,000.00)	(5,000.00)	
Miscellaneous income	835,975.67	419,055.55	294,078.08	281,239.76	249,163.31	244,537.46	254,102.31	148,132.91	181,592.47	282,044.82
Disposal of capital assets	-	-	-	-	-	(1,998.83)				
Total governmental activities	7,778,983.30	7,182,322.85	7,365,227.26	7,058,444.54	6,833,069.39	7,506,755.29	8,231,207.08	7,068,502.33	5,466,097.20	5,909,167.86
Business-type activities:										
Transfers in (out)	18,000.00	28,000.00	46,500.00	69,230.00	27,250.00	30,291.01	36,250.00	9,000.00	5,000.00	
Prior year receivables canceled			(18,144.80)	(43,410.91)						
Miscellaneous Income	74.04	86.11	28,355.20	25,819.09	27,250.00	30,300.26	36,261.45	9,000.00	5,005.38	4.55
Total business-type activities	18,074.04	28,086.11	7,393,582.46	7,084,263.63	6,860,319.39	7,537,055.55	8,267,468.53	7,077,502.33	5,471,102.58	4.55
Total district-wide	\$7,797,057.34	7,210,408.96	7,393,582.46	7,084,263.63	6,860,319.39	7,537,055.55	8,267,468.53	7,077,502.33	5,471,102.58	5,909,172.41
CHANGE IN NET POSITION										
Governmental activities	\$1,349,306.51	\$632,862.90	\$842,656.74	\$591,210.34	\$1,411,760.15	\$1,178,033.60	\$2,527,507.12	\$1,336,392.32	(\$560,217.45)	(\$712,986.63)
Business-type activities	(1,741.10)	1,009.57	(3,557.53)	(803.04)	(1,240.64)	30.10	25.31	99.42	(461.87)	(4,957.83)
Total district	\$1,347,565.41	\$633,872.47	\$839,099.21	\$590,407.30	\$1,410,519.51	\$1,178,063.70	\$2,527,532.43	\$1,336,491.74	(\$560,679.32)	(\$717,944.46)

Source: CAFR Schedule A-2

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
 FUND BALANCES - GOVERNMENTAL FUNDS
 UNAUDITED

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General Fund										
Assigned	\$10,927,418.44	\$11,233,504.97	\$11,676,165.21	\$11,225,274.40	\$10,668,031.37	\$9,630,331.47	\$15,569.10	\$10,378.72	\$4,266,069.10	\$4,975,131.82
Unassigned	-	-	-	-	6,500.00	6,500.00	8,302,123.44	5,721,157.79	6,500.00	6,500.00
Restricted							6,500.00	6,500.00		
Total general fund	\$10,927,418.44	\$11,233,504.97	\$11,676,165.21	\$11,225,274.40	\$10,674,531.37	\$9,636,831.47	\$8,324,192.54	\$5,738,036.51	\$4,272,569.10	\$4,981,631.82
All Other Governmental Funds										
Restricted			\$237,852.38	\$750,868.58	\$759,021.73	\$1,025,789.51	\$5,786,063.54	\$7,408,131.41		
Assigned							107,185.24	250,648.49		
Total all other governmental funds			\$237,852.38	\$750,868.58	\$759,021.73	\$1,025,789.51	\$5,893,248.78	\$7,658,779.90		

Source: CAFR Schedule B-1

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
UNAUDITED

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues										
Tuition charges	\$6,961,007.63	\$6,791,287.30	\$7,117,649.18	\$6,846,434.78	\$6,611,156.08	\$7,294,507.67	\$8,013,354.77	\$6,929,369.42	\$5,289,504.73	\$5,627,123.04
Transportation fees from other LEAs	16,486,607.36	18,092,694.20	16,644,769.06	13,887,392.25	13,184,267.98	12,123,024.29	12,369,473.18	13,314,694.74	14,145,204.19	15,657,725.20
Local educational agency fees	597,851.82	808,653.09	710,041.73	637,962.88	623,865.65	649,929.29	819,292.39	844,356.99	1,150,912.25	1,874,969.24
Miscellaneous	835,975.67	419,055.55	236,880.18	281,239.75	249,163.30	244,537.45	254,102.31	148,132.91	181,592.47	282,044.82
State sources	985,015.99	986,212.44	843,478.11	781,646.95	661,443.23	573,420.01	495,223.87	684,771.48	545,391.51	535,573.30
Total revenue	<u>25,866,458.47</u>	<u>27,097,882.58</u>	<u>25,552,818.26</u>	<u>22,434,676.61</u>	<u>21,329,896.24</u>	<u>20,885,418.71</u>	<u>21,951,446.52</u>	<u>21,921,325.54</u>	<u>21,312,605.15</u>	<u>23,977,435.60</u>
Expenditures										
Instruction										
Special education instruction	2,209,168.44	2,655,121.58	2,499,768.47	2,441,995.88	2,390,586.61	2,619,657.28	2,666,121.91	2,413,702.49	2,110,436.81	3,413,611.66
Other instruction	17,450.79	28,457.05	23,908.12	27,482.33	26,385.51	27,198.30	29,474.03	18,721.31	5,460.50	857,096.74
Support Services:										
Student & instruction related services	1,148,065.96	1,059,841.77	979,027.67	1,117,596.62	789,795.56	939,509.02	903,896.20	757,549.49	1,297,912.37	848,684.95
General administrative services	636,645.10	615,211.50	593,352.44	509,707.83	370,648.00	469,386.42	392,003.04	624,958.05	798,464.08	982,729.03
School Administrative services	594,728.78	537,679.21	388,591.79	395,274.08	569,368.44	573,266.94	473,695.96	495,634.81	423,893.60	281,194.73
Central services/										
Administration Information Technology	1,028,605.01	1,179,306.08	1,091,458.65	1,029,879.41	1,169,979.10	985,643.41	848,918.07	825,999.10	810,972.17	827,282.83
Plant operations and maintenance	993,316.81	1,206,779.14	1,196,919.31	1,249,911.16	1,133,803.39	1,105,250.28	948,003.27	731,385.83	733,891.73	917,815.90
Student transportation services	15,584,230.97	16,355,119.09	14,938,011.04	11,438,320.99	10,493,833.23	9,617,822.35	10,072,394.87	11,270,310.43	12,514,322.58	13,184,195.24
Unallocated employee benefits	3,047,333.14	3,252,879.78	3,028,607.00	2,784,535.28	2,601,367.55	2,769,753.77	2,579,533.14	2,908,596.62	2,936,314.03	3,303,993.96
Capital outlay	895,000.00	860,000.00	840,000.00	820,000.00	719,178.95	435,000.00	415,000.00	400,000.00	385,000.00	1,028,537.73
Capital projects	1,241,701.11	1,301,505.41	1,309,108.10	1,023,886.80	949,993.96	4,867,459.27	1,765,531.12	341,220.10		
Total expenditures	<u>27,396,246.11</u>	<u>29,051,900.61</u>	<u>26,888,752.59</u>	<u>22,838,590.38</u>	<u>21,214,940.30</u>	<u>24,409,948.04</u>	<u>21,094,571.61</u>	<u>20,788,078.23</u>	<u>22,016,667.87</u>	<u>25,645,142.77</u>
Excess (Deficiency) of revenues over (under) expenditures	(1,529,787.64)	(1,954,018.03)	(1,335,934.33)	(403,913.77)	114,955.94	(3,524,529.33)	856,874.91	1,133,247.31	(704,062.72)	(1,667,707.17)
Other Financing sources (uses)										
Lease proceeds (non-budgeted)	1,241,701.11	1,301,505.41	1,263,111.04	1,015,733.65	663,226.18	(30,291.01)	(36,250.00)	8,000,000.00	(5,000.00)	663,537.73
Transfers in (out)	(18,000.00)	(28,000.00)	(46,500.00)	(69,230.00)	(27,250.00)			(9,000.00)		
Proceeds from refinancing - net			57,197.90							
Total other financing sources (uses)	<u>1,223,701.11</u>	<u>1,273,505.41</u>	<u>1,273,808.94</u>	<u>946,503.65</u>	<u>655,976.18</u>	<u>(30,291.01)</u>	<u>(36,250.00)</u>	<u>7,991,000.00</u>	<u>(5,000.00)</u>	<u>663,537.73</u>
Net change in fund balances	<u>(\$306,086.53)</u>	<u>(\$680,512.62)</u>	<u>(\$62,125.39)</u>	<u>\$542,589.88</u>	<u>\$770,932.12</u>	<u>(\$3,554,820.34)</u>	<u>\$820,624.91</u>	<u>\$9,124,247.31</u>	<u>(\$709,062.72)</u>	<u>(\$1,004,169.44)</u>

Source: CAFR Schedule B-2

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
UNAUDITED

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Transportation</u> <u>Fees</u>	<u>Tuition</u>	<u>Miscellaneous</u>	<u>Total</u>
2020	\$16,486,607.36	\$6,961,007.63	\$835,975.67	\$24,283,590.66
2019	18,092,694.20	6,791,267.30	418,658.16	25,302,619.66
2018	16,644,769.06	7,117,649.18	236,013.02	23,998,431.26
2017	13,887,392.25	6,846,434.78	281,239.75	21,015,066.78
2016	13,184,267.98	6,611,156.08	249,000.83	20,044,424.89
2015	12,123,024.29	7,294,507.67	244,240.02	19,661,771.98
2014	12,369,473.18	8,013,354.77	253,389.51	20,636,217.46
2013	13,314,694.74	6,929,369.42	148,132.91	20,392,197.07
2012	14,145,204.19	5,289,504.73	181,592.47	19,616,301.39
2011	15,657,725.20	5,627,123.04	282,044.82	21,566,893.06

Source: District Records

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
 FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
 UNAUDITED

Function/Program	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Instruction:										
Regular and Special Education	26	24	24	26	23	45	60	54	50	52
Support Services:										
Student & instruction related services	12	23	24	27	26	49	40	37	36	41
General administrative services	3	3	3	2	2	4	3	3	3	3
School administrative services	5	8	5	5	5	7	3	3	3	3
Central services	7	12	15	12	10	8	8	7	7	7
Plant operations and maintenance	1	1	1	1	1	1	1	1	1	1
Student transportation	40	111	102	106	112	141	134	136	131	142
Total	94	182	174	179	179	255	249	241	231	249

Source: Commission Personnel Records

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
OPERATING STATISTICS
UNAUDITED

<u>Fiscal Year</u>	<u>Enrollment (d)</u>	<u>Operating Expenditures (a)</u>	<u>Cost Per Pupil</u>	<u>% Change</u>	<u>Teaching Staff (b)</u>	<u>Teacher/Pupil Ratio</u>	<u>Average Daily Enrollment (c)</u>	<u>Average Daily Attendance (c)</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2020	103	\$ 25,259,545.00	\$ 246,434.59	1.72%	24	1/4	115	87	-2.67%	76.27%
2019	111	26,890,395.20	242,255.81	24.36%	24	1/5	118	88	-6.59%	74.84%
2018	127	24,739,644.49	194,800.35	31.76%	24	1/5	126	91	-7.35%	72.22%
2017	142	20,994,703.58	147,850.03	2.87%	26	1/5	136	98	0.74%	72.06%
2016	136	19,545,767.39	143,718.88	31.63%	22	1/3	135	94	-18.18%	69.63%
2015	175	19,107,488.77	109,185.65	13.15%	35	1/5	165	112	-15.82%	67.88%
2014	196	18,914,040.49	96,500.21	-17.20%	60	1/3	196	134	10.11%	68.37%
2013	172	20,046,858.13	116,551.50	-20.26%	54	1/3	178	127	30.88%	71.35%
2012	148	21,631,667.87	146,159.92	-15.69%	50	1/3	136	96	-10.53%	70.59%
2011	142	24,616,605.04	173,356.37	3.24%	52	1/2	152	111	-16.94%	73.03%

Sources: Commission records

Note: Enrollment based on annual October count.

(a) Operating expenditures equal total expenditures less debt service and capital outlay.

(b) Teaching staff includes only full-time equivalents of certificated staff.

(c) Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

(d) Enrollment obtained from fall survey system report.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
SCHOOL BUILDING INFORMATION
UNAUDITED

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>District Buildings</u>										
Somerset County Educational Services Commission										
Elementary/Secondary										
Square Feet	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Capacity (students - full time)	300	300	300	300	300	300	300	300	300	300
Enrollment*	60	79	67	77	79	93	94	82	91	89
Alternative High School										
Square Feet	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500
Capacity (students - full time)	150	150	150	150	150	150	150	150	150	150
Enrollment*	19	17	32	48	42	69	102	96	57	62
Career Center										
Square Feet	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000
Capacity (students - full time)	70	70	70	70	70	70	70	70	70	70
Enrollment*	24	15	26	17	15	17	15	17	15	17

* full and part-time students

Number of Schools at June 30, 2020
Elementary/Secondary School = 1
Alternative High School = 1
Career Center = 1

Source: Commission records
Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of additions. Enrollment is based on the annual October count.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
INSURANCE SCHEDULE
JUNE 30, 2020
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
New Jersey School Insurance Group (NJSIG)		
Educational Risk Insurance Consortium - North:		
School Buildings and Contents		
Blanket real and personal property	\$500,000,000.00	\$5,000.00
Valuable papers and records	10,000,000.00	
Extra expense	50,000,000.00	
Comprehensive General Liability Insurance:		
Bodily injury and property damage - single limit	31,000,000.00	
Employee benefit liability per claim	31,000,000.00	1,000.00
Electronic Data Processing:		
Blanket hardware/software	150,000.00	1,000.00
Equipment breakdown	100,000,000.00	5,000.00
Automobile Insurance:		
Bodily injury and property damage	31,000,000.00	
Uninsured/underinsured motorist	1,000,000.00	
Public Officials Bond:		
Business administrator/board secretary	300,000.00	1,000.00
Public Employee Dishonesty/Forgery or Alteration	500,000.00	1,000.00

Source: Commission records.

SINGLE AUDIT SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300

Fax 908-789-8535

E-mail info@scnco.com

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

Honorable President and Members
of the Board of Directors
Somerset County Educational Services Commission
County of Somerset
Bridgewater, New Jersey 08807

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Somerset County Educational Services Commission, in the County of Somerset, State of New Jersey (the "Commission") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated December 17, 2020.

Internal Control Over Financial Reporting

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

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

SUPLEE, CLOONEY & COMPANY

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

Compliance and Other Matters

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

Purpose of This Report

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


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 962

December 17, 2020



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300

Fax 908-789-8535

E-mail info@scnco.com

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
STATE FINANCIAL ASSISTANCE PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH NEW JERSEY OMB CIRCULAR 15-08**

Honorable President and Members
of the Board of Directors
Somerset County Educational Services Commission
County of Somerset
Bridgewater, New Jersey 08807

Report on Compliance for Each Major State Program

We have audited the Somerset County Educational Services Commission's, in the County of Somerset, State of New Jersey (the "Commission") compliance with the types of compliance requirements described in the New Jersey *OMB State Grant Compliance Supplement* that could have a direct and material effect on each of the Commission's major state programs for the year ended June 30, 2020. The Commission'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

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 Commission'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; and New Jersey *OMB 15-08*. Those standards and New Jersey *OMB 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 Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

SUPLEE, CLOONEY & COMPANY

Opinion on Each Major State Program

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

Report on Internal Control Over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Commission'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 OMB 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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 of that testing based on the requirements of State of New Jersey OMB 15-08. Accordingly, this report is not suitable for any other purpose.


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 962

December 17, 2020

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

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL FAIN NUMBER	GRANT OR STATE PROJECT NUMBER	PROGRAM OR AWARD AMOUNT	GRANT PERIOD FROM TO	BALANCE JUNE 30, 2019	CARRYOVER/ (WALKOVER) AMOUNT	CASH RECEIVED	BUDGETARY EXPENDITURES	ADJUSTMENTS	REPAYMENT OF PRIOR YEARS BALANCES	BALANCE AT JUNE 30, 2020	
												(ACCOUNTS RECEIVABLE)	UNEARNED REVENUE
Enterprise Funds													
U.S. Department of Agriculture													
Passed-Through State Department of Education:													
Child Nutrition Cluster:													
Cash Assistance:													
School Breakfast Program	10.553	201NJ304N1099	N/A	\$16,963.78	7/1/19	6/30/20	\$	11,793.54	\$ (16,963.78)	\$	\$	(5,170.24)	\$
School Breakfast Program	10.553	191NJ304N1099	N/A	26,722.24	7/1/18	6/30/19		1,755.35					
National School Lunch Program	10.555	201NJ304N1099	N/A	51,251.12	7/1/19	6/30/20		21,663.62	(30,595.10)			(8,931.48)	
National School Lunch Program	10.555	191NJ304N1099	N/A	46,143.45	7/1/18	6/30/19		3,239.85				(14,101.72)	
Total U.S. Department of Agriculture								38,452.36	(47,558.88)			(14,101.72)	
Total Federal Financial Assistance							\$ -0-	\$ 38,452.36	\$ (47,558.88)	\$	\$	\$ (14,101.72)	\$

See accompanying notes to schedules of financial assistance.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
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 FUND AMOUNT	GRANT PERIOD FROM TO	BALANCE AT JUNE 30, 2019		CARRYOVER AMOUNT	CASH RECEIVED	BUDGETARY EXPENDITURES	ADJUSTMENTS/ REPAYMENT OF BALANCES	BALANCE AT JUNE 30, 2020		BUDGETARY RECEIVABLE	MEMO
				(ACCOUNTS RECEIVABLE)	DUE TO GRANTOR					(ACCOUNTS RECEIVABLE)	DUE TO GRANTOR		
State Department of Education													
General Funds:													
On-Behalf:													
T.P.A.F. Contribution	20-495-034-5094-002	\$567,884.00	7/1/19	6/30/20	\$	\$	567,884.00	\$	\$	\$	\$	\$	
T.P.A.F. Long Term Disability Insurance	20-495-034-5094-004	686.00	7/1/19	6/30/20			686.00	(567,884.00)					(567,884.00)
T.P.A.F. Non-Contributory Insurance	20-495-034-5094-003	10,179.00	7/1/19	6/30/20			10,179.00	(10,686.00)					(686.00)
T.P.A.F. Post-Retirement Medical Benefits	20-495-034-5094-001	214,450.00	7/1/19	6/30/20			214,450.00	(10,996.00)					(10,996.00)
Reimbursed TPAF Social Security	19-485-034-5094-003	201,615.25	7/1/18	6/30/19	(10,197.62)		10,197.62	(214,450.00)					(10,197.62)
Reimbursed TPAF Social Security	20-495-034-5094-003	191,816.99	7/1/19	6/30/20			182,151.77	(191,816.99)		(9,665.22)			(191,816.99)
Total General Fund					(10,197.62)		985,648.39	(985,016.99)		(9,665.22)			(985,016.99)
Enterprise Fund:													
National School Lunch Program (State Share)	19-100-010-3356-023	790.29	7/1/18	6/30/19	(65.49)		55.49	(507.37)		(148.11)			(507.37)
National School Lunch Program (State Share)	20-100-010-3356-023	507.37	7/1/19	6/30/20			552.20						
Total Enterprise Fund					(65.49)		414.75	(507.37)		(148.11)			(507.37)
Total State Financial Assistance Subject to Single Audit					(10,253.11)		985,963.14	(985,523.36)		(9,813.33)			(985,523.36)
Less: On-Behalf amounts not utilized for determination of Single Audit and Major Programs:													
T.P.A.F. Contribution	20-495-034-5094-002	567,884.00	7/1/19	6/30/20			567,884.00	(567,884.00)					(567,884.00)
T.P.A.F. Long Term Disability Insurance	20-495-034-5094-004	686.00	7/1/19	6/30/20			686.00	(686.00)					(686.00)
T.P.A.F. Non-Contributory Insurance	20-495-034-5094-003	10,179.00	7/1/19	6/30/20			10,179.00	(10,996.00)					(10,179.00)
T.P.A.F. Post-Retirement Medical Benefits	20-495-034-5094-001	214,450.00	7/1/19	6/30/20			214,450.00	(214,450.00)					(214,450.00)
Total State Financial Assistance Subject to Single Audit					(10,253.11)		202,943.14	(192,324.36)		(9,813.33)			(192,324.36)

See accompanying notes to schedules of financial assistance.

Somerset County Educational Services Commission
Notes to the Schedules of Expenditures of Federal Awards
and State Financial Assistance
Year Ended June 30, 2020

NOTE 1: GENERAL

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

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and federal awards and state financial assistance are presented on the budgetary basis of accounting with the exceptions 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 of the Commission's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The District has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

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 schedule (RSI) are presented for the general fund and special revenue fund to demonstrate finance-regulated 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. 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 revenue, whereas GAAP basis does not.

Somerset County Educational Services Commission
Notes to the Schedules of Expenditures of Federal Awards
and State Financial Assistance
Year Ended June 30, 2020

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is -0- for the general fund and -0- for the special revenue fund. See the 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. Federal awards, state financial assistance and local revenues are reported in the Commission's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Total</u>
General Fund		\$985,015.99		\$985,015.99
Special Revenue Fund			\$597,851.82	597,851.82
Food Service Fund	<u>\$47,558.88</u>	<u>507.37</u>		<u>48,066.25</u>
Total Awards & Financial Assistance	<u><u>\$47,558.88</u></u>	<u><u>\$985,523.36</u></u>	<u><u>\$597,851.82</u></u>	<u><u>\$1,630,934.06</u></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: OTHER

The amount reported as TPAF pension contributions, post-retirement medical benefits and long-term disability insurance represents the amount paid by the state on behalf of the commission for the year ended June 30, 2020. TPAF Social Security contributions represent 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.

Somerset County Educational Services Commission
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020

Section I – Summary of Auditor’s Results

Financial Statements

- | | | |
|-----|--|------------|
| (1) | Type of Auditor’s Report Issued: | Unmodified |
| (2) | Internal Control Over Financial Reporting: | |
| | (a) Material weakness identified? | No |
| | (b) Significant deficiencies identified that are not considered to be material weaknesses? | No |
| (3) | Noncompliance material to basic financial statements noted? | No |

Federal Program(s) – Not Applicable

State Program(s)

- | | | |
|-----|---|------------|
| (1) | Internal Control Over Major State Programs: | |
| | (a) Material weakness identified? | No |
| | (a) Significant deficiencies identified that are not considered to be material weaknesses? | No |
| (2) | Type of Auditor’s Report issued on compliance for major state program(s)? | Unmodified |
| (3) | Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular 15-08? | No |

(4) Identification of Major State Program(s):

<u>Program</u>	<u>Grant Number</u>
Reimbursed TPAF Social Security Contribution	495-034-5094-003

- | | | |
|-----|---|-----|
| (5) | Program Threshold Determination:
Type A State Program Threshold > \$750,000.00
Type B State Program Threshold <= \$750,000.00 | |
| (6) | Auditee qualified as a low-risk auditee under OMB Circular 15-08? | Yes |

Somerset County Educational Services Commission
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020

Section II – Financial Statement Audit – Reported Findings Under Government Auditing Standards

Internal Control Findings

None Reported

Compliance Findings

None Reported

Section III – Findings and Questioned Costs Relative to Major Federal and State Programs

Federal Programs – Not Applicable

State Programs – None Reported

Somerset County Educational Services Commission

Schedule of Prior Year Audit Findings

Not Applicable

