

**EDUCATIONAL SERVICES COMMISSION
OF MORRIS COUNTY**

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

FISCAL YEAR ENDED JUNE 30, 2022

**EDUCATIONAL SERVICES
COMMISSION OF MORRIS COUNTY**

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

***Annual Comprehensive Financial Report
For The Fiscal Year Ended June 30, 2022***

***ANNUAL COMPREHENSIVE
FINANCIAL REPORT
OF THE
EDUCATIONAL SERVICES
COMMISSION OF MORRIS COUNTY
MORRISTOWN, NEW JERSEY
FOR THE FISCAL YEAR ENDED JUNE 30, 2022***

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

***And
Barre & Company LLC, CPAs***

STATE BOARD OF EDUCATION

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**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
TABLE OF CONTENTS**

	Page
INTRODUCTORY SECTION	1
Letter of Transmittal	2
Organizational Chart.....	6
Roster of Officials	7
Consultants and Advisors	8
FINANCIAL SECTION.....	9
Independent Auditor's Report.....	10
REQUIRED SUPPLEMENTARY INFORMATION – PART I.....	15
Management's Discussion and Analysis	16
BASIC FINANCIAL STATEMENTS	28
SECTION A - DISTRICT-WIDE FINANCIAL STATEMENTS.....	29
A-1 Statement of Net Position	30
A-2 Statement of Activities	31
SECTION B - FUND FINANCIAL STATEMENTS.....	32
GOVERNMENTAL FUNDS	33
B-1 Balance Sheet	34
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balance.....	35
B-3 Reconciliation of the Statements of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	36
PROPRIETARY FUNDS.....	37
B-4 Statement of Net Position.....	38
B-5 Statement of Revenues, Expenses, and Changes in Net Position	39
B-6 Statement of Cash Flows.....	40
FIDUCIARY FUNDS.....	N/A
B-7 Statement of Fiduciary Net Position	N/A
B-8 Statement of Changes in Fiduciary Net Position	N/A
NOTES TO THE FINANCIAL STATEMENTS.....	41
REQUIRED SUPPLEMENTARY INFORMATION – PART II.....	99

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
TABLE OF CONTENTS**

Page

FINANCIAL SECTION (CONTINUED)

SECTION C – BUDGETARY COMPARISON SCHEDULE	101
C-1 Budgetary Comparison Schedule – General Fund	101
C-1a Combining Schedule of Revenues, Expenditures, and 'changes in Fund Balance and Actual.....	N/A
C-1b Community Development Block Grant – Budget and Actual	N/A
C-2 Budgetary Comparison Schedule – Special Revenue Fund.....	N/A
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION – PART II.....	104
C-3 Budget-to-GAAP Reconciliation.....	105
REQUIRED SUPPLEMENTARY INFORMATION – PART III.....	106
SECTION L – DISTRICT’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR TPAF AND PERS AND DISTRICT’S PERS AND TPAF CONTRIBUTIONS	107
L-1 Schedules of the School District’s Proportionate Share of the Net Pension Liability – PERS	108
L-2 Schedules of School District Contributions – PERS	109
L-3 Schedules of the School District’s Proportionate Share of the Net Pension Liability – TPAF.....	110
L-4 Schedules of the School District’s Distributions – TPAF.....	111
Schedule M – schedules related to accounting and reporting for post employment benefits other than pensions.....	112
M-1 Schedule of Changes in the School District’s Proportionate Share of Total OPEB Liability and Related Ratios – TPAF and PERS	113
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PART III.....	114
OTHER SUPPLEMENTARY INFORMATION.....	117
SECTION D – SCHOOL BASED BUDGET SCHEDULES	N/A
D-1 Combining Balance Sheet	N/A
D-2 Blended Resource Fund – Schedule of Expenditures Allocated by Resource Type - Actual	N/A
D-3 Blended Resource Fund – Shcedule of Blended Expenditures – Budget and Actual.....	N/A

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
TABLE OF CONTENTS**

Page

FINANCIAL SECTION (CONTINUED)

SECTION E – SPECIAL REVENUE FUND.....N/A

- E-1 Combining Schedule of Revenues and Expenditures – Budgetary Basis..... N/A
- E-2 Preschool Education Aid Schedule(s) of Expenditures – Budgetary Basis..... N/A

SECTION F – CAPITAL PROJECTS FUND.....N/A

- F-1 Summary Schedule of Project Expenditures N/A
- F-2 Summary Schedule of Revenues, Expenditures, and changes in Fund Balance Budgetary Basis..... N/A
- F-2(x) Schedule(s) of Project Revenues, Expenditures, Project Balance, and Project Status Budgetary Basis N/A

SECTION G – PROPRIETARY FUND 123

ENTERPRISE FUND.....N/A

- G-1 Combining Schedule of Net Position N/A
- G-2 Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position N/A
- G-2 Combining Schedule of Cash Flows N/A

internal service fund.....N/A

- G-4 Combining Schedule of Net Position N/A
- G-5 Combining Schedule of revenues, Expenses, and Changes in Fund Net Position N/A
- G-6 Combining Schedule of Cash Flows N/A

SECTION H – FIDUCIARY FUNDS.....N/A

- H-1 Combining Statement of Fiduciary Net Position N/A
- H-2 Combining Statement of Changes in Fiduciary Net Position N/A
- H-3 Student Activities Fund – Schedule of Receipts and Disbursements N/A
- H-4 Payroll Agency Fund – Schedule of Receipts and Disbursements N/A

SECTION I – LONG-TERM DEBT SCHEDULES 119

- I-1 Schedule of Serial Bonds N/A
- I-2 Schedule of Obligations under Capital Leases 120
- I-3 Debt Services Fund Budgetary Comparison Schedule..... N/A

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
TABLE OF CONTENTS**

	Page
STATISTICAL SECTION (UNAUDITED)	121
INTRODUCTION TO THE STATISTICAL SECTION	122
FINANCIAL TRENDS.....	132
J-1 Net Assets/Position by Component	124
J-2 Changes in Net Assets/Position	125
J-3 Fund Balances – Governmental Funds	127
J-4 Changes in Fund Balances - Governmental Funds	128
J-5 General Fund Other Local Revenue by Source	129
Revenue Capacity.....	N/A
J-6 Assessed Value and Estimated Actual Value of Taxable Property.....	N/A
J-7 Direct and Overlapping Property Tax Rates	N/A
J-8 Principal Property Taxpayers*	N/A
J-9 Property Tax Levies and Collections	N/A
DEBT Capacity	N/A
J-10 Ratios of Outstanding Debt by Type.....	N/A
J-11 Ratios of General Bonded Debt by Type	N/A
J-12 Direct and Overlapping Governmental Activities Debt.....	N/A
J-13 Legal Debt Margin Information	N/A
demographic and economic information	139
J-14 Demographic and Economic Statistics	131
J-15 Principal Employers	132
OPERATING INFORMATION	142
J-16 Full-time Equivalent District Employees by Function/Program	134
J-17 Operating Statistics.....	135
J-18 School Building Information	136
J-19 Schedule of Required Maintenance Expenditures by School Facility	N/A
J-20 Insurance Schedule	137
J-21 Charter School Performance Framework, Financial Performance, Fiscal Ratios.....	N/A

**Private Citizens should be listed as Individual Taxpayer 1, Individual Taxpayer 2, etc.*

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
TABLE OF CONTENTS**

Page

SINGLE AUDIT SECTION.....	138
K-1 Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based On an Audit of Financial Statements Performed In Accordance With Government Auditing Standards.....	139
K-2 Report on Compliance for Each Major Federal and State Program and Report on Internal Control over Compliance in Accordance with Uniform Guidance and New Jersey Circular 15-08-OMB.....	142
K-3 Schedule of Federal Financial Awards – Schedule A.....	N/A
K-4 Schedule of State Financial Assistance – Schedule B.....	146
K-5 Notes to the Schedules of Expenditures of Awards and Financial Assistance.....	147
K-6 Schedule of Findings and Questioned Costs-Summary of Auditor’s Results.....	150
Section I - Summary of Auditor's Results.....	150
Section II - Financial Statement Findings.....	151
Section III - Federal Awards and State Financial Assistance Findings and Questioned Costs.....	151
K-7 Summary Schedule of Prior Audit Findings and Questioned Costs as Prepared by Management.....	152

INTRODUCTORY SECTION



Educational Services Commission of Morris County

"PROVIDING MODELS OF SHARED SERVICES FOR PUBLIC SCHOOL DISTRICTS"

PO BOX 1944

MORRISTOWN, NJ 07962-1944

www.escmorris.com

March 1, 2023

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

Dear Board Members:

The comprehensive annual financial report (CAFR) of the Educational Services Commission of Morris County for the fiscal year ended June 30, 2022 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of presentation, including all disclosures, rests with the management of the Commission. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in the manner designed to present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Educational Services Commission of Morris County as of June 30, 2022, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

- The Introductory Section contains a table of contents, Letter of Transmittal, List of Principal Officials, and an Organizational Chart of the School Commission;
- The Financial Section begins with the Independent Auditor's Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the Commission's financial position and operating results, and other schedules providing detailed budgetary information;
- The Statistical Section includes selected economic and demographic information, financial trends, and the fiscal capacity of the Commission, generally presented on a multi-year basis; The Single Audit Section — The Commission is required to undergo an annual single audit in conformity with the provisions of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (U.S. Uniform Guidance) and New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Information related to this single audit, including the independent auditor's report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

Educational Services Commission Organization

An elected fifteen-member Board of Directors (the “Board”) serves as the policy maker for the Commission. The Board adopts an annual budget and directly approves all expenditures, which, serve as the basis for control over, and authorization for all expenditures of the Commission tax money. The Superintendent is the chief executive officer of the Commission, responsible to the Board for total educational and support operations. The Board Secretary is the chief financial officer of the Commission, responsible to the Board for maintaining all financial records, issuing warrants in payment of liabilities incurred by the Commission, acting as a custodian of all Commission funds, and investing idle funds as permitted by New Jersey law.

1) Reporting Entity and Its Services

The Educational Services Commission of Morris County is an independent reporting agency formed by the constituent districts of Morris County within the criteria adopted by the GASB, Statement No. 14. The Commission, its school, and programs located throughout the County of Morris, constitute the reporting entity.

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

2) Economic Condition and Outlook

The need to develop economies of scale and cost effective measures to control spending amid sparse resources continues to create the demand for the Commission’s services and cooperative activities. Our programs and requests for additional types of programs are increasing. Budgeting estimates based on the amount of business we expect to do are increasing each year. As we continue to be receptive to the needs of the districts, we expect to increase our economic condition. A sound infrastructure will enable us to take the lead in developing new and innovative strategies for cost effective programming, which relieves districts of many administrative burdens, and redirect saved resources to needed programs to enhance the quality of education for the children in the community.

3) Major Initiatives

The funding provided by the federal government for non public schools to address learning loss caused by the pandemic continues to be a major focus of our initiatives. The Emergency Aid to Nonpublic Schools (EANS) initiated by the Department of Education with funding from the CARES Act, will continue for the next two years.

Central Park School continues to experience a decline in enrollment. The contract with the Department of Education to operate the school is due to be renewed in the next fiscal year. We are studying the financial impact of the enrollment on the sustainability of the program.

4) Internal Accounting Controls

The Administration of the Commission is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Commission are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the

preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits requires estimates and judgments by the Administration.

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

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

5) Budgetary Controls

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriation of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2022.

6) Accounting System and Reports

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

7) Debt Administration

The Commission's facility funding agreement with the Morris County Improvement Authority for the issuance of \$4.9 million in bonds to finance old debt and new construction at the Park Lake School has been defeased with funds obtained from the sale of the Park Lake School Building and through agreement with the MCIA to retire the note on the anniversary date.

8) Cash Management

The investment policy of the Commission is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 2. The Commission has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

9) Risk Management

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

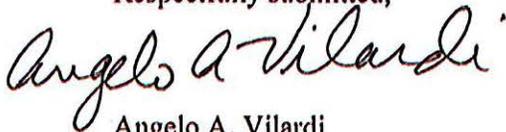
10) Other Information

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

11) Acknowledgment

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

Respectfully submitted,

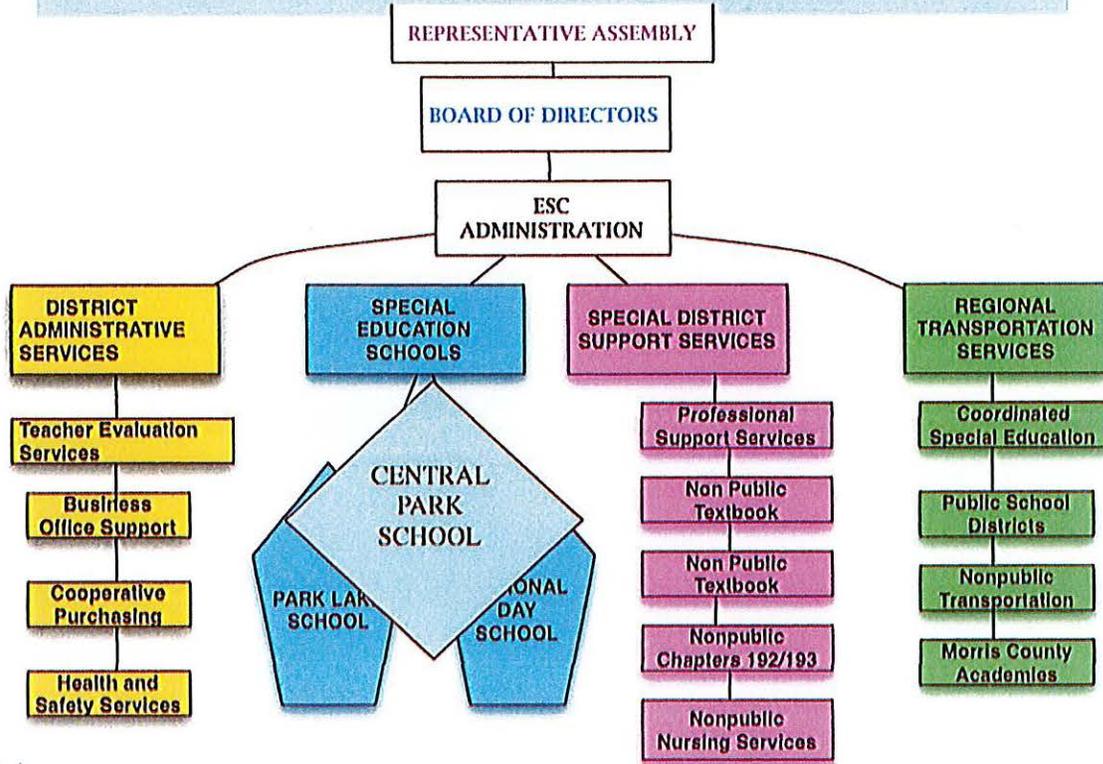


Angelo A. Vilardi
Superintendent



Catarina Bilotta
Business Administrator

EDUCATIONAL SERVICE COMMISSION ORGANIZATIONAL CHART



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

**ROSTER OF OFFICIALS
2021-2022
Board of Directors**

<u>Members</u>	<u>Term Expires</u>
Michael Bertram, President Morris Hills Regional Board of Education	2022
Karen Nyquist, Vice President Long Hill Township Board of Education	2022
Irene LeFebvre Boonton Town Board of Education	2022
Barry Bratner Boonton Township Board of Education	2022
Scott Miller Dover Board of Education	2022
Richard Bruno Harding Township Board of Education	2022
Amy Gould Jefferson Township Board of Education	2022
Diane Morris Mine Hill Township Board of Education	2022
Joseph Daughtry Montville Township Board of Education	2022
Amy Lyons Morris Plains Board of Education	2022
Melissa Spiotta Morris School Board of Education	2022
Anthony Giordano Mount Olive Board of Education	2022
Judy Mayer Parsippany Troy Hills Board of Education	2022
Greg MacSweeney Pequannock Township Board of Education	2022
Lisa Mezik Rockaway Township Board of Education	2022

Administrative Officials

Angelo A. Vilardi, Superintendent
Catarina Bilotta, Business Administrator/Board Secretary
Marci Spadafora, Director of Special Services
Francis X. Romano, Transportation Director/Assistant Business Administrator
Denise Moore, Principal, Central Park School

**Educational Services Commission of Morris County
Morristown, NJ**

CONSULTANTS AND ADVISORS

Audit Firm

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

Attorney

**Paul Green, Esq.
Schenck, Price, Smith & King, LLP
220 Park Avenue, PO box 991
Florham Park, NJ 07932**

Official Depository

**Bank of America
Rt. 53
Denville, NJ 07834**

FINANCIAL SECTION

BARRE & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS
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Independent Auditor's Report

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

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Educational Services Commission of Morris County (School Commission), in the County of Morris, State of New Jersey, as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Educational Services Commission of Morris County, in the County of Morris, State of New Jersey, as of June 30, 2022, and the respective changes in the financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and in compliance with audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. 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 Educational Services Commission of Morris County 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.

Emphasis of Matter

Adoption of New Accounting Principle

As discussed in note 1 to the financial statements, during the fiscal year ended June 30, 2022, the School Commission adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Consistency of Financial Statements

As a result of the adoption of GASB Statement No. 87, leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the School. Our opinion is not modified with respect to this matter.

Prior Period Restatement

In addition, because of the implementation of GASB Statement No. 87, net position and fund balance as of July 1, 2021 on the statement of activities and statement of revenues, expenditures, and changes in fund balances, have been restated. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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 Educational Services Commission of Morris County'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 GAAS 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 GAAS 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 Educational Services Commission of Morris County'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 Educational Services Commission of Morris County'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, budgetary comparison information, schedule of the School Commission's proportionate share of the net pension liability, schedule of the School Commission's pension contributions, and schedule of changes in the School Commission's total OPEB liability and related ratios, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our

audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Educational Services Commission of Morris County's basic financial statements. The combining and related major fund supporting statements and schedules are presented for purposes of additional analysis, as required by the Office of School Finance, Department of Education, State of New Jersey and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State of New Jersey's Circular 15-08 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, are also presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relate 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 statements and related major fund supporting statements and schedule and schedule of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual 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 any form of 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* and the Office of School Finance, Department of Education, State of New Jersey

In accordance with *Government Auditing Standards* and the Office of School Finance, Department of Education, State of New Jersey, we have also issued our report dated March 1, 2023 on our consideration of the Educational Services Commission of Morris County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the Office of School Finance, Department of Education, State of New Jersey and the Office of School Finance, Department of Education, State of New Jersey in considering the School Commission's internal control over financial reporting and compliance.


BARRE & COMPANY LLC
Certified Public Accountants
Public School Accountants


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

Union, New Jersey
March 1, 2023

REQUIRED SUPPLEMENTARY INFORMATION – PART I

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
UNAUDITED**

The Management's Discussion and Analysis (MD&A) of Educational Services Commission of Morris County's financial performance provides an overall review of the School Commission's financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at the School Commission's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School Commission's financial performance. Certain comparative information between the current year (2021-2022) and the prior year (2020-2021) is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2022 are as follows:

- ❖ The assets of the ESC were exceeded by its liabilities at the close of the most recent fiscal year by (\$2,880,015) (net position) as a result of showing net pension liability of \$1,794,137.
- ❖ The ESC's total net position decreased \$427,092. The decrease is attributable to the Central Park School and the transportation programs.
- ❖ Governmental funds general revenues accounted for \$813,194 in revenue or 2% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions and capital grants accounted for \$40,894,389 or 98% of total revenues of \$41,707,583.
- ❖ The ESC had \$44,338,914 in expenses and \$40,894,389 was offset by program specific charges for services, grants or contributions. General revenues (primarily tuition) of \$813,194 were not adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$32,406,621 in revenues and \$32,204,668 in expenditures and other financing sources General Fund's fund balance increased \$201,953 from the June 30, 2021.

Using this Annual Comprehensive Financial Report (ACFR)

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
UNAUDITED
(CONTINUED)**

Using this Annual Comprehensive Financial Report (ACFR) (Continued)

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

Reporting the School Commission as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School Commission to provide programs and activities, the view of the School Commission as a whole looks at all financial transactions and ask the question, "How did we do financially during 2022?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
UNAUDITED
(CONTINUED)**

Reporting the School Commission's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Proprietary Funds

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

The ESC as Trustee

Reporting the ESC's Fiduciary Responsibilities

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
UNAUDITED
(CONTINUED)**

The ESC as Trustee (Continued)

Reporting the ESC's Fiduciary Responsibilities (Continued)

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

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

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
UNAUDITED
(CONTINUED)**

The ESC as Trustee (Continued)

Reporting the ESC's Fiduciary Responsibilities (Continued)

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the District -wide and fund financial statements. The notes to the financial statements can be found starting on page 41 of this report.

Other Information

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

The School Commission as a Whole

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
UNAUDITED
(CONTINUED)**

The School Commission as a Whole (Continued)

the ESC's governmental and business-type activities as of June 30, 2022. But since the ESC does not receive state aid, nor ad valorem taxes, the true measure of the success of the ESC operation of programs of shared services needs to be constructed using a cost efficiency business model, not available through this mandated reporting mechanism.

Table 1 provides a summary of the School District's net position for 2022 and 2021.

**Table 1
Net Position**

	2022	2021
Assets		
Current and Other Assets	\$ 4,595,557	\$ 3,510,272
Capital Assets	88,042	1,657,058
Total Assets	<u>4,683,599</u>	<u>5,167,330</u>
Deferred Outflows of Resources		
Related to Pensions	<u>407,550</u>	<u>718,750</u>
Liabilities		
Account and Other Payables	3,189,724	2,390,670
Other Current Liabilities	6,874	-
Long-Term Liabilities	<u>2,806,534</u>	<u>3,939,020</u>
Total Liabilities	<u>6,003,132</u>	<u>6,329,690</u>
Deferred Inflows of Resources		
Related to Pensions	<u>1,968,032</u>	<u>1,970,062</u>
Net Position		
Net Investment in Capital Assets	18,465	692,058
Restricted	-	259,921
Unrestricted	<u>(2,898,480)</u>	<u>(3,365,651)</u>
Total Net Position	<u>\$ (2,880,015)</u>	<u>\$ (2,413,672)</u>

The District's combined net position (deficit) were (\$2,880,015) on June 30, 2022, and (\$2,413,672) for 2021.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
UNAUDITED
(CONTINUED)**

The School Commission as a Whole (Continued)

Table 2 shows changes in net position for fiscal years ended 2022 and 2021.

**Table 2
Changes in Net Position**

	2022	2021
Revenues		
Program Revenues:		
Charges for Services	\$ 38,389,436	\$ 29,013,451
Operating Grants and Contributions	2,504,953	1,155,888
Capital Grants and Contributions	2,204,239	-
General Revenues:		
Other Local Government Units	513,464	715,713
Other	299,730	35,244
Total Revenues	<u>43,911,822</u>	<u>30,920,296</u>
Program Expenses		
Instruction	92,280	183,407
Support Services:		
Student and Instruction Related	183,908	263,617
General and Business Administrative	2,888,701	1,486,181
School Administrative	13,508	26,779
Plant Operations and Maintenance	75,745	176,731
Pupil Transportation	29,121,363	18,107,847
Capital Outlay	1,477,991	222,015
Interest on Long-Term Debt	11,199	-
Unallocated Amortization	240,051	-
Food Service	38,352	28,122
Central Park School	3,359,985	3,319,382
DOSS	352,774	339,957
Transportation Leasing	193,781	1,445,819
Services for Special Revenue	6,289,276	3,434,642
Total Program Expenses	<u>44,338,914</u>	<u>29,034,499</u>
Changes in Net Position	<u>\$ (427,092)</u>	<u>\$ 1,885,797</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
UNAUDITED
(CONTINUED)**

Governmental Activities

The ESC's total revenue were \$33,843,275 for 2022 and \$22,110,085 for 2021. This includes \$1,443,247 for 2022 and \$1,155,888 for 2021 of state reimbursed TPAF Pension, Social Security, Post-Retirement Medical, and Long-Term Disability Insurance Contributions.

The total cost of all program and services were \$34,104,746 for 2022 and \$20,466,577 for 2021. Instruction comprises 0.27% for 2022 and 0.90% for 2021. The ESC primarily conducts its operations from the revenue it receives from its pupil transportation services. Revenues generated from enterprise funds which include the operation of the Central Park School, and direct transportation with ESC vehicles is not included in this report.

The total cost of all programs and services was \$34,104,746. The ESC's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students. The ESC's administrative and maintenance activities accounted for 9.47 percent of total costs. It is important to note that depreciation of \$147,629 is included in expenses for the year.

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

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

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

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
UNAUDITED
(CONTINUED)**

Governmental Activities (Continued)

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

- The cost of all governmental activities this year was \$34,104,746.
- The federal and state governments subsidized certain programs with grants and contributions.
- Most of the ESC's costs, however, were financed by pupil transportation charges \$27,121,363.
- The remainder of governmental activities funding came from charges for services, local grants and miscellaneous

Business-Type Activities

The ESC's major Enterprise Funds consist of the Services for Special Revenue, Food Services, DOSS, Transportation Leasing and the Central Park School. Revenues for the Food Service Program were comprised of charges for services. Food Service expenses exceeded revenues by \$147. Charges for food service represent \$4,237 of revenue, this is the amount paid by patrons for daily food service and special functions. Central Park School expenses exceeded revenues by \$156,196, and charges for services represent \$3,237,757 of revenues. DOSS revenues exceeded expenditures by \$19,773 and transportation leasing revenues exceeded expenditures by \$230,870. Charges for DOSS, transportation leasing, and services for special revenue represent \$372,547, \$193,436, and \$6,289,276, respectively. The ESC receives no Federal and State reimbursements for its business-type activities.

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

THE ESC'S FUNDS

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
UNAUDITED
(CONTINUED)**

THE ESC'S FUNDS (CONTINUED)

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

General Fund: The general fund is the main operating fund of the ESC. At the end of the current fiscal year, unassigned and total fund balance was \$1,437,276.

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

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

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

The decrease in State and Federal Sources is a result of moving services for special revenue to business-type activities.

The Special Education Instruction expenditures decreased due to moving services for special revenue to business-type activities.

The Student and Instruction Related Services decreased due to declined responsibilities assigned to teaching personnel.

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
UNAUDITED
(CONTINUED)**

General Fund Budgeting Highlights

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

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

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

Capital Assets

The School Commission had \$69,577 at June 30, 2022 invested in building, furniture and equipment, and vehicles.

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

Debt Administration

At June 30, 2022, the School Commission had \$2,806,534 of outstanding debt. Of this amount, \$170,243 is for compensated absences; \$730,000 is for bonds payable, \$112,154 is for lease liabilities, and \$1,794,137 is for net pension liability.

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

For the Future

In preparing the 2021-2022 budget, the primary goal of the Board was to develop a budget that would meet the ESC's educational priorities, provide accountability to the

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
UNAUDITED
(CONTINUED)**

For the Future (Continued)

taxpaying community, and comply with the stringent restrictions placed on ESC budgets by the new legislation. This legislation put a "2% cap" on the local tax levy for the local participating districts. Being mindful of our district limitations, the ESC prepares its budgets with cost containment to recognize district limitations on revenues. During the preparation of the 2022-2023 budget, the ESC continued to exercise restraint in budgeting to assist districts in sharing services, which keep district costs contained within their budgetary guidelines.

Looking ahead to the development of the 2022-2023 budget, the new budget law put into effect by the State of New Jersey Department of Education will have a significant impact on the Commission and its members. The law goes beyond the capping of revenues for the budget, but it also authorizes the Executive County Superintendent to look into the budget and challenge the ESC in their expenditure decisions.

Contacting the School District's Financial Management

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

BASIC FINANCIAL STATEMENTS

SECTION A - DISTRICT-WIDE FINANCIAL STATEMENTS

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

BOARD OF EDUCATION
EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents:			
Unrestricted	\$ 1,304,584	\$ -	\$ 1,304,584
Interfund Balances	(159,000)	159,000	-
Receivables	3,179,223	727,555	3,906,778
Inventories		734	734
Other Current Assets		380,365	380,365
Capital and Right-Of-Use Leased Assets, Net	69,577	18,465	88,042
Total Assets	4,394,384	1,286,119	5,680,503
DEFERRED OUTFLOWS OF RESOURCES:			
Related to Pensions	407,550		407,550
Total Deferred Outflows of Resources	407,550	-	407,550
LIABILITIES:			
Cash Overdraft		996,904	996,904
Payable to Federal Government	7,725	126,347	134,072
Accounts Payable	3,055,652		3,055,652
Amount Due Other Government Units	1,518	5,356	6,874
Noncurrent Liabilities:			
Due Within One Year	259,500		259,500
Due Beyond One Year:			
Other Long-Term Liabilities	752,897		752,897
Net Pension Liability	1,794,137		1,794,137
Total Liabilities	5,871,429	1,128,607	7,000,036
DEFERRED INFLOWS OF RESOURCES:			
Related to Pensions	1,968,032		1,968,032
Total Deferred Outflows of Resources	1,968,032	-	1,968,032
NET POSITION (DEFICIT):			
Net Investment in Capital Assets		18,465	18,465
Unassigned (Deficit)	(3,037,527)	139,047	(2,898,480)
Total Net Position (Deficit)	\$ (3,037,527)	\$ 157,512	\$ (2,880,015)

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

BOARD OF EDUCATION
EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes In Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES:							
Instruction:							
Special Education	\$ 92,280	\$ -	\$ -	\$ -	\$ (92,280)		\$ (92,280)
Support Services:							
Student and Instruction Related Services	183,908				(183,908)		(183,908)
General and Business Administrative Services	2,888,701		2,504,953		(383,748)		(383,748)
School Administrative Services	13,508				(13,508)		(13,508)
Plant Operations and Maintenance	75,745				(75,745)		(75,745)
Pupil Transportation	29,121,363	30,265,207			1,143,844		1,143,844
Capital Outlay	1,477,991				(1,477,991)		(1,477,991)
Interest on Long-Term Debt	11,199				(11,199)		(11,199)
Unallocated Amortization	240,051				(240,051)		(240,051)
Total Governmental Activities	34,104,746	30,265,207	2,504,953	-	(1,334,586)	-	(1,334,586)
BUSINESS-TYPE ACTIVITIES:							
Food Service	38,352	4,237				(34,115)	(34,115)
Central Park School	3,359,985	3,237,757				(122,228)	(122,228)
DOSS	352,774	372,547				19,773	19,773
Transportation Leasing	193,781	193,436		231,215		230,870	230,870
Services for Special Revenue	6,289,276	4,316,252		1,973,024		-	-
Total Business-Type Activities	10,234,168	8,124,229	-	2,204,239	-	94,300	94,300
Total Primary Government	\$ 44,338,914	\$ 38,389,436	\$ 2,504,953	\$ 2,204,239	\$ (1,334,586)	\$ 94,300	\$ (1,240,286)
GENERAL REVENUES:							
Other Local Government Units					\$ 513,464	\$ -	\$ 513,464
Miscellaneous Income					559,651		559,651
Transfers					(259,921)		(259,921)
Total General Revenues					813,194	-	813,194
Change in Net Position					(521,392)	94,300	(427,092)
Net Position (Deficit) - Beginning of Year					(2,476,884)	63,212	(2,413,672)
Prior Period Adjustments					(39,251)	-	(39,251)
Net Position (Deficit) - Beginning of Year, Restated					(2,516,135)	63,212	(2,452,923)
Net Position (Deficit) - Ending					\$ (3,037,527)	\$ 157,512	\$ (2,880,015)

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

SECTION B - FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

BOARD OF EDUCATION
EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
GOVERNMENT FUNDS
BALANCE SHEET
JUNE 30, 2022

	General Fund	Capital Projects Fund	Total
ASSETS:			
Cash and Cash Equivalents	\$ 1,304,584 *	\$ -	\$ 1,304,584
Other Receivables	3,179,223		3,179,223
Total Assets	\$ 4,483,807	\$ -	\$ 4,483,807
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Interfund Accounts Payable (Enterprise Funds)	\$ 159,000	\$ -	\$ 159,000
Payable to Federal Government	7,725		7,725
Accounts Payable	2,872,896		2,872,896
Payroll Deductions and Withholdings	5,392 **		5,392
Other Current Liabilities	1,518		1,518
Total Current Liabilities	3,046,531	-	3,046,531
Total Liabilities	3,046,531	-	3,046,531
Fund Balances:			
Unassigned:			
General Fund	1,437,276		1,437,276
Total Fund Balances	1,437,276	-	1,437,276
Total Liabilities and Fund Balances	\$ 4,483,807	\$ -	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is \$270,254 and the accumulated depreciation is \$200,677.

69,577

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.

(1,012,397)

Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.

(1,794,137)

Accrued pension contributions for the June 30, 2022 plan year end are not paid with current economic resources and are therefore not reported as a liability in the funds, but are included in accounts payable in the government-wide statement of net position.

(177,364)

Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows related to pensions

407,550

Deferred inflows related to pensions

(1,968,032)

Net Position (Deficit) of Governmental Activities

\$ (3,037,527)

* Include former fiduciary fund cash and cash equivalents

** Include payroll deductions payable

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

BOARD OF EDUCATION
EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	General Fund	Capital Projects Fund	Total
REVENUES:			
Local Sources:			
Other Local Government Units	\$ 561,746	\$ -	\$ 561,746
Transportation Fees	30,265,207		30,265,207
Miscellaneous	136,421		136,421
Total Local Sources	<u>30,963,374</u>	<u>-</u>	<u>30,963,374</u>
State Sources	<u>1,443,247</u>		<u>1,443,247</u>
Total Revenues	<u>32,406,621</u>	<u>-</u>	<u>32,406,621</u>
EXPENDITURES:			
Current:			
Support Services and Undistributed Costs:			
Student and Instruction Related Services	183,908		183,908
General and Business Administrative Services	347,142		347,142
School Administrative Services	13,508		13,508
Plant Operations and Maintenance	75,745		75,745
Pupil Transportation	29,121,363		29,121,363
Employee Benefits	2,358,811		2,358,811
Capital Outlay	798,169		798,169
Total Expenditures	<u>32,898,646</u>	<u>-</u>	<u>32,898,646</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(492,025)</u>	<u>-</u>	<u>(492,025)</u>
OTHER FINANCING SOURCES (USES):			
Transfers to Escrow		(259,921)	(259,921)
Sale or Compensation for Loss of Fixed Assets	374,948		374,948
Lease Purchases	319,030		319,030
Total Other Financing Sources (Uses)	<u>693,978</u>	<u>(259,921)</u>	<u>434,057</u>
NET CHANGE IN FUND BALANCES	<u>201,953</u>	<u>(259,921)</u>	<u>(57,968)</u>
FUND BALANCES, JULY 1	1,274,574	259,921	1,534,495
PRIOR PERIOD ADJUSTMENTS	<u>(39,251)</u>	<u>-</u>	<u>(39,251)</u>
FUND BALANCES, JULY 1, RESTATED	<u>1,235,323</u>	<u>259,921</u>	<u>1,495,244</u>
FUND BALANCES, JUNE 30	<u>\$ 1,437,276</u>	<u>\$ -</u>	<u>\$ 1,437,276</u>

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

BOARD OF EDUCATION
 EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
 RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Total net change in fund balances - governmental funds (B-2) \$ (57,968)

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

Capital outlays are reported in governmental funds as expenditures. However, on the statement of activities, the cost of those assets which are capitalized are allocated over their estimated useful lives as depreciation expense in the current fiscal year.

Depreciation Expense	\$ (95,480)	
Amortization Expense	(240,051)	
Sale or Compensation for Loss of Fixed Assets	(1,253,200)	
Capital Outlay	<u>10,209</u>	(1,578,522)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. 514,780

In the statement of activities, certain expenses, e.g., compensated absences (vacations & sick pay) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation. (19,081)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in government funds. The increase in capital leases is a reduction to the reconciliation. The decrease in capital leases is an addition to the reconciliation. (112,154)

Pension costs associated with the PERS pension plan are reported in the governmental funds as expenditures in the year the school pension contribution is paid. However, on the statement of activities, the net difference between the current and prior year net pension liability is recognized. 731,553

Change in net position of governmental activities \$ (521,392)

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

PROPRIETARY FUNDS

BOARD OF EDUCATION
EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2022

	Business-Type Activities - Enterprise Funds						Totals
	Food Service Programs-School Nutrition						
	Food Service	Operating	Food Service ESC	DOSS	Transportation Leasing	Services for Special Revenue	
ASSETS:							
Current Assets:							
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 244,137	\$ -	\$ -	\$ 244,137
Due From Other Funds (General Fund)					159,000		159,000
Receivables from Other Governments		118,480		8,150	15,302	585,623	727,555
Inventories			734				734
Other Current Assets					380,365		380,365
Total Current Assets	-	118,480	734	252,287	554,667	585,623	1,511,791
Noncurrent Assets:							
Machinery and Equipment					115,562		115,562
Less: Accumulated Depreciation					(97,097)		(97,097)
Total Noncurrent Assets	-	-	-	-	18,465	-	18,465
Total Assets	\$ -	\$ 118,480	\$ 734	\$ 252,287	\$ 573,132	\$ 585,623	\$ 1,530,256
LIABILITIES AND NET POSITION:							
Liabilities:							
Current Liabilities:							
Cash Overdraft	\$ -	\$ 727,381	\$ -	\$ -	\$ 54,384	\$ 459,276	\$ 1,241,041
Accounts Payable						126,347	126,347
Amount Due Other Governmental Units		5,165			191		5,356
Total Liabilities	-	732,546	-	-	54,575	585,623	1,372,744
Net Position:							
Net Investment in Capital Assets	-	-	-	-	18,465	-	18,465
Unrestricted		(614,066)	734	252,287	500,092		139,047
Total Net Position	-	(614,066)	734	252,287	518,557	-	157,512
Total Liabilities and Net Position	\$ -	\$ 118,480	\$ 734	\$ 252,287	\$ 573,132	\$ 585,623	\$ 1,530,256

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

BOARD OF EDUCATION
EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Business-Type Activities - Enterprise Funds						Totals
	Food Service Programs-School Nutrition						
	Central Park School Food Service	Operating	Food Service ESC	DOSS	Transportation Leasing	Services for Special Revenue	
OPERATING REVENUES:							
Charges for Services:							
Daily Sales - Program (Reimbursable Program) Meals	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Daily Sales - Non-Program (Non-Reimbursable Program) Meals			4,237				4,237
Program Fees		3,237,757		372,547	193,436	6,289,276	10,093,016
Total Operating Revenues	-	3,237,757	4,237	372,547	193,436	6,289,276	10,097,253
OPERATING EXPENSES:							
Cost of Sales - Program (Reimbursable Program) Meals	-	-	-				-
Cost of Sales - Non-Program (Non-Reimbursable Program) Meals			12,825				12,825
Salaries		1,800,959	12,661	22,816	27,618	2,779,919	4,643,973
Support Services - Employee Benefits		916,825			16,419	108,664	1,041,908
Purchased Prof/Tech Services						93,224	93,224
Other Purchased Professional Services		195,376		73,499	962	424,830	694,667
Purchased Property Services			10,300		20,520		30,820
Cleaning, Repair, and Maintenance Services		210,956			17,120		228,076
Rentals					25,241		25,241
Other Purchased Services		114,043		256,459	4,764	20,830	396,096
General Supplies		17,817			9,992	2,860,776	2,888,585
Utilities		97,719			5,685		103,404
Depreciation Expense					52,149		52,149
Miscellaneous Expenditures		6,290	2,566		13,311	1,033	23,200
Total Operating Expenses	-	3,359,985	38,352	352,774	193,781	6,289,276	10,234,168
Change in Net Position Before Other Financing Uses	-	(122,228)	(34,115)	19,773	(345)	-	(136,915)
OTHER FINANCING SOURCES:							
Transfers In (Out)		(33,968)	33,968				-
Sale/Compensation for Loss of Capital Assets					231,215		231,215
Total Other Financing Sources	-	(33,968)	33,968	-	231,215	-	231,215
CHANGE IN NET POSITION	-	(156,196)	(147)	19,773	230,870	-	94,300
TOTAL NET POSITION - JULY 1	-	(457,870)	881	232,514	287,687	-	63,212
TOTAL NET POSITION - JUNE 30	\$ -	\$ (614,066)	\$ 734	\$ 252,287	\$ 518,557	\$ -	\$ 157,512

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

BOARD OF EDUCATION
EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Business-Type Activities - Enterprise Funds						
	Food Service Programs-School Nutrition		Food Service ESC	DOSS	Transportation Leasing	Services for Special Revenue	Totals
	Central Park School	Operating					
	Food Service	Operating	Food Service ESC	DOSS	Transportation Leasing	Services for Special Revenue	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:							
Receipts From Customers	\$ -	\$ 3,201,819	\$ 4,237	\$ 368,107	\$ 112,279	\$ 6,256,073	\$ 9,942,515
Payments To Employees		(1,800,959)	(12,661)	(22,816)	(27,618)	(2,779,919)	(4,643,973)
Payments For Employee Benefits		(916,825)			(16,419)	(108,664)	(1,041,908)
Payments To Suppliers		(659,058)	(25,544)	(329,958)	109,605	(3,382,229)	(4,287,184)
Net Cash Provided By (Used For) Operating Activities	-	(175,023)	(33,968)	15,333	177,847	(14,739)	(30,550)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Cash Received From State And Federal Reimbursements							-
Operating Subsidies and Transfers to/From Other Funds		(33,968)	33,968		231,215		231,215
Net Cash Provided By (Used For) Noncapital Financing Activities	-	(33,968)	33,968	-	231,215	-	231,215
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	(208,991)	-	15,333	409,062	(14,739)	200,665
CASH AND CASH EQUIVALENTS, JULY 1	-	(518,390)	-	228,804	(463,446)	(444,537)	(1,197,569)
CASH AND CASH EQUIVALENTS, JUNE 30	\$ -	\$ (727,381)	\$ -	\$ 244,137	\$ (54,384)	\$ (459,276)	\$ (996,904)
Reconciliation of Operating Loss to Net Cash Provided By (Used For) Operating Activities:							
Operating Income (Loss)	\$ -	\$ (122,228)	\$ (34,115)	\$ 19,773	\$ (345)	\$ -	\$ (136,915)
Depreciation					52,149		52,149
Change In Assets And Liabilities:							
Increase In Due From Other Funds					(159,000)		(159,000)
(Increase) Decrease In Receivables From Other Governments		(41,103)		(4,440)	77,652	(33,203)	(1,094)
Decrease In Inventories			147				147
Decrease In Payables to Governments		(36)			(10,925)		(10,961)
Increase (Decrease) In Accounts Payable		(18,967)				18,464	(503)
Decrease In Other Current Liabilities		5,165			191		5,356
Net Cash Provided By (Used For) Operating Activities	\$ -	\$ (177,169)	\$ (33,968)	\$ 15,333	\$ (40,278)	\$ (14,739)	\$ (250,821)

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

B. Basis of Presentation, Basis of Accounting

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

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Basis of Accounting (Continued)

Basis of Presentation

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

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

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

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

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

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Basis of Accounting (Continued)

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

The Commission reports the following governmental funds:

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

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

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

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

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Basis of Accounting (Continued)

The Commission reports the following proprietary funds:

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

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

The Commission's Enterprise Funds are comprised of the Services for Special Revenue, Food Service Fund, Central Park School, DOSS and Transportation Leasing operations.

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

Food Service Fund:	
Equipment	12 Years
Transportation Leasing:	
Vehicles	12 Years

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

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Basis of Accounting (Continued)

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

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

Additionally, the Commission reports the following fund type:

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

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84 – Fiduciary Activities. 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 of all state and local government, including New Jersey school districts and their charter schools. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020, or fiscal year 2020-2021. 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 fiduciary component units and postemployment benefit arrangements that are fiduciary activities. After considering the criteria and guidance, it was determined that payroll, payroll agency, and unemployment compensation insurance, previously reported as fiduciary funds, that such activities are more appropriately reported in a general fund. Additionally, the School District previously reported the activity of the student activity fund as a fiduciary fund. Beginning in fiscal year 2020-2021, such activity are more appropriately reported in a special revenue fund.

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Basis of Accounting (Continued)

Basis of Accounting

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

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Budgets/Budgetary Control

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

Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures. Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no appropriations compared to current year expenditures. Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles (GAAP) with the exception of the legally mandated revenue recognition of the last two state aid payments for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

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

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

D. Encumbrances Accounting

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

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

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

E. Assets, Liabilities, and Equity

Interfund Transactions:

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Inventories:

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

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

Allowance for Uncollectible Accounts:

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

Capital Assets:

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

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

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

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

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

Compensated Absences:

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

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

Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2022, but which were levied to finance fiscal year 2023 operations, have been recorded as deferred revenue. Grants and entitlement received before the eligibility requirements are met are also recorded as deferred revenue.

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Accrued Liabilities and Long-Term Obligations:

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

Net Position:

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

Fund Balance Reserves:

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

Revenues — Exchange and Non-exchange Transactions:

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Revenues — Exchange and Non-exchange Transactions (Continued)

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

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

Operating Revenues and Expenses:

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

Allocation of Indirect Expenses:

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

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Allocation of Indirect Expenses (Continued)

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

Extraordinary and Special Items:

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

Management Estimates:

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

F. Pensions

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

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

G. Impact of Recently Issued Accounting Principles

During fiscal year 2022, the School Commission has adopted the following GASB statements.

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

As a result of the adoption of GASB 87, leases are recognized as a right-of-use leased asset and a corresponding lease liability in other financial liabilities at the date at which the leased asset is available for use by the School. The cost of right-of-use leased assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use leased asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Right-of-use leased assets are subject to impairment.

The lease liability is measured at the present value of lease payments to be made over the lease term, discounted using the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily available. Lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the School and payment of penalties for termination of a lease when the lease term reflects the lessee exercising a termination option. Each lease payment is allocated between the repayment of the principal portion of lease liability and the interest portion. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period and is recorded in financing expense. Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated statement of income.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact of Recently Issued Accounting Principles (Continued)

GASB No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*. The objectives of this Statement is to improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities.

GASB No. 92, *Omnibus 2020*. The objective of this Statement is to enhance comparability in the application of accounting and financial reporting requirements and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics.

GASB No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - An Amendment of GASE Statements No. 14 and No.84, and a Supersession of GASB Statement No. 32*. The objective of this Statement is to provide more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The requirements also will enhance the relevance, consistency, and comparability of (1) the information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments.

Recently Issued Accounting Pronouncements

Other GASB Statements that the School Commission is currently reviewing for applicability and potential impact on the financial statements include:

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact of Recently Issued Accounting Principles (Continued)

Recently Issued Accounting Pronouncements (Continued)

GASB No. 96, *Subscription Based Information Technology Arrangements*, will be effective beginning with the fiscal year ending June 30, 2023. The objective of this Statement will be to improve financial reporting by establishing a definition for subscription-based information technology arrangements (SBITAs) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

GASB Statement No. 99, *Omnibus 2022*, the section applicable to the School will be effective beginning with the fiscal year ending June 30, 2023. 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.

GASB Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASE Statement No. 62*, will be effective beginning with the fiscal year ending June 30, 2024. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

GASB Statement No. 101, *Compensated Absences*, will be effective beginning with the fiscal year ending June 30, 2025. 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. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Unearned Revenue

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

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

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

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

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents includes petty cash, change funds, amounts in deposits, money mark1 or less.

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

GASB Statement No. 3 requires disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments. Category 1 includes deposits/investments held by the Board's custodial bank trust department or agent in the Board's name. Category 2 includes uninsured and unregistered deposits/investments held by the Board's custodial bank trust department or agent in the Board's name. Category 3 includes uninsured or unregistered deposits/investments held by a broker

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

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

or dealer, or held by the Board's custodial bank trust department or agent but not in the Board's name. These categories are not broad representations that deposits or investments are "safe" or "unsafe".

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

New Jersey School Commissions are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey School Commissions Deposits New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

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

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

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

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

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

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

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

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.

A. Tuition Revenues/Receivable

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

B. Tuition Payable

The Commission has no Tuitions Payable.

Investments

C. Investment Rate Risk

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

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

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase
- c. Bonds or other obligations of the Commission.

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

Investments (Continued)

Investment Rate Risk (Continued)

The investments recorded in the District-wide statements have been recorded at amortized cost. In accordance with GASB 31, participating interest earning investment contracts that have a remaining maturity at the time of purchase of one year or less may be reported at amortized cost. For those securities purchased more than one year from the maturity date, the difference between the carrying amount and market value is not material to the District-wide statements. The carrying amount of the Board's cash and cash equivalents at June 30, 2022 was \$766,956 and the bank balance was \$3,013,216. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes.

D. Risk Category

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

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

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

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

As of June 30, 2022, the Board has no funds invested and on deposit in checking accounts and New Jersey ARM. These funds constitute "deposits with financial institutions" as defined by GASB Statement No. 3 and are classified as Category 1, both at year-end and throughout the year.

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

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

Investments (Continued)

Risk Category (Continued)

A. Credit Risk

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

B. Concentration of Credit Risk

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

New Jersey Cash Management Fund

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

As of June 30, 2022, the Commission had no funds on deposit with the New Jersey Cash Management Fund.

C. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2022, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2022**

NOTE 3: RECEIVABLES

Receivables at June 30, 2022, consisted of accounts (tuition), intergovernmental, grants, and miscellaneous.

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

	Governmental Funds		Total Governmental Activities	Proprietary Fund	Total Business Type Activities	Total
	General Fund	Special Revenue Fund		Food Service Fund		
State Aid	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Aid	-	-	-	-	-	-
Other	3,179,223	-	3,179,223	727,555	727,555	3,906,778
Gross Receivables	3,179,223	-	3,179,223	727,555	727,555	3,906,778
Less: Allowance for Uncollectibles	-	-	-	-	-	-
Total Receivables, Net	\$ 3,179,223	\$ -	\$ 3,179,223	\$ 727,555	\$ 727,555	\$ 3,906,778

NOTE 4: INTERFUND TRANSFERS AND BALANCES

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

The following interfund balances remained on the fund financial statements at June 30, 2022:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 12,649	\$ -
Capital Projects Fund		12,649
Total	\$ 12,649	\$ 12,649

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 5: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
<i>Capital Assets Being Depreciated:</i>				
Building and Building Improvements	\$ 4,940,000	\$ -	\$ -	\$ 4,940,000
Machinery and Equipment	212,331	7,985	-	220,316
Totals at Historical Cost	<u>5,152,331</u>	<u>7,985</u>	<u>-</u>	<u>5,160,316</u>
Less Accumulated Depreciation For:				
Building and Building Improvements	3,412,900	182,600	-	3,595,500
Machinery and Equipment	192,764	3,733	-	196,497
Total Accumulated Depreciation	<u>3,605,664</u>	<u>186,333</u>	<u>-</u>	<u>3,791,997</u>
Total Capital Assets Being Depreciated,				
Net of Accumulated Depreciation	1,546,667	(178,348)	-	1,368,319
Government Activity Capital Assets, Net	<u>\$ 1,546,667</u>	<u>\$ (178,348)</u>	<u>\$ -</u>	<u>\$ 1,368,319</u>
Business-Type Activities:				
<i>Capital Assets Being Depreciated:</i>				
Machinery and Equipment	\$ 1,339,067	\$ -	\$ -	\$ 1,339,067
Less Accumulated Depreciation	(957,117)	(93,211)	-	(1,050,328)
Enterprise Fund Capital Assets, Net	<u>\$ 381,950</u>	<u>\$ (93,211)</u>	<u>\$ -</u>	<u>\$ 288,739</u>

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

The School Commission has recorded a right-of-use leased asset. The asset is right-of-use asset for leased school facility. The related leases are discussed in the leases subsection of the liabilities section of this note. The right-of-use lease assets are amortized on a straight-line basis over the terms of the related leases.

At the end of the fiscal year 2022, the depreciation expense was charged to governmental function as follows:

Instruction Services	\$ 92,280
General and Business Administrative Services	3,200
Total	<u>\$ 95,480</u>

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6: LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2022, are as follows:

	Balance July 1, 2021	Increase	Decrease	Balance June 30, 2022	Amounts Due Within One Year
Morris County Improvement Authority Bonds	\$ 965,000	\$ -	\$ 235,000	\$ 730,000	\$ 240,000
Lease Liabilities	-	112,154	-	112,154	-
Compensated Absences Payable	151,162	20,681	1,600	170,243	19,500
Net Pension Liability	<u>2,822,858</u>	<u>-</u>	<u>1,028,721</u>	<u>1,794,137</u>	<u>-</u>
Total	<u>\$ 3,939,020</u>	<u>\$ 132,835</u>	<u>\$ 1,265,321</u>	<u>\$ 2,806,534</u>	<u>\$ 259,500</u>

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

A. Bonds Payable

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

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

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6: LONG-TERM OBLIGATIONS (CONTINUED)

Bonds Payable (Continued)

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

<u>Description</u>	<u>Interest Rate</u>	<u>Due Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Morris County ESC Project (Refunding)	2.09%	10/1/20	10/1/24	\$2,075,000	\$965,000

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	235,000	17,713	252,713
2023	240,000	12,749	252,749
2024	240,000	7,733	247,733
2025	250,000	2,613	252,613
	<u>\$ 965,000</u>	<u>\$ 40,808</u>	<u>\$ 1,005,808</u>

NOTE 7: PENSION PLANS

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

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7: PENSION PLANS (CONTINUED)

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

A. Public Employees' Retirement System (PERS)

Plan Description

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

Vesting and Benefit Provisions

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

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

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

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

Public Employees' Retirement System (PERS) (Continued)

Vesting and Benefit Provisions (Continued)

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2021, the State's pension contribution was less than actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. The Commission contributions to PERS amounted to \$177,364 for fiscal year 2022.

The employee contribution rate was 7.50% effective July 1, 2018.

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2022

NOTE 7: PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

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

At June 30, 2022, the Commission reported a liability of \$1,794,137 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 used to calculate the net pension liability was determined by an actuarial valuation as of July 01, 2020 which was rolled forward to June 30, 2021. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. For the June 30, 2021 measurement date, the Commission's proportion was 0.0151448675%, which was a decrease of 0.0021654370% from its proportion measured as of June 30, 2020 of 0.0173103045%.

For the fiscal year ended June 30, 2022, the Commission recognized pension expense of (\$554,190), in the government-wide financial statements. This pension expense was based on the pension plans June 30, 2021 measurement date.

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>
Difference Between Expected and Actual Experience	\$ 28,296	\$ 12,844
Changes in Assumptions	9,344	638,724
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	472,623
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	192,546	843,841
School District Contributions Subsequent to the Measurement Date	<u>177,364</u>	<u>-</u>
	<u>\$ 407,550</u>	<u>\$ 1,968,032</u>

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2022

NOTE 7: PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

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

\$177,364, included in deferred outflows of resources, will be included as a reduction of the net pension liability in the fiscal year ending June 30, 2023.

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

Fiscal Year Ending June 30,	Total
2022	\$ (423,338)
2023	(302,262)
2024	(206,091)
2025	(154,919)
2026	59
	<hr/>
	<u>\$ (1,086,551)</u>

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.13, 5.16, 5.21, 5.63, 5.48, 5.57, 5.72 and 6.44 years for the 2021, 2020, 2019, 2018, 2017, 2016, 2015, and 2014 amounts, respectively.

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

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2022**

NOTE 7: PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2016	5.57 years	-
June 30, 2017	5.48 years	-
June 30, 2018	-	5.63 years
June 30, 2019	-	5.21 years
June 30, 2020	5.16 years	-
June 30, 2021	5.13 years	-
Changes in Assumptions		
Year of Pension Plan Deferral:		
June 30, 2016	5.57 years	-
June 30, 2017	-	5.48 years
June 30, 2018	-	5.63 years
June 30, 2019	-	5.21 years
June 30, 2020	-	5.16 years
June 30, 2021	5.13 years	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2017	-	5.00 years
June 30, 2018	-	5.00 years
June 30, 2019	-	5.00 years
June 30, 2020	-	5.00 years
June 30, 2021	-	5.00 years

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2022**

NOTE 7: PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Actuarial Assumptions

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 01, 2020. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2021. This actuarial valuations used the following actuarial assumptions, applied to all periods in the measurement.

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

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021. The actuarial assumptions used in the July 01, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2022

NOTE 7: PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

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 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. 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%

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2022

NOTE 7: PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.16% as of June 30, 2021, based on the Bond Buyer Go 20-Bond Municipal Bond Index. 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 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 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 as disclosed above 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 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Measurement Date June 30, 2021		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's Proportionate Share of the Net Pension Liability	\$ 2,469,295	\$ 1,813,262	\$ 1,256,525

NOTE 7: PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Pension Plan Fiduciary Net Position

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the respective fiduciary net position of the PERS and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by TPAF and PERS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about PERS, please refer to the plan's Annual Comprehensive Financial Report (ACFR) which can be found at www.nj.gov/treasury/pensions.

A. Teacher's Pension Annuity Fund (TPAF)

Plan Description

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

Vesting and Benefit Provisions

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

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7: PENSION PLANS (CONTINUED)

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

Vesting and Benefit Provisions (Continued)

The following represents the membership tiers for TPAF:

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

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

Contributions

The contribution policy for TPAF is set by N.J.S.A 18A:66 and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For Fiscal year 2021, the State's pension contribution was less than the actuarially determined amount.

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2022

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

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

Contributions (Continued)

special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the Commission. However, the notes to the financial statements of the Commission must disclose the portion of the Commission's total proportionate share of the net pension liability that is associated with the Commission. During the fiscal year ended June 30, 2022, the State of New Jersey contributed \$94,443 to the TPAF for normal pension benefits on behalf of the Commission, which is less than the contractually required contribution of \$736,289.

The employee contribution rate was 7.50% effective July 1, 2018.

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

At June 30, 2022, the Commission was not required to report a liability for its proportionate share of the net pension liability because of a 100% special funding situation by the State of New Jersey.

The State's proportionate share of the net pension liability, attributable to the Commission is as follows:

School District's Proportionate Share of the Net Pension Liability	\$ -
State of New Jersey 's Proportionate Share of the Net Pension Liability Associated with the School District	<u>12,078,848</u>
Total	<u><u>\$ 12,078,848</u></u>

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 01, 2020. The total pension liability was calculated through the use of updated procedures to roll forward from

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2022

NOTE 7: PENSION PLANS (CONTINUED)

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

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

the actuarial valuation date to the measurement date of June 30, 2021. For the June 30, 2021 measurement date, the Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State of New Jersey, actuarially determined. At June 30, 2021, Commission's proportion was 0.00% due to the 100% special funding situation with the State of New Jersey. For the June 30, 2021 measurement date, the State's proportionate share of the TPAF net pension liability associated with the Commission was 0.0251249106%, which was a decrease of 0.0014219684% from its proportion measured as of June 30, 2020.

For the fiscal year ended June 30, 2022, the Commission recognized \$284,221 in pension expense and revenue, in the government-wide financial statements, for the State of New Jersey on behalf TPAF pension contributions. This pension expense and revenue was based on the pension plans June 30, 2021 measurement date.

The State reported the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended June 30, 2021:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	\$ 5,289,559,561	\$ 24,224,281,713
Difference Between Expected and Actual Experience	941,265,828	142,774,569
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	<u>-</u>	<u>2,854,036,178</u>
	<u>\$ 6,230,825,389</u>	<u>\$ 27,221,092,460</u>

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7: PENSION PLANS (CONTINUED)

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

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	8.50 years
June 30, 2015	8.30 years	-
June 30, 2016	-	8.30 years
June 30, 2017	8.30 years	-
June 30, 2018	8.29 years	-
June 30, 2019	-	8.04 years
June 30, 2020	-	7.99 years
June 30, 2021	7.93 years	-
Changes in Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	8.50 years	-
June 30, 2015	8.30 years	-
June 30, 2016	8.30 years	-
June 30, 2017	-	8.30 years
June 30, 2018	-	8.29 years
June 30, 2019	-	8.04 years
June 30, 2020	7.99 years	-
June 30, 2021	-	7.93 years
Investment Earnings on Pension Plan		
Year of Pension Plan Deferral:		
June 30, 2017	-	5.00 years
June 30, 2019	-	5.00 years
June 30, 2018	-	5.00 years
June 30, 2020	-	5.00 years
June 30, 2021	-	5.00 years

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

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2022

NOTE 7: PENSION PLANS (CONTINUED)

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

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

Fiscal Year Ending June 30,	Total
2022	\$ (2,914,282,899)
2023	(3,500,098,875)
2024	(4,665,036,366)
2025	(4,192,375,542)
2026	(2,350,648,872)
Thereafter	(3,367,824,517)
	<u>\$ (20,990,267,071)</u>

Actuarial Assumptions

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 01, 2020. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2021. This actuarial valuations used the following actuarial assumptions, applied to all periods in the measurement.

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

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7: PENSION PLANS (CONTINUED)

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

Actuarial Assumptions (Continued)

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

The actuarial assumptions used in the July 01, 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 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:

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2022

NOTE 7: PENSION PLANS (CONTINUED)

Actuarial Assumptions (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. 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. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.16% as of June 30, 2021, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 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 in determining the total pension liability.

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2022

NOTE 7: PENSION PLANS (CONTINUED)

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

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

As previously mentioned, TPAF has a special funding situation where the State pays 100% of the Commission's annual required contribution. As such, the proportionate share of the net pension liability as of June 30, 2021, the pension plans measurement date, attributable to the Commission is \$0, and the State of New Jersey's proportionate share of the net pension liability, attributable to the Commission, using a discount rate of 7.00%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	Measurement Date June 30, 2021		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -
State of New Jersey's Proportionate Share of the Net Pension Liability Associated with the School District	14,318,288	12,101,662	10,239,836
	<u>\$ 14,318,288</u>	<u>\$ 12,101,662</u>	<u>\$ 10,239,836</u>

Pension Plan Fiduciary Net Position

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the respective fiduciary net position of the PERS and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by TPAF and PERS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about PERS, please refer to the plan's Annual Comprehensive Financial Report (ACFR) which can be found at www.nj.gov/treasury/pensions.

NOTE 7: PENSION PLANS (CONTINUED)

C. Defined Contribution Retirement Program (DCRP)

Plan Description

The Defined Contribution Retirement Program (DCRP) is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of Chapter 92, P.L. 2007, and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.). The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan" within the meaning of IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in TPAF or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in TPAF or PERS on or after November 2, 2008, who do not earn the minimum annual salary for Tier 3 enrollment but who earn salary of at least \$5,000.00 annually (The minimum salary in 2018 is \$8,300 and is subject to adjustment in future years); and employees otherwise eligible to enroll in TPAF or PERS after May 21, 2010 who do not work the minimum number of hours per week required for Tiers 4 or 5 enrollment, but who earn salary of at least \$5,000.00 annually. The minimum number of hours is 32 hours per week for local education employees.

Vesting and Benefit Provisions

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

NOTE 7: PENSION PLANS (CONTINUED)

Defined Contribution Retirement Program (DCRP) (Continued)

Contributions

The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the Commission contributes 3% of the employees' base salary, for each pay period, to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period. The actuary determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits and post-retirement medical premiums.

For DCRP, the Commission recognized \$34,271 pension expense for the fiscal year ended June 30, 2022. There were \$62,833 employee contributions to DCRP for the fiscal year ended June 30, 2022.

NOTE 8: POST-RETIREMENT MEDICAL BENEFITS

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

As a result of implementing GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, the post-retirement health benefit program plan is reported in an Agency Fund in the New Jersey Comprehensive Annual Financial Report effective for the fiscal year ended June 30, 2021. Therefore, the plan has no assets accumulated in a trust. In accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension* (GASB No. 75), the plan is classified as a single employer defined benefit OPEB plan with a special funding situation that is not administered through a trust that meets the criteria in paragraph 4 of GASB No. 75.

Plan Description and Benefits Provided

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

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

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2022**

NOTE 8: POST-RETIREMENT MEDICAL BENEFITS (CONTINUED)

Plan Description and Benefits Provided (Continued)

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

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

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

Plan Membership

Membership of the defined benefit OPEB plan consisted of the following at June 30, 2020:

Active Plan Members	213,901
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	150,427
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	-
	<hr/>
Total Plan Members	<u>364,328</u>

NOTE 8: POST-RETIREMENT MEDICAL BENEFITS (CONTINUED)

Measurement Focus and Basis of Accounting

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

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

Investment Valuation

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

Collective Net OPEB Liability

The collective net OPEB liability of the State, as the non-employer contributing entity, of the plan at June 30, 2021 is \$60,007,650,970, and the plan fiduciary net position as a percentage of the total OPEB liability is zero percent.

The total OPEB liabilities were determined based on actuarial valuation as of June 30, 2020 which were rolled forward to June 30, 2021.

Actuarial Methods and Assumptions

In the June 30, 2020 OPEB actuarial valuation, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The Plan selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 75. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

NOTE 8: POST-RETIREMENT MEDICAL BENEFITS (CONTINUED)

Post-Retirement Medical Benefits Contributions

The State Health Benefit 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 No. 75. The State Retired OPEB Plan covers the State, 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. 52:14-17.32, 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

NOTE 8: POST-RETIREMENT MEDICAL BENEFITS (CONTINUED)

Post-Retirement Medical Benefits Contributions (Continued)

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 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

The State 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.

The State sets the contribution rate based on a pay as you go basis rather than the actuarial determined contribution, an amount actuarially determined in accordance with the parameters of GASB Statement 75. The actuarial determined contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any unfunded actuarial liabilities (or funding excess) of the plan using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan. The State's contributions, as a non-employer contributing entity, to the State Health Benefits Program Fund-Local Education Retired for retirees' post-retirement benefits on behalf of the Commission for the fiscal years ended June 30, 2022, 2021, and 2020 were \$239,231, \$233,236 and \$219,885, respectively, which equaled the

NOTE 8: POST-RETIREMENT MEDICAL BENEFITS (CONTINUED)

Post-Retirement Medical Benefits Contributions (Continued)

required contributions for each year. The State's contributions to the State Health Benefits Program Fund – Local Education Retired for PERS retirees' post-retirement benefits on behalf of the Commission was not determined or made available by the State of New Jersey. The on-behalf OPEB contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 85.

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

GASB Statement No. 75 requires participating employers in the State Health Benefit Program Fund – Local Education Retired to recognize their proportionate share of the collective OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense. The non-employer allocation percentages presented are based on the ratio of the State's contributions made as a non-employer toward the actuarially determined contribution amount to total contributions to the plan during the measurement period July 01, 2020 through June 30, 2021. Non-employer allocation percentages have been rounded for presentation purposes.

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

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8: POST-RETIREMENT MEDICAL BENEFITS (CONTINUED)

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

At June 30, 2021, the State had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Actual and Expected Experience	\$ 9,045,886,863	\$ 18,009,362,976
Net Difference Between Expected and Actual Earnings on OPEB Plan Investments	-	-
Assumptions Changes	<u>10,179,536,966</u>	<u>6,438,261,807</u>
Sub Total	19,225,423,829	24,447,624,783
Contributions Made in Fiscal Year Ending 2018 After June 30, 2017 Measurement Date	TBD	Not Available
Total	<u>\$ 19,225,423,829</u>	<u>\$ 24,447,624,783</u>

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

<u>Measurement Period Ending June 30,</u>	<u>Total</u>
2022	\$ (1,182,303,041)
2023	(1,182,303,041)
2024	(1,182,303,041)
2025	(1,182,303,041)
2026	(840,601,200)
Total Thereafter	<u>347,612,410</u>
	<u>\$ (5,222,200,954)</u>

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2022**

NOTE 8: POST-RETIREMENT MEDICAL BENEFITS (CONTINUED)

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

For the fiscal year ended June 30, 2022, the Commission recognized in the district-wide statement of activities (accrual basis) OPEB expense of \$1,061,706. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 85.

At June 30, 2022, the State's proportionate share of the OPEB liability attributable to the Commission is \$22,591,810. The non-employer 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 0.0376482159%, which was a decrease of 0.0011493707% from its proportionate share measured as of June 30, 2020 of 0.0387975866%.

Actuarial Assumptions

The OPEB liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of June 30, 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 2.50%

	<u>TPAF/ABP</u>	<u>PERS</u>	<u>PFRS</u>
Salary Increases:			
Through 2026	1.55 - 4.45% based on service years	2.00 - 6.00% based on service years	3.25 - 15.25% based on service years
Thereafter	2.75 - 5.65% based on service years	3.00 - 7.00% based on service years	Not Applicable

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

NOTE 8: POST-RETIREMENT MEDICAL BENEFITS (CONTINUED)

Actuarial Assumptions (Continued)

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-2021. 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-2021. Disability mortality was based on the Pub-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021 for current disabled retirees. Future disabled retirees was based on the Pub-2010 "Safety" (PFRS), "General" (PERS), and "Teachers" (TPAF/ABP) classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

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

100% of active members are considered to participate in the plan upon retirement.

Health Care Trend Assumption – For pre-Medicare medical benefits, the trend rate is initially 5.65% and decreases to a 4.50% 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 4.5% 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 used to measure the total OPEB liabilities of the plan was as follows:

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2022

NOTE 8: POST-RETIREMENT MEDICAL BENEFITS (CONTINUED)

Discount Rate (Continued)

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2022	June 30, 2021	2.16%
2021	June 30, 2020	2.21%

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

Changes in the Total OPEB Liability

The change in the State's proportionate share of the OPEB liability attributable to the Commission for the fiscal year ended June 30, 2022 (measurement date June 30, 2021) is as follows:

	<u>Commission's Total OPEB Liability (State Share 100%)</u>	<u>State of New Jersey's Total OPEB Liability</u>
Balance at June 30, 2020 Measurement Date	\$ 26,308,629	\$ 67,809,962,608
Changes Recognized for the Fiscal Year:		
Service Cost	988,879	3,217,184,264
Interest on Total OPEB Liability	586,055	1,556,661,679
Changes of Benefit Terms Differences between Expected and Actual Experiences	(24,046) (4,843,332)	(63,870,842) (11,385,071,658)
Effect of Changes of Assumptions	22,289	59,202,105
Contributions - Employees	14,983	39,796,196
Gross Benefits Paid by the State	(461,647)	(1,226,213,382)
Net Changes	<u>(3,716,819)</u>	<u>(7,802,311,638)</u>
Balance at June 30, 2021 Measurement Date	\$ 22,591,810	\$ 60,007,650,970

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2022

NOTE 8: POST-RETIREMENT MEDICAL BENEFITS (CONTINUED)

Changes in the Total OPEB Liability (Continued)

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

The change in the total OPEB liability was based on the State's proportionate share of the OPEB liability attributable to the Commission at June 30, 2021. A change in the total OPEB liability specific to the State's proportionate share of the OPEB liability attributable to the Commission for the fiscal year ended June 30, 2021 was not provided by the pension system.

Sensitivity of OPEB Liability

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the State's proportionate share of the OPEB liability attributable to the Commission calculated using the discount rate of 2.16%, as well as what the State's proportionate share of the OPEB liability attributable to the Commission that would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16%) or 1-percentage-point higher (3.16%) than the current rate:

	<u>At 1% Decrease</u> <u>(1.16%)</u>	<u>At Current</u> <u>Discount Rate</u> <u>(2.16%)</u>	<u>At 1% Increase</u> <u>(3.16%)</u>
Net OPEB Liability (Allocable to the Commission and the responsibility of the State)	\$ 27,061,442	\$ 22,591,810	\$ 19,072,243

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

	<u>1% Decrease</u>	<u>Healthcare Cost</u> <u>Trend Rate</u>	<u>1% Increase</u>
Net OPEB Liability (Allocable to the Commission and the responsibility of the State)	\$ 18,288,144	\$ 22,591,810	\$ 28,371,316

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8: POST-RETIREMENT MEDICAL BENEFITS (CONTINUED)

Sensitivity of OPEB Liability (Continued)

The sensitivity analyses were based on the State's proportionate share of the OPEB liability attributable to the Commission at June 30, 2021. Sensitivity analyses specific to the State's proportionate share of the OPEB liability attributable to the Commission at June 30, 2021 were not provided by the pension system.

NOTE 9: FUND BALANCE APPROPRIATED

General Fund – Of the \$1,437,276 General Fund fund balance at June 30, 2022, it is unreserved and undesignated.

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

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9: FUND BALANCE APPROPRIATED (CONTINUED)

General Fund (Continued)

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

NOTE 10: RESERVED FUND BALANCES – GENERAL FUND

Calculation Of Excess Surplus – In accordance with N.J.S.A. 18A:7F-7, as amended, the designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. At June 30, 2022, there is no excess fund balance.

NOTE 11: RISK MANAGEMENT

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

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

NOTE 12 CONTINGENT LIABILITIES

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

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 13: IMPLEMENTATION OF NEW ACCOUNTING STANDARD AND RESTATEMENT OF NET POSITION

In June of 2017, the GASB issued Statement no. 87, *Leases*. GASB Statement No. 87 requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of GASB Statement No. 87 were effective for reporting periods beginning after June 15, 2021. The School adopted GASB Statement No. 87 effective July 1, 2021. The implementation of GASB Statement No. 87 required retrospective application to prior periods resulting in the restatement of net position and fund balance as of the beginning of the year.

NOTE 14: SUBSEQUENT EVENTS

Subsequent events were evaluated through March 1, 2023, the date the financial statements were available to be issued.

NOTE 15: IMPACT OF COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Commission's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Commission is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2023.

Although the Commission cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material effect on the Commission's results of future operations, financial position, and liquidity in fiscal year 2023.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

SECTION C – BUDGETARY COMPARISON SCHEDULE

BOARD OF EDUCATION
EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
REVENUES:					
Local Sources:					
Other Local Government Units	\$ 1,041,234	\$ (479,488)	\$ 561,746	\$ 561,746	\$ -
Transportation Fees	21,424,600	8,843,771	30,268,371	30,265,207	(3,164)
Other Revenues from Local Sources	1,000	4,937	5,937	136,421	130,484
Total Local Sources	22,466,834	8,369,220	30,836,054	30,963,374	127,320
State Sources:					
On-Behalf TPAF Pension Aid				1,023,928	1,023,928
Reimbursed TPAF Social Security Aid				179,964	179,964
On-Behalf TPAF Post-Retirement Medical Aid				239,231	239,231
On-Behalf TPAF Long-Term Disability Insurance Aid				124	124
Total State Sources	-	-	-	1,443,247	1,443,247
Total Revenues	22,466,834	8,369,220	30,836,054	32,406,621	1,570,567
EXPENDITURES:					
Current Expenses:					
Undistributed Expenditures:					
Health Services:					
Purchased Prof/Tech Services	1,680	17,664	19,344	19,344	-
Total Health Services	1,680	17,664	19,344	19,344	-
Other Support Services Students - Related Services:					
Salaries	135,239	(135,239)	-	-	-
Total Other Support Services Students - Related Services	135,239	(135,239)	-	-	-
Other Support Services Students - Special Services:					
Salaries of Other Professional Staff	162,000	(162,000)	-	-	-
Other Purchased Prof/Tech Services	137,000	(18,326)	118,674	118,674	-
Miscellaneous Purchased Services	750	292	1,042	1,042	-
Supplies and Materials	18,900	13,297	32,197	32,197	-
Other Objects	10,000	2,651	12,651	12,651	-
Total Other Support Services Students - Special Services	328,650	(164,086)	164,564	164,564	-
Support Services General Administration:					
Audit Fees	24,120	2,521	26,641	26,641	-
Purchased Technical Services	12,400	8,252	20,652	20,652	-
Communications/Telephone	38,812	2,557	41,369	40,102	1,267
BOE Other Purchased Services	15,000	8,675	23,675	23,675	-
Other Purchased Services	121,129	(46,994)	74,135	23,358	50,777
General Supplies	14,500	3,164	17,664	15,903	1,761
Equipment		10,000	10,000	9,480	520
Miscellaneous Expenditures	23,500	2,300	25,800	23,508	2,292
BOE Membership Dues and Fees	3,000		3,000	2,625	375
Total Support Services General Administration	252,461	(9,525)	242,936	185,944	56,992

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

BOARD OF EDUCATION
EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
<i>(Continued from Prior Page)</i>					
Support Services School Administration:					
Salaries of Secretarial and Clerical Assistants	\$ 64,718	\$ (64,484)	\$ 234	\$ 234	\$ -
Other Purchased Services	2,100	7,467	9,567	9,567	-
Other Objects		3,707	3,707	3,707	-
Total Support Services School Administration	66,818	(53,310)	13,508	13,508	-
Central Services:					
Salaries	72,140	23,290	95,430	88,895	6,535
Purchased Technical Services	24,000		24,000	18,019	5,981
Miscellaneous Purchased Services		29,539	29,539	29,539	-
Interest for Lease Purchased Agreements	17,713		17,713	28,912	(11,199)
Miscellaneous Expenditures	5,400	1,793	7,193	7,032	161
Total Central Services	119,253	54,622	173,875	172,397	1,478
Other Operation and Maintenance of Plant Services:					
Cleaning, Repair and Maintenance Services	1,000	1,650	2,650	2,650	-
Rental of Land and Buildings					
- Other Than Lease Purchase Agreements	153,000	3,041	156,041	31,649	124,392
Other Purchased Property Services	2,500	25,404	27,904	27,904	-
Energy (Heat and Electricity)	20,000	(2,953)	17,047	13,542	3,505
Total Other Operation and Maintenance of Plant Services	176,500	27,142	203,642	75,745	127,897
Student Transportation Services:					
Salaries for Pupil Transportation (B/T Home & School) - Regular	244,835	99,750	344,585	324,888	19,697
Other Purchased Professional and Technical Services	18,681	6,900	25,581	22,404	3,177
Cleaning, Repair and Maintenance Services	1,000		1,000		1,000
Contracted Services - Aid In Lieu of Payment for Non-public School Students	3,300,000	1,686,725	4,986,725	4,776,116	210,609
Contracted Services - Transportation (B/T Home & School) - Vendors	690,000	38,390	728,390	626,373	102,017
Contracted Services (B/T Home & School) - Joint Agreements	1,400,000	184,964	1,584,964	1,555,432	29,532
Contracted Services (Special Ed Students) - Vendors	13,500,000	6,496,745	19,996,745	19,973,324	23,421
Contracted Services (Special Ed Students) - Joint Agreements	1,650,000	175,000	1,825,000	1,820,916	4,084
Supplies and Materials	11,000	(1,000)	10,000	8,730	1,270
Other Objects	10,000	4,745	14,745	13,180	1,565
Total Student Transportation Services	20,825,516	8,692,219	29,517,735	29,121,363	396,372
Unallocated Benefits - Employee Benefits:					
Social Security Contribution	81,664	(196)	81,468	79,380	2,088
Other Retirement Contributions - Regular	84,361	5,358	89,719	89,718	1
Unemployment Compensation	6,900	8,372	15,272	15,272	-
Workmen's Compensation	36,471	4,087	40,558	40,558	-
Health Benefits	683,594	(143)	683,451	683,451	-
Tuition Reimbursement	3,800	3,385	7,185	7,185	-
Total Unallocated Benefits - Employee Benefits	896,790	20,863	917,653	915,564	2,089
On-Behalf TPAF Pension Contributions (Non-Budgeted)				1,023,928	(1,023,928)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				179,964	(179,964)
On-Behalf TPAF Post-Retirement Medical Contributions (Non-Budgeted)				239,231	(239,231)
On-Behalf TPAF Long-Term Disability Insurance Contributions (Non-Budgeted)				124	(124)
Total Contributions	-	-	-	1,443,247	(1,443,247)

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

BOARD OF EDUCATION
EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
(Continued from Prior Page)					
Total Undistributed Expenditures	\$ 22,802,907	\$ 8,450,350	\$ 31,253,257	\$ 32,111,676	\$ (858,419)
Total Expenditures - Current Expenses	22,802,907	8,450,350	31,253,257	32,111,676	(858,419)
Capital Outlay:					
Facilities Acquisition and Construction Services:					
Lease Purchase Agreements - Principal	235,000		235,000	514,779	(279,779)
Buildings Other Than Lease Purchase Agreements				272,191	(272,191)
Total Facilities Acquisition and Construction Services	235,000	-	235,000	786,970	(551,970)
Total Capital Outlay	235,000	-	235,000	786,970	(551,970)
Total Expenditures	23,037,907	8,450,350	31,488,257	32,898,646	(1,410,389)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(571,073)	(81,130)	(652,203)	(492,025)	160,178
OTHER FINANCING SOURCES (USES):					
Interfund Transfers	571,073	81,129	652,202		(652,202)
Sale or Compensation for Loss of Capital Assets				374,948	374,948
Lease Purchases				319,030	319,030
Total Other Financing Sources (Uses)	571,073	81,129	652,202	693,978	41,776
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	(1)	(1)	201,953	201,954
FUND BALANCES, JULY 1	1,274,574	-	1,274,574	1,274,574	-
PRIOR PERIOD ADJUSTMENTS	39,251	-	39,251	39,251	-
FUND BALANCES, JULY 1, RESTATED	1,235,323	-	1,235,323	1,235,323	-
FUND BALANCES, JUNE 30	\$ 1,235,323	\$ (1)	\$ 1,235,322	\$ 1,437,276	\$ 201,954
RECAPITULATION:					
Unassigned:					
Unassigned Fund Balance				\$ 1,437,276	
				1,437,276	
Reconciliation to Governmental Funds Statement (GAAP):					
Last State Aid Payment Not Recognized on GAAP Basis				-	
Fund Balance Per Governmental Funds (GAAP)				\$ 1,437,276	

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

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

BOARD OF EDUCATION
EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FISCAL YEAR ENDED JUNE 30, 2022

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

	General Fund
Sources/Inflows of Resources	
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	[C-1] \$ 32,406,621
Difference - Budget to GAAP:	
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized	
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	-
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	-
	-
Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds.	[B-2] <u>\$ 32,406,621</u>
Uses/Outflows of resources	
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 32,204,668
Differences - Budget to GAAP:	
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial accounting purposes.	
Transfers to and from other fund are presented as outflows of budgetary resources but are not expenditures for financial accounting purposes.	
Net Transfers (Outflows) to/from general fund.	693,978
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2] <u>\$ 32,898,646</u>

REQUIRED SUPPLEMENTARY INFORMATION – PART III

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

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

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

	Fiscal Year Ending June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
School District's proportion of the net pension liability	0.0151448675%	0.0173103045%	0.0203934298%	0.0190519149%	0.0180772052%	0.0200952128%	0.0249996568%	0.0261517191%	0.0333544542%
School District's proportionate share of the net pension liability	\$ 1,794,137	\$ 2,822,858	\$ 3,574,587	\$ 3,751,227	\$ 4,208,084	\$ 5,951,626	\$ 5,611,922	\$ 4,896,317	\$ 6,374,699
School District's covered payroll (plan measurement period)	\$ 863,020	\$ 998,173	\$ 1,120,642	\$ 1,268,727	\$ 1,397,519	\$ 1,302,476	\$ 1,300,552	\$ 1,400,231	\$ 1,752,290
School District's proportionate share of the net pension liability as a percentage of it's covered employee payroll	207.89%	282.80%	318.98%	295.67%	349.68%	363.79%	431.50%	349.68%	363.79%
Plan fiduciary net position as a percentage of the total pension liability	70.33%	58.32%	56.27%	53.60%	48.10%	40.14%	47.93%	47.92%	48.72%

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

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

	Fiscal Year Ending June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 177,364	\$ 189,366	\$ 189,505	\$ 189,505	\$ 167,466	\$ 178,523	\$ 214,930	\$ 215,591	\$ 251,319
Contributions in relation to the contractually required contribution	(177,364)	(189,366)	(199,035)	(189,890)	(168,324)	(178,964)	(214,930)	(215,591)	(198,459)
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,530)</u>	<u>\$ (385)</u>	<u>\$ (858)</u>	<u>\$ (441)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,860</u>
School District's covered employee payroll	\$ 863,020	\$ 998,173	\$ 1,120,642	\$ 1,268,727	\$ 1,397,519	\$ 1,302,476	\$ 1,300,552	\$ 1,400,231	\$ 1,752,290
Contributions as a percentage of covered employee payroll	20.55%	18.97%	16.91%	14.94%	11.98%	13.71%	16.53%	15.40%	14.34%

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

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

	Fiscal Year Ending June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
State's proportion of the net pension liability attributable of the School District	0.0251249106%	0.0265468790%	0.0277185492%	0.0289084238%	0.0310184317%	0.0328924709%	0.0329276634%	0.0385944861%	0.0437368374%
State's proportionate share of the net pension liability attributable to the School District	\$ 12,078,848	\$ 17,480,800	\$ 17,011,135	\$ 18,390,918	\$ 20,913,745	\$ 25,875,312	\$ 20,811,689	\$ 20,627,497	\$ 22,104,254
School District's covered payroll (plan measurement period)	\$ 2,430,482	\$ 2,563,313	\$ 2,746,243	\$ 2,816,517	\$ 2,917,630	\$ 2,890,550	\$ 2,980,111	\$ 34,418,369	\$ 3,379,176
School District's proportionate share of the net pension liability as a percentage of it's covered employee payroll	496.97%	681.96%	619.43%	652.97%	716.81%	895.17%	698.35%	59.93%	654.13%
Plan fiduciary net position as a percentage of the total pension liability	35.52%	24.60%	26.95%	26.49%	25.41%	22.33%	28.71%	33.64%	33.76%

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

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

	Fiscal Year Ending June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 736,289	\$ 601,560	\$ 557,321	\$ 436,995	\$ 348,310	\$ 261,955	\$ 176,962	\$ 163,945	\$ 283,268
Contributions in relation to the contractually required contribution	(94,443)	(68,167)	(41,674)	(52,074)	(41,442)	(35,076)	(29,655)	(101,658)	(121,985)
Contribution deficiency/(excess)	<u>\$ 641,846</u>	<u>\$ 533,393</u>	<u>\$ 515,647</u>	<u>\$ 384,921</u>	<u>\$ 306,868</u>	<u>\$ 226,879</u>	<u>\$ 147,307</u>	<u>\$ 62,287</u>	<u>\$ 161,283</u>
School District's covered employee payroll	\$ 2,430,482	\$ 2,563,313	\$ 2,746,243	\$ 2,816,517	\$ 2,917,630	\$ 2,890,550	\$ 2,980,111	\$ 34,418,369	\$ 3,379,176
Contributions as a percentage of covered employee payroll	30.29%	23.47%	20.29%	15.52%	11.94%	9.06%	5.94%	0.48%	8.38%

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

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

BOARD OF EDUCATION
EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES

SCHEDULE OF CHANGES IN THE COMMISSION'S PROPORTIONATE SHARE OF TOTAL OPEB LIABILITY AND RELATED RATIOS
TEACHERS PENSION AND ANNUITY FUND AND PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST SIX FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,					
	2022	2021	2020	2019	2018	2017
OPEB Liability at Beginning of Measurement Period	\$ 26,308,629	\$ 16,021,251	\$ 17,221,735	\$ 20,596,446	\$ 22,147,626	\$ -
Changes Recognized for the Fiscal Year:						
Service Cost	988,879	584,190	606,626	698,955	830,984	Not Available
Interest on Total OPEB Liability	586,055	573,485	680,811	754,487	648,389	Not Available
Effect on Changes of Assumptions	22,289	4,805,682	238,878	(1,976,280)	(2,571,062)	Not Available
Contributions from the Employees	14,983	13,882	14,578	15,916	17,566	Not Available
Gross Benefit Paid by the State	(461,647)	(458,012)	(491,805)	(460,503)	(477,057)	Not Available
Net Changes	(3,716,819)	10,287,378	(1,200,484)	(3,374,711)	(1,551,180)	-
OPEB Liability at the End of Measurement Period	<u>\$ 22,591,810</u>	<u>\$ 26,308,629</u>	<u>\$ 16,021,251</u>	<u>\$ 17,221,735</u>	<u>\$ 20,596,446</u>	<u>\$ 22,147,626</u>
Commission's Proportionat Share of the Total OPEB Liability	0.0376482159%	0.0387975866%	0.0383934911%	0.0373485662%	0.0383976635%	0.0382966327%
Commission's Covered Employees Payroll	\$ 3,293,502	\$ 3,561,486	\$ 3,866,885	\$ 4,085,244	\$ 4,315,149	\$ 4,193,026
Total Commission's OPEB Liability as a Percentage of Covered Employee Payroll	685.95%	738.70%	414.32%	421.56%	477.31%	528.20%
Commission's Contributions	None	None	None	None	None	None

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

Note: This schedule does not contain ten years of information as GASB No. 75 was implemented during the fiscal year ended June 30, 2018.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PART III

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEES RETIREMENT SYSTEM
FOR FISCAL YEAR ENDED JUNE 30, 2021

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

A. Benefit Changes

There were none.

B. Changes in Assumptions

The discount rate changed from 7.00% as of June 30, 2020 to 7.00% as of June 30, 2021. Please see Note 7 for details of assumptions used in calculating the net pension liability and statutorily required employer contribution.

NET OPEB LIABILITY (SCHEDULE M-1)

A. Benefit Changes

There were none.

B. Changes in Assumptions

The discount rate changed from 2.21% as of June 30, 2020 to 2.16% as of June 30, 2021. Please see Note 8 for details of assumptions used in calculating the OPEB liability.

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
TEACHERS PENSION AND ANNUITY FUND
FOR FISCAL YEAR ENDED JUNE 30, 2021

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

A. Benefit Changes

There were none.

B. Changes in Assumptions

The discount rate changed from 5.40% as of June 30, 2020 to 7.00% as of June 30, 2021. Please see Note 7 for details of assumptions used in calculating the net pension liability and statutorily required employer contribution.

NET OPEB LIABILITY (SCHEDULE M-1)

A. Benefit Changes

There were none.

B. Changes in Assumptions

The discount rate changed from 2.21% as of June 30, 2020 to 2.16% as of June 30, 2021. Please see Note 8 for details of assumptions used in calculating the OPEB liability.

OTHER SUPPLEMENTARY INFORMATION

**SECTION G – PROPRIETARY FUNDS
DETAIL STATEMENTS**

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

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

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

SECTION I – LONG-TERM DEBT SCHEDULES

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

BOARD OF EDUCATION
 EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
 LONG TERM DEBT
 SCHEDULE OF MCIA BONDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Purpose	Date of Issue	Amount of Issue	Annual Maturities of Bonds Outstanding		Interest Rate	Balance June 30, 2021	Retired Current Year	Balance June 30, 2022
			Date	Amount				
COP'S Refunding and Various Improvements to Commission's School Buildings	3/31/2004	\$ 4,940,000	10/1/2022	\$ 240,000	2.090%	\$ 965,000	\$ 235,000	\$ 730,000
			10/1/2023	240,000	2.090%			
			10/1/2024	250,000	2.090%			
Total						<u>\$ 965,000</u>	<u>\$ 235,000</u>	<u>\$ 730,000</u>

STATISTICAL SECTION (UNAUDITED)

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

FINANCIAL TRENDS

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

	Fiscal Year Ending June 30.									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Governmental Activities										
Net Investment in Capital Assets	\$ -	\$ 403,319	\$ (6,811,293)	\$ 314,311	\$ 279,609	\$ 264,136	\$ 2,373,513	\$ 2,363,214	\$ 2,266,622	\$ 2,175,030
Restricted	-	259,921	259,921	261,257	261,257	255,255	255,255	295,628	524,636	524,636
Unrestricted	<u>(3,037,527)</u>	<u>(3,140,124)</u>	<u>2,430,980</u>	<u>(4,428,431)</u>	<u>(4,031,838)</u>	<u>(4,430,331)</u>	<u>(4,639,720)</u>	<u>(4,676,642)</u>	<u>1,087,623</u>	<u>1,095,502</u>
Total Governmental Activities Net Assets/Position	<u>\$ (3,037,527)</u>	<u>\$ (2,476,884)</u>	<u>\$ (4,120,392)</u>	<u>\$ (3,852,863)</u>	<u>\$ (3,490,972)</u>	<u>\$ (3,910,940)</u>	<u>\$ (2,010,952)</u>	<u>\$ (2,017,800)</u>	<u>\$ 3,878,881</u>	<u>\$ 3,795,168</u>
Business-Type Activities										
Net Investment in Capital Assets	\$ 18,465	\$ 288,739	\$ 476,840	\$ 476,840	\$ 573,410	\$ 476,840	\$ 476,840	\$ 253,577	\$ 380,365	\$ 507,154
Restricted	-	-	-	-	-	-	-	-	6,978	6,978
Unrestricted	<u>139,047</u>	<u>(225,527)</u>	<u>(655,917)</u>	<u>(616,533)</u>	<u>(286,973)</u>	<u>(655,917)</u>	<u>(616,533)</u>	<u>544,362</u>	<u>318,635</u>	<u>217,901</u>
Total Business-Type Activities Net Assets/Position	<u>\$ 157,512</u>	<u>\$ 63,212</u>	<u>\$ (179,077)</u>	<u>\$ (139,693)</u>	<u>\$ 286,437</u>	<u>\$ (179,077)</u>	<u>\$ (139,693)</u>	<u>\$ 797,939</u>	<u>\$ 705,978</u>	<u>\$ 732,033</u>
District-wide										
Net Investment in Capital Assets	\$ 18,465	\$ 692,058	\$ (6,334,453)	\$ 791,151	\$ 853,019	\$ 740,976	\$ 2,850,353	\$ 2,616,791	\$ 2,646,987	\$ 2,682,184
Restricted	-	259,921	259,921	261,257	261,257	255,255	255,255	295,628	531,614	531,614
Unrestricted	<u>(2,898,480)</u>	<u>(3,365,651)</u>	<u>1,775,063</u>	<u>(5,044,964)</u>	<u>(4,318,811)</u>	<u>(5,086,248)</u>	<u>(5,256,253)</u>	<u>(4,132,280)</u>	<u>1,406,258</u>	<u>1,313,403</u>
Total District-wide Net Assets/Position	<u>\$ (2,880,015)</u>	<u>\$ (2,413,672)</u>	<u>\$ (4,299,469)</u>	<u>\$ (3,992,556)</u>	<u>\$ (3,204,535)</u>	<u>\$ (4,090,017)</u>	<u>\$ (2,150,645)</u>	<u>\$ (1,219,861)</u>	<u>\$ 4,584,859</u>	<u>\$ 4,527,201</u>

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

	Fiscal Year Ending June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Expenses										
Governmental Activities:										
Instruction:										
Regular	\$ -	\$ -	\$ 1,155,494	\$ 1,254,097	\$ 1,068,915	\$ -	\$ -	\$ -	\$ 1,556	\$ -
Special Education	92,280	183,407	183,691	1,289,438	1,431,674	4,715,502	4,017,730	3,036,154	2,519,840	2,516,032
Support Services:										
Student and Instruction Related Services	183,908	263,617	3,313,446	3,896,746	3,615,036	4,002,036	3,469,026	2,992,861	2,708,871	2,823,887
General and Business Administration Services	2,888,701	1,486,181	2,720,727	3,256,755	3,438,325	659,995	554,039	357,766	385,061	346,290
School Administrative Services	13,508	26,779	9,693	195,062	66,380	936,870	734,365	784,179	781,389	899,184
Plant Operations and Maintenance	75,745	176,731	405,871	443,890	396,537	455,417	427,005	394,660	424,484	409,460
Pupil Transportation	29,121,363	18,107,847	19,248,420	17,611,930	15,437,531	17,832,215	17,207,719	16,770,316	16,538,089	16,149,219
Capital Outlay	1,477,991	222,015	227,411	217,931	217,103	-	-	-	-	-
Interest on Long-Term Debt	11,199	-	-	-	-	-	40,373	59,008	-	-
Unallocated Amortization	240,051	-	-	-	-	-	-	-	-	-
Total Governmental Activities Expenses	34,104,746	20,466,577	27,264,753	28,165,849	25,671,501	28,602,036	26,450,257	24,394,964	23,359,290	23,144,072
Business-Type Activities:										
Food Service	38,352	28,122	30,098	41,038	53,417	51,853	50,480	50,544	58,599	53,418
Central Park School (Formerly Regional Day)	3,359,985	3,319,382	3,674,162	1,620,784	2,192,486	2,556,739	2,627,702	2,940,373	3,469,956	3,376,680
DOSS (Formerly BOSS)	352,774	339,957	358,316	387,493	414,554	378,355	347,634	414,421	445,516	283,357
Transportation Leasing	193,781	1,445,819	1,789,939	2,208,766	2,334,100	1,595,410	1,175,243	1,084,348	974,398	771,703
Services for Special Revenue	6,289,276	3,434,642	-	-	-	-	-	-	-	-
Total Business-Type Activities Expenses	10,234,168	8,567,922	5,852,515	4,258,081	4,994,557	4,582,357	4,201,059	4,489,686	4,948,469	4,485,158
Total District Expenses	\$ 44,338,914	\$ 29,034,499	\$ 33,117,268	\$ 32,423,930	\$ 30,666,058	\$ 33,184,393	\$ 30,651,316	\$ 28,884,650	\$ 28,307,759	\$ 27,629,230
Program Revenues										
Governmental Activities:										
Charges for Services	\$ 30,265,207	\$ 20,203,240	\$ 19,932,705	\$ 18,149,674	\$ 15,903,597	\$ 17,909,887	\$ 17,243,077	\$ 17,106,950	\$ 16,912,766	\$ 16,417,352
Operating Grants and Contributions	2,504,953	1,155,888	6,246,634	5,925,004	5,977,383	6,177,478	4,909,428	3,268,607	2,678,782	2,741,818
Capital Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities Expenses	32,770,160	21,359,128	26,179,339	24,074,678	21,880,980	24,087,365	22,152,505	20,375,557	19,591,548	19,159,170
Business-Type Activities:										
Charges for Services	8,124,229	3,160	2,881	3,485	6,436	4,078,361	4,344,032	4,562,711	4,897,559	4,423,167
Operating Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Capital Grants and Contributions	2,204,239	-	-	-	-	386,612	-	-	-	-
Total Business-Type Activities Expenses	10,328,468	3,160	2,881	3,485	6,436	4,464,973	4,344,032	4,562,711	4,897,559	4,423,167
Total District Program Revenues	\$ 43,098,628	\$ 21,362,288	\$ 26,182,220	\$ 24,078,163	\$ 21,887,416	\$ 28,552,338	\$ 26,496,537	\$ 24,938,268	\$ 24,489,107	\$ 23,582,337
Net (Expense)/Revenue										
Governmental Activities	\$ (1,334,586)	\$ 892,551	\$ (1,085,414)	\$ (4,091,171)	\$ (3,790,521)	\$ (4,514,671)	\$ (4,297,752)	\$ (4,019,407)	\$ (3,767,742)	\$ (3,984,902)
Business-Type Activities	94,300	(8,564,762)	(5,849,634)	(4,254,596)	(4,988,121)	(117,384)	142,973	73,025	(50,910)	(61,991)
Total District-wide Net Expense	\$ (1,240,286)	\$ (7,672,211)	\$ (6,935,048)	\$ (8,345,767)	\$ (8,778,642)	\$ (4,632,055)	\$ (4,154,779)	\$ (3,946,382)	\$ (3,818,652)	\$ (4,046,893)

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

	Fiscal Year Ending June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Other Local Government Units	\$ 513,464	\$ 715,713	\$ 709,426	\$ 816,287	\$ 784,172	\$ 1,035,193	\$ 933,214	\$ 1,045,638	\$ 998,593	\$ 1,154,185
Investment Earnings	-	-	-	-	-	-	-	6	2	2
Tuition Revenue	-	-	-	2,918,361	3,440,049	3,721,197	3,526,771	3,203,599	2,789,774	2,716,638
Miscellaneous Income	559,651	35,244	108,459	30,634	18,768	12,094	799	51,419	87,942	59,435
Loss on Disposal of Fixed Assets	-	-	-	-	-	(2,131,439)	-	-	-	-
Refunding Debt Increase	-	-	-	-	-	-	(135,000)	-	-	-
Transfer	(259,921)	-	-	(36,002)	(24,101)	(22,362)	(21,173)	(18,938)	(24,855)	(24,307)
Total Governmental Activities	813,194	750,957	817,885	3,729,280	4,218,888	2,614,683	4,304,611	4,281,724	3,851,456	3,905,953
Business-Type Activities:										
Transfer	-	-	-	36,002	24,101	22,362	21,173	18,938	24,855	24,307
Total Business-Type Activities	-	-	-	36,002	24,101	22,362	21,173	18,938	24,855	24,307
Total District-wide	\$ 813,194	\$ 750,957	\$ 817,885	\$ 3,765,282	\$ 4,242,989	\$ 2,637,045	\$ 4,325,784	\$ 4,300,662	\$ 3,876,311	\$ 3,930,260
Change in Net Position										
Governmental Activities	\$ (521,392)	\$ 1,643,508	\$ (267,529)	\$ (361,891)	\$ 428,367	\$ (1,899,988)	\$ 6,859	\$ 262,317	\$ 83,714	\$ (78,949)
Business-Type Activities	94,300	(8,564,762)	(5,849,634)	(4,218,594)	(4,964,020)	(95,022)	164,146	91,963	(26,055)	(37,684)
Total District	\$ (427,092)	\$ (6,921,254)	\$ (6,117,163)	\$ (4,580,485)	\$ (4,535,653)	\$ (1,995,010)	\$ 171,005	\$ 354,280	\$ 57,659	\$ (116,633)

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

	Fiscal Year Ending June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
General Fund										
Assigned/Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unassigned/Unreserved	1,437,276	1,274,574	354,455	974,769	1,620,715	1,738,821	1,582,264	1,508,764	1,269,561	1,269,559
Total General Fund	<u>\$ 1,437,276</u>	<u>\$ 1,274,574</u>	<u>\$ 354,455</u>	<u>\$ 974,769</u>	<u>\$ 1,620,715</u>	<u>\$ 1,738,821</u>	<u>\$ 1,582,264</u>	<u>\$ 1,508,764</u>	<u>\$ 1,269,561</u>	<u>\$ 1,269,559</u>
All Other Governmental Funds										
Assigned/Reserved	\$ -	\$ 259,921	\$ 259,921	\$ 261,257	\$ 261,257	\$ 255,255	\$ 295,628	\$ 524,636	\$ 524,636	\$ 524,636
Unassigned/Unreserved, Reported In: Capital Projects Fund	-	-	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	<u>\$ -</u>	<u>\$ 259,921</u>	<u>\$ 259,921</u>	<u>\$ 261,257</u>	<u>\$ 261,257</u>	<u>\$ 255,255</u>	<u>\$ 295,628</u>	<u>\$ 524,636</u>	<u>\$ 524,636</u>	<u>\$ 524,636</u>

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

Fiscal Year Ending June 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Revenues:										
Local Sources:										
Other Local Government Units	\$ 561,746	\$ 715,713	\$ 711,662	\$ 819,087	\$ 784,172	\$ 1,035,194	\$ 933,214	\$ 1,045,638	\$ 998,593	\$ 1,154,185
Tuition	-	-	-	2,918,361	3,440,049	3,721,198	3,526,771	3,203,599	2,789,774	2,716,638
Transportation Fees	30,265,207	20,203,240	19,932,705	18,149,674	15,903,597	17,909,887	17,243,077	17,106,950	16,912,766	16,417,352
Interest In Investments	-	-	-	-	-	-	-	6	2	2
Miscellaneous	136,421	35,244	106,223	27,834	18,768	12,093	799	51,419	87,942	59,435
State Sources	1,443,247	1,155,888	4,748,577	4,509,304	4,032,585	3,613,751	3,124,513	2,949,628	2,431,014	2,547,761
Federal Sources	-	-	1,046,606	723,348	741,092	619,556	514,173	318,979	247,768	194,057
Total Revenues	32,406,621	22,110,085	26,545,773	27,147,608	24,920,263	26,911,679	25,342,547	24,676,219	23,467,859	23,089,430
Expenditures:										
Instruction:										
Regular	-	-	1,466,845	1,254,097	1,068,915	-	-	-	1,556	-
Special Education	-	-	-	1,104,789	1,245,126	2,767,896	2,417,455	2,209,935	1,622,541	1,455,493
Support Services:										
Student and Instructional Related Services	183,908	263,617	2,889,630	3,896,746	3,615,036	2,922,639	2,587,605	2,535,354	2,212,810	2,330,152
General and Business Administration Services	347,142	373,697	368,252	568,330	600,307	272,457	248,749	221,232	222,333	152,406
School Administrative Services	13,508	26,779	9,693	195,062	66,380	617,672	600,421	604,532	617,638	719,655
Plant Operations and Maintenance	75,745	176,731	405,871	443,890	396,537	357,979	351,303	368,985	393,571	373,348
Pupil Transportation	29,121,363	18,107,847	19,248,420	17,611,930	15,437,531	17,288,382	16,792,755	16,626,575	16,373,585	15,958,300
Employee Benefits	2,358,811	2,011,295	2,550,514	2,460,846	2,361,331	2,272,867	2,030,880	1,851,466	1,833,967	2,107,696
Capital Outlay	798,169	230,000	226,862	221,862	217,103	232,870	218,707	-	165,000	155,000
Debt Service:										
Interest and Other Charges	-	-	-	-	-	-	40,373	229,008	-	-
Total Expenditures	32,898,646	21,189,966	27,166,087	27,757,552	25,008,266	26,732,762	25,288,248	24,647,087	23,443,001	23,252,050
Excess (Deficiency) of Revenues Over (Under) Expenditures	(492,025)	920,119	(620,314)	(609,944)	(88,003)	178,917	54,299	29,132	24,858	(162,620)
Other Financing Sources (Uses):										
Transfer to Food Service	-	-	-	(36,002)	(24,101)	(22,362)	(21,173)	(18,944)	(24,857)	(24,309)
Transfers In	-	-	-	-	-	-	-	6	2	2
Transfers to Escrow	(259,921)	-	-	-	-	-	-	-	-	-
Sale or Compensation for Loss of Fixed Assets	374,948	-	-	-	-	-	-	-	-	-
Lease Purchases	319,030	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	434,057	-	-	(36,002)	(24,101)	(22,362)	(21,173)	(18,938)	(24,855)	(24,307)
Net Change in Fund Balance	\$ (57,968)	\$ 920,119	\$ (620,314)	\$ (645,946)	\$ (112,104)	\$ 156,555	\$ 33,126	\$ 10,194	\$ 3	\$ (186,927)
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.16%	0.93%	0.00%	0.00%

Source: District records

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

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

Fiscal Year Ending June 30,	Interest	Prior Year Refunds	Miscellaneous Revenue	Annual Total
2022	\$ -	\$ 130,484	\$ 54,219	\$ 184,703
2021	-	38,194	(2,950)	35,244
2020	-	70,357	38,102	108,459
2019	-	4,760	25,874	30,634
2018	-	588	12,178	12,766
2017	-	-	12,094	12,094
2016	-	-	799	799
2015	6	-	51,419	51,425
2014	2	-	87,942	87,944
2013	2	-	59,435	59,437

Source: District records

DEMOGRAPHIC AND ECONOMIC INFORMATION

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

<u>Year</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2021	N/A	2.30%
2020	N/A	5.70%
2019	N/A	5.30%
2018	N/A	2.60%
2017	N/A	3.60%
2016	86,582	3.90%
2015	83,876	4.20%
2014	80,783	4.90%
2013	80,013	6.30%
2012	77,213	7.30%

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

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

Employer	2022			2013		
	Employees	Rank	Percentage of Total Municipal Employment	Employees	Rank	Percentage of Total Municipal Employment
Company	N/A		N/A	N/A		N/A
Individual	N/A		N/A	N/A		N/A
	-		0.00%	-		0.00%

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

OPERATING INFORMATION

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

Function/Program	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Instruction:										
Special Education	55	56	54	55	56	56	50	50	55	57
Support Services:										
Student and Instruction Related Services	4	4	4	4	4	4	5	5	5	4
General and Business Administration Services	4	4	4	4	4	4	4	4	4	4
School Administrative Services	2	2	2	2	4	4	4	4	4	4
Plant Operations and Maintenance	2	1	1	2	2	2	2	2	2	2
Pupil Transportation	-	19	19	18	15	15	15	14	14	13
Total	67	86	84	85	85	85	80	79	84	84

Source: District Personnel Records

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

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

Fiscal Year	Enrollment	Central Park School Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	Percent Change in Average Daily Enrollment	Student Attendance Percentage
2022	32.46	\$ 3,393,953	\$ 104,558	13.10%	44	1:2	32.46	27.7	-13.49%	85.34%
2021	36.84	3,347,371	90,862	-1.73%	46	1:2	36.84	33.53	-9.66%	91.02%
2020	40.04	3,701,045	92,434	-13.44%	49	1:2	40.40	37.28	25.50%	92.28%
2019	30.10	3,156,197	104,857	11.69%	59	1:0	30.10	29.24	-100.00%	97.14%
2018	60.20	5,574,367	92,597	2.10%	59	1:0	60.20	54.10	-14.95%	89.87%
2017	69.20	6,273,388	90,656	8.15%	60	1:2	69.20	62.90	-5.92%	90.90%
2016	73.30	6,103,332	83,265	9.50%	55	1:3	73.30	67.70	-7.09%	92.36%
2015	78.50	5,915,560	75,357	-1.51%	55	1:4	78.50	73.00	-2.55%	92.99%
2014	80.50	6,157,840	76,495	2.39%	55	1:5	80.50	72.30	-3.23%	89.81%
2013	83.10	6,204,865	74,667	5.02%	57	1:5	83.10	74.40	-14.68%	89.53%

Sources: District records

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Commission Buildings</u>										
Park Lake School										
Square Feet		14,190	14,190	14,190	14,190	14,190	14,190	14,190	14,190	14,190
Capacity (students)		110	110	110	110	110	110	110	110	110
Enrollment		0	0	32.1	39	44	42	37	37	39
Central Park School										
Square Feet	21,590	21,590	21,590	21,590	21,590	21,590	21,590	21,590	21,590	21,590
Capacity (students)	100	100	100	100	100	100	100	100	100	100
Enrollment	32	36	18.4	18.4	25	25	31	44	44	44

Number of Schools at June 30, 2022
 Elementary = 1

Source: District Facilities Office

Note: Increases in square footage and capacity are the result of and additions.
 Enrollment is based on the annual October District count.

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

BOARD OF EDUCATION
 EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
 INSURANCE SCHEDULE
 JUNE 30, 2022
 UNAUDITED

A) Property Policy

On File	Blanket, Buildings, Contents
\$7,129,449	Business Interruption/Extra Expense

Sub-Limits:

\$5,000,000	Earthquake (Annual Aggregate)
\$5,000,000	Flood Categories:
\$5,000,000	Flood Zone X - \$100,000 Deductible
\$250,000	Flood Zone C - \$50,000 Deductible
\$25,000	Debris Removal
\$100,000	Fire Department Service Charge
	Pollutants Clean Up and Removal

B) Boilers & Machinery Policy:

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

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

D) Liability

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

E) Crime

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

\$1,000,000	
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Source: District records.

SINGLE AUDIT SECTION

BARRE & COMPANY LLC
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K-1
Page 1

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Educational Services Commission of Morris County (Commission), in the County of Morris, State of New Jersey, as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements as listed in table of contents and have issued our report thereon dated March 1, 2023.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

We also noted other matters that we reported to the Board of Trustees of the Educational Services Commission of Morris County in a separate report entitled, Auditor's Management Report on Administrative Findings dated March 1, 2023.

Purpose of this Report

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


BARRE & COMPANY LLC
Certified Public Accountants
Public School Accountants


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

Union, New Jersey
March 1, 2023

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K-2
Page 1

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY NEW JERSEY OMB CIRCULAR 15-08**

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

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the compliance of the Educational Services Commission of Morris County (School Commission), in the County of Morris, State of New Jersey, with the types of compliance requirements identified as subject to audit in the *New Jersey OMB Circular 15-08 State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the School Commission's major state programs for the year ended June 30, 2022. The School Commission's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Educational Services Commission of Morris County, in the County of Morris, State of New Jersey, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements*,

Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance); and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Our responsibilities under those standards, the Uniform Guidance, and New Jersey OMB Circular 15-08 are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Educational Services Commission of Morris County 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 state program. Our audit does not provide a legal determination of Educational Services Commission of Morris County'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 Educational Services Commission of Morris County's federal and state 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 Educational Services Commission of Morris County'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*, audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, U.S. Uniform Guidance and New Jersey OMB Circular 15-08 will always detect material noncompliance when it exists. The risk of not detecting material 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 Educational Services Commission of Morris County's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, U.S. 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 Educational Services Commission of Morris County'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 Educational Services Commission of Morris County'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 New Jersey Circular 15-08-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid but not for the purpose of expressing an opinion on the effectiveness of Educational Services Commission of Morris County'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.

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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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 that the testing based on the requirements of the Uniform Guidance and New Jersey OMB's Circular 15-08. Accordingly, this report is not suitable for any other purposes.


BARRE & COMPANY LLC
Certified Public Accountants
Public School Accountants


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

Union, New Jersey
March 1, 2023

BOARD OF EDUCATION
EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

State Grants/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2021		Cash Received	Budgetary Expenditures	Adjustments/Repayment of Prior Year's Balances	Balance at June 30, 2022		Due to Grantor	Budgetary Receivable	MEMO Cumulative Total Expenditures
			From	To	Unexpended Revenue (Accounts Receivable)	Unexpended Revenue/Inflund Payable (Accounts Receivable)								
State Department of Education														
General Fund:														
Other General Funds:														
On-Behalf TPAF Post-Retirement Medical Contribution	22-495-034-5094-001	\$ 239,231	7/1/21	6/30/22	\$ -	\$ -	\$ 239,231	\$ (239,231)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 239,231
On-Behalf TPAF Pension Contributions	22-495-034-5094-002	1,023,928	7/1/21	6/30/22		1,023,928		(1,023,928)						1,023,928
Reimbursed TPAF - Social Security	22-495-034-5094-003	179,964	7/1/21	6/30/22		160,616		(179,964)		(19,348)			19,348	179,964
Reimbursed TPAF - Social Security	21-495-034-5094-003	178,300	7/1/20	6/30/21	(6,614)	8,614								
On-Behalf TPAF Non-Contributory Insurance	22-495-034-5094-004	124	7/1/21	6/30/22		124		(124)						124
					\$ (6,614)	\$ -	\$ 1,432,513	\$ (1,443,247)	\$ -	\$ (19,348)	\$ -	\$ -	\$ 19,348	\$ 1,443,247
Total State Financial Assistance														
State Financial Assistance Not Subject to Major Program Determination:														
Major Program Determination:														
General Fund:														
On-Behalf TPAF Post-Retirement Medical Contrib	22-495-034-5094-001	239,231	7/1/21	6/30/22		(239,231)		239,231						(239,231)
On-Behalf TPAF Pension Contributions	22-495-034-5094-002	1,023,928	7/1/21	6/30/22		(1,023,928)		(1,023,928)						(1,023,928)
On-Behalf TPAF Non-Contributory Insurance	22-495-034-5094-004	124	7/1/21	6/30/22		(124)		124						(124)
						(4,263,263)		1,263,263						(1,263,263)
					\$ (6,614)	\$ -	\$ 169,230	\$ (179,964)	\$ -	\$ (19,348)	\$ -	\$ -	\$ 19,348	\$ 179,964
Total State Financial Assistance Subject to Major Program Determination														

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

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE
FINANCIAL ASSISTANCE
JUNE 30, 2022**

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the board's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements. This does not apply to charter schools as districts are not permitted to defer the June payments to charter schools.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE
FINANCIAL ASSISTANCE
JUNE 30, 2022**

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

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

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

	Federal	State	Total
General Fund	\$ -	\$ 1,443,247	\$ 1,443,247
Special Revenue Fund	-	-	-
Food Service Fund	-	-	-
Total Awards & Financial Assistance	\$ -	\$ 1,443,247	\$ 1,443,247

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. FEDERAL AND STATE LOANS OUTSTANDING

Educational Services Commission of Morris County has no loan balances outstanding at June 30, 2022.

**EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE
FINANCIAL ASSISTANCE
JUNE 30, 2022**

NOTE 6. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amounts reported as TPAF Pension Contributions, TPAF Post-Retirement Medical Contributions, and TPAF Long-Term Disability Insurance Contributions represent the amount paid by the State on behalf of the school district for the year ended June 30, 2022. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2022.

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

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

NOTE 8. INDIRECT COST RATE

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

NOTE 9. SCHOOLWIDE PROGRAM FUNDS

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

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors’ report issued on financial statements Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified? Yes X No

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

Noncompliance material to basic financial statements noted? Yes X No

Federal Awards – N/A

State Awards

Internal control over compliance:

1) Material weakness(es) identified? Yes X No

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

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

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

Identification of major state programs:

GMIS Number(s)	Name of State Program
22-495-034-5094-003	Reimbursed TPAF – Social Security

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

Auditee qualified as low-risk auditee? X Yes No

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Section II – Financial Statement Findings – N/A

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

Finding

There were no matters reported.

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

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

STATE AWARDS – N/A

Findings

There were no matters reported

EDUCATIONAL SERVICES COMMISSION OF MORRIS COUNTY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

STATUS OF PRIOR YEAR FINDINGS – N/A

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

Findings

There were no matters reported.