

**SUSSEX COUNTY EDUCATIONAL
SERVICES COMMISSION
COUNTY OF SUSSEX, NEW JERSEY**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
of the**

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION

Sparta, New Jersey

For the Fiscal Year Ended June 30, 2020

Prepared by

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
Finance Office

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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INTRODUCTORY SECTION

Sussex County Educational Services Commission
Northern Hills Academy
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Phone: 973-579-6980; Fax: 973-579-1086

Andrea Romano
Superintendent

Jennifer Cook
Principal

Erin Siipola
Business Administrator

January 21, 2021

Honorable President and
Members of the Board of Directors
Sussex County ESC
Sparta, NJ

Dear Board Members,

The Comprehensive Annual Financial Report (CAFR) of the Sussex County Educational Services Commission (the “Commission” or “SCESC”) for the fiscal year ended June 30, 2020 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness to the presentation, including all disclosures, rests with the management of the Commission. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations 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 Independent Auditor’s Report, the Management Discussion and Analysis, the basic financial statements and notes providing an overview of the Commission’s financial position and operating results, and supplementary schedules providing detailed budgetary information. The Statistical section includes selected economic and demographic information, financial trends and fiscal capacity of the commission, generally presented in a multi-year basis. The Commission is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of management and Budget Circular A-133, Audits of States, Locals Governments, and Non Profit Organizations, and the New Jersey’s OMB Circular 04-04, 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 and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES

The Sussex County Educational Services Commission is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (“GASB”) in codification section 2100. All funds of the Commission are included in this report. The SCESC and its’ school,

Northern Hills Academy, constitute the Commission's reporting entity. The Commission provides a full range of educational services for both public school districts and non-public school programs in Sussex and Warren Counties. Services are provided to regular education, as well as special education students. The Commission completed the 2018-2019 school year with having served 48 students enrolled in the Northern Hills Academy. Services for basic skill instruction, communication, computation, supplemental instruction in math and language arts, speech therapy and Child Study Team evaluations were provided to 10 eligible nonpublic schools in Sussex and Warren Counties through Chapter 192/193 State funding. Additionally, 10 of those same nonpublic schools received services under IDEA funds. Nursing services for students attending 9 of nonpublic schools were provided under Chapter 226 state funding.

A variety of Itinerant Public School Programs continued in the 2019-2020 school year. Many of these services were provided to local Boards of Education to help provide efficient cost savings to our member/nonmember districts in the areas of child study team services. These services include learning disability teacher consultants, school social workers, educational psychologists, speech therapists and other related service personnel.

2. ECONOMIC CONDITION AND OUTLOOK:

During the 2019-2020 school, the services provided by the SCESC to districts continued to have a positive impact on the economic condition of the SCESC's finances. School districts continued to utilize services for students at the Northern Hills Academy and the number of schools utilizing services under Itinerant Programming expanded. District from outside of Sussex County asked SCESC to provide services for both students at NHA and within our public itinerant program.

3. MAJOR INITIATIVES:

Special education programming has always been the heart and soul of the Sussex County ESC through programming for students at Northern Hills Academy and with providing programming for students in Chapters 192/193 at Non-public Schools.

Success stories for students returning to district are always met with mixed emotions. The outcomes provided to students shows how they have demonstrated successes and achieve their goals with returning to district. However, the mixed emotions also come with the celebration of their success but the loss of student tuition. So although it is bittersweet, it is what the SCESC programs are designed to do- return students to district when they meet their goals.

As we continue to look to expand services, transition planning for special needs students remains a high priority and cultivating a strong community based instruction program that can be a model program for the state remains our focus.

Our professional development programming has continued to expand. The repeated requests for staff to engage local schools in sustained professional development has continued. School districts such as Hampton, Kittatinny and Sussex Vocational School have continued to support SCESC. Supporting local school districts in their teacher evaluation programs is another venue that SCESC can help implement.

4. INTERNAL ACCOUNTING CONTROLS

Management of the Commission is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the Commission are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The internal control system 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 derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal awards and state financial assistance, the Commission 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 system will be evaluated on a periodic basis by the Commission's administration.

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2019.

6. ACCOUNTING SYSTEM AND REPORTS

The Commission's accounting records reflect Generally Accepted Accounting Principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the Commission is organized on the basis of governmental funds and business type activities fund. These funds are explained in "Notes to the Basic Financial Statements", Note 1.

7. CASH MANAGEMENT

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

8. OTHER INFORMATION

Independent Audit: State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Wielkotz & Company, a professional association of Certified Public Accountants, was selected by the Commission. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Treasury Circular Letter 15-08 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". The auditor's report on the basic financial statements and supplementary information is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

9. ACKNOWLEDGMENTS

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

Respectfully Submitted,

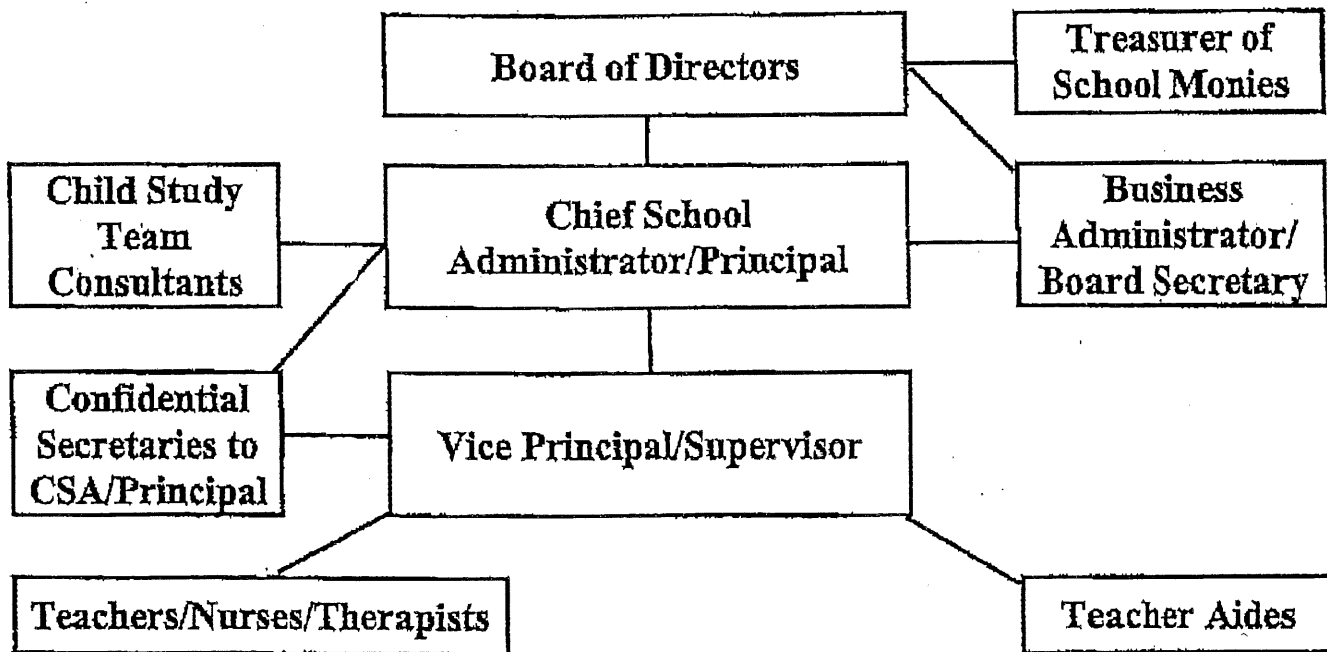
Andrea Romano

Erin Siipola

Andrea Romano
Superintendent

Erin Siipola
Business Administrator / Board Secretary

**SUSSEX COUNTY
EDUCATIONAL SERVICES COMMISSION
ORGANIZATION CHART**



**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
SPARTA, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2020**

Members of the Board of Education

District

Gil Muscatello, Board President	Stanhope
Lisa Carlson, Board Vice-President	Lafayette
Colleen Figueiredo	Andover
Mary Ann Risley	Byram
Suzanne Ross	Franklin
Marie Bilik	Green
Joyce Anderson	Hampton
Michael Ryder	Hardyston
Moira Douglas	Kittatinny
Richard Kuncken	Lenape Valley Regional
Tim Capone	Montague
Joanie Faye	Newton
Joanne Hoover	Sparta
Coleen Ranzan	Sussex-Wantage
Brad Sparta	Vernon

Other Officials

Andrea Romano	Superintendent
Erin Siipola	Business Administrator
Eileen Kithcart	Treasurer

**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
SPARTA, NEW JERSEY**

**CONSULTANTS AND ADVISORS
JUNE 30, 2020**

Audit Firm

Wielkotz & Company, LLC
100 Enterprise Drive, Suite 301
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Attorney

Marc Zitomer, Esq.
Schenck, Price, Smith & King LLC
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Florham Park, NJ 07932

Official Depositories

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Lafayette, NJ 07848

FINANCIAL SECTION



WIELKOTZ & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS

Steven D. Wielkocz, CPA, RMA, PSA
Matthew B. Wielkocz, CPA, PSA
Paul J. Cuva, CPA, RMA, PSA
James J. Cerullo, CPA, RMA, PSA
Thomas M. Ferry, CPA, RMA, PSA

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Sussex County Educational Services Commission, in the County of Sussex, State of New Jersey, 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

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



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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Sussex County Educational Services Commission Board of Education, in the County of Sussex, State of New Jersey, 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, Schedules Related to Accounting and Reporting for Pensions and Schedules Related to Accounting and Reporting for Other Post-Employment Benefits identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the 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.

Honorable President and
Members of the Board of Education
Page 3.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sussex County Educational Services Commission Board of Education's basic financial statements. The introductory section, combining and individual fund financial statements and schedule of expenditures of federal awards, the schedule of expenditures of state financial assistance as required by the State of New Jersey, Department of Education, Division of Finance and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards, and the schedule of expenditures of state financial assistance as required by the State of New Jersey, Department of Education, Division of Finance are the responsibility of management and were 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 and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical data section have not been subject 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 January 21, 2021 on our consideration of the Sussex County Educational Services Commission Board of Education'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 internal control over

Honorable President and
Members of the Board of Directors
Page 2.

financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sussex County Educational Services Commission Board of Education's internal control over financial reporting and compliance.

Thomas M. Ferry

Thomas M. Ferry
Licensed Public School Accountant
No. 20CS00209100

Wielkotz & Company, LLC

WIELKOTZ & COMPANY, LLC
Certified Public Accountants
Rockaway, New Jersey

January 21, 2021

**REQUIRED SUPPLEMENTARY
INFORMATION - PART I**

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION

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

This section of the Sussex County Educational Services Commission’s annual financial report presents its discussion and analysis of the Commission’s financial performance during the fiscal year ended June 30, 2020. Please read it in conjunction with the transmittal letter at the front of this report and the Commission’s financial statements, which immediately follow this section.

Overview of the Financial Statements

This annual report 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:

- The first two statements are *district-wide* financial statements that provide both short-term and long-term information about the Commission’s overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Commission, reporting the Commission’s operations in more detail than the district-wide statements.
- The *governmental fund* statements tell how basic services, such as regular and special education, were financed in the short-term as well as what remains for future spending.
- *Proprietary fund* statements offer short and long-term financial information about the activities the Commission operates like a business however they are not applicable to the Commission.
- *Fiduciary fund* statements provide information about the financial relationships in which the Commission acts solely as a trustee or agent for the benefit of others.
- *Notes to Financial Statements* provide additional information essential to full understanding of district-wide and fund financial statements.

The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Commission’s budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1

Organization of Sussex County Educational Services Commission’s Financial Report

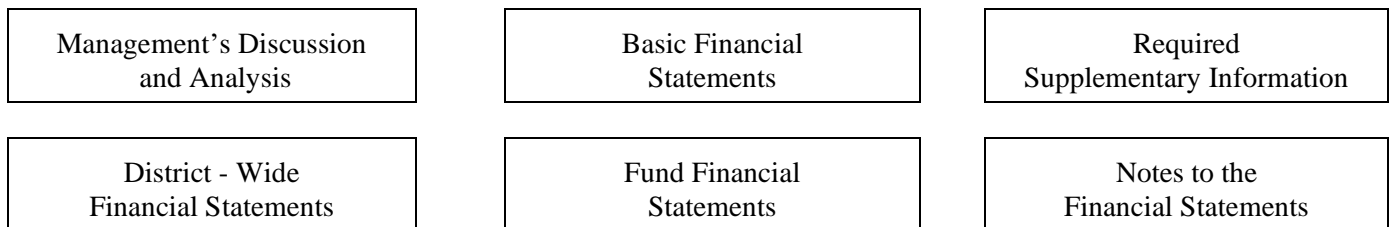


Figure A-2 summarizes the major features of the Commission’s financial statements, including the portion of the Commission’s activities they cover and the types of information they contain. The remainder of this overview section of the Management’s Discussion and Analysis highlights the structure and contents of each of the statements.

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds - N/A	Fiduciary Funds
Scope	Entire Commission (except fiduciary funds)	The activities of the Commission that are not proprietary or fiduciary, such as special education and building maintenance	Activities the Commission operates similar to private businesses: Not applicable	Instances in which the Commission administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenue, expenses changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

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

The two district-wide 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 position.

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

In the district-wide financial statements, the Commission's activities are divided into two categories:

Government Activities: Most of the Commission's basic services are included here, such as regular and special education and administration. Tuition and revenue from other local governmental units finance most of these activities.

Business-type Activities: The Commission has no business-type activities.

Fund Financial Statements

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

- Some funds are required by state law and by bond covenants.
- The Commission establishes other funds to control and manage money for particular purposes (such as federal repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants)

The Commission has two kinds of funds:

Governmental Funds: Most of the Commission's basic services are included in governmental funds, which generally focus on 1) how cash and other financial assets that can readily be converted to cash flow in and out; and 2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Commission's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship (or difference) between them.

Fiduciary Funds: The Commission is the trustee, or fiduciary, for assets that belong to others, such as the student activities fund. 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 district-wide financial statements because it cannot use these assets to finance its operations.

Notes to Financial Statements

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

Financial Analysis of the Commission as a Whole

Net Position. The Commission's net position decreased \$(386,210). Net position, invested in capital assets decreased \$(40,308), restricted decreased \$(18,563) and unrestricted net position decreased \$(327,339).

Figure A-3

Condensed Statement of Net Position

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
Assets:		
Current and Other Assets	\$3,169,765	\$3,408,197
Capital Assets, Net	<u>1,685,659</u>	<u>1,731,364</u>
Total Assets	<u>4,855,424</u>	<u>5,139,561</u>
Deferred Outflows of Resources		
Related to PERS	<u>653,695</u>	<u>440,846</u>
Liabilities:		
Current Liabilities	198,659	145,014
Noncurrent Liabilities	<u>1,658,168</u>	<u>1,449,517</u>
Total Liabilities	<u>1,856,827</u>	<u>1,594,531</u>
Deferred Inflows of Resources		
Related to PERS	<u>709,018</u>	<u>656,032</u>
Net Position:		
Net Investment in Capital Assets	1,674,380	1,714,688
Restricted	4,456	23,019
Unrestricted	<u>1,264,438</u>	<u>1,591,777</u>
Total Net Position	<u>\$2,943,274</u>	<u>\$3,329,484</u>

Changes in Net Position. The Commission’s combined net position was \$2,943,274 on June 30, 2020, \$(386,210) or (11.60%) less than it was the year before. (See figure A-3). Some of the factors that contributed to this increase in net position are as follows:

- Decreased enrollment
- Increased Expenditures

Figure A-4

Changes in Net Position from Operating Results

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
Revenues:		
Charges for Services	\$3,829,227	\$4,201,631
Operating Grants and Contributions	549,689	497,384
General Revenues:		
Other	<u>985,556</u>	<u>1,147,740</u>
Total Revenues and Transfers	<u>5,364,472</u>	<u>5,846,755</u>
Expenses:		
Instruction	2,430,524	2,381,474
Pupil and Instruction Services	1,526,882	1,386,573
Administrative and Business	1,267,254	1,207,019
Maintenance and Operations	291,430	288,046
Pupil Transportation	158	
Special Schools	<u>234,434</u>	<u>244,438</u>
Total Expenditures and Transfers	<u>5,750,682</u>	<u>5,507,550</u>
Increase/(Decrease) in Net Position	<u>\$(386,210)</u>	<u>\$339,205</u>

Revenue Sources. The Commission’s total revenue for the 2019/2020 school year was \$5,364,472. (See Figure A-5). Charges for services, which consists of tuition and charges for other special services provided to other local governmental units accounted for most of the Commission’s revenue (71.38%). Another 10.25% came from State and Federal aid for specific programs and the remainder from miscellaneous sources. The Sussex County Education Services Commission basically conducts its operations from the revenues it receives from its tuition and charges for services from other local governmental units.

Figure A-5**Sources of Revenue for Fiscal Year**

	<u>2019-20</u>		<u>2018-19</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Sources of Income:				
Charges for Services	\$ 3,829,227	71.38%	\$ 4,201,631	71.87%
Grants and Contributions	549,689	10.25%	497,384	8.51%
Other	<u>985,556</u>	<u>18.37%</u>	<u>1,147,440</u>	<u>19.62%</u>
	<u>\$5,364,472</u>	<u>100.00%</u>	<u>\$5,846,455</u>	<u>100.00%</u>

Costs of Services. The total cost of all programs and services was \$5,750,682. The Commission's expenses are predominately related to instruction and pupil services (68.81%). (See Figure A-6). The Commission's administrative and business activities accounted for 22.04% of total costs.

Figure A-6**Expenses for Fiscal Year**

	<u>2019-20</u>		<u>2018-19</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Expense Category:				
Instruction	\$2,430,524	42.26%	\$ 2,381,472	43.24%
Pupil and Instruction Services	1,526,882	26.55%	1,386,573	25.18%
Administrative and Business	1,267,254	22.04%	1,207,019	21.92%
Maintenance and Operations	291,430	5.07%	288,046	5.23%
Pupil Transportation	158	0.00%		0.00%
Other	<u>234,434</u>	<u>4.08%</u>	<u>244,438</u>	<u>4.43%</u>
	<u>\$ 5,750,682</u>	<u>100.00%</u>	<u>\$ 5,507,548</u>	<u>100.00%</u>

Governmental Activities

Figure A-7 presents the cost of five major Commission activities: instruction, pupil and instructional services, administration and business, maintenance and operations, and other miscellaneous expenses. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net earnings (costs) show the financial resources provided by (used for) the Commission's functions.

Figure A-7

Net Costs/(Earnings) of Governmental Activities

	<u>Total Cost of Services</u>		<u>Net (Cost)</u>	
	<u>2019/2020</u>	<u>2018/2019</u>	<u>Earnings of Services</u>	<u>2019/2020</u>
Instruction	\$2,430,524	\$ 2,381,473	\$ 1,948,392	\$ 2,317,542
Pupil and Instruction Services	1,526,882	1,386,573	(1,526,882)	(1,386,573)
Administration and Operations	1,267,254	1,207,019	(1,267,254)	(1,207,019)
Maintenance and Operations	291,430	288,046	(291,430)	(288,046)
Pupil Transportation	158		(158)	
Other	<u>234,434</u>	<u>244,439</u>	<u>(234,434)</u>	<u>(244,439)</u>
	<u>\$ 5,750,682</u>	<u>\$ 5,507,550</u>	<u>\$ (1,371,766)</u>	<u>\$ (808,535)</u>

- Total costs from all governmental activities this year was \$5,750,682.
- The net costs from all governmental activities this year was \$1,371,766.
- The state and federal governments subsidized certain programs with grants and contributions (\$549,689).
- Most of the Commission's costs, however, were financed by charges for services from other local governmental units (\$3,829,227).
- The remainder of the funding came from miscellaneous revenue and investment earnings.

Financial Analysis of the Commission's Funds

The administration is constantly aware that changes in enrollment and cost increases can occur unexpectedly. We rely on the tuition received from providing educational programs to students with special needs from other school districts as our main source of revenue. Even with a healthy fund balance, management of our expenses remains a priority in order to reinforce our financial health.

General Fund Budgetary Highlights

The Commission does not receive State Aid or Property Tax Levy funding. Its primary source of revenue is the tuition paid by a student's home Board of Education. A minimal funding source is through nonpublic school subsidies for special programs from the State and Federal funds. The Commission also provides consultants to local school districts for speech therapy, social work, educational psychology, case managers, and home instruction on both long and short term basis.

During the course of the year, the Commission revises the annual operating budget several times. These budget amendments are made up of changes within budgetary line items for changes in the revenue stream affected by enrollment, types of services provided, state mandates, and levels of funding.

Capital Asset and Debt Administration

Figure A-8

Capital Assets (Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2019/2020</u>	<u>2018/2019</u>
Sites	\$ 230,000	\$ 230,000
Building and Building Improvements	1,363,093	1,400,741
Machinery and Equipment	<u>92,566</u>	<u>100,623</u>
Total Capital Assets	<u>\$ 1,685,659</u>	<u>\$ 1,731,364</u>

Long-Term Debt

Capital lease balances decreased by principal payments in 2019/2020. Other long-term debt decreased due to the accounting for net pension liability under GASB No. 68.

Figure A-9

Outstanding Long-term Debt

	<u>Total School District</u>	
	<u>2019/2020</u>	<u>2018/2019</u>
Capital Leases	\$ 11,279	\$ 16,675
Other Long-term	<u>1,652,614</u>	<u>1,438,238</u>
	<u>\$ 1,663,893</u>	<u>\$ 1,454,913</u>

Factors Bearing on the Commission's Future Revenue/Expense Changes

The Commission is facing budgetary challenges along with its constituent school districts. However, by marketing effective and efficient instructional services to public school districts and pricing Northern Hills Academy tuition below private "for profit" institutions; SCESC retains a competitive edge for special needs education. A decision to expand programs provided by NHA and may result in the need for additional staff, administration and space. We continue to promote the Commission and Northern Hills Academy through our web site, interaction with other districts, along with word of mouth and have seen the change in how the SCESC is now a leader in special education.

Contacting the Commission's Financial Management

This financial report is designed to provide the Commission's citizens, customers, investors and creditors with a general overview of the Commission's finances and to demonstrate the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Commission, 18 Gail Court, Sparta, New Jersey 07871.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Governmental Activities
ASSETS	
Cash and cash equivalents	2,417,343.64
Receivables, net	752,420.87
Capital Assets:	
Land	230,000.00
Capital assets, net	1,455,659.30
Total Assets	4,855,423.81
 DEFERRED OUTFLOWS	
Deferred outflows of resources related to PERS	653,695.00
 LIABILITIES	
Accounts payable and accrued liabilities	176,614.82
Unearned revenue	16,318.93
Noncurrent liabilities:	
Due within one year	5,725.19
Due beyond one year	1,658,167.77
Total liabilities	1,856,826.71
 DEFERRED INFLOWS	
Deferred inflows of resources related to PERS	709,018.00
 NET POSITION	
Invested in capital assets, net of related debt	1,674,380.10
Restricted for:	
Other purposes	4,455.88
Unrestricted	1,264,438.12
Total net position	2,943,274.10

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

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

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues		Net Revenue (Expense) and Changes in Net Position
			Charges for Services	Operating Grants and Contributions	
Governmental activities:					
Instruction:					
Special education	1,136,855.42	452,098.64	3,829,227.34	549,688.98	2,789,962.26
Other instruction	540,032.61	209,771.92	-	-	(749,804.53)
Support services:					
Student & instruction related services	951,005.50	504,186.34	-	-	(1,455,191.84)
General administrative services	259,284.54	109,210.57	-	-	(368,495.11)
School administrative service	289,394.25	175,627.10	-	-	(465,021.35)
Central Services and Admin. Info. Tech.	269,687.93	110,212.84	-	-	(379,900.77)
Plant operations and maintenance	225,367.05	57,425.36	-	-	(282,792.41)
Special Schools	234,433.96	-	-	-	(234,433.96)
Pupil transportation	158.10	-	-	-	(158.10)
Total governmental activities	3,906,219.36	1,618,532.77	3,829,227.34	549,688.98	(1,145,835.81)
Business-type activities:					
Food Service	-	-	-	-	-
Total business-type activities	-	-	-	-	-
Total primary government	3,906,219.36	1,618,532.77	3,829,227.34	549,688.98	(1,145,835.81)
General revenues:					
Federal and State aid not restricted					189,854.00
Interest Earned					5,335.37
Other Restricted Miscellaneous Revenue					557,039.46
Miscellaneous Income					7,396.88
Total general revenues, special items, extraordinary items and transfers					759,625.71
Change in Net Position					(386,210.10)
Net Assets - beginning					3,329,484.20
Net Position—ending					2,943,274.10

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

FUND FINANCIAL STATEMENTS

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

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	2,417,343.64		2,417,343.64
Due from other funds	19,263.81	-	19,263.81
Receivables from Federal government	-	13,892.45	13,892.45
Receivables from State government	5,779.29	-	5,779.29
Receivables from Local Government	724,438.32	-	724,438.32
Total assets	3,166,825.06	13,892.45	3,180,717.51
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	88,410.99	1,965.83	90,376.82
Interfund accounts payable		10,953.00	10,953.00
Deferred Revenue	15,345.31	973.62	16,318.93
Total liabilities	103,756.30	13,892.45	117,648.75
Fund Balances:			
Committed to:			
Reserve for Encumbrances	4,455.88	-	4,455.88
Unassigned:			
General fund	3,058,612.88	-	3,058,612.88
Total fund balances	3,063,068.76	-	3,063,068.76
Total liabilities and fund balances	3,166,825.06	13,892.45	
Amounts reported for <i>governmental activities</i> in the statement of net assets (A-1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$2,905,838.30 and the accumulated depreciation is \$1,220,179.00.			1,685,659.30
Accounts payable for subsequent Pension payment is not a payable in the funds			(86,238.00)
Deferred Outflows and Inflows of resources are applicable to future periods and therefore are not reported in the funds.			
Deferred Outflows of Resources Related to PERS Pension Liability			653,695.00
Deferred Inflows of Resources Related to PERS Pension Liability			(709,018.00)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.			(1,663,892.96)
Net position of governmental activities			\$ 2,943,274.10

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Local sources:			
Tuition Charges	3,437,905.42	-	3,437,905.42
Interest Income	5,335.37	-	5,335.37
Service Revenues	391,321.92	-	391,321.92
Other Restricted Miscellaneous Revenue	557,039.46	-	557,039.46
Local Grants	-	5,500.00	5,500.00
Unrestricted Miscellaneous Revenues	1,896.88	-	1,896.88
Total - Local Sources	<u>4,393,499.05</u>	<u>5,500.00</u>	<u>4,398,999.05</u>
State sources	532,412.00	-	532,412.00
Federal sources	-	17,276.98	17,276.98
Total revenues	<u>4,925,911.05</u>	<u>22,776.98</u>	<u>4,948,688.03</u>
EXPENDITURES			
Current:			
Instruction:			
Special education instruction	1,134,855.42	2,000.00	1,136,855.42
Other instruction	540,032.61	-	540,032.61
Support services and undistributed costs:			
Student & instruction related services	930,228.52	20,776.98	951,005.50
General administrative services	259,284.54	-	259,284.54
School administrative services	289,394.25	-	289,394.25
Central Services and Admin. Info. Tech.	269,687.93	-	269,687.93
Plant operations and maintenance	225,367.05	-	225,367.05
Pupil transportation	158.10	-	158.10
Unallocated employee benefits	1,214,234.15	-	1,214,234.15
Capital outlay	119,280.30	-	119,280.30
Special Schools	234,433.96	-	234,433.96
Total expenditures	<u>5,216,956.83</u>	<u>22,776.98</u>	<u>5,239,733.81</u>
Excess (Deficiency) of revenues over expenditures	<u>(291,045.78)</u>	<u>-</u>	<u>(291,045.78)</u>
Net change in fund balances	(291,045.78)	-	(291,045.78)
Fund balance—July 1	<u>3,354,114.54</u>	<u>-</u>	<u>3,354,114.54</u>
Fund balance—June 30	<u>3,063,068.76</u>	<u>-</u>	<u>3,063,068.76</u>

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

**SUSSEX 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) (291,045.78)

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

Capital outlays are reported in governmental funds as expenditures.

However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year.

Depreciation expense	(164,985.00)	
Depreciable capital outlay	<u>119,280.30</u>	(45,704.70)

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

(Increase) Decrease in compensated absences payable	(4,452.01)
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Repayment of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.

In the current year, these amounts consist of:

Principal Payments on Capital Leases	5,396.39
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District pension contributions are reported as expenditures in the governmental funds when made. However, per GASB no. 68 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	86,297.00	
Less: Pension Expense	<u>(136,701.00)</u>	(50,404.00)

Per GASB no. 68 Non-employer contributing entities are required to record an increase in revenue and expense for On-behalf TPAF pension payments paid by the State of New Jersey on the Statement of Activities that are in excess of those amounts reported in the Fund financial statements.

Increase in On-behalf State Aid TPAF Pension	142,997.00
Increase in On-behalf TPAF Pension Expense	(142,997.00)

Per GASB no. 75 Non-employer contributing entities are required to record an increase in revenue and expense for On-behalf TPAF post retirement medical payments paid by the State of New Jersey on the Statement of Activities that are in excess of those amounts reported in the Fund financial statements.

Increase in On-behalf State Aid TPAF Post Retirement Medical Revenue	46,857.00
Increase in On-behalf State Aid TPAF Post Retirement Medical Expense	(46,857.00)

Change in net position of governmental activities	<u>(386,210.10)</u>
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The accompanying Notes to Financial Statements are an integral part of this statement.

**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020**

	Agency Funds
ASSETS	
Cash and cash equivalents	44,403.47
Total assets	44,403.47
LIABILITIES	
Interfund payable	8,310.81
Payable to student groups	3,578.94
Flexible spending account	3,614.52
Payroll deductions and withholdings	28,899.20
Total liabilities	44,403.47

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

NOTES TO THE FINANCIAL STATEMENTS

**Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2020**

NOTE 1. DESCRIPTION OF THE SCHOOL COMMISSION AND REPORTING ENTITY

The Sussex County Educational Services Commission (“Commission”) is an instrumentality of the State of New Jersey, established to function as an educational institution. The Commission consists of officials appointed to the Commission’s Board of Directors as representatives from member school districts and is responsible for the fiscal control of the Commission. A superintendent is appointed by the Board and is responsible for the administrative control of the Commission. Under existing statutes, the Board’s duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

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

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, “Defining the Financial Reporting Entity” establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significance) should be included in the financial reporting entity. The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the Commission include a private school for students with disabilities, located in the Township of Sparta. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

**Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation (continued)

District-wide Financial 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 the fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the Commission at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the governmental activities of the Commission. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Commission, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function 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 - *government*, and *fiduciary* - are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey Commissions 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 Commission financial reporting models. The various funds of the Commission are grouped into the categories governmental and fiduciary.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the Commission are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Commission's governmental funds:

**Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation (continued)

GOVERNMENTAL FUNDS (continued)

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. Accounting principles generally accepted in the United States of America, 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 revenue.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, tuition, charges to other local government units and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by Board resolution.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government (other than major capital projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

FIDUCIARY FUNDS

Fiduciary Fund - Fiduciary Fund reporting focuses on net position and changes in net position. The Fiduciary Funds are used to account for assets held by the Commission on behalf of individuals, private organizations, other governments and/or other funds. Fiduciary Funds include the Student Activities Fund and the Payroll Agency Fund.

B. Measurement Focus

District-wide Financial Statements

The District-wide statements (i.e., the statement of net position and the statement of activities) are prepared using the economic resources measurements focus and the accrual basis of accounting. All assets and liabilities associated with the operation of the Commission are included on the statement of net position, except for fiduciary funds.

**Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus (continued)

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the District-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The District-wide financial statements and the financial statements of the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

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

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 year when use is first permitted, matching requirements, in which the Commission must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Commission on a reimbursement basis. On a 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 to be both measurable and available at year-end: tuition, unrestricted grants and interest.

**Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting (continued)

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement of focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

D. Budgets/Budgetary Control

Annual appropriated budgets are adopted in the spring of the preceding year for the general, and special revenue funds. The budgets are submitted to the county superintendents office for approval. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23A-2(g)1. Transfers of appropriations may be made by school board resolution at any time during the fiscal year. The Commission did make material supplemental budgetary appropriations during the fiscal year for additional revenue created by tuition, also creating additional costs.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America, with the exception of the 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 Commission decreased their original budget for a reduction of revenues and expenditures during the fiscal year in the amount of \$516,435.00.

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 revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

**Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Encumbrances

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

Open encumbrances in the special revenue fund, for which the Commission has received advances, are reflected in the balance sheet as unearned revenue 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.

F. Cash, Cash Equivalents and Investments

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

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

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

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

**Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Tuition Revenues/Receivable

Tuition charges were established by the Commission based on estimated costs. The charges are subject to adjustment when the final costs have been determined.

H. Prepaid Items

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

I. Short-Term Interfund Receivables/Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net position, except for the net residual amounts due between governmental and fiduciary funds, which are presented as internal balances.

J. Capital Assets

All capital assets acquired or constructed during the year are recorded at actual cost. Donated fixed assets are valued at their estimated fair market value on the date received. The capital assets acquired or constructed prior to June 30, 1993 are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Donated capital assets are valued at their estimated fair market value on the date received. The Commission maintains a capitalization threshold of \$2,000.00. The Commission does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Sites and Improvements	20 years
Building and Improvements	7-50 years
Furniture, Equipment and Vehicles	5-20 years

**Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Commission and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Commission and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

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

L. Unearned Revenue

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

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

M. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the District-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgements, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds, long-term obligations, and capital leases that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

**Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Fund Balances:

Fund balance is divided into five classifications based primarily on the extent to which the Board is bound to observe constraints imposed upon the resources in the governmental funds. The classifications are as follows:

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

O. Net Position

Net position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Commission or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Commission applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Accounting and Financial Reporting for Pensions

In fiscal year 2015, the District implemented GASB 68. This Statement amends GASB Statement No. 27. It improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirement of Statement No. 27, *Accounting for Pension by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

The District has also implemented GASB Statement 71, Pension Transition for Contributions made Subsequent to the Measurement Date—an amendment to GASB No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported. Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

**Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Accounting and Financial Reporting for Pensions (continued)

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

Q. 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 District 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 District has one item that qualifies in this category, deferred amounts related to pension.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Commission and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year.

S. 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, medical and dental benefits and TPAF on-behalf contributions were allocated based on salaries of that program. Changes in compensating absences have not been allocated and have been reported as unallocated benefits on the Statement of Activities. 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 as unallocated depreciation. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

T. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reports, amounts and disclosures. Accordingly, actual results could differ from those estimates.

U. New Accounting Standards

During fiscal year 2020, the District did not adopt any new GASB Statements.

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

GASB Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify component units and postemployment benefit arrangements that are fiduciary activities. This statement was effective for reporting periods beginning after December 31, 2018. However, GASB Statement No. 95 postponed the implementation of this statement by one year due to the COVID-19 pandemic.

GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the fundamental principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. However, GASB Statement No. 95 postponed the implementation of this statement by one year due to the COVID-19 pandemic.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the end of a Construction*. The objectives of this Statement is to (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. However, GASB Statement No. 95 postponed the implementation of this statement by one year due to the COVID-19 pandemic.

Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

U. New Accounting Standards (continued)

GASB Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. This Statement improves the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 31, 2018. However, GASB Statement No. 95 postponed the implementation of this statement by one year due to the COVID-19 pandemic.

GASB Statement No. 91, *Conduit Debt Obligations*. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement is effective for reporting periods beginning after December 15, 2020. However, GASB Statement No. 95 postponed the implementation of this statement by one year due to the COVID-19 pandemic.

In January 2020, the Government Accounting Standards Board issued GASB Statement No. 92, *Omnibus*. This statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions. The Authority does not believe this Statement will have any effect on future financial statements. However, GASB Statement No. 95 postponed the implementation of this statement by one year due to the COVID-19 pandemic.

In March 2020, the Government Accounting Standards Board issued GASB Statement No. 93, *Replacement of Interbank Offering Rates*. The objective of this Statement is to address certain issues with Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as amended, Statement No. 87, *Leases*, as amended and other accounting and financial reporting implications that result from the replacement of an IBOR. The requirements of this Statement are effective for fiscal years beginning after June 15, 2020. However, GASB Statement No. 95 postponed the implementation of this statement by one year due to the COVID-19 pandemic.

**Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2020**

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Commission's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 18A:20-37 that are treated as cash equivalents. As of June 30, 2020, \$-0- of the Commission's bank balance of \$ 2,507,179.82 was exposed to custodial credit risk.

Investments

Investment Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

**Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2020**

NOTE 4. RECEIVABLES

Receivables at June 30, 2020 consisted of accounts and intergovernmental. All receivables are considered collectible in full. A summary of the principal items of receivables follows:

	District Wide Financial <u>Statements</u>	Governmental <u>Fund</u>
Due from Other Funds	\$8,310.81	\$19,263.81
State Aid	5,779.29	5,779.29
Federal Aid	13,892.45	13,892.45
Other	<u>724,438.32</u>	<u>724,438.32</u>
Gross Receivables	752,420.87	763,373.87
Less: Allowance for Uncollectibles	_____	_____
Total Receivables, Net	<u>\$752,420.87</u>	<u>\$763,373.87</u>

NOTE 5. INTERFUND BALANCES AND ACTIVITY

Balance due to/from other funds at June 30, 2020 consists of the following:

\$8,310.81	Due to the General Fund from the Trust and Agency Fund for monies collected and not turned over.
<u>10,953.00</u>	Due to General Fund from Special Revenue Fund for short-term loan.
<u>\$19,263.81</u>	

It is anticipated that all interfunds will be liquidated within the fiscal year.

Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2020

NOTE 6. CAPITAL ASSETS

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

	<u>Balance</u> <u>06/30/19</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>06/30/20</u>
Governmental Activities:				
Capital Assets,				
Not being depreciated:				
Sites (Land)	230,000.00	_____	_____	230,000.00
Total Capital Assets,				
Not Being Depreciated	<u>230,000.00</u>	_____	_____	<u>230,000.00</u>
Capital Assets, Being Depreciated:				
Building and				
Improvements	2,396,426.00	98,708.00		2,495,134.00
Furniture, Equipment				
And Vehicles	<u>195,234.00</u>	<u>20,572.30</u>	<u>(35,102.00)</u>	<u>180,704.30</u>
Total Capital Assets				
Being Depreciated	<u>2,591,660.00</u>	<u>119,280.30</u>	<u>(35,102.00)</u>	<u>2,675,838.30</u>
Less: Accumulated Depreciation:				
Building and				
Improvements	(995,685.00)	(136,356.00)		(1,132,041.00)
Furniture, Equipment				
and Vehicles	<u>(94,611.00)</u>	<u>(28,629.00)</u>	<u>35,102.00</u>	<u>(88,138.00)</u>
Total Accumulated Depreciation	<u>(1,090,296.00)</u>	<u>(164,985.00)</u>	<u>35,102.00</u>	<u>(1,220,179.00)</u>
Total Capital Assets				
Being Depreciated, Net	<u>1,501,364.00</u>	<u>(45,704.70)</u>	_____	<u>1,455,659.30</u>
Governmental Activities				
Capital Assets, Net	<u>1,731,364.00</u>	<u>(45,704.70)</u>	_____	<u>1,685,659.30</u>

Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2020

NOTE 6. CAPITAL ASSETS

Depreciation expense was charged to functions as follows:

Instruction:

Special Education Instruction	\$69,293.70
Student and Instruction Related Services	41,246.25
General Administrative Services	16,498.50
School Administrative Services	32,997.00
Central Services & Admin. Info. Tech	3,299.70
Plant Operations and Maintenance	<u>1,649.85</u>

Total Depreciation Expense	<u>\$164,985.00</u>
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NOTE 7. LONG-TERM OBLIGATION ACTIVITY

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

	Balance June 30, 2019	Issued	Retired	Balance June 30, 2020	Due Within One year	Long-Term Portion
Compensated Absences Payable	\$63,721.75	\$4,452.01(1) \$		\$68,173.76	\$	\$68,173.76
Net Pension Liability - PERS	1,374,516.00	1,584,440.00	(1,374,516.00)	1,584,440.00		1,584,440.00
Capital Leases	<u>16,675.59</u>		<u>(5,396.39)</u>	<u>11,279.20</u>	<u>5,725.19</u>	<u>5,554.01</u>
Total Governmental Activities	<u>\$1,454,913.34</u>	<u>\$1,588,892.01</u>	<u>(\$1,379,912.39)</u>	<u>\$1,663,892.96</u>	<u>\$5,725.19</u>	<u>\$1,658,167.77</u>

(1) Net of days allowed and days used.

A. Bonds Authorized but not Issued

As of June 30, 2020, the Commission had no debt authorized but not issued.

B. Capital Leases Payable

The Commission is leasing 2 copiers under capital leases. The term of the lease is for 5 years. The following is a schedule of the future minimum lease payments and the present value of the net minimum lease payments at June 30, 2020.

<u>Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2020-2021	\$6,240.00	\$5,725.19	\$514.81
2021-2022	<u>5,720.00</u>	<u>5,554.01</u>	<u>165.99</u>
	<u>\$11,960.00</u>	<u>\$11,279.20</u>	<u>\$680.80</u>

**Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2020**

NOTE 7. LONG-TERM OBLIGATION ACTIVITY (continued)

C. Compensated Absences Payable:

The liability for compensated absences of the governmental fund types is recorded as a long-term liability. There is no current portion of the compensated absences balance of the governmental funds in the current year. The long-term portion of compensated absences is \$68,173.76 for Governmental Activities.

Compensated absences payable will be liquidated by the General Fund.

NOTE 8. PENSION PLANS

Description of Plans - All required employees of the District 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, New Jersey, 08625 or reports can be accessed on the internet at: http://www.state.nj.us/treasury/pensions/annrpts_archive.htm.

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 District 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.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are 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.

Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2020

NOTE 8. PENSION PLANS (continued)

The following represents the membership tiers for TPAF:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions 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.

Benefits Provided

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

Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2020

NOTE 8. PENSION PLANS (continued)

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Defined Contribution Retirement Program

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

**Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2020**

NOTE 8. PENSION PLANS (continued)

Contributions Requirements Fund Based Statements

The Board’s contribution to PERS and DCRP, equal to the required contributions for each year as reported in the fund based statements, were as follows:

<u>Year Ending</u>	<u>PERS</u>	<u>DCRP</u>
6/30/20	\$86,297.00	\$20,070.12
6/30/19	69,438.00	17,648.88
6/30/18	67,966.00	17,698.01

The State of New Jersey contribution to TPAF (paid on-behalf of the District) for normal and post retirement benefits have been included in the fund-based statements as revenues and expenditures in accordance with GASB 24, paragraphs 7 through 13, as follows:

<u>Year Ending</u>	<u>Pension Contributions</u>	<u>Post-Retirement Medical Contributions</u>	<u>NCGI Premium</u>	<u>LTD Liability</u>
6/30/20	\$299,142.00	\$112,965.00	\$5,362.00	\$547.00
6/30/19	243,140.00	112,596.00	5,090.00	554.00
6/30/18	186,123.00	123,130.00	4,517.00	846.00

In addition, the post-retirement medical benefits are included in the district-wide financial statements.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$114,396.00 during the year ended June 30, 2020 for the employer’s share of social security contributions for TPAF members as calculated on their base salaries. This amount has been included in the fund-based statements as revenues and expenditures in accordance with GASB 24, paragraphs 7 through 13.

**Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2020**

NOTE 8. PENSION PLANS (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE DISTRICT-WIDE STATEMENTS PER - GASB NO. 68

Public Employees Retirement System (PERS)

At June 30, 2020, the District had a liability of \$1,584,440.00 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2019, the District's proportion was 0.0087934124 percent, which was an increase of 0.0018124522 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$ 136,701.00. At June 30, 2020, deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$28,439.00	\$6,999.00
Changes of assumptions	158,212.00	549,954.00
Net difference between projected and actual earnings on pension plan investments		25,011.00
Changes in proportion	380,806.00	127,054.00
District contributions subsequent to the measurement date	<u>86,238.00</u>	
Total	<u>\$653,695.00</u>	<u>\$709,018.00</u>

The \$86,238.00 reported as deferred outflows of resources related to pensions resulting from school district 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

Year ended June 30:	
2020	(\$45,751.00)
2021	(148,417.00)
2022	(132,527.00)
2023	(62,228.00)
2024	(6,390.00)

Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2020

NOTE 8. PENSION PLANS (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE DISTRICT-WIDE STATEMENTS PER - GASB NO. 68

Public Employees Retirement System (PERS) (continued)

Changes in Proportion

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

Additional Information

Local Group Collective balances at June 30, 2019 and June 30, 2018 are as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Collective deferred outflows of resources	\$3,149,522,616	\$4,684,852,302
Collective deferred inflows of resources	7,645,087,574	7,646,736,226
Collective net pension liability	18,018,482,972	19,689,501,539
District s Proportion	0.0087934124%	0.0069809602%

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. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00-6.00% (based on years of service)
Thereafter	3.00-7.00% (based on years of service)
Investment Rate of Return	7.00%

**Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2020**

NOTE 8. PENSION PLANS (continued)

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE DISTRICT-WIDE
STATEMENTS PER - GASB NO. 68**

Public Employees Retirement System (PERS) (continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, 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 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 a 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

Long-Term Rate of Return

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

Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2020

NOTE 8. PENSION PLANS (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE DISTRICT-WIDE STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS) (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk mitigation strategies	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U. S. Treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
High yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U. S. Equity	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private Equity	12.00%	10.85%

Discount Rate

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

**Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2020**

NOTE 8. PENSION PLANS (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE DISTRICT-WIDE STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS) (continued)

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

The following presents the collective net pension liability of the participating employers as of June 30, 2019, respectively, 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:

	June 30, 2019		
	1%	At Current	1%
	Decrease	Discount Rate	Increase
	<u>5.28%</u>	<u>6.28%</u>	<u>7.28%</u>
District's proportionate share of the pension liability	\$2,015,328	\$1,584,440	\$1,241,666

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 financial report may be accessed at www.state.nj.us/treasury/pensions.

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 District recognized at June 30, 2020 was as follows:

**Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2020**

NOTE 8. PENSION PLANS: (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE DISTRICT-WIDE STATEMENTS PER - GASB NO. 68, (continued)

Teachers Pensions and Annuity Fund (TPAF) (continued)

Net Pension Liability:	
District's proportionate share	\$ -0-
State's proportionate share associated with the District	<u>7,586,995</u>
	<u>\$7,586,995</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, 2018 rolled forward to June 30, 2019. The net pension liability associated with the District was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2019, the proportion of the TPAF net pension liability associated with the District was 0.0123625190 %.

For the year ended June 30, 2020, the District recognized on-behalf pension expense and revenue of \$447,501.00 for contributions provided by the State in the District-Wide Financial Statements.

Actuarial Assumptions

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

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

**Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2020**

NOTE 8. PENSION PLANS (continued)

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE DISTRICT-WIDE
STATEMENTS PER - GASB NO. 68, (continued)**

Teachers Pensions and Annuity Fund (TPAF) (continued)

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with an 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 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 a 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.

Long-Term Expected Rate of Return

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

**Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2020**

NOTE 8. PENSION PLANS: (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE DISTRICT-WIDE STATEMENTS PER - GASB NO. 68, (continued)

Teachers Pensions and Annuity Fund (TPAF) (continued)

Long-Term Expected Rate of Return (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk mitigation strategies	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U. S. Treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
High yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U. S. Equity	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private Equity	12.00%	10.85%

Discount Rate

The discount rate used to measure the total pension liability was 5.60% 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 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 70% of the actuary 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.

**Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2020**

NOTE 8. PENSION PLANS: (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE DISTRICT-WIDE STATEMENTS PER - GASB NO. 68, (continued)

Teachers Pensions and Annuity Fund (TPAF) (continued)

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

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

NOTE 9. POST EMPLOYMENT BENEFITS:

General Information about the OPEB Plan

Plan Description and Benefits Provided

The State provides post-retirement medical (PRM) benefits for certain State and other retired employees meeting the service credit eligibility requirements. In Fiscal Year 2019, the State paid PRM benefits for 148,401 State and local retirees.

The State funds post-retirement medical benefits on a "pay-as-you-go" basis, which means that the State does not pre-fund, or otherwise establish a reserve or other pool of assets against the PRM expenses that the State may incur in future years. For Fiscal Year 2019, the State contributed \$1.909 billion to pay for pay-as-you-go PRM benefit costs incurred by covered retirees. The increase in the State's pay-as-you-go contribution between Fiscal Year 2018 and Fiscal Year 2019 is attributed to rising health costs, an increase in the number of participants qualifying for State-paid PRM benefits at retirement and larger fund balance utilization in Fiscal Year 2018 than in Fiscal Year 2019. The Fiscal Year 2020 Appropriations Act includes \$1.921 billion as the State's contribution to fund pay-as-you-go PRM costs.

In accordance with the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the State is required to quantify and disclose its obligations to pay Other Postemployment Benefits (OPEB) to retired plan members. This new standard supersedes the previously issued guidance, GASB Statement No. 45, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective for Fiscal Year 2019. The State is now required to accrue a liability in all instances where statutory language names the State as the legal obligor for benefit payments. As such, the Fiscal Year 2018 total State OPEB liability to provide these benefits has been re-measured to \$97.1 billion, an increase of \$60.6 billion or 166 percent from the previous year's \$36.5 billion liability booked in accordance with GASB Statement No. 45. For Fiscal Year 2019, the total OPEB liability for the State is \$90.5 billion, a decrease of \$6.6 billion or 7 percent from the re-measured total OPEB liability in Fiscal Year 2018.

Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2020

NOTE 9. POST EMPLOYMENT BENEFITS: (continued)

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et. seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code.

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

Total OPEB Liability

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The LEA's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASB No. 75 is zero percent. Accordingly, the LEA did not recognize any portion of the collective OPEB liability on the Statement of Net Position. Accordingly, the following OPEB liability note information is reported at the State's level for the State Health Benefit Local Education Retired Employee's Plan and is not specific to the board of education/board of trustees, and could be found at <https://www.state.nj.us/treasury/pensions/GASBnotices> OPEB.

The portion of the OPEB Liability that was associated with the District recognized at June 30, 2020 was as follows:

OPEB Liability:	
District's proportionate share	\$ -0-
State's proportionate share	
associated with the District	<u>5,216,297.00</u>
	<u>\$5,216,297.00</u>

Actual Assumptions and Other Imputes

The total OPEB liability in the June 30, 2019 actuarial valuation reported by the State in the State's Report of Total Nonemployer OPEB Liability for the State Health Benefit Local Education Retired Employee's Plan was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2020

NOTE 9. OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The actuarial assumptions 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:

Inflation rate	2.50%	
	<u>TPAF/ABP</u>	<u>PERS</u>
Salary increases:		
Through 2026	1.55 - 3.05%	2.00 - 6.00%
	based on service years	based on service years
Thereafter	1.55 - 3.05%	3.00 - 7.00%
	based on service years	based on service years

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.

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.

100% of all retirees who currently have healthcare coverage are assumed to continue with that coverage. 100% of active members are considered to participate in the Plan upon retirement, having a coverage blend of 85% and 15% in PPO and HMO, respectively.

(a) Health Care Trend Assumptions

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

**Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2020**

NOTE 9. OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

(b) Discount Rate

The discount rate for June 30, 2019 was 3.50%. 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.

Sensitivity of Total Nonemployer OPEB Liability to Changes in the Discount Rate

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

Sensitivity of the Total Nonemployer OPEB Liability to Changes in the Healthcare Cost Trend Rates:

Because the District's proportionate share of the OPEB liability is zero, consideration of potential changes in the healthcare cost trend rates is not applicable to the District.

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

For the year ended June 30, 2020, the board of education/board of trustees recognized on-behalf OPEB expense of \$159,822 in the district-wide financial statements as determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASB No. 75 and in which there is a special funding situation.

In accordance with GASB No. 75, the Sussex County Educational Services Commission proportionate share of school retirees OPEB is zero; therefore, there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources.

NOTE 10. DEFERRED COMPENSATION

The Commission offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b). The plan, which is administered by Equitable, permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency.

**Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2020**

NOTE 11. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has obtained insurance coverage to guard against these events to minimize the exposure to the Commission should they occur.

Property and Liability Insurance - The Commission maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage.

The Commission has elected to fund its New Jersey Unemployment Compensation Insurance by becoming experience rated in which the Commission pays State unemployment taxes according to the same method the State uses for other employers.

NOTE 12. FUND BALANCE APPROPRIATED

General Fund [Exhibit B-1] - Of the \$3,063,068.76 General Fund fund balance at June 30, 2020, \$4,455.88 is reserved for encumbrances, and \$3,058,612.88 is unreserved and undesignated.

NOTE 13. ECONOMIC DEPENDENCY

The Commission receives a substantial amount of its support from tuition and fees from other local governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Commission's services and activities.

NOTE 14. CONTINGENT LIABILITIES

Grant Programs - The Commission participates in federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Commission is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Litigation - Counsel has advised us that there is no material litigation pending against the Commission.

**Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2020**

NOTE 15: SUBSEQUENT EVENT

The Commission has evaluated subsequent events through January 21, 2021, the date which the financial statements were available to be issued and the following item was noted for disclosure:

On March 9, 2020, Governor Phil Murphy signed Executive Order No. 103 that declared a State of Emergency and Public Health Emergency across all 21 counties in New Jersey in response to address the novel coronavirus (COVID-19) outbreak. At the time of this report, the overall effects of the COVID-19 pandemic are unknown. In efforts to reduce the spread of the virus, many companies and organizations have either reduced staff or closed down, thus creating a potential financial dilemma throughout Sussex County. The Commission has identified several risks as a result of this pandemic, including a possible delay in collection of tuition charges and cash flow shortages as the result of these delayed collections. In addition, possible increase in expenditures related to the COVID-19 pandemic that will not be reimbursed by the Federal or State governments. The Commission will continue to monitor the situation closely.

**REQUIRED SUPPLEMENTARY
INFORMATION - PART II**

BUDGETARY COMPARISON SCHEDULES

**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues:					
Local Sources:					
Tuition from Individuals	18,000.00	-	18,000.00	15,689.60	(2,310.40)
Tuition from Other LEAs within the State	4,399,234.00	(453,613.00)	3,945,621.00	3,422,215.82	(523,405.18)
Interest on Investments	4,500.00	-	4,500.00	5,335.37	835.37
Services Provided Other LEAs	400,570.00	14,736.50	415,306.50	391,321.92	(23,984.58)
Other Restricted Revenue	571,779.00	(77,558.50)	494,220.50	557,039.46	62,818.96
Miscellaneous Revenues from Local Sources	500.00	-	500.00	1,896.88	1,396.88
Total - Local Sources	5,394,583.00	(516,435.00)	4,878,148.00	4,393,499.05	(484,648.95)
State Sources:					
On-behalf TPAF NCGI Premium (non-budgeted)	-	-	-	5,362.00	5,362.00
On-behalf TPAF Post Retirement Medical (non-budgeted)	-	-	-	112,965.00	112,965.00
On-behalf TPAF Long-Term Disability Ins. (non-budgeted)	-	-	-	547.00	547.00
On-behalf TPAF Pension Contributions (non-budgeted)	-	-	-	299,142.00	299,142.00
TPAF Social Security (Reimbursed - Non-Budgeted)	-	-	-	114,396.00	114,396.00
Total State Sources	-	-	-	532,412.00	532,412.00
Total Revenues	5,394,583.00	(516,435.00)	4,878,148.00	4,925,911.05	47,763.05
Expenditures:					
Current Expense:					
Special Education - Instruction					
Behavioral Disabilities:					
Salaries of Teachers	165,350.00	29,013.00	194,363.00	194,362.45	0.55
Other Salaries for Instruction	66,888.60	14,202.00	81,090.60	81,090.23	0.37
Other Purchased Services (400-500 Series)	12,900.00	(5,800.00)	7,100.00	6,629.95	470.05
General Supplies	2,290.00	(130.00)	2,160.00	1,799.17	360.83
Other Objects	245.00	445.00	690.00	279.95	410.05
Total Behavioral Disabilities	247,673.60	37,730.00	285,403.60	284,161.75	1,241.85
Multiple Disabilities:					
Salaries of Teachers	301,520.00	(86,345.00)	215,175.00	215,175.00	-
Other Salaries for Instruction	400,113.96	(37,271.00)	362,842.96	362,749.87	93.09
Other Purchased Services (400-500 Series)	12,820.00	-	12,820.00	8,056.28	4,763.72
General Supplies	2,960.00	(130.00)	2,830.00	2,467.30	362.70
Other Objects	245.00	130.00	375.00	186.74	188.26
Total Multiple Disabilities	717,658.96	(123,616.00)	594,042.96	588,635.19	5,407.77
Autism:					
Salaries of Teachers	54,700.00	81.00	54,781.00	54,780.25	0.75
Other Salaries for Instruction	112,487.70	(7,200.00)	105,287.70	105,236.83	50.87
Other Purchased Services (400-500 Series)	3,800.00	-	3,800.00	2,236.38	1,563.62
General Supplies	865.00	(182.00)	683.00	647.05	35.95
Other Objects	-	497.00	497.00	279.96	217.04
Total Autism	171,852.70	(6,804.00)	165,048.70	163,180.47	1,868.23
Preschool Disabilities - Full Time:					
Salaries of Teachers	53,700.00	(1,000.00)	52,700.00	52,700.00	-
Other Salaries for Instruction	75,763.90	(33,500.00)	42,263.90	42,206.38	57.52
Other Purchased Services (400-500 Series)	3,800.00	-	3,800.00	2,091.56	1,708.44
General Supplies	900.00	1,100.00	2,000.00	1,880.07	119.93
Total Preschool Disabilities - Full Time	134,163.90	(33,400.00)	100,763.90	98,878.01	1,885.89
Total Special Education - Instruction	1,271,349.16	(126,090.00)	1,145,259.16	1,134,855.42	10,403.74
Vocational Programs - Local - Instruction					
Purchased Services (300-500 Series)	-	560.00	560.00	101.34	458.66
Total Vocational Programs - Local - Instruction	-	560.00	560.00	101.34	458.66

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Other Instructional Programs - Instruction					
Salaries	503,354.87	(104,244.00)	399,110.87	368,702.40	30,408.47
Other Salaries for Instruction	70,864.00	(40,800.00)	30,064.00	27,650.02	2,413.98
Social Security	15,350.00	391.00	15,741.00	7,073.42	8,667.58
Other Retirement Contributions - Regular	6,292.00	198.00	6,490.00	2,773.74	3,716.26
Unemployment Compensation	1,329.00	698.00	2,027.00	1,409.67	617.33
Health Benefits	85,170.00	(63,177.00)	21,993.00	15,175.71	6,817.29
Other Employee Benefits	5,000.00	-	5,000.00	3,750.00	1,250.00
Purchased Services (300-500 Series)	185,176.00	(12,554.50)	172,621.50	107,285.67	65,335.83
Travel	1,500.00	543.00	2,043.00	752.84	1,290.16
General Supplies	11,467.00	(1,617.50)	9,849.50	4,615.82	5,233.68
Other Objects	11,800.00	(8,800.00)	3,000.00	741.98	2,258.02
Total Other Instructional Programs - Instruction	<u>897,302.87</u>	<u>(229,363.00)</u>	<u>667,939.87</u>	<u>539,931.27</u>	<u>128,008.60</u>
Total Instruction	<u>2,168,652.03</u>	<u>(354,893.00)</u>	<u>1,813,759.03</u>	<u>1,674,888.03</u>	<u>138,871.00</u>
Undistributed Expenditures - Health Services:					
Salaries	203,977.00	(8,488.92)	195,488.08	191,108.40	4,379.68
Social Security	8,561.00	1,235.45	9,796.45	9,618.23	178.22
Other Retirement Contributions - Regular	3,361.00	483.15	3,844.15	3,771.82	72.33
Unemployment	788.00	108.46	896.46	880.06	16.40
Purchased Professional and Technical Services	15,000.00	500.00	15,500.00	14,811.50	688.50
Other Purchased Services (400-500 series)	250.00	(100.00)	150.00	52.50	97.50
Miscellaneous Purchased Services	225.00	262.50	487.50	262.50	225.00
General Supplies	5,770.00	3,832.82	9,602.82	8,802.63	800.19
Other Objects	75.00	-	75.00	25.00	50.00
Total Undistributed Expenditures - Health Services	<u>238,007.00</u>	<u>(2,166.54)</u>	<u>235,840.46</u>	<u>229,332.64</u>	<u>6,507.82</u>
Undist. Expend.-Speech, OT, PT & Related Services:					
Salaries	590,450.00	(118,218.00)	472,232.00	472,221.08	10.92
Purchased Professional - Educational Services	60,000.00	(23,750.00)	36,250.00	35,832.25	417.75
General Supplies	4,400.00	(1,500.00)	2,900.00	2,883.14	16.86
Other Objects	1,000.00	(1,000.00)	-	-	-
Total Undist. Expend.-Speech, OT, PT & Related Services	<u>655,850.00</u>	<u>(144,468.00)</u>	<u>511,382.00</u>	<u>510,936.47</u>	<u>445.53</u>
Undist. Expend. - Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	110,000.00	40,352.00	150,352.00	150,350.10	1.90
Health Benefits	25,787.00	-	25,787.00	25,022.06	764.94
Other Purchased Services (400-500 series)	3,000.00	-	3,000.00	37.26	2,962.74
Supplies and Materials	1,600.00	-	1,600.00	182.12	1,417.88
Other Objects	-	100.00	100.00	100.00	-
Total Undist. Expend. - Improvement of Instructional Services:	<u>140,387.00</u>	<u>40,452.00</u>	<u>180,839.00</u>	<u>175,691.54</u>	<u>5,147.46</u>
Undist. Expend. - Instructional Staff Training Serv.:					
Other Purchased Services (400-500 series)	13,900.00	2,600.00	16,500.00	14,161.02	2,338.98
General Supplies	-	120.00	120.00	106.85	13.15
Total Undist. Expend. - Instructional Staff Training Serv.	<u>13,900.00</u>	<u>2,720.00</u>	<u>16,620.00</u>	<u>14,267.87</u>	<u>2,352.13</u>
Undist. Expend. - Supp. Serv. - General Admin.:					
Salaries	152,896.00	11,956.00	164,852.00	164,850.93	1.07
Legal Services	30,029.00	(7,775.00)	22,254.00	21,710.84	543.16
Audit Fees	16,000.00	(1,200.00)	14,800.00	14,800.00	-
Architectural / Engineering	-	1,750.00	1,750.00	1,750.00	-
Other Professional Services	2,650.00	-	2,650.00	2,585.00	65.00
Communications/Telephone	19,450.00	(300.00)	19,150.00	16,373.98	2,776.02
Miscellaneous Purchased Services	4,900.00	1,975.00	6,875.00	6,053.06	821.94
General Supplies	2,080.00	2,850.22	4,930.22	4,043.64	886.58
Miscellaneous Expenditures	21,000.00	1,200.00	22,200.00	22,099.50	100.50
Miscellaneous Expenditures - Advertising Expenditures	5,700.00	(250.00)	5,450.00	5,017.59	432.41
Total Undist. Expend. - Supp. Serv. - General Admin.	<u>254,705.00</u>	<u>10,206.22</u>	<u>264,911.22</u>	<u>259,284.54</u>	<u>5,626.68</u>

**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Support Serv. - School Admin.:					
Salaries of Principals/Assistant Principals	167,176.00	2,685.00	169,861.00	169,859.80	1.20
Salaries of Secretarial and Clerical Assistants	78,764.00	9,685.00	88,449.00	88,419.72	29.28
Purchased Professional and Technical Services	7,200.00	8,350.00	15,550.00	14,241.75	1,308.25
Other Purchased Services (400-500 series)	8,020.00	3,448.00	11,468.00	11,265.17	202.83
General Supplies	4,300.00	794.94	5,094.94	4,828.81	266.13
Miscellaneous Expenditures	600.00	400.00	1,000.00	779.00	221.00
Total Undist. Expend. - Support Serv. - School Admin.	<u>266,060.00</u>	<u>25,362.94</u>	<u>291,422.94</u>	<u>289,394.25</u>	<u>2,028.69</u>
Undist. Expend. - Central Services:					
Salaries	203,904.00	(14,999.00)	188,905.00	187,914.24	990.76
Purchased Technical Services	18,515.00	(1,000.00)	17,515.00	17,075.43	439.57
Misc. Purchased Services (400-500 Series)	6,700.00	836.00	7,536.00	6,522.74	1,013.26
General Supplies	1,500.00	298.38	1,798.38	1,513.74	284.64
Miscellaneous Expenditures	2,300.00	-	2,300.00	1,165.00	1,135.00
Total Undist. Expend. - Central Services	<u>232,919.00</u>	<u>(14,864.62)</u>	<u>218,054.38</u>	<u>214,191.15</u>	<u>3,863.23</u>
Undist. Expend. - Admin. Info. Tech.:					
Purchased Technical Services	14,000.00	42,400.00	56,400.00	55,496.78	903.22
Total Undist. Expend. - Admin. Info. Tech.	<u>14,000.00</u>	<u>42,400.00</u>	<u>56,400.00</u>	<u>55,496.78</u>	<u>903.22</u>
Undist. Expend. - Required Maint. School Facilities:					
Cleaning, Repair, and Maintenance Services	15,000.00	(10,078.00)	4,922.00	4,315.78	606.22
Total Undist. Expend. - Required Maint. School Facilities	<u>15,000.00</u>	<u>(10,078.00)</u>	<u>4,922.00</u>	<u>4,315.78</u>	<u>606.22</u>
Undist. Expend. - Custodial Services:					
Salaries	117,699.26	(14,000.00)	103,699.26	98,032.97	5,666.29
Purchased Professional and Technical Services	9,800.00	(4,587.00)	5,213.00	1,455.00	3,758.00
Cleaning, Repair, and Maintenance Services	29,900.00	760.00	30,660.00	26,842.32	3,817.68
Other Purchased Property Services	8,000.00	(600.00)	7,400.00	3,366.91	4,033.09
Insurance	54,760.00	830.00	55,590.00	55,530.09	59.91
General Supplies	13,124.15	(630.00)	12,494.15	12,128.55	365.60
Electricity	16,000.00	(1,100.00)	14,900.00	11,738.96	3,161.04
Oil	25,640.57	(1,000.00)	24,640.57	11,931.47	12,709.10
Miscellaneous Expenditures	500.00	-	500.00	25.00	475.00
Total Undist. Expend. - Custodial Services	<u>275,423.98</u>	<u>(20,327.00)</u>	<u>255,096.98</u>	<u>221,051.27</u>	<u>34,045.71</u>
Total Undist. Expend. - Oper. & Maint. Plant Services	<u>290,423.98</u>	<u>(30,405.00)</u>	<u>260,018.98</u>	<u>225,367.05</u>	<u>34,651.93</u>
Undist. Expend. - Student Transportation Services:					
Misc. Purchased Services - Transportation	19,000.00	(18,841.00)	159.00	158.10	0.90
Total Undist. Expend. - Student Transportation Serv.	<u>19,000.00</u>	<u>(18,841.00)</u>	<u>159.00</u>	<u>158.10</u>	<u>0.90</u>
Unallocated Benefits:					
Social Security Contributions	132,000.00	(21,000.00)	111,000.00	110,259.89	740.11
Other Retirement Contributions - PERS	80,550.00	5,747.00	86,297.00	86,297.00	-
Other Retirement Contributions - Regular	21,000.00	-	21,000.00	20,718.53	281.47
Unemployment Compensation	14,000.00	2,000.00	16,000.00	12,811.03	3,188.97
Health Benefits	535,017.00	(125,417.00)	409,600.00	409,238.21	361.79
Tuition Reimbursement	12,142.00	-	12,142.00	2,142.00	10,000.00
Other Employee Benefits	25,000.00	7,268.00	32,268.00	32,267.99	0.01
Unused Sick Payment to Terminated / Retired Staff	-	8,088.00	8,088.00	8,087.50	0.50
Total Unallocated Benefits	<u>819,709.00</u>	<u>(123,314.00)</u>	<u>696,395.00</u>	<u>681,822.15</u>	<u>14,572.85</u>
On-Behalf Contributions:					
On-behalf TPAF NCGI Premium (non-budgeted)	-	-	-	5,362.00	(5,362.00)
On-behalf TPAF Post Retirement Medical (non-budgeted)	-	-	-	112,965.00	(112,965.00)
On-behalf TPAF Long-Term Disability Ins. (non-budgeted)	-	-	-	547.00	(547.00)
On-behalf TPAF Pension Contributions (non-budgeted)	-	-	-	299,142.00	(299,142.00)
Reimbursed TPAF Social Security Contributions (non-budgeted)	-	-	-	114,396.00	(114,396.00)
Total On-Behalf Payments	<u>-</u>	<u>-</u>	<u>-</u>	<u>532,412.00</u>	<u>(532,412.00)</u>
Total Personal Services - Employee Benefits	<u>819,709.00</u>	<u>(123,314.00)</u>	<u>696,395.00</u>	<u>1,214,234.15</u>	<u>(517,839.15)</u>
Total Undistributed Expenditures	<u>2,944,960.98</u>	<u>(212,918.00)</u>	<u>2,732,042.98</u>	<u>3,188,354.54</u>	<u>(456,311.56)</u>
Total General Current Expense	<u>5,113,613.01</u>	<u>(567,811.00)</u>	<u>4,545,802.01</u>	<u>4,863,242.57</u>	<u>(317,440.56)</u>

**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Capital Outlay					
Equipment:					
Undistributed Expend. - Required Maintenance		17,448.00	17,448.00	17,410.00	38.00
Undistributed Expend. - Non-Instructional Equipment	-	3,200.00	3,200.00	3,162.30	37.70
Total Equipment	-	20,648.00	20,648.00	20,572.30	75.70
Facilities Acquisition and Construction Services:					
Architectural/Engineering Services		13,500.00	13,500.00	13,500.00	-
Construction Services		85,208.00	85,208.00	85,208.00	-
Total Facilities Acquisition and Construction Services	-	98,708.00	98,708.00	98,708.00	-
Total Capital Outlay	-	119,356.00	119,356.00	119,280.30	75.70
Special Schools					
Summer School - Instruction:					
Salaries of Teachers	89,458.00	(17,056.00)	72,402.00	72,238.93	163.07
Other Salaries for Instruction	101,676.00	(19,900.00)	81,776.00	80,900.27	875.73
General Supplies	1,000.00	(90.00)	910.00	434.56	475.44
Total Summer School Instruction	192,134.00	(37,046.00)	155,088.00	153,573.76	1,514.24
Summer School - Support Services:					
Salaries	91,655.00	(15,034.00)	76,621.00	76,620.17	0.83
Purchased Professional and Technical Services	10,000.00	(10,000.00)			-
Other Purchased Services (400-500 series)	10,000.00	(5,700.00)	4,300.00	4,240.03	59.97
General Supplies	200.00	(200.00)			-
Total Summer School - Support Services	111,855.00	(30,934.00)	80,921.00	80,860.20	60.80
Total Special Schools	303,989.00	(67,980.00)	236,009.00	234,433.96	1,575.04
Total Expenditures	5,417,602.01	(516,435.00)	4,901,167.01	5,216,956.83	(315,789.82)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(23,019.01)	-	(23,019.01)	(291,045.78)	(268,026.77)
Fund Balance, July 1	3,354,114.54	-	3,354,114.54	3,354,114.54	-
Fund Balance, June 30	3,331,095.53	-	3,331,095.53	3,063,068.76	(268,026.77)
Recapitulation of excess (deficiency) of revenues under expenditures:					
Adjustment for Prior Year Encumbrances	(23,019.01)	-	(23,019.01)	(291,045.78)	(268,026.77)
	(23,019.01)	-	(23,019.01)	(291,045.78)	(268,026.77)
Recapitulation:					
Committed Fund Balance:					
Year End Encumbrances				4,455.88	
Unassigned Fund Balance				3,058,612.88	
Fund Balance per Governmental Funds (GAAP)				3,063,068.76	

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

	Original Budget	Budget Transfers/ Adjustments	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Federal Sources	13,800.00	5,643.58	19,443.58	19,443.58	-
Local Sources	1,000.00	4,500.00	5,500.00	5,500.00	-
Total Revenues	14,800.00	10,143.58	24,943.58	24,943.58	-
EXPENDITURES:					
Instruction	1,000.00	1,000.00	2,000.00	2,000.00	-
Purchased Professional and Technical Services	1,000.00	1,000.00	2,000.00	2,000.00	-
Total Instruction					
Support Services	13,800.00	5,643.58	19,443.58	19,443.58	-
Other purchased Services	-	3,500.00	3,500.00	3,500.00	-
General Supplies	13,800.00	9,143.58	22,943.58	22,943.58	-
Total Support Services					
Total Expenditures	14,800.00	10,143.58	24,943.58	24,943.58	-
Total Outflows	14,800.00	10,143.58	24,943.58	24,943.58	-
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	-	-	-	-	-

**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 BUDGET - TO - GAAP RECONCILIATION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note A - Explanation of difference between budgetary inflows and outflows and GAAP revenues and expenditures.

		General Fund	Special Revenue Fund
Sources/inflows of resources			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1]&[C-2]	4,925,911.05	24,943.58
Difference - budget to GAAP:			
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.			
Less: Current Year Encumbrances			(2,166.60)
 Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - government funds.	 [B-2]	 4,925,911.05	 22,776.98
 Uses/outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1]&[C-2]	5,216,956.83	24,943.58
Differences - budget to GAAP			
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.			
Less: Current Year Encumbrances			(2,166.60)
 Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - government funds.	 [B-2]	 5,216,956.83	 22,776.98

**REQUIRED SUPPLEMENTARY
INFORMATION - PART III**

Exhibit L-1

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
Schedules of Required Supplementary Information
Schedule of District's Proportionate Share of Net Pension Liability - PERS
*Last 10 Fiscal Years**

Fiscal Year Ending June 30,	District's Proportion Share of the Net		District's Proportion Share of the Net		District's Covered Payroll - PERS Employee's	District's Proportion Share of the Net		Plan Fiduciary Net Position as a percentage of the total Pension Liability
	Pension Liability (Asset)	Pension Liability (Asset)	Pension Liability (Asset)	Pension Liability (Asset)		Pension Liability (Asset) as a percentage of its Covered Payroll	Pension Liability (Asset) as a percentage of its Covered Payroll	
2015	0.0065116375%	\$ 1,219,157	\$	1,219,157	535,010	227.88%	52.08%	
2016	0.0077154294%	1,731,959		1,731,959	499,870	346.48%	47.93%	
2017	0.0080707061%	2,390,312		2,390,312	467,366	511.44%	40.14%	
2018	0.0071531181%	1,665,132		1,665,132	515,084	323.27%	48.10%	
2019	0.0069809602%	1,374,516		1,374,516	513,621	267.61%	53.60%	
2020	0.0087934124%	1,584,440		1,584,440	532,723	297.42%	56.27%	

* GASB requires that ten years of information be presented. However, since fiscal year 2015 was the first year of GASB 68 implementation ten years is not presented. Each year thereafter, an additional year will be included until ten years of data is presented.

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
Schedules of Required Supplementary Information
Schedule of District's Contributions - PERS
*Last 10 Fiscal Years**

Fiscal Year Ending June 30,	Contractually Required		Contributions in Relation to the		Contribution Deficiency (Excess)	District's PERS Covered- Employee Payroll	Contributions as a Percentage of PERS Covered- Employee Payroll
	Contribution	Contributions	Contractually Required	Contractually Required			
2015	53,681	53,681	\$	-	\$535,010	10.03%	
2016	66,332	66,332	-	-	499,870	13.27%	
2017	72,053	72,053	-	-	467,366	15.42%	
2018	67,966	67,966	-	-	515,084	13.20%	
2019	69,438	69,438	-	-	513,621	13.52%	
2020	86,297	86,297	-	-	532,723	16.20%	

* GASB requires that ten years of information be presented. However, since fiscal year 2015 was the first year of GASB 68 implementation ten years is not presented. Each year thereafter, an additional year will be included until ten years of data is presented.

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
Schedules of Required Supplementary Information
Schedule of District's Proportionate Share of Net Pension Liability - TPAF
*Last 10 Fiscal Years**

Fiscal Year Ending June 30,	District's Proportion Share of the Net Pension Liability (Asset)		District's Proportion Share of the Net Pension Liability (Asset)	State's Proportionate Share of the Net Pension Liability Associated with the District (Asset)		District's Covered Payroll - TPAF Employee's	District's Proportion Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll		Plan Fiduciary Net Position as a percentage of the total Pension Liability
	Proportion Share of the Net Pension Liability (Asset)	Pension Liability (Asset)		Proportionate Share of the Net Pension Liability Associated with the District (Asset)	Pension Liability Associated with the District (Asset)		Proportion Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	Proportion Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	
2015	0.0098253150%	\$	-	\$ 5,249,823	\$	1,278,494	0.00%	33.64%	
2016	0.0116098318%	-	-	7,337,909	1,326,713	1,326,713	0.00%	28.71%	
2017	0.0122743684%	-	-	9,655,800	1,309,626	1,309,626	0.00%	28.75%	
2018	0.0133166707%	-	-	8,978,580	1,355,564	1,355,564	0.00%	25.41%	
2019	0.0126386989%	-	-	8,040,469	1,642,285	1,642,285	0.00%	26.49%	
2020	0.0123625190%	-	-	7,586,995	1,597,887	1,597,887	0.00%	26.95%	

* GASB requires that ten years of information be presented. However, since fiscal year 2015 was the first year of GASB 68 implementation ten years is not presented. Each year thereafter, an additional year will be included until ten years of data is presented.

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
Note to Required Schedules of 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 calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. There was a change in the municipal bond index rate from the prior measurement date (3.87%) to the current measurement date (3.50%), resulting in a change in the discount rate from 5.66% to 6.28%. This change in the discount rate is considered to be a change in actuarial assumptions under GASBS No. 68.

TEACHERS PENSION AND ANNUITY FUND (TPAF)

Change in benefit terms

Change in assumptions

The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. There was a change in the municipal bond index rate from the prior measurement date (3.78%) to the current measurement date (3.50%), resulting in a change in the discount rate from 4.86% to 5.60%. This change in the discount rate is considered to be a change in actuarial assumptions under GASBS No. 68.

Sussex County Educational Services Commission
Schedule of Required Supplementary Information
Schedule of Changes in the District's Proportionate Share of the State OPEB Liability
Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service Costs	\$ 301,675	\$ 322,518	\$ 385,917
Interest on Total OPEB Liability	252,016	266,227	227,216
Difference Between Expected and Actual Experience	(1,547,114)	(612,051)	-
Changes in Assumptions	77,775.00	(721,502)	(924,466)
Gross Benefit Payments	(160,125)	(168,121)	(166,639)
Contribution from the Member	4,747	5,811	6,136
Net Changes in total Share of OPEB Liability	<u>(1,071,026)</u>	<u>(907,118)</u>	<u>(471,836)</u>
Total OPEB Liability - Beginning	<u>6,287,323</u>	<u>7,194,441</u>	<u>7,666,277</u>
Total OPEB Liability - Ending	<u>\$ 5,216,297</u>	<u>\$ 6,287,323</u>	<u>\$ 7,194,441.00</u>
District's Proportionate Share of OPEB Liability	\$ -	\$ -	\$ -
State's Proportionate Share of OPEB Liability	<u>5,216,297</u>	<u>6,287,323</u>	<u>7,194,441</u>
Total OPEB Liability - Ending	<u>\$ 5,216,297</u>	<u>\$ 6,287,323</u>	<u>\$ 7,194,441</u>
District's Covered Employee Payroll	<u>\$ 2,130,610</u>	<u>\$ 2,155,906</u>	<u>\$ 1,870,648.00</u>
Districts' Proportionate Share of the Total OPEB Liability as a Percentage of its Covered Payroll	0%	0%	0%

Notes to Schedule:

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

Change in benefit terms None

Change in assumptions Assumptions used in calculating the OPEB liability are presented
in Note 8.

* GASB requires that ten years of information be presented. However, since fiscal year 2018 was the first year of GASB 75 implementation ten years is not presented. Each year thereafter, an additional year will be included until ten years of data is presented.

Supplementary Schedules

SPECIAL REVENUE FUND

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

	Rural Education Achievement Program	Safety Grant	Donations	Total
REVENUES:				
Federal sources	19,443.58	-		19,443.58
Local sources	-	2,000.00	3,500.00	5,500.00
Total Revenues	<u>19,443.58</u>	<u>2,000.00</u>	<u>3,500.00</u>	<u>24,943.58</u>
EXPENDITURES:				
Support Services:				
Purchased prof. & tech. services	-	2,000.00		2,000.00
Other Purchased Services (400-500) Series	19,443.58	-		19,443.58
General Supplies			3,500.00	3,500.00
Total support services	<u>19,443.58</u>	<u>2,000.00</u>	<u>3,500.00</u>	<u>24,943.58</u>
Total Expenditures	<u>19,443.58</u>	<u>2,000.00</u>	<u>3,500.00</u>	<u>24,943.58</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

FIDUCIARY FUND

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

ASSETS

	Agency Funds		
	Student Activity	Payroll	Totals
ASSETS:			
Cash and cash equivalents	3,578.94	40,824.53	44,403.47
Total Assets	3,578.94	40,824.53	44,403.47

LIABILITIES AND NET POSITION

LIABILITIES:			
Payroll Deductions	-	28,899.20	28,899.20
Interfund Payable - General Fund	-	8,310.81	8,310.81
Flexible Spending	-	3,614.52	3,614.52
Due to student groups	3,578.94	-	3,578.94
Total liabilities	3,578.94	40,824.53	44,403.47

**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Balance July 1, 2019</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2020</u>
Student Activity Account	<u>3,339.83</u>	<u>1,383.88</u>	<u>1,144.77</u>	<u>3,578.94</u>
Total all schools	<u><u>3,339.83</u></u>	<u><u>1,383.88</u></u>	<u><u>1,144.77</u></u>	<u><u>3,578.94</u></u>

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

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
ASSETS:				
Cash	23,346.96	5,919,218.66	5,901,433.39	41,132.23
LIABILITIES:				
Interfunds payable	123.13	8,433.46	245.78	8,310.81
Flexible spending account	3,614.52	3,447.74	3,140.04	3,922.22
Payroll deductions and withholdings	19,609.31	5,907,337.46	5,898,047.57	28,899.20
Total	23,346.96	5,919,218.66	5,901,433.39	41,132.23

LONG-TERM DEBT

Exhibit L-2

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
 GENERAL LONG TERM DEBT ACCOUNT GROUP
 STATEMENT OF OBLIGATIONS UNDER CAPITAL LEASES
 AS OF JUNE 30, 2020

	Interest Rate Payables	Amount of Original Issue	Balance July 1, 2019	Retired Current Year	Balance June 30, 2020
Savin MP C6004 Digital Copier w/ Accessories & Savin MP C6503 Digital Copier w/ Accessories	N/A	28,212.89	16,675.59	5,396.39	11,279.20

STATISTICAL SECTION

STATISTICAL SECTION (UNAUDITED)

Introduction to the Statistical Section

Financial Trends

- J-1 Net Assets/Position by Component
- J-2 Changes in Net Assets/Position
- J-3 Fund Balances - Governmental Funds
- J-4 Changes in Fund Balances - Governmental Funds
- J-5 General Fund Other Local Revenue by Source

Revenue Capacity

- J-6 Assessed Value and Estimated Actual Value of Taxable Property
- J-7 Direct and Overlapping Property Tax Rates
- J-8 Principal Property Taxpayers
- J-9 Property Tax Levies and Collections

Debt Capacity

- J-10 Ratios of Outstanding Debt by Type
- J-11 Ratios of General Bonded Debt Outstanding
- J-12 Direct and Overlapping Governmental Activities Debt
- J-13 Legal Debt Margin Information

Demographic and Economic Information

- J-14 Demographic and Economic Statistics
- J-15 Principal Employers

Operating Information

- J-16 Full-time Equivalent District Employees by Function/Program
- J-17 Operating Statistics
- J-18 School Building Information*
- J-19 Schedule of Allowable Maintenance Expenditures by School Facility
- J-20 Insurance Schedule

STATISTICAL SECTION (UNAUDITED)

Introduction to the Statistical Section

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- J-20 Insurance Schedule

STATISTICAL SECTION (UNAUDITED) - INTRODUCTION

J SERIES

<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 changes over time.	J-1 to J-5
Revenue Capacity These schedules contain information to help the reader assess the district's most significant local revenue sources, the property tax.	J-6 to J-9
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.	J-10 to J-13
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	J-14 to J-15
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. The district implemented GASB Statement 34 in the fiscal year ending June 30, 2004; schedules presenting district-wide information include information beginning in that year.	

Sussex County Educational Services Commission

Net Position** by Component,
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities										
Invested in capital assets, net of related debt	312,502	327,166	1,607,402	1,875,551	1,818,328	1,763,473	1,701,277	1,657,777	1,714,688	1,674,380
Restricted	648			101,239	120,090	79,941	711	125,470	23,019	4,456
Unrestricted	1,667,690	2,113,004	1,338,389	1,236,076	332,617	666,114	896,768	1,208,529	1,591,777	1,264,438
Total governmental activities net position	<u>1,980,840</u>	<u>2,440,170</u>	<u>2,945,791</u>	<u>3,212,866</u>	<u>2,271,035</u>	<u>2,509,528</u>	<u>2,598,756</u>	<u>2,991,777</u>	<u>3,329,484</u>	<u>2,943,274</u>
District-wide										
Invested in capital assets, net of related debt	312,502	327,166	1,607,402	1,875,551	1,818,328	1,763,473	1,701,277	1,657,777	1,714,688	1,674,380
Restricted	648			101,239	120,090	79,941	711	125,470	23,019	4,456
Unrestricted	1,667,690	2,113,004	1,338,389	1,236,076	332,617	666,114	896,768	1,208,529	1,591,777	1,264,438
Total district net position	<u>1,980,840</u>	<u>2,440,170</u>	<u>2,945,791</u>	<u>3,212,866</u>	<u>2,271,035</u>	<u>2,509,528</u>	<u>2,598,756</u>	<u>2,991,777</u>	<u>3,329,484</u>	<u>2,943,274</u>

Source: CAFR Schedule A-1

** GASB Statement No. 63 became effective for the Fiscal Year Ended June 30, 2013 which changed Net Assets to Net Position.

Sussex County Educational Services Commission
 Changes in Net Position**
 Last Ten Fiscal Years
 (accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental activities										
Instruction										
Regular	175,495	314,978	401,458	170,829	-	-	-	-	-	-
Special education	726,857	904,928	1,088,911	1,289,489	1,127,496	1,052,475	1,298,869	1,665,222	1,626,710	1,588,954
Other special instruction	507,718	423,215	400,646	100,512	-	-	-	-	-	-
Other instruction	-	-	-	-	1,170,764	1,197,114	671,264	767,151	754,762	749,805
Support Services:										
Student & instruction related services	499,520	493,824	613,802	1,200,764	1,077,474	1,091,869	1,317,765	1,428,351	1,386,573	1,455,192
General administrative services	203,432	251,174	289,598	274,546	322,963	333,089	364,961	449,866	375,393	368,495
School administrative services	100,527	106,211	219,574	273,753	352,920	407,967	333,655	375,553	452,244	465,021
Central Services and Admin. Info. Tech.	191,584	232,517	240,980	254,677	228,003	288,258	421,466	430,159	379,382	379,901
Plant operations and maintenance	111,467	117,301	140,101	162,379	176,672	183,240	241,370	284,365	288,046	282,792
Pupil Transportation	-	-	1,750	5,517	586	382	-	1,410	-	158
Capital outlay	1,583	-	30,941	-	3,477	1	-	-	-	-
Special schools	83,439	113,819	159,198	182,437	200,197	211,708	201,234	223,037	244,438	234,434
Total governmental activities expenses	2,601,622	2,957,969	3,586,959	3,914,903	4,660,552	4,766,103	4,850,582	5,625,113	5,507,550	5,524,752
Program Revenues										
Governmental activities:										
Charges for services:										
Instruction	1,948,843	2,709,476	3,326,927	3,326,655	3,785,919	3,546,533	3,231,672	4,092,086	4,201,631	3,829,227
Operating grants and contributions	147,070	171,278	209,075	211,428	279,749	333,407	388,670	434,186	497,384	549,689
Total governmental activities program revenues	2,095,914	2,880,754	3,536,002	3,538,083	4,065,668	3,879,940	3,620,341	4,526,272	4,699,014	4,378,916
Net (Expense)/Revenue										
Governmental activities	(505,709)	(77,215)	(50,957)	(376,820)	(594,884)	(886,164)	(1,230,241)	(1,098,841)	(808,535)	(1,145,836)
Total district-wide net expense	(505,709)	(77,215)	(50,957)	(376,820)	(594,884)	(886,164)	(1,230,241)	(1,098,841)	(808,535)	(1,145,836)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Unrestricted grants and contributions	-	-	-	-	219,723	349,772	575,713	830,809	472,611	189,854
Investment earnings	11,670	4,279	3,526	1,361	1,776	3,224	3,890	4,788	5,023	5,335
Miscellaneous income	520,081	532,266	553,051	710,587	830,174	771,657	739,866	646,354	670,106	564,437
Total governmental activities	531,751	536,545	556,577	711,947	1,051,673	1,124,653	1,319,470	1,481,950	1,147,740	759,626
Change in Net Position										
Governmental activities	26,042	459,330	505,620	335,127	456,789	238,489	89,228	383,109	339,205	(386,210)

Source: CAFR Schedule A-2

** GASB Statement No. 63 became effective for the Fiscal Year Ended June 30, 2013 which changed Net Assets to Net Position.

Sussex County Educational Services Commission

Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Assigned	648	464	-	8,360	42,271	16,899	711	125,470	23,019	4,456
Unassigned	1,749,204	2,185,808	1,373,679	1,294,358	1,786,510	2,248,220	2,604,600	2,957,943	3,331,096	3,058,613
Total general fund	<u>1,749,852</u>	<u>2,186,272</u>	<u>1,373,679</u>	<u>1,302,718</u>	<u>1,828,781</u>	<u>2,265,119</u>	<u>2,605,311</u>	<u>3,083,413</u>	<u>3,354,115</u>	<u>3,063,069</u>

Source: CAFR Schedule B-1

Sussex County Educational Services Commission
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Tuition charges	\$ 1,226,483	\$ 1,852,977	\$ 2,275,804	\$ 2,268,117	\$ 2,960,423	\$ 2,918,775	\$ 2,896,125	2,761,511	2,849,343	3,437,905
Other local government units	722,361	856,499	1,051,123	1,058,538	825,496	627,759	335,547	1,330,576	1,352,287	391,322
Miscellaneous	531,751	536,545	556,578	712,398	835,420	774,903	743,757	651,659	675,129	569,772
State sources	127,070	141,278	179,075	191,428	256,279	313,407	371,295	417,355	478,414	532,412
Federal sources	20,000	30,000	30,000	20,000	20,000	20,000	17,375	16,830	18,970	17,277
Total revenue	2,627,665	3,417,299	4,092,580	4,250,481	4,897,618	4,654,844	4,364,098	5,177,931	5,374,144	4,948,688
Expenditures										
Instruction										
Regular instruction	172,285	264,860	317,742	147,650	-	-	-	-	-	-
Special education instruction	555,577	720,058	869,018	1,034,303	925,968	864,075	865,994	1,089,560	1,156,454	1,136,855
Other instruction	400,081	337,163	306,732	67,841	888,343	815,280	456,330	521,750	512,772	540,033
Support Services:										
Student & instruction related services	404,678	367,194	447,816	952,413	703,177	649,299	772,260	828,251	870,167	951,006
General administrative services	154,399	188,400	220,148	224,466	238,772	214,867	246,801	323,271	258,142	259,285
School Administrative services	63,973	64,939	148,133	189,456	220,197	232,309	207,265	225,188	274,557	289,394
Central Services and Admin. Info. Tech.	153,804	186,680	207,334	194,624	151,583	179,808	251,449	255,957	244,315	269,688
Plant operations and maintenance	105,028	109,936	152,223	152,945	160,922	157,936	191,281	223,948	228,991	225,367
Pupil transportation	-	-	1,750	5,517	587	382	-	1,410	-	158
Allocated and unallocated benefits	442,646	543,845	705,776	683,925	889,050	938,342	833,264	986,821	1,172,495	1,214,234
Special schools	83,439	113,819	159,198	182,437	200,197	211,708	201,234	223,037	139,140	234,434
Capital outlay	60,605	91,374	1,367,304	736,396	21,776	32,297	26,943	20,634	244,438	119,280
Total expenditures	2,596,515	2,988,269	4,905,174	4,571,973	4,400,572	4,296,303	4,052,820	4,699,829	5,101,472	5,239,734
Excess (Deficiency) of revenues over (under) expenditures	31,149	429,030	(812,594)	(321,493)	497,046	358,541	311,278	478,102	272,672	(291,046)
Other Financing sources (uses)										
Capital leases (non-budgeted)	-	7,390	-	29,275	-	-	26,943	-	-	-
Transfers in - capital outlay	-	-	-	400,000	-	-	-	-	-	-
Total other financing sources (uses)	-	7,390	-	429,275	-	-	26,943	-	-	-
Net change in fund balances	31,149	436,420	(812,594)	107,782	497,046	358,541	338,221	478,102	272,672	(291,046)
Debt service as a percentage of noncapital expenditures	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%

Source: District Records

Note: Noncapital expenditures are total expenditures less capital outlay.

Central Services and Administrative Information Technology account classifications were added beginning with year end June 30, 2005.

Prior to June 30, 2005, Central Services and Administrative Information Technology were combined in Other Support Services as Business and Other Support Services.

Exhibit J-5

Sussex County Educational Services Commission

General Fund - Local Revenue by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year Ended June 30,	Interest on Investments	Other Local Government			Tuition	Misc.	Total
		Units					
2011	11,670	722,361		1,226,483	520,081	2,480,594	
2012	4,279	856,499		1,852,977	532,266	3,246,021	
2013	3,526	1,051,123		2,275,804	553,052	3,883,505	
2014	1,361	1,058,538		2,268,117	711,037	4,039,053	
2015	1,776	825,496		2,960,423	833,644	4,621,339	
2016	3,247	724,955		2,918,775	664,365	4,311,341	
2017	3,890	335,547		2,896,125	738,866	3,974,428	
2018	4,788	1,330,576		2,761,511	644,514	4,741,388	
2019	5,023	1,352,287		2,849,343	668,306	4,874,960	
2020	5,335	391,322		3,437,905	564,436	4,398,998	

Source: District Records

Sussex County Educational Services Commission
 Full-time Equivalent District Employees by Function/Program,

Last Ten Fiscal Years

<u>Function/Program</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Instruction										
Special education	5.5	7.0	7.0	7.0	8.0	7.0	8	9	9	9
Other special education	22.0	32.0	32.0	32.0	31.5	31.2	32.4	35.2	32.8	28
Support Services:										
Tuition										
Student & instruction related services	7.5	5.5	5.5	9.0	9.0	10.2	13.9	22.2	22.1	20.8
School administrative services	4.5	4.0	4.0	4.0	5.5	5.0	5.8	5	6	7
Business and other support services	1.0	2.5	2.5	2.5	2.8	2.0	2.0	2.4	2.4	2.4
Plant operations and maintenance	0.5	0.5	0.5	1.0	1.0	1.0	1.9	1.9	2.2	2
Total	41.0	51.5	51.5	55.5	57.8	56.4	64.0	75.7	74.5	69.2

Source: District Budget Records

Sussex County Educational Services Commission

Operating Statistics

Last Ten Fiscal Years

Fiscal Year	Pupil/Teacher Ratio				Teaching Staff ^b	Percentage Change	Cost Per Pupil	Operating Expenditures ^a	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change								
2011	24	2,535,910	105,663	-3.08%	8.5	24:6	23.6	21.1	12.38%	89.41%		
2012	32	2,896,894	90,528	-14.32%	11	3:1	33.6	30.1	42.37%	89.58%		
2013	39	3,537,894	90,715	0.21%	13	3:1	37.6	33.5	11.90%	89.10%		
2014	40	3,835,577	95,889	5.70%	13	3:1	39.1	36.5	4.07%	93.36%		
2015	37	4,378,795	118,346	23.42%	13	3:1	37.1	34.6	-5.26%	93.36%		
2016	35	4,264,005	121,829	2.94%	13	3:1	36.0	34.0	-2.89%	94.53%		
2017	32	4,025,876	125,809	3.27%	13	3:1	36.3	35.8	0.83%	98.62%		
2018	46	4,679,194	101,722	-19.15%	15	3:1	45.9	42.4	26.39%	92.44%		
2019	44	4,857,033	110,387	8.52%	15	3:1	44.8	41.1	-2.33%	91.70%		
2020	44	5,120,454	116,374	5.42%	15	3:1	39.3	36.4	-12.27%	92.67%		

Sources: District records

Note: Enrollment based on annual October district 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).

Sussex County Educational Services Commission

School Building Information

Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<u>District Building</u>										
Northern Hills Academy (1994)	11,091	11,091	11,091	12,277	12,277	12,277	12,277	12,277	12,277	12,277
Square Feet	60	60	60	60	60	60	60	60	60	60
Capacity (students)	24	37	37	40	37	35	32	46	44	44
Enrollment										

Number of Schools at June 30, 2020
Other = 1

Source: District records.

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of additions.

Sussex County Educational Services Commission

GENERAL FUND
 SCHEDULE OF ALLOWABLE MAINTENANCE EXPENDITURES BY SCHOOL FACILITY
 LAST TEN FISCAL YEARS
 UNAUDITED

UNDISTRIBUTED EXPENDITURES - REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
 11-000-261-XXX

School Facilities*	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Northern Hills Academy	4,316	5,555	6,164	12,461	8,748	9,028	4,160	15,137	3,852	-

(*) School facilities as defined under EFCFA.
 (N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: District Records

Sussex County Educational Services Commission

INSURANCE SCHEDULE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020
 UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
Commercial Package Policy Building & Contents	\$ 2,882,300	\$ 1,000
New Jersey School Boards Association Insurance Group (NJSBAIG)		
Casualty Coverage General Liability and Auto Liability (NJSBAIG)	16,000,000	
School Board Legal Liability: Coverage A (NJSBAIG)	16,000,000	10,000
School Board Legal Liability: Coverage B (NJSBAIG)	100,000 / 300,000	
Public Official's Bond - Selective Insurance Company		
Treasurer of School Monies	175,000	
School Business Administrator / Commission Secretary	150,000	
Workers' Compensation (NJSBAIG):	As per State Statue	

SINGLE AUDIT SECTION



WIELKOTZ & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund and the aggregate remaining fund information of the Board of Education of the Sussex County Educational Services Commission, in the County of Sussex, New Jersey, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Commission’s basic financial statements, and have issued our report thereon dated January 21, 2021.

Internal Control Over Financial Reporting

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



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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 Sussex County Educational Services Commission Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards or the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

We noted certain matters that were required to be reported to the Board of Education of the Sussex County Educational Services Commission in the separate Auditors' Management Report on Administrative Findings - Financial, Compliance and Performance dated January 21, 2021.

Purpose of this Report

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

Thomas M. Ferry

Thomas M. Ferry
Licensed Public School Accountant
No. 20CS00209100

Wielkotz & Company, LLC

WIELKOTZ & COMPANY, LLC
Certified Public Accountants
Rockaway, New Jersey

January 21, 2021



Sussex County Educational Services Commission
 Schedule of Expenditures of Federal Awards
 for the Fiscal Year Ending June 30, 2020

Schedule A

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period From / To	Balance at June 30, 2019 (Accounts Receivable	Cash Received	Budgetary Expenditures	Balance at June 30, 2020 (Accounts Receivable	MEMO Cumulative Total Expenditure
U.S. Department of Education Passed - through State Department of Education:									
Special Revenue Fund:									
Rural Education Achievement Program	84-358A	S358A156039	18,904.00	7/1/19 - 9/30/20		2,844.95	(18,904.00)	-	18,904.00
Rural Education Achievement Program	84-358A	S358A156039	18,969.54	7/1/18 - 9/30/19	(928.47)	928.47		-	18,969.54
Total Special Revenue Fund					(928.47)	3,773.42	(18,904.00)	-	37,873.54
Total Federal Financial Awards					(928.47)	3,773.42	(18,904.00)	-	37,873.54

Note: This schedule was not subject to an audit in accordance with the Federal OMB's Uniform Guidance.

Sussex County Educational Services Commission
 Schedule of Expenditures of State Financial Assistance
 for the Fiscal Year Ending June 30, 2020

State Grantor/Program Title	Project Number	Program or Award Amount	Grant Period From / To	Balance June 30, 2019		Cash Received	Budgetary Expenditures	Balance June 30, 2020		MEMO
				Deferred Revenue (Accts Receivable)	Deferred Revenue (Accts Receivable)			Deferred Revenue (Accts Receivable)	Cumulative Total Expenditures	
State Department of Education:										
General Fund:										
Reimbursed T.P.A.F. - Social Security	495-034-5095-002	114,395.66	7/1/19 - 6/30/20			108,616.37	(114,395.66)	(5,779.29)	*	114,395.66
Reimbursed T.P.A.F. - Social Security	495-034-5095-002	117,034.17	7/1/18 - 6/30/19	(5,650.58)		5,650.58			*	
On-Behalf TPAF Post Retirement Medical	495-034-5094-001	112,965.00	7/1/19 - 6/30/20			112,965.00	(112,965.00)		*	112,965.00
On-Behalf TPAF Pension	495-034-5094-002	299,142.00	7/1/19 - 6/30/20			299,142.00	(299,142.00)		*	299,142.00
On-Behalf TPAF NCGI Pension	495-034-5094-004	5,362.00	7/1/19 - 6/30/20			5,362.00	(5,362.00)		*	5,362.00
On-Behalf TPAF Long Term Disability	495-034-5094-004	547.00	7/1/19 - 6/30/20			547.00	(547.00)		*	547.00
Total General Fund				(5,650.58)		532,282.95	(532,411.66)	(5,779.29)	*	532,411.66
Total State Financial Assistance				(5,650.58)		532,282.95	(532,411.66)	(5,779.29)	*	532,411.66
Less: On-Behalf TPAF Pension & Annuity Aid										
On-Behalf TPAF Post Retirement Medical	495-034-5094-001	112,965.00	7/1/19 - 6/30/20			112,965.00	(112,965.00)		*	112,965.00
On-Behalf TPAF Pension	495-034-5094-002	299,142.00	7/1/19 - 6/30/20			299,142.00	(299,142.00)		*	299,142.00
On-Behalf TPAF NCGI Pension	495-034-5094-004	5,362.00	7/1/19 - 6/30/20			5,362.00	(5,362.00)		*	5,362.00
On-Behalf TPAF Long Term Disability	495-034-5094-004	547.00	7/1/19 - 6/30/20			547.00	(547.00)		*	547.00
Total For State Financial Assistance Determination				(5,650.58)		114,266.95	(114,395.66)	(5,779.29)	*	114,395.66

NOTE 1. GENERAL

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance include the activity of all Federal and State Award programs of the Sussex County Educational Services Commission. The Commission is defined in Note 1 to the Commission's financial statements. All Federal and State Awards received directly from federal and state agencies, as well as Federal Awards and State Awards 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 Financial Assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. This basis of accounting is described in Notes 1 to the Commission's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and N.J. OMB Circular 15-08, therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to N.J.S.A.18A:22-44.2. For GAAP purposes, those payments are not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the last state aid payment in the current budget year, consistent with N.J.S.A.18A:22-44.2.

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 \$(2,166.60) for the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds.

Additionally, as discussed further in Note 8, the State of New Jersey makes contributions on-behalf of the Commission for TPAF post-retirement medical and pension contributions. The total amount of these contributions during 2020 fiscal year was \$464,319.00.

Awards and financial assistance revenues are reported in the Commission’s financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$	\$532,412.00	\$532,412.00
Special Revenue Fund	<u>17,276.98</u>	<u> </u>	<u>17,276.98</u>
	<u>\$17,276.98</u>	<u>\$532,412.00</u>	<u>\$549,688.98</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 awards and state financial reports.

NOTE 5. OTHER

The amount reported as TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2020.

The State of New Jersey also makes TPAF post-retirement medical and pension contribution expenditures on-behalf of the Commission. These expenditures are not subject to New Jersey OMB Circular 15-08 because the contributions are made by the State directly and do not have any compliance related requirements, and therefore, have not been included on the Schedule of State Financial Assistance, as directed by the funding agency.

**SUSSEX 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

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- 1) Material weakness(es) identified? yes X no
- 2) Significant deficiencies identified? yes X none reported

Noncompliance material to basic financial statements noted? yes X no

Federal Awards

NOT APPLICABLE

State Awards

NOT APPLICABLE

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

Section II - Schedule of Financial Statement Findings

NONE

Section III - Federal Awards and State Financial Assistance Findings and Questioned Costs

NONE

**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Status of Prior Year Findings

N/A