

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

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2022**

Prepared by:

**Essex Regional Educational Services Commission
Business Office**

Annual Comprehensive Financial Report

of the

**Essex Regional Educational Services Commission
Fairfield, New Jersey
For the Fiscal Year Ended June 30, 2022**

Prepared by

**Essex Regional Educational Services Commission
Business Office**

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INTRODUCTORY SECTION



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

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

March 15, 2023

Honorable President and
Members of the Board of Directors
Essex Regional Educational Services Commission
Fairfield, New Jersey

The comprehensive annual financial report (CAFR) of the Essex Regional Educational Services Commission (ERESC) for the fiscal year ended June 30, 2022, is hereby submitted. This CAFR includes the ERES's Financial Statements prepared in accordance with Governmental Accounting Standards Board. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Directors. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the ERES. All disclosures necessary to enable the reader to gain an understanding of the ERES'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 ERES's organizational chart and a list of principal officials. The financial section begins with the Independent Auditor's Report and includes the Management's Discussion and Analysis, the Financial Statements and Notes providing an overview of the detailed budgetary information. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The ERES is required to undergo an annual single audit in conformity with the requirements of 2 CFR 200-Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (U.S. Uniform Guidance) and the State Treasury Circular Letter 15-08 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Information related to this single audit, including the independent auditor's report on the internal control structure and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs is included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES: The Essex Regional Educational Services Commission is a public educational entity deriving its authority from New Jersey Public Law 18A:6-51 et. seq. Funding sources for the Essex Regional Educational Services Commission is generated from our school tuitions and various fee based educational services.

CONSTITUENT DISTRICTS: Belleville, Bloomfield, East Orange, Essex County
Vocational Schools, Irvington, Livingston, Montclair, Newark, Orange, and South Orange-Maplewood

The ERESC provides a broad range of quality educational and administrative services in a cost effective manner. These services include coordinated transportation, special education for learning disabled students, nonpublic 192/193 services, nonpublic nursing, Nonpublic No Child Left Behind (Title I), English as a second language, public school home instruction, public school child study evaluations, educational programs for drug rehabilitation centers and juvenile detention centers, cooperative purchasing, paraprofessional, migrant education, homeless education, alternative education, physical and occupational therapy, and extended school day/year.

<u>FISCAL</u> <u>YEAR</u>	<u>Average Daily Enrollment (Essex Junior Academy)</u>	
	<u>STUDENT</u> <u>ENROLLMENT</u>	<u>PERCENT</u> <u>CHANGE</u>
2021-22	21.6	-6.3
2020-21	27.9	-0.20
2019-20	34.8	64
2018-19	21.2	-33
2017-18	31.5	-30
2016-17	45.0	10
2015-16	40.8	-3
2014-15	42.0	3
2013-14	40.8	-8
2012-13	44.2	-3
2011-12	45.8	31
2010-11	34.9	11
2009-10	31.4	-1
2008-09	31.8	-40

<u>FISCAL</u> <u>YEAR</u>	<u>Average Daily Enrollment (Essex High School)</u>	
	<u>STUDENT</u> <u>ENROLLMENT</u>	<u>PERCENT</u> <u>CHANGE</u>
2021-22	8.34	-12.16
2020-21	20.5	-0.02
2019-20	21.0	-32
2018-19	30.7	-10
2017-18	34.1	-29
2016-17	48.1	33
2015-16	36.2	-10
2014-15	40.0	3
2013-14	39.0	-16
2012-13	46.2	5
2011-12	44.0	2
2010-11	39.3	16
2009-10	33.8	-20
2008-09	42.5	6

<u>FISCAL</u> <u>YEAR</u>	<u>Average Daily Enrollment (Essex Campus Academy)</u>	
	<u>STUDENT</u> <u>ENROLLMENT</u>	<u>PERCENT</u> <u>CHANGE</u>
2021-22	17.98	11.3
2020-21	6.68	-61.4

2019-20	17.3	-40
2018-19	28.6	-16
2017-18	34.1	-25
2016-17	45.6	11
2015-16	41.1	3
2014-15	40.0	0
2013-14	40.0	10
2012-13	36.4	-21
2011-12	46.3	-14
2010-11	53.8	-36
2009-10	84.7	2
2008-09	82.8	-25

2) ECONOMIC CONDITION AND OUTLOOK. The Essex Regional Educational Services Commission was negatively impacted by the COVID 19 pandemic and is in the recovery process. The recovery is expected to continue. The continued reduction of financial resources for local school districts will force them to maximize their assets while they cut costs by cooperatively financing educational expenses. Educational Services Commissions are an effective solution for the financial crisis facing local educators.

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

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

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

4) BUDGETARY CONTROLS: In addition to internal accounting controls, the ERESO maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Annual appropriated budgets are adopted for the general and special revenue funds. The final budget amounts as amended for the fiscal year are reflected in the financial section.

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

6) CASH MANAGEMENT: The investment policy of the ERESO is guided in large part by state statutes as detailed in "Notes to the Financial Statements". The ERESO has adopted a cash


management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Government Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

7) RISK MANAGEMENT: The ERESC carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. A schedule of insurance coverage is found in the Statistical Section of the CAFR on Exhibit J-20.

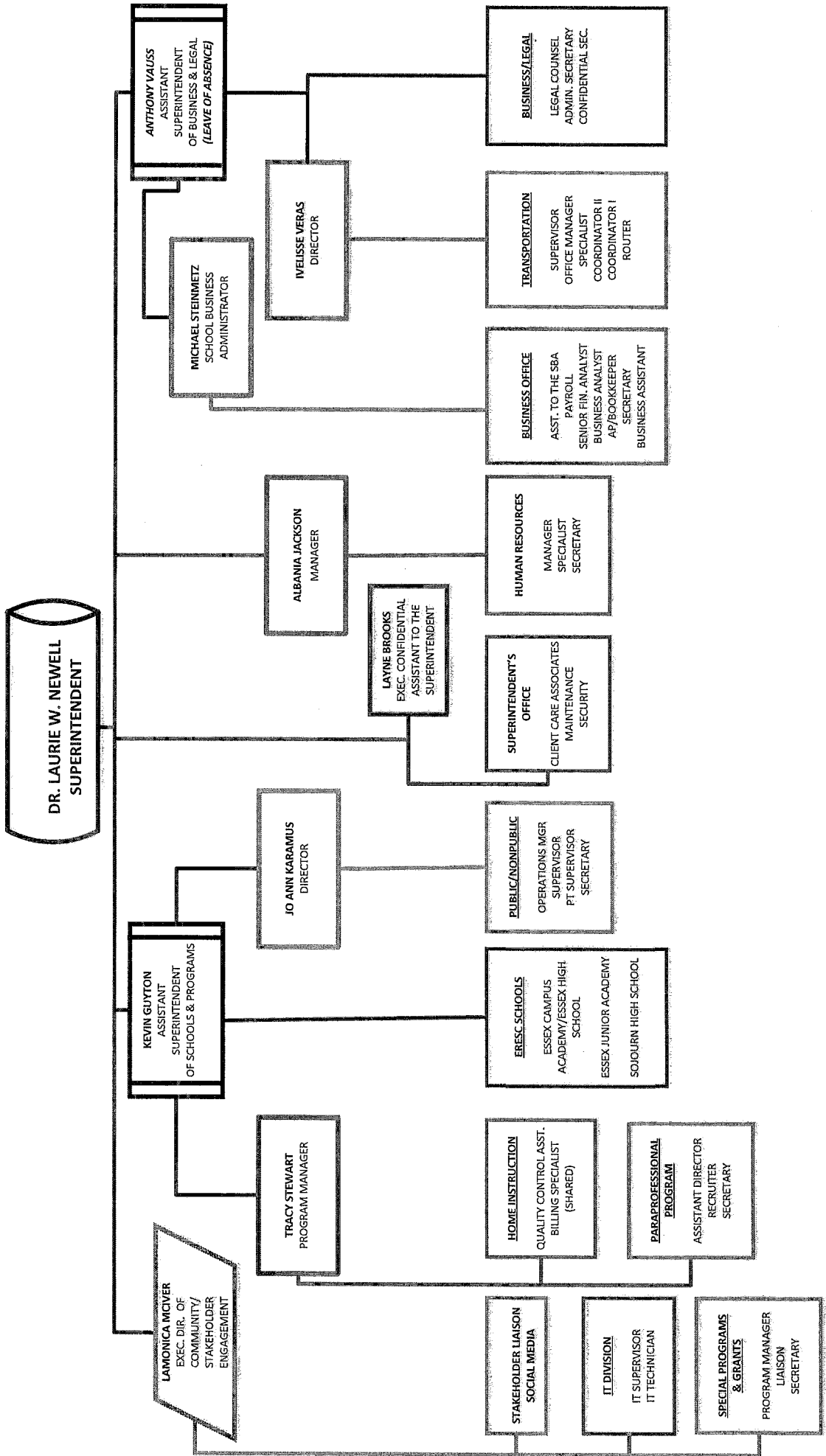
8) OTHER INFORMATION: Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Samuel Klein and Company was appointed as auditor at the reorganization meeting. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the U.S. Uniform Guidance and State OMB Circular 15-08. The auditor's report on the basic financial statements and specific required supplemental information is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

9) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Board of Directors for their concern in providing fiscal accountability to the citizens and taxpayers of the State and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated service of the Business Office staff.

Respectfully submitted,



Dr. Laurie W. Newell
Superintendent of Schools



**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
BOARD OF DIRECTORS
DIRECTORY
2021 - 2022**

MS. ANDREA MCPHATTER, *President*
EAST ORANGE BOE
199 Fourth Avenue, East Orange, NJ 07017

MR. SALVATORE CARNOVALE, *Vice President*
ESSEX COUNTY VO-TECH
60 Nelson Place, 1st Floor N., Newark, NJ 07102

MR. SHANE BERGER, *Executive Committee Member*
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MR. JOHN WATSON, ESQ.
BOARD ATTORNEY
63 Washington Street
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ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION

ROSTER OF OFFICIALS

MEMBERS OF THE BOARD OF DIRECTORS

Andrea McPhatter, President
Salvatore Carnovale, Vice President
Shane Berger, Executive Committee Member
Annette Beasley
Seth Cohen
Josephine Garcia
Thair Joshua
Allison Silverstein
Shawneque Johnson

SCHOOL DISTRICT

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

OTHER OFFICIALS

Dr. Lauie W. Newell, Superintendent of Schools
Michael Steinmetz, School Business Administrator
John H. Watson, Esq., Board Attorney

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION

CONSULTANTS AND ADVISORS

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OFFICIAL DEPOSITORY

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FINANCIAL SECTION

SAMUEL KLEIN AND COMPANY, LLP

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INDEPENDENT AUDITOR'S REPORT

The Honorable President and Members
of the Board of Education
Essex Regional Educational Services
Commission
County of Essex
Fairfield, New Jersey 07004

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Essex Regional Educational Services Commission, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Essex Regional Educational Services Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Essex Regional Educational Services Commission as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Essex Regional Educational Services Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Essex Regional Educational Services Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Essex Regional Educational Services Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Essex Regional Educational Services Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Essex Regional Educational Services Commission's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 non-major fund financial statements, the schedule of expenditures of federal awards and schedule of state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information and we do not express an opinion or form any assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2023, on our consideration of the Essex Regional Educational Services Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Essex Regional Educational Services Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Essex Regional Educational Services Commission's internal control over financial reporting and compliance.


SAMUEL KLEIN AND COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS


JOSEPH J. FACCONI
Licensed Public School Accountant #194

Newark, New Jersey
March 15, 2023

REQUIRED SUPPLEMENTARY INFORMATION - PART I

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
UNAUDITED

The discussion and analysis of the Borough of Essex Regional Educational Services Commission's financial performance provides an overall review of the Commission's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the Commission's financial performance as a whole. Readers should also review the notes to the basic financial statements and other financial statements to enhance their understanding of the Commission's financial performance.

Using this Annual Comprehensive Financial Report (ACFR)

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

The Statement of Net Assets and Statement of Activities provide information about the activities of the Commission, presenting both an aggregate view of the Commission's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. Governmental fund statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements also look at the Commission's most significant funds with all other non-major funds presented in total in one column. In the case of the Essex Regional Educational Services Commission, the General Fund is by far the most significant.

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
UNAUDITED (CONTINUED)

Reporting the Commission as a Whole

Statement of Net Assets and the Statement of Activities

This document contains all funds used by the Commission to provide programs and activities, viewing the Commission as a whole and reports the culmination of all financial transactions. The report answers the question "How We Did Financially during Fiscal Year 2021". The Statement of Net Assets and the Statement of Activities provides the summary. The statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Commission's net assets and changes in those assets. This change in net assets is important because they report on whether the Commission's financial position has improved or diminished.

In the Statement of Net Assets and the Statement of Activities, the Commission is divided into two types of activities:

Governmental Activities - all of the Commission's programs and services are reported here including, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.

Business-Type Activities - these services are provided on a charge for goods or services basis to recover all the expense of the goods or services provided. The Food Service and Community School Enterprise Funds are reported as business activities.

Reporting the Commission's Most Significant Funds

Fund Financial Statement

The Analysis of the Commission's major funds provides detailed information about the Commission's major funds. The Commission's major governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund.

Governmental Funds

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

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
UNAUDITED (CONTINUED)

Enterprise Fund

The Enterprise Fund uses the same basis of accounting as business-type activities. The reporting of this fund did not change with the conversion to GASB 34.

The Commission as a Whole

The Statement of Net Position provides the financial perspective of the Commission as a whole.

Table 1 provides a comparative summary of the Commission's net assets for 2022 and 2021.

Table 1 - Net Assets

Assets	<u>2022</u>	<u>2021</u>
Current and Other Assets	\$ 28,470,532	\$ 26,050,535
Capital Assets	<u>18,766,836</u>	<u>19,419,385</u>
Total Assets	<u>\$ 47,237,368</u>	<u>\$ 45,469,920</u>
Liabilities		
Long-Term Liabilities	\$ 2,072,841	\$ 25,798,182
Other Liabilities	<u>18,499,030</u>	<u>11,543,408</u>
Total Liabilities	<u>\$ 20,571,871</u>	<u>\$ 37,341,590</u>
Net Assets		
Invested in Capital Assets, Net of Debt	\$ 18,766,836	\$ 3,287,137
Restricted	4,105	354,460
Unrestricted	<u>(10,760,712)</u>	<u>4,511,165</u>
Total Net Position	<u>\$ 8,010,229</u>	<u>\$ 8,152,763</u>

The Commission's combined net assets were \$47,237,368 and \$45,469,920 on June 30, 2022 and June 30, 2021, respectively.

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
UNAUDITED (CONTINUED)

Table 2 shows the comparative changes in net assets from fiscal year 202 and 2021.

Table 2 - Comparative Changes in Net Assets

	<u>2022</u>	<u>2021</u>	<u>Total % Change</u>
Revenues:			
Program Revenues:			
Charges for Services and			
Operating Grants and Contributions	10,156,482	26,609,004	#DIV/0! -61.83%
General Revenues:			
Transportation Fees	51,551,347		
Federal and State Aid-Unrestricted		1,137,774	
Tuition	2,416,040		
Other	<u>7,698,628</u>	<u>1,648,883</u>	<u>366.90%</u>
Total Revenues	<u>71,822,498</u>	<u>29,395,661</u>	<u>144.33%</u>
Program Expenses:			
Instruction	13,264,381	8,200,554	61.75%
Support Services:			
Tuition/Pupils and Instructional Staff	4,448,692	4,915,719	-9.50%
General Administration, School Administration, Business Operations and Maintenance of Facilities	5,086,200	5,670,440	-10.30%
Pupil Transportation	47,974,164	12,409,605	286.59%
Interest on Debt	491,258	490,001	0.26%
Food Service and Community School	49,662	19,251	157.97%
Transfer to Special Revenue Fund			
Unallocated Depreciation	<u>646,927</u>		
Total Expenses	<u>71,961,285</u>	<u>31,705,570</u>	<u>126.97%</u>
Increase (Decrease) in Net Assets	(138,787)	(2,309,909)	
Beginning Net Assets	<u>8,152,763</u>	<u>10,462,673</u>	
Ending Net Assets	<u>\$ 8,013,975</u>	<u>\$ 8,152,763</u>	

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
UNAUDITED (CONTINUED)

Government Activities

The Commission's total revenues were \$71,822,498 for the year ended June 30, 2022. Federal, state and local grants accounted for another 14 %.

The total cost of all programs and services was \$71,961,285. Instruction comprises 18 % of the Commission's expenses.

Business-Type Activities

Revenues for the Commission's business-type activities (food service program) were comprised of charges for services.

Food service expenses exceeded revenues by \$2,201. Charges for services represent \$5,141 of revenue. This represents the amount paid by patrons for daily food service and catering.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services.

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

Extracurricular activities includes expenses related to student activities provided by the Commission which are designed to provide opportunities for students to participate in school and public events for the purpose of motivation, enjoyment, skill improvement, school spirit and leadership.

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
UNAUDITED (CONTINUED)

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching students, including curriculum and staff development.

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

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

Pupil transportation includes activities involved with the conveyance of students to and from school, to school co-curricular, athletic activities and co-curricular field trips as provided by state law.

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

The Commission's Funds

Information about the Commission's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$64,319,808 and expenditures of \$66,709,018.

As demonstrated by the various statements and schedules included in the financial section of this report, the Commission continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal years ended June 30, 2022 and June 30, 2020, and the amount and percentage of increases and decreases in relation to prior year revenues.

Comparative Summary of Revenues

Revenue	<u>June 30, 2022</u>	<u>Percent of Total</u>	<u>June 30, 2021</u>	<u>Increase (Decrease) from 2021</u>	<u>Percent of Increase (Decrease)</u>
Local Sources					
Tuition Charges	\$ 2,416,040	3.76%	\$ 3,833,350	\$ (1,417,310)	-36.97%
Transportation Fees	51,551,347	80.15%	17,235,884	34,315,463	199.09%
Miscellaneous	7,696,427	11.97%	399,149	7,297,278	#####
State Sources	<u>2,655,994</u>	<u>4.13%</u>	<u>2,311,079</u>	<u>344,915</u>	<u> </u>
	<u>\$64,319,808</u>	<u>100.00%</u>	<u>\$23,779,462</u>	<u>\$ 40,540,346</u>	<u>170.48%</u>

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
UNAUDITED (CONTINUED)

The following schedule presents a summary of the General Fund, Special Revenue Fund and Debt Service Fund expenditures for the fiscal year ended June 30, 2022 and the amount and percentage of increases (decreases) in relation to prior year amounts.

Comparative Summary of Expenditures

<u>Expenditures</u>	<u>June 30, 2022</u>	<u>Percent of Total</u>	<u>June 30, 2021</u>	<u>Increase/ (Decrease) from 2021</u>	<u>Percent of Increase (Decrease)</u>
Current Expenditures					
Instruction	\$ 6,724,300	10.08%	\$ 1,887,442	\$ 4,836,858	256.27%
Support Services	58,504,604	87.70%	20,633,864	37,870,740	183.54%
Debt Service	<u>1,480,114</u>	<u>2.22%</u>	<u>1,451,473</u>	<u>28,641</u>	<u>1.97%</u>
	<u><u>\$66,709,018</u></u>	<u><u>100.00%</u></u>	<u><u>\$23,972,779</u></u>	<u><u>\$ 42,736,239</u></u>	<u><u>178.27%</u></u>

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
UNAUDITED (CONTINUED)

General Fund Budgeting Highlights

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

During the course of the fiscal year 2022, the Commission amended its General Fund budget as needed. The Commission uses program based budgeting and the budgeting systems are designed to tightly control program budgets, but provide flexibility for program management. Transfers from one program to another must be approved by the Board of Education.

For the Future

The Essex Regional Educational Services Commission is financially sound and is able to meet all instructional programs and service requirements.

Contacting the Commission's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional information, you may contact Michael Steinmetz, School Business Administrator/Board Secretary, Essex Regional Educational Services Commission, 333 Fairfield Road, Fairfield, NJ 07004.

BASIC FINANCIAL STATEMENTS

A. DISTRICT-WIDE FINANCIAL STATEMENTS

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2022

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$	\$ 13,764.92	\$ 13,764.92
Internal Balances	15,901.33		15,901.33
Accounts Receivables, Net	25,826,585.84	4,021.70	25,830,607.54
Other Assets	63,333.34		63,333.34
Restricted Assets:			
Cash and Cash Equivalents	1,649,307.23		1,649,307.23
Noncurrent Assets:			
Capital Assets, Net (Note X)	<u>18,766,836.00</u>		<u>18,766,836.00</u>
Total Assets	<u>46,321,963.74</u>	<u>17,786.62</u>	<u>46,339,750.36</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amount Related to Pension	897,918.00		897,918.00
Total Deferred Outflows of Resources	<u>897,918.00</u>		<u>897,918.00</u>
LIABILITIES			
Current Liabilities:			
Other	5,884,132.18		5,884,132.18
Interfunds Payable		15,901.33	15,901.33
Payable to Federal Government	21,702.76		21,702.76
Accrued Liability for Interest Payable	246,862.25		246,862.25
Unearned Revenue	5,473,944.54		5,473,944.54
Noncurrent Liabilities:			
Due Beyond One Year (Note X)	653,408.44		653,408.44
Net Pension Liability (Note X)	4,966,023.00		4,966,023.00
Lease Liability - Financing Lease	<u>15,108,978.10</u>		<u>15,108,978.10</u>
Total Liabilities	<u>32,355,051.27</u>	<u>15,901.33</u>	<u>32,370,952.60</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Amount Related to Pension	6,856,487.00		6,856,487.00
Total Deferred Inflows of Resources	<u>6,856,487.00</u>		<u>6,856,487.00</u>
NET POSITION			
Investment in Capital Assets, Net of Related Debt	18,766,836.00		18,766,836.00
Restricted for:			
Student Activities	4,104.80		4,104.80
Unrestricted (Deficit)	<u>(10,762,597.33)</u>	<u>1,885.29</u>	<u>(10,760,712.04)</u>
Total Net Position	<u>\$ 8,008,343.47</u>	<u>\$ 1,885.29</u>	<u>\$ 8,010,228.76</u>

The accompanying notes to financial statements are an integral part of this statement.

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Function/Programs	Program Revenues			Net (Expense) Revenue and Change in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Instruction:						
Regular Instruction	\$ 5,485,780.53	\$	4,282,130.59	\$ (1,203,649.94)		\$ (1,203,649.94)
Special Education Instruction	7,778,600.36		1,504,744.64	(6,273,855.72)		(6,273,855.72)
Support Services:						
Tuition	5,720.00	*	3,713,603.82	(5,720.00)		(5,720.00)
Student and Instructional Related Services	4,442,972.08		226,747.01	(729,368.26)		(729,368.26)
General Administration	1,519,217.41		82,414.56	(1,292,470.40)		(1,292,470.40)
School Administrative Services	875,511.08		205,618.96	(793,096.52)		(793,096.52)
Central Services	1,321,294.79		58,529.94	(1,115,675.83)		(1,115,675.83)
Administration of Information Technology	302,662.07		35,231.69	(244,132.13)		(244,132.13)
Plant Operations and Maintenance	1,042,595.52			(1,007,363.83)		(1,007,363.83)
Pupil Transportation	47,974,164.40			(47,974,164.40)		(47,974,164.40)
Interest on Long-Term Debt	491,257.79			(491,257.79)		(491,257.79)
Unallocated Depreciation	646,927.00			(646,927.00)		(646,927.00)
Total Governmental Activities	71,909,421.03		10,109,021.21	(61,800,399.82)		(61,800,399.82)
Business-Type Activities:						
Food Services	49,662.25	5,140.74	42,320.46		(2,201.05)	(2,201.05)
Total Business-Type Activities	49,662.25	5,140.74	42,320.46		(2,201.05)	(2,201.05)
Total Primary Government	\$ 71,959,083.28	\$ 5,140.74	\$ 10,151,341.67	\$ (61,800,399.82)	\$ (2,201.05)	\$ (61,802,600.87)

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Governmental Activities	Business- Type Activities	Total
	\$ 51,551,347.10	\$	\$ 51,551,347.10
	2,416,040.00		2,416,040.00
	7,696,427.12		7,696,427.12
	61,663,814.22		61,663,814.22
	(136,585.60)	(2,201.05)	(138,786.65)
	8,144,929.07	7,831.97	8,152,761.04
	8,008,343.47	5,630.92	8,013,974.39

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes, net
Tuition Received

Miscellaneous Income

Total General Revenues, Special Items, Extraordinary Items and Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

The accompanying notes to financial statements are an integral part of this statement.

- * Student activity revenue is reported as "charges for services"; scholarship revenue is reported as "operating grants and contributions"
- ** Internal service fund (ex. Worker's comp) revenue is reported as "charges for services"
- *** Includes interest earnings on the flexible benefits bank account
- **** Includes the interest earnings on the unemployment compensation bank account and workers' compensation bank account

B. FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

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**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Fund</u>
ASSETS				
Accounts Receivable:				
Intergovernmental Accounts Receivable:				
Federal		797,393.82		797,393.82
State	58,187.13			58,187.13
Other Governments - Local, net	21,608,047.38	1,873,138.67		23,481,186.05
Tuition	1,377,250.00			1,377,250.00
Other Accounts Receivable	36,419.21	76,149.63		112,568.84
Interfunds Account Receivable:				
Special Revenue Fund	1,394,218.00			1,394,218.00
Enterprise Fund	15,901.33			15,901.33
Security Deposits	63,333.34			63,333.34
Restricted Cash - Cash with Fiscal Agent	179,554.10	1,333,459.19	352,691.93	1,865,705.22
Total Assets	<u>\$ 24,732,910.49</u>	<u>\$ 4,080,141.31</u>	<u>\$ 352,691.93</u>	<u>\$ 29,165,743.73</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Cash Overdraft	\$ 216,397.99			\$ 216,397.99
Accounts Payable:	5,264,730.35	409,032.55		5,673,762.90
Accrued Salaries and Wages	30,815.18			30,815.18
Payroll Deductions and Withholdings Payable	179,554.10 ***			179,554.10
Interfunds Account Payable:				
General Fund		1,394,218.00		1,394,218.00
Intergovernmental Accounts Payable:				
Other		21,702.76		21,702.76
Deferred Revenue	3,222,861.34	2,251,083.20		5,473,944.54
Total Liabilities	<u>8,914,358.96</u>	<u>4,076,036.51</u>		<u>12,990,395.47</u>
Fund Balances:				
Restricted for:				
Student Activities		4,104.80		4,104.80
Unassigned Fund Balance	15,818,551.53		352,691.93	16,171,243.46
Total Fund Balances	<u>15,818,551.53</u>	<u>4,104.80</u>	<u>352,691.93</u>	<u>16,175,348.26</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 24,732,910.49</u>	<u>\$ 4,080,141.31</u>	<u>\$ 352,691.93</u>	<u>\$ 29,165,743.73</u>

Total Fund Balance Above \$ 16,175,348.26

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$26,755,150 and the accumulated depreciation is \$8,011,032. (See Note 5).	18,766,836.00
The Commission has financed capital assets through the issuance of long-term debt. The interest accrued at year end is:	(246,862.25)
Deferred Outflows related to pension contributions subsequent to the Net Position Liability measurement date and other deferred items are not current financial resources and therefore are not reported in the fund statements. (See Note 8).	897,918.00
Deferred Inflows related to pension actuarial gains from experience and differences in actual return and assumed returns and other deferred items are not reported as liabilities in the funds. (See Note 8).	(6,866,487.00)
Long-Term liabilities, including Net Pension Liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds. (See Note 8).	(4,966,023.00)
Long-Term liabilities, including Compensated Absences, are not due and payable in the current period and therefore are not reported as liabilities in the funds. (See Note 8).	(653,408.44)
Long-Term liabilities, including Capital Leases Payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. (See Note 6).	(15,108,978.10)
Net Position of Governmental Activities (A-1)	<u>\$ 8,008,343.47</u>

The accompanying notes to financial statements are an integral part of this statement.

* Include former fiduciary fund cash and cash equivalents

- ** Include payable due to the State for unreimbursed unemployment Invoices
- *** Include payroll deductions payable and flexible benefits liabilities (flex spending has no net position, only liabilities)
- **** Include unspent employee payroll unemployment contributions

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues				
Local Sources:				
Tuition Charges	2,416,040.00			2,416,040.00
Transportation Fees	51,551,347.10			51,551,347.10
Unrestricted Miscellaneous Revenues	7,696,427.12			7,696,427.12
Total Local Sources	61,663,814.22			61,663,814.22
State Sources	2,655,994.24			2,655,994.24
Federal Sources		1,292,425.96		1,292,425.96
Private (Local) Sources		6,328,277.09		6,328,277.09
Total Revenues	64,319,808.46	7,620,703.05		71,940,511.51
Expenditures				
Current:				
Regular Instruction	907,953.24	3,309,586.41		4,217,539.65
Special Education Instruction	5,816,346.39			5,816,346.39
Support Services and Undistributed Costs:				
Tuition	5,720.00			5,720.00
Student and Instructional Related Services	584,610.26	3,140,058.56		3,724,668.82
General Administration	1,223,529.22			1,223,529.22
School Administrative Services	768,038.82			768,038.82
Central Services	1,074,268.51			1,074,268.51
Administration of Information Technology	226,336.42			226,336.42
Plant Operations and Maintenance	996,651.83			996,651.83
Pupil Transportation	49,094,733.53			49,094,733.53
Employee Benefits	4,521,965.56	1,126,981.34		5,648,946.90
Capital Outlay	8,750.00	22,718.00		31,468.00
Debt Service:				
Principal	1,002,159.50			1,002,159.50
Interest and Other Charges	477,954.79			477,954.79
Total Expenditures	68,709,018.07	7,599,344.31		74,308,362.38
Excess (Deficiency) of Revenues Over/(Under)				
Expenditures	(2,389,209.61)	21,358.74		(2,367,850.87)
Net Change in Fund Balances	(2,389,209.61)	21,358.74		(2,367,850.87)
Fund Balances, July 1	18,207,761.14	1,766.41	352,691.93	18,562,219.48
Fund Balances, June 30	\$ 15,818,551.53	\$ 23,125.15	\$ 352,691.93	\$ 16,194,368.61

The accompanying notes to financial statements are an integral part of this statement.

- * Includes interest earnings on the unemployment compensation bank account
- ** Special revenue fund now includes revenues from scholarships and student activities
- *** Special revenue fund now includes expenditures from scholarships and student activities

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Ref.</u>		
Total Net Change in Fund Balances - Governmental Funds	B-2	\$	(2,367,850.87)
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are different because:			
<p>Capital Outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation.</p>			
Depreciation Expense		\$ (678,395.00)	
Capital Outlays/Adjustments		<u>31,468.00</u>	(646,927.00)
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items. Repayment of debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities. Forgiveness of debt is a revenue in the statement of activities and reduces long-term debt in the statement of net position but does not affect the governmental funds.</p>			
Capital Leases Principal Paid		<u>\$ 1,004,249.15</u>	1,004,249.15
<p>Pension contributions are reported in governmental funds as expenditures. However, in the statement of activities, the contributions are adjusted for actuarial valuation adjustments, including service and interest cost, administrative costs, investment returns, and experience/assumption. This is the amount by which net position liability and deferred inflows/outflows related to pension changed during the period.</p>			
			1,915,049.00
<p>In the statement of activities, certain operating expenses, (e.g., pensions, compensated absences and claims and judgements) are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).</p>			
			(27,802.28)
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>			
<p>Accrued Interest Payable:</p>			
Balance June 30, 2021		\$ 233,558.65	
Balance June 30, 2022		<u>246,862.25</u>	
Decrease in Accrued Interest			<u>(13,303.60)</u>
Change in Net Position of Governmental Activities	A-2	\$	<u>(136,585.60)</u>

The accompanying notes to financial statements are an integral part of this statement.

PROPRIETARY FUNDS

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022**

	Business-Type Activities Enterprise Funds	
	<u>Food Service</u>	<u>Totals</u>
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 13,764.92	\$ 13,764.92
Intergovernmental Accounts Receivable:		
State	58.07	58.07
Federal	3,963.63	3,963.63
Total Current Assets	<u>17,786.62</u>	<u>17,786.62</u>
Noncurrent Assets:		
Capital Assets:		
Furniture, Machinery & Equipment	21,224.55	21,224.55
Less Accumulated Depreciation	(21,224.55)	(21,224.55)
Total Capital Assets (Net of Accumulated Depreciation)		
Total Noncurrent Assets		
Total Assets	<u>\$ 17,786.62</u>	<u>\$ 17,786.62</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Interfunds Payable:		
Due to Other Funds	15,901.33	15,901.33
Total Current Liabilities	<u>15,901.33</u>	<u>15,901.33</u>
Total Liabilities	<u>\$ 15,901.33</u>	<u>\$ 15,901.33</u>
<u>NET POSITION</u>		
Unrestricted (Deficit)	\$ 1,885.29	\$ 1,885.29
Total Net Position	<u>\$ 1,885.29</u>	<u>\$ 1,885.29</u>

The accompanying notes to financial statements are an integral part of this statement.

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Business-Type Activities Enterprise Funds	
	Food Service	Total Enterprise
Operating Revenues:		
Charges for Services:		
Daily Sales - Reimbursable Programs	\$ 5,140.74	\$ 5,140.74
Total Operating Revenues	5,140.74	5,140.74
Operating Expenses:		
Cost of Sales / Goods Sold - Reimbursable Programs	44,040.41	44,040.41
Depreciation Expense	5,621.84	5,621.84
Total Operating Expenses	49,662.25	49,662.25
Operating Income/(Loss)	(44,521.51)	(44,521.51)
Nonoperating Revenues (Expenses):		
<u>State Sources:</u>		
School Lunch		
Free	620.78	620.78
<u>Federal Sources:</u>		
National School Breakfast Program	15,152.70	15,152.70
National School Lunch Program	26,546.98	26,546.98
Miscellaneous Expense	(3,745.79)	(3,745.79)
Total Nonoperating Revenues (Expenses)	38,574.67	38,574.67
Income (Loss) before Contributions	(5,946.84)	(5,946.84)
Change in Net Position	(5,946.84)	(5,946.84)
Total Net Position July 1 - Beginning	7,831.97	7,831.97
Total Net Position June 30 - Ending	\$ 1,885.13	\$ 1,885.13

The accompanying notes to financial statements are an integral part of this statement.

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Business-Type Activities Enterprise Funds	
	Food Service	Totals
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from Customers and Other Funds	\$ 5,140.74	\$ 5,140.74
Payments to Suppliers (for Goods and Services)	(44,040.41)	(44,040.41)
Net Cash Provided by (Used for) Operating Activities	<u>(38,899.67)</u>	<u>(38,899.67)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Cash Received from State and Federal Subsidy Reimbursements	41,270.65	41,270.65
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>41,270.65</u>	<u>41,270.65</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,370.98	2,370.98
Cash and Cash Equivalents Balances - Beginning of Year	11,393.94	11,393.94
Cash and Cash Equivalents Balances - End of Year	<u>\$ 13,764.92</u>	<u>\$ 13,764.92</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>		
Operating Income/(Loss)	\$ (44,521.51)	\$ (44,521.51)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
Depreciation and Net Amortization	5,621.84	5,621.84
Change in Assets and Liabilities:		
Total Adjustments	<u>5,621.84</u>	<u>5,621.84</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (38,899.67)</u>	<u>\$ (38,899.67)</u>

The accompanying notes to financial statements are an integral part of this statement.

FIDUCIARY FUNDS (IF APPLICABLE)

NOTES TO FINANCIAL STATEMENTS

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

1. DESCRIPTION OF THE COMMISSION AND REPORTING ENTITY

The Essex Regional Educational Services Commission (the "Board" or the "Commission") is an instrumentality of the State of New Jersey, established to function as an education institution. The Board consists of ten member school Commissions who assign an individual to serve on the Commissions Board of Directors. The Commission is located in the County of Essex and the Board of Directors is responsible for fiscal control of the Commission. A Superintendent of Schools is appointed by the Board and is responsible for the administrative control of the Commission. A School Business Administrator/Board Secretary is also appointed by the Board and oversees the business functions 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. The Superintendent of Schools is the Chief Administrative Officer of the Commission who is responsible for general supervision of all schools, planning and operational functions of the Commission. The School Business Administrator/Board Secretary is the Chief Financial Officer and is responsible for budgeting, financial accounting and reporting and reports through the Superintendent to the Board.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the Commission are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Commission. For the Commission, this includes general operations, food service and student related activities of the Commission.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation (Continued)

1. Government-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 primary government, except for 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 Commission's governmental activities. 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 that 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 governmental function is self-financing or draws from the general revenues of the Commission.

2. Fund Financial Statements

During the 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.

Fund financial statements are designed to present financial information of the Commission at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column.

B. Fund Accounting

The Commission uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

1. Governmental Funds

Governmental funds are those through which most governmental functions typically 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 major governmental funds:

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. This fund also includes payroll agency, payroll net and unemployment reserve accounts.

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 (GAAP) as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

1. Governmental Funds (Continued)

General Fund (Continued)

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

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

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs.

Permanent Fund - The Permanent Fund is used to account for assets held under the terms of a formal trust agreement, whereby the Commission is under obligation to maintain the trust principal. Resources are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting entity's programs - that is, for the benefit of the school commission. The Commission presently has no resources that are considered permanent funds.

2. Proprietary Fund Type

The focus of Proprietary Fund measurement is upon determination of net income, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the Proprietary Fund of the Commission:

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

The Commission's Enterprise Fund is comprised of the Food Service Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

2. Proprietary Fund Type (Continued)

Enterprise Fund (Continued)

All Proprietary Funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary Fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

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

Food Service Fund:	
Machinery and Equipment	5 - 12 Years

Internal Service Funds - These funds may be used to report any activity that provides goods or services to other funds, departments or agencies of the primary entity and its component units, or to other governments, on a cost-reimbursement basis. In addition, internal service funds are used only if the reporting school commission is the predominant participant in the activity. The Commission does not currently utilize any Internal Service Funds.

3. Long-Term Debt

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt, not in the governmental funds. This includes serial bonds outstanding that are expected to be financed from governmental funds, the outstanding principal balance on capital leases, lease-purchase agreements, compensated absences, claims and judgments, early retirement incentive programs and rebatable arbitrage.

C. Measurement Focus

1. Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Commission are included on the Statement of Net Position.

2. 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 government-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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus (Continued)

2. Fund Financial Statements (Continued)

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

Ad Valorem (Property) Taxes are susceptible to accrual and under New Jersey State Statute a municipality is required to remit to its school commission the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The Commission records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The Commission is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable".

In its accounting and financial reporting, the Commission follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The Commission's proprietary funds have elected not to apply the standards issued by FASB after November 30, 1989.

The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types and nonexpendable trust funds. Under this method, revenues are recognized in the accounting period in which they are earned and expenses are recognized when they are incurred.

E. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue, and Debt Service Funds. The budgets are submitted to the County Office for approval. Budgets which meet the tax levy cap requirements do not require voter approval. Budgets which exceed the tax levy cap require voter approval for the excess amount at the November election. Budgets are prepared using the modified accrual basis of accounting, except for the Special Revenue Fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year subject to the limitation of N.J.A.C. 6A:23A-2.3 (et seq.).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets/Budgetary Control (Continued)

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the Special Revenue Fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

The overexpenditures related to on-behalf payments in the general fund are due to the inclusion of the nonbudgeted on-behalf payments made by the State of New Jersey as commission expenditures. These amounts are offset by related revenues and as such do not represent budgetary overexpenditures.

The following presents a reconciliation of the General Fund Revenue and Special Revenue Fund Revenue from the budgetary basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General, Special Revenue and Debt Service Funds to the GAAP basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

F. 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 deferred inflows at fiscal year end. There were no open encumbrances recorded in the Special Revenue Fund as of June 30, 2022.

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.

G. 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.

The commission is limited 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 the commission.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Cash, Cash Equivalents and Investments (Continued)

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 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.

H. Inventories and Prepaid Expenses

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the Enterprise Fund are recorded as expenditures during the year of purchase.

Inventories in the Proprietary Funds are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. Prepaid expenses in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2022.

I. Allowance for Uncollectible Accounts

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

J. Tuition Receivable

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

K. Tuition Payable

Tuition charges were based on rates established by the receiving commission. These rates are subject to change when the actual costs have been determined.

L. Short-Term Interfund Receivables/Payables

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

M. Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Commission maintains a capitalization threshold of two thousand dollars. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Capital Assets (Continued)

All reported capital assets except for land 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>Estimated Lives</u>
Buildings and Improvements	20 - 50 Years
Furniture and Equipment	7 - 20 Years
Vehicles	8 Years

N. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

O. 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.

The entire sick leave and vacation leave liabilities are reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is in the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

In proprietary and similar trust funds, compensated absences are recorded as an expense and liability of the fund that will pay for them.

P. Accrued Liabilities and Long-Term Obligations

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

In general, 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 governmental funds. However, the noncurrent portion of capital leases, compensated absences and loans payable that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable, available financial resources.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Net Position

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

R. Deferred Inflows

Deferred inflows in the special revenue fund represents cash that has been received but not yet earned.

S. Fund Equity

Contributed capital represents the amount of fund capital contributed to the proprietary funds from other funds. Reserves represent those portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

T. Fund Balance

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54") established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under GASB 54, fund balances in the governmental funds financial statements are reported under the modified accrual basis of accounting and classified into the following five (5) categories, as defined below:

- a. Nonspendable - includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, noncurrent receivables and corpus of any permanent funds.
- b. Restricted - includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers or through enabling legislation.
- c. Committed - includes amounts that can be used only for the specific purposes imposed by a formal action of the government's highest level of decision-making authority. The Commission's highest level of decision-making authority is the Board of Education (the "Board") and formal action is taken by resolution of the Board at publicly held meetings. Once committed, amounts cannot be used for other purposes unless the Board revised or changes the specified use by taking the same action (resolution) taken to originally commit these funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T. Fund Balance (Continued)

- d. Assigned - amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Interest is expressed by either the Board or Business Administrator, to whom the Board has delegated the authority to assign amounts to be used for specific purposes, including the encumbering of funds.
- e. Unassigned - includes all spendable amounts not contained in the other classifications in the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a position unassigned fund balance amount. In the other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

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

U. Proprietary Funds Revenues and Expenses

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission enterprise fund (the Food Service) are charges to customers for sales of food service. Operating expenses for enterprise funds include the cost of sales and services, administrative expense and depreciation on Capital Assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

V. Rebatable Arbitrage

Rebatable arbitrage results from investing the proceeds of borrowed funds either directly or indirectly into investments that are higher in yield than the bond yield incurred on the borrowed funds. In accordance with GASB 34, rebatable arbitrage is treated like a claim or judgment. All interest income is reported as revenue of the Capital Projects Fund. The liability, if any, is recorded in the "Statement of Net Position".

W. Allocation of 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. Employee benefits, including the employer's share of social security, worker's compensation and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the direct expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is reported separately on the Statement of Activities. No expenses were allocated as "Indirect Expenses".

X. On-Behalf Payments

Revenues and expenditures of the general fund include payments made by the State of New Jersey for social security and post-retirement medical and pension contributions for the certified teachers and other members of the New Jersey Teachers Pension and Annuity Fund. The amounts are not required to be included in the Commission's annual budget.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Y. Extraordinary and Special Items

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

Z. Accounting and Financial Reporting for Pensions

In fiscal year 2018, the Commission implemented GASB 75. This Statement replaces the requirements of Statement No. 45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions as amended and No. 57 OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB Statement No.74 Financial Reporting for Postemployment Benefit Plans Other than Pension Plans, establish new accounting and financial reporting requirements for OPEB plans. This statement is effective for periods beginning after June 15, 2017.

In fiscal year 2015, the Commission 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. This statement was effective for periods beginning after June 15, 2014.

Z. Accounting and Financial Reporting for Pensions

The Commission 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Z. 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.

AA. Accounting and Financial Reporting for Other Post-Retirement Benefits ("OPEB")

In 2018 the Commission implemented GASB #75 which addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, revenues and expense/expenditures. The Statement GASB #45 supersedes Accounting and Financial Reporting for Post-Employment Benefits with other than Pension.

The participating local education employer allocations included in the supplemental Schedule of special funding amounts by employer are provided as each local education employer is required to record in their financial statements, as an expense and corresponding revenue, their respective amount of total OPEB expense attributable to the State of New Jersey under the special funding situation and to include their respective amount of total OPEB liability in their notes to their financial statements.

AB. GASB Statement No. 84 Fiduciary Activities

The Commission implemented GASB Statement No. 84 Fiduciary Activities on July 1, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities. The focus of 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. The Commission reclassified the payroll agency, payroll net and unemployment reserve accounts to the General Fund. The Special Revenue Fund was adjusted to include student activities and scholarship accounts. There was no adverse impact on the financial statements of the Commission.

AC. Other Accounting Standards

The Commission is currently reviewing the following for applicability and potential impact on the financial statements:

- *GASB Statement No. 91. Conduit Debt Obligations.* The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The District does not expect this Statement to impact its financial statements.

GASB Statement No. 95 was issued in May 2020, which postponed the effective date of this GASB by one year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

AC. Other Accounting Standards (Continued)

- *GASB Statement No. 93. Replacement of Interbank Offered Rates.* The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR).

Effective Date: The removal of London Interbank Offered rate (IBOR) as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Earlier application is encouraged. The Commission does not expect this Statement to impact its financial statements.

GASB Statement 95 was issued in May 2020, which postponed the effective date of this GASB by one year.

- *GASB Statement No. 94. Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction.

Effective Date: The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The Commission does not expect this Statement to impact its financial statements.

- *GASB Statement No. 96. Subscription-Based Information Technology Arrangements.* This Statement provides guidance on the accounting and financial reporting for subscriptions-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA.

Effective Date: The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The Commission does not expect this Statement to impact its financial statements.

- *GASB Statement No. 99. Summaries/Status.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

Effective Dates: The requirements of this Statement that are effective are as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging government as, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

AC. Other Accounting Standards

- . The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- . The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

The Commission does not expect this Statement to impact its financial statements.

- *GASB Statement No. 101. Compensated Absences.* The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences.

Effective Date: The requirements of this Statement are effective for fiscal years beginning after December 15, 2023. The Commission is currently reviewing what effect, if any, this Statement might have on future financial statements.

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents includes petty cash, change funds, amounts in deposits, and short-term investments with original maturities of three months or less.

Investments are stated at cost, which approximates market. The Board classifies certificates of deposit which have original maturity dates of more than three months, but less than twelve months from the date of purchase, as investments. The Commission is in compliance with GASB Statement No. 3 as amended by GASB Statement No. 40.

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

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

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

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

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

Custodial Credit Risk - This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Board will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Board does not have a policy for custodial credit risk. Federal depository insurance and New Jersey's Governmental Unit Deposit Protection Act mitigate this risk.

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Interest Rate Risk - This is the risk that changes in market interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to change in market interest rates. The Board's investment policy does not include limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

As of June 30, 2022, cash and cash equivalents of the Commission consisted of the following:

Checking and Money Market Accounts	<u>\$1,682,092.50</u>
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The carrying amount of the Board's cash and cash equivalents at June 30, 2022 was \$9,353,575.71. Of the bank balance, \$748,134.88 was covered by Federal Depository Insurance and \$8,762,661.03 was covered by the Governmental Unit Deposit Protection Act (GUDPA), N.J.S.A. 17:9-41, et seq., for all New Jersey governmental unit's deposits in excess of the Federal deposit maximums. These funds constitute "deposits with financial institutions" as defined by GASB Statement No. 40.

The Commission had no securities as of June 30, 2022 that would be considered investments as defined by GASB No. 3 as amended by GASB No. 40.

New Jersey P.L. 2017, c. 310 permits the Board of Education to purchase various investments in accordance with the Board's Cash Management Plan.

4. CAPITAL ASSETS

Capital Asset Activity for the year ended June 30, 2022 was as follows:

	Beginning Balance June 30, 2021	Additions	Retirements	Ending Balance June 30, 2022
<u>Governmental Activities</u>				
Nondepreciable:				
Land	\$ 2,924,000.00	\$ -	\$ -	\$ 2,924,000.00
	<u>2,924,000.00</u>			<u>2,924,000.00</u>
Depreciable:				
Land Improvements	39,850.00			39,850.00
Buildings and Improvements	22,197,864.00			22,197,864.00
Machinery and Equipment	1,584,686.00	31,468.00		1,616,154.00
Totals at Historical Costs	<u>23,822,400.00</u>	<u>31,468.00</u>	<u>-</u>	<u>23,853,868.00</u>
Less Accumulated Depreciation:				
Improvements Other than Buildings	(10,519.00)	(1,993.00)		(12,512.00)
Buildings and Improvements	(6,158,354.00)	(578,654.00)		(6,737,008.00)
Machinery and Equipment	(1,163,764.00)	(97,748.00)		(1,261,512.00)
Total Accumulated Depreciation	<u>(7,332,637.00)</u>	<u>(678,395.00)</u>	<u>-</u>	<u>(8,011,032.00)</u>
Assets Net of Depreciation	<u>16,489,763.00</u>	<u>(646,927.00)</u>	<u>-</u>	<u>15,842,836.00</u>
Governmental Activities Capital Assets, Net	<u>\$ 19,413,763.00</u>	<u>\$ (646,927.00)</u>	<u>\$ -</u>	<u>\$ 18,766,836.00</u>
Business-Type Activities:				
Machinery and Equipment	\$ 21,225.00	(5,622.45)		\$ 21,225.00
Less Accumulated Depreciation	<u>(15,602.55)</u>	<u>(5,622.45)</u>		<u>(21,225.00)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 5,622.45</u>	<u>\$ (5,622.45)</u>	<u>\$ -</u>	<u>\$ -</u>

5. LONG-TERM DEBT

Long-Term Liability Conversion Schedule - June 30, 2022

	Balance June 30, 2021	Additions	Reduction	Balance June 30, 2022	Amounts Due Within One Year	Long-Term Portion
Governmental Activities:						
Capital Leases	\$16,132,247.60	\$	\$1,023,269.50	\$15,108,978.10	\$	\$15,108,978.10
Net Pension Liability	9,040,328.00		4,074,305.00	4,966,023.00		4,966,023.00
Compensated Absences	625,606.16	27,802.28		653,408.44		653,408.44
	<u>\$25,798,181.76</u>	<u>\$ 27,802.28</u>	<u>\$5,097,574.50</u>	<u>\$20,728,409.54</u>	<u>\$ -</u>	<u>\$20,728,409.54</u>

5. LONG-TERM DEBT (Continued)

A. Capital Leases

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022 were as follows.

Fiscal Year Ending June 30,	
2023	\$ 3,057,328.00
2024	1,437,359.00
2025	1,438,074.00
2026-2030	6,255,604.00
2031-2035	4,391,712.00
2036-2038	1,265,152.00
	<u>17,845,229.00</u>
Less Minimum Lease Payments	<u>(2,736,320.90)</u>
	<u>\$15,108,908.10</u>

6. PENSION PLANS

Description of Plans

All required employees of the Commission are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pensions 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, P. O. Box 295, Trenton, New Jersey 08625.

Teachers' Pension and Annuity Fund (TPAF)

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

Public Employees' Retirement System (PERS)

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

6. PENSION PLANS (Continued)

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6 for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Pension benefits for members enrolled in PERS after May 21, 2010 would be based on 1/60th of the average annual compensation for the last five years of service or any five fiscal years of membership that provide the largest benefit to the member of the member's beneficiary. Early retirement is available to those under age 60 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above-mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55). The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the system.

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

Significant Legislation

P.L. 2011, c. 78, effective June 28, 2011, made various changes to the manner in which TPAF and PERS operates and to the benefit provisions of those systems.

This new legislation's provisions impacting employee pension and health benefits include:

- New members of TPAF and PERS hired on or after June 28, 2011 (Tier 5 members), will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of ¼ to 1 percent for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the TPAF and PERS is increased from age 62 to 65 for Tier 5 members.
- Active member contribution rates will increase. TPAF and PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years. For Fiscal Year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contributions for TPAF and PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.

In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Contribution Requirements

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contribution employers. Plan member and employer contributions may be amended by State of New Jersey legislation.

In accordance with the provisions of Chapter 78, P.L. 2011, employee pension contribution rates for TPAF and PERS is currently 7.50% of employees' annual compensation, as defined.

6. **PENSION PLANS (Continued)**

Contribution Requirements (Continued)

Employers are required to contribute at an actuarially determined rate in both PERS and TPAF. The actuarially determined employer contribution includes funding for both cost-of-living adjustments and noncontributory death benefits in the PERS and TPAF. In the PERS and TPAF, the employer contribution includes funding for post-retirement medical premium. Under current statute, the Commission is a noncontributing employer of the TPAF.

<u>Year Ending</u>	<u>PERS</u>
June 30, 2022	\$ 490,929.00
June 30, 2021	606,453.00
June 30, 2020	633,813.00

(Paid On-Behalf of the District)

<u>Year Funding</u>	<u>Pension Contributions</u>	<u>Post- Retirement Medical Contributions</u>	<u>NCGI Premium</u>	<u>LTD Liability</u>
June 30, 2022	\$1,894,233.00	\$442,570.00	\$	\$ 597.00
June 30, 2021	1,481,507.00	464,282.00		641.00
June 30, 2020	1,372,114.00	518,153.00	24,594.00	1,157.00

During the fiscal year ended June 30, 2022, the State of New Jersey contributed \$1,894,233.00 to the TPAF for normal pension, \$442,570.00 for post-retirement medical benefits and \$597.00 for long-term disability insurance On-Behalf of the Commission. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Commission \$318,594.24 during the year ended June 30, 2022 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 basic financial statements and the individual fund statements and schedules as a revenue and expenditure in accordance with GASB 27.

Teachers' Pension and Annuity Fund (TPAF)

Summary of Significant Accounting Policies

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

6. **PENSION PLANS (Continued)**

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

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

The employer contributions for the Commission are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, the Commission (employer) is 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 Commission (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the Commission. However, the State's portion of the net pension liability that was associated with the Commission was \$24,044,312 as measured on June 30, 2021 and \$41,193,013, as measured on June 30, 2020.

For the year ended June 30, 2022, the Commission recognized pension expense of \$1,819,012 and revenue of \$1,539,644 for support provided by the State. The measurement period for the pension expense and revenue reported in the Commission's financial statements (A-2) at June 30, 2022 is based upon changes in the collective net pension liability with a measurement period of June 30, 2020 through June 30, 2021. Accordingly, the pension expense and the related revenue associated with the support provided by the State is based upon the changes in the collective net pension liability between July 1, 2020 and June 30, 2021.

Although the Commission does not report net pension liability or deferred outflows or inflows related to the TPAF, the following schedule illustrates the collective net pension liability and deferred items and the State's portion of the net pension liability associated with the Commission. The collective amounts are the total of all New Jersey local governments participating in the TPAF plan.

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Collective Deferred Outflows of Resources	\$ 6,230,825,389	\$ 9,458,881,999
Collective Deferred Inflows of Resources	27,221,092,460	14,424,322,612
Collective Net Pension Liability (Nonemployer - State of New Jersey)	48,075,188,642	65,848,796,740
State's Portion of the Net Pension Liability that was Associated with the Commission	24,044,312	41,193,013
State's Portion of the Net Pension Liability that was Associated with the Commission as a Percentage of the Collective Net Pension Liability	* .0500139750%	* .062556896%

6. **PENSION PLANS (Continued)**

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

Actuarial Assumptions

The total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. 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%

Preretirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2020 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, 2021) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2021 are summarized in the following table:

6. PENSION PLANS (Continued)

Teachers' Pension 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>
US Equity	27.00%	8.09%
Non-U.S. Developed Markets Equity	13.50%	8.71%
Emerging Markets Equity	5.50%	10.96%
Private Equity	13.00%	11.30%
Real Estate	8.00%	9.15%
Real Assets	3.00%	7.40%
High Yield	2.00%	3.75%
Private Credit	8.00%	7.60%
Investment Grade Credit	8.00%	1.68%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk Mitigation Strategies	3.00%	3.35%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 100% of the actuarially determined contributions for the State. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

Sensitivity of the Commission's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Since the Commission has no proportionate share of the net pension liability because of the special funding situation, the Commission would not be sensitive to any changes in the discount rate. Detailed information about the pension plan's sensitivity of the collective net pension liability to changes in the discount rate is available in the separately issued State of New Jersey Division of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/documents/financial/gasb/gasb68-tpaf22.pdf>.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Division of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>.

Public Employees' Retirement System (PERS)

Summary of Significant Accounting Policies

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

6. **PENSION PLANS (Continued)**

Public Employees' Retirement System (PERS)

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

At June 30, 2022, the Commission reported a liability of \$4,966,023 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2020. The Commission's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2021 and 2020. At June 30, 2021, the Commission's proportion was .0419197505%, which was a decrease of .0013517266% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Commission recognized pension expense of \$(1,539,649). At June 30, 2022, the Commission reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 78,321	\$ 35,551
Changes of Assumptions	25,863	1,767,936
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		1,308,181
Changes in Proportion	302,805	3,744,819
Commission Contributions Subsequent to the Measurement Date	<u>490,929</u>	
Total	<u>\$ 897,918</u>	<u>\$6,856,487</u>

The \$490,929 reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2022 the plan measurement date is June 30, 2021) will be recognized as a reduction of the net pension liability as of June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2022	\$(1,171,766.00)
2023	(836,638.00)
2024	(570,444.00)
2025	(428,804.00)
2026	<u>167.00</u>
	<u><u>\$(3,007,485.00)</u></u>

6. **PENSION PLANS (Continued)**

Public Employees' Retirement System (PERS) (Continued)

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

Additional Information:

Collective balances at June 30, 2021 and 20 are as follows:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Collective Deferred Outflows of Resources	\$ 1,164,738,169	\$ 2,347,583,337
Collective Deferred Inflows of Resources	8,339,123,762	7,849,949,467
Collective Net Pension Liability (Non-State - Local Group)	11,972,782,878	16,435,616,426
District's Portion of Net Pension Liability	4,966,023	9,040,328
District's Proportion Percentage	.041919750%	.0554370165%

Actuarial Assumptions

The collective total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. This actuarial valuation used the following actuarial assumptions:

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

Preretirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2021) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries.

6. **PENSION PLANS (Continued)**

Public Employees' Retirement System (PERS) (Continued)

Long-Term Rate of Return (Continued)

The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	27.00%	8.09%
Non-U.S. Developed Markets Equity	13.50%	8.71%
Emerging Markets Equity	5.50%	10.96%
Private Equity	13.00%	11.30%
Real Estate	8.00%	9.15%
Real Assets	3.00%	7.40%
High Yield	2.00%	3.75%
Private Credit	8.00%	7.60%
Investment Grade Credit	8.00%	1.68%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk Mitigation Strategies	3.00%	3.35%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. 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 and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

Sensitivity of the Commission's Proportionate Share of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the Commission's proportionate share of the collective net pension liability of the participating employers as of June 30, 2021, calculated using the discount rate of 7.00%, as well as what the Commission's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	At 1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	At 1% Increase <u>(8.00%)</u>
Commission's Proportionate Share of the Collective Net Pension Liability	\$ 6,835,807	\$4,966,023	\$3,477,958

6. **PENSION PLANS (Continued)**

Public Employees' Retirement System (PERS) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Division of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>.

7. **POST-RETIREMENT BENEFITS**

General Information about the OPEB Plan

The State of New Jersey State Retired Employees Plan (State Retired OPEB Plan) is a single-employer defined benefit OPEB plan with a special funding situation. The State Retired OPEB Plan is administered on a "pay-as-you-go" basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement 75. The State Retired OPEB Plan covers the State colleges and universities, the Palisades Interstate Park Commission, and the New Jersey Building Authority (referred to collectively as "the employers") for which the State is legally obligated to pay for benefits. The State Retired OPEB Plan is treated as a cost-sharing multiple-employer plan with a special funding situation for allocating the total OPEB liability and related OPEB amounts since each employer mentioned above is required to issue stand-alone financial statements. The State Retired OPEB Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and the covered dependents of the employees. The State also offers dental care to retirees, however, since dental benefits are completely paid for by the retirees, there is no OPEB liability for these benefits.

In accordance with N.J.S.A. 14-17.32, the State is required to pay the premiums or periodic charges for health benefits of State employees who retire with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Judicial Retirement System (JRS), the State Police Retirement System (SPRS), the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen's Retirement System (PFRS), and the Alternate Benefit Program (ABP). In addition, N.J.S.A. 52:14-17.26 provides that for purposes of the State Retired OPEB Plan, an employee of Rutgers, the State University of New Jersey, and New Jersey Institute of Technology shall be deemed to be an employee of the State. Further, P.L. 1966, c.302, addresses the other State colleges and universities, whereas while these institutions were provided autonomy from the State, their employees retained any and all rights to health benefits within the State Retired OPEB Plan and are therefore classified as State employees.

The State Health Benefit Local Education Retired Employees' Plan (Local Education Retired OPEB Plan) is a multiple-employer defined benefit OPEB plan with a special funding situation. The Local Education Retired OPEB Plan is administered on a "pay-as-you-go" basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Local Education Retired OPEB Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and the covered dependents of local education employees. The State also offers dental care to retirees, however, since dental benefits are completely paid for by the retirees, there is no OPEB liability for these benefits.

The employer contributions for the participating local education employers are legally required to be funded by the State in accordance with N.J.S.A. 52:14-17.32f. According to this law, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: TPAF, PERS, PFRS, or ABP.

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

7. POST-RETIREMENT BENEFITS (Continued)

General Information about the OPEB Plan (Continued)

The State is legally required to pay for the OPEB benefit coverage for the participating local education employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. The State, as a nonemployer contributing entity, reported a Fiscal Year 2021 total OPEB liability of \$67,809,962,608 for this special funding situation.

Additional information on Pensions and OPEB can be accessed at state.nj.us/treasury/pensions/financial-reports.shtml.

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's No. 75 is zero percent. Accordingly, the LEA did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. Accordingly, the following OPEB liability note information is reported at the State's level and is not specific to the board of education/board of trustees. Note that actual numbers will be published in the NJ State ACFR on the Office of Management and Budget webpage: nj.gov/treasury/omb/fr.shtml.

Actuarial assumptions and other imputes. The total OPEB liability in the June 30, 2021 actuarial valuation reported by the State in the State's most recently issued ACFR was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2022 was determined by an actuarial valuation as of June 30, 2020, which was rolled forward to June 30, 2021. 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:

Total Nonemployer OPEB Liability	\$60,007,650,970	
Inflation Rate	2.50%	
	<u>TPAF/ABP</u>	<u>PERS</u>
Salary Increases:		
Through 2026	1.55% - 4.45%	2.00% - 6.00%
	Based on	Based on
	Service Years	Service Years
Thereafter	1.55% - 4.45%	3.00% - 7.00%
	Based on	Based on
	Service Years	Service Years

Preretirement mortality rates were based on the Pub-2010 Health "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-2020. 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-2020. 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 the Scale MP-2020.

7. POST-RETIREMENT BENEFITS (Continued)

General Information about the OPEB Plan (Continued)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies for the periods July 1, 2015 - June 30, 2018, July 1, 2014 - June 30, 2018 and July 1, 2013 - June 30, 2018 for TPAF, PERS and PFRS, respectively.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 5.6% and decreases to a 4.5% long-term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2022 through 2023 are reflected. For PPO the trend is initially 5.74% in fiscal year 2024, increasing to 12.93% in fiscal year 2025 and decreases to 4.50% after 11 years. For HMO the trend is initially 6.01% in fiscal year 2024 increasing to 15.23% in fiscal year 2025 and decreases to 4.50% after 11 years. For prescription drug benefits, the initial trend rate is 6.75% and decreases to a 4.50% long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.00%

Discount Rate

The discount rate for June 30, 2020 was 2.16%. 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.

Changes in the Total OPEB Liability Reported by the State of New Jersey

	<u>Increase/(Decrease)</u>
	<u>Total OPEB Liability</u>
Balance as of June 30, 2019 Measurement Date	<u>\$67,809,962,608</u>
Changes Recognized for the Fiscal Year:	
Service Cost	3,217,184,264
Interest on the Total OPEB Liability	1,556,661,679
Changes of Benefit Terms	(63,870,842)
Differences Between Expected and Actual Experience	(11,385,071,658)
Changes of Assumptions	59,202,105
Gross Benefit Payments ¹	(1,226,213,382)
Contributions from the Non-Employer	N/A
Contributions from the Member ¹	39,796,196
Net Investment Income ¹	N/A
Administrative Expense ¹	N/A
Net Changes	<u>(7,802,311,638)</u>
Balance as of June 30, 2020 Measurement Date	<u>\$60,007,650,970</u>

¹Data for Measurement Periods Ending June 30, 2020 were provided by the State.

At June 30, 2021, the State's proportionate share of the OPEB liability attributable to the Commission is \$82,369,569. The nonemployer allocation percentages are based on the ratio of the State's proportionate share of the OPEB liability attributable to the Commission at June 30, 2021 to the total OPEB liability of the State Health Benefit Program Fund - Local Education Retired Employees Plan at June 30, 2021. At June 30, 2021, the State's share of the OPEB liability attributable to the Commission was .13727 percent, which was an increase of .00030 percent from its proportionate share measured as of June 30, 2020 of .13697 percent.

7. **POST-RETIREMENT BENEFITS (Continued)**

Changes in the Total OPEB Liability Reported by the State of New Jersey (Continued)

There were no changes of benefit term.

Changes of assumptions and other inputs reflect a change in the discount rate from 2.21 percent in 2020 to 2.16 percent in 2021.

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

The following presents the total nonemployer OPEB liability as of June 30, 2021 and 2020, respectively, calculated using the discount rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

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

	June 30, 2021		
	At 1% Decrease ▮ (1.16%)	At Discount Rate ▮ (2.16%)	At 1% Increase ▮ (3.16%)
Total OPEB Liability (School Retirees)	\$48,785,978	\$40,728,190	\$34,383,166

	June 30, 2020		
	At 1% Decrease ▮ (1.21%)	At Discount Rate ▮ (2.21%)	At 1% Increase ▮ (3.21%)
Total OPEB Liability (School Retirees)	\$60,991,548	\$50,592,233	\$42,460,970

Sensitivity of Total Nonemployer OPEB Liability to Changes in the Healthcare Trend Rate

The following presents the total nonemployer OPEB liability as of June 30, 2021 and 2020, respectively, calculated using the healthcare trend rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a healthcare trend rate that is one percentage point lower or one percentage point higher than the current rate:

	June 30, 2021		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability (School Retirees)	\$30,933,452	\$40,728,190	\$51,147,400

	June 30, 2020		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability (School Retirees)	\$40,839,757	\$50,592,233	\$62,205,265

7. POST-RETIREMENT BENEFITS (Continued)

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

For the year ended June 30, 2022, the Commission recognized OPEB expense of \$1,055,955 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's No. 75 and in which there is a special funding situation. This amount has been included in the Commission-Wide Statement of Activities (accrual basis) as a Revenue and Expense in accordance with GASB No. 85.

In accordance with GASB's No. 75, the Commission's proportionate share of school retirees OPEB is zero, there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources. At June 30, 2021, the State reported deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
(1) Difference Between Actual and Expected Experience	\$ 9,045,886,863	\$(18,009,362,976)
(2) Net Difference Between Expected and Actual Earnings on OPEB Plan Investments	-	-
(3) Assumption Changes	10,179,536,966	(6,438,261,807)
(4) Changes in Proportion	2,321,523,426	(2,321,523,426)
(4) Sub-Total	<u>21,546,947,255</u>	<u>(26,769,148,209)</u>
(5) Contributions Made in Fiscal Year Ending 2021 After June 30, 2022 Measurement Date ¹	<u>TBD</u>	<u>N/A</u>
(6) Total	<u>\$21,546,947,255</u>	<u>\$(26,769,148,209)</u>

¹Employer contributions made after June 30, 2021 are reported as a deferred outflow of resources but are not amortized in expense.

Amounts recognized in the deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the OPEB expense as follows:

<u>Measurement Period Ending June 30,</u>	
2022	\$ (802,449)
2023	(802,449)
2024	(802,450)
2025	(802,450)
2026	(570,527)
Total Thereafter	<u>235,930</u>
	<u>\$ (3,544,394)</u>

8. DEFINED CONTRIBUTION RETIREMENT PROGRAM

Description of System

The Defined Contribution Retirement Program (DCRP) was established on July 1, 2007 for certain public employees under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. The program provides eligible members, with a minimum base salary of \$1,500.00 or more, with a tax-sheltered, defined contribution retirement benefit, in addition to life insurance and disability coverage. The DCRP is jointly administered by the Division of Pensions and Benefits and Prudential Financial.

8. DEFINED CONTRIBUTION RETIREMENT PROGRAM (Continued)

Description of System (Continued)

If the eligible elected or appointed official will earn less than \$5,000.00 annually, the official may choose to waive participation in the DCRP for that office or position. This waiver is irrevocable.

As of May 21, 2010, the base salary required for eligibility in the DCRP was increased to \$5,000.00.

This retirement program is a new pension system where the value of the pension is based on the amount of the contribution made by the employee and employer and through investment earnings. It is similar to a Deferred Compensation Program where the employee has a portion of tax deferred salary placed into an account that the employee manages through investment options provided by the employer.

The law requires that three classes of employees enroll in the DCRP, detailed as follows:

- All elected officials taking office on or after July 1, 2007, except that a person who is reelected to an elected office held prior to that date without a break in service may remain in the Public Employees' Retirement System (PERS).
- A Governor appointee with the advice and consent of the Legislature or who serves at the pleasure of the Governor only during that Governor's term of office.
- Employees enrolled in the PERS on or after July 1, 2007 who earn salary in excess of established "maximum compensation" limits.
- Employees otherwise eligible to enroll in the PERS on or after November 2, 2008 who do not earn the minimum salary for PERS Tier 3, but who earn salary of at least \$5,000.00.
- Employees otherwise eligible to enroll in the PERS after May 21, 2010, who do not work the minimum number of hours per week required for PERS Tier 4 or Tier 5 enrollment (32 hours per week) but who earn salary of at least \$5,000.00 annually.

Notwithstanding the foregoing requirements, other employees who hold a professional license or certificate or meet other exceptions are permitted to remain to join or remain in PERS.

Contributions Required and Made

Contributions made by employees for DCRP are currently at 5.5% of their base wages. Member contributions are matched by a 3.0% employer contribution. Contributions to the plan for the past three years are as follows:

<u>Year</u>	<u>Commission</u>
2021	\$454,338.00
2020	198,781.00
2019	303,235.00

9. COMPENSATED ABSENCES

The Commission accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

9. COMPENSATED ABSENCES (Continued)

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

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to Employees as of June 30, 2021. No liability existed for compensated absences in the Proprietary Fund Types.

10. DEFERRED COMPENSATION

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

11. RISK MANAGEMENT

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

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

12. INTERFUND RECEIVABLES AND PAYABLES

The following are reflected as interfund receivables and payables on the various balance sheets at June 30, 2022:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$1,410,119.33	\$ -
Special Revenue Fund		1,394,218.00
Enterprise Fund		15,901.33
	<u>\$1,410,119.33</u>	<u>\$1,410,119.33</u>

13. INTERGOVERNMENTAL ACCOUNTS RECEIVABLE

Intergovernmental Accounts Receivable at June 30, 2022 consisted of Federal Source, State Sources and transportation. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables are as follows:

	<u>Governmental Fund Financial Statements</u>
State Aid:	
General Fund:	
TPAF FICA Reimbursement	<u>\$ 58,187.13</u>
Special Revenue Fund:	
Federal Source	<u>\$ 797,393.82</u>

14. FUND BALANCE APPROPRIATED

General Fund [Exhibit B-1] - Of the \$15,818,551.53 General Fund fund balance at June 30, 2022, \$15,818,551.53 is unreserved and undesignated.

Special Revenue Fund - Of the \$23,125.15 Special Revenue Fund fund balance at June 30, 2022, \$23,125.15 is restricted for student activities.

15. CALCULATION OF EXCESS SURPLUS

In accordance with N.J.S.A. 18:7F-7, as amended by P.L. 2004, c.73 (S1701), the designation for Reserved Fund Balance - Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school commissions are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget.

There was no excess surplus as of June 30, 2022.

16. SECONDARY MARKET DISCLOSURE

Solely for purposes of complying with Rule 15c2-12 of the Securities and Exchange Commission, as amended and interpreted from time to time (the "Rule"), and provided that the Bonds are not exempt from the Rule and provided that the Bonds are not exempt from the requirements in accordance with Paragraph (d) of the Rule, for so long as the Bonds remain outstanding (unless the Bonds have been wholly defeased), the municipality shall provide for the benefit of the holders of the Bonds and the beneficial owners thereof various financial documents relating to the financial conditions of the Municipal Securities Rulemaking Board through the Electronic Municipal Access Data Port (the "MSRB").

17. CONTINGENT LIABILITIES

A. Litigation

The Management did not indicate any litigation, claims or contingent liabilities that are either not covered by the Commission's insurance carrier or would have a material financial impact on the Commission.

17. CONTINGENT LIABILITIES (Continued)

B. Federal and State Awards

The Commission participates in several federal and state grant and aid programs which are governed by various rules and regulations of the grantor agencies, therefore, to the extent that the Commission has not complied with the rules and regulations governing the grants or aid, refunds of any money received may be required and the collectability of any related receivable at June 30, 2022 may be impaired. In the opinion of the management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants, therefore, no provisions have been recorded in the accompanying general purpose financial statements for such contingencies.

18. TAX ABATEMENTS

As defined by the Governmental Accounting Standards Board (GASB), a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. School commissions are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school Commission is situated may have entered into tax abatement agreements, and that potential must be disclosed in these financial statements. If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school Commission's local tax revenue because N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school commission.

For a local school Commission board of education or board of school estimate that has elected to raise their minimum tax levy using the required local share provisions at N.J.S.A. 18A:7F-5(b), the loss of revenue resulting from the municipality or county having entered into a tax abatement agreement is indeterminate due to the complex nature of the calculation of required local share performed by the New Jersey Department of Education based upon Commission property value and wealth.

19. PRIOR PERIOD ADJUSTMENT - GASB NO. 84

The Commission implemented GASB No. 84 related to former Fiduciary Funds being reclassified into the Governmental Funds. The reasoning related to the fact that the Commission has control of the funds and as such, are more properly reflected in the Governmental Funds. The reclassification was reflected as a prior period adjustment to the Governmental Funds - Statement of Revenues, Expenditures and Change in Fund Balance (B-2) basic financial statements (B-2) and the Statement of Activities (A-2), effective July 1, 2020, and no retroactive restatement of financial statements was done since financial statements are not comparative. The reclassification involved liabilities and fund balance with no adverse impact on the financial position of the Commission.

20. SUBSEQUENT EVENT

The Essex Regional Educational Services Commission has evaluated subsequent events that occurred after the balance sheet date, but before March 15, 2023. Based upon this evaluation, the Commission has determined that the following subsequent event needed to be disclosed:

Subsequent to the date of these financial statements, the COVID-19 Corona Virus continued to spread across the State of New Jersey and the Nation as a whole. The impact of this view on the Commission's operation in Fiscal Year 2022 cannot be reasonably estimated at this time, but may negatively affect revenues and expenditures.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

C. BUDGETARY COMPARISON SCHEDULES

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION - Part II
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
REVENUES:					
Local Sources:					
Tuition					
Tuition From Other LEAs Within the State	5,093,512.00		5,093,512.00	2,416,040.00	(2,677,472.00)
Total Tuition	5,093,512.00		5,093,512.00	2,416,040.00	(2,677,472.00)
Transportation Fees From Other LEAs	35,390,806.00	20,396,795.00	55,787,601.00	51,551,347.10	(4,236,253.90)
Unrestricted Miscellaneous Revenues	12,863,398.00	613,205.00	13,476,603.00	7,696,427.12	(5,780,175.88)
Total Local Sources	53,347,716.00	21,010,000.00	74,357,716.00	61,663,814.22	(12,693,901.78)
Total Revenues from Intermediate Sources					
State Sources:					
Nonbudgeted:					
On-Behalf Contributions:					
TPAF - Pension Contribution				1,894,233.00	1,894,233.00
TPAF - Long-Term Disability Contribution				597.00	597.00
TPAF - Post-Retirement Medical Contribution				442,570.00	442,570.00
Reimbursed TPAF Social Security Contributions				318,594.24	318,594.24
Total State Sources				2,655,994.24	2,655,994.24
Total Revenues	\$ 53,347,716.00	\$ 21,010,000.00	\$ 74,357,716.00	\$ 64,319,808.46	\$ (10,037,907.54)
EXPENDITURES					
Current Expense					
Regular Programs - Instruction:					
Grades 9-12 - Salaries of Teachers	469,518.00	32,705.39	502,223.39	294,335.49	207,887.90
Regular Programs - Home Instruction:					
Salaries of Teachers	350,000.00	1,076,670.00	713,335.00	566,629.00	146,706.00
Other Purchased Services (400-500 series)	8,200.00	4,000.00	12,200.00	6,033.61	6,166.39
Regular Programs - Undistributed Instruction:					
General Supplies	49,980.00	3,100.00	53,080.00	40,955.14	12,124.86
TOTAL REGULAR PROGRAMS - INSTRUCTION	877,698.00	1,116,475.39	1,280,838.39	907,953.24	372,885.15
SPECIAL EDUCATION - INSTRUCTION					
Learning and/or Language Disabilities - Mild/Moderate:					
Salaries of Teachers	378,974.00	4,119.14	383,093.14	374,353.63	8,739.51
Other Salaries for Instruction	221,328.00	(23,196.84)	198,131.16	120,033.73	78,097.43
General Supplies	2,500.00		2,500.00	2,459.44	40.56
Other Objects	500.00		500.00		500.00
Total Learning and/or Language Disabilities - Mild/Moderate	603,302.00	(19,077.70)	584,224.30	496,846.80	87,377.50
Emotional Regulation Impairment:					
Salaries of Teachers	288,926.00	(103,658.00)	185,268.00	174,955.47	10,312.53
Other Salaries for Instruction	6,038,948.00	(451,717.04)	5,587,230.96	5,137,997.08	449,233.88
General Supplies	8,500.00	(2,558.76)	5,941.24	5,295.32	645.92
Other Objects	13,000.00	(11,269.98)	1,730.02	1,251.72	478.30
Total Emotional Regulation Impairment	6,349,374.00	(569,203.78)	5,780,170.22	5,319,499.59	460,670.63
TOTAL SPECIAL EDUCATION - INSTRUCTION	6,952,676.00	(588,281.48)	6,364,394.52	5,816,346.39	548,048.13
Total Instruction	7,830,374.00	528,193.91	7,645,232.91	6,724,299.63	920,933.28
Undistributed Expenditures - Instruction:					
Tuition - Other	90,000.00	(76,700.00)	13,300.00	5,720.00	7,580.00
Total Undistributed Expenditures - Instruction	90,000.00	(76,700.00)	13,300.00	5,720.00	7,580.00
Undistributed Expenditures - Health Services:					
Salaries	83,103.00	(19,903.00)	63,200.00	60,210.00	2,990.00
Supplies and Materials	3,500.00		3,500.00	2,736.25	763.75
Total Undistributed Expenditures - Health Services	86,603.00	(19,903.00)	66,700.00	62,946.25	3,753.75
Undist. Expend. - Speech, OT, PT, Related Svcs.:					
Salaries	230,000.00	544,492.00	774,492.00	172,251.37	602,240.63
Purchased Professional - Educational Services	45,000.00	(42,263.02)	2,736.98	2,200.00	536.98
Total Undist. Expend. - Speech, OT, PT, Related Svcs.	275,000.00	502,228.98	777,228.98	174,451.37	602,777.61
Undistributed Expenditures - Child Study Team:					
Salaries of Other Professional Staff	197,155.00	(3,845.08)	193,309.92	193,306.43	3.49
Purchased Professional - Educational Services	100,000.00	(10,303.61)	89,696.39	62,242.50	27,453.89
Total Undistributed Expenditures - Child Study Team	297,155.00	(14,148.69)	283,006.31	255,548.93	27,457.38
Undistributed Expenditures - Improvement of Instructional Services:					
Other Purch. Prof. and Tech. Services	106,888.00	148,600.00	255,488.00	88,700.53	166,787.47
Total Undistributed Expenditures - Improvement of Instructional Services	106,888.00	148,600.00	255,488.00	88,700.53	166,787.47
Undistributed Expenditures - Instructional Staff Training Services:					
Purchased Professional-Educational Services	8,900.00	(5,900.00)	3,000.00	2,963.18	36.82
Total Undistributed Expenditures - Instructional Staff Training Services	8,900.00	(5,900.00)	3,000.00	2,963.18	36.82
Undistributed Expenditures - Support Services - General Administration:					

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION - Part II
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
Salaries	\$ 1,066,043.00	\$ (190,934.66)	\$ 875,108.34	\$ 875,096.62	\$ 11.72
Legal Services	50,000.00	(12,880.00)	37,120.00	34,312.35	2,807.65
Audit Fees	50,000.00	(8,015.00)	41,985.00	41,985.00	
Other Purchased Professional Services	69,000.00	97,431.00	166,431.00	137,465.41	28,965.59
Communications / Telephone	54,700.00	23,274.00	77,974.00	76,834.15	1,139.85
Other Purch. Serv. (400-500 series other than 530 & 585)	13,150.00	880.00	14,030.00	11,417.18	2,612.82
General Supplies	6,200.00	(960.00)	5,240.00	3,789.30	1,450.70
Miscellaneous Expenditures	3,624,944.00	(3,577,476.90)	47,467.10	42,629.21	4,837.89
Total Undistributed Expenditures - Support Services - General Administration	4,934,037.00	(3,668,681.56)	1,265,355.44	1,223,529.22	41,826.22
Undistributed Expenditures - Support Services - School Administration:					
Salaries of Principals/Assistant Principals	219,244.00	322,028.46	541,272.46	391,776.82	149,495.64
Salaries of Other Professional Staff	101,694.00	(23,059.00)	78,635.00	62,680.33	15,954.67
Salaries of Secretarial and Clerical Assistants	293,277.00	(16,883.30)	276,393.70	255,386.51	21,007.19
Purchased Professional and Technical Services	19,600.00	(5,231.84)	14,368.16	13,018.16	1,350.00
Other Purchased Services (400-500 Series)	60,180.00	(19,334.25)	40,845.75	28,673.59	12,172.16
Supplies and Materials	4,200.00	5,500.00	9,700.00	6,897.46	2,802.54
Other Objects	11,800.00	996.84	12,796.84	9,605.95	3,190.89
Total Undistributed Expenditures - Support Services - School Administration	709,995.00	264,016.91	974,011.91	768,038.82	205,973.09
Undistributed Expenditures - Central Services:					
Salaries	826,274.00	(2,797.15)	823,476.85	793,556.04	29,920.81
Purchased Professional Services	209,039.00	46,135.00	255,174.00	238,913.33	16,260.67
Miscellaneous Purchased Services (400-500 series other than 594)	14,936.00	30,739.16	45,675.16	35,959.61	9,715.55
Supplies and Materials	1,500.00	5,800.00	7,300.00	5,839.53	1,460.47
Interest on Lease Purchase Agreements	455,067.00	34,002.00	489,069.00	477,954.79	11,114.21
Total Undistributed Expenditures - Central Services	1,506,816.00	113,879.01	1,620,695.01	1,552,223.30	68,471.71
Undistributed Expenditures - Administrative Information Technology:					
Salaries	193,009.00	48,173.00	241,182.00	225,887.67	15,294.33
Purchased Professional Services	1,000.00		1,000.00	249.75	750.25
Other Objects	425.00		425.00	199.00	226.00
Total Undistributed Expenditures - Administrative Information Technology	194,434.00	48,173.00	242,607.00	226,336.42	16,270.58
Undistributed Expenditures - Operations and Maintenance of Plant Services:					
Undist. Expend. - Required Maintenance for School Facilities:					
Cleaning, Repair, and Maintenance Services	37,000.00	45,740.81	82,740.81	71,545.95	11,194.86
General Supplies	5,000.00	3,184.40	8,184.40	7,802.32	382.08
Other Objects	14,000.00		14,000.00	7,488.00	6,512.00
Total Undist. Expend. - Required Maintenance for School Facilities	56,000.00	48,925.21	104,925.21	86,836.27	18,088.94
Undistributed Expenditures - Custodial Services:					
Salaries	351,847.00	(149,201.00)	202,646.00	135,971.50	66,674.50
Purchased Professional and Technical Services	40,000.00		40,000.00	37,800.00	2,200.00
Cleaning, Repair, and Maintenance Services	25,500.00	30,936.00	56,436.00	55,099.66	1,336.34
Rental of Land & Bldg. Oth. than Lease Pur. Agrmt.	454,135.00	(27,904.40)	426,230.60	426,230.60	
Insurance	138,454.00	(66,146.28)	72,307.72	72,307.72	
Miscellaneous Purchased Services	5,000.00	(2,000.00)	3,000.00	1,067.52	1,932.48
General Supplies	12,200.00	(5,213.04)	6,986.96	6,946.50	40.46
Energy (Electricity)	207,000.00	18,069.42	225,069.42	170,932.56	54,136.86
Other Objects	12,400.00	(8,130.02)	4,269.98	3,459.50	810.48
Total Undistributed Expenditures - Custodial Services	1,246,536.00	(209,589.32)	1,036,946.68	909,815.56	127,131.12
Total Undistributed Expenditures - Operations and Maintenance of Plant Services	1,302,536.00	(160,664.11)	1,141,871.89	996,651.83	145,220.06
Undistributed Expenditures - Student Transportation Services:					
Sal. for Pupil Trans. (Bet. Home and Sch.)-Spl. Ed.	699,204.00	61,451.00	760,655.00	644,041.56	116,613.44
Contract. Serv.(Spl. Ed. Students)-Vendors	31,493,943.00	24,094,808.40	55,588,751.40	48,447,447.27	7,141,304.13
General Supplies		4,000.00	4,000.00	3,244.70	755.30
Total Undistributed Expenditures - Student Transportation Services	32,193,147.00	24,160,259.40	56,353,406.40	49,094,733.53	7,258,672.87
UNALLOCATED BENEFITS:					
Social Security Contributions	918,661.00	(266,120.41)	652,540.59	641,182.22	11,358.37
Other Retirement Contributions - Regular	724,117.00	(14,112.64)	710,004.36	673,707.80	36,296.56
Unemployment Compensation	90,071.00	10,329.41	100,400.41	59,768.43	40,631.98
Workers' Compensation	180,133.00	(27,603.66)	152,529.34	152,529.35	99.99
Health Benefits	861,374.00	186,790.13	1,048,164.13	336,512.52	711,651.61
Tuition Reimbursement	2,000.00	272.00	2,272.00	2,271.00	1.00
TOTAL UNALLOCATED BENEFITS	2,776,356.00	(110,345.17)	2,666,010.83	1,865,971.32	800,039.51
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS	2,776,356.00	(110,345.17)	2,666,010.83	1,865,971.32	800,039.51
ON-BEHALF CONTRIBUTIONS:					
On-Behalf TPAF Pension Contributions (Nonbudgeted)				1,894,233.00	(1,894,233.00)
On-Behalf TPAF Post-Retirement Medical Benefits (Nonbudgeted)				442,570.00	(442,570.00)
Reimbursed TPAF Social Security Contributions (Nonbudgeted)				318,594.24	(318,594.24)
On-Behalf TPAF Long-Term Disability Insurance (Nonbudgeted)				597.00	(597.00)
TOTAL TPAF PENSION/SOCIAL SECURITY				2,655,994.24	(2,655,994.24)
TOTAL UNDISTRIBUTED EXPENDITURES	44,481,867.00	21,180,814.77	65,662,681.77	58,973,808.94	6,688,872.83
TOTAL GENERAL CURRENT EXPENSE	52,312,241.00	21,709,008.68	73,307,914.68	65,698,108.57	7,609,806.11

CAPITAL OUTLAY
Equipment

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION - Part II
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
Undistributed:	\$	\$	\$	\$	\$
Undistributed Expenditures - Non-Inst. Serv.		8,750.00	8,760.00	8,750.00	
Total Equipment		8,750.00	8,760.00	8,750.00	
Facilities Acquisition and Construction Services:					
Other Purchased Prof. and Tech. Services	10,000.00	(10,000.00)			
Lease Purchase Agreements - Principal	942,475.00	60,055.75	1,002,530.75	1,002,159.50	371.25
Total Facilities Acquisition and Construction Services	952,475.00	50,055.75	1,002,530.75	1,002,159.50	371.25
TOTAL CAPITAL OUTLAY	952,475.00	58,805.75	1,011,280.75	1,010,909.50	371.25
SPECIAL SCHOOLS					
TOTAL SPECIAL SCHOOLS					
TOTAL EXPENDITURES	53,264,716.00	21,767,814.43	74,319,195.43	66,709,018.07	7,610,177.36
Excess (Deficiency) of Revenues Over/(Under) Expenditures	83,000.00	(757,814.43)	38,520.57	(2,389,209.61)	(2,427,730.18)
Other Financing Sources (Uses):					
Operating Transfer Out:					
Transfer to Food Service Fund - Board Contribution	(83,000.00)	83,000.00			
Total Other Financing Sources (Uses)	(83,000.00)	83,000.00			
Excess (Deficiency) of Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing Sources (Uses)		(674,814.43)	38,520.57	(2,389,209.61)	(2,427,730.18)
Fund Balance, July 1	18,207,761.14		18,207,761.14	18,207,761.14	
Fund Balance, June 30	\$ 18,207,761.14	\$ (674,814.43)	\$ 18,246,281.71	\$ 15,818,551.53	\$ (2,427,730.18)
Recapitulation:					
Fund Balances:					
Unassigned:					
General Fund				\$ 15,818,551.53	
Total Fund Balances				15,818,551.53	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payment Not Recognized on GAAP Basis					
Fund Balance per Governmental Funds (GAAP)				\$ 15,818,551.53	

* Include interest earnings on the unemployment compensation bank account
 ** Include interest earnings on the flexible benefits bank account
 *** Represents Unemployment Fund Net Position as of June 30, 2020

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION - Part II
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual	
REVENUES:						
Local Sources:						
Revenue from Local Sources	\$ 5,928,092.00	\$ 2,218,221.34	\$ 8,146,313.34	\$ 6,328,277.09	\$ 1,818,036.25	Note 1
Total - Local Sources	<u>5,928,092.00</u>	<u>2,218,221.34</u>	<u>8,146,313.34</u>	<u>6,328,277.09</u>	<u>1,818,036.25</u>	
Federal Sources:						
Title I, Part A	\$ 431,580.00	\$ 266,901.00	\$ 698,481.00	\$ 671,420.40	\$ 27,060.60	
Other	1,216,574.00	1,015,316.28	2,231,890.28	621,005.56	1,610,884.72	
Total - Federal Sources	<u>1,648,154.00</u>	<u>1,282,217.28</u>	<u>2,930,371.28</u>	<u>1,292,425.96</u>	<u>1,637,945.32</u>	
Total Revenues	<u>7,576,246.00</u>	<u>3,500,438.62</u>	<u>11,076,684.62</u>	<u>7,620,703.05</u>	<u>3,455,981.57</u>	
EXPENDITURES:						
Instruction:						
Other Salaries for Instruction	3,045,746.00	261,714.62	3,307,460.62	2,780,923.97	526,536.65	
Salaries - Other Salaries	120,500.00		120,500.00	111,502.32	8,997.68	
Purchased Professional-Educational Services	1,216,574.00	22,024.00	119,024.00	44,804.95	74,219.05	
Other Purchased Services (400-500 series)	45,000.00		45,000.00	4,586.89	40,403.11	
Travel	15,000.00	20,000.00	35,000.00	7,151.83	27,848.17	
General Supplies	310,000.00	252,000.00	562,000.00	358,339.05	203,660.95	
Other Objects	5,000.00	20,000.00	25,000.00	2,267.40	22,732.60	
Total Instruction	<u>3,638,246.00</u>	<u>575,738.62</u>	<u>4,213,984.62</u>	<u>3,309,586.41</u>	<u>904,398.21</u>	
Support Services:						
Salaries-Support	798,000.00	1,407,000.00	2,205,000.00	1,583,959.81	621,040.19	
Salaries of Supervisor of Instruction	160,000.00		160,000.00	41,004.65	118,995.35	
Salaries of Other Professional Staff	180,000.00		180,000.00	75,104.26	104,895.74	
Personal Services - Employee Benefits	1,050,000.00	430,000.00	1,480,000.00	1,126,981.34	353,018.66	
Purchased Professional - Technical Services	660,000.00	540,000.00	1,200,000.00	718,238.24	481,761.76	
Purchased Professional-Educational Services	325,000.00	225,000.00	550,000.00	154,308.00	395,692.00	
Other Purchased Professional Services	25,000.00	90,000.00	115,000.00	79,246.00	35,754.00	
Purchased Property-Support	35,000.00		35,000.00	25,690.40	9,309.60	
Cleaning, Repair and Maintenance Services	10,000.00	20,000.00	30,000.00	13,467.50	16,532.50	
Other Purchased Services _Support	10,000.00	15,000.00	25,000.00	12,868.05	12,131.95	
Travel		15,000.00	15,000.00	4,684.96	10,315.04	
Miscellaneous Purchased Services	45,000.00	40,700.00	85,700.00	45,588.12	40,111.88	
Supplies and Materials	620,000.00	140,000.00	760,000.00	366,515.21	393,484.79	
Other Object	20,000.00	2,000.00	22,000.00	16,492.74	5,507.26	
Student Activities				2,890.62	(2,890.62)	Note 1
Total Support Services	<u>3,938,000.00</u>	<u>2,924,700.00</u>	<u>6,862,700.00</u>	<u>4,267,039.90</u>	<u>2,595,660.10</u>	
Facilities Acquisition and Construction Services:						
Instructional Equipment				17,082.00	(17,082.00)	
NonInstructional Equipment				5,636.00	(5,636.00)	
Total Facilities Acquisition and Construction Services				<u>22,718.00</u>	<u>(22,718.00)</u>	
Total Expenditures	<u>7,576,246.00</u>	<u>3,500,438.62</u>	<u>11,076,684.62</u>	<u>7,599,344.31</u>	<u>3,477,340.31</u>	
Other Financing Sources (Uses):						
Total Other Financing Sources (Uses)						
Excess (Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Sources (Uses)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 21,358.74</u>	<u>\$ (21,358.74)</u>	
Fund Balance, July 1				1,766.41		
Prior Period Adjustment						
Fund Balance, July 1 (Restated)				<u>1,766.41</u>		
Fund Balance, June 30				<u>\$ 23,125.15</u>		
Recapitulation:						
Restricted:						
Scholarships						
Student Activities				23,125.15		
Total Fund Balance				<u>\$ 23,125.15</u>		

Note 1 Not required to budget for Scholarships and Student Activities funds.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PART II

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 REQUIRED SUPPLEMENTARY INFORMATION - Part II
 BUDGET-TO-GAAP RECONCILIATION
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

		General <u>Fund</u>		Special Revenue <u>Fund</u>
Sources/Inflows of Resources:				
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1]	\$ 64,319,808.46	[C-2]	\$ 7,620,703.05
Difference - Budget-to-GAAP:				
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.				
State aid payment recognized for GAAP statements in current year, previously recognized for budgetary purposes.				
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	[C-1]	_____		_____
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	[B-2]	<u>\$ 64,319,808.46</u>	[B-2]	<u>\$ 7,620,703.05</u>
Uses/Outflows of Resources:				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1]	\$ 66,709,018.07	[C-2]	\$ 7,599,344.31
Differences - Budget-to-GAAP:				
The district budgets for claims and compensated absences only to the extent expected to be paid, rather than on the modified accrual basis. <i>[Not applicable in this example]</i>				
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary purposes</i> , but in the year the supplies are received for <i>financial reporting purposes</i> .				
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2]	<u>\$ 66,709,018.07</u>	[B-2]	<u>\$ 7,599,344.31</u>

The general fund budget basis is GAAP, therefore no reconciliation is required.

REQUIRED SUPPLEMENTARY INFORMATION - PART III

L. SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR PENSIONS (GASB 68)

Note: GASB 68 requires that ten years of statistical data be presented. The following unaudited information is presented utilizing information available. Data for the latest years available has been presented. Each year hereafter, an additional year's data will be included until ten years of data is presented.

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
 PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)
 LAST NINE FISCAL YEARS **
 (Unaudited)

	Fiscal Year Ending June 30.								
	2013	2014	2015	2016	2017	2018	2019	2020	2021
Commission's proportion of the net pension liability (asset)	0.0640%	0.0602%	0.0615%	0.0620%	0.0606%	0.0652%	0.0652%	0.0554%	0.4192%
Commission's proportionate share of the net pension liability (asset)	\$ 12,224,394	\$ 11,277,307	\$ 13,796,195	\$ 18,370,051	\$ 14,095,321	\$ 12,835,232	\$ 11,740,753	\$ 9,040,328	\$ 4,966,023
State's proportionate share of the net pension liability (asset) associated with the District									
Total	\$ 12,224,394	\$ 11,277,307	\$ 13,796,195	\$ 18,370,051	\$ 14,095,321	\$ 12,835,232	\$ 11,740,753	\$ 9,040,328	\$ 4,966,023
Commission's covered-employee payroll	\$ 4,086,734	\$ 4,036,385	\$ 4,080,778	\$ 4,074,250	\$ 4,151,769	\$ 4,546,675	\$ 4,171,001	\$	\$
Commission's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.53%	35.79%	29.58%	22.18%	29.45%	35.42%	35.53%		
Plan fiduciary net position as a percentage of the total pension liability	48.72%	52.08%	47.93%	40.14%	48.10%	53.60%	56.27%		

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

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

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE COMMISSION'S CONTRIBUTIONS
 PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)
 LAST TEN FISCAL YEARS
 (Unaudited)

	Fiscal Year Ending June 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Contractually Required Contribution	\$	\$ 481,940	\$ 496,554	\$ 528,378	\$ 551,022	\$ 560,941	\$ 648,412	\$ 633,813	\$ 606,453	\$ 490,929
Contributions in Relation to the Contractually Required Contribution		(481,940)	(496,554)	(528,378)	(551,022)	(560,941)	(648,412)	(633,813)	(606,453)	(490,929)
Contribution Deficiency (Excess)	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Commission's covered-employee payroll	\$	\$ 4,036,385	\$ 4,080,778	\$ 4,074,250	\$ 4,151,769	\$ 4,546,675	\$ 4,171,001	\$ 3,372,601	\$	\$
Contributions as a Percentage of Covered- Employee Payroll	*	11.94%	12.17%	12.97%	13.27%	12.34%	15.55%	18.79%	*	*

* Data was not provided by Commission.

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
 TEACHERS' PENSION AND ANNUITY FUND (TPAF)
 LAST NINE FISCAL YEARS **
 (Unaudited)

	Fiscal Year Ending June 30,								
	2013	2014	2015	2016	2017	2018	2019	2020	2021
Commission's Proportion of the Net Pension Liability (Asset)									
Commission's Proportionate Share of the Net Pension Liability (Asset)	\$ 42,289,363	\$ 42,303,700	\$ 51,495,835	\$ 56,683,140	\$ 43,115,001	\$ 38,186,687	\$ 38,350,505	\$ 41,193,013	\$ 24,044,312
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	\$ 42,289,363	\$ 42,303,700	\$ 51,495,835	\$ 56,683,140	\$ 43,115,001	\$ 38,186,687	\$ 38,350,505	\$ 41,193,013	\$ 24,044,312
Commission's Covered-Employee Payroll	\$ 7,705,990	\$ 7,355,503	\$ 6,692,070	\$ 5,975,010	\$ 6,118,584	\$ 6,868,336	\$ 5,761,496	\$	\$
Commission's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	33.76%	33.64%	28.71%	22.33%	25.41%	26.49%	26.95%	*	*
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability									

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

* Data was not provided by Commission.

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART III

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
COUNTY OF ESSEX**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART III
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Changes of Benefit Terms and Changes of Assumptions

Refer to Note 6 in the Notes to Financial Statements for benefits and assumptions.

**M. SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR
POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

Note: GASB 75 requires that ten years of statistical data be presented. The following unaudited information is presented utilizing information available. Data for the latest years available has been presented. Each year hereafter, an additional year's data will be included until ten years of data is presented.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF THE COMMISSION'S CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND TEACHERS' PENSION AND ANNUITY FUND
LAST SIX FISCAL YEARS ***
(Unaudited)**

	Measurement Date			
	2016	2017	2018	2019
				2020
				2021
Commission's proportion of the net OPEB liability (asset)				100.00%
Commission's proportionate share of the net OPEB liability (asset)	*	*	*	\$ 50,592,233
State's proportionate share of the net OPEB liability (asset)	\$	\$	\$	\$ 50,592,233
Total	\$	\$	\$	\$ 40,728,190
Commission's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll				1,902,743
Plan Fiduciary net position as a percentage of the total OPEB liability				1,056,532
State's proportionate share of OPEB associated with the Commission:				(43,350)
Service Cost	\$	\$	\$	(12,014,908)
Interest Cost				40,181
Change in Benefit Term				27,010
Difference Between Expected and Actual Experiences				(832,251)
Change in Assumptions				
Contributions: Members**				
Gross Benefit Payments**				
Change in Total OPEB Liability	\$	\$	\$	\$ (9,864,043)
State's proportionate share of the net OPEB liability (asset) associated with the Commission:				
Beginning Balance	\$	\$	\$	\$ 50,592,233
Ending Balance	\$	\$	\$	\$ 40,728,190

**Data for Measurement Periods Ending June 30 were provided by the State.
*** The amounts presented for each fiscal year were determined as of the previous fiscal year end.

Notes to Schedule:
Source: GASB 75 report on State of New Jersey State Health Benefits Program; District records
Benefit Changes: None
Changes in Assumptions: Assumptions used in calculating the OPEB liability are presented in Note 10.
This schedule is required by GASB 75 to show information for a 10 year period. However, information is currently only available for six years, additional years will be presented as they become available.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART III

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
COUNTY OF ESSEX

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART III
FOR THE YEAR ENDED JUNE 30, 2022

Changes of Benefit Terms and Changes of Assumptions

Refer to Note 8 in the Notes to Financial Statements for benefits and assumptions.

OTHER SUPPLEMENTARY INFORMATION

D. SCHOOL-BASED BUDGET SCHEDULES (IF APPLICABLE)

E. SPECIAL REVENUE FUND

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 SPECIAL REVENUE FUND
 COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Total Brought Forward E-1C1	Migrant Education	Migrant Summer Food Program	McKinney Homeless Program	Title I	ESSER II	EANS	Totals 2022
REVENUE								
Federal Sources	\$ 6,328,277.09	\$ 279,738.18	\$ 4,572.00	\$ 270,017.07	\$ 671,420.40	\$ 16,949.15	\$ 48,729.16	\$ 1,292,425.96
Local Sources	\$ 6,328,277.09	\$ 279,738.18	\$ 4,572.00	\$ 270,017.07	\$ 671,420.40	\$ 16,949.15	\$ 48,729.16	\$ 6,328,277.09
Total Revenue	\$ 12,656,554.18	\$ 559,476.36	\$ 9,144.00	\$ 540,034.14	\$ 1,342,840.80	\$ 33,898.30	\$ 97,458.32	\$ 17,800,923.97
EXPENDITURES								
Instruction:								
Salaries of Teachers	\$ 2,526,713.96	\$ 19,534.42	\$	\$ 5,970.55	\$ 238,187.00	\$	\$ 16,023.01	\$ 2,790,923.97
Other Salaries for Instruction	18,074.95	4,596.89		26,730.00	78,699.35		7,298.00	111,502.32
Purchased Professional-Educational Services								44,804.95
Other Purchased Services (400-500 series)								4,596.89
Travel	191,577.47	10,800.52		22,824.34	7,151.83			7,151.83
Other Objects	2,736,366.38	2,267.40			133,136.72			368,339.05
Total Instruction	3,703,732.75	37,199.23		55,524.89	457,174.90		23,321.01	3,309,586.41
Salaries-Support	1,394,235.91	104,226.12		85,497.78				1,583,959.81
Salaries of Supervisors of Instruction	41,004.65							41,004.65
Salaries of Other Professional Staff	75,104.26							75,104.26
Personal Services - Employee Benefits	797,504.26							797,504.26
Purchased Professional and Technical Services	662,936.24							662,936.24
Purchased Professional-Educational Services	194,305.00							194,305.00
Other Purchased Professional Services	74,675.00							74,675.00
Cleaning, Repair and Maintenance Services	25,690.40							25,690.40
Rentals	13,467.50							13,467.50
Other Purchased Services -Support	6,383.75							6,383.75
Travel	4,684.96			6,484.30				11,169.26
Miscellaneous Purchased Services	45,688.12							45,688.12
Supplies and Materials	279,671.14	36,287.80		14,641.78	19,565.54	16,949.15		357,116.37
Other Object	7,370.16	9,122.58						16,492.74
Student Activities	2,890.62							2,890.62
Facilities Acquisition and Construction Services:								
Instructional Equipment	5,636.00				17,082.00			22,718.00
Noninstructional Equipment	5,636.00				17,082.00			22,718.00
Total Facilities Acquisition and Construction Services	11,272.00				34,164.00			45,436.00
Total Expenditures	\$ 6,306,916.35	\$ 279,738.18	\$ 4,572.00	\$ 270,017.07	\$ 671,420.40	\$ 16,949.15	\$ 48,729.16	\$ 7,599,344.31
Excess (Deficiency) of Revenues Over(Under) Expenditures	21,358.74							21,358.74
Excess (Deficiency) of Revenues and Other Financing Sources Over(Under) Expenditures and Other Financing (Uses)	\$ 21,358.74							\$ 21,358.74
Fund Balance, July 1	1766.41							1766.41
Fund Balance, June 30	\$ 23,125.15							\$ 23,125.15

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 SPECIAL REVENUE FUND
 COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Total Brought Forward E-1C2	Essex County Detention Center	Title I Non-Public	Ch 192 Admin	Ch 192 Compensatory Education	Ch 192 English As A Second Language	Ch 192 Home Instruction	Totals Carried Forward 2022
REVENUE								
Local Sources	\$ 2,820,664.36	\$ 1,696,329.74	\$ 208,913.43	\$ 412,295.10	\$ 1,067,677.26	\$ 93,136.25	\$ 29,260.95	\$ 6,328,277.09
Total Revenue	\$ 2,820,664.36	\$ 1,696,329.74	\$ 208,913.43	\$ 412,295.10	\$ 1,067,677.26	\$ 93,136.25	\$ 29,260.95	\$ 6,328,277.09
EXPENDITURES								
Instruction:								
Salaries of Teachers	\$ 406,869.75	\$ 897,322.02	\$ 79,093.66	\$	\$ 1,039,824.28	\$ 87,768.25	\$ 15,736.00	\$ 2,526,713.96
Purchased Professional-Educational Services	178,071.00	395.59	4,550.00				18,074.95	18,074.95
General Supplies	585,040.75	897,717.61	7,742.88			5,368.00	13,524.95	191,577.47
Total Instruction	789,981.50	1,295,435.22	91,386.54	101,000.00	1,039,824.28	93,136.25	29,260.95	2,736,366.38
Salaries-Support	75,104.26	41,004.65						116,108.91
Salaries of Supervisors of Instruction	142,441.74	281,347.92	74,669.51	259,045.09				657,504.26
Personal Services - Employee Benefits	678,930.00	1,490.00		2,518.24				682,938.24
Purchased Professional and Technical Services	153,138.00				1,170.00			154,308.00
Other Purchased Professional Services	74,874.00							74,874.00
Cleaning, Repair and Maintenance Services		7,830.45		25,690.40				33,520.85
Rentals				5,637.05				5,637.05
Other Purchased Services -Support	6,103.00			280.75				6,383.75
Travel	1,721.57			1,607.80				3,329.37
Miscellaneous Purchased Services	20,761.20	6,906.69	6,109.18	11,811.05	1,355.59			45,983.12
Supplies and Materials	259,559.98	2,595.66		3,399.16	13,516.34			279,071.14
Other Object			362.73	7,007.43				7,370.16
Student Activities	2,890.62							2,890.62
Facilities Acquisition and Construction Services:								
Noninstructional Equipment	5,636.00							5,636.00
Total Facilities Acquisition and Construction Services	5,636.00							5,636.00
Total Expenditures	\$ 2,799,305.62	\$ 1,696,329.74	\$ 208,913.43	\$ 412,295.10	\$ 1,067,677.26	\$ 93,136.25	\$ 29,260.95	\$ 6,306,918.35
Excess (Deficiency) of Revenues Over/(Under) Expenditures	21,358.74							21,358.74
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	\$ 21,358.74							\$ 21,358.74
Fund Balance, July 1	1766.41							1766.41
Fund Balance, June 30	\$ 23,125.15							\$ 23,125.15

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Total Brought Forward E-1C3	Ch 193 Admin	Ch 193 Exam and Classification	Ch 193 Corrective Speech	Non-public Nursing	Non-public IDEA Multidistrict	Non-Public Technology Program	Totals Carried Forward 2022
REVENUE								
Local Sources	\$ 114,044.63	\$ 83,196.00	\$ 663,812.50	\$ 291,064.44	\$ 1,106,494.54	\$ 402,884.30	\$ 139,167.95	\$ 2,820,664.36
Total Revenue	<u>\$ 114,044.63</u>	<u>\$ 83,196.00</u>	<u>\$ 663,812.50</u>	<u>\$ 291,064.44</u>	<u>\$ 1,106,494.54</u>	<u>\$ 402,884.30</u>	<u>\$ 139,167.95</u>	<u>\$ 2,820,664.36</u>
EXPENDITURES								
Instruction:	\$	\$	\$	\$	\$	\$	\$	\$
Salaries of Teachers				265,250.25		141,719.60		406,969.75
General Supplies				353.30		111,246.61		178,071.00
Total Instruction				<u>265,603.55</u>		<u>252,966.21</u>		<u>585,040.75</u>
Salaries-Support		70,902.00	4,882.50		717,520.00			793,304.50
Salaries of Other Professional Staff					75,104.26			75,104.26
Personal Services - Employee Benefits					121,901.45	20,540.29		142,441.74
Purchased Professional and Technical Services			678,930.00					678,930.00
Purchased Professional-Educational Services				23,760.00		129,378.00		153,138.00
Other Purchased Professional Services					74,674.00			74,674.00
Other Purchased Services_Support								6,103.00
Travel		6,103.00						1,721.57
Miscellaneous Purchased Services	89,795.27	555.00		1,700.89	20.68			20,761.50
Supplies and Materials	2,890.62				97,067.95		72,696.76	259,559.98
Student Activities								2,890.62
Facilities Acquisition and Construction Services:								
Noninstructional Equipment		5,636.00						5,636.00
Total Facilities Acquisition and Construction Services		<u>5,636.00</u>						<u>5,636.00</u>
Total Expenditures	<u>\$ 92,695.89</u>	<u>\$ 83,196.00</u>	<u>\$ 663,812.50</u>	<u>\$ 291,064.44</u>	<u>\$ 1,106,494.54</u>	<u>\$ 402,884.30</u>	<u>\$ 139,167.95</u>	<u>\$ 2,799,305.62</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>21,358.74</u>							<u>21,358.74</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	<u>\$ 21,358.74</u>							<u>\$ 21,358.74</u>
Fund Balance, July 1	1766.41							1766.41
Fund Balance, June 30	<u>\$ 23,125.15</u>							<u>\$ 23,125.15</u>

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Non-Public Security	Student Activities	Totals Carried Forward 2022
REVENUE			
Local Sources	\$ 89,795.27	\$ 24,249.36	\$ 114,044.63
Total Revenue	\$ 89,795.27	\$ 24,249.36	\$ 114,044.63
EXPENDITURES			
Instruction:			
Total Instruction	89,795.27		89,795.27
Supplies and Materials		2,890.62	2,890.62
Total Expenditures	\$ 89,795.27	\$ 2,890.62	\$ 92,685.89
Excess (Deficiency) of Revenues Over/(Under) Expenditures		21,358.74	21,358.74
Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing (Uses)	\$	\$ 21,358.74	\$ 21,358.74
Fund Balance, July 1		1766.41	1766.41
Fund Balance, June 30	\$	\$ 23,125.15	\$ 23,125.15

F. CAPITAL PROJECTS FUND

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 CAPITAL PROJECTS FUND
 SUMMARY SCHEDULE OF PROJECT EXPENDITURES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Project Title/Issue	Approval Date	Original Budgetary Appropriation	Adjustments	Modified Budgetary Appropriations	GAAP Expenditures to Date		Unexpended Appropriations June 30, 2022
					Prior Years	Current Year	
VARIOUS CAPITAL IMPROVEMENTS		\$ 1,500,000.00	\$	\$ 1,500,000.00	\$ 1,197,385.18	\$	\$ 302,614.82
VARIOUS CAPITAL IMPROVEMENTS		300,000.00	4,735.00	304,735.00	291,860.00		12,875.00
		<u>\$ 1,800,000.00</u>	<u>\$ 4,735.00</u>	<u>\$ 1,804,735.00</u>	<u>\$ 1,489,245.18</u>		<u>\$ 315,489.82</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Revenues and Other Financing Sources:

Total Revenues

Expenditures and Other Financing Uses:

Total Expenditures and Other Financing Uses

Excess (Deficiency) of Revenues Over/(Under) Expenditures

Fund Balance, June 30 2021		315,534.69
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Fund Balance, June 30 2022		\$ 315,534.69
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Reconciliation to Governmental Funds Statements (GAAP Basis)

Fund Balance (Budgetary Basis)		\$ 315,534.69
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Less: Encumbrances		_____
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Fund Balance Per Governmental Funds (GAAP Basis)		\$ 315,534.69
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ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 CAPITAL PROJECTS FUND
 SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
 AND PROJECT STATUS - BUDGETARY BASIS
 VARIOUS CAPITAL IMPROVEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources:				
Proceeds from Lease Purchase Agreement	\$ 1,500,000.00		\$ 1,500,000.00	\$ 1,500,000.00
Interest Earned	\$ 44.87		\$ 44.87	
Total Revenues	1,500,044.87		1,500,044.87	1,500,000.00
Expenditures and Other Financing Uses:				
Facilities Acquisition and Construction Services	1,038,452.00		1,038,452.00	
Purchased Professional and Technical Services	158,933.18		158,933.18	
Total Expenditures	1,197,385.18		1,197,385.18	
Excess (Deficiency) of Revenues Over/(Under) Expenditures	\$ 302,659.69		\$ 302,659.69	\$ 1,500,000.00
Additional Project Information:				
Original Authorized Cost	\$ 1,500,000.00			
Revised Authorized Cost	\$ 1,500,000.00			
Percentage Completion	79.83%			
Original Target Completion Date	6/30/2018			
Revised Target Completion Date	6/30/2021			

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 CAPITAL PROJECTS FUND
 SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
 AND PROJECT STATUS - BUDGETARY BASIS
 VARIOUS CAPITAL IMPROVEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources:				
Local Sources- Transfer from General Fund	\$ 304,735.00		\$ 304,735.00	\$ 304,735.00
Total Revenues	304,735.00		304,735.00	304,735.00
Expenditures and Other Financing Uses:				
Facilities Acquisition and Construction Services	70,075.00		70,075.00	
Purchased Professional and Technical Services	221,785.00		221,785.00	
Total Expenditures	291,860.00		291,860.00	
Excess (Deficiency) of Revenues Over/(Under) Expenditures	\$ 12,875.00		\$ 12,875.00	\$ 304,735.00
Additional Project Information:				
Original Authorized Cost	\$ 300,000.00			
Additional Authorized Cost	\$ 4,735.00			
Revised Authorized Cost	\$ 304,735.00			
Percentage Increase Over Original Authorized Cost		0.02		
Percentage Completion		95.78%		
Original Target Completion Date	6/30/2018			
Revised Target Completion Date	6/30/2021			

G. PROPRIETARY FUNDS

ENTERPRISE FUND

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 COMBINING SCHEDULE OF NET POSITION
 ENTERPRISE FUNDS
 AS OF JUNE 30, 2022

	Business-Type Activities Enterprise Funds	
	<u>Food Service</u>	<u>Totals</u>
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 13,764.92	\$ 13,764.92
Intergovernmental Accounts Receivable:		
State	58.07	58.07
Federal	3,963.63	3,963.63
Total Current Assets	<u>17,786.62</u>	<u>17,786.62</u>
Noncurrent Assets:		
Capital Assets	21,224.55	21,224.55
Less Accumulated Depreciation	(21,224.55)	(21,224.55)
Total Noncurrent Assets	<u> </u>	<u> </u>
Total Assets	<u>\$ 17,786.62</u>	<u>\$ 17,786.62</u>
 <u>LIABILITIES</u>		
Current Liabilities:		
Interfunds Payable:		
Due to Other Funds	15,901.33	15,901.33
Total Current Liabilities	<u>15,901.33</u>	<u>15,901.33</u>
Total Liabilities	<u>15,901.33</u>	<u>15,901.33</u>
 <u>NET POSITION</u>		
Unrestricted (Deficit)	<u>1,885.29</u>	<u>1,885.29</u>
Total Net Position	<u>\$ 1,885.29</u>	<u>\$ 1,885.29</u>

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Business-Type Activities	
	Enterprise Funds	
	<u>Food</u> <u>Service</u>	<u>Total</u> <u>Enterprise</u>
Operating Revenues:		
Charges for Services:		
Daily Sales - Reimbursable Programs	\$ 5,140.74	\$ 5,140.74
Total Operating Revenues	<u>5,140.74</u>	<u>5,140.74</u>
Operating Expenses:		
Cost of Sales - Reimbursable Programs	44,040.41	44,040.41
Depreciation Expense	5,621.84	5,621.84
Total Operating Expenses	<u>49,662.25</u>	<u>49,662.25</u>
Operating Income/(Loss)	<u>(44,521.51)</u>	<u>(44,521.51)</u>
Nonoperating Revenues (Expenses):		
Federal Sources:		
School Breakfast Program	620.78	620.78
National School Lunch Program	15,152.70	15,152.70
Miscellaneous Expense	26,546.98	26,546.98
Total Nonoperating Revenues (Expenses)	<u>(3,745.79)</u>	<u>(3,745.79)</u>
	<u>38,574.67</u>	<u>38,574.67</u>
Income (Loss) before Contributions and Transfers	(5,946.84)	(5,946.84)
Change in Net Position	<u>(5,946.84)</u>	<u>(5,946.84)</u>
Total Net Position - Beginning	<u>7,831.97</u>	<u>7,831.97</u>
Total Net Position - Ending	<u>\$ 1,885.13</u>	<u>\$ 1,885.13</u>

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
COMBINING SCHEDULE OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

	Business-Type Activities Enterprise Funds	
	Food Service	Total Enterprise
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from Customers and Other Funds	\$ 5,140.74	\$ 5,140.74
Payments to Suppliers (for Goods and Services)	(44,040.41)	(44,040.41)
Net Cash Provided by (Used for) Operating Activities	(38,899.67)	(38,899.67)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Cash Received from State and Federal Subsidy Reimbursements	41,270.65	41,270.65
Net Cash Provided by (Used for) Noncapital Financing Activities	41,270.65	41,270.65
Net Increase (Decrease) in Cash and Cash Equivalents	2,370.98	2,370.98
Cash and Equivalents Balances - Beginning of Year	11,393.94	11,393.94
Cash and Equivalents Balances - End of Year	\$ 13,764.92	\$ 13,764.92
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>		
Operating Income/(Loss)	\$ (44,521.51)	\$ (44,521.51)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
Depreciation and Net Amortization	5,621.84	5,621.84
Change in Assets and Liabilities:		
Total Adjustments	5,621.84	5,621.84
Net Cash Provided by (Used for) Operating Activities	\$ (38,899.67)	\$ (38,899.67)

INTERNAL SERVICE FUND

H. FIDUCIARY FUNDS (IF APPLICABLE)

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOT APPLICABLE

I. LONG-TERM DEBT

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
Unaudited**

NOT APPLICABLE

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 LONG-TERM DEBT
 SCHEDULE OF OBLIGATIONS UNDER LEASES
 YEAR ENDED JUNE 30, 2022

Purpose	Date of Original Issue	Term of Lease	Amount of Original Lease		Interest Rate	Balance June 30, 2021	Issued Current year	Retired Current year	Balance June 30, 2022
			Principal	Interest					
369 Passaic Ave			\$ 12,500,000.00		3.00%	\$ 8,129,706.60		\$ 587,962.75	\$ 7,541,743.85
333 Fairfield Road			7,465,499.00		3.15%	6,480,999.00		295,000.00	6,185,999.00
22 Fairfield Place			1,620,000.00			1,500,432.00		119,196.75	1,381,235.25
School Bus			103,374.00		2.15%	21,110.00		21,110.00	
						<u>\$ 16,132,247.60</u>		<u>\$ 1,023,269.50</u>	<u>\$ 15,108,978.10</u>

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
Unaudited

NOT APPLICABLE

STATISTICAL SECTION (UNAUDITED)

INTRODUCTION TO THE STATISTICAL SECTION

FINANCIAL TRENDS

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
Unaudited

	Fiscal Year Ending June 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental Activities:										
Invested in Capital Assets, Net of Related Debt	\$ 2,976,864	\$ 2,831,476	\$ 2,756,573	\$ 2,591,880	\$ 2,541,005	\$ 3,083,300	\$ 3,125,354	\$ 3,359,146	\$ 3,281,515	\$ 18,766,836
Restricted	1,414,198	88,212	36,052		57,960	153,063	115,417	50,032	354,460	4,105
Unrestricted	26,679,257	17,995,299	18,809,424	23,060,890	19,714,712	17,195,870	12,240,845	7,042,609	4,508,955	(10,762,997)
Total Governmental Activities Net Position	\$ 31,070,319	\$ 20,914,987	\$ 21,602,049	\$ 25,652,770	\$ 22,313,677	\$ 20,432,233	\$ 15,481,616	\$ 10,451,787	\$ 8,144,930	\$ 8,008,344
Business-Type Activities:										
Invested in Capital Assets, Net of Related Debt	\$ 2,868	\$ 1,434	\$ 40,253	\$ 22,631	\$ 5,992	\$ 14,055	\$ 11,244	\$ 8,433	\$ 5,622	\$ 1,885
Unrestricted	18,842	25,163				(27,049)	(43,123)	(151)	2,210	
Total Business-Type Activities Net Position	\$ 21,710	\$ 26,597	\$ 40,253	\$ 22,631	\$ 5,992	\$ (12,994)	\$ (31,879)	\$ 8,282	\$ 7,832	\$ 1,885
Commission-Wide:										
Invested in Capital Assets, Net of Related Debt	\$ 2,979,732	\$ 2,832,910	\$ 2,756,573	\$ 2,591,880	\$ 2,541,005	\$ 3,097,355	\$ 3,136,598	\$ 3,367,579	\$ 3,287,137	\$ 18,766,836
Restricted	1,414,198	88,212	36,052		57,960	153,063	115,417	50,032	354,460	4,105
Unrestricted	26,698,099	18,020,462	18,849,677	23,083,521	19,720,704	17,168,821	12,197,722	7,042,458	4,511,165	(10,760,712)
Total Commission-Wide Net Position	\$ 31,092,029	\$ 20,941,584	\$ 21,642,302	\$ 25,675,401	\$ 22,319,669	\$ 20,419,239	\$ 15,449,737	\$ 10,460,069	\$ 8,152,762	\$ 8,010,229

Source: Commission's financial statements

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
CHANGES IN NET ASSETS / NET POSITION
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
Unaudited

	Fiscal Year Ending June 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Expenses										
Governmental Activities:										
Instruction:										
Regular	\$ 4,122,477	\$ 3,480,682	\$ 4,470,116	\$ 3,871,547	\$ 5,012,806	\$ 4,188,444	\$ 4,054,676	\$ 2,905,673	\$ 5,956,647	\$ 5,485,781
Special Education	9,136,576	9,773,594	10,245,503	10,717,912	14,128,685	16,308,664	11,997,948	8,014,396	2,102,024	7,778,600
Other Instruction	4,875,645	5,099,113	5,331,868	5,739,014	4,033,579	3,920,277	3,418,164	2,934,250		
Nonpublic School Programs				71,700		152,942	219,076			
Support Services:										
Tuition	6,420,782	6,234,603	6,322,752	6,144,644	5,063,109	4,774,875	4,316,450	3,536,236	4,833,319	5,720
Student and Instruction Related Services	934,794	2,276,788	1,784,255	1,683,334	3,935,822	4,412,389	4,517,319	2,230,622	1,707,597	4,442,972
General Administrative Services	1,255,294	1,207,752	1,171,115	1,361,735	2,599,427	3,053,961	3,014,382	2,881,470	942,044	1,519,217
School Administrative Services	782,318	725,075	727,272	712,869	961,956	1,481,206	1,542,509	1,235,548	1,363,299	875,511
Central Services	194,258	151,218	132,698	137,436	248,240	336,974	322,472	296,899	284,175	1,321,295
Administration of Information Technology	1,690,455	1,487,824	1,488,500	1,530,426	1,574,760	1,686,201	2,023,005	2,106,950	1,158,357	302,662
Plant Operations and Maintenance	43,751,326	43,201,600	55,971,127	71,711,850	41,370,389	47,538,897	33,493,811	35,360,572	12,073,798	1,042,596
Pupil Transportation										47,974,164
Personal Services - Employee Benefits										2,542,842
Capital Outlay - Non-depreciable										22,718
Interest on Long-Term Debt	384,009	436,410	422,747	407,624	390,852	889,536	499,619	474,664	490,001	491,258
Unallocated Depreciation										686,068
Unallocated Depreciation										646,927
Total Governmental Activities	73,547,934	74,074,659	88,067,953	104,018,391	79,391,325	88,744,346	69,419,231	61,977,280	34,120,171	71,909,421
Business-Type Activities:										
Food Service	68,163	94,109	87,471	68,942	86,674	101,422	84,867	45,509	19,251	49,662
Cooperative Purchasing					20,750					
Total Business-Type Activities	68,163	94,109	87,471	68,942	107,424	101,422	84,867	45,509	19,251	49,662
Total Commission Expenses	\$ 73,616,097	\$ 74,168,768	\$ 88,155,424	\$ 104,087,333	\$ 79,498,749	\$ 88,845,768	\$ 69,504,098	\$ 62,022,789	\$ 34,139,422	\$ 71,959,083
Program Revenues:										
Governmental Activities:										
Charges for Services:										
Instruction (Tuition):										
Regular	2,783,443	2,201,921	2,493,540	2,449,812	2,787,678	2,230,013	2,391,345	1,101,759		
Special Education	5,630,266	5,656,240	5,009,749	4,906,330	4,812,603	4,143,574	3,134,266	3,105,016		
Other Instruction	4,630,818	4,846,085	4,299,240	4,301,992	3,543,957	3,662,178	2,910,442	2,076,336		
Support Services:										
Student and Instruction Related Services	11,611,081	12,485,347	13,243,687	13,062,651	12,601,468	14,610,704	11,510,853	9,580,767		
General Administration Services	262,489	1,784,771	1,110,950	636,931	1,024,340	794,872	778,489	372,571		
School Administration Services					580,602	1,074,012	1,165,486	632,669		
Administration of Information Technology	26,609									
Plant Operations and Maintenance			13,866	37,458	34,810	111,957	104,372	87,920		
Pupil Transportation	45,303,697	45,293,817	56,991,948	77,109,790	41,843,848	50,167,515	34,505,363	33,998,636		
Central and Other Support Services	106,842									
Operating Grants and Contributions	2,659,389	2,299,589	4,654,659	5,809,409	6,789,033	7,305,308	6,007,648	5,409,616		
Total Governmental Activities Program Revenues	72,814,624	74,527,770	87,817,639	107,514,173	74,018,339	84,100,133	62,508,264	56,365,490	10,342,326	10,109,021
Business-Type Activities:										
Food Service										
Cooperative Purchasing										
Total Business-Type Activities										
Total Program Revenues	\$ 72,814,624	\$ 74,527,770	\$ 87,817,639	\$ 107,514,173	\$ 74,018,339	\$ 84,100,133	\$ 62,508,264	\$ 56,365,490	\$ 10,342,326	\$ 10,109,021

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
CHANGES IN NET ASSETS / NET POSITION
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
Unaudited

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Fiscal Year Ending June 30,										
Business-Type Activities:										
Charges for Services:										
Food Service									130	5,141
Cooperative Purchasing						4,200	900			
Operating Grants and Contributions					90,785	78,236	65,082	39,861		
Total Business-Type Activities Program Revenues	70,764	98,996	101,127	51,320	90,785	82,436	65,982	39,861	130	5,141
	70,764	98,996	101,127	51,320	90,785	82,436	65,982	39,861	130	5,141
TOTAL COMMISSION PROGRAM REVENUES	\$ 72,985,388	\$ 74,626,766	\$ 87,918,766	\$ 107,565,493	\$ 74,109,124	\$ 84,182,569	\$ 62,574,246	\$ 56,405,351	\$ 10,342,456	\$ 10,114,162
Net (Expense)/Revenue:										
Governmental Activities	\$ (633,310)	\$ 453,111	\$ (250,314)	\$ 3,495,782	\$ (5,372,986)	\$ (4,644,213)	\$ (6,910,967)	\$ (5,611,790)	\$ (23,777,845)	\$ (61,800,400)
Business-Type Activities	2,601	4,887	13,656	(17,622)	(16,639)	(18,986)	(18,885)	(5,648)	(19,121)	(44,521)
Total Commission-Wide Net Expense	\$ (630,709)	\$ 457,998	\$ (236,658)	\$ 3,478,160	\$ (5,389,625)	\$ (4,663,199)	\$ (6,929,852)	\$ (5,617,438)	\$ (23,796,966)	\$ (61,844,921)
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes, net										
Property Taxes, Levied for Debt Service Principal										
Grants and Contributions										
Payments in Lieu of Taxes - State Aid Restricted										
Tuition Received										
Investment Earnings										
Miscellaneous Income										
Proceeds of Long-Term Debt (Refunding Bonds)										
Capital Lease Principal Cancelled										
NJ Schools Development Authority Grants										
Special Item—(Please Type Here / Write in Cell)										
Adjustment to Capital Assets										
Transfers										
Total Governmental Activities	510,127	1,615,851	937,376	554,939	2,033,893	2,102,804	2,406,823	627,770	3,833,350	2,416,040
Business-Type Activities:										
Investment Earnings										
Adjustment to Capital Assets										
Transfers										
Total Business-Type Activities										
Total Commission-Wide	\$ 510,127	\$ 1,615,851	\$ 937,376	\$ 554,939	\$ 2,033,893	\$ 2,102,804	\$ 2,406,823	\$ 627,770	\$ 21,468,363	\$ 61,663,814
Change in Net Position:										
Governmental Activities	(123,183)	2,068,962	687,062	4,050,721	(3,339,093)	(2,541,409)	(4,504,144)	(5,029,829)	(2,309,462)	(136,586)
Business-Type Activities	2,601	4,887	13,656	(17,622)	(16,639)	(18,986)	(18,885)	40,161	(19,121)	(44,521)
Total Commission	\$ (120,582)	\$ 2,073,849	\$ 700,718	\$ 4,033,099	\$ (3,355,732)	\$ (2,560,395)	\$ (4,523,029)	\$ (4,989,668)	\$ (2,328,583)	\$ (181,107)

Source: Commission's financial statements

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**
(Modified Accrual Basis of Accounting)
Unaudited

	Fiscal Year Ending June 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Fund:										
Reserved	\$ 16,441,121	\$ 17,134,018	\$ 16,385,038	\$ 15,671,090	\$ 14,811,090	\$ 24,795,602	\$ 21,036,844	\$ 17,105,284	\$ 18,207,761	\$ 15,818,552
Unreserved (deficit)	7,611,329	7,610,168	8,282,043	13,089,192	15,828,831	1,209,493	1,400,300	1,295,794		
Restricted										
Unassigned (deficit)										
Total General Fund	\$ 24,052,450	\$ 24,744,176	\$ 24,667,081	\$ 28,760,282	\$ 30,639,921	\$ 26,005,095	\$ 22,437,144	\$ 18,401,078	\$ 18,207,761	\$ 15,818,552
All Other Governmental Funds:										
Reserved										
Unreserved, Reported In:										
Capital Projects Fund						\$ 618,066	\$ 329,564	\$ 313,378	\$ 354,460	\$ 4,105
Debt Service Fund	1,414,198	88,212	36,052		57,960	153,063	115,417	50,032		352,692
Restricted										
Unassigned (deficit)										
Total All Other Governmental Funds	\$ 1,414,198	\$ 88,212	\$ 36,052		\$ 57,960	\$ 771,129	\$ 444,981	\$ 363,410	\$ 354,460	\$ 356,797

Source: Commission's financial statements

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
Unaudited**

	Fiscal Year Ending June 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues:										
Tuition Charges	4,733,809	3,867,628	4,679,444	3,848,879	4,137,786	3,604,340	2,778,270	2,939,807	3,833,350	2,416,040
Transportation Fees	44,296,463	43,808,107	54,508,463	77,827,845	44,805,695	47,628,824	35,373,105	34,300,797	17,235,884	51,551,347
Unrestricted Miscellaneous Revenues	20,531,007	23,266,126	24,109,079	20,142,315	24,325,451	25,153,444	21,944,202	15,657,863	399,149	7,696,427
State Sources	1,915,432	1,592,682	1,811,978	1,881,895	2,031,729	2,111,594	2,353,962	2,400,888	2,311,079	2,655,994
Federal Sources	743,957	706,907	1,006,830	1,321,631	1,217,627	1,213,240	1,360,043	1,476,681	1,142,696	1,292,426
Private Sources										
Total Revenues	72,220,668	73,241,450	86,115,794	105,022,565	76,518,288	79,711,442	63,809,582	56,776,236	31,125,740	71,940,511
Expenditures:										
Instruction:										
Regular Instruction	4,124,419	3,456,189	3,259,296	3,223,866	3,741,810	3,478,654	3,559,060	2,586,245	3,796,824	4,217,540
Special Education Instruction	9,107,491	9,713,583	10,136,081	10,264,936	12,376,851	14,192,142	10,888,821	7,569,923	1,304,526	5,816,346
Other Instruction	4,875,645	5,095,113	5,331,868	4,824,129	4,033,579	3,911,863	3,411,893	2,933,142		
Community Services					71,700	152,942	200,691			
Support Services:										
Tuition										
Student and Instruction Related Services	6,423,908	6,226,591	6,003,875	5,696,875	4,588,859	4,472,001	4,181,008	3,411,373	3,492,891	5,720
General Administration	928,168	2,268,945	1,743,482	1,472,773	3,455,369	3,952,551	4,243,940	2,027,395	1,161,834	3,724,669
School Administrative Services	1,240,552	1,189,158	1,050,228	1,159,525	1,987,351	2,575,900	2,741,680	2,634,777	756,892	1,223,529
Central Services	780,663	722,882	727,501	700,842	912,902	1,309,634	1,426,432	1,166,795	938,961	768,039
Administration of Information Technology	194,422	133,282	133,282	134,202	231,984	303,897	295,954	285,957	163,436	1,074,289
Plant Operations and Maintenance	1,201,781	1,049,769	1,057,239	1,080,251	1,119,946	1,207,507	1,405,334	1,500,021	1,050,959	996,652
Pupil Transportation	43,752,176	43,199,016	55,975,710	71,681,291	41,258,298	47,366,120	33,376,985	35,308,726	12,073,798	49,094,734
Employee Benefits										
Capital Outlay	153,257	79,635	96,487		32,040	10,234,161	643,613	86,261	13,713	5,648,947
Debt service:										
Principal	255,073	277,160	300,286	334,613	370,551	607,053	818,208	851,903	994,146	1,002,160
Interest and other charges	389,927	442,840	429,714	415,387	399,449	860,578	510,052	485,546	457,327	477,955
Total Expenditures	73,427,482	73,875,710	86,245,049	100,988,750	74,580,669	94,625,003	67,703,681	60,948,064	31,330,612	74,308,364
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(1,206,814)	(634,260)	(129,255)	4,033,815	1,937,599	(14,913,561)	(3,894,099)	(4,071,828)	(204,872)	(2,367,853)
Other Financing Sources (Uses):										
Insurance Recovery				23,334						
Lease Purchase Proceeds						9,085,499				
Refunding Lease Purchase Proceeds						10,034,501				
Payments for Refunding Lease Purchase						(8,128,096)				
Transfers In						300,000	230,000			
Transfers Out						(90,000)	(230,000)			
Total Other Financing Sources (Uses)						10,991,904		(45,809)		
Net Change in Fund Balances	(1,206,814)	(634,260)	(129,255)	4,057,149	1,937,599	(3,921,657)	(3,894,099)	(4,117,637)	(204,872)	(2,367,853)
Debt service as a percentage of noncapital expenditures	0.68%	0.98%	0.85%	0.74%	1.03%	1.74%	1.98%	2.20%	4.63%	1.99%

Note: Noncapital expenditures are total expenditures less capital outlay.

Source: Commission's financial statements

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
 LAST TEN FISCAL YEARS
 (Modified Accrual Basis of Accounting)
 Unaudited

	Fiscal Year Ending June 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Indirect Cost Fees	\$ 228,221	\$ 1,597,052	\$ 937,376	\$ 469,212	\$ 1,865,118	\$ 1,989,508	\$ 2,158,128	\$ 207,997	\$	
Interest Earned on Deposits/Investments	26,577	7,012		2,757		23,347	148,692	132,584		
Local Education Agency Fees	8,958,318	9,655,402	11,688,846	9,766,625	12,177,461	12,754,041	10,184,262	8,709,244		7,618,158
Miscellaneous	483,550	11,788		82,970	162,979	61,209	90,798	282,500	399,149	78,269
Annual Totals	\$ 9,696,666	\$ 11,271,254	\$ 12,626,222	\$ 10,321,564	\$ 14,205,558	\$ 14,828,105	\$ 12,581,880	\$ 9,332,325	\$ 399,149	\$ 7,696,427

Source: Commission's financial statements

REVENUE CAPACITY

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

NOT APPLICABLE

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
*Unaudited***

NOT APPLICABLE

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
Unaudited

NOT APPLICABLE

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
Unaudited

NOT APPLICABLE

DEBT CAPACITY

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 RATIOS OF OUTSTANDING DEBT BY TYPE
 LAST TEN FISCAL YEARS
Unaudited

Fiscal Year Ended June 30,	Governmental Activities		Total Commission	Percentage of Personal Income ^a	Per Capita ^a
	Leases				
2013	\$ 9,612,454	\$	9,612,454	0.02%	\$ 12
2014	9,335,294		9,335,294	0.02%	12
2015	9,035,008		9,035,008	0.02%	11
2016	8,700,395		8,700,395	0.02%	11
2017	8,329,844		8,329,844	0.02%	11
2018	18,796,505		18,796,505	0.04%	24
2019	17,978,297		17,978,297	0.04%	23
2020	17,126,394		17,126,394	0.03%	21
2021					
2022					

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

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

Source: Commission's Records

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

NOT APPLICABLE

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2022
Unaudited

NOT APPLICABLE

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
Unaudited

NOT APPLICABLE

DEMOGRAPHIC AND ECONOMIC INFORMATION

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
*Unaudited***

<u>Year</u>	<u>County Population^a</u>	<u>Personal Income^b</u>	<u>Per Capita Personal Income^c</u>	<u>Unemployment Rate^d</u>
2013	786,649	\$ 42,906,983,056	54,544	10.80%
2014	788,726	45,062,282,558	57,133	9.50%
2015	790,439	46,948,124,405	59,395	7.90%
2016	792,689	48,143,966,415	60,735	6.70%
2017	796,349	49,898,431,991	62,659	6.00%
2018	798,570	50,725,964,970	63,521	5.70%
2019	800,162	52,752,280,174	65,927	5.20%
2020	800,501	56,432,918,997	70,497	4.50%
2021	854,917	*	*	8.00%
2022	*	*	*	*

Note: Information represents County of Essex demographics

Source:

- ^a Population information provided by the NJ Department of Labor and Workplace Development.
- ^b Personal Income has been estimated based upon the county population and per capita personal income presented.
- ^c Per Capita personal income by county source is U.S. Census Data.
- ^d Unemployment data provided by the NJ Department of Labor and Workplace Development.

*Unavailable

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
Unaudited

NOT APPLICABLE

OPERATING INFORMATION

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS
Unaudited

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<u>Function/Program</u>										
Instruction:										
Regular	140	145	142	393	482	482	206	183		
Support Services:										
Student and Instructional Related Services	290	292	298	10	38	38	16	37		
General Administration	5	5	5	8	11	11	11	13		
School Administrative Service	10	10	9	12	10	10	14	20		
Central Services	17	18	18	6	39	39	36	13		
Plant Operations and Maintenance	6	6	6	4	3	3	3	3		
Pupil Transportation	15	15	17	17	15	15	16	14		
Total	<u>483</u>	<u>491</u>	<u>495</u>	<u>450</u>	<u>598</u>	<u>598</u>	<u>302</u>	<u>283</u>		

Source: Commission's Personnel Records

Note- Beginning in FY 2016, the Commission's FTE's were calculated based on the function as detailed in the State Chart of Accounts.

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 OPERATING STATISTICS
 LAST TEN FISCAL YEARS
Unaudited

Fiscal Year	Enrollment ^e	Operating Expenditures ^a	Cost per Pupil ^d	Pupil/Teacher Ratio			Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
				Teaching Staff ^b	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c			
2013	127	\$ 72,629,225	*	20.0	126.8	96.9	(6.07%)	76.42%	
2014	120	73,076,075	*	20.0	120.0	106.5	(5.36%)	88.75%	
2015	122	85,418,562	*	20.0	122.0	105.0	1.67%	86.07%	
2016	118	100,238,750	*	N/A	118.0	93.3	(3.28%)	79.07%	
2017	139	73,778,649	*	N/A	138.7	99.5	17.54%	71.74%	
2018	103	82,923,211	*	N/A	98.5	70.4	(28.98%)	71.47%	
2019	75	65,731,798	*	N/A	75.0	58.7	(23.86%)	78.27%	
2020	73	59,424,354	*	N/A	73.1	52.4	(2.49%)	71.64%	
2021		29,865,426	*				(100.00%)	*	
2022		72,796,780	*				*	*	

Source: Commission's Records

- Note:
- a Commission's operating expenditures represent cost for services rendered to other local education agencies as well as Commission student
 - b Teaching staff includes only full-time equivalents of certified staff.
 - c Average daily enrollment and average daily attendance are obtained from School Registry Summary (SRS).
 - d The cost per pupil is not representative of cost associated with students included in the Commission's enrollment. Therefore, cost per pupil
 - e Enrollment is based on annual October district count.

*Information was not provided by School District

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 SCHOOL BUILDING INFORMATION
 LAST TEN FISCAL YEARS
Unaudited

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Commission Building										
Elementary / Middle School										
Essex Junior Academy:										
Square Feet	38,000	38,000	38,000	38,000	19,000	19,000	19,000	19,000	19,000	19,000
Capacity (Students)	220	220	220	220	110	110	110	110	110	110
Enrollment	44	41	42	41	48	33	15	15	15	15
High School										
Essex Campus Academy:										
Square Feet	30,000	30,000	30,000	30,000	30,000	25,000	17,000	17,000	17,000	17,000
Capacity (Students)	125	125	125	125	125	125	125	125	125	125
Enrollment	36	40	40	41	45	34	26	26	26	26
Essex High School:										
Square Feet	7,580	7,580	7,580	7,580	19,000	19,000	17,000	17,000	17,000	17,000
Capacity (Students)	48	48	48	48	110	110	110	110	110	110
Enrollment	46	39	40	36	45	36	34	34	34	34
Other										
Central Office/Administration:										
Square Feet	9,000	9,000	9,000	9,000	9,000	9,000	25,000	25,000	25,000	25,000
23 Fairfield Place:										
Square Feet							15,500	15,500	15,500	15,500
Dr. Jacqueline A. Young Education Center:										
Square Feet										
Total Enrollment - All Schools	126	120	122	118	138	103	75	75	75	75
Number of Schools at June 30, 2022:										
Elementary / Middle = 1										
High School = 2										
Other = 3										

Source: Commission's Records

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

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE EXPENDITURES BY SCHOOL FACILITIES
Unaudited

NOT APPLICABLE

SINGLE AUDIT SECTION

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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**

The Honorable President and Members
of the Board of Education
Essex Regional Educational Services Commission
County of Essex
Fairfield, New Jersey 07004

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Essex Regional Educational Services Commission as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Essex Regional Educational Services Commission's basic financial statements, and have issued our report thereon dated March 15, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that were not identified.

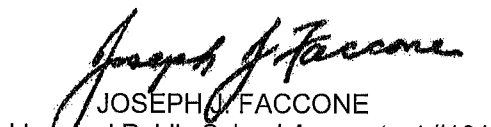
Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.


SAMUEL KLEIN AND COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS


JOSEPH J. FACCONI
Licensed Public School Accountant #194

Newark, New Jersey
March 15, 2023

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR 15-08**

The Honorable President and Members
of the Board of Education
Essex Regional Educational Services Commission
County of Essex
Fairfield, New Jersey 07004

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Essex Regional Educational Services Commission's compliance with the types of compliance requirements identified as subject to audit in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Essex Regional Educational Services Commission's major federal and state programs for the year ended June 30, 2022. The Essex Regional Educational Services Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Essex Regional Educational Services Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); the audit 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 *Single Audit Policy for Recipients of Federal Grants*. Our responsibilities under those standards, the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Essex Regional Educational Services Commission and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the Essex Regional Educational Services Commission's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Essex Regional Educational Services Commission's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Essex Regional Educational Services Commission's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Essex Regional Educational Services Commission's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and New Jersey OMB Circular 15-08, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Essex Regional Educational Services Commission's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Essex Regional Educational Services Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Essex Regional Educational Services Commission's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the Uniform Guidance.

Government Auditing Standards requires the auditor to perform limited procedures on the Essex Regional Educational Services Commission's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Essex Regional Educational Services Commission's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

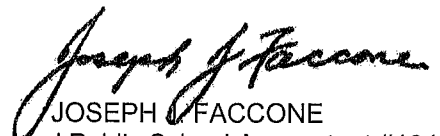
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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


SAMUEL KLEIN AND COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS


JOSEPH J. FACCONI
Licensed Public School Accountant #194

Newark, New Jersey
March 15, 2023

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Schedule B

State Grantor/Program Title	Grant or State Project Number	Award Amount	Grant Period		Balance June 30, 2021			Cash Received	Budgetary Expenditures Pass-Through Funds	Adjustments	Repayment of Prior Years' Balances	Balance June 30, 2022			Memo	
			From	To	Deferred Revenue (Accounts Receivable)	Due to Grantor	Carryover/ (Walkover) Amount					(Accounts Receivable)	Deferred Inflow/ Interfund Payable	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education:																
General Fund:																
TPAF On-Behalf																
Pension Contribution	22-495-034-5094-002	\$ 1,894,233	7/1/2021	6/30/2022	\$ -	\$ -	\$ -	\$ 1,894,233.00	\$ (1,894,233.00)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,894,233
Post Retirement Medical	22-495-034-5094-001	442,570	7/1/2021	6/30/2022				442,570.00	(442,570.00)							442,570.00
LTDI Insurance	22-495-034-5094-004	597	7/1/2021	6/30/2022				597.00	(597.00)							597.00
Reimbursed TPAF Social Security Cont.	21-495-034-5094-003	318,594	7/1/2021	6/30/2022				260,407.11	(318,594.24)			(58,187.13)				318,594.24
Reimbursed TPAF Social Security Cont.	22-495-034-5094-003	364,649	7/1/2020	6/30/2021	(64,981.83)			64,981.83	(0.00)			(0.00)				
Total General Fund					<u>(64,981.83)</u>			<u>2,662,788.94</u>	<u>(2,655,994.24)</u>			<u>(58,187.13)</u>				<u>2,655,994.24</u>
Enterprise Fund:																
State School Lunch Program	21-100-034-5120-122	458	7/1/2020	6/30/2021	(123.93)			123.93								
State School Lunch Program	22-100-034-5120-122	621	7/1/2021	6/30/2022				562.71	(620.78)			(58.07)				
Total Enterprise Fund					<u>(123.93)</u>			<u>123.93</u>	<u>(620.78)</u>			<u>(58.07)</u>				
Total State Financial Assistance					<u>\$ (65,106)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,662,913</u>	<u>\$ (2,655,994)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (58,187)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,655,994</u>
Less: On-Behalf Pension System Contributions:																
On-Behalf TPAF Pension Contributions									\$ (1,894,233)							
On-Behalf LTDI Insurance									(597)							
On-Behalf Retirement Medical									(442,570)							
									<u>(2,337,400)</u>							
Total-Major Program Determination for State Financial Assistance									<u>\$ (318,594)</u>							

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

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Schedule A

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal FAIN Number	Program or Award Amount	Grant Period		Balance June 30, 2021	Carryover/ (Walkover) Amount	Cash Received	Total Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance at June 30, 2022				
				From	To							(Accounts Receivable)	Deferred Inflows	Due to Grantor		
U.S. Department of Education:																
Pass-Through State Department of Education:																
Special Revenue Fund:																
Migrant Education	84.011A	S011A200030	918,500	1/1/2020	12/31/2020	\$ (8,088.92)				\$ -	\$ -	\$ (8,088.92)	\$ -	\$ -		
Migrant Education	84.011A	S011A210030	918,500	1/1/2021	12/31/2021	(103,343.78)		245,531.00					142,187.22			
Migrant Education	84.011A	S011A190030	918,500	1/1/2022	12/31/2022			30,772.00	(43,844.00)			(13,072.00)	-	-		
McKinney Comp Competitive Grant	84.196	S196A210031	270,017	7/1/2021	6/30/2022			206,632.00	(270,017.00)			(63,385.00)	-	-		
McKinney Comp Competitive Grant	84.196	S196A200031	382,749	7/1/2020	6/30/2021	(513,555.01)						(211,750.01)	-	-		
McKinney Comp Competitive Grant	84.196	S196A190031	369,968	9/1/2019	12/31/2020		301,805.00					-	-	-		
McKinney Comp Competitive Grant	84.196	S013A200030	575,439	7/1/2020	6/30/2021	(333,131.99)						(333,131.89)	-	-		
Title I Part D	84.013	S213A190030	698,481	7/1/2021	6/30/2022			503,456.00	(671,422.00)			(167,966.00)	-	-		
Total Special Revenue Fund						(656,314.60)	-	986,391.00	(985,283.00)	-	-	(797,393.82)	142,187.22	-		
U.S. Department of Agriculture																
Pass-Through State Department of Agriculture:																
Enterprise Fund:																
National School Lunch Program	10.555	211NJ304N1099	10,382	7/1/2020	6/30/2021	\$ (1,749.60)		1,749.60				-	0.00			
National School Lunch Program	10.555	221NJ304N1099	26,547	7/1/2021	6/30/2022			24,023.92	(26,546.98)			(2,523.06)	-	-		
National School Breakfast Program	10.553	211NJ204N1099	6,518	7/1/2020	6/30/2021	\$ (1,098.36)		1,098.36				(0.00)	-	-		
National School Breakfast Program	10.553	221NJ204N1099	15,153	7/1/2021	6/30/2022			13,712.13	(15,152.70)			(1,440.57)	-	-		
Fresh Fruits and Vegetables Program	10.582	211NJ304L1603	1,312	7/1/2020	6/30/2021	\$ (62.31)		62.31				(0.00)	-	-		
Total Enterprise Fund						(2,910.27)	-	40,646.32	(41,699.68)	-	-	(3,563.63)	0.00	-		
Total Federal Financial Awards						\$ (659,224.87)	\$ -	\$ 1,027,037.32	\$ (1,026,982.68)	\$ -	\$ -	\$ (901,357.45)	\$ 142,187.22	\$ -		

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

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2022

1. GENERAL

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance include federal and state award activity of Essex Regional Educational Services Commission. The Commission is defined in Note 1(A) to the Commission's basic financial statements. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal awards and state financial assistance passed-through other government agencies is included on the Schedule of Federal Awards and State Financial Assistance.

2. BASIS OF ACCOUNTING

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 2 to the Board's basic financial statements. The information in these schedules are presented in accordance with the requirements of 2 CFR 200-*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Therefore, some amounts presented in these schedules may differ from amounts presented in or used in the preparation of the basic financial statements.

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Section I - Summary of Auditor's Results

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 √ No
- 2) Significant deficiencies identified? _____ Yes √ None Reported

Noncompliance material to basis financial statements noted? _____ Yes √ No

Federal Awards Section

Dollar threshold used to distinguish between Type A and Type B Programs: \$750,000.00

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

Internal control over major programs:

- 1) Material weakness(es) identified? _____ Yes √ No
- 2) Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes √ None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section .516(a) of Uniform Guidance? _____ Yes √ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>FAIN Number</u>	<u>Name of Federal Program or Cluster</u>
84.013	S013A200030	Title I, Part D

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(Continued)**

**Section I - Summary of Auditor's Results
(Continued)**

State Awards Section

Dollar threshold used to distinguish between
Type A and Type B Programs:

\$750,000.00

Auditee qualified as low-risk auditee?

√ Yes ___ No

Type of auditor's report issued on compliance for
major programs:

Unmodified

Internal control over major programs:

1) Material weakness(es) identified?

___ Yes √ No

2) Significant deficiency(ies) identified that are
not considered to be material weaknesses?

___ Yes √ None Reported

Any audit findings disclosed that are required to be
reported in accordance with NJOMB Circular Letters
15-08 and 04-04?

___ Yes √ No

Identification of major programs:

GMIS Number(s)

Name of State Program

495-034-5094-003

TPAF Social Security Contribution

Section II - Financial Statement Findings

No financial statement findings that are required to be reported under *Government Auditing Standards*.

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

a) Federal Awards Findings and Questioned Costs:

NONE

b) State Awards Findings and Questioned Costs:

NONE

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2022**

There were no prior years' findings.

