

**Annual Comprehensive
Financial Report**

of the

Hunterdon County Educational Services Commission

County of Hunterdon

Califon, New Jersey

For the Fiscal Year Ended June 30, 2023

Prepared by

**Hunterdon County Educational Services Commission
Business Office**

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INTRODUCTORY SECTION



Hunterdon County Educational Services Commission

Administration
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Califon, New Jersey 07830
phone: (908) 439-4280
fax: (908) 975-3753

www.hunterdonesc.org

Corinne Steinmetz, Superintendent
Heidi Gara, SBA/Board Secretary

February 23, 2024

Honorable President and
Members of the Representative Assembly/Board of Directors
Hunterdon County Educational Services Commission
37 Hoffmans Crossing Road
Califon, NJ 07830

Dear Board Members:

The Annual Comprehensive Financial Report of the Hunterdon County Educational Services Commission for the fiscal year ended June 30, 2023 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Representative Assembly/Board of Directors. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the Commission. All disclosures necessary to enable the reader to gain an understanding of the Commission's financial activities have been included.

The annual comprehensive financial report is presented in four sections: introductory, financial, statistical, and single audit. The introductory section includes this transmittal letter and a list of principal officials. The financial section includes the basic financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The Commission is required to undergo an annual single audit in conformity with the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and State of 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 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.

"Challenging the conventional and doing the impossible."

1) REPORTING ENTITY AND ITS SERVICES: Under the provisions of NJSA 18A, Article 6, the State Board of Education authorized the establishment of The Hunterdon County Educational Services Commission on July 1, 1980 upon petition by Hunterdon County's 27 school districts. An Educational Services Commission is established to provide savings to taxpayers by recognizing that many state and federally mandated educational services can be delivered in a more cost-effective manner when done so on a coordinated, countywide basis. The Commission provides a variety of services and programs cooperatively for the school districts of Hunterdon County and surrounding areas. Thus, the Commission operates as a special public school district designed to provide cost savings to its member districts through shared services. The Commission also offers a variety of adult and community programs and services with a focus on high risk populations. The Commission has no local tax base and receives no state aid for its operations. Its income is derived primarily from fees for services and tuition with a small amount raised from various grants.

Hunterdon County Educational Services Commission is an independent reporting entity within the criteria adopted by Governmental Accounting Standards Board (GASB) as established by National Council on Governmental Accounting (NCGA) Statement No. 3 All funds and account groups of the Commission are included in this report. The Hunterdon County Educational Services Commission and its schools constitute the Commission's reporting entity.

2) ECONOMIC CONDITION AND OUTLOOK: The Hunterdon County Educational Services Commission has been expanding and diversifying over the past few years. This expansion and diversification, in addition to ongoing improvement of established programs and services, are expected to continue in order to help school districts and our community maximize their assets, share services, and expand their educational options.

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

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

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

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

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

6) FINANCIAL INFORMATION AT FISCAL YEAR-END: As demonstrated by the various statements and schedules included in the financial section of this report, the Commission continues to meet its responsibility for sound financial management. You should review in detail the management's discussion and analysis for the fiscal year ended June 30, 2023, for Financial Summaries.

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

8) RISK MANAGEMENT: The Commission carries various forms of insurance, including but not limited to general liability, automobile liability, workers' compensation, errors and omission, cyber liability, environmental liability, automotive comprehensive and collision, hazard and theft on property and contents, professional and fidelity bonds.

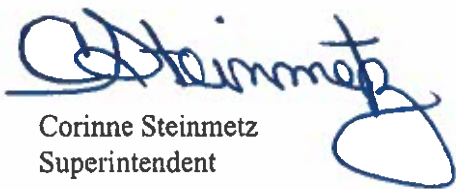
9) OTHER INFORMATION: Independent Audit—State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm, Suplee, Clooney & Company CPAs, was selected by the Board of Directors. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act as amended and the related Uniform Guidance and State Treasury Circular Letter 15-08. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

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


Appreciation is expressed to the members of the Commission's Board of Directors for their concern for providing fiscal accountability to the districts that use the Commission's services and thereby contributing their support to the development and maintenance of our financial operations. Special appreciation is expressed to the members of the Representative Assembly/Board of Directors and Commission staff for their dedication, time, and expertise in making 2022-2023 a rewarding year.

Collaboration with and support from member districts is appreciated. The collaboration and support is key in providing necessary services and evaluating additional services needed by member districts and their communities .

Respectfully submitted,



Corinne Steinmetz
Superintendent



Heidi Gara
School Business Administrator/
Board Secretary

**HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
LEBANON, NEW JERSEY**

**ROSTER OF OFFICIALS
June 30, 2024**

<u>Members of the Commission</u>	<u>Term Expires</u>
Charles Miller, President – East Amwell Township	1/2/2024
April Abelman, Alexandria Township	1/2/2024
Gabriel Wickizer, Bedminster	1/2/2024
Dr. Edward Abato, Bethlehem	1/2/2024
Dr. Jennifer Marycz, Bloomsbury	1/2/2024
Rebecca Kip-Newbold, Califon	1/2/2024
Seth Cohen, Clinton Borough / Glen Gardner	1/2/2024
Catherine Emory, Clinton Township	1/2/2024
Mary Lyons - Delaware Township	1/2/2024
Deborah Culberson, Delaware Valley Regional High School	1/2/2024
Kari McGann, Flemington / Raritan	1/2/2024
Nicholas Diaz, Franklin Township (Hunterdon)	1/2/2024
William Grippo, Franklin Township (Somerset)	1/2/2024
Adam Blackurn, Frenchtown	1/2/2024
Daniel Kerr, Hampton	1/2/2024
Gregory Hobough, High Bridge	1/2/2024

**HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
LEBANON, NEW JERSEY**

**ROSTER OF OFFICIALS (CONTINUED)
June 30, 2024**

<u>Members of the Commission</u>	<u>Term Expires</u>
James Muller, Holland Township	1/2/2024
Sue Dugan, Hunterdon Central Regional High School	1/2/2024
Dr. Todd Bonsall, Hunterdon County Polytech	1/2/2024
Donna Herbel, Kingwood	1/2/2024
Bruce Arcurio, Lebanon Borough	1/2/2024
Jason Kornegay, Lebanon Township	1/2/2024
Teresa Kane, Milford	1/2/2024
Jeffrey Bender, North Hunterdon / Voorhees Regional	1/2/2024
Michele Mencer, Readington Township	1/2/2024
Anthony Suozzo, South Hunterdon Regional High School	1/2/2024
James Charniga, Tewksbury	1/2/2024
Nicholas Diaz, Union Township	1/2/2024

Other Officials

Corinne Steinmetz, Superintendent

Heidi Gara, Board Secretary/Business Administrator

**HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
LEBANON, NEW JERSEY**

CONSULTANTS AND ADVISORS

Audit Firm

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Westfield, New Jersey 07090

Attorney

Comegno Law Group
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FINANCIAL SECTION



SUPLEE, CLOONEY & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Directors
Hunterdon County Educational Services Commission
County of Hunterdon
Califon, New Jersey 07830

Report on the Audit of 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 Hunterdon County Educational Services Commission, in the County of Hunterdon, State of New Jersey (the "Commission") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the 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 Commission as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey, the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the "Uniform Guidance") the audit requirements of State of New Jersey OMB Circular 15-08 "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards and provisions are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

SUPLEE, CLOONEY & COMPANY LLC

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, for the year ended June 30, 2023, the Commission adopted Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, the Uniform Guidance, the State of New Jersey OMB Circular 15-08 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 generally accepted auditing standards the Uniform Guidance, the State of New Jersey OMB Circular 15-08 and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

SUPLEE, CLOONEY & COMPANY LLC

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying supplementary information schedules and data such as the combining statements and individual fund financial statements, and the Schedules of Expenditures of Federal Awards and State Financial Assistance, as listed in the table of contents, as required by the Uniform Guidance, New Jersey's OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid," and the State of New Jersey, Department of Education, Division of Finance, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and the schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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.

SUPLEE, CLOONEY & COMPANY LLC

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 23, 2024 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commission's internal control over financial reporting and compliance.


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 962

February 23, 2024

REQUIRED SUPPLEMENTARY INFORMATION – PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

**HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
HUNTERDON COUNTY, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023
UNAUDITED**

The Management's Discussion and Analysis of the Hunterdon County Educational Services Commission (the "Commission") offers readers of the Commission's financial statements a narrative overview of the financial activities for the fiscal year ended June 30, 2023. The intent of this discussion is to look at the Commission's financial performance as a whole; therefore readers should also review the transmittal letter at the front of this report, along with the Commission's financial statements and notes to the financial statements to enhance their understanding of the Commission's financial performance.

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

Financial Highlights

In the Commission-wide Financial Statements (Exhibit A-2):

- Net position of Governmental Activities increased \$2,684,857.28.
- Net position of the Business-type Activities increased by \$1,582,193.63.

In the Major Fund Financial Statements (Exhibit B-2 and Exhibit B-5):

- Governmental fund revenues exceeded expenditures by \$513,551.91.
- Proprietary fund revenues exceeded expenditures by \$1,582,193.63.

**HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
HUNTERDON COUNTY, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023
UNAUDITED**

Overview of the Financial Statements

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

- Commission-wide Financial Statements provide both short-term and long-term information about the Commission's overall financial status.
- Major Fund Financial Statements report the Commission's operations in more detail than the Commission-wide statements on individual parts of the Commission, the Governmental Funds and Proprietary Funds.
- Governmental Funds Statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- Proprietary Funds Statements offer short and long-term financial information about the activities the Commission operates like a business, which include transportation, tech services, purchasing and extraordinary services.

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

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

**HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
HUNTERDON COUNTY, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023
UNAUDITED**

Commission-wide Financial Statements

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

The Commission-wide Financial Statements report the Commission's net position and how it has changed. Net position, the difference between the Commission's assets and liabilities, is one way to measure the Commission's financial health or position. Over time, increases or decreases in the Commission's net position is an indicator of whether its financial position has improved or diminished. The causes of this change may be a result of many factors, some financial and some not. Non-financial factors include current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

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

- Governmental activities - All of the Commission's programs and services are reported here including, but not limited to regular and special education instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- Business-type activities - These services are provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Commission charges fees to help it cover the costs of certain services it provided.

Fund Financial Statements

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

**HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
HUNTERDON COUNTY, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023
UNAUDITED**

Fund Financial Statements (Continued)

The Commission maintains three financial funds:

- **Governmental Funds:** The Commission's activities reported in governmental funds focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting that measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Commission's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the government-wide Statement of Net Position and Statement of Activities) and governmental funds statements is reconciled in the financial statements.
- **Proprietary Funds:** Services for which the Commission charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Commission-wide financial statements. The Commission's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flow.

**HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
HUNTERDON COUNTY, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023
UNAUDITED**

Financial Analysis of the Commission as a Whole

Table 1 below reflects the Commission's net position as a whole for the Fiscal years 2023 and 2022.

TABLE 1
NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Commission</u>	
	<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2022</u>
Assets						
Current & Other Assets	\$2,160,946.78	\$2,202,306.00	\$7,241,439.62	\$5,911,551.26	\$9,402,386.40	\$8,113,857.26
Capital Assets	<u>2,828,912.11</u>	<u>2,913,477.38</u>	<u>4,432,967.14</u>	<u>4,391,995.88</u>	<u>7,261,879.25</u>	<u>7,305,473.26</u>
Total Assets	<u>4,989,858.89</u>	<u>5,115,783.38</u>	<u>11,674,406.76</u>	<u>10,303,547.14</u>	<u>16,664,265.65</u>	<u>15,419,330.52</u>
Deferred Outflow of Resources						
Related to pensions	<u>2,546,153.00</u>	<u>2,078,829.00</u>			<u>2,546,153.00</u>	<u>2,078,829.00</u>
Total Deferred Outflows	<u>2,546,153.00</u>	<u>2,078,829.00</u>			<u>2,546,153.00</u>	<u>2,078,829.00</u>
Liabilities						
Other Liabilities	1,923,050.72	2,389,860.22	212,184.29	36,941.27	2,135,235.01	2,426,801.49
Long-Term Liabilities	<u>13,824,247.41</u>	<u>11,241,368.68</u>	<u>3,170,919.31</u>	<u>3,557,496.34</u>	<u>16,995,166.72</u>	<u>14,798,865.02</u>
Total Liabilities	<u>15,747,298.13</u>	<u>13,631,228.90</u>	<u>3,383,103.60</u>	<u>3,594,437.61</u>	<u>19,130,401.73</u>	<u>17,225,666.51</u>
Deferred Inflow of Resources						
Related to pensions	<u>3,169,973.00</u>	<u>7,629,500.00</u>			<u>3,169,973.00</u>	<u>7,629,500.00</u>
Total Deferred Inflows	<u>3,169,973.00</u>	<u>7,629,500.00</u>			<u>3,169,973.00</u>	<u>7,629,500.00</u>
Net Position						
Net investment in capital assets	1,091,806.30	888,228.62	1,262,047.83	834,499.54	2,353,854.13	1,722,728.16
Unrestricted (deficit)	<u>(12,473,065.54)</u>	<u>(14,954,345.14)</u>	<u>7,029,255.33</u>	<u>5,874,609.99</u>	<u>(5,443,810.21)</u>	<u>(9,079,735.15)</u>
Total Net Position	<u>(\$11,381,259.24)</u>	<u>(\$14,066,116.52)</u>	<u>\$8,291,303.16</u>	<u>\$6,709,109.53</u>	<u>(\$3,089,956.08)</u>	<u>(\$7,357,006.99)</u>

The Commission's combined net position was (\$3,089,956.08) on June 30, 2023. The net position of governmental funds was (\$11,381,259.24) while the net position of business-type funds was \$8,291,303.16. The Commission's investment in capital assets is shown net of any related debt used to acquire those assets.

**HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
HUNTERDON COUNTY, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023
UNAUDITED**

Table 2 shows changes in net position for Fiscal Years 2023 and 2022.

TABLE 2
CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Commission</u>	
	<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2022</u>
Revenues						
Program Revenues:						
Charges for Services		\$11,775.00	\$24,194,097.32	\$23,616,648.96	\$24,194,097.32	\$23,628,423.96
Operating Grants & Contributions	7,193,915.13	4,880,462.59	-	-	7,193,915.13	4,880,462.59
General Revenues:						
Grants & Entitlements	7,730.87	-	-	-	7,730.87	-
Other	1,348,759.78	838,640.32	-	-	1,348,759.78	838,640.32
Total Revenue	<u>8,550,405.78</u>	<u>5,730,877.91</u>	<u>24,194,097.32</u>	<u>23,616,648.96</u>	<u>32,744,503.10</u>	<u>29,347,526.87</u>
Expenses						
Instruction	438,433.43	275,611.82			438,433.43	275,611.82
Pupils and Instructional Staff	5,384,463.65	2,075,462.61			5,384,463.65	2,075,462.61
General & School Administration, Central Services & Technology	137,422.55	197,253.59			137,422.55	197,253.59
Maintenance	11,599.88	40,698.98			11,599.88	40,698.98
Unallocated Benefits	(525,816.20)	317,101.19			(525,816.20)	317,101.19
Special Schools	711,173.49	549,305.32			711,173.49	549,305.32
Interest on Long-Term Debt	53,862.76	59,552.01			53,862.76	59,552.01
Business Type			22,266,312.63	21,307,785.33	22,266,312.63	21,307,785.33
Total Expense	<u>6,211,139.56</u>	<u>3,514,985.52</u>	<u>22,266,312.63</u>	<u>21,307,785.33</u>	<u>28,477,452.19</u>	<u>24,822,770.85</u>
Transfers	345,591.06	343,282.18	(345,591.06)	(343,282.18)	-	-
Change in Net Position	2,684,857.28	2,559,174.57	1,582,193.63	1,965,581.45	4,267,050.91	4,524,756.02
Net Position - July 1,	<u>(\$14,066,116.52)</u>	<u>(16,625,291.09)</u>	<u>6,709,109.53</u>	<u>4,743,528.08</u>	<u>(7,357,006.99)</u>	<u>(11,881,763.01)</u>
Net Position - June 30,	<u>(\$11,381,259.24)</u>	<u>(\$14,066,116.52)</u>	<u>8,291,303.16</u>	<u>\$6,709,109.53</u>	<u>(\$3,089,956.08)</u>	<u>(\$7,357,006.99)</u>

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The increase in revenues is attributable to the business-type activities, specifically transportation and cooperative purchasing. Expenses increased mainly as the result of transportation related costs.

**HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
HUNTERDON COUNTY, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023
UNAUDITED**

Sources of Revenue for Fiscal Year 2023

In the Commission-wide Financial Statements, the Commission's total revenue for the 2022-2023 school year was \$32,744,503.10 as reflected in Table 3 below. Charges for services accounted for 73.89 percent of the total revenue with the other 26.11 percent consisting of federal & state aid, operating grants & contributions, and miscellaneous sources. Table 3 below summarizes these revenues for Fiscal Years 2023 and 2022.

TABLE 3
DISTRICT-WIDE REVENUES

	<u>FY 2023</u>		<u>FY 2022</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Charges for Services	\$24,194,097.32	73.89%	\$23,628,423.96	80.51%
Operating Grants & Contributions	7,193,915.13	21.97%	4,880,462.59	16.63%
Grants & Entitlements	7,730.87	0.02%	0.00	0.00%
Other	1,348,759.78	4.12%	838,640.32	2.86%
	<u>\$32,744,503.10</u>	<u>100.00%</u>	<u>\$29,347,526.87</u>	<u>100.00%</u>

**HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
HUNTERDON COUNTY, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023
UNAUDITED**

Expenses for the Fiscal Year 2022

The total expenditures for the 2022-2023 fiscal year for all programs and services were \$28,477,452.19. Table 4 below summarizes these program costs.

TABLE 4
DISTRICT-WIDE EXPENSES

	<u>FY 2023</u>		<u>FY 2022</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Instruction	\$438,433.43	1.54%	\$275,611.82	1.11%
Pupils and Instructional Staff	5,384,463.65	18.91%	2,075,462.61	8.36%
General & School Administration, Central Services & Technology	137,422.55	0.48%	197,253.59	0.79%
Maintenance	11,599.88	0.04%	40,698.98	0.16%
Unallocated Benefits	(525,816.20)	(1.85%)	317,101.19	1.28%
Special Schools	711,173.49	2.50%	549,305.32	2.21%
Interest on Long-Term Debt	53,862.76	0.19%	59,552.01	0.24%
Business Type	<u>22,266,312.63</u>	<u>78.19%</u>	<u>21,307,785.33</u>	<u>85.84%</u>
	<u>\$28,477,452.19</u>	<u>100.00%</u>	<u>\$24,822,770.85</u>	<u>100.00%</u>

The Commission's expenses are predominantly related to transportation and extraordinary services provided through business type funds.

**HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
HUNTERDON COUNTY, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023
UNAUDITED**

Net Cost of Services Governmental Activities

Table 5 presents the net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs) of Commission governmental activities.

TABLE 5
NET COST OF SERVICE

	Total Cost of Services <u>FY 2023</u>	Total Cost of Services <u>FY 2022</u>	Net Cost of Services <u>FY 2023</u>	Net Cost of Services <u>FY 2022</u>
Instruction	\$438,433.43	\$275,611.82	\$48,202.20	\$48,202.20
Pupils and Instructional Staff	5,384,463.65	2,075,462.61	13,106.70	14,589.14
General & School Administration				
Central Services & Technology	137,422.55	197,253.59	137,422.55	197,253.59
Maintenance	11,599.88	40,698.98	11,599.88	40,698.98
Unallocated Benefits	(525,816.20)	317,101.19	(1,958,143.15)	(2,275,078.31)
Special Schools	711,173.49	549,305.32	711,173.49	537,530.32
Interest on Long-Term Debt	53,862.76	59,552.01	53,862.74	59,552.01
	<u>\$6,211,139.56</u>	<u>\$3,514,985.52</u>	<u>(\$982,775.59)</u>	<u>\$ (1,377,252.07)</u>

**HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
HUNTERDON COUNTY, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023
UNAUDITED**

Net Cost of Services Business-Type Activities

Table 6 presents the net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs) of Commission business-type activities.

TABLE 6
NET COST OF SERVICE BUSINESS TYPE ACTIVITIES

	Total Cost of Services <u>FY 2023</u>	Total Cost of Services <u>FY 2022</u>	Net Cost of Services <u>FY 2023</u>	Net Cost of Services <u>FY 2022</u>
Transportation	\$15,662,134.84	\$13,579,517.69	\$369,640.11	\$1,346,640.58
Extraordinary services	4,322,778.94	5,480,342.25	(209,355.89)	(1,030.47)
Adult education	558,158.34	538,119.19	(14,299.67)	17,481.54
Technology services	712,261.92	624,556.33	76,924.40	11,873.67
Purchasing	401,760.87	401,343.48	1,943,918.51	1,359,805.41
Buildings and grounds	536,088.73	650,482.51	(412,882.63)	(527,580.69)
Miscellaneous	73,128.99	33,423.88	173,839.86	101,673.59
	<u>\$22,266,312.63</u>	<u>\$21,307,785.33</u>	<u>\$1,927,784.69</u>	<u>\$ 2,308,863.63</u>

General Fund Budgeting Highlights

The Commission's budget is prepared according to New Jersey Statutes and is based on accounting for certain transactions on a basis of modified accrual and encumbrance accounting.

Over the course of the year, revisions were made by the Commission to the annual operating budget. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over expenditures in specific line item accounts.

**HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
HUNTERDON COUNTY, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023
UNAUDITED**

Capital Assets

During the fiscal year 2022-2023 the Commission's depreciation expense and dispositions exceeded capital acquisitions, therefore capital assets net of depreciation decreased by \$43,594. Table 7 reflects the comparative balances of capital assets net of depreciation. The detail of the changes in capital assets is reflected in Note 3 to the financial statements.

TABLE 7
CAPITAL ASSETS (NET OF DEPRECIATION) AT JUNE 30.

	<u>FY 2023</u>	<u>FY 2022</u>	<u>Total Percentage Change</u>
Land	\$565,299	\$565,299	0.00%
Building Improvements	430,634	461,661	-6.72%
Buildings	2,360,117	2,412,126	-2.16%
Machinery Equipment	3,905,829	3,866,387	1.02%
	<u>\$7,261,879</u>	<u>\$7,305,473</u>	<u>-0.60%</u>

Debt Administration

At June 30, 2023, the Commission had \$16,995,167 of outstanding long-term debt, consisting of compensated absences, installment purchase contracts and net pension liability. The Commission will continue to pay down its debt, as the obligations are due. Table 8 reflects the comparison of outstanding debt for the past two fiscal years. More information of the Commission's long-term debt is presented in Note 4 to the financial statements.

TABLE 8
OUTSTANDING LONG-TERM DEBT AT JUNE 30.

	<u>FY 2023</u>	<u>FY 2022</u>	<u>Total Percentage Change</u>
Installment Purchase Contracts Payable	\$4,908,025	\$5,582,745	-12.09%
Compensated Absences	32,248	31,827	100.00%
Net Pension Liability	12,054,894	9,184,293	31.26%
	<u>\$16,995,167</u>	<u>\$14,798,865</u>	<u>14.84%</u>

**HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
HUNTERDON COUNTY, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023
UNAUDITED**

Contacting the School Commission's Financial Management Office

This financial report is designed to provide our citizens, investors, and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have any questions about this report or need additional information, contact Ms. Corinne Steinmetz, Superintendent, Hunterdon County Educational Services Commission, 37 Hoffmans Crossing Road, Califon, NJ 07830.

BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the Commission's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2023.

COMMISSION-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities display information about the Commission. These statements include the financial activities of the overall Commission. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Commission.

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2023

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
ASSETS:			
Cash and cash equivalents	\$1,139,574.99	\$5,226,176.11	\$6,365,751.10
Receivables, net	1,021,371.79	1,926,411.55	2,947,783.34
Prepaid expenses		83,851.96	83,851.96
Interfund receivable		5,000.00	5,000.00
Capital assets:			
Land and construction in progress	565,299.44		565,299.44
Other capital assets, net of depreciation	2,263,612.67	4,432,967.14	6,696,579.81
Total Assets	<u>4,989,858.89</u>	<u>11,674,406.76</u>	<u>16,664,265.65</u>
DEFERRED OUTFLOW OF RESOURCES:			
Related to pension	2,546,153.00		2,546,153.00
LIABILITIES:			
Accounts payable	1,642,465.38	37,579.17	1,680,044.55
Interfund payables	5,000.00		5,000.00
Unearned revenue	108,197.90	174,605.12	282,803.02
Payroll deductions & withholdings payable	145,626.82		145,626.82
Accrued interest on bonds	21,760.62		21,760.62
Noncurrent liabilities:			
Due within one year:			
Installment purchase contracts payable	296,277.92	825,005.70	1,121,283.62
Due beyond one year:			
Compensated absences payable	32,247.60		32,247.60
Net Pension Liability	12,054,894.00		12,054,894.00
Installment purchase contracts payable	1,440,827.89	2,345,913.61	3,786,741.50
Total liabilities	<u>15,747,298.13</u>	<u>3,383,103.60</u>	<u>19,130,401.73</u>
DEFERRED INFLOW OF RESOURCES:			
Related to pension	3,169,973.00		3,169,973.00
NET POSITION:			
Net investment in capital assets	1,091,806.30	1,262,047.83	2,353,854.13
Unassigned (deficit)	(12,473,065.54)	7,029,255.33	(5,443,810.21)
Total net position	<u>(\$11,381,259.24)</u>	<u>\$8,291,303.16</u>	<u>(\$3,089,956.08)</u>

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

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Indirect Expenses Allocation	Charges for Services	Programs Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position				
					Governmental Activities	Business-type Activities	Total		
Governmental activities:									
Instruction:									
Special	\$ 390,231.23	\$ 48,202.20	\$	\$ 390,231.23	\$ (48,202.20)	\$	\$	\$	\$ (48,202.20)
Support services:									
Student and instruction related services	5,372,624.51	11,839.14		5,371,356.95	(13,106.70)				(13,106.70)
General administrative services	24,560.70	65,666.46			(24,560.70)				(24,560.70)
Central services	19,612.29				(85,278.75)				(85,278.75)
Administration information technology	27,583.10				(27,583.10)				(27,583.10)
Plant operations and maintenance	2,297.70	9,302.18			(11,599.88)				(11,599.88)
Allocated benefits	50,444.71	(50,444.71)							
Unallocated benefits	(525,816.20)			1,432,326.95	1,958,143.15				1,958,143.15
Interest on long-term debt	53,862.74				(53,862.74)				(53,862.74)
Special schools	711,173.49				(711,173.49)				(711,173.49)
Unallocated depreciation	84,565.27	(84,565.27)							
Total governmental activities	6,211,139.54			7,193,915.13	982,775.59				982,775.59
Business-type activities									
Transportation	14,717,636.11	944,498.73	16,031,774.95		369,640.11				369,640.11
Extraordinary services	4,322,778.94		4,113,423.05		(209,355.89)				(209,355.89)
Adult education	558,158.34		543,868.67		(14,289.67)				(14,289.67)
Technology services	712,261.92		789,186.32		76,924.40				76,924.40
Purchasing	401,760.87		2,345,679.38		1,943,918.51				1,943,918.51
Buildings and Grounds	536,088.73		123,206.10		(412,882.63)				(412,882.63)
Miscellaneous	73,128.99		246,968.85		173,839.86				173,839.86
Depreciation	944,498.73		24,194,097.32		1,927,784.69				1,927,784.69
Total business-type activities	22,266,312.63		24,194,097.32		1,927,784.69				1,927,784.69
Total primary government	\$ 28,477,452.17	\$	\$ 24,194,097.32	\$ 7,193,915.13	\$ 982,775.59	\$	\$ 1,927,784.69	\$	\$ 2,910,560.28
General revenues:									
Federal and state aid restricted								\$ 7,730.87	\$ 7,730.87
Miscellaneous income									
Transfers								1,348,759.78	1,348,759.78
Total general revenues and special items								1,348,759.78	1,348,759.78
Change in net position								(345,591.06)	(345,591.06)
Net Position - beginning								1,702,081.71	1,702,081.71
Net Position - ending								2,684,857.30	2,684,857.30
								1,582,193.63	1,582,193.63
								6,709,109.53	6,709,109.53
								8,291,303.16	8,291,303.16
								(7,357,006.99)	(7,357,006.99)
								(3,089,956.06)	(3,089,956.06)

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

MAJOR FUND FINANCIAL STATEMENTS

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

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	<u>GENERAL</u> <u>FUND</u>	<u>SPECIAL</u> <u>REVENUE</u> <u>FUND</u>	<u>TOTAL</u> <u>GOVERNMENTAL</u> <u>FUNDS</u>
ASSETS:			
Cash and cash equivalents	\$ 1,139,574.99	\$	\$ 1,139,574.99
Interfunds receivable	153,537.93		153,537.93
Intergovernmental accounts receivable:			
Federal		39,566.00	39,566.00
State	7,486.71	12,041.36	19,528.07
Other	<u>233,152.76</u>	<u>729,124.96</u>	<u>962,277.72</u>
 Total assets	 <u>\$ 1,533,752.39</u>	 <u>\$ 780,732.32</u>	 <u>\$ 2,314,484.71</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ 24,464.89	\$ 518,996.49	\$ 543,461.38
Interfund payables	5,000.00	153,537.93	158,537.93
Unearned revenue		108,197.90	108,197.90
Payroll deductions & withholdings payable	<u>145,626.82</u>		<u>145,626.82</u>
 Total liabilities	 <u>175,091.71</u>	 <u>780,732.32</u>	 <u>955,824.03</u>
Fund balances:			
Assigned to:			
Other purpose- encumbrances	1,734.15		1,734.15
Unassigned	<u>1,356,926.53</u>		<u>1,356,926.53</u>
 Total fund balances	 <u>1,358,660.68</u>		 <u>1,358,660.68</u>
 Total liabilities and fund balances	 <u>\$ 1,533,752.39</u>	 <u>\$ 780,732.32</u>	

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

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

Total fund balances (brought forward)		\$1,358,660.68
Amounts reported for governmental activities in the statement of net position (A-1) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost of assets	\$3,485,226.14	
Accumulated depreciation	<u>(656,314.03)</u>	2,828,912.11
Long term liabilities, including bonds payable, and other related amounts that are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Compensated absences	(32,247.60)	
Net Pension Liability	(12,054,894.00)	
Installment purchase contracts	<u>(1,737,105.81)</u>	(13,824,247.41)
Deferred Outflows and Inflows of resources are applicable to future periods and therefore are not reported in the funds.		
Pensions:		
Deferred Outflows		
Pension related		2,546,153.00
Deferred Inflows:		
Pension related		(3,169,973.00)
Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.		
Accounts Payable - Pension Related	(1,099,004.00)	
Accrued interest payable	<u>(21,760.62)</u>	<u>(1,120,764.62)</u>
Net position of governmental activities		<u><u>(\$11,381,259.24)</u></u>

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

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Local sources:				
Rents and Royalties	\$38,000.00			\$38,000.00
Miscellaneous	1,310,759.78	\$5,301,255.43		6,612,015.21
Total revenues - local sources	1,348,759.78	5,301,255.43		6,650,015.21
State sources	697,611.95	196,596.42		894,208.37
Federal sources	5,930.87	263,736.33		269,667.20
Total revenues	2,052,302.60	5,761,588.18		7,813,890.78
EXPENDITURES:				
Current expense:				
Special instruction		390,231.23		390,231.23
Support services:				
Student & instruction related services	1,267.56	5,371,356.95		5,372,624.51
General administrative services	24,140.02			24,140.02
Central services	19,612.29			19,612.29
Administration information technology	27,583.10			27,583.10
Plant operations and maintenance	2,297.72			2,297.72
Allocated benefits	50,444.71			50,444.71
Unallocated benefits	702,231.80			702,231.80
Debt Service:				
Principal			\$288,142.95	288,142.95
Interest			57,448.11	57,448.11
Special schools	711,173.49			711,173.49
Total expenditures	1,538,750.69	5,761,588.18	345,591.06	7,645,929.93
Excess (deficiency) of revenues over (under) expenditures	513,551.91		(345,591.06)	167,960.85
Other financing sources (uses):				
Transfers in/(out)			345,591.06	345,591.06
Total other financing sources (uses)			345,591.06	345,591.06
Net change in fund balances	513,551.91			513,551.91
Fund balances, July 1, 2022	845,108.77	-0-	-0-	845,108.77
Fund balances, June 30, 2023	\$1,358,660.68	\$-0-	\$-0-	\$1,358,660.68

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

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Total net change in fund balances - governmental funds (from B-2)		\$513,551.91
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p> <p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period</p>		
Depreciation expense		(84,565.27)
<p>Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.</p>		
Payment of installment purchase contracts payable		288,142.95
<p>In the statement of activities, interest on long-term debt is accrued, regardless of when due. In governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation.</p>		
		3,585.37
<p>District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.</p>		
District pension contributions	1,007,317.00	
Add: Pension benefit	<u>957,246.00</u>	
		1,964,563.00
<p>In the statement of activities, certain expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).</p>		
Increase in compensated absences		<u>(420.68)</u>
Change in net position of governmental activities		<u><u>\$2,684,857.28</u></u>

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

OTHER FUNDS

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023

	<u>BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND</u>
ASSETS:	
Current assets:	
Cash and cash equivalents	\$5,226,176.11
Accounts receivable - other	1,926,411.55
Interfund receivable	5,000.00
Prepaid expenses	83,851.96
Total current assets	<u>7,241,439.62</u>
Noncurrent assets:	
Furniture, machinery and equipment	9,908,861.77
Less accumulated depreciation	<u>(5,475,894.63)</u>
Total noncurrent assets	<u>4,432,967.14</u>
Total assets	<u>11,674,406.76</u>
LIABILITIES:	
Current liabilities:	
Accounts payable	37,579.17
Unearned revenue	174,605.12
Installment purchase contracts payable	<u>3,170,919.31</u>
Total current liabilities	<u>3,383,103.60</u>
Total liabilities	<u>3,383,103.60</u>
NET POSITION:	
Net investment in capital assets	1,262,047.83
Unrestricted	<u>7,029,255.33</u>
Total net position	<u><u>\$8,291,303.16</u></u>

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

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<u>BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND</u>
OPERATING REVENUES:	
Charges for services:	
Transportation	\$16,031,774.95
Extraordinary services	4,113,423.05
Adult education	543,858.67
Technology services	789,186.32
Purchasing	2,345,679.38
Buildings and Grounds	123,206.10
Miscellaneous	246,968.85
	24,194,097.32
OPERATING EXPENSES:	
Transportation	14,717,636.11
Extraordinary services	4,322,778.94
Adult education	558,158.34
Technology services	712,261.92
Purchasing	401,760.87
Buildings and Grounds	536,088.73
Miscellaneous	73,128.99
Depreciation	944,498.73
	22,266,312.63
Total operating revenues	24,194,097.32
Total operating expenses	22,266,312.63
Operating income	1,927,784.69
NONOPERATING REVENUES (EXPENSES):	
Transfer in/out	(345,591.06)
	(345,591.06)
Total nonoperating revenues	(345,591.06)
Income/(loss) before contributions and transfers	1,582,193.63
Total net position - beginning (restated)	6,709,109.53
Total net position - ending	\$8,291,303.16

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

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<u>BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND</u>
Cash flows from operating activities:	
Receipts from customers	\$24,550,408.04
Payments to employees	(8,923,933.16)
Payments to employee benefits	(2,283,539.38)
Payments to suppliers	<u>(10,197,555.42)</u>
Net cash provided by (used for) operating activities)	<u>3,145,380.08</u>
Cash flows from noncapital financing activities:	
Interfund activity	(5,000.00)
Operating subsidies and transfers to other funds	<u>(345,591.06)</u>
Net cash provided by noncapital financing activities	<u>(350,591.06)</u>
Cash flows from investing activities:	
Purchases of capital assets	(1,227,675.14)
Proceeds Sale of Assets	<u>242,205.11</u>
Net cash provided by (used for) investing activities	<u>(985,470.03)</u>
Cash flows from financing activities:	
Proceeds from the issuance of installment purchase contracts	1,090,916.51
Repayment of installment purchase contract principal	<u>(1,477,493.54)</u>
Net cash provided by (used for) financing activities	<u>(386,577.03)</u>
Net increase in cash and cash equivalents	1,422,741.96
Cash and cash equivalents, July 1, 2022	<u>3,803,434.15</u>
Cash and cash equivalents, June 30, 2023	<u><u>\$5,226,176.11</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	1,927,784.69
Adjustments to reconciling operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	944,498.73
Change in assets and liabilities:	
(Increase)/decrease in accounts receivable - other	181,705.60
(Increase) decrease in prepaid expenses	(83,851.96)
Increase (decrease) in accounts payable	637.90
Increase (decrease) in unearned revenue	<u>174,605.12</u>
	<u>1,217,595.39</u>
Net cash provided by (used for) operating activities	<u><u>\$3,145,380.08</u></u>

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

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Hunterdon County Educational Services Commission is an independent public body organized under the Education Laws of the State of New Jersey. Each member Commission annually elects a representative to sit on the Commissions Representative Assembly. Annually, the Representative Assembly elects not fewer than 15 of its members to sit on the Commission's Board of Directors. The Commission's Board of Directors is responsible for the fiscal control of the Commission. A Superintendent is appointed by the Commission and is responsible for the administrative control of the Commission.

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

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

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

The combined financial statements include all funds of the Commission over which the Board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Commission is not includable in any other reporting entity on the basis of such criteria.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

The Commission's basic financial statements consist of Commission-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Commission-Wide Statements: The Statement of Net Position and the Statement of Activities display information about the Commission as a whole. These statements include the financial activities of the overall Commission. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish generally between the governmental and business-type activity of the Commission. Governmental activities generally are financed through 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 Commission at fiscal year end. The Statement of Activities presents a comparison between direct expenses and program revenues for the business-type activity of the Commission and for each function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirement of a particular program. Revenues that are not classified as program revenues 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 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. Separate statements are presented for each fund category – governmental and proprietary. The New Jersey Department of Education (NJDOE) has elected to require New Jersey entities to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for the public interest and to promote consistency among entity financial reporting models.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Types

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

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

Special Revenue Fund - The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Thus, the Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Governments (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted or committed to expenditures for specified purposes.

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

Debt Service Fund - Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund

Enterprise Fund - The enterprise fund accounts for all revenues and expenses pertaining to the Commission's program operations for adult education, extraordinary services, technology services, cooperative purchasing and transportation. These 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.

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.

Basis of Accounting – Measurement Focus

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

Commission-Wide and Proprietary Fund Financial Statements

The Commission-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements

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

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-2.2(f)1. All budget amendments and transfers must be approved by Commission resolution. Budget amendments during the year ended June 30, 2023 totaled \$283,323.25.

All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures.

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

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

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrance Accounting

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

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

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

Interfunds

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

Inventories and Prepaid Expenses

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

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

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

The Commission has an established formal system of accounting for its capital assets. Capital Assets used for governmental purposes, which include land, buildings and improvements and furniture and equipment, are only reported in the commission-wide financial statements. The Commission generally defines capital assets as assets with an initial cost of \$2,000.00 or more and an estimated useful life in excess of one year. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

Compensated Absences

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

Commission employees are granted varying amounts of vacation and sick leave in accordance with the Commission's personnel policy. The Commission's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement all accrued time lapses unless otherwise specified in accordance with the Commission's agreements with the various employee unions.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (Continued)

For the Commission-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 Commission-wide presentations.

Accrued Salaries and Wages

Certain Commission employees, who provide service to the Commission over the ten month academic year, have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but not distributed amounts be retained in a separate bank account. As of June 30, 2023, the amount earned by these employees but not yet distributed was \$144,552.84.

Unearned Revenue

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

Accrued Liabilities and Long-Term Obligations

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

Fund Balance and Net Position

Fund balance restrictions are used to indicate that portion of the fund balance that is not available for expenditures or is legally segregated for a specific future use. Designation of portions of the fund balances are established to indicate tentative plans for financial utilization in a future period. The unassigned fund balances represent the amount available for future budgetary operations.

Unassigned net position represents the remains of the Commission's equity in the cumulative earnings of the proprietary fund.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

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

Fund Balance Restrictions

Under GASB 54, in the fund financial statements, governmental funds report the following classifications of fund balance:

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

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

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

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

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Restrictions (Continued)

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

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

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 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 grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Commission must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the Commission on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year-end: transportation fees and interest.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission's enterprise funds are charges to customers for transportation, extraordinary services, adult education, technology services and cooperative purchasing. Operating expenses for enterprise funds include the cost of sales and services, administrative expense and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Allocation of Indirect Expenses

The Commission reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of the program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities.

Extraordinary and Special Items

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

Management Estimates

The preparation of financial statements in conformity with GAAP requires management to make assumptions that affect the amounts reported as revenue and expenditures/expenses during the reporting period. These estimates may differ from actual results.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting and Financial Reporting for Pensions

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

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

Deferred Outflows/Inflows of Resources

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

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

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Lease receivables are measured at the present value of the lease payments expected to be received during the lease term. The Commission may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized in a systematic and rational manner over the lease term.

Lease liabilities represent obligations to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of the expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term. The lease term may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Payments for short-term leases with a term of 12 months or less are expensed as incurred and these leases are not included as lease liabilities or right-to-use assets on the statements of net position.

Right to Use Assets

Right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized in a systematic and rational manner over the life of the related lease.

Recently Adopted Accounting Pronouncements

Beginning with the year ended June 30, 2023, the Commission has implemented GASB Statement 96, *Subscription-Based Information Technology Arrangements (SBITs)*. GASB Statement 96 defines SBITA: establishes that a SBITA results in a right-to use subscription asset (an intangible asset) and a corresponding liability; provides capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosure regarding SBITAs.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2023

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

Deposits

New Jersey statutes permit the deposit of public funds in public depositories which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. All collateral must be deposited with the Federal Reserve Bank or a Banking Institution that is a member of the Federal Reserve System, and has capital funds of not less than \$25,000,000.00. Under (GUDPA), if a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of the deposits to the governmental unit.

The Hunterdon County Educational Services Commission had the following cash and cash equivalents at June 30, 2023:

<u>Fund Type</u>	<u>Bank Balance</u>	<u>Reconciling Items</u>		<u>Reconciled Balance</u>
		<u>Additions</u>	<u>Deletions</u>	
Governmental	\$3,483,581.12	\$449,624.39	\$2,793,630.52	\$1,139,574.99
Proprietary	<u>5,226,176.11</u>			<u>5,226,176.11</u>
	<u>\$8,709,757.23</u>	<u>\$449,624.39</u>	<u>\$2,793,630.52</u>	<u>\$6,365,751.10</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Commission does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of June 30, 2023, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on balance in the bank, \$250,000.00 was covered by Federal Depository Insurance and \$8,459,757.23 was covered by NJGUDPA.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2023

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

Investments

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

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
2. Government money market mutual funds which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 18A:20-37. These funds are also required to be rated by a nationally recognized statistical rating organization.
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor.
4. Bonds or other obligations of the Local Unit or bonds or other obligations of Commissions of which the Local Unit is a part or within which the Commission is located.
5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Investment of the Department of Treasury for investment by Commissions.
6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 18A:20-37. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2023

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

Investments (Continued)

7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C. 52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is not more than 30 days;
 - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C. 17:19-41); and;
 - e. a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2023, the Commission had no investments.

Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1 and existing investment practices, the Commission is generally not exposed to credit risks and interest rate risks for its investments, nor is it exposed to foreign currency risk for its deposits and investments.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2023

NOTE 3: CHANGE IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 565,299.44	\$	\$	\$ 565,299.44
Total Capital assets not being depreciated	<u>565,299.44</u>	<u></u>	<u></u>	<u>565,299.44</u>
Building Improvements	620,544.35			620,544.35
Buildings	2,053,100.00			2,053,100.00
Machinery and Equipment	<u>246,282.35</u>	<u></u>	<u></u>	<u>246,282.35</u>
Totals as historical cost	<u>2,919,926.70</u>	<u></u>	<u></u>	<u>2,919,926.70</u>
Total Gross assets (Memo only)	<u>\$ 3,485,226.14</u>	<u>\$</u>	<u>\$</u>	<u>\$ 3,485,226.14</u>
Less: Accumulated Depreciation for:				
Land Improvements	\$ (158,883.03)	\$ (31,027.22)	\$	\$ (189,910.25)
Building and Building Improvements	(245,474.30)	(39,008.90)		(284,483.20)
Furniture and Equipment	<u>(167,391.43)</u>	<u>(14,529.15)</u>	<u></u>	<u>(181,920.58)</u>
Total depreciation	<u>(571,748.76)</u>	<u>(84,565.27)</u>	<u></u>	<u>(656,314.03)</u>
Total Capital assets being depreciated net of accumulated depreciation	<u>2,348,177.94</u>	<u>(84,565.27)</u>	<u></u>	<u>2,263,612.67</u>
Governmental activities capital assets, net	<u>\$ 2,913,477.38</u>	<u>\$ (84,565.27)</u>	<u>\$</u>	<u>\$ 2,828,912.11</u>
Business-type activities:				
Buildings	\$ 650,000.00	\$	\$	\$ 650,000.00
Equipment	<u>9,097,563.75</u>	<u>1,227,675.11</u>	<u>1,066,377.09</u>	<u>9,258,861.77</u>
Totals as historical cost	<u>\$ 9,747,563.75</u>	<u>\$ 1,227,675.11</u>	<u>\$ 1,066,377.09</u>	<u>\$ 9,908,861.77</u>
Less: Accumulated Depreciation for:				
Buildings	\$ (45,500.00)	\$ (13,000.00)	\$	\$ (58,500.00)
Equipment	<u>(5,310,067.88)</u>	<u>(931,498.73)</u>	<u>(824,171.98)</u>	<u>(5,417,394.63)</u>
Total depreciation	<u>\$ (5,355,567.88)</u>	<u>\$ (944,498.73)</u>	<u>\$ (824,171.98)</u>	<u>\$ (5,475,894.63)</u>
Proprietary fund capital assets, net	<u>\$ 4,391,995.87</u>	<u>\$ 283,176.38</u>	<u>\$ 242,205.11</u>	<u>\$ 4,432,967.14</u>

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2023

NOTE 3: CHANGE IN CAPITAL ASSETS

Depreciation Expense was charged to governmental expenses as follows:

Instruction:		
Special	\$	48,202.20
Support Services:		
Student and Instruction Related Services		11,839.14
Central Services		15,221.75
Plant Operations and Maintenance		<u>9,302.18</u>
	\$	<u>84,565.27</u>

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2023

NOTE 4: LONG-TERM LIABILITIES (CONTINUED)

Installment Purchase Contracts

The Commission has entered into various installment purchase contracts for the acquisition of real property, equipment and vehicles. The acquisition of the Hoffman's Crossing property and related improvements are recorded in the governmental fund. The acquisition of school buses, related equipment and barn renovations are recorded in the proprietary fund.

Future annual debt service payments on installment purchases as of June 30, 2023 including interest of \$150,946.25 in governmental funds and \$190,662.32 in proprietary funds are as follows:

Governmental Fund:

Fiscal Year			
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 296,277.92	\$ 47,004.27	\$ 343,282.19
2025	304,662.97	38,619.22	343,282.19
2026	313,306.54	29,975.65	343,282.19
2027	322,217.36	21,064.84	343,282.20
2028	331,404.53	11,877.66	343,282.19
2029	<u>169,236.49</u>	<u>2,404.59</u>	<u>171,641.08</u>
	<u>\$ 1,737,105.81</u>	<u>\$ 150,946.25</u>	<u>\$ 1,888,052.04</u>

Proprietary Fund:

Fiscal Year			
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 825,005.70	\$ 81,816.45	\$ 906,822.15
2025	811,253.79	59,573.93	870,827.72
2026	928,424.24	34,818.55	963,242.79
2027	540,238.12	13,087.25	553,325.37
2028	<u>65,997.46</u>	<u>1,366.14</u>	<u>67,363.60</u>
	<u>\$ 3,170,919.31</u>	<u>\$ 190,662.32</u>	<u>\$ 3,361,581.63</u>

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2023

NOTE 4: LONG-TERM LIABILITIES (CONTINUED)

The following is a summary of changes in liabilities that effect other long-term obligations for the year ended June 30, 2023.

Governmental Fund:

	Net Pension <u>Liability</u>	Compensated Absences <u>Payable</u>	Installment Purchase <u>Contracts</u>	<u>Total</u>
Balance June 30, 2022	\$ 9,184,293.00	\$ 31,826.92	\$ 2,025,248.76	\$ 11,241,368.68
Additions	<u>2,870,601.00</u>	<u>420.68</u>	<u>2,025,248.76</u>	<u>2,871,021.68</u>
	12,054,894.00	32,247.60	2,025,248.76	14,112,390.36
Reductions	<u> </u>	<u> </u>	<u>288,142.95</u>	<u>288,142.95</u>
Balance June 30, 2023	<u>\$ 12,054,894.00</u>	<u>\$ 32,247.60</u>	<u>\$ 1,737,105.81</u>	<u>\$ 13,824,247.41</u>
Amounts due within one Year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 296,277.92</u>	<u>\$ 296,277.92</u>

Proprietary Fund:

	Installment Purchase <u>Contracts</u>	<u>Total</u>
Balance June 30, 2022	\$ 3,557,496.34	\$ 3,557,496.34
Additions	<u>1,090,916.51</u>	<u>1,090,916.51</u>
	4,648,412.85	4,648,412.85
Reductions	<u>1,477,493.54</u>	<u>1,477,493.54</u>
Balance June 30, 2023	<u>\$ 3,170,919.31</u>	<u>\$ 3,170,919.31</u>
Amounts due within one Year	<u>\$ 825,005.70</u>	<u>\$ 825,005.70</u>

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2023

NOTE 5: PENSION PLANS

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

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

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

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

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2023

NOTE 5: PENSION PLANS (CONTINUED)

Significant Legislation

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

Pension Plan Design Changes

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

Funding Changes

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

COLA Suspension

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

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

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

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2023

NOTE 5: PENSION PLANS (CONTINUED)

Contribution Requirements The contribution policy is set by N.J.S.A. 43:15A and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. As of April 1, 2018 employee contribution rates were increased to 7.5%.

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

<u>Three-Year Trend Information for PERS</u>			
<u>Year</u> <u>June 30,</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2023	\$1,007,317.00	100.00%	\$1,007,317.00
2022	\$907,937.00	100.00%	\$907,937.00
2021	\$876,605.00	100.00%	\$876,605.00

<u>Three-Year Trend Information for TPAF (Paid on-behalf of the District)</u>			
<u>Year</u> <u>June 30,</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2023	\$478,308.00	100.00%	\$478,308.00
2022	\$527,908.00	100.00%	\$527,908.00
2021	\$405,238.00	100.00%	\$405,238.00

Also, in accordance with N.J.S.A. 18A:66-66, during the years ended June 30, 2023, 2022 and 2021, the State of New Jersey reimbursed the Commission \$83,388.95, \$89,737.50 and \$96,926.95 respectively for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the basic financial statements, and the governmental fund statements and schedules as a revenue and expenditure in accordance with GASB 68.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2023

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

Public Employees Retirement System (PERS)

At June 30, 2023, the State reported a net pension liability of \$12,054,894.00 for the Commission's proportionate share of the total net pension liability. The total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. 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, actuarially determined. At June 30, 2022, the Commission's proportion was 0.798793529 percent, which was an increase of 0.0023518641 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Commission recognized a pension benefit of \$950,143.00 in the government-wide financial statements. This pension benefit was based on the pension plan's June 30, 2022 measurement date.

At June 30, 2023, the Commission reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$87,007.00	\$76,728.00
Changes of assumptions	37,350.00	1,805,095.00
Net difference between projected and actual earnings on pension plan investments	498,941.00	
Changes in proportion and differences between Commission contributions and proportionate share of contributions	823,851.00	1,288,150.00
Commission contributions subsequent to the measurement date	<u>1,099,004.00</u>	
	<u>\$2,546,153.00</u>	<u>\$3,169,973.00</u>

The \$1,099,004.00 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2023, the plan measurement date is June 30, 2022) will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2023

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

Public Employees Retirement System (PERS) (Continued)

Other local amounts reported by the State as the Commission's proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the State's actuarially calculated pension expense as follows:

Year Ended	
<u>June 30</u>	<u>Amount</u>
2023	(\$1,126,916.80)
2024	(\$619,676.80)
2025	(\$349,777.80)
2026	\$467,639.20
2027	<u>(\$94,091.80)</u>
	<u>(\$1,722,824.00)</u>

Actuarial Assumptions

The collective total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021, which rolled forward to June 30, 2022. These actuarial valuations used the following assumptions:

Inflation	
Price	2.75%
Wage	3.25%
Salary Increases	
Through 2026	2.75-6.55%
	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.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2023

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

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

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2022) 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 assets class included in PERS's target assets allocation as of June 30, 2022 asset are summarized in the following table:

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2023

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

Long-Term Rate of Return (Continued)

<u>Assets Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	27.00%	8.12%
Non-U.S. Developed Market Equity	13.50%	8.38%
Emerging Market Equity	5.50%	10.33%
Private Equity	13.00%	11.80%
Real Estate	8.00%	11.19%
Real Assets	3.00%	7.60%
High Yield	4.00%	4.95%
Private Credit	8.00%	8.10%
Investment Grade Credit	7.00%	3.38%
Cash Equivalents	4.00%	1.75%
U.S. Treasury's	4.00%	1.75%
Risk Mitigation Strategies	3.00%	4.91%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2023

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

Public Employees Retirement System (PERS) (Continued)

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

The following presents the Commission's proportionate share of the net pension liability of the participating employers as of June 30, 2022 respectively, 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 was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2022		
	1% Decrease	At Current Discount Rate	1% Increase
	<u>6.00%</u>	<u>7.00%</u>	<u>8.00%</u>
Commission's proportionate share of the pension liability	\$15,487,008.00	\$12,054,894.00	\$9,134,027.00

Pension Plan Fiduciary Net Position

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

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2023

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

Teachers Pensions and Annuity Fund (TPAF)

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer.

The portion of the TPAF Net Pension Liability that was associated with the Commission recognized at June 30, 2023 was as follows:

Net Pension Liability:	
Commission's proportionate share	-0-
State's proportionate share	
associated with the Commission	\$6,616,320
	\$6,616,320

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 which was rolled forward to June 30, 2022. The net pension liability associated with the Commission was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2022, the proportion of the TPAF net pension liability associated with the Commission was .0128237129% which was a decrease of .0011169325 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2023, the Commission recognized on-behalf pension expense and revenue of \$6,616,320.00 in the government-wide financial statements for contributions provided by the State. This pension expense and revenue was based on the pension plans June 30, 2022 measurement date.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2023

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

Teachers Pensions and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate:	
Price	2.75%
Wage	3.25%
Salary Increases	1.55%-5.65%
	Based on Years of Service
Investment Rate of Return	7.00%

Mortality Rate

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

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2023

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

Teachers Pensions and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions (Continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2022) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries.

The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2022 are summarized in the following table:

<u>Assets Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	8.12%
Non-U.S. Developed Market Equity	13.50%	8.38%
Emerging Market Equity	5.50%	10.33%
Private Equity	13.00%	11.19%
Real Assets	3.00%	7.60%
Real Estate	8.00%	11.19%
High Yield	4.00%	4.95%
Private Credit	8.00%	8.10%
Investment Grade Credit	7.00%	3.38%
Cash Equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Risk Mitigation Strategies	3.00%	4.91%

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2023

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

Teachers Pensions and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. 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.

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

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

Pension Plan Fiduciary Net Position

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

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2023

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

Plan Description and Benefits Provided

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

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

Employees Covered by Benefit Terms

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

Active Plan Members	213,148
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	151,669
Inactive Plan Members or Beneficiaries Not Yet Receiving Benefits	<u>- 0 -</u>
Total Plan Members	<u>364,817</u>

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2023

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

Total Non-Employer OPEB Liability

The portion of the total Non-Employer OPEB Liability that was associated with the Commission at June 30, 2023 was as follows:

Total OPEB Liability:	
District's Proportionate Share	\$-0-
State's Proportionate Share associated with the District	25,951,149
	\$25,951,149

The total Non-Employer OPEB liability as of June 30, 2022 was determined by an actuarial valuation as of June 30, 2021, which was rolled forward to June 30, 2022.

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

For the year ended June 30, 2023, the Commission recognized on-behalf post-employment expense and revenue of \$1,170,874.00 in the government-wide financial statements for contributions provided by the State. This expense and revenue was based on the plans June 30, 2022 measurement date.

At June 30, 2023, the Commission's proportion was .0512398053 percent, which was a decrease of .0007126566 from its proportion measured as of June 30, 2022.

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

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2023

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

Actuarial Assumptions and Other Inputs

The total Non-Employer OPEB liability that was associated with the Commission as of June 30, 2022 was determined by an actuarial valuation as of June 30, 2021, which was rolled forward to June 30, 2022. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	<u>June 30, 2022</u>		
	<u>TPAF/ABP</u>	<u>PERS</u>	<u>PFRS</u>
Inflation – 2.5%			
Salary Increases	2.75-4.25%*	2.75-6.55%*	3.25-16.25%*

*- Based on Years of Service

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

Actuarial assumptions used in the July 1, 2021 valuation were based on the results of the TPAF, PERS and PFRS experience studies prepared for July 1, 2018 to June 30, 2021.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2023

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

Actuarial Assumptions and Other Input (Continued)

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 6.25% and decreases to a 4.50% long-term trend rate after eight years. For post-65 medical benefits PPO, the trend is initially -1.99% in fiscal year 2023, increasing to 13.44% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For HMO the trend is initially -3.54% in fiscal year 2023, increasing to 15.19% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For prescription drug benefits, the initial trend rate is 8.00% and decreases to a 4.50% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.00%.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.54%. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Changes in the Total Non-Employer OPEB Liability

Shown below are details regarding The Total OPEB non-employer Liability associated with the Commission for the measurement period from June 30, 2021 to June 30, 2022.

Balance at 6/30/21		\$31,175,452
Changes for the year:		
Service cost	\$1,990,203	
Interest	687,734	
Differences between expected and actual experience	(281,244)	
Changes in assumptions or other inputs	(6,961,629)	
Membership Contributions	21,854	
Benefit payments - Net	(681,221)	
Net changes		(5,224,303)
Balance at 6/30/22		\$25,951,149

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2023

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

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

The following presents the total Non-Employer OPEB liability associated with the Commission as of June 30, 2021, calculated using the discount rate as disclosed above as well as what the total Non-Employer OPEB liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2022		
	1.00% <u>Decrease (2.54%)</u>	At Discount Rate (3.54%)	1.00% <u>Increase (4.54%)</u>
State of New Jersey's Proportionate Share of the total Non-Employer OPEB Liability associated with the District	\$30,502,846	\$25,951,149	\$22,303,192

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

The following presents the total Non-Employer OPEB liability associated with the Commission as of June 30, 2021, calculated using the healthcare trend rate as disclosed above as well as what the total Non-Employer OPEB liability would be if it was calculated using a healthcare trend rate that is 1- percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2022		
	1.00% <u>Decrease</u>	Healthcare Cost <u>Trend Rate</u>	1.00% <u>Increase</u>
State of New Jersey's Proportionate Share of the total Non-Employer OPEB Liability associated with the District	\$21,450,211	\$25,951,149	\$31,863,405

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2023

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

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

At June 30, 2022, the State reported deferred outflows of resources and deferred inflows of resources related to retired school employee's Non-Employer OPEB Liability associated with the Commission from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 4,633,309	\$ 7,923,186
Changes of assumptions	4,491,487	8,832,353
Changes in proportion	<u>608,889</u>	<u>2,692,404</u>
	<u>\$ 9,733,685</u>	<u>\$ 19,447,943</u>

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

Measurement Period Ended <u>June 30,</u>	<u>Amount</u>
2023	(\$1,706,487)
2024	(\$1,706,487)
2025	(\$1,706,487)
2026	(\$1,531,399)
2027	(\$1,054,101)
Total Thereafter	<u>(\$2,009,297)</u>
	<u>(\$9,714,258)</u>

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2023

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

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

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

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

NOTE 8: LITIGATION

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

NOTE 9: CONTINGENCIES

The Commission receives financial assistance from the State of New Jersey and the U.S. Government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. The State and Federal grants received and expended in the 2022-2023 fiscal year were subject to the U.S. OMB Uniform Guidance and New Jersey OMB Circular 15-08 which mandates that grant revenues and expenditures be audited in conjunction with the Commission's annual audit if expenditures for federal or state programs exceed \$750,000. Findings and questioned costs, if any, relative to federal and state financial assistance programs are discussed in the Single Audit Section, Schedule of Findings and Questioned Costs. In addition, all grants and cost reimbursements are subject to financial and compliance audits by the grantors. The Commission's management does not believe any such audit would result in material amounts of disallowed costs.

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2023

NOTE 10: RISK MANAGEMENT

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

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

NOTE 11: COMPENSATED ABSENCES

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

The liability for vested compensated absences of the governmental fund types are recorded in the commission - wide statement of net position. As of June 30, 2023, a liability existed for compensated absences for governmental fund-types in the commission-wide Statement of Net Position of \$32,247.60.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2023 no liability existed for compensated absences in the proprietary fund.

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

Hunterdon County Educational Services Commission
Notes to the Financial Statements
June 30, 2023

NOTE 12: INTERFUND RECEIVABLES AND PAYABLES

The Commission did not have any interfund balances on the balance sheet at June 30, 2023.

<u>FUND</u>	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
General Fund	\$ 153,537.93	\$ 5,000.00
Special Revenue Fund		153,537.93
Proprietary Fund	<u>5,000.00</u>	<u> </u>
	<u>\$ 158,537.93</u>	<u>\$ 158,537.93</u>

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

NOTE 13: FUND BALANCE APPROPRIATED

General Fund – The \$1,358,660.68 in General Fund Balance at June 30, 2023 is comprised of \$1,734.15 of assigned fund balance for encumbrances and \$1,356,926.53 of unassigned fund balance.

NOTE 14: DEFERRED COMPENSATION

The Commission offers its employees a choice of the deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457. The plans permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death, or unforeseeable emergency. Since the Commission does not have any property or rights to the plan assets and no fiduciary relationship exists between the Commission and the deferred compensation plan, the plan assets are not included in the Commission’s financial statements as of June 30, 2023.

NOTE 15: SUBSEQUENT EVENTS

The Commission has evaluated subsequent events occurring after the financial statement date through February 23, 2024 which is the date the financial statements were available to be issued. The Commission has determined that no subsequent events need to be disclosed.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

BUDGETARY COMPARISON SCHEDULES

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2023

	BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
REVENUES					
Local sources:					
Rents and Royalties	\$ 15,000.00		\$ 15,000.00	\$ 38,000.00	\$ 23,000.00
Unrestricted Miscellaneous Revenues	730,000.00	280,000.00	1,010,000.00	1,310,759.78	300,759.78
Subtotal Revenues From Local Sources	745,000.00	280,000.00	1,025,000.00	1,348,759.78	323,759.78
Revenues from state sources:					
State Reimbursement for Lead Testing of Drinking Water				1,800.00	1,800.00
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				83,388.95	83,388.95
On-Behalf TPAF Post Retirement Medical (Non-Budgeted)				127,394.00	127,394.00
On-Behalf TPAF Long-term Disability Insurance (Non-Budgeted)				85.00	85.00
On-Behalf TPAF - Non-contributory Insurance (non-budgeted)				6,636.00	6,636.00
On-Behalf TPAF Pension Contributions (Non-Budgeted)				478,308.00	478,308.00
Total - State Sources				697,611.95	697,611.95
Revenues from federal sources:					
Other Federal Grant Revenue- Passed Through State				5,930.87	5,930.87
Subtotal - revenues from federal sources				5,930.87	5,930.87
Total Operating Budget	745,000.00	280,000.00	1,025,000.00	2,052,302.60	1,027,302.60
EXPENDITURES					
CURRENT EXPENSE:					
Undistributed Expenditures - Health Services:					
Salaries	5,000.00	(5,000.00)			
Supplies and Materials		367.56	367.56	367.56	
Total Undistributed Expenditures - Health Services	5,000.00	(4,632.44)	367.56	367.56	
Undistributed Expenditures - Guidance:					
Other Purchased Services (400-500 series)		900.00	900.00	900.00	
Total Undistributed Expenditures - Guidance		900.00	900.00	900.00	
Undistributed Expenditures - Child Study Teams:					
Salaries of Other Professional Staff	2,750.00		2,750.00		2,750.00
Salaries of Secretarial and Clerical Assistants	6,441.00		6,441.00		6,441.00
Total Undistributed Expenditures - Child Study Teams	9,191.00		9,191.00		9,191.00

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2023

	BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Undistributed Expend.-Support Services-General Administration:					
Legal Services	3,500.00	4,100.00	7,600.00	4,263.57	3,336.43
Other Purchased Professional Services	4,250.00	(3,782.08)	467.92	467.92	467.92
Communications/Telephone	10,412.38	3,227.56	13,639.94	9,514.84	4,125.10
Misc. Purchased Services (400-500 Series, O/T 530 and 585)	2,000.00	633.50	2,633.50	1,387.86	1,245.64
BOE In-house Training/Meeting Supplies	500.00	200.45	700.45	450.45	250.00
Miscellaneous Expenditures	8,693.00	2,295.00	10,988.00	8,523.30	2,464.70
Total Undistributed Expend.-Support Services-General Administration	29,355.38	6,674.43	36,029.81	24,140.02	11,889.79
Undistributed Expend. - Central Services					
Salaries	67,021.00		67,021.00	12,500.00	54,521.00
Purchased Professional Services	2,000.00		2,000.00	2,000.00	2,000.00
Miscellaneous Purchased Services (400-500 series, O/T 594)	5,000.00	(133.50)	4,866.50	1,879.65	2,986.85
Supplies and Materials	5,000.00	(18.37)	4,981.63	1,523.74	3,457.89
Miscellaneous Expenditures	8,594.00	(2,295.00)	6,299.00	3,708.90	2,590.10
Total Undistributed Expend. - Central Services	87,615.00	(2,446.87)	85,168.13	19,612.29	65,555.84
Undistributed Expend. - Admin. Info. Technology:					
Other Purchased Services (400-500 Series)	30,000.00		30,000.00	27,583.10	2,416.90
Total Undistributed Expend. - Admin. Info. Technology	30,000.00		30,000.00	27,583.10	2,416.90
Undistributed Expend.-Required Maintenance for School Facilities:					
Salaries	14,940.00		14,940.00	692.50	14,940.00
Cleaning, Repair and Maintenance Services	3,500.00		3,500.00		2,807.50
General Supplies	3,000.00	(3,000.00)			
Total Undistributed Expend.-Required Maintenance for School Facilities	21,440.00	(3,000.00)	18,440.00	692.50	17,747.50
Undistributed Expend.-Custodial Services:					
Cleaning, Repair and Maintenance Services	8,500.00	(8,117.91)	382.09		382.09
Insurance	2,000.00	(338.00)	1,662.00	1,605.22	56.78
Total Undistributed Expend.-Custodial Services:	10,500.00	(8,455.91)	2,044.09	1,605.22	438.87
Total Undistributed Expend.- Oper. and Maintenance of Plant Serv.	31,940.00	(11,455.91)	20,484.09	2,297.72	18,186.37

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2023

	BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Allocated Benefits:					
Support Services - Central Services:					
Other Retirement Contributions - PERS	10,000.00	(2,435.34)	7,564.66	6,438.10	1,126.56
Workmen's Compensation	1,879.00		1,879.00	779.37	1,099.63
Health Benefits	40,000.00	7,053.25	47,053.25	43,227.24	3,826.01
Tuition Reimbursement	2,000.00		2,000.00		2,000.00
Total Support Services - Central Services	53,879.00	4,617.91	58,496.91	50,444.71	8,052.20
Total Allocated Benefits	53,879.00	4,617.91	58,496.91	50,444.71	8,052.20
Unallocated Benefits:					
Social Security Contributions - Other	5,737.00		5,737.00		5,737.00
Other Retirement Contributions - PERS	5,000.00		5,000.00	5,000.00	3,580.15
Other Retirement Contributions - Regular	5,000.00		5,000.00	1,419.85	572.00
Unemployment Compensation	572.00		572.00		1,843.88
Workmen's Compensation	2,001.00	(157.12)	1,843.88		20,000.00
Health Benefits	20,000.00		20,000.00		
Total Unallocated Benefits	38,310.00	(157.12)	38,152.88	6,419.85	31,733.03
Total Personal Services - Employee	92,189.00	4,460.79	96,649.79	56,864.56	39,785.23
Reimbursed TPAF Social Security Contributions (Non-Budgeted)					
On-Behalf TPAF Post Retirement Medical (Non-Budgeted)				83,388.95	(83,388.95)
On-Behalf TPAF Long-term Disability Insurance (Non-Budgeted)				127,394.00	(127,394.00)
On-Behalf TPAF Pension Contributions (Non-Budgeted)				85.00	(85.00)
TOTAL UNDISTRIBUTED EXPENDITURES	285,290.38	(6,500.00)	278,790.38	827,577.20	(548,786.82)
TOTAL GENERAL CURRENT EXPENSE	285,290.38	(6,500.00)	278,790.38	827,577.20	(548,786.82)
Adult Education - Instruction:					
Salaries of Teachers	75,645.00	4,740.84	80,385.84	80,385.84	
Other Salaries for Instruction	117,244.00	118,800.99	236,044.99	236,044.99	
General Supplies	600.00	10,622.97	11,222.97	10,948.41	274.56
Total Other Special Schools - Instruction	193,489.00	134,164.80	327,653.80	327,379.24	274.56

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2023

	BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Adult Education - Support Services:					
Salaries	83,702.00	39,681.82	123,383.82	94,411.35	28,972.47
Personnel Services - Employee Benefits	98,385.00	63,158.49	161,543.49	159,496.65	2,046.84
Purchased Professional and Technical Services	1,075.00	5,215.60	6,290.60	6,150.00	140.60
Other Purchased Services (400-500 series)	70,378.00	128.66	70,506.66	69,838.27	668.39
Supplies and Materials	12,924.00	16,686.82	29,610.82	23,090.87	6,519.95
Other Objects	47.00	30,787.06	30,834.06	30,807.11	26.95
Total Other Special Schools - Support Services	266,511.00	155,658.45	422,169.45	383,794.25	38,375.20
Total Other Special Schools	460,000.00	289,823.25	749,823.25	711,173.49	38,649.76
Total Special Schools	460,000.00	289,823.25	749,823.25	711,173.49	38,649.76
TOTAL EXPENDITURES	745,290.38	283,323.25	1,028,613.63	1,538,750.69	(510,137.06)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(290.38)	(3,323.25)	(3,613.63)	513,551.91	517,165.54
Fund Balances, July 1,	845,108.77		845,108.77	845,108.77	
Fund Balances, June 30,	844,818.39	(3,323.25)	841,495.14	1,358,660.68	517,165.54

Recapitulation:
Assigned Fund Balance: \$ 1,734.15
Year-end Encumbrances 1,356,926.53
Unassigned Fund Balance \$ 1,358,660.68
Fund Balance per Governmental Funds (GAAP) \$ 1,358,660.68

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
REVENUES:					
State Aid	\$ 456,000.00	264,702.00 \$	264,702.00 \$	196,596.42 \$	(68,105.58)
Federal Aid	376,000.00	(159,430.15)	296,569.85	265,558.85	(31,011.00)
Local Sources		10,632,387.57	11,008,387.57	5,675,144.37	(5,333,243.20)
Total Revenues	832,000.00	10,737,659.42	11,569,659.42	6,137,299.64	(5,432,359.78)
EXPENDITURES:					
Instruction:					
Salaries	250,000.00	90,022.80	340,022.80	261,369.30	78,653.50
Purchased Professional and Technical Services	500.00	3,957.00	4,457.00	4,457.00	
General Supplies	22,500.00	85,077.85	107,577.85	93,420.73	14,157.12
Textbooks	25,000.00	9,203.00	34,203.00	32,806.72	1,396.28
Total Instruction	298,000.00	188,260.65	486,260.65	392,053.75	94,206.90
Support Services:					
Salaries	149,650.00	12,968.13	162,618.13	139,608.40	23,009.73
Personal Services - Employee Benefits	116,708.00	(15,379.91)	101,328.09	91,304.35	10,023.74
Purchased Professional and Technical Services		728.55	728.55	728.55	
Purchased Professional - Educational Services	129,492.00	(101,260.00)	28,232.00	20,360.00	7,872.00
Other Purchased Services (400-500 Series)	1,950.00	23,655.08	25,605.08	18,599.08	7,006.00
Supplies and Materials	135,200.00	(15,484.70)	119,715.30	113,890.03	5,825.27
Miscellaneous Expenditures	1,000.00	10,644,171.62	10,645,171.62	5,360,755.48	5,284,416.14
Total Support Services	534,000.00	10,549,398.77	11,083,398.77	5,745,245.89	5,338,152.88
Total Expenditures	832,000.00	10,737,659.42	11,569,659.42	6,137,299.64	5,432,359.78
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	\$	\$	\$	\$	\$

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
BUDGET TO GAAP RECONCILIATION
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$2,052,302.60	\$6,137,299.64
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	N/A	(375,711.46)
The last State aid payment of the current year is recognized as revenue for budgetary purposes and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expense (GASB 33)	N/A	N/A
The last State aid payment of the prior year is recognized as revenue under GAAP when the State recognizes the related expense (GASB 33). (This revenue was recognized during the previous fiscal year for budgetary purposes.)	N/A	N/A
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$2,052,302.60</u>	<u>\$5,761,588.18</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule.	\$1,538,750.69	\$6,137,299.64
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	N/A	(375,711.46)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$1,538,750.69</u>	<u>\$5,761,588.18</u>

REQUIRED SUPPLEMENTARY INFORMATION – PART III

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

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

	Measurement Date Ending June 30, 2022	Measurement Date Ending June 30, 2021	Measurement Date Ending June 30, 2020	Measurement Date Ending June 30, 2019	Measurement Date Ending June 30, 2018	Measurement Date Ending June 30, 2017	Measurement Date Ending June 30, 2016	Measurement Date Ending June 30, 2015	Measurement Date Ending June 30, 2014	Measurement Date Ending June 30, 2013
Commission's proportion of the net pension liability (asset)	0.0798793529%	0.0775274888%	0.0801320307%	0.0901226587%	0.0820043200%	0.0804914150%	0.0825812466%	0.0782770856%	0.0824337566%	0.0859614542%
Commission's proportionate share of the net pension liability (asset)	\$12,054,894	\$9,184,293	\$13,087,439	\$16,238,736	\$16,146,242	\$16,737,115	\$24,458,197	\$17,571,637	\$15,433,854	\$16,428,942
Commission's covered-employee payroll	5,726,493	5,382,249	5,522,750	5,541,042	6,061,349	5,478,153	5,386,268	5,313,482	5,141,339	4,986,423
Commission's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	210.51%	170.64%	236.61%	293.06%	266.38%	342.03%	454.08%	330.70%	300.19%	328.81%
Plan fiduciary net position as a percentage of the total pension liability	62.91%	70.33%	58.23%	56.27%	53.60%	48.10%	40.14%	47.92%	52.08%	48.72%

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION

SCHEDULE OF THE COMMISSION'S CONTRIBUTIONS

PUBLIC EMPLOYEES RETIREMENT SYSTEM

LAST TEN YEARS

	Fiscal Year Ending June 30, 2023	Fiscal Year Ending June 30, 2022	Fiscal Year Ending June 30, 2021	Fiscal Year Ending June 30, 2020	Fiscal Year Ending June 30, 2019	Fiscal Year Ending June 30, 2018	Fiscal Year Ending June 30, 2017	Fiscal Year Ending June 30, 2016	Fiscal Year Ending June 30, 2015	Fiscal Year Ending June 30, 2014
Contractually required contribution	\$ 1,099,004	\$ 1,007,317	\$ 907,937	\$ 876,605	\$ 876,632	\$ 815,678	\$ 745,667	\$ 733,640	\$ 672,973	\$ 679,572
Contributions in relation to the contractually required contribution	1,099,004	1,007,317	907,937	876,605	876,632	815,678	745,667	733,640	672,973	679,572
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commission's covered-employee payroll	4,869,623	5,726,493	5,382,249	5,522,750	5,541,042	6,061,349	5,478,153	5,386,268	5,313,482	5,141,339
Contributions as a percentage of covered-employee payroll	22.57%	17.59%	16.87%	15.87%	15.62%	13.46%	13.61%	13.62%	12.67%	13.22%

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

	Measurement Date Ending June 30, 2022	Measurement Date Ending June 30, 2021	Measurement Date Ending June 30, 2020	Measurement Date Ending June 30, 2019	Measurement Date Ending June 30, 2018	Measurement Date Ending June 30, 2017	Measurement Date Ending June 30, 2016	Measurement Date Ending June 30, 2015	Measurement Date Ending June 30, 2014	Measurement Date Ending June 30, 2013
Commission's proportion of the net pension liability (asset)	0.0128237125%	0.0139406454%	0.0170881802%	0.0188646237%	0.0217839752%	0.0227379633%	0.0231579683%	0.0232809113%	0.0232864538%	0.0245420249%
State's proportionate share of the net pension liability (asset) associated with the Commission	\$6,616,320	\$6,701,992	\$11,253,019	\$11,577,398	\$13,858,497	\$15,330,755	\$18,217,532	\$14,701,889	\$12,436,765	\$12,403,346
Commission's covered-employee payroll	1,140,545	1,364,451	1,421,432	1,503,020	1,816,733	2,021,806	2,272,937	2,285,317	2,317,895	2,340,025
Commission's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
State's Proportionate Share of the Total Net Pension Liability associated with the Commission as a percentage of the Commission's Covered-Employee Payroll	580.10%	491.19%	791.67%	770.28%	782.83%	758.27%	801.50%	643.32%	536.61%	530.05%
Plan fiduciary net position as a percentage of the total pension liability	32.25%	35.52%	24.60%	26.95%	26.49%	25.41%	22.33%	28.71%	33.64%	33.76%

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION PART III
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Change in benefit terms:

None

Change in assumptions:

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

Measurement Date Ending <u>June 30,</u>	Discount <u>Rate</u>	Long-Term Expected Rate of <u>Return</u>	Actuarial Experience <u>Study Period</u>
2022	7.00%	7.00%	07/01/18-06/30/21
2021	7.00%	7.00%	07/01/14-06/30/18
2020	7.00%	7.00%	07/01/14-06/30/18
2019	6.28%	7.00%	07/01/14-06/30/18
2018	5.66%	7.00%	07/01/11-06/30/14
2017	5.00%	7.00%	07/01/11-06/30/14
2016	3.98%	7.65%	07/01/11-06/30/14
2015	4.90%	7.90%	07/01/08-06/30/11
2014	5.39%	7.90%	07/01/08-06/30/11
2013	5.55%	7.90%	07/01/08-06/30/11

TEACHERS PENSION AND ANNUITY FUND (TPAF)

Change in benefit terms:

None

Change in assumptions:

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

Measurement Date Ending <u>June 30,</u>	Discount <u>Rate</u>	Long-Term Expected Rate of <u>Return</u>	Actuarial Experience <u>Study Period</u>
2022	7.00%	7.00%	07/01/18-06/30/21
2021	7.00%	7.00%	07/01/15-06/30/18
2020	5.40%	7.00%	07/01/15-06/30/18
2019	5.60%	7.00%	07/01/15-06/30/18
2018	4.86%	7.00%	07/01/12-06/30/15
2017	4.25%	7.00%	07/01/12-06/30/15
2016	3.22%	7.65%	07/01/12-06/30/15
2015	4.13%	7.90%	07/01/09-06/30/12
2014	4.68%	7.90%	07/01/09-06/30/12
2013	4.95%	7.90%	07/01/09-06/30/12

REQUIRED SUPPLEMENTARY INFORMATION – PART IV

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

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

	Measurement Date Ended June 30,					
	2022	2021	2020	2019	2018	2017
Total Non-Employer OPEB Liability - State's Proportionate Share of Total OPEB Liability Associated with the Commission						
Balance at 6/30	\$31,175,452	\$38,165,000	\$23,633,191	\$25,895,865	\$29,961,268	\$31,210,370
Changes for the year:						
Service cost	1,990,203	2,349,799	1,486,686	1,782,763	2,081,061	2,470,314
Interest	687,734	808,724	868,018	1,057,671	1,135,254	950,442
Changes of benefit terms and actual experience	(281,244)	(9,529,273)	5,849,953	(4,751,517)	(3,641,524)	
Changes in assumptions or other inputs	(6,951,629)	30,757	6,971,434	352,373	(2,371,680)	(4,001,445)
Membership Contributions	21,854	20,875	20,139	21,505	23,932	25,554
Benefit payments - Net	(681,221)	(637,048)	(664,421)	(725,469)	(692,446)	(693,967)
Net changes	(5,224,303)	(6,989,548)	14,531,809	(2,262,674)	(4,065,403)	(1,249,102)
Balance at 6/30	\$25,951,149	\$31,175,452	\$38,165,000	\$23,633,191	\$25,895,865	\$29,961,268
Covered Employee Payroll	6,867,038	6,746,700	6,944,182	7,044,052	7,878,062	7,499,959
Commission's Proportionate Share of the Total Non-Employer OPEB Liability as a percentage of the Commission's Covered Employee Payroll	-0-	-0-	-0-	-0-	-0-	-0-
State's Proportionate Share of the Total Non-Employer OPEB Liability associated with the Commission as a percentage of the Commission's Covered Employee Payroll	377.91%	462.06%	549.60%	335.51%	328.71%	399.49%

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

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION PART IV
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Change in benefit terms:

None

Change in assumptions:

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

Measurement Date Ending <u>June 30,</u>	Discount <u>Rate</u>
2022	3.54%
2021	2.16%
2020	2.21%
2019	3.50%
2018	3.87%

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND DETAIL STATEMENTS

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	ADULT BASIC EDUCATION	RURAL EDUCATION ACHIEVEMENT PROGRAM	BUSINESS RESOURCE NETWORK	WORKFORCE DEVELOPMENT PARTNERSHIP	WORKFORCE DEVELOPMENT FUND FOR BASIC SKILLS	NONPUBLIC TECHNOLOGY	NONPUBLIC NURSING
Revenues:							
State Aid	\$257,694.00	\$7,864.85	\$99,942.00	\$25,192.46	\$71,461.96	\$18,056.01	\$38,460.68
Federal Aid							
Local Sources							
Total Revenues	257,694.00	7,864.85	99,942.00	25,192.46	71,461.96	18,056.01	38,460.68
Expenditures:							
Instruction:							
Salaries	153,921.82		21,569.00	4,457.00	50,693.36		
Purchased Professional and Technical Services		7,864.85	65,780.52	19,662.36			
General Supplies	113.00		2,354.34	1,073.10	467.00		
Textbooks							
Total Instruction	154,034.82	7,864.85	89,703.86	25,192.46	51,160.36		
Support Services:							
Salaries	36,468.63		3,750.00			938.70	26,999.28
Personal Services - Employee Benefits	55,290.55		5,666.49		20,301.60		4,793.29
Purchased Professional and Technical Services							
Purchased Professional - Educational Services							200.00
Other Purchased Services (400-500 Series)	11,900.00		821.65			17,117.31	6,468.11
Supplies and Materials							
Miscellaneous Expenditures							
Total Support Services	103,659.18		10,238.14		20,301.60	18,056.01	38,460.68
Total Expenditures	\$257,694.00	\$7,864.85	\$99,942.00	\$25,192.46	\$71,461.96	\$18,056.01	\$38,460.68
Excess (Deficiency) of Revenues Over (Under)							
Expenditures and Other Financing Sources (Uses)							

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	NONPUBLIC CH192	NONPUBLIC CH193	NONPUBLIC TEXTBOOKS	NONPUBLIC SECURITY	ARRP	EANS	MUNICIPAL ALLIANCE	TOTAL
Revenues:								
State Aid	\$46,351.64	\$91,881.67	\$28,912.28	\$89,482.96	\$319,245.44	\$4,989,168.03	\$53,585.66	\$196,596.42
Federal Aid								265,558.85
Local Sources								5,675,144.37
Total Revenues	46,351.64	91,881.67	28,912.28	89,482.96	319,245.44	4,989,168.03	53,585.66	6,137,299.64
Expenditures:								
Instruction:								
Salaries	35,185.12							261,369.30
Purchased Professional and Technical Services								4,457.00
General Supplies								93,420.73
Textbooks			28,912.28					32,806.72
Total Instruction	35,185.12		28,912.28					392,053.75
Support Services:								
Salaries	2,781.09	68,670.70						139,608.40
Personal Services - Employee Benefits	2,385.43	2,866.99					728.55	91,304.35
Purchased Professional and Technical Services								728.55
Purchased Professional - Educational Services		20,160.00						20,360.00
Other Purchased Services (400-500 Series)	6,000.00	183.98		89,482.96			515.10	18,599.08
Supplies and Materials								113,890.03
Miscellaneous Expenditures								5,360,755.48
Total Support Services	11,166.52	91,881.67		89,482.96	319,245.44	4,989,168.03	52,342.01	5,745,245.89
Total Expenditures	\$46,351.64	\$91,881.67	\$28,912.28	\$89,482.96	\$319,245.44	\$4,989,168.03	\$53,585.66	\$6,137,299.64
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)								

CAPITAL PROJECTS FUND DETAIL STATEMENTS – N/A

PROPRIETARY FUND DETAIL STATEMENTS

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

This Section has already been included in Statements B-4, B-5 and B-6.

FIDUCIARY FUND DETAIL STATEMENTS – N/A

LONG-TERM LIABILITIES SCHEDULES

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

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
 SCHEDULE OF OBLIGATIONS UNDER INSTALLMENT PURCHASE CONTRACTS - GOVERNMENTAL FUND
 AS OF JUNE 30, 2023

SERIES	DATE OF CONTRACT	TERM OF CONTRACT	AMOUNT OF ORIGINAL CONTRACT PRINCIPAL	INTEREST RATE PAYABLE	AMOUNT OUTSTANDING JUNE 30, 2022	DECREASE	AMOUNT OUTSTANDING JUNE 30, 2023
Purchase of Hoffman's Crossing Property and Related Improvements	04/21/2015	13 Years	\$2,500,000.00	2.363%	\$1,560,729.69	\$224,877.69	\$1,335,852.00
Purchase of Hoffman's Crossing House	11/30/2018	11 Years	675,000.00	4.632%	464,519.07	63,265.26	401,253.81
					<u>\$2,025,248.76</u>	<u>\$288,142.95</u>	<u>\$1,737,105.81</u>

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
 SCHEDULE OF OBLIGATIONS UNDER INSTALLMENT PURCHASE CONTRACTS - PROPRIETARY FUND
 AS OF JUNE 30, 2023

SERIES	DATE OF CONTRACT	TERM OF CONTRACT	AMOUNT OF ORIGINAL CONTRACT PRINCIPAL	INTEREST RATE PAYABLE	AMOUNT OUTSTANDING JUNE 30, 2022	INTEREST INCREASE	DECREASE	AMOUNT OUTSTANDING JUNE 30, 2023
Buses (Contract 16-03)	8/24/2016	7 Years	\$1,322,150.00	1.5678%	\$392,058.67		\$392,058.67	
Buses (Contract 17-01)	6/15/2017	5 Years	1,014,982.44	1.937%	599,624.78		116,279.92	483,344.86
Buses (Contract 18-01)	7/25/2018	5 Years	622,444.84	3.0656%	295,774.50		295,774.50	-
Buses (Contract 19-01)	7/15/2019	7 Years	413,459.80	2.2470%	346,692.70		74,056.98	272,633.72
Buses (Contract 19-02)	7/15/2019	7 Years	758,195.65	2.3110%	675,191.08		144,068.91	531,122.17
Buses (Contract 20-01)	7/1/2020	6 Years	286,048.20	2.4300%	219,962.37		46,481.79	173,480.58
Buses (Contract 20-02)	7/1/2020	5 Years	195,001.20	2.9000%	126,847.65		34,719.32	92,128.33
Buses (Schedule #1)	5/15/2021	6 Years	322,349.55	1.3500%	276,219.67		54,494.49	221,725.18
Buses (Schedule #2)	5/15/2021	6 Years	564,155.50	1.3500%	521,045.46		102,688.42	418,357.04
Barn Reconstruction	12/7/2018	5 Years	650,000.00	3.5155%	78,539.61		51,902.26	26,637.35
Equipment	11/1/2019	4 Years	64,350.32	4.550%	25,539.85		16,841.49	8,698.36
Buses (Contract 23-01)	12/1/2022	5 Years	601,920.00	4.1400%		601,920.00	53,914.71	548,005.29
Buses (Contract 23-02)	11/1/2022	5 Years	488,996.51	3.8000%		488,996.51	94,210.08	394,786.43
					\$3,557,496.34	\$1,090,916.51	\$1,477,493.54	\$3,170,919.31

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	2023				VARIANCE
	ORIGINAL BUDGET	BUDGET TRANSFER	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
EXPENDITURES:					
Regular debt service:					
Interest for Comm. Approved- installment purch.	\$61,857.00		\$61,857.00	\$57,448.11	\$4,408.89
Principal -Comm. Approved- installment purch.	288,143.00		288,143.00	288,142.95	0.05
Total regular debt service-expenditures	350,000.00		350,000.00	345,591.06	4,408.94
Excess (deficiency) of revenues over (under) expenditures	(350,000.00)		(350,000.00)	(345,591.06)	4,408.94
Other financing sources:					
Transfers in/(out)	\$350,000.00		\$350,000.00	\$345,591.06	(\$4,408.94)
Fund balance, July 1					
Fund balance, June 30					

STATISTICAL SECTION (UNAUDITED)

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
STATISTICAL SECTION

<u>Contents</u>	<u>Page</u>
Financial Trends:	
These schedules contain trend information to help the reader understand how the commission's financial performance and well being have changed over time.	J-1 to J-5
Revenue Capacity:	
These schedules contain information to help the reader assess the commission's most significant local revenue source, the property tax.	N/A
Debt Capacity:	
These schedules present information to help the reader assess the affordability of the commission's current levels of outstanding debt and the district's ability to issue additional debt in the future.	N/A
Demographic and Economic Information:	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the commission's financial activities take place.	N/A
Operating Information:	
These schedules contain service and infrastructure data to help the reader understand how the information in the commission's financial report relates to the services the commission provides and the activities it performs.	J-16 to J-20

Sources

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

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
NET POSITION BY COMPONENT
UNAUDITED

	2023	2022 (As Restated)	2021	2020	2019	2018	2017	2016	2015	2014
Governmental activities										
Net investment in capital assets	\$1,091,806.30	\$888,228.62	\$704,098.16	\$640,477.79	\$433,988.05	\$3,366,487.53	\$3,502,314.10	\$3,369,363.85	\$4,578,864.35	\$4,267,169.50
Unrestricted (Deficit)	(12,473,065.54)	(14,954,345.14)	(17,329,389.25)	(18,057,489.47)	(17,852,901.46)	(17,481,086.91)	(16,898,552.99)	(15,116,036.31)	(14,531,844.27)	2,149,108.98
Total governmental activities net position	<u>(\$11,381,259.24)</u>	<u>(\$14,066,116.52)</u>	<u>(\$16,625,291.09)</u>	<u>(\$17,417,011.68)</u>	<u>(\$17,418,913.41)</u>	<u>(\$14,114,599.38)</u>	<u>(\$13,396,238.89)</u>	<u>(\$11,746,674.46)</u>	<u>(\$9,952,979.92)</u>	<u>\$6,415,278.48</u>
Business-type activities										
Net investment in capital assets	\$1,262,047.83	\$634,499.54	\$276,873.65	\$370,718.53	\$365,284.49	\$271,730.85	\$284,538.43	\$2,688,894.86	\$1,750,751.72	\$1,313,926.42
Unrestricted	7,029,255.33	5,874,609.99	4,466,654.43	2,850,430.56	3,129,001.00	2,758,430.56	3,365,979.36	916,060.37	1,593,975.49	1,727,454.15
Total business-type activities net position	<u>\$8,291,303.16</u>	<u>\$6,709,109.53</u>	<u>\$4,743,528.08</u>	<u>\$3,221,149.09</u>	<u>\$3,494,285.49</u>	<u>\$3,028,161.41</u>	<u>\$3,650,517.79</u>	<u>\$3,604,955.23</u>	<u>\$3,344,727.21</u>	<u>\$3,041,380.57</u>
District-wide										
Net investment in capital assets	\$2,353,854.13	\$1,722,728.16	\$980,971.81	\$1,011,196.32	\$799,272.54	\$3,638,218.38	\$3,786,852.53	\$6,058,258.71	\$6,329,616.07	\$5,581,095.92
Unrestricted (Deficit)	(5,443,810.21)	(9,079,735.15)	(12,862,734.82)	(15,207,058.91)	(14,723,900.46)	(14,724,656.35)	(13,532,573.63)	(14,199,977.94)	(12,937,868.78)	3,876,563.13
Total district net position	<u>(\$3,089,956.08)</u>	<u>(\$7,357,006.99)</u>	<u>(\$11,881,763.01)</u>	<u>(\$14,195,862.59)</u>	<u>(\$13,924,627.92)</u>	<u>(\$11,086,437.97)</u>	<u>(\$9,745,721.10)</u>	<u>(\$8,141,719.23)</u>	<u>(\$6,608,252.71)</u>	<u>\$9,457,659.05</u>

Source: ACFR Schedule A-1

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
CHANGES IN NET POSITION
UNAUDITED

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
EXPENSES										
Governmental activities										
Instruction										
Special education	\$438,433.43	\$275,611.82	\$248,559.03	\$288,232.96	\$2,165,085.38	\$3,382,458.27	\$2,856,792.86	\$2,447,207.91	\$2,466,159.39	\$2,392,207.34
Other instruction					187,905.27	97,671.90	36,767.36	38,326.07	62,865.16	48,301.69
Support services:										
Student and instruction related services	5,384,463.65	2,075,462.61	384,637.55	3,566,009.32	1,835,442.51	1,641,185.32	1,094,303.90	1,345,305.78	1,267,498.28	1,494,473.70
General administrative services	24,560.70	57,535.83	23,927.14	23,927.14	46,982.47	88,986.70	77,585.03	99,310.58	67,773.69	74,245.28
School administrative services			(999,871.37)	13,615.46	294,913.08	1,141,366.48	789,601.68	751,367.68	704,918.38	548,620.25
Central services	85,278.75	113,210.96	24,915.30	72,318.08	189,549.10	406,284.98	725,044.05	273,804.70	35,905.87	101,055.47
Administration information technology	27,563.10	26,508.80	24,915.30	23,129.35	30,759.65	29,404.05	29,730.00	35,288.30	13,557.35	21,684.00
Plant operations and maintenance	11,599.88	40,698.98	(90,448.28)	159,395.22	74,295.44	666,086.30	1,453,294.48	710,054.11	721,718.68	962,737.67
Unallocated benefits	(525,816.20)	317,101.19								
Student transportation services					8,190.92	3,175.00	4,787.52	7,276.83	5,376.32	2,098.31
Interest on long-term debt	53,862.76	59,552.01	67,312.75	74,843.75	70,272.27	88,138.77	52,755.12	29,711.88	49,737.65	52,758.43
Special schools	711,173.49	549,305.32	3,626,457.73	229,575.24	14,988.75	20,589.75	25,076.34	52,785.58	43,282.87	47,802.35
Total governmental activities expenses	6,211,139.56	3,514,985.52	3,861,562.70	4,451,006.52	4,898,394.85	7,585,327.53	7,145,718.34	5,790,415.42	5,438,791.64	5,345,984.48
Business-type activities:										
Transportation	15,662,134.84	13,579,517.69	12,731,489.25	13,487,038.89	14,451,375.25	11,541,438.87	8,882,204.53	7,495,465.57	7,127,238.69	7,142,786.80
Extraordinary services	4,322,776.94	5,480,342.25	5,793,763.41	5,946,887.01	5,470,749.56	4,985,224.72	4,275,704.07	4,021,131.87	3,867,441.82	3,205,216.72
Adult education	558,158.34	538,119.19	527,521.02	607,610.21	569,964.42	584,459.34	26,638.51			
Computer services	712,261.92	624,556.33	546,309.38	485,570.47	492,032.27	537,085.75	461,821.55	437,731.65	428,038.07	500,820.84
Buildings and grounds	536,086.73	650,482.51								
Food service					1,856.03	20,526.97	30,423.28	42,358.79	51,450.67	56,563.87
Miscellaneous	73,128.99	33,423.88	1,073.84	105,151.36		64,936.26	5,657.92			
Purchasing	401,760.87	401,343.48	352,041.96	332,448.64	315,924.09	255,492.24	242,847.56	316,571.56	233,892.27	148,725.37
Total business-type activities expense	22,286,312.63	21,307,785.33	19,952,198.86	20,964,704.59	21,321,901.62	17,989,144.15	13,925,297.42	12,313,288.44	11,708,061.52	11,096,133.60
Total district expenses	\$28,477,452.19	\$24,822,770.85	\$23,813,761.56	\$25,415,711.10	\$26,220,296.47	\$25,554,471.68	\$21,071,015.76	\$18,103,708.86	\$17,146,853.16	\$16,402,128.08
PROGRAM REVENUES										
Governmental activities:										
Charges for services		\$11,775.00	\$675.00	\$7,900.00	\$244,014.77	\$1,144,703.12	\$1,748,636.17	\$1,926,057.69	\$2,475,867.60	\$3,099,001.41
Operating grants and contributions	7,193,915.13	4,880,462.59	3,876,125.68	3,801,555.57	4,037,976.78	4,866,911.84	2,878,940.36	2,376,309.82	2,289,215.52	2,252,735.76
Total governmental activities program revenues	\$7,193,915.13	\$4,892,237.59	\$3,876,800.68	\$3,809,455.57	\$4,281,991.55	\$6,031,614.96	\$4,627,576.53	\$4,302,367.51	\$4,765,083.12	\$5,351,737.17

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
CHANGES IN NET POSITION
UNAUDITED

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Charges for services:										
Trips										
Transportation	\$16,031,774.95	\$14,926,158.27	\$13,309,742.04	\$13,245,255.73	\$14,026,394.01	\$10,942,776.18	\$9,188,824.47	\$8,020,633.82	\$7,977,123.70	\$7,594,170.45
Extraordinary services	4,113,423.05	5,479,311.78	5,629,968.57	5,738,661.30	5,441,459.31	5,184,615.42	4,341,423.91	4,204,915.75	4,023,966.58	3,569,957.72
Adult education	543,858.67	555,600.73	527,616.61	607,846.47	596,934.01	597,814.75	35,788.97			
Computer services	789,186.32	636,430.00	574,264.82	574,410.50	467,184.58	512,579.01	510,475.20	463,323.49	403,743.59	602,931.71
Buildings and grounds	123,206.10	122,901.82								
Miscellaneous	246,968.65	135,097.47	82,290.38	7,505.67	2,379.91	19,232.98	28,833.22	33,579.10	45,259.65	52,471.03
Food service	2,345,679.38	1,761,148.89	1,667,246.04	861,130.89	576,242.19	513,931.66	425,594.84	399,411.33	238,555.82	181,790.57
Purchasing	24,194,097.32	23,616,648.96	21,791,128.46	21,034,850.36	21,110,584.01	17,770,950.00	14,540,940.61	13,121,963.49	12,688,646.34	12,001,321.48
Total business type activities program revenues	\$31,388,012.45	\$28,508,866.55	\$25,667,929.14	\$24,844,305.93	\$25,392,575.56	\$23,802,584.96	\$19,168,517.14	\$17,424,231.00	\$17,453,732.46	\$17,353,058.65
NET (EXPENSE) REVENUE										
Governmental activities	962,775.59	1,377,252.07	15,237.98	(641,550.95)	(616,403.30)	(1,533,712.57)	(2,518,141.81)	(1,488,051.91)	(673,708.52)	5,742.89
Business-type activities	1,827,784.69	2,308,863.63	1,838,829.60	70,145.78	(211,317.61)	(218,194.15)	615,643.19	608,574.05	960,587.82	945,187.89
Total district-wide net expense	\$2,810,560.28	\$3,686,115.70	\$1,854,167.58	(\$571,405.17)	(\$827,720.91)	(\$1,751,906.72)	(\$1,902,498.62)	(\$679,477.86)	\$306,879.30	\$950,930.57
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Governmental activities:										
Transfer in (out)	\$345,591.06	\$343,282.18	\$343,282.18	\$343,282.18	(\$510,030.38)	\$627,793.53	\$570,080.63	\$483,184.48	\$542,418.90	\$542,497.08
Federal and state aid restricted	7,730.87				(\$2,445,059.12)	16,415.16		16,415.16		
Disposal of capital assets w/costs	1,348,759.78	838,640.32	553,562.34	300,170.50	267,178.77	187,558.55	298,496.74	756,504.55	190,973.22	104,835.20
Miscellaneous income	1,702,081.71	1,181,922.50	896,844.52	643,452.68	(2,987,910.73)	815,332.08	866,577.37	(305,542.63)	733,392.12	647,332.28
Total governmental activities	(345,591.06)	(343,282.18)	(343,282.18)	(343,282.18)	510,030.38	(627,793.53)	(570,080.63)	(483,184.48)	(542,418.90)	(542,497.08)
Business-type activities:										
Transfers in (out)										
Miscellaneous income										
Disposal of capital assets										
Total business-type activities										
Total district-wide	\$1,356,490.65	\$838,640.32	\$553,562.34	\$300,170.50	(\$2,010,469.04)	\$411,189.85	\$298,496.74	(\$853,988.66)	\$36,150.94	\$104,835.20
CHANGE IN NET POSITION										
Governmental activities	\$2,684,857.30	\$2,559,174.57	\$912,082.50	\$1,901.73	(\$2,304,314.03)	(\$718,360.48)	(\$1,649,564.44)	(\$1,793,594.54)	\$59,683.60	\$653,074.97
Business-type activities	1,682,193.63	1,965,691.45	1,495,647.42	(273,136.40)	466,124.08	(622,356.39)	49,562.56	280,228.02	303,346.64	402,690.80
Total district	\$4,267,050.93	\$4,524,756.02	\$2,407,729.92	\$1,628,565.33	(\$2,838,189.95)	(\$1,340,716.87)	(\$1,604,001.88)	(\$1,513,366.52)	\$363,030.24	\$1,055,765.77

Source: ACFR Schedule A-2

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
 FUND BALANCES - GOVERNMENTAL FUNDS
 UNAUDITED

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
General fund										
Assigned	\$1,734.15	\$290.38	\$1,120.00		\$163.18					
Unassigned	\$1,356,926.53	\$844,818.39	\$731,462.99	\$694,522.34	778,122.63	\$1,178,541.65	\$1,331,401.88	\$1,610,012.58	\$1,949,936.92	\$2,160,789.86
Total general fund	\$1,358,660.68	\$845,108.77	\$732,582.99	\$694,522.34	\$778,285.81	\$1,178,541.65	\$1,331,401.88	\$1,610,012.58	\$1,949,936.92	\$2,160,789.86

Source: ACFR Schedule B-1

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
UNAUDITED

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Revenues										
Tuition charges	-	11,775.00	675.00	7,900.00	244,014.77	1,144,703.12	1,748,636.17	\$1,926,057.69	\$2,475,867.60	\$3,099,001.41
Miscellaneous	6,650,015.21	2,787,706.84	752,463.99	596,810.29	1,477,632.06	413,147.67	1,104,091.67	1,505,551.20	1,131,675.86	1,271,534.16
State sources	894,208.37	750,382.50	639,385.95	626,363.78	658,969.49	676,364.72	617,738.33	573,517.79	494,626.36	555,257.02
Federal sources	269,667.20	339,108.57	394,956.08	437,299.00	440,548.00	359,448.00	343,258.10	357,869.54	310,028.52	530,779.78
Total revenue	<u>7,813,890.78</u>	<u>3,888,970.91</u>	<u>1,787,481.02</u>	<u>1,667,373.07</u>	<u>2,821,164.32</u>	<u>2,592,663.51</u>	<u>3,813,724.27</u>	<u>4,363,016.22</u>	<u>4,412,598.34</u>	<u>5,456,572.37</u>
Expenditures										
Instruction										
Special education instruction	390,231.23	227,409.62	216,977.14	256,096.16	387,034.24	741,649.66	1,432,755.42	1,447,616.91	1,574,782.55	1,652,457.07
Other instruction				13,106.50		16,941.70	14,565.00	19,895.00	34,390.00	31,195.00
Support Services:										
Health Services:										
Student & instruction related services	5,372,624.51	2,063,623.47	376,680.59	486,897.17	704,370.18	615,767.52	812,034.78	990,023.70	966,977.22	1,311,547.27
General administrative services	24,140.02	25,708.91	16,962.79	18,853.23	41,854.56	71,715.07	60,323.40	81,639.84	50,102.95	52,801.32
School Administrative services					23,313.74	197,322.63	310,032.40	365,531.56	369,365.39	387,658.42
Central services	19,612.29	27,956.48	64,231.01	14,553.32	133,982.21	146,923.49	123,785.88	123,084.79	15,534.74	53,146.24
Administration Information Technology	27,583.10	26,506.80	24,915.30	23,129.35	30,759.65	29,404.05	29,730.00	35,288.30	13,557.35	21,694.00
Plant operations and maintenance	2,297.72	19,842.61	16,863.24	16,931.07	37,949.52	322,772.10	408,855.80	442,542.65	528,576.76	457,412.21
Student transportation services					8,180.92	3,175.00	4,787.52	7,276.83	5,376.32	2,096.31
Employee benefits	752,676.51	836,091.92	702,572.83	705,099.00	844,570.45	1,026,637.77	1,062,697.37	1,066,202.43	957,443.21	860,243.86
Capital outlay			33,201.80	2,291.85	797,351.60	35,286.35	124,147.06	586,246.20	1,916,461.31	15,560.98
Special Schools			330,027.47	229,575.24	14,988.75	20,589.75	25,076.34	52,765.58	43,282.87	47,802.35
Debt service:										
Principal			272,590.91	265,158.42	240,979.19	90,772.80	324,523.90	471,339.89	508,036.35	491,855.17
Interest and other charges	288,142.93	280,249.92	70,691.27	78,123.76	60,880.43	89,445.73	55,267.79	20,624.28	40,573.57	56,754.75
Total expenditures	<u>57,448.13</u>	<u>63,032.26</u>	<u>70,691.27</u>	<u>78,123.76</u>	<u>60,880.43</u>	<u>89,445.73</u>	<u>55,267.79</u>	<u>20,624.28</u>	<u>40,573.57</u>	<u>56,754.75</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>7,645,929.93</u>	<u>4,119,727.31</u>	<u>2,125,904.35</u>	<u>2,096,710.57</u>	<u>3,339,341.94</u>	<u>3,408,615.62</u>	<u>4,786,562.66</u>	<u>5,730,277.96</u>	<u>7,022,862.59</u>	<u>5,642,326.95</u>
	167,960.85	(230,756.40)	(338,423.33)	(429,337.50)	(518,177.62)	(815,952.11)	(972,838.39)	(1,367,261.74)	(2,610,264.25)	(185,754.58)
Other Financing sources (uses)										
Transfers in (out)	345,591.06	343,282.18	343,282.18	343,282.18	(510,030.38)	627,793.53	570,090.63	483,184.48	542,416.90	542,497.08
Installment purchase contract (non-budgeted)				2,291.85	627,952.16	35,266.35	124,147.06	543,310.02		
Total other financing sources (uses)	<u>345,591.06</u>	<u>343,282.18</u>	<u>343,282.18</u>	<u>345,574.03</u>	<u>117,921.78</u>	<u>663,061.88</u>	<u>694,237.69</u>	<u>1,026,494.50</u>	<u>542,416.90</u>	<u>542,497.08</u>
Net change in fund balances	<u>\$513,551.91</u>	<u>\$112,525.78</u>	<u>\$38,060.65</u>	<u>(\$85,763.47)</u>	<u>(\$400,255.84)</u>	<u>(\$152,890.23)</u>	<u>(\$278,610.70)</u>	<u>(\$340,767.24)</u>	<u>(\$2,067,845.35)</u>	<u>\$356,742.50</u>
Debt service as a percentage of noncapital expenditures	4.73%	9.09%	19.62%	19.60%	13.48%	5.64%	8.67%	10.58%	12.04%	10.80%

Source: ACFR Schedule B-2

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

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Tuition</u>	<u>Thrive</u> <u>Program</u>	<u>Rentals</u>	<u>Sale of</u> <u>Property</u>	<u>Private</u> <u>Contributions</u>	<u>Miscellaneous</u>	<u>Total</u>
2023		\$879,661.40	\$38,000.00			\$431,098.38	\$1,348,759.78
2022	\$11,775.00	575,266.70	37,000.00			226,373.62	\$850,415.32
2021	675.00	248,771.33	40,000.00			264,791.01	554,237.34
2020	7,900.00	63,380.00	27,500.00			209,290.50	308,070.50
2019	244,014.77		15,000.00	\$811,890.00		252,178.77	1,323,083.54
2018	1,144,703.12					186,596.05	1,331,299.17
2017	1,748,636.17				\$27,098.00	271,398.74	2,047,132.91
2016	1,926,057.69			466,500.80	6,840.70	283,163.05	2,682,562.24
2015	2,475,867.60					190,973.22	2,666,840.82
2014	3,099,001.41					104,835.20	3,203,836.61

Source: Commission Records

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

Function/program	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Instruction:										
Regular				1.0	0.5	2.0	3	4	4	3
Special education	7.0	5.0	4.0	0.0	3.0	7.5	12.5	13.3	16.3	20
Other special education				2.0	0.5	0.5	1.5	3.5	3.5	3.5
Support services:										
Health services	0.5	0.5	0.5	0.5	0.5	1.0	1	2	2	2
Student and instruction related services				0.5	0.3	0.5	0.5	0.5	0.5	0.5
General administrative services	1.8	1.8	2.0	2.0	3.0	3.0	3.00	3.00	3.00	3.00
School administrative services	1.0	1.0	1.0	1.0	1.3	1.5	3.5	4.7	5	5
Plant operations and maintenance	1.0	1.0	2.0	2.0	2.5	3.5	4	5	5	5.5
Total	11.3	9.3	9.5	9.0	11.5	19.5	29.0	36.0	42.5	42.5

Source: Commission Personnel Records

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
OPERATING STATISTICS
 UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures (a)	Cost Per Pupil	% Change	Teaching Staff (b)	Pupil/Teacher Ratio	Average Daily Enrollment (c)	Average Daily Attendance (c)	% Change in Average Daily Enrollment	Student Attendance Percentage
2023	31	\$1,991,925.40	\$64,255.66	(1.26%)	7	4.43	25	24	19.05%	96.00%
2022	22	1,431,606.83	65,073.04	(59.08%)	5	4.40	21	21	133.33%	100.00%
2021	11	1,749,420.37	159,038.22	(45.58%)	4	2.75	9	9	127.27%	100.00%
2020	6	1,753,428.39	292,238.07	(47.82%)	3	2.00	4	4	0.00%	90.40%
2019	4	2,240,130.72	560,032.68	443.70%	2	2.00	4	4	(87.08%)	90.40%
2018	31	3,193,098.74	103,003.19	15.45%	6	5.17	31	23	(36.15%)	74.06%
2017	48	4,282,603.91	89,220.91	2.95%	11	4.36	48	36	(11.11%)	75.00%
2016	54	4,679,966.73	86,666.05	57.82%	12	4.50	54	43	(20.59%)	79.63%
2015	83	4,557,791.36	54,913.15	12.46%	12	6.92	68	61	(20.00%)	89.71%
2014	104	5,078,156.05	48,828.42	(0.11%)	12	8.67	85	75	(2.30%)	88.24%

Sources: Commission records

Note: Enrollment based on annual October district count.

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

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

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

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
 SCHOOL BUILDING INFORMATION
 UNAUDITED

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<u>District Building</u>										
West Arwell (1995)										
Square Feet*				46,220			46,220	46,220	46,220	46,220
Capacity (Students)				130			130	130	130	130
Enrollment				31			55	55	68	68
Tewksbury (2004)										
Square Feet									28,166	28,166
Capacity (Students)									200	200
Enrollment									38	38
Hoffmans Crossing Road (2015)										
Square Feet	12,385	12,385	12,385	12,385	12,385	12,385	12,385	12,385	12,385	12,385
Capacity (Students)	100	100	100	100	100	100	100	100	100	100
Enrollment	31	22	6	6	6	4	18	18	18	0

Number of Schools at June 30, 2023
 Elementary = 0
 Middle School = 0
 Intermediate = 0

Source: Commission records

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

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
INSURANCE SCHEDULE
JUNE 30, 2023
UNAUDITED

COVERAGE

Article I - Property

Property		\$500,000,000 per occurrence NJSIG Limit
Extra Expenses		\$50,000,000 per occurrence NJSIG Limit
Valuable Papers and Records		\$10,000,000 per occurrence NJSIG Limit
Demolition and Increased Cost of Construction		\$25,000,000 per occurrence NJSIG Limit
Loss of Rents		\$50,000 per occurrence NJSIG Limit
Loss of Business Income/Tuition		\$1,500,000 per occurrence
Limited Builders' Risk		\$10,000,000 per occurrence NJSIG Limit
Fire Department Service Charge		\$10,000 per occurrence
Arson Reward		\$10,000 per occurrence
Pollutant Cleanup and Removal		\$250,000 per occurrence
Fine Arts		Not Covered
Sublimits:	Special Flood Hazard Area Flood Zones	25,000,000 per occurrence NJSIG annual aggregate
Accounts Receivable		\$250,000 per occurrence/annual aggregate
All Other Flood Zones		\$75,000,000 per occurrence NJSIG annual aggregate
Earthquake		\$50,000,000 per occurrence NJSIG annual aggregate
Terrorism		\$1,000,000 per occurrence NJSIG annual aggregate
Deductibles:	Real & Personal	\$5,000 per occurrence
	Extra Expense	\$5,000 per occurrence
	Valuable Papers	\$5,000 per occurrence
Special Flood Hazard Area Deductibles:		\$500,000 per building
		\$500,000 per building contents
All Other Flood Zones Flood Deductible:		\$10,000 per member/per occurrence

Article II - Electronic Data Processing

Data Processing Equipment including Data and Media, Extra Expense, Business Income, Duplicates, Transit and Debris Removal		\$500,000 per occurrence
Computer Virus		\$250,000 (\$10,000,000 NJSIG Annual Aggregate)
Terrorism	Included in Property	
Deductibles		\$1,000 per occurrence
Special Flood Hazard Area Flood Deductible		\$500,000 per building contents
All Other Flood Zones Flood Deductible		\$10,000 per member / per occurrence

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
INSURANCE SCHEDULE
JUNE 30, 2023
UNAUDITED

COVERAGE

Article III - Equipment Breakdown

Combined Single Limit per Accident for Property Damage and Business Income	\$100,000,000
Sublimits:	
Property Damage	Included
Off Premises Property Damage	\$1,000,000
Business Income	Included
Extra Expense	\$10,000,000
Service Interruption	\$10,000,000
Perishable Goods	\$1,000,000
Data Restoration	\$1,000,000
Contingent Business Income	\$1,000,000
Demolition	\$1,000,000
Ordinance or Law	\$1,000,000
Expediting Expenses	\$1,000,000
Hazardous Substances	\$1,000,000
Newly Acquired Locations (120 days notice)	\$1,000,000
Terrorism	Included
Deductibles:	
	\$25,000 per Accident for Property Damage
	12 Hours per Accident for Business Interruption/Extra Expense
	Service Interruption Waiting Period 24 hours

Article IV - Crime

	Limits	Deductibles
Insuring Agreement 1 - Public Employee Dishonesty with Faithful Performance	\$1,000,000	\$1,000
Insuring Agreement 2 - Forgery or Alteration	\$1,000,000	\$1,000
Insuring Agreement 3 - Theft, Disappearance and Destruction - Loss of Money & Securities On or Off Premises	\$50,000	\$500
Insuring Agreement 3 - Theft, Disappearance and Destruction - Money Orders & Counterfeit Paper Currency	\$50,000	\$500
Insuring Agreement 4 - Computer Fraud	\$1,000,000	\$1,000
Public Officials Bond: Board Secretary/Business Administrator	\$200,000	\$1,000

Article V - Comprehensive General Liability

Bodily Injury and Property Damage *	\$16,000,000	Combined Single Limit for Bodily Injury & Property Damage
Bodily Injury from Products and Completed Operations *	\$16,000,000	annual aggregate
Sexual Abuse*	\$15,000,000	per occurrence
	\$15,000,000	per member annual aggregate
	\$27,000,000	annual NJSBAIG aggregate
Personal Injury and Advertising Injury	\$16,000,000	per occurrence/ annual aggregate
Employee Benefits Liability *	\$16,000,000	per occurrence/ annual aggregate
Employee Benefits Liability Deductible		\$1,000 each claim
Premises Medical Payments		\$10,000 each accident
		\$5,000 limit per person
Terrorism	\$1,000,000	per occurrence/ annual NJSBAIG aggregate
Deductible	\$0	

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
INSURANCE SCHEDULE
JUNE 30, 2023
UNAUDITED

COVERAGE

Article VI - Automobile

Liability		
Symbol 1 Any Auto		
Combined Single Limit for Bodily Injury and Property Damage *	\$16,000,000 per accident	
Symbol 6 Uninsured/Underinsured Motorists - Private Passenger Auto	\$1,000,000 per accident	
Symbol 6 Uninsured/Underinsured Motorists - All Other Vehicles	\$15,000 Bodily Injury Per Person	
	\$30,000 Bodily Injury Per Accident	
	\$5,000 Property Damage Per Accident	
Symbol 5 Personal Injury Protection (including pedestrians)	\$250,000	
Medical Payments	\$10,000 Private passenger vehicles	
	\$5,000 all other vehicles	
Terrorism	\$1,000,000 per occurrence/ NJSBAIG annual aggregate	
Communicable Disease	\$1,000,000 per occurrence/ \$9,000,000 Annual NJSIG Aggregate limit for Communicable disease outbreak shared among GL, AL & SBL/E&O coverages	
Deductible	\$0	
Physical Damage (Scheduled vehicles only)		
Symbol 7 Comprehensive	\$1,000 deductible	
Collision	\$1,000 deductible	
Hired Car Physical Damage \$75,000 Limit	\$1,000 deductible	
Replacement Cost	\$1,000 deductible	
Garage Keepers	Included	
Environmental Liability		
	Limits	Deductible
Bodily Injury and property damage resulting from pollution conditions	\$1,000,000 per occurrence	\$50,000
First Party Remediation Expense	\$1,000,000 per occurrence	\$50,000
Emergency Response Expense	\$1,000,000 per occurrence	\$50,000
Disinfection Event Expense	\$250,000 per occurrence	\$100,000
Professional Liability		
Professional Services: Computer Consultant / Software Development	\$2,000,000 per occurrence	\$5,000
Student Accident		
Accidental death and Dismemberment	\$500,000	
Catastrophic	\$1,000,000	
Accident Medical	\$5,000,000	\$25,000

* - supplemental excess liability policy Hudson Insurance Group

SINGLE AUDIT SECTION



SUPLEE, CLOONEY & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable President and Members
of the Board of Directors
Hunterdon County Educational Services Commission
County of Hunterdon
Califon, New Jersey 07830

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the Hunterdon County Educational Services Commission, in the County of Hunterdon, State of New Jersey (the "Commission") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated February 23, 2024.

Internal Control Over Financial Reporting

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

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

SUPLEE, CLOONEY & COMPANY LLC

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted other matters that have been reported to the Commission in a separate Auditor's Management Report on Administrative Findings - Financial and Compliance dated February 23, 2024.

Purpose of This Report

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


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 962

February 23, 2024



SUPLEE, CLOONEY & COMPANY LLC
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE FINANCIAL
ASSITANCE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
NEW JERSEY OMB CIRCULAR 15-08**

Honorable President and Members
of the Board of Directors
Hunterdon County Educational Services Commission
County of Hunterdon
Califon, New Jersey 07830

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited Hunterdon County Educational Services Commission, County of Hunterdon, State of New Jersey (the "Commission") compliance with the types of compliance requirements identified as subject to audit in the New Jersey *OMB State Grant Compliance Supplement* that could have a direct and material effect on each of the Commission's major state programs for the year ended June 30, 2023. The Commission's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2023.

Basis for Opinion on Each Major 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 and the New Jersey *OMB State Grant Compliance Supplement*. Our responsibilities under those standards and the New Jersey *OMB State Grant Compliance Supplement* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Commission's 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 the Commission's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards* and the *New Jersey OMB State Grant Compliance Supplement* 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 the Commission's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and *New Jersey OMB State Grant Compliance Supplement*, we:

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

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

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a 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 of that testing based on the requirements of the New Jersey *OMB State Grant Compliance Supplement*. Accordingly, this report is not suitable for any other purpose.


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 962

February 23, 2024

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

FEDERAL ASSISTANCE LISTING NUMBER	FEDERAL FAIN NUMBER	GRANT OR STATE PROJECT NUMBER	AWARD AMOUNT	GRANT PERIOD FROM	TO	BALANCE AT JUNE 30, 2022	CARRYOVER/ (WALKOVER) AMOUNT	CASH RECEIVED	BUDGETARY EXPENDITURES	ADJUSTMENTS	REPAYMENT OF PRIOR YEAR BALANCES	(ACCOUNTS RECEIVABLE)	BALANCE, JUNE 30, 2023	UNEARNED REVENUE	DUE TO GRANTOR					
21 019	CR220COVID19	N/A	\$5,930.87	07/01/2022	06/30/2023	\$	\$	5,930.87	(5,930.87)		\$	\$	\$							
Total General Fund																				
Special Revenue Funds:																				
84 358	83568210030	N/A	21,703.00	07/01/20	06/30/2021	(13,838.15)		21,703.00	(7,864.85)											
U.S. Department of Education																				
Rural Education Achievement Program																				
84 002A	V022A220031	N/A	288,706.00	07/01/2022	06/30/2023			223,255.00	(257,684.00)	(5,127.00)		(39,566.00)								
84 002A	V022A210031	N/A	384,660.00	07/01/2021	06/30/2022	(22,048.00)		22,049.00												
Passed-through New Jersey Department of Labor and Workforce Development																				
Adult Basic Education (W.I.O.A Adult Title I)																				
Adult Basic Education (W.I.O.A Adult Title II)																				
Total Adult Basic Education																				
Total Special Revenue Fund																				
Total Federal Financial Assistance																				
													\$	(35,887.15)	\$	272,937.87	(271,483.72)	(5,127.00)	(39,566.00)	\$

HUNTERDON COUNTY EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

STATE GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	PROGRAM/ AWARD AMOUNT	GRANT PERIOD		CARRYOVER/ (WALKOVER) AMOUNT	CASH RECEIVED	BUDGETARY EXPENDITURES	ADJUSTMENTS/ REPAYMENT OF PRIOR YEAR BALANCES	BALANCE AT JUNE 30, 2023		CUMULATIVE TOTAL EXPENDITURES
			FROM	TO					(ACCOUNTS RECEIVABLE)	UNEARNED REVENUE	
State Department of Education											
General Funds:											
Reimbursed TPAF Social Security Contributions	23-485-034-5094-003	\$ 75,902.24	07/01/2022	06/30/2023	\$ -	\$ 75,902.24	\$ (83,388.95)	\$ -	\$ (7,486.71)	\$ -	\$ (83,388.95)
Reimbursed TPAF Social Security Contributions	23-485-034-5094-003	89,737.50	07/01/2021	06/30/2022	-	8,663.64	-	-	-	-	-
On-Behalf TPAF Pension Contribution	23-485-034-5094-004	478,308.00	07/01/2022	06/30/2023	-	478,308.00	(478,308.00)	-	-	-	(478,308.00)
On-Behalf TPAF Non-Contributory Insurance	23-485-034-5094-004	6,636.00	07/01/2022	06/30/2023	-	6,636.00	(6,636.00)	-	-	-	(6,636.00)
On-Behalf TPAF Post-Retirement Medical	23-195-034-5094-001	127,394.00	07/01/2022	06/30/2023	-	127,394.00	(127,394.00)	-	-	-	(127,394.00)
On-Behalf TPAF Long Term Disability Insurance	23-485-034-5094-004	85.00	07/01/2022	06/30/2023	-	85.00	(85.00)	-	-	-	(85.00)
Lead Testing for Schools A/D	23-485-034-5120-104	1,800.00	07/01/2022	06/30/2023	-	1,800.00	(1,800.00)	-	-	-	(1,800.00)
Total General Fund						666,768.88	(697,611.95)		(7,486.71)		(697,611.95)
Special Revenue Fund											
Business Resource Network - WDP	2022-062-4545-780-007	100,000.00	07/01/2022	09/30/2022	-	99,942.00	(99,942.00)	-	-	-	(99,942.00)
Workforce Development Partnership Funds	780-062-4545-007	91,111.00	04/01/2023	09/30/2023	-	13,213.00	(25,192.46)	-	(11,979.46)	-	(25,192.46)
Supplemental Workforce Fund for Basic Skills	767-062-4545-005-N750	73,591.00	07/01/2022	06/30/2023	-	84,178.00	(71,451.96)	-	(7,285.96)	-	(71,451.96)
Total Special Revenue Fund						177,331.00	(196,586.42)		(19,265.42)		(196,586.42)
Total State Financial Assistance Subject to Single Audit											
General Fund:											
On-Behalf TPAF Pension Contribution	23-485-034-5094-002	478,308.00	07/01/2022	06/30/2023	-	(478,308.00)	478,308.00	-	-	-	478,308.00
On-Behalf TPAF Non-Contributory Insurance	23-485-034-5094-004	6,636.00	07/01/2022	06/30/2023	-	(6,636.00)	6,636.00	-	-	-	6,636.00
On-Behalf TPAF Post-Retirement Medical	23-195-034-5094-001	127,394.00	07/01/2022	06/30/2023	-	(127,394.00)	127,394.00	-	-	-	127,394.00
On-Behalf TPAF Long Term Disability Insurance	23-485-034-5094-004	85.00	07/01/2022	06/30/2023	-	(85.00)	85.00	-	-	-	85.00
Total State Financial Assistance						283,693.88	(281,785.37)		(26,752.13)		(281,785.37)

See accompanying notes to schedules of financial assistance.

Hunterdon County Educational Services Commission
Notes to the Schedules of Expenditures of Federal Awards
and State Financial Assistance
Year Ended June 30, 2023

NOTE 1: GENERAL

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

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal awards and state financial assistance are presented on the budgetary basis of accounting with the exceptions of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 of the Commission's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The Commission has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The General fund is presented in the accompanying schedules on the modified accrual basis. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas GAAP basis does not.

Hunterdon County Educational Services Commission
Notes to the Schedules of Expenditures of Federal Awards
and State Financial Assistance
Year Ended June 30, 2023

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is -\$0- for the general fund and (\$375,711.46) for the special revenue fund. See the notes to the required supplementary information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Federal awards and state financial assistance revenues are reported in the Commission's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Other</u>	<u>Total</u>
General Fund	\$5,930.87	\$697,611.95		\$703,542.82
Special Revenue Fund	<u>\$263,736.33</u>	<u>196,596.42</u>	<u>\$5,301,255.43</u>	<u>5,761,588.18</u>
Total Awards and Financial Assistance	<u>\$269,667.20</u>	<u>\$894,208.37</u>	<u>\$5,301,255.43</u>	<u>\$6,465,131.00</u>

NOTE 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5: OTHER

The amount reported as TPAF pension contributions, post retirement medical benefits and long term disability insurance represents the amount paid by the state on behalf of the commission for the year ended June 30, 2023. TPAF Social Security contributions represent the amount reimbursed by the state for the employer's share of Social Security contributions for TPAF members for the year ended June 30, 2023.

Hunterdon County Educational Services Commission
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2023

Section I – Summary of Auditor’s Results

Financial Statements

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

Federal Program(s) – Not Applicable

State Program(s)

- | | | |
|-----|---|---------------------|
| (1) | Internal Control Over Major State Programs: | |
| (a) | Material weakness identified? | No |
| (a) | Significant deficiencies identified that are not considered to be material weaknesses? | No |
| (2) | Type of Auditor’s Report issued on compliance for major state program(s)? | Unmodified |
| (3) | Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular 15-08? | No |
| (4) | Identification of Major State Program(s): | |
| | <u>Program</u> | <u>Grant Number</u> |
| | Reimbursed TPAF Social Security Contribution | 495-034-5094-003 |
| (5) | Program Threshold Determination:
Type A State Program Threshold > \$750,000.00
Type B State Program Threshold <= \$750,000.00 | |
| (6) | Auditee qualified as a low-risk auditee under OMB Circular 15-08? | Yes |

Hunterdon County Educational Services Commission
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2023

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

Internal Control Findings

None Reported

Compliance Findings

None Reported

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

Federal Programs – Not Applicable

State Programs – None Reported

Hunterdon County Educational Services Commission

Schedule of Prior Year Audit Findings

Not Applicable

