

**NORTHERN REGION EDUCATIONAL
SERVICES COMMISSION
COUNTY OF PASSAIC, NEW JERSEY
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2023**

**NORTHERN REGION EDUCATIONAL
SERVICES COMMISSION**

Wayne, New Jersey

**Annual Comprehensive Financial Report
For The Fiscal Year Ended June 30, 2023**

ANNUAL COMPREHENSIVE

FINANCIAL REPORT

of the

Northern Region Educational Services Commission

Wayne, New Jersey

For The Fiscal Year Ended June 30, 2023

Prepared by

**Northern Region Educational Services Commission
Finance Department**

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Not Applicable

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Not Applicable

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Not Applicable

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INTRODUCTORY SECTION



NORTHERN REGION EDUCATIONAL SERVICES COMMISSION

DR. NICHOLAS V. VANCHERI, SUPERINTENDENT
MS. ANN T. KLUCK, SCHOOL BUSINESS ADMINISTRATOR/BOARD SECRETARY

Central Office • 82 Totowa Road • Wayne, New Jersey 07470
P: 973-614-8585 • www.nresc.org

January 9, 2024

President and Members of the Board of Directors
Northern Region Educational Services Commission.
County of Passaic
Wayne, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Northern Region Educational Services Commission for the fiscal year ended June 30, 2023, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the 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 basic financial statements and results of operations of the various funds and account groups of the Commission. All disclosures necessary to enable the reader to gain an understanding of the Commission's financial activities have been included.

The comprehensive annual financial report is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter, the Commission's organizational chart and a list of principal officials. The financial section includes the management discussion and analysis, 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 provisions of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Treasury Circular Letter 15-08 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

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

In July 2016, the Commission received approval from the Department of Education to change its name to the Northern Region Educational Services Commission.

2) ECONOMIC CONDITION AND OUTLOOK:

The Northern Region Educational Services Commission has reviewed various programs and has been rebuilding programmatically. The Commission will continue to review each program as needed and make any necessary decisions to maintain fiscal responsibility.

3) MAJOR INITIATIVES:

The Northern Region Educational Services Commission continued to provide many different kinds of services for the school districts of Passaic County. A brief overview of certain selected services is outlined below:

TRANSPORTATION

The Northern Region Educational Services Commission transports many students in the county. This year we provided transportation for many regular and special education students from most of the districts in the county, and several out-of-county districts. We also provide non-public transportation, and transportation for our own education programs.

HOPE ACADEMY

In October 2008, the Northern Region Educational Services Commission opened the Hope Academy in Passaic for approximately 70 over-aged middle/high school students previously enrolled in the Passaic School system. Hope Academy provides a program to ensure these at-risk students achieve a high school diploma.

ASCEND ACADEMY

In January 2022, the Northern Region Educational Services Commission opened the Ascend Academy in Passaic (at the same location as Hope Academy). This program serves 50 over-aged high school students during the evening hours, who were previously enrolled in the Passaic School system. Ascend Academy provides a program to ensure these at-risk students achieve a high school diploma.

NRESC and THE CHILDREN'S CENTER at the PHOENIX

Since 2022, the Northern Region Educational Services Commission has provided services to school-aged residents of the Phoenix Center for Rehabilitation and Pediatrics. Through certified teaching staff, students receive both therapeutic and individualized services that address their complex medical and educational needs by providing:

- Innovative and personalized instruction
- Respectful and trusting relationships
- Open communication and collaboration
- Attention to detail
- Consistency and equity

The Commission creates a supportive environment through collaboration with the Phoenix Center staff and sending school districts by adhering to the belief that all students can learn and achieve.

CHILDCARE SERVICES

The Northern Region Educational Services Commission assumed the operation of the Pompton Lakes Early Childhood Center (PLECC) in April of 2001. This center provides services to children during the day and also has a component for before and after-school care. It services approximately 165 students. The program currently rents classrooms at two schools in Pompton Lakes. The Commission also provides before and after school care to students in grades K-5 at the Riverdale School. In addition, the Commission provides business services to Parsippany-Troy Hills before and after care program (SKIP).

SUBSTITUTE TEACHERS REGISTRY

This year 9 school districts, as well as the Northern Region Educational Services Commission, participated in the substitute registry program. This function is aided through Aesop, which allows substitutes, teachers and School Districts access 24/7 to enter and review absences. The NRESC Human Resources Department oversees this process and continuously updates the substitute list.

NON-PUBLIC NURSING and OTHER NON-PUBLIC 192/193 SERVICES

The Northern Region Educational Services Commission provides non-public nursing services to private schools in the region. The nurses serve a number of different functions in the private schools and make sure that basic requirements are covered. There were currently 10 schools being serviced as of June 30, 2023, with 6 non-public nurses working in various schools through Passaic and Bergen Counties.

In addition, the Commission provides 192/193 & other non-public services to the Totowa Public Schools.

PERSONNEL

Numerous school districts utilize the Northern Region Educational Services Commission for certain types of personnel. These include:

- Child Study Team Members (Social Workers, School Psychologists, LDTs)
- Speech and Language Pathologists
- Physical Therapists and Physical Therapist Assistants
- Occupational Therapists and Certified Occupational Therapist Assistants
- Paraprofessionals
- Financial Clerks
- Home Instructors
- Behaviorists
- On-site Supervisors
- Technicians

This sharing provides continuity, cost-savings, and the greater possibility of sharing some services in the future.

SUPPLEMENTAL EDUCATIONAL SERVICES (SES)

The Northern Region Educational Services Commission is an approved SES provider and therefore, can offer additional academic instruction in language arts literacy, mathematics and science to students who are eligible for these services. The program is run at various districts, most notably Ringwood and Wayne.

TECHNOLOGY

The Northern Region Educational Services Commission provides technology staffing and services to multiple school districts and municipalities throughout northern New Jersey. The Commission provides full-time and part-time technicians, network and server engineers and even entry level interns to partners who need help in maintaining their technology and planning for future needs.

MISCELLANEOUS SERVICES

The Northern Region Educational Services Commission places the yearly nutrition advertisement in the newspaper for all county schools. By doing this collectively, we save each district the cost of having to run this large ad on their own.

SUMMER SCHOOLS

The Northern Region Educational Services Commission again operated summer schools in Clifton and Wayne during the summer of 2022. These programs provide students the opportunity to receive credit for

courses in which they may not have been successful during the school year. Many enrichment courses are also being offered.

ADULT SPECIAL SERVICES

In October 2020, the Northern Region Educational Services Commission was officially approved as a Day Habilitation provider by the New Jersey Department of Developmental Disabilities. Due to COVID-19 delays, the facility (located at 1655 Valley Road, Wayne, NJ) opened in March 2021, with planning taking place during the 2022-2023 fiscal year for its move to Totowa.

4) INTERNAL ACCOUNTING CONTROLS: Management of the Northern Region Educational Services 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 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 federal and state financial assistance, the Commission also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the Commission management.

5) BUDGETARY CONTROLS: In addition to internal accounting controls, the Northern Region Educational Services Commission maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the board of directors of the Commission. Annual appropriated budgets are adopted for the general fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be reappropriated as reservations of fund balance at June 30, 2023.

6) ACCOUNTING SYSTEMS AND REPORT

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

7) CASH MANAGEMENT: The investment policy of the Northern Region Educational Services Commission is guided in large part by state statute as detailed in "Notes to the Financial Statements," Note

2. The Northern Region Educational Services Commission has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act. The Commission's bank of record is Columbia Bank.

8) RISK MANAGEMENT: The Northern Region Educational Services Commission carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

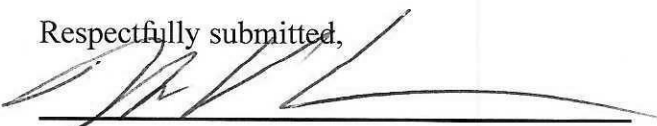
9) OTHER INFORMATION:

A) Independent Audit - State statutes require an annual audit by independent certified public accounts or registered municipal accountants. The Northern Region Educational Services Commission's Board of Directors selected the accounting firm of Wielkotz & Company, LLC. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of Title 2 U.S. Code of Federal Requirements Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Treasury Circular Letter 15-08 OMB. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

10) ACKNOWLEDGEMENTS:

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

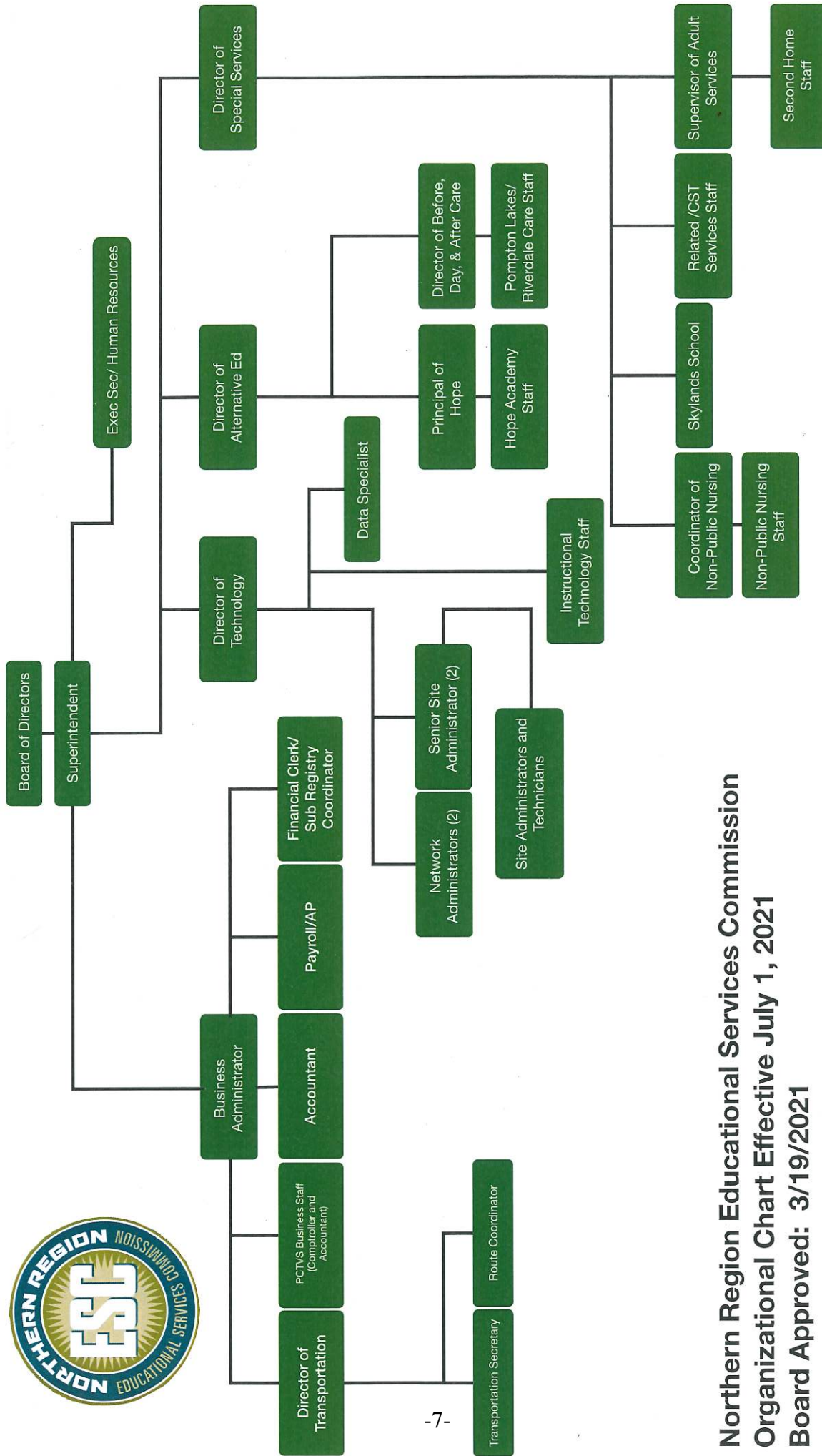
Respectfully submitted,



Dr. Nicholas V. Vancheri
Superintendent of Schools



Ann T. Kluck
School Business Administrator/Board Secretary



Northern Region Educational Services Commission
 Organizational Chart Effective July 1, 2021
 Board Approved: 3/19/2021



NORTHERN REGION EDUCATIONAL SERVICES COMMISSION

DR. NICHOLAS V. VANCHERI, SUPERINTENDENT
MS. ANN T. KLUCK, SCHOOL BUSINESS ADMINISTRATOR/BOARD SECRETARY

Central Office • 82 Totowa Road • Wayne, New Jersey 07470
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Roster of Officials

June 30, 2023

Members of the Board of Directors

Michael Niscosia
Danny Robertozzi
Christopher Wachua
Richard Spirito
Hugh Beattie
Tracey Marinelli
Nicholas Coffaro
Gary Lubisco
Bracken Healy
Sandra Montanez-Diodonet
John Maiello
Eileen Shafer
Paul Amoroso
Tyeshia Reels
Nicholas Bernice
Patricia Capitelli
Patrick McQueeney
Alex Anemone
Michele Pillari

District Represented

Bloomington
Clifton
Haledon
Hawthorne
Lakeland Regional
Little Falls
North Haledon
P.C. Manchester Regional, Haledon
P.V. Regional H.S. District #1
Passaic
Passaic County Technical Vocational Schools
Paterson
Pompton Lakes
Prospect Park
Ringwood
Totowa
Wanaque
West Milford
Woodland Park

Other Officials

Dr. Nicholas V. Vancheri
Ann Kluck
Adam Weiss

Superintendent
School Business Administrator/Board Secretary
Attorney

Consultant and Advisors

Auditing Firm

WIELKOTZ & COMPANY, LLC
Certified Public Accountants
401 Wanaque Avenue
Pompton Lakes, New Jersey 07442

Attorney

Adam Weiss
BUSCH LAW GROUP, LLC
450 Main Street
Metuchen, New Jersey 08840

Official Depository

COLUMBIA BANK
19-01 Route 208
Fair Lawn, New Jersey 07410

FINANCIAL SECTION



WIELKOTZ & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS

Steven D. Wielkottz, CPA, RMA, PSA
Matthew B. Wielkottz, CPA, PSA
Paul J. Cuva, CPA, RMA, PSA
James J. Cerullo, CPA, RMA, PSA
Kari Ferguson, CPA, RMA, CMFO, PSA
Robert C. McNinch, CPA, CFE, PSA
Kevin Reeves, CPA, PSA

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INDEPENDENT AUDITOR'S REPORT

Honorable President and
Members of the Board of Education
Northern Region Educational Services Commission
82 Totowa Road
Wayne, NJ 07470

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of the Board of Education of the Northern Region Educational Services Commission, in the County of Passaic, State of New Jersey, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Northern Region Educational Services Commission, in the County of Passaic, State of New Jersey, as of June 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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



Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

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 Northern Region Educational Services Commission's ability to continue as a going concern for the next 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, audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with generally accepted auditing standards, audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey and Government Auditing Standards, we:

- Exercise professional judgement 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 Northern Region Educational Services Commission's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Northern Region Educational Services Commission's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, Schedules Related to Accounting and Reporting for Pensions, and Other Post Employment Benefits identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Northern Region Educational Services Commission's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the schedule of expenditures of state financial assistance as required by NJ OMB 15-08 and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Honorable President and
Members of the Board of Education
Page 4.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the schedule of expenditures of state financial assistance as required by NJ OMB 15-08 are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the schedule of expenditures of state financial assistance as required by NJ OMB 15-08 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical data section has not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2024 on our consideration of the Northern Region Educational Services Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Northern Region Educational Services Commission's internal control over financial reporting and compliance.

James Cerullo

James Cerullo, C.P.A.
Licensed Public School Accountant
No. 881

Wielkocz & Company, LLC

WIELKOTZ & COMPANY, LLC
Certified Public Accountants
Pompton Lakes, New Jersey

January 9, 2024



**REQUIRED SUPPLEMENTARY
INFORMATION - PART I**

**NORTHERN REGION EDUCATIONAL SERVICES COMMISSION
WAYNE, NJ**

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

The discussion and analysis of the Northern Region Educational Services Commission's financial performance provides an overall review of the Commission's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the Commission's financial performance as a whole and should not be interpreted as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the Commission's revenues and expenditures by program for the General Fund.

FINANCIAL HIGHLIGHTS

- In total, net position increased \$151,214.23.
- General revenues accounted for \$12,635,463.94 revenue or 28.53 percent of all Commission revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$31,646,587.86 or 71.47 percent of total revenues of \$44,282,051.80.
- The Commission had \$44,130,837.57 in expenses related to governmental activities; only \$31,646,587.86 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$12,635,463.94 were insufficient to provide for these programs.
- As of the close of the Commission's current fiscal year, the governmental funds reported a combined increase of \$146,131.23, resulting in a fund balance of \$3,659,111.14.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Commission as a whole (district-wide statements), and then proceed to provide an increasingly detailed look at specified financial activities.

District-Wide Financial Statements

The *statement of net position and statement of activities* reports information about the Commission as a whole and about its activities in a manner that helps answer the question, "Is the Commission better or worse off as a result of the year's activities?" These statements include all assets and liabilities of the Commission using the accrual basis of accounting, similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

Both of the district-wide financial statements distinguish functions of the Northern Region Educational Services Commission that are principally supported by intergovernmental revenues (*governmental activities*). All of the Commission's programs and services are reported here.

The two statements report the Commission's net position and changes in them. The change in net position can be utilized by a reader to assist in determining whether the Commission's financial health is improving or deteriorating.

**NORTHERN REGION EDUCATIONAL SERVICES COMMISSION
WAYNE, NJ**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(CONTINUED)**

USING THIS ANNUAL REPORT, (continued)

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Northern Region Educational Services Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Commission's funds can be divided into two categories: Governmental Funds and Fiduciary Funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of *spendable resources* available at the end of the fiscal year. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash.

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the district-wide financial statements. By doing so, readers may better understand the long-term impact of the Commission's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities* (reported in the Statement of Net Position and the Statement of Activities).

The Northern Region Educational Services Commission governmental fund consists of the general fund. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures and changes in fund balances for the general fund, which is considered to be a major fund.

The Northern Region Educational Services Commission adopts annual appropriated budgets for its governmental funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with their budget.

**NORTHERN REGION EDUCATIONAL SERVICES COMMISSION
WAYNE, NJ**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(CONTINUED)**

USING THIS ANNUAL REPORT, (continued)

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning budgetary information for the Commission's major funds.

Our auditor has provided assurance in his independent auditor's report, located immediately preceding this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the Required Supplemental Information and the Supplemental Information identified above. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts in the Financial Section.

DISTRICT-WIDE FINANCIAL ANALYSIS

The Statement of Net Position provides the perspective of the Commission as a whole. Net position may, over time, serve as a useful indicator of a government's financial position.

The Commission's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The Commission's net position was \$(646,160.76) at June 30, 2023 and \$(679,197.59) at June 30, 2022. Our analysis below focuses on the net position for 2023 compared to 2022 (Table 1) and change in net position (Table 2) of the Commission.

**NORTHERN REGION EDUCATIONAL SERVICES COMMISSION
WAYNE, NJ**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(CONTINUED)**

DISTRICT-WIDE FINANCIAL ANALYSIS, (continued)

Table 1

**Net Position
June 30,**

	<u>Governmental Activities</u>	<u>Governmental Activities</u>
	<u>2023</u>	<u>2022</u>
Assets		
Current and Other Assets	\$4,502,131.37	\$6,205,555.00
Capital Assets	<u>3,840,201.55</u>	<u>313,345.00</u>
Total Assets	<u>8,342,332.92</u>	<u>6,518,900.00</u>
Deferred Outflows	<u>1,811,783.00</u>	<u>1,350,726.00</u>
Liabilities		
Current Liabilities	1,174,346.23	3,026,027.09
Noncurrent Liabilities	<u>8,027,824.45</u>	<u>2,617,795.00</u>
Total Liabilities	<u>9,202,170.68</u>	<u>5,643,822.09</u>
Deferred Inflows	<u>2,905,002.00</u>	<u>2,905,002.00</u>
Net Position		
Invested in Capital Assets-Net of Debt	88,707.10	313,345.50
Restricted	37,320.66	37,864.00
Unrestricted	<u>(772,188.52)</u>	<u>(1,030,407.09)</u>
Total Net Position	<u>(\$646,160.76)</u>	<u>(\$679,197.59)</u>

Table 2 below shows the changes in net position for fiscal year 2023.

Table 2
Changes in Net Position
Year Ended June 30,

	<u>2023</u>	<u>2022</u>
Revenues		
Program Revenues:		
Charges for Services and Sales	\$29,396,112.37	\$23,297,817.24
Operating Grants and Contributions	2,250,475.49	2,530,910.59
General Revenues:		
Federal and State Aid Not Restricted	533,997.86	343,788.26
Tuition Received	5,324,340.53	4,984,227.09
Miscellaneous Income	6,768,052.60	7,020,864.71
State Aid Capital Outlay	<u>9,072.95</u>	<u>0.00</u>
Total Revenues and Transfers	<u>\$44,282,051.80</u>	<u>\$38,177,607.89</u>

**NORTHERN REGION EDUCATIONAL SERVICES COMMISSION
WAYNE, NJ**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(CONTINUED)**

DISTRICT-WIDE FINANCIAL ANALYSIS, (continued)

	<u>Governmental Activities</u>	<u>Governmental Activities</u>
	<u>2023</u>	<u>2022</u>
Functions/Program Expenses		
Instruction:		
Regular	\$1,040,708.03	\$1,255,590.00
Special	289,692.62	513,810.73
Other	1,436,582.74	1,213,723.16
Support Services:		
Student & Instruction		
Related Services	6,260,579.70	6,076,474.98
School Administrative Services	694,761.87	664,882.46
General Administrative Services	697,343.35	1,728,483.20
Central Services	454,376.12	300,810.93
Plant Operations and Maintenance	469,012.55	683,956.42
Pupil Transportation	28,356,520.28	22,453,629.03
Unallocated Benefits	2,477,871.49	2,499,805.59
Special Schools	1,274,499.23	1,067,774.66
Capital Outlay - Non-depreciable	66,449.47	
Amortization Right to Use Leased Assets	583,761.21	
Unallocated depreciation	<u>28,678.91</u>	<u>34,421.03</u>
Total Expenses and Transfers	<u>44,130,837.57</u>	<u>38,493,362.19</u>
Increase or (Decrease) in Net Position	<u>\$151,214.23</u>	<u>(\$315,754.30)</u>

Governmental and Business- Activities

As reported in the Statement of Activities the cost of all of our governmental activities this year was \$44,130,837.57. However, these costs were offset by some of the cost that was paid by those who benefitted from the programs 29,396,112.37, by other governments and organizations who subsidized certain programs with grants and contributions \$2,250,475.49.

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

The Commission's budgets are prepared according to New Jersey law, and are based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted funds are the general fund and the special revenue fund.

**NORTHERN REGION EDUCATIONAL SERVICES COMMISSION
WAYNE, NJ**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(CONTINUED)**

**MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS,
(continued)**

During the fiscal year ended June 30, 2023, the Commission amended the budgets of these major governmental funds several times. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over-expenditures in specific line item accounts. Several of these revisions were for increases or decreases in the various programs of the Commission.

General Fund

The general fund actual revenue was \$44,560,161.85. That amount is \$2,012,816.85 above the final amended budget of \$42,547,345.00. The variance between the actual revenues and final budget was the result of non-budgeted on-behalf payments of \$2,537,658.49 for TPAF social security reimbursements and on-behalf pension payments and a \$524,841.64 deficit in miscellaneous anticipated revenues.

The following schedule presents a comparison of General Fund Revenues for the fiscal years ended June 30, 2023 and 2022:

	<u>June 30,</u>		Amount of Increase (Decrease)	Percent Increase (Decrease)
	<u>2023</u>	<u>2022</u>		
Local Sources				
Tuition Charges	\$5,324,340.53	\$4,984,227.09	340,113.44	6.82%
Transportation Fees	29,396,112.37	23,297,817.24	6,098,295.13	26.18%
Miscellaneous	6,768,052.60	7,020,864.71	(252,812.11)	(3.60)%
Federal Sources	533,997.86	343,788.26	190,209.60	55.33%
State Sources	<u>2,537,658.49</u>	<u>2,492,984.59</u>	<u>44,673.90</u>	1.79%
 Total General Fund Revenues	 <u>\$44,560,161.85</u>	 <u>\$38,139,681.89</u>	 <u>\$6,420,479.96</u>	 16.83%

Tuition revenue showed an increase of \$340,113.44 or 6.82% increase over the previous year, predominantly due to a increase in the Ascend Academy. Transportation fees increased \$6,098,295.13 or 26.18% over the previous year due to an increase in bus routes for the re-opening of schools after the pandemic shutdown. Miscellaneous revenue decreased \$252,812.11 or 3.60% due to a decrease in shared services for Technology and Financial Services, and state aid revenues increased \$44,673.90 or 1.79%, all attributable to on-behalf TPAF social security and pension contributions. Federal sources increased by \$190,209.60 or 55.33% due to Medicaid reimbursements.

The actual expenditures of the general fund were \$44,414,030.62 including transfers which is \$1,418,446.43 above the final amended budget of 42,995,584.19. The variance between the actual expenditures and final budget was due to non-budget on-behalf TPAF social security and pension payments of \$2,537,658.49 and \$1,119,212.06 of unexpended budgeted funds.

**NORTHERN REGION EDUCATIONAL SERVICES COMMISSION
WAYNE, NJ**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(CONTINUED)**

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS, (continued)

The following schedule presents a comparison of General Fund expenditures for the fiscal years ended June 30, 2023 and 2022:

	June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	<u>2023</u>	<u>2022</u>		
Instruction	\$2,478,776.42	\$2,818,893.97	(340,117.55)	(12.07)%
Support Services	40,403,328.67	34,325,460.32	6,077,868.35	17.71%
Special Schools	1,445,259.34	1,040,583.87	404,675.47	38.89%
Capital outlay	<u>86,666.19</u>	<u>120,872.29</u>	<u>(34,206.10)</u>	(28.30)%
Total Expenditures	<u>\$44,414,030.62</u>	<u>\$38,305,810.45</u>	<u>\$6,108,220.17</u>	15.95%

Total General Fund expenditures increased \$6,108,220.17 or 15.95% from the previous year. Primarily due to increase in transportation expenses and a increase in special schools expenses.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2023 the Commission had \$5,305,410.06 invested in sites, buildings, equipment and right to use leased assets. Of this amount, \$1,465,208.51 in depreciation has been taken over the years. We currently have a net book value of \$3,840,201.44. There were \$29,289.67 in additions and \$0.00 in deletions during the year. Table 3 shows fiscal year 2023 balances compared to 2022.

**Table 3
Capital Assets at June 30,
(Net of Depreciation)**

	Governmental <u>Activities</u>	Governmental <u>Activities</u>
	<u>2023</u>	<u>2022</u>
Site Improvements	\$41,678.48	\$38,344.19
Buildings	172,111.51	178,647.39
Furniture and Equipment	100,166.27	65,130.59
Right to Use Leased Assets	<u>3,526,245.29</u>	<u>4,110,006.50</u>
	<u>\$3,840,201.55</u>	<u>\$4,392,128.67</u>

**NORTHERN REGION EDUCATIONAL SERVICES COMMISSION
WAYNE, NJ**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(CONTINUED)**

CAPITAL ASSETS AND DEBT ADMINISTRATION, (continued)

Debt Administration

At June 30, 2023, the Commission had \$8,027,824.45 of long-term debt. Of this amount, \$285,800.00 is for compensated absences, \$3,990,530.00 is for net pension liability and \$3,751,494.45 is for lease liability.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Many factors were considered by the Commission's administration during the process of developing the fiscal year 2023-2024 budget. The primary factors were the Commission's projected student population and services required to be provided to local education agencies as well as increasing transportation, salary and related benefit costs.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Northern Region Educational Services Commission's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

School Business Administrator
82 Totowa Road
Wayne, NJ 07470

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

NORTHERN REGION EDUCATIONAL SERVICES COMMISSION
Statement of Net Position
June 30, 2023

	Governmental Activities	Total
ASSETS		
Cash and Cash Equivalents	891,280.53	891,280.53
Receivables, net	3,573,935.30	3,573,935.30
Security Deposits	36,915.54	36,915.54
Capital Assets, :		
Depreciable Buildings, Improvements and Equipment (net)	313,956.26	313,956.26
Right to Use Leased Assets, Net of Amortization	3,526,245.29	3,526,245.29
Total Assets	8,342,332.92	8,342,332.92
DEFERRED OUTFLOWS		
Deferred Outflows of Resources Related to PERS - Pension	1,811,783.00	1,811,783.00
LIABILITIES		
Accounts Payable and Accrued Liabilities	898,131.10	898,131.10
Payroll Deductions and Withholdings	217,797.99	217,797.99
Due to PC Partnership	5,356.18	5,356.18
Unearned Revenue	48,801.69	48,801.69
Security Deposits	4,259.27	4,259.27
Noncurrent Liabilities:		
Due within one year	523,532.72	523,532.72
Due beyond one year	7,504,291.73	7,504,291.73
Total Liabilities	9,202,170.68	9,202,170.68
DEFERRED INFLOWS		
Deferred Inflows of Resources Related to PERS - Pension	1,598,106.00	1,598,106.00
NET POSITION		
Invested in Capital Assets	88,707.10	88,707.10
Restricted for:		
Other Purposes	37,320.66	37,320.66
Unrestricted	(772,188.52)	(772,188.52)
Total Net Position	(646,160.76)	(646,160.76)

See Accompanying Notes to Financial Statements.

NORTHERN REGION EDUCATIONAL SERVICES COMMISSION

Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Governmental Activities	Total
Governmental activities:						
Instruction:						
Regular	928,487.64	112,220.39		-	(1,040,708.03)	(1,040,708.03)
Special Education	257,410.00	32,282.62			(289,692.62)	(289,692.62)
Other Instruction	1,292,878.78	143,703.96			(1,436,582.74)	(1,436,582.74)
Support services:						
Student & Instruction Related Services	5,733,031.35	527,548.35		625.00	(6,259,954.70)	(6,259,954.70)
School Administrative Services	617,339.34	77,422.53			(694,761.87)	(694,761.87)
General Administrative Services	657,798.17	39,545.18			(697,343.35)	(697,343.35)
Plant Operations and Maintenance	457,147.29	11,865.26			(469,012.55)	(469,012.55)
Pupil Transportation	28,323,550.12	32,970.16	29,396,112.37		1,039,592.09	1,039,592.09
Central Services & Admin. Info. Technology	411,001.08	43,375.04			(454,376.12)	(454,376.12)
Unallocated Benefits	2,477,871.49	-		2,249,850.49	(228,021.00)	(228,021.00)
Special Schools	1,215,524.38	58,974.85			(1,274,499.23)	(1,274,499.23)
Capital Outlay - Non-depreciable	66,449.47	-			(66,449.47)	(66,449.47)
Amortization Right to Use Leased Assets	583,761.21	-			(583,761.21)	(583,761.21)
Unallocated Depreciation	28,678.91	-			(28,678.91)	(28,678.91)
Total Governmental Activities	<u>43,050,929.23</u>	<u>1,079,908.34</u>	<u>29,396,112.37</u>	<u>2,250,475.49</u>	<u>(12,484,249.71)</u>	<u>(12,484,249.71)</u>
Total Primary Government	<u>43,050,929.23</u>		<u>29,396,112.37</u>	<u>2,250,475.49</u>	<u>(12,484,249.71)</u>	<u>(12,484,249.71)</u>
General Revenues:						
Federal and State Aid not Restricted					533,997.86	533,997.86
Tuition Received					5,324,340.53	5,324,340.53
Interest Earnings					292.16	292.16
Miscellaneous Income					6,767,760.44	6,767,760.44
State Aid - Capital Outlay					9,072.95	9,072.95
Total General Revenues, Special Items, Extraordinary Items and Transfers					<u>12,635,463.94</u>	<u>12,635,463.94</u>
Change in Net Position					151,214.23	151,214.23
Net Position—Beginning					(797,374.99)	(797,374.99)
Net Position—Ending					<u>(646,160.76)</u>	<u>(646,160.76)</u>

See Accompanying Notes to Financial Statements.

FUND FINANCIAL STATEMENTS

NORTHERN REGION EDUCATIONAL SERVICES COMMISSION

Balance Sheet
Governmental Funds
June 30, 2023

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	891,280.53		891,280.53
Receivables from Other Governments	3,573,935.30		3,573,935.30
Security Deposits	36,915.54		36,915.54
Total Assets	4,502,131.37	-	4,502,131.37
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	566,805.10		566,805.10
Accrued Salaries & Benefits			-
Security Deposits	4,259.27		4,259.27
Payroll Deductions and Withholdings Payable	217,797.99		217,797.99
Due to PC Partnership	5,356.18		5,356.18
Unearned Revenue	48,801.69		48,801.69
Total Liabilities	843,020.23	-	843,020.23
Fund Balances:			
Restricted for:			
Unemployment Compensation	37,320.66		37,320.66
Assigned to:			
Other Purposes	181.40		181.40
Unassigned:			
General Fund	3,621,609.08		3,621,609.08
Total Fund Balances	3,659,111.14	-	3,659,111.14
Total Liabilities and Fund Balances	4,502,131.37	-	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$652,698.82 and the accumulated depreciation is \$338,742.56.	313,956.26
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds	
Right to use assets at historical cost	4,652,711.24
Accumulated amortization	(1,126,465.95)
Accounts Payable for subsequent Pension payment is not a payable in the funds	(331,326.00)
Deferred Outflows and Inflows of resources are applicable to future periods and therefore are not reported in the funds.	
Deferred Outflows of Resources Related to PERS Pension Liability	1,811,783.00
Deferred Inflows of Resources Related to PERS Pension Liability	(1,598,106.00)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(8,027,824.45)
Net position of governmental activities	(646,160.76)

See Accompanying Notes to Financial Statements.

NORTHERN REGION EDUCATIONAL SERVICES COMMISSION
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Local Sources:			
Tuition from Individuals	446,222.23		446,222.23
Tuition from Other LEA's within State	4,759,905.51		4,759,905.51
Tuition from Summer School	118,212.79		118,212.79
Transportation Fees	29,396,112.37		29,396,112.37
Rents & Royalties	59,404.21		59,404.21
Resrticted Miscellaneous Revenues	292.16		292.16
Unresrticted Miscellaneous Revenues	6,708,356.23 *		6,708,356.23
Total - Local Sources	<u>41,488,505.50</u>	-	<u>41,488,505.50</u>
State Sources	2,537,658.49	-	2,537,658.49
Federal Sources	533,997.86	9,697.95	543,695.81
Total Revenues	<u>44,560,161.85</u>	<u>9,697.95</u>	<u>44,569,859.80</u>
EXPENDITURES			
Current:			
Regular Instruction	928,487.64	-	928,487.64
Special Education Instruction	257,410.00		257,410.00
Other Instruction	1,292,878.78		1,292,878.78
Support Services and Undistributed Costs:			
Student & Instruction Related Services	5,707,129.92	625.00	5,707,754.92
School Administrative Services	617,339.34		617,339.34
General Administrative Services	657,798.17		657,798.17
Central Services & Admin. Info. Technolgy	411,001.08		411,001.08
Plant Operations and Maintenance	704,101.78		704,101.78
Pupil Transportation	28,235,298.40		28,235,298.40
Health Services Employee Benefits	25,276.43		25,276.43
Student Transportation Services Employee Benefits	88,251.72		88,251.72
Unallocated Benefits and On-Behalf Contributions	3,957,131.83		3,957,131.83
Capital Outlay	86,666.19	9,072.95	95,739.14
Special Schools	1,445,259.34		1,445,259.34
Total Expenditures	<u>44,414,030.62</u>	<u>9,697.95</u>	<u>44,423,728.57</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>146,131.23</u>	-	<u>146,131.23</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-		-
Transfers out	-		-
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	146,131.23	-	146,131.23
Fund Balance—July 1	3,512,979.91		3,512,979.91
Fund Balance—June 30	<u>3,659,111.14</u>	<u>-</u>	<u>3,659,111.14</u>

* Includes interest earnings on the Unemployment Compensation Bank Account.

See Accompanying Notes to Financial Statements.

NORTHERN REGION 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 Year Ended June 30, 2023

Total net change in fund balances - governmental funds (from B-2)		146,131.23
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.		
Depreciation Expense	(28,678.91)	
Depreciable Capital Outlays	<u>29,289.67</u>	610.76
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Accumulated amortization	<u>(583,761)</u>	(583,761)
Repayment of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. In the current year, these amounts consist of:		
Right to Use Lease Liability		476,689.45
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		
(Increase)/Decrease in Compensated Absences Payable		(228,021.00)
District pension contributions are reported as expenditures in the governmental funds when made. However, per GASB No. 68 they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.		
District Pension Contributions	333,452.00	
Less: Pension Expense	<u>(6,113.00)</u>	
(Increase)/Decrease in Pension Expense		339,565.00
Per GASB No. 68 Non-employer contributing entities are required to record an increases in revenue and expense for On-behalf TPAF pension payments paid by the State of New Jersey on the Statement of Activities that are in excess of those amounts reported in the fund financial statements		
Increase/(Decrease) in On-behalf State Aid TPAF Pension		(1,159,348.00)
(Increase)/Decrease in On-behalf TPAF Pension Expense		1,159,348.00
Per GASB No. 75 Non-employer contributing entities are required to record an increases in revenue and expense for On-behalf TPAF post retirement medical payments paid by the State of New Jersey on the Statement of Activities that are in excess of those amounts reported in the fund financial statements		
Increase in On-behalf State Aid TPAF Post Employment Medical Revenue		871,540.00
Increase in On-behalf State Aid TPAF Post Employment Medical Expense		(871,540.00)
Change in net position of governmental activities		<u><u>151,214.23</u></u>

See Accompanying Notes to Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

**Northern Region Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Description of the School District and Reporting Entity:

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

The Northern Region Educational Services Commission (the "Commission") is an instrumentality of the State of New Jersey, established for the purpose of providing educational and administrative service as may be authorized by the State Board of Education. The Board of Directors (the "Board") consists of appointed officials from the member school districts and is responsible for the fiscal control of the Commission. A superintendent is appointed by the Board and is responsible for the administrative control of the Commission. Under existing statutes, the Board's duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

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

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significance) should be included in the financial reporting entity. The combined financial statements include all funds of the 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.

B. Basis of Presentation:

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

**Northern Region Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

B. Basis of Presentation: (continued)

District-wide Financial Statements:

The statement of net position and the statement of activities display information about the Commission as a whole. These statements include the financial activities of the overall District, except for the fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the Commission at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the governmental activities of the Commission. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Commission, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Commission.

Fund Financial Statements:

During the fiscal year, the Commission segregates transactions related to certain Commission functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the Commission's funds, including its fiduciary funds. Separate statements for each fund category - *government* and *fiduciary* - are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models. The various funds of the Commission are grouped into the categories governmental and fiduciary.

GOVERNMENTAL FUNDS

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

**Northern Region Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

B. Basis of Presentation: (continued)

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

As required by the New Jersey State Department of Education, the Board includes budgeted Capital Outlay in this fund. Accounting principles generally accepted in the United States of America as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

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

C. Measurement Focus:

District-wide Financial Statements

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

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**Northern Region Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. Measurement Focus: (continued)

Fund Financial Statements

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

D. Basis of Accounting:

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

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Nonexchange transactions, in which the Commission receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Board must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Commission on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

**Northern Region Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

D. Basis of Accounting: (continued)

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

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

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

E. Budgets/Budgetary Control:

Annual appropriated budgets are adopted in the spring of the preceding year for the general, and special revenue funds. The budgets are submitted to the county superintendents office for approval. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-2(g)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. The Commission made \$6,240,738.00 in supplemental budgetary appropriations for the various programs and services during the year.

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

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

**Northern Region Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

F. Encumbrances:

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

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

G. Cash, Cash Equivalents and Investments:

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

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

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

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

**Northern Region Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

H. Prepaid Items:

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

I. Short-Term Interfund Receivables/Payables:

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

J. Capital Assets:

General capital assets are those assets not specifically related to activities reported in the enterprise fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the district -wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the enterprise fund are reported both in the business-type activity column of the District-wide statement of net position and in the fund.

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activity Estimated Lives</u>
Sites and Improvements	20 years	N/A
Buildings and Improvements	7-50 years	N/A
Furniture, Equipment and Vehicles	5-20 years	5-20 years

**Northern Region Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

K. Compensated Absences:

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

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

L. Advanced Revenue:

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

Advanced revenue in the special revenue fund represents cash that has been received but not yet earned. See Note 1(F) regarding the special revenue fund.

M. Accrued Liabilities and Long-term Obligations:

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

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

**Northern Region Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

N. Accounting and Financial Reporting for Pensions:

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

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

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

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

**Northern Region Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

N. Accounting and Financial Reporting for Pensions: (continued)

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

O. Deferred Outflows/Inflows of Resources

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

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

P. Fund Balances:

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

- **Nonspendable** fund balance includes amounts that are not in a spendable form (inventory, for example) or are required to be maintained intact (the principal of an endowment fund, for example).
- **Restricted** fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers (for example, grant providers), constitutionally, or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use). Effectively, restrictions may be changed or lifted only with the consent of resource providers.

Northern Region Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

P. Fund Balances: (continued)

- **Committed** fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the Board's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.
- **Assigned** fund balance comprises amounts *intended* to be used by the Board for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.
- **Unassigned** fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. If another governmental fund has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund. Positive unassigned amounts will be reported only in the general fund.

Q. Net Position:

Net position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings 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 Board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

R. Extraordinary and Special Items:

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Commission and that are either unusual in nature or infrequent in occurrence. The Commission did not have any extraordinary or special items during the year.

**Northern Region Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

S. Allocation of Indirect Expenses:

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

T. Use of Estimates:

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

U. Right to Use Assets

The District has recorded right to use lease assets as a result of implementing GASB 87. The 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 lease incentives plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related issue.

V. New Accounting Standards:

During fiscal year 2023, the District adopted the following GASB Statement;

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

**Northern Region Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

government's obligations and assets resulting from SBITAs. The District did not have any subscription-based information technology arrangements that rose to an amount that required disclosure. The District will review new SBITA's annually to determine proper disclosure.

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS:

Cash

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Commission's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 18A:20-37 that are treated as cash equivalents. As of June 30, 2023, \$-0- of the Commission's bank balance of \$6,347,007.81 was exposed to custodial credit risk.

Investments

Investment Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

**Northern Region Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 3. RECEIVABLES:

Receivables at June 30, 2023, consisted of accounts and intergovernmental. All receivables are considered collectible in full. A summary of the principal items of receivables follows:

	Governmental Fund Financial <u>Statements</u>	District Wide Financial <u>Statements</u>
State Aid	\$31,345.76	\$31,345.76
Other Governments	3,542,589.54	3,542,589.54
Other Receivables	0.00	0.00
Interfunds Receivable	<u>0.00</u>	<u>0.00</u>
Gross Receivables	3,573,935.30	3,573,935.30
Less: Allowance for Uncollectibles	_____	_____
Total Receivables, Net	<u><u>\$3,573,935.30</u></u>	<u><u>\$3,573,935.30</u></u>

NOTE 4. INTERFUND BALANCES AND ACTIVITY:

Balance due to/from other funds at June 30, 2023, consist of the following:

None

There were no interfund transfers for the year ended June 30, 2023.

Northern Region Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023

NOTE 5. CAPITAL ASSETS:

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

	Restated Balance <u>6/30/22</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>6/30/23</u>
Governmental Activities				
Capital Assets Being Depreciated				
Site Improvements	\$140,620.31	\$11,517.00	\$	\$152,137.31
Buildings	326,794.00			326,794.00
Furniture, Equipment and Vehicles	155,994.84	17,772.67		173,767.51
Right to use Leased Assets	<u>4,652,711.24</u>	<u>0.00</u>		<u>4,652,711.24</u>
Total Capital Assets, Being Depreciated	<u>5,276,120.39</u>	<u>29,289.67</u>	<u>0.00</u>	<u>5,305,410.06</u>
Less Accumulated Depreciation:				
Site Improvements	(102,276.12)	(8,182.71)		(110,458.83)
Buildings	(148,146.61)	(6,535.88)		(154,682.49)
Furniture, Equipment and Vehicles	(59,640.92)	(13,960.32)		(73,601.24)
Right to use Leased Assets	<u>(542,702.74)</u>	<u>(583,761.21)</u>		<u>(1,126,463.95)</u>
Total Accumulated Depreciation	<u>(852,766.39)</u>	<u>(612,440.12)</u>	<u>0.00</u>	<u>(1,465,206.51)</u>
Total Capital Assets, Being Depreciated, Net	<u>4,423,354.00</u>	<u>(583,150.45)</u>		<u>3,840,203.55</u>
Governmental Activities Capital Assets, Net	<u>\$4,423,354.00</u>	<u>(\$583,150.45)</u>	<u>\$0.00</u>	<u>\$3,840,203.55</u>

Depreciation/Amortization expense was charged to governmental functions as follows:

Unallocated Depreciation/Amortization	<u>\$583,150.45</u>
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NOTE 6. LONG-TERM OBLIGATION ACTIVITY:

Changes in long-term obligations for the year ended June 30, 2023 were as follows:

	Restated Balance <u>June 30, 2022</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2023</u>	Amounts Due Within <u>One year</u>
Net Pension Liability	\$2,560,016.00	\$1,430,514.00	\$	\$3,990,530.00	\$0.00
Leases Payable	4,228,183.90		476,689.45	3,751,494.45	523,532.72
Compensated Absences Payable	<u>57,779.00</u>	<u>228,021.00</u>		<u>285,800.00</u>	<u>0.00</u>
Total Governmental Activities	<u>\$6,845,978.90</u>	<u>\$1,658,535.00</u>	<u>\$476,689.45</u>	<u>\$8,027,824.45</u>	<u>\$523,532.72</u>

Compensated absences have been liquidated in the general fund.

**Northern Region Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 7. Rights to Use Leased Assets:

The Northern Region Educational Services Commission conducts part of its operations from various leased facilities.

The District has entered into multiple leases as a lessee of buildings for instructional and office space. An initial lease liability was recorded in the amount of \$4,228,183.90 in fiscal year 2022, in accordance with GASB Statement No. 87. For the year ended June 30, 2023, the value of the lease liability is \$3,751,494.45. The leases have interest rates of 4.50%. The value of the right to use assets for the year ended June 30, 2023 was \$4,652,711.24, with accumulated amortization of \$1,126,465.95

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023 were as follows:

<u>Fiscal Year</u>	<u>Governmental</u>
<u>Ending</u>	<u>Activities</u>
<u>June 30,</u>	
2024	\$681,658
2025	571,517
2026	552,975
2027	575,004
2028	579,643
2029-2032	<u>1,457,262</u>
Total Minimum Lease Payments	4,418,059
Less: Amount representing interest	<u>(666,565)</u>
Present value of lease payments	<u>\$3,751,494</u>

NOTE 8. EQUIPMENT LEASES:

The District has commitments to lease copying equipment under equipment leases which expire in June, 2026. Total operating lease payments made during the year ended June 30, 2023 were \$2,304.00. Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2024	\$1,560.00
2025	1,560.00
2026	<u>1,560.00</u>
Total future minimum lease payments	<u>\$4,680.00</u>

Northern Region Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023

NOTE 9. PENSION PLANS:

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

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

Benefits Provided

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

The following represents the membership tiers for TPAF:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement

Northern Region Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023

NOTE 9. PENSION PLANS: (continued)

Benefits Provided, (continued)

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

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

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

The following represents the membership tiers for PERS:

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

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

Northern Region Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023

NOTE 9. PENSION PLANS: (continued)

Benefits Provided, (continued)

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

Defined Contribution Retirement Program

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

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

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

Contributions Requirements Fund Based Statements

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

<u>Year</u> <u>Ending</u>	<u>PERS</u>	<u>DCRP</u>
6/30/22	\$333,452.00	\$30,173.81
6/30/22	253,077.00	34,679.62
6/30/21	314,267.00	24,289.92

**Northern Region Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 9. PENSION PLANS: (continued)

Contributions Requirements Fund Based Statements, (continued)

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

<u>Year</u> <u>Ending</u>	<u>Pension</u> <u>Contributions</u>	<u>Post-Retirement</u> <u>Medical</u> <u>Contributions</u>	<u>NCGI</u> <u>Premium</u>	<u>LTD</u> <u>Liability</u>
6/30/2023	\$1,706,789.00	\$454,590.00	\$23,680.00	\$1,449.00
6/30/2022	1,693,210.00	401,184.00	23,889.00	1,469.00
6/30/2021	970,544.00	309,940.00	18,466.00	1,237.00

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

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$654,187.94 during the year ended June 30, 2023 for the employer’s share of social security contributions for TPAF members as calculated on their base salaries. This amount has been included in the fund-based statements as revenues and expenditures in accordance with GASB 24, paragraphs 7 through 13.

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

Public Employees Retirement System (PERS)

At June 30, 2023, the District had a liability of \$3,990,530.00 for its proportionate share of the PERS net pension liability. 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 that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2022, the District's proportion was 0.0264424506 percent, which was an increase of 0.0048325545 percent from its proportion measured as of June 30, 2021.

**Northern Region Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 9. PENSION PLANS: (continued)

For the year ended June 30, 2023, the District recognized pension expense of \$(6,113.00). At June 30, 2023, deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$12,364.00	\$597,540.00
Difference in actual and expected experience	28,802.00	25,399.00
Net difference between projected and actual earnings on pension plan investments	165,164.00	
Changes in proportion and differences between District contributions and proportionate share of contributions	1,274,127.00	975,167.00
District contributions subsequent to the measurement date	<u>331,326.00</u>	<u> </u>
Total	\$1,811,783.00	\$1,598,106.00

The \$331,326.00 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

Year ended June 30:	
2023	\$(342,304)
2024	(174,392)
2025	(85,048)
2026	185,542
2027	<u>(407)</u>
	\$(416,609)

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.04, 5.13, 5.16, 5.21, 5.63, 5.48 and 5.57 years for 2022, 2021, 2020, 2019, 2018, 2017 and 2016 amounts, respectively.

**Northern Region Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 9. PENSION PLANS: (continued)

Additional Information

Local Group Collective balances net of nonemployer (State of New Jersey) balances at June 30, 2022 and June 30, 2021 are as follows:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Collective deferred outflows of resources	\$1,660,772,008	\$1,164,738,169
Collective deferred inflows of resources	3,236,303,935	8,339,123,762
Collective net pension liability	15,219,184,920	11,846,499,172
District's Proportion	0.0264424506%	0.0216098961%

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

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	2.75-6.55% (based on years of service)
Investment Rate of Return	7.00 Percent

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2020. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Northern Region Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023

NOTE 9. PENSION PLANS: (continued)

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality 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 based on Scale MP-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 Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2022 are summarized in the following table:

<u>Asset 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%	11.80%
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%

Northern Region Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023

NOTE 9. PENSION PLANS: (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 and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

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

The following presents the collective net pension liability of the participating employers as of June 30, 2022 calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1- percentage-point higher than the current rate:

	June 30, 2022		
	1% Decrease <u>6.00%</u>	At Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
District's proportionate share of the pension liability	\$5,126,662	\$3,990,530	\$3,023,636

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).

**Northern Region Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 9. PENSION PLANS: (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 District recognized at June 30, 2023 was as follows:

Net Pension Liability:	
District's proportionate share	\$ -0-
State's proportionate share associated with the District	<u>21,221,157</u>
	\$21,221,157

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 rolled forward to June 30, 2022. The net pension liability associated with the District was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2022, the proportion of the TPAF net pension liability associated with the District was 0.0411307244%.

For the year ended June 30, 2023, the District recognized on-behalf pension expense and revenue of \$571,121 for contributions provided by the State in the District-Wide Financial Statements.

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:	2.75-5.65% (based on years of service)
Investment Rate of Return	7.00%

**Northern Region Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 9. PENSION PLANS: (continued)

Mortality Rates

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 Health 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 a 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, 2020.

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>Asset 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%	11.80%
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%

**Northern Region Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 9. PENSION PLANS: (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 to determine the total pension liability.

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

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

NOTE 10. POST-RETIREMENT BENEFITS:

General Information about the OPEB Plan

State Health Benefit State Retired Employees Plan

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

In accordance with N.J.S.A. 52:14-17.32, the State is required to pay the premium or periodic charges for health benefits of State employees who retire with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Judicial Retirement System (JRS), the State Police Retirement System (SPRS), the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen's Retirement System (PFRS), and the Alternate Benefit Program (ABP).

**Northern Region Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 10. POST-RETIREMENT BENEFITS: (continued)

State Health Benefit State Retired Employees Plan, (continued)

In addition, N.J.S.A. 52:14-17.26 provides that for purposes of the State Retired OPEB Plan, an employee of Rutgers, the State University of New Jersey, and New Jersey Institute of Technology shall be deemed to be an employee of the State. Further, P.L. 1966, c.302, addresses the other State colleges and universities, whereas while these institutions were provided autonomy from the State, their employees retained any and all rights to health benefits within the State Retired OPEB Plan and are therefore classified as State employees.

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

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

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

The State is legally required to pay for the OPEB benefit coverage for the participating local education employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. The State, as a nonemployer contributing entity, reported a Fiscal Year 2022 total OPEB liability of \$50,646,462,966 for this special funding situation.

**Northern Region Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 10. POST-RETIREMENT BENEFITS: (continued)

Total OPEB Liability

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

The portion of the OPEB Liability that was associated with the District recognized at June 30, 2023 was as follows:

OPEB Liability:	
District's proportionate share	\$ -0-
State's proportionate share associated with the District	<u>11,060,835</u>
	\$11,060,835

Actual Assumptions and Other Imputes

The total OPEB liability in the June 30, 2022 actuarial valuation reported by the State in the State's Report of Total Nonemployer OPEB Liability for the State Health Benefit Local Education Retired Employee's Plan was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Total Nonemployer OPEB Liability

The total nonemployer 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 actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.50%	
	<u>TPAF/ABP</u>	<u>PERS</u>
Salary increases:		
Through 2026	2.75 - 4.25%	2.75 - 6.55%
	based on service years	based on service years

Northern Region Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023

NOTE 10. POST-RETIREMENT BENEFITS: (continued)

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.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of actuarial experience studies for the periods July 1, 2018 – June 30, 2021 for TPAF, PERS and PFRS, respectively.

(a) *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%.

(b) *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.

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

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

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

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

**Northern Region Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 10. POST-RETIREMENT BENEFITS: (continued)

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

For the year ended June 30, 2023, the board of education/board of trustees recognized on-behalf OPEB expense of \$1,326,130 in the district-wide financial statements as determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASB No. 75 and in which there is a special funding situation.

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

NOTE 11. DEFERRED COMPENSATION:

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

Valic

AXA Equitable

NOTE 12. RISK MANAGEMENT:

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

Property and Liability Insurance - The Commission is currently a member of the School Alliance Insurance Fund (the "Fund"). The Fund provides it's members with General Liability, Auto Liability, Property, Employee Benefits Liability, Worker's Compensation and Employer Liability Insurance. The Fund is a risk-sharing public entity risk pool that is both an insured and self-administered group of School District's established for the purpose of providing low-cost insurance coverage for their respective members in order to keep insurance costs at a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Funds are elected.

As a member of the Fund, the Commission could be subject to supplemental assessments in the event of deficiencies. If the assets of the Funds were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities. However, this Fund has fully reinsured the exposures above all limits subscribed to by its members. The Funds can declare and distribute dividends to members upon arrival of the State of New Jersey Department of Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body.

**Northern Region Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 12. RISK MANAGEMENT: (continued)

Financial statements for the Funds are available at the office of the Fund’s administrator, 51 Everette Drive, Suite 105B, Lawrenceville, New Jersey 08646.

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

New Jersey Unemployment Compensation Insurance - Effective January 1, 2012, the Commission elected to change from the “Benefit Reimbursement Method” to the “Contributory Method” whereby they will make quarterly contributions based on a percentage of covered wages. The following is a summary of the Commission’s Unemployment for the current and previous two years:

<u>Fiscal Year</u>	<u>Interest Earnings/ Commission Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2022-2023	\$292.16		\$835.50	\$37,320.66
2021-2022	59.00			37,864.00
2020-2021	127.03			38,592.50

NOTE 13. REVOLVING LINE OF CREDIT:

The Commission entered into an agreement with Columbia Bank for a \$500,000.00 revolving line of credit. On June 11, 2020, this amount was increased to \$2,600,000. The line of credit is to be utilized for cash flow purposes. During the 2022-2023 school year, the Commission did not utilize this line of credit.

NOTE 14. FUND BALANCE APPROPRIATED:

General Fund [Exhibit B-1] - Of the \$3,647,522.29 general fund balance at June 30, 2023, \$181.40 is reserved for encumbrances; \$.00 has been appropriated and included as anticipated revenue for the year ending June 30, 2024; \$37,320.66 is reserved for the unemployment claims; and \$3,610,020.33 is unreserved and undesignated.

**Northern Region Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2023**

NOTE 15. RETROACTIVE RESTATEMENT DUE TO RECORDING RIGHT TO USE LEASED ASSETS

During the fiscal year 2023, the District implemented GASB Statement #87 for Right to Use Leased Assets.. This resulted in the following adjustments to the capital assets and investment in capital assets and total net position at June 30,2022 by a decrease in net position of governmental funds by \$118,177.40.

NOTE 16. CONTINGENT LIABILITIES:

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

Litigation - The Commission is a party defendant in some lawsuits, none of a kind unusual for a school district of its size and scope of operation. In the opinion of the Board's Attorney the potential claims against the Commission not covered by insurance policies would not materially affect the financial condition of the Commission.

NOTE 17. SUBSEQUENT EVENTS

The District has evaluated subsequent events through January 9, 2024, the date which the financial statements were available to be issued and no additional items were noted for disclosure.

**REQUIRED SUPPLEMENTARY
INFORMATION - PART II**

BUDGETARY COMPARISON SCHEDULES

NORTHERN REGION EDUCATIONAL SERVICES COMMISSION
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2023

	Original Budget	Budget Transfers/ Adjustments	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Tuition from Individuals	456,000.00	-	456,000.00	446,222.23	(9,777.77)
Tuition from Other LEA's within State	4,503,037.00	(444,574.88)	4,058,462.12	4,759,905.51	701,443.39
Tuition from Summer School	125,000.00	-	125,000.00	118,212.79	(6,787.21)
Transportation Fees	22,759,331.00	6,437,500.00	29,196,831.00	29,396,112.37	199,281.37
Rents & Royalties	59,405.00	-	59,405.00	59,404.21	(0.79)
Restricted Miscellaneous Revenues	-	-	-	292.16	292.16
Unrestricted Miscellaneous Revenues	7,443,834.00	262,812.88	7,706,646.88	6,708,356.23	(998,290.65)
Total - Local Sources	<u>35,346,607.00</u>	<u>6,255,738.00</u>	<u>41,602,345.00</u>	<u>41,488,505.50</u>	<u>(113,839.50)</u>
State Sources:					
TPAF Post Retirement Medical (On-Behalf - Non-Budgeted)	-	-	-	454,590.00	454,590.00
TPAF LTDI (On-Behalf - Non-Budgeted)	-	-	-	1,449.00	1,449.00
TPAF NCGI Premium (On-Behalf - Non-Budgeted)	-	-	-	23,680.00	23,680.00
TPAF Pension Contributions (On-Behalf - Non-Budgeted)	-	-	-	1,706,789.00	1,706,789.00
TPAF Social Security (Reimbursed - Non-Budgeted)	-	-	-	351,150.49	351,150.49
Total - State Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,537,658.49</u>	<u>2,537,658.49</u>
Federal Sources:					
Medical Assistance Program	960,000.00	(15,000.00)	945,000.00	533,997.86	(411,002.14)
Total - Federal Sources	<u>960,000.00</u>	<u>(15,000.00)</u>	<u>945,000.00</u>	<u>533,997.86</u>	<u>(411,002.14)</u>
TOTAL REVENUES	<u>36,306,607.00</u>	<u>6,240,738.00</u>	<u>42,547,345.00</u>	<u>44,560,161.85</u>	<u>2,012,816.85</u>
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Grades 9-12 - Salaries of Teachers	856,134.00	(177,395.02)	678,738.98	678,150.38	588.60
Other Salaries for Instruction	-	3,698.26	3,698.26	-	3,698.26
General Supplies	-	9,889.00	9,889.00	9,739.05	149.95
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	381,450.00	(159,795.44)	221,654.56	216,654.56	5,000.00
Other Purchased Services (400-500 series)	500.00	-	500.00	224.69	275.31
General Supplies	26,300.00	(575.00)	25,725.00	23,138.96	2,586.04
Textbooks	2,500.00	-	2,500.00	2,500.00	-
Other Objects	-	580.00	580.00	580.00	-
TOTAL REGULAR PROGRAMS - INSTRUCTION	<u>1,266,884.00</u>	<u>(323,598.20)</u>	<u>943,285.80</u>	<u>928,487.64</u>	<u>14,798.16</u>
SPECIAL EDUCATION - INSTRUCTION					
Multiple Disabilities:					
Salaries of Teachers	283,330.00	(171,505.00)	111,825.00	111,825.00	-
Other Salaries for Instruction	176,147.00	(30,562.00)	145,585.00	145,585.00	-
General Supplies	6,000.00	(6,000.00)	-	-	-
Total Multiple Disabilities	<u>465,477.00</u>	<u>(208,067.00)</u>	<u>257,410.00</u>	<u>257,410.00</u>	<u>-</u>
TOTAL SPECIAL EDUCATION - INSTRUCTION	<u>465,477.00</u>	<u>(208,067.00)</u>	<u>257,410.00</u>	<u>257,410.00</u>	<u>-</u>
School-Sponsored Cocurricular Athletics - Instruction					
Supplies and Materials	500.00	(500.00)	-	-	-
Total School-Sponsored Cocurricular Athletics - Instruction	<u>500.00</u>	<u>(500.00)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Before / After School Programs - Instruction:					
Salaries of Teachers	784,741.00	(48,110.12)	736,630.88	486,967.16	249,663.72
Other Salaries for Instruction	400,000.00	14,976.50	414,976.50	414,976.50	-
General Supplies	52,500.00	(30,974.90)	21,525.10	20,516.50	1,008.60
Total Before / After School Programs - Instruction	<u>1,237,241.00</u>	<u>(64,108.52)</u>	<u>1,173,132.48</u>	<u>922,460.16</u>	<u>250,672.32</u>
Before / After School Programs - Support Services:					
Salaries	178,708.00	21,332.00	200,040.00	147,085.00	52,955.00
General Supplies	-	1,500.00	1,500.00	1,327.61	172.39
Total Before / After School Programs - Support Services	<u>178,708.00</u>	<u>22,832.00</u>	<u>201,540.00</u>	<u>148,412.61</u>	<u>53,127.39</u>
Total Before / After School Programs	<u>1,415,949.00</u>	<u>(41,276.52)</u>	<u>1,374,672.48</u>	<u>1,070,872.77</u>	<u>303,799.71</u>
Summer School - Instruction					
Salaries of Teachers	-	73,715.00	73,715.00	73,715.00	-
Total Summer School - Instruction	<u>-</u>	<u>73,715.00</u>	<u>73,715.00</u>	<u>73,715.00</u>	<u>-</u>
Summer School - Support Services					
Salaries	-	23,100.00	23,100.00	23,100.00	-
Total Summer School - Support Svcs.	<u>-</u>	<u>23,100.00</u>	<u>23,100.00</u>	<u>23,100.00</u>	<u>-</u>
Total Summer School	<u>-</u>	<u>96,815.00</u>	<u>96,815.00</u>	<u>96,815.00</u>	<u>-</u>

NORTHERN REGION EDUCATIONAL SERVICES COMMISSION
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2023

	Original Budget	Budget Transfers/ Adjustments	Final Budget	Actual	Variance Final to Actual
Other Supplemental/At-Risk Programs - Instruction					
Salaries of Teachers		138,120.00	138,120.00	125,191.01	12,928.99
Purchased Services (300-500 series)		585.00	585.00		585.00
Total Other Supplemental/At-Risk Programs - Instruction	-	138,705.00	138,705.00	125,191.01	13,513.99
Total Other Supplemental/At-Risk Programs	-	138,705.00	138,705.00	125,191.01	13,513.99
TOTAL INSTRUCTION	3,148,810.00	(337,921.72)	2,810,888.28	2,478,776.42	332,111.86
Undist. Expend. - Health Services					
Salaries	240,541.00	49,026.64	289,567.64	239,293.77	50,273.87
Purchased Professional and Technical Services	2,700.00	-	2,700.00	2,700.00	-
Other Purchased Services (400-500 series)	200.00	-	200.00	192.00	8.00
Supplies and Materials	6,085.00	(2,440.00)	3,645.00	620.00	3,025.00
Other Objects	300.00	-	300.00		300.00
Total Undistributed Expenditures - Health Services	249,826.00	46,586.64	296,412.64	242,805.77	53,606.87
Undist. Expend. - Speech, OT, PT & Related Serv.					
Salaries	3,937,172.00	(450,610.10)	3,486,561.90	3,463,517.40	23,044.50
Purchased Professional - Educational Services	12,000.00	55,072.93	67,072.93	40,640.00	26,432.93
Other Purchased Services (400-500 series)		500.00	500.00	293.36	206.64
Supplies and Materials	1,000.00	3,200.00	4,200.00	3,762.17	437.83
Total Undist. Expend. - Speech, OT, PT & Related Serv.	3,950,172.00	(391,837.17)	3,558,334.83	3,508,212.93	50,121.90
Undist. Expend. - Other Supp. Serv. Students-Extra Services					
Salaries		4,428.00	4,428.00	4,428.00	-
Total Undist. Expend. - Other Supp. Serv. Students-Extra Serv.	-	4,428.00	4,428.00	4,428.00	-
Undist. Expend. - Guidance					
Salaries of Other Professional Staff	141,300.00	33,415.96	174,715.96	167,855.96	6,860.00
Purchased Professional - Educational Services	15,000.00	(10,749.00)	4,251.00		4,251.00
Other Purchased Prof. and Tech. Services	3,000.00	-	3,000.00		3,000.00
Total Undist. Expend. - Guidance	159,300.00	22,666.96	181,966.96	167,855.96	14,111.00
Undist. Expend. - Child Study Teams					
Salaries of Other Professional Staff	183,195.00	16,880.00	200,075.00	162,152.00	37,923.00
Other Purchased Services (400-500 series)	3,500.00	(500.00)	3,000.00	1,608.66	1,391.34
Total Undist. Expend. - Child Study Teams	186,695.00	16,380.00	203,075.00	163,760.66	39,314.34
Undist. Expend. - Improvement of Instructional Services					
Salaries of Supervisor of Instruction	68,848.00	163,728.80	232,576.80	169,233.40	63,343.40
Total Undist. Expend. - Improvement of Inst. Services	68,848.00	163,728.80	232,576.80	169,233.40	63,343.40
Undist. Expend. - Educational Media Serv./Sch. Library					
Salaries of Technology Coordinators	815,375.00	12,434.10	827,809.10	827,242.58	566.52
Purchased Professional and Technical Services	391,500.00	200,000.00	591,500.00	570,545.60	20,954.40
Other Purchased Services (400-500 series)	4,000.00	100.00	4,100.00	3,920.85	179.15
Supplies and Materials	48,686.00	700.00	49,386.00	39,499.93	9,886.07
Total Undist. Expend. - Educational Media Serv./Sch. Library	1,259,561.00	213,234.10	1,472,795.10	1,441,208.96	31,586.14
Undist. Expend. - Instructional Staff Training Serv.					
Other Purchased Prof. and Tech. Services		8,600.00	8,600.00	2,536.25	6,063.75
Other Purchased Services (400-500 series)	9,050.00	(650.00)	8,400.00	7,087.99	1,312.01
Total Undist. Expend. - Instructional Staff Training Serv.	9,050.00	7,950.00	17,000.00	9,624.24	7,375.76
Undist. Expend. - Supp. Serv. - General Administration					
Salaries	375,077.00	(120,401.80)	254,675.20	249,888.24	4,786.96
Legal Services	25,000.00	40,430.76	65,430.76	65,430.76	-
Audit Fees	15,700.00	(550.00)	15,150.00	15,150.00	-
Purchased Technical Services	368,472.00	(222,896.76)	145,575.24	140,935.21	4,640.03
Communications/Telephone	40,800.00	11,248.82	52,048.82	43,179.52	8,869.30
Miscellaneous Purchased Services (400-500 series)	156,433.00	(43,008.15)	113,424.85	93,086.12	20,338.73
B OE Other Purchased Services - Insurance		27,886.50	27,886.50	27,886.50	-
General Supplies	4,900.00	6,765.10	11,665.10	11,042.04	623.06
Miscellaneous Expenditures	15,755.00	(4,401.72)	11,353.28	11,199.78	153.50
Total Undist. Expend. - Supp. Serv. - General Administration	1,002,137.00	(304,927.25)	697,209.75	657,798.17	39,411.58

NORTHERN REGION EDUCATIONAL SERVICES COMMISSION
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2023

	Original Budget	Budget Transfers/ Adjustments	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Support Serv. - School Administration					
Salaries of Principals/Assistant Principals	454,966.00	(2,215.58)	452,750.42	452,750.09	0.33
Salaries of Secretarial and Clerical Assistants	153,402.00	0.52	153,402.52	153,402.48	0.04
Other Purchased Services (400-500 series)	6,500.00	(4,934.00)	1,566.00	977.86	588.14
Supplies and Materials	7,000.00	(1,250.00)	5,750.00	5,309.91	440.09
Other Objects	5,365.00	1,014.00	6,379.00	4,899.00	1,480.00
Total Undist. Expend. - Support Serv. - School Administration	627,233.00	(7,385.06)	619,847.94	617,339.34	2,508.60
Undist. Expend. - Central Services					
Salaries	161,737.00	190,374.16	352,111.16	345,856.95	6,254.21
Purchased Professional Services	115,000.00	(48,651.25)	66,348.75	38,853.75	27,495.00
Misc. Purchased Services (400-500 series)	3,000.00	201.25	3,201.25	2,220.31	980.94
Supplies and Materials	21,620.00	2,500.00	24,120.00	23,332.40	787.60
Miscellaneous Expenditures	2,000.00	1,571.00	3,571.00	737.67	2,833.33
Total Undist. Expend. - Central Services	303,357.00	145,995.16	449,352.16	411,001.08	38,351.08
Undist. Expend. - Required Maint. for School Facilities					
Salaries	36,540.00	1,827.60	38,367.60	38,367.60	-
Cleaning, Repair and Maintenance Services	16,180.00	250.00	16,430.00	11,849.67	4,580.33
General Supplies	2,500.00	(400.00)	2,100.00	1,476.19	623.81
Undist. Expend. - Required Maint. for School Facilities	55,220.00	1,677.60	56,897.60	51,693.46	5,204.14
Undist. Expend. - Custodial Services					
Salaries		6,174.00	6,174.00	6,174.00	-
Cleaning, Repair and Maintenance Services	48,100.00	12,500.00	60,600.00	57,548.49	3,051.51
Rental of Land & Bldg. Other than Lease Purchase Agreement	336,806.00	3,171.61	339,977.61	338,802.21	1,175.40
Other Purchased Property Services	13,892.00	4,587.24	18,479.24	17,265.98	1,213.26
Insurance	29,232.00	(14,902.00)	14,330.00	14,171.50	158.50
General Supplies	5,500.00	1,000.00	6,500.00	6,355.92	144.08
Energy (Electricity)	45,332.00	18,812.76	64,144.76	59,936.11	4,208.65
Total Undist. Expend. - Custodial Services	478,862.00	31,343.61	510,205.61	500,254.21	9,951.40
Undist. Expend. - Security					
Salaries	28,883.00	-	28,883.00	25,033.86	3,849.14
Purchased Professional and Technical Services	110,000.00	19,736.40	129,736.40	126,720.97	3,015.43
General Supplies		400.00	400.00	399.28	0.72
Total Undist. Expend. - Security	138,883.00	20,136.40	159,019.40	152,154.11	6,865.29
Total Undist. Expend. - Operation and Maint. Of Plant Services	672,965.00	53,157.61	726,122.61	704,101.78	22,020.83
Undist. Expend. - Student Transportation Services					
Salaries of Non-Instructional Aides	9,000.00	-	9,000.00	7,015.34	1,984.66
Salaries of Pupil Trans (Other than Between Home and School)	249,830.00	6,046.95	255,876.95	255,876.87	0.08
Other Purchased Professional and Technical Services	25,000.00	(2,463.52)	22,536.48	5,215.08	17,321.40
Rental Payments - School Buses	5,500.00	(875.00)	4,625.00	3,960.00	665.00
Contracted Services (Between Home and School)-Vendors	4,871,250.00	2,625,000.00	7,496,250.00	7,475,984.80	20,265.20
Contracted Services (Other than Bet Home and School)-Vendors	1,747,254.96	4,266,000.00	6,013,254.96	6,011,878.19	1,376.77
Contracted Services (Special Ed. Students)-Vendors	15,128,499.00	(636,445.27)	14,492,053.73	14,450,382.84	41,670.89
Miscellaneous Purchased Services	10,000.00	(1,968.99)	8,031.01	10,726.05	(2,695.04)
General Supplies	13,290.23	1,844.00	15,134.23	14,259.23	875.00
Other Objects	1,000.00	-	1,000.00		1,000.00
Total Undist. Expend. - Student Transportation Services	22,060,624.19	6,257,138.17	28,317,762.36	28,235,298.40	82,463.96
Health Services - Employee Benefits					
Social Security Contributions	10,741.00	(405.00)	10,336.00	9,588.43	747.57
Other Retirement Contributions - PERS	20,022.00	(4,768.00)	15,254.00	15,254.00	-
Workmen's Compensation	590.00	(156.00)	434.00	434.00	-
Total Health Services - Employee Benefits	31,353.00	(5,329.00)	26,024.00	25,276.43	747.57
Student Transportation Services - Employee Benefits					
Social Security Contributions	19,112.00	-	19,112.00	18,391.66	720.34
Other Retirement Contributions - PERS	29,335.00	-	29,335.00	29,335.00	-
Workmen's Compensation	1,017.00	-	1,017.00	750.00	267.00
Health Benefits	30,624.00	17,191.30	47,815.30	39,775.06	8,040.24
Total Student Transportation Services - Employee Benefits	80,088.00	17,191.30	97,279.30	88,251.72	9,027.58
TOTAL ALLOCATED BENEFITS	111,441.00	11,862.30	123,303.30	113,528.15	9,775.15

NORTHERN REGION EDUCATIONAL SERVICES COMMISSION
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2023

	Original Budget	Budget Transfers/ Adjustments	Final Budget	Actual	Variance Final to Actual
UNALLOCATED BENEFITS					
Social Security Contributions	364,009.00	(1,141.75)	362,867.25	328,690.86	34,176.39
Other Retirement Contributions - PERS	241,226.00	47,937.00	289,163.00	289,160.63	2.37
Other Retirement Contributions - Regular	33,719.00	2,000.00	35,719.00	30,173.81	5,545.19
Unemployment Compensation	26,486.00	1,050.00	27,536.00	27,412.85	123.15
Workmen's Compensation	37,397.00	(8,171.00)	29,226.00	28,251.00	975.00
Health Benefits	707,355.00	94,950.26	802,305.26	650,470.54	151,834.72
Tuition Reimbursement	11,000.00	3,929.75	14,929.75	7,680.00	7,249.75
Other Employee Benefits	45,000.00	15,404.63	60,404.63	57,633.65	2,770.98
TOTAL UNALLOCATED BENEFITS	1,466,192.00	155,958.89	1,622,150.89	1,419,473.34	202,677.55
On-behalf TPAF Post Retirement Medical (Non-Budgeted)				454,590.00	(454,590.00)
TPAF LTDI (On-Behalf - Non-Budgeted)				1,449.00	(1,449.00)
TPAF NCGI Premium (On-Behalf - Non-Budgeted)				23,680.00	(23,680.00)
TPAF Pension (On-Behalf - Non-Budgeted)				1,706,789.00	(1,706,789.00)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				351,150.49	(351,150.49)
TOTAL ON-BEHALF CONTRIBUTIONS	-	-	-	2,537,658.49	(2,537,658.49)
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS	1,577,633.00	167,821.19	1,745,454.19	4,070,659.98	(2,325,205.79)
TOTAL UNDISTRIBUTED EXPENDITURES	32,127,401.19	6,394,937.15	38,522,338.34	40,403,328.67	(1,880,990.33)
TOTAL GENERAL CURRENT EXPENSE	35,276,211.19	6,057,015.43	41,333,226.62	42,882,105.09	(1,548,878.47)
CAPITAL OUTLAY					
Equipment					
Undistributed Expenditures - General Admin.		2,367.15	2,367.15	2,367.15	-
Undistributed Expenditures - Central Services		20,000.00	20,000.00	14,275.60	5,724.40
Total Equipment	-	22,367.15	22,367.15	16,642.75	5,724.40
Facilities Acquisition and Construction Services					
Architectural/Engineering Services		70,120.00	70,120.00	70,023.44	96.56
Total Facilities Acquisition and Construction Services	-	70,120.00	70,120.00	70,023.44	96.56
TOTAL CAPITAL OUTLAY	-	92,487.15	92,487.15	86,666.19	5,820.96
SPECIAL SCHOOLS					
Adult Education-Local-Instruction					
Salaries of Teachers	169,777.00	(24,969.78)	144,807.22	144,807.22	-
Other Salaries for Instruction	103,818.00	27,871.43	131,689.43	117,937.55	13,751.88
General Supplies	15,000.00	(3,950.55)	11,049.45	8,305.26	2,744.19
Total Adult Education-Local-Instruction	288,595.00	(1,048.90)	287,546.10	271,050.03	16,496.07
Adult Education-Local -Support Serv.					
Salaries	217,501.00	26,710.38	244,211.38	207,499.48	36,711.90
Personal Services - Employee Benefits	78,744.00	22,399.41	101,143.41	57,789.36	43,354.05
Purchased Professional and Technical Services	7,000.00	(1,175.00)	5,825.00	479.40	5,345.60
Other Purchased Services (400-500 series)	844,396.00	42,849.53	887,245.53	866,303.99	20,941.54
Supplies and Materials	37,399.00	698.00	38,097.00	36,723.46	1,373.54
Other Objects	5,000.00	802.00	5,802.00	5,413.62	388.38
Total Adult Education-Local -Support Serv.	1,190,040.00	92,284.32	1,282,324.32	1,174,209.31	108,115.01
Total Adult Education-Local	1,478,635.00	91,235.42	1,569,870.42	1,445,259.34	124,611.08
TOTAL SPECIAL SCHOOLS	1,478,635.00	91,235.42	1,569,870.42	1,445,259.34	124,611.08
TOTAL EXPENDITURES	36,754,846.19	6,240,738.00	42,995,584.19	44,414,030.62	(1,418,446.43)
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	(448,239.19)	-	(448,239.19)	146,131.23	594,370.42
Excess (Deficiency) of Revenues and Other Financing Sources					
Over (Under) Expenditures and Other Financing Sources (Uses)	(448,239.19)	-	(448,239.19)	146,131.23	594,370.42
Fund Balance, July 1	3,512,979.91		3,512,979.91	3,512,979.91	-
Fund Balance, June 30	3,064,740.72	-	3,064,740.72	3,659,111.14	594,370.42

NORTHERN REGION EDUCATIONAL SERVICES COMMISSION
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Budget Transfers/ Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Recapitulation of excess (deficiency) of revenues under expenditures					
Adjustment for Prior Year Encumbrances	(5,896.19)		(5,896.19)	(5,896.19)	-
Change in Unemployment Reserve			-	(835.50)	(835.50)
Budgeted Fund Balance	<u>(442,343.00)</u>		<u>(442,343.00)</u>	<u>141,273.87</u>	<u>583,616.87</u>
	<u>(448,239.19)</u>	<u>-</u>	<u>(448,239.19)</u>	<u>134,542.18</u>	<u>582,781.37</u>

Recapitulation:

Restricted Fund Balance:

Unemployment Compensation

37,320.66 audsum line 90062

Assigned Fund Balance:

Reserve for Encumbrances

181.40

Designated for Subsequent Year's Expenditures

Unassigned Fund Balance

3,621,609.08

3,659,111.14

* Includes interest earnings on Unemployment Compensation bank account.

NORTHERN REGION EDUCATIONAL SERVICES COMMISSION
Budgetary Comparison Schedule
Special Revenue Fund
For the Year Ended June 30, 2023

	Original Budget	Budget Transfers/ Adjustments	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Federal Sources	-	9,697.95	9,697.95	9,697.95	-
Total Revenues	-	9,697.95	9,697.95	9,697.95	-
EXPENDITURES:					
Instruction:					
General Supplies	-	-	-	-	-
Total Instruction	-	-	-	-	-
Support Services:					
Supplies & Materials	-	625.00	625.00	625.00	-
Total Support Services	-	625.00	625.00	625.00	-
Facilities Acquisition and Const. Serv.:					
Noninstructional Equipment	-	-	-	-	-
Instructional Equipment	-	9,072.95	9,072.95	9,072.95	-
Total Facilities Acquisition and Const. Serv.	-	9,072.95	9,072.95	9,072.95	-
Total Expenditures	-	9,697.95	9,697.95	9,697.95	-
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	-	-	-	-	-

NORTHERN REGION EDUCATIONAL SERVICES COMMISSION
Required Supplementary Information
Budgetary Comparison Schedule
Note to Required Supplementary Information - Part II
For the Year Ended June 30, 2023

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

		General Fund	Special Revenue Fund
Sources/inflows of resources			
Actual amounts (budgetary basis) "revenue"			
from the budgetary comparison schedule	[C-1]&[C-2]	44,560,161.85	9,697.95
Difference - budget to GAAP:		NONE	
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.			
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2]	44,560,161.85	9,697.95
Uses/outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule			
Differences - budget to GAAP	[C-1]&[C-2]	44,414,030.62	9,697.95
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		NONE	
		N/A	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2]	44,414,030.62	9,697.95

**REQUIRED SUPPLEMENTARY
INFORMATION - PART III**

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

Fiscal Year Ending June30,	District's Proportion Share of the Net Pension Liability (Asset)	District's Proportion Share of the Net Pension Liability (Asset)	District's Covered Payrol -PERS Employee's	District's Proportion Share of the Net Pension Liability (Asset) as a perecntage of its Covered Payroll	Plan Fiduciary Net Position as a percentage of the total Pension Liability
2015	0.0309571161%	\$ 5,796,019	\$ 985,059	588.39%	52.08%
2016	0.0333772694%	7,492,528	1,359,053	551.31%	47.93%
2017	0.0159475774%	4,723,215	1,613,589	292.71%	59.86%
2018	0.0219233042%	5,103,395	1,808,563	282.18%	48.10%
2019	0.0241568891%	4,756,371	1,949,691	243.96%	53.60%
2020	0.0236246238%	4,256,799	1,798,505	236.69%	56.27%
2021	0.0287277413%	4,684,743	1,767,603	265.03%	58.32%
2022	0.0216098961%	2,560,016	1,805,629	141.78%	70.33%
2023	0.0264424506%	3,990,530	1,883,659	211.85%	62.91%

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

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

Fiscal Year Ending June30,	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	District's PERS Covered- Employee Payroll	Contributions as a Percentage of PERS Covered- Employee Payroll
2015	\$ 255,206	\$ 255,206	\$ -	\$ 985,059	25.91%
2016	286,955	286,955	-	1,359,053	21.11%
2017	141,676	141,676	-	1,613,589	8.78%
2018	203,096	203,096	-	1,808,563	11.23%
2019	240,283	240,283	-	1,949,691	12.32%
2020	229,798	229,798	-	1,798,505	12.78%
2021	314,267	314,267	-	1,767,603	17.78%
2022	253,077	253,077	-	1,805,629	14.02%
2023	333,452	333,452	-	1,883,659	17.70%

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

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

Fiscal Year Ending June30,	District's Proportion Share of the Net Pension Liability (Asset)	District's Proportion Share of the Net Pension Liability (Asset)	State's Proportionate Share of the Net Pension Liability Associated with the District (Asset)	District's Covered Payrol -TPAF Employee's	District's Proportion Share of the Net Pension Liability (Asset) as a perecentage of its Covered Payroll	Plan Fiduciary Net Position as a percentage of the total Pension Liability
2015	0.0179978910%	\$ -	\$ 9,619,287	\$ 1,664,871	0.00%	33.64%
2016	0.0180331853%	\$ -	11,397,743	1,623,055	0.00%	28.71%
2017	0.0178992070%	\$ -	14,080,656	1,428,496	0.00%	28.75%
2018	0.0169049893%	\$ -	11,397,953	1,461,414	0.00%	34.07%
2019	0.0156171329%	\$ -	9,935,285	3,364,813	0.00%	26.49%
2020	0.0136319316%	\$ -	8,366,045	4,041,201	0.00%	26.95%
2021	0.0148236889%	\$ -	9,761,221	4,610,940	0.00%	24.60%
2022	0.0333878419%	\$ -	16,051,268	5,050,436	0.00%	35.52%
2023	0.0411307244%	\$ -	21,221,157	4,846,244	0.00%	32.29%

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

NORTHERN REGION EDUCATIONAL SERVICES COMMISSION
Note to Required Schedules of Supplementary Information - Part III
For the Year Ended June 30, 2023

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Change in benefit terms

None

Change in assumptions

None

TEACHERS PENSION AND ANNUITY FUND (TPAF)

Change in benefit terms

None

Change in assumptions

None

NORTHERN REGION EDUCATIONAL SERVICES COMMISSION
Schedule of Required Supplementary Information
Schedule of Changes in the District's Proportionate Share of the State OPEB Liability
Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service Costs	\$ 1,164,022	\$ 1,375,402	\$ 462,131	\$ 441,074	\$ 512,075	\$ 612,558
Interest on Total OPEB Liability	293,124	331,047	268,821	295,168	321,288	269,322
Changes of Benefit Terms		(13,583)				
Difference between Expected and Actual Experiences	90,366	(2,442,985)	3,407,114	(587,789)	(1,069,613)	
Changes in Assumptions	(2,967,168)	12,590	2,511,901	109,344	(837,045)	(1,067,324)
Gross Benefit Payments	(290,348)	(260,773)	(239,400)	(225,118)	(195,044)	(198,170)
Contribution from the Member	9,315	8,463	7,256	6,673	6,741	7,297
Net Changes in total Share of OPEB Liability	<u>(1,700,689)</u>	<u>(989,839)</u>	<u>6,417,823</u>	<u>39,352</u>	<u>(1,261,598)</u>	<u>(376,317)</u>
Total OPEB Liability - Beginning	<u>12,761,524</u>	<u>13,751,363</u>	<u>7,333,540</u>	<u>7,294,188</u>	<u>8,555,786</u>	<u>8,932,103</u>
Total OPEB Liability - Ending	<u>\$ 11,060,835</u>	<u>\$ 12,761,524</u>	<u>\$ 13,751,363</u>	<u>\$ 7,333,540</u>	<u>\$ 7,294,188</u>	<u>\$ 8,555,786</u>
District's Proportionate Share of OPEB Liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's Proportionate Share of OPEB Liability	11,060,835	12,761,524	13,751,363	7,333,540	7,294,188	8,555,786
Total OPEB Liability - Ending	<u>\$ 11,060,835</u>	<u>\$ 12,761,524</u>	<u>\$ 13,751,363</u>	<u>\$ 7,333,540</u>	<u>\$ 7,294,188</u>	<u>\$ 8,555,786</u>
District's Covered Employee Payroll	<u>\$ 6,729,903</u>	<u>\$ 6,856,065</u>	<u>\$ 6,378,543</u>	<u>\$ 5,839,706</u>	<u>\$ 5,314,504</u>	<u>\$ 3,269,977</u>
Districts' Proportionate Share of the Total OPEB Liability as a Percentage of its Covered Payroll	0%	0%	0%	0%	0%	0%

Notes to Schedule:

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

Change in benefit terms Decrease in liability due to employers adopting the provisions of Ch. 44.

Change in assumptions Assumptions used in calculating the OPEB liability are presented
in Note 10.

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

Supplementary Schedules

SPECIAL REVENUE FUND

NORTHERN REGION EDUCATIONAL SERVICES COMMISSION
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Year Ended June 30, 2023

	American Rescue Plan ESSER	Totals 2023
REVENUES		
Federal Sources	9,697.95	9,697.95
Total Revenues	9,697.95	9,697.95
EXPENDITURES:		
Instruction:		
General Supplies		-
Total Instruction	-	-
Support Services:		
Supplies & Materials	625.00	625.00
Total Support Services	625.00	625.00
Facilities Acquisition and Const. Serv.:		
Instructional Equipment		-
Noninstructional Equipment	9,072.95	9,072.95
Total Facilities Acquisition and Const. Serv.	9,072.95	9,072.95
Total Expenditures	9,697.95	9,697.95
Excess (Deficiency) of Revenues Over (Under)		
Expenditures and Other Financing Sources (Uses)	-	-

STATISTICAL SECTION

STATISTICAL SECTION (UNAUDITED)

Introduction to the Statistical Section

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

STATISTICAL SECTION (UNAUDITED) - INTRODUCTION

J SERIES

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the district's financial performance and well-being have changes over time.	J-1 to J-5
Revenue Capacity These schedules contain information to help the reader assess the district's most significant local revenue sources, the property tax.	J-6 to J-9
Debt Capacity These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.	J-10 to J-13
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	J-14 to J-15
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	J-16 to J-20
Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports (ACFR) for the relevant year.	

NORTHERN REGION EDUCATIONAL SERVICES COMMISSION

Net Assets/Position* by Component,
Last Ten Fiscal Years

(accrual basis of accounting)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental activities										
Invested in capital assets	279,319.84	265,794.28	254,464.76	249,517.78	232,767.18	241,876.20	226,937.07	251,114.24	313,345.50	88,707.10
Restricted								38,592.50	37,864.00	37,320.66
Unrestricted	2,104,279.18	(2,796,608.12)	(3,237,868.74)	(2,154,664.14)	(1,693,826.20)	(1,866,685.12)	(237,016.75)	(1,653,150.03)	(1,030,407.09)	(772,188.52)
Total governmental activities net assets/position	2,383,599.02	(2,530,813.84)	(2,983,403.98)	(1,905,146.36)	(1,461,059.02)	(1,624,808.92)	(10,079.68)	(1,363,443.29)	(679,197.59)	(646,160.76)
District-wide										
Invested in capital assets	279,319.84	265,794.28	254,464.76	249,517.78	232,767.18	241,876.20	226,937.07	251,114.24	313,345.50	88,707.10
Restricted								38,592.50	37,864.00	37,320.66
Unrestricted	2,104,279.18	(2,796,608.12)	(3,237,868.74)	(2,154,664.14)	(1,693,826.20)	(1,866,685.12)	(237,016.75)	(1,653,150.03)	(1,030,407.09)	(772,188.52)
Total district net assets/position	2,383,599.02	(2,530,813.84)	(2,983,403.98)	(1,905,146.36)	(1,461,059.02)	(1,624,808.92)	(10,079.68)	(1,363,443.29)	(679,197.59)	(646,160.76)

Source: ACFR Schedule A-1

NORTHERN REGION EDUCATIONAL SERVICES COMMISSION
 Changes in Net Assets/Position
 Last Ten Fiscal Years
 (accrual basis of accounting)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Expenses										
Governmental activities										
Instruction										
Regular	2,285,995.04	998,065.75	1,255,490.91	944,251.24	1,017,122.40	1,218,820.18	1,305,541.92	1,292,822.36	1,255,590.00	1,040,708.03
Special education	454,673.14	504,043.55	543,419.00	497,247.21	572,229.96	526,808.73	552,736.15	431,144.77	513,810.73	289,692.62
Other instruction	395,023.53	1,248,655.80	1,114,456.72	1,248,808.05	1,210,039.03	1,227,058.01	1,122,724.46	677,981.34	1,213,723.16	1,436,582.74
Support Services:										
Student & instruction related services	1,540,363.90	1,876,136.19	2,069,073.42	2,102,655.71	2,365,731.32	5,280,308.92	5,969,846.08	6,202,261.83	6,076,474.98	6,260,579.70
School administrative services	424,932.74	456,284.86	530,819.46	334,952.78	450,626.79	504,467.32	677,130.88	710,272.23	664,882.46	694,761.87
General administrative services	1,103,630.25	1,078,273.17	1,037,499.21	963,548.55	1,062,791.71	1,043,095.37	979,157.21	1,030,159.45	728,483.20	697,343.35
Central Services & Admin Info Technology	558,079.19	611,685.98	744,109.01	566,452.65	605,253.13	337,146.56	431,836.03	401,239.15	300,810.93	454,376.12
Plant operations and maintenance	510,469.30	529,815.15	357,411.98	346,979.48	341,681.85	428,563.14	595,420.63	531,322.06	683,956.42	469,012.55
Pupil transportation	9,440,281.61	11,467,213.49	10,603,906.99	21,117,929.99	20,431,909.87	18,257,680.16	16,149,184.77	12,288,269.85	22,453,629.03	28,356,520.28
Unallocated benefits	339,005.43	806,662.18	996,916.14	1,334,150.86	1,675,450.06	1,380,628.01	1,261,432.63	2,030,012.12	2,499,805.59	2,477,871.49
Special Schools								565,918.11	1,067,774.66	66,449.47
Capital Outlay - non-depreciable										583,761.21
Amortization Right to Use Leased Assets	17,152.58	15,775.56	13,838.00	14,019.00	16,750.60	16,635.68	20,831.13	24,184.01	34,421.03	28,678.91
Unallocated depreciation	17,069,606.71	19,592,611.68	19,266,940.84	29,470,995.52	29,749,386.72	30,221,212.08	29,065,841.89	26,185,587.28	37,493,362.19	44,130,837.57
Total governmental activities expenses	17,069,606.71	19,592,611.68	19,266,940.84	29,470,995.52	29,749,386.72	30,221,212.08	29,065,841.89	26,185,587.28	37,493,362.19	44,130,837.57
Total district expenses										
Program Revenues										
Governmental activities:										
Charges for services	9,693,386.95	11,766,969.26	10,840,809.69	21,740,442.23	20,876,072.00	18,365,739.05	16,441,529.52	12,353,270.48	23,297,817.24	29,396,112.37
Operating grants and contributions	324,037.43	789,393.18	984,883.14	1,322,117.86	1,690,626.06	1,377,447.01	1,237,396.63	2,037,627.77	2,530,910.59	2,250,475.49
Total governmental activities program revenues	10,017,424.38	12,556,362.44	11,825,692.83	23,062,560.09	22,566,698.06	19,743,186.06	17,678,926.15	14,391,033.25	25,828,727.83	31,646,587.86
Total district program revenues	10,017,424.38	12,556,362.44	11,825,692.83	23,062,560.09	22,566,698.06	19,743,186.06	17,678,926.15	14,391,033.25	25,828,727.83	31,646,587.86
Net (Expense)/Revenue										
Governmental activities	(7,052,182.33)	(7,036,249.24)	(7,441,248.01)	(6,408,435.43)	(7,182,888.66)	(10,478,026.02)	(11,386,915.74)	(11,794,554.03)	(11,664,634.36)	(12,484,249.71)
Total district-wide net expense	(7,052,182.33)	(7,036,249.24)	(7,441,248.01)	(6,408,435.43)	(7,182,888.66)	(10,478,026.02)	(11,386,915.74)	(11,794,554.03)	(11,664,634.36)	(12,484,249.71)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Unrestricted grants and contributions								51,386.37	343,788.26	533,997.86
State Aid - Capital Outlay	3,158,570.47	4,341,538.85	4,239,052.00	4,595,695.36	4,610,636.00	4,466,600.71	4,604,912.10	3,314,419.51	4,984,227.09	9,072.95
Tuition Received								127.03	59.00	292.16
Investment earnings	4,094,077.55	2,457,293.53	2,749,605.87	2,890,997.69	3,016,340.00	5,847,675.41	6,768,606.88	6,853,663.04	7,020,805.71	6,767,760.44
Miscellaneous income								183,129.00		
Special Item - Federal PPP Loan Forgiven	7,252,648.02	6,798,832.38	6,988,657.87	7,486,693.05	7,626,976.00	10,314,276.12	13,001,644.98	10,402,724.95	12,348,880.06	12,635,463.94
Total governmental activities	7,252,648.02	6,798,832.38	6,988,657.87	7,486,693.05	7,626,976.00	10,314,276.12	13,001,644.98	10,402,724.95	12,348,880.06	12,635,463.94
Total district-wide										
Change in Net Assets										
Governmental activities	200,465.69	(237,416.86)	(452,590.14)	1,078,257.62	444,087.34	(163,749.90)	1,614,729.24	(1,391,829.08)	684,245.70	151,214.23
Total district	200,465.69	(237,416.86)	(452,590.14)	1,078,257.62	444,087.34	(163,749.90)	1,614,729.24	(1,391,829.08)	684,245.70	151,214.23

Exhibit J-3

NORTHERN REGION EDUCATIONAL SERVICES COMMISSION
Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Fund										
Restricted										
Assigned	2,600.00	258,527.00	37,934.42		90,866.00	1,924.05		38,592.50	37,864.00	37,320.66
Unassigned	2,127,247.18	1,899,822.88	2,169,668.84	3,264,484.86	3,674,402.80	3,596,651.83	5,176,292.25	427,767.78	448,239.19	181.40
Total general fund	<u>2,129,847.18</u>	<u>2,158,349.88</u>	<u>2,207,603.26</u>	<u>3,264,484.86</u>	<u>3,765,268.80</u>	<u>3,598,575.88</u>	<u>5,176,292.25</u>	<u>3,641,167.47</u>	<u>3,512,979.91</u>	<u>3,621,609.08</u>
										<u>3,659,111.14</u>

Source: ACFR Schedule B-1

NORTHERN REGION EDUCATIONAL SERVICES COMMISSION
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues										
Tuition	3,158,570.47	4,341,538.85	4,239,052.00	4,595,695.36	4,610,636.00	4,466,600.71	4,604,912.10	3,314,419.51	4,984,227.09	5,324,340.53
Transportation fees	9,693,386.95	11,766,969.26	10,840,809.69	21,740,442.23	20,876,072.00	18,365,739.05	16,441,529.52	12,353,270.48	23,297,817.24	29,396,112.37
Miscellaneous	4,094,077.55	2,457,293.53	2,749,605.87	2,890,997.69	3,016,340.00	5,847,675.41	6,768,606.88	6,853,663.04	7,020,805.71	6,767,760.44
Restricted Miscellaneous Revenues								127.03	59.00	292.16
State sources	324,037.43	369,279.18	432,256.14	454,300.86	496,558.06	642,372.01	749,074.63	1,639,346.12	2,492,984.59	2,537,658.49
Federal sources								55,356.02	381,729.26	543,695.81
Total revenue	17,270,072.40	18,935,080.82	18,261,723.70	29,681,436.14	28,999,606.06	29,322,387.18	28,564,123.13	24,216,182.20	38,177,622.89	44,569,859.80
Expenditures										
Instruction										
Regular Instruction	1,953,486.80	818,405.87	989,873.99	827,135.32	864,538.06	1,049,974.57	1,125,225.71	1,128,533.49	1,184,159.98	928,487.64
Special education	388,740.70	411,393.12	426,438.64	433,261.73	482,627.83	452,825.68	474,981.40	374,666.24	483,830.62	257,410.00
Other instruction	340,117.52	1,021,269.43	874,199.75	1,087,267.59	1,020,021.93	1,052,993.65	973,799.49	590,721.30	1,150,903.37	1,292,878.78
Support Services:										
Student & instruction related services	1,298,326.99	1,541,969.25	1,637,850.04	1,826,556.54	1,994,882.49	4,531,064.06	5,302,786.98	5,525,049.50	5,772,725.51	5,707,754.92
General administrative services	1,068,475.55	1,027,499.87	974,962.98	932,143.80	1,021,597.62	1,007,133.98	944,480.86	996,637.46	706,306.85	657,798.17
School administrative services	366,443.66	376,304.48	417,176.67	291,906.51	379,677.43	432,853.25	580,844.52	614,580.53	625,700.52	617,339.34
Central services & admin. info. technology	477,576.68	502,182.81	587,591.76	494,486.75	511,941.91	297,724.91	395,057.36	371,543.14	290,227.70	411,001.08
Plant operations and maintenance	498,064.15	506,652.88	319,955.18	324,373.53	315,333.50	407,625.78	577,447.48	513,862.80	679,573.24	704,101.78
Pupil transportation	9,388,083.00	11,403,014.85	10,533,943.63	21,044,673.24	20,352,257.73	18,159,610.31	16,053,521.92	12,200,122.92	22,364,215.47	28,235,298.40
Health services employee benefits	28,491.99	37,415.36	32,238.55	27,000.93	21,248.38	28,345.55	25,386.19	27,248.22	28,047.24	25,276.43
Related services employee benefits			4,604.00							
Pupil transportation employee benefits	52,198.61	62,332.68	66,981.29	71,091.34	77,813.49	96,755.87	94,807.16	87,152.72	76,534.40	88,251.72
Unallocated employee benefits	1,177,480.48	1,195,887.52	1,348,749.36	1,255,585.24	1,452,277.75	1,946,427.79	2,060,301.69	2,973,526.19	3,782,129.39	3,957,131.83
Special Schools										
Capital outlay										
Total expenditures	17,037,486.13	18,906,578.12	18,212,470.32	28,624,554.54	28,498,822.12	29,489,080.10	28,614,532.76	25,972,901.45	38,305,810.45	44,423,728.57
Excess (Deficiency) of revenues over (under) expenditures	232,586.27	28,502.70	49,253.38	1,056,881.60	500,783.94	(166,692.92)	(50,409.63)	(1,756,719.25)	(128,187.56)	146,131.23
Other Financing sources (uses)										
Transfers in							1,628,126.00	183,129.00		
Transfers out										
Total other financing sources (uses)							1,628,126.00	183,129.00		
Net change in fund balances	232,586.27	28,502.70	49,253.38	1,056,881.60	500,783.94	(166,692.92)	1,577,716.37	(1,573,590.25)	(128,187.56)	146,131.23

Source: ACFR Schedule B-2

NORTHERN REGION EDUCATIONAL SERVICES COMMISSION

General Fund Other Local Revenue by Source
Last Ten Fiscal Years

Function	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Tuition	3,158,570.47	4,000,175.23	3,965,047.47	4,307,324.65	4,308,634.00	4,191,411.05	4,358,216.90	3,229,106.86	4,805,653.87	5,206,127.74
Tuition Summer School	336,034.82	341,363.62	274,004.53	288,370.71	302,002.00	275,189.66	246,695.20	85,312.65	178,573.22	118,212.79
Transportation	9,693,386.95	11,766,969.26	10,840,809.69	21,740,442.23	20,876,072.00	18,365,739.05	16,441,529.52	12,353,270.48	23,297,817.24	29,396,112.37
Non-public Nursing Services	167,909.00	200,704.00	174,420.00	168,358.00	175,278.00	191,769.15	197,579.00	213,425.00	216,162.00	177,184.00
Election Services	49,155.71	80,938.25	67,985.63	68,620.30	67,609.35	143,289.70	47,778.32	133,409.14	96,943.58	113,450.06
Contracted Services Ch. 192-193	60,102.00	60,363.00	53,837.70	65,745.00	61,412.00	63,842.00	63,647.50	67,630.00	65,990.00	63,296.00
Substitute Teacher Registry						525.00	6,780.00	850.00	2,700.00	12,750.00
Workshops						525.00	6,780.00	850.00	2,700.00	12,750.00
Home Instruction Services	75,648.50	79,546.25	38,227.50	37,030.00	40,025.00	43,617.50	28,832.50	15,047.50	51,958.02	5,480.00
Interest Income	1,530.61	2,027.82	2,174.19	2,111.32	6,591.52	27,031.91	26,258.23	12,578.80	5,499.37	17,250.93
Cooperative Advertising	1,170.00	1,170.00	1,170.00	1,080.00	1,755.00	1,680.00	2,160.00	2,160.00	2,160.00	2,080.00
Other Miscellaneous	41,091.45			3,308.43	3,092.32	6,933.87	9,516.08	39,105.50	17,118.30	144,279.81
Shared/Contracted Services	3,096,090.16	1,787,848.69	2,159,708.95	2,353,243.72	2,419,305.17	5,118,125.97	6,330,077.35	5,982,547.80	6,099,185.08	5,835,771.89
After School Program	27,210.01									
SES Program	208,320.40	193,200.00	199,815.00	138,450.00	187,425.00	195,970.00		145,172.54	205,889.99	169,153.70
Rental Office Building	29,814.89	51,495.52	52,266.90	53,050.92	53,846.64	54,880.31	55,977.90	57,097.44	58,239.37	59,404.21
	<u>16,946,034.97</u>	<u>18,565,801.64</u>	<u>17,829,467.56</u>	<u>29,227,135.28</u>	<u>28,503,048.00</u>	<u>28,680,015.17</u>	<u>27,815,048.50</u>	<u>22,521,480.06</u>	<u>35,302,909.04</u>	<u>41,488,505.50</u>

Source: District records.

**NORTHERN REGION EDUCATIONAL SERVICES COMMISSION
Full-time Equivalent District Employees by Function/Program,
Last Ten Fiscal Years**

<u>Function/Program</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Instruction										
Regular										
Other special education										
Vocational										
Other instruction										
Support Services:										
Student & instruction related services										
General administrative services										
School administrative services										
Business administrative services										
Plant operations and maintenance										
Pupil transportation										
Total	-	-	-	-	-	-	-	-	-	-

INFORMATION NOT AVAILABLE

Source: District Personnel Records

Exhibit J-17

**NORTHERN REGION EDUCATIONAL SERVICES COMMISSION
Operating Statistics
Last Ten Fiscal Years**

Fiscal Year	Average Daily Enrollment (ADE) ^a	Average Daily Attendance (ADA) ^a	% Change in Average Daily Enrollment	Student Attendance Percentage
2014	70.5	65.7	-11.39%	93.12%
2015	69.4	61.6	-1.60%	88.76%
2016	58.2	54.8	-16.14%	94.16%
2017	52.8	40.8	-9.28%	77.27%
2018	68.8	56.0	30.30%	81.40%
2019	72.0	53.0	4.65%	73.61%
2020	133.4	105.7	85.28%	79.26%
2021	74.3	44.3	-44.30%	59.66%
2022	96.7	78.0	30.11%	80.66%
2023	135.2	113.6	39.86%	84.02%

Sources: District records.

Note: Enrollment based on annual October district count.

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

NORTHERN REGION EDUCATIONAL SERVICES COMMISSION
INSURANCE SCHEDULE
JUNE 30, 2023

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - School Alliance Insurance Fund		
Property:		
Blanket Building and Contents	\$ 599,550	\$ 2,500
Boiler & Machinery	Included	\$ 1,000
Blanket EDP Hardware	230,000	
General Liability:		
Each Occurance	5,000,000	
Aggregate	5,000,000	
Fire Damage	5,000,000	
Employee Benefits	1,000,000	
Crime:		
Employee Dishonesty	500,000	
Faithful Performance	400,000	
Depositor's Forgery	50,000	
Computer Fraud	50,000	
Automobile:		
Combined Single Limit	5,000,000	
Personal Injury Protection	Statutory	
Medical Payments	10,000	
Uninsured/Underinsured Motorists	1,000,000	
Comprehensive Deductible		1,000
Collision Deductible		1,000
Errors and Omissions - School Alliance Insurance Fund	5,000,000	
Public Official Bonds - Selective Insurance Co.		
<u>Name</u>	<u>Position</u>	
Ann Kluck	Business Administrator	205,000
Student Accident Insurance - Zurich American Ins		
Maximum Benefit Blanket Athletic Coverage Excluding Football	5,000,000	
Workers Compensation - School Alliance Insurance Fund		
Part I	Statutory	
Part II	100,000	
Excess Umbrella Policy- School Alliance Insurance Fund		

SINGLE AUDIT SECTION



WIELKOTZ & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable President and
Members of the Board of Education
Northern Region Educational Services Commission
82 Totowa Road
Wayne, NJ 07470

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund and the aggregate remaining fund information of the Northern Region Educational Services Commission, in the County of Passaic, New Jersey, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated January 9, 2024.

Internal Control Over Financial Reporting

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



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

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

Compliance and Other Matters

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

We noted certain matters that were required to be reported to the Board of Education of the Northern Region Educational Services Commission in the separate Auditors' Management Report on Administrative Findings - Financial, Compliance and Performance dated January 9, 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James Cerullo

James Cerullo, C.P.A.
Licensed Public School Accountant
No. 881

Wielkotz & Company, LLC

WIELKOTZ & COMPANY, LLC
Certified Public Accountants
Pompton Lakes, New Jersey

January 9, 2024





WIELKOTZ & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable President and
Members of the Board of Education
Northern Region Educational Services Commission
82 Totowa Road
Wayne, NJ 07470

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Board of Education of the Northern Region Educational Services Commission in the County of Passaic, New Jersey, compliance with the types of compliance requirements described in the *OMB Compliance Supplements* and the New Jersey State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the Northern Region Educational Services Commission Board of Education's major state programs for the year ended June 30, 2023. The Northern Region Educational Services 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 Northern Region Educational Services Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and 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 N.J. OMB Circular 15-08. Our responsibilities under those standards



and the Uniform Guidance and N.J. OMB Circular 15-08 are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Northern Region Educational Services 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 Northern Region Educational Services Commission's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, the Uniform Guidance and N.J. OMB Circular 15-08, will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Northern Region Educational Services 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, the Uniform Guidance, 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 Northern Region Educational Services Commission's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Northern Region Educational Services Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and N.J. OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of Northern Region Educational Services Commission's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

Honorable President and
Members of the Board of Education

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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 Uniform Guidance and N.J. OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

James Cerullo

James Cerullo, C.P.A.
Licensed Public School Accountant
No. 881

Wielkotz & Company, LLC

WIELKOTZ & COMPANY, LLC
Certified Public Accountants
Pompton Lakes, New Jersey

January 9, 2024

NORTHERN REGION EDUCATIONAL SERVICES COMMISSION
 Schedule of Expenditures of Federal Awards
 for the Fiscal Year Ended June 30, 2023

Federal Grant/Pass-Through Grantor Program Title	Assistance Listing Number	Federal FAIN Number	Grant Period	Award Amount	Balance at June 30, 2022	Carryover/ Adjustments	Cash Received	Budgetary Expenditures	Repayment of Prior Year's Balance	Balance at June 30, 2023	
										Accounts Receivable	Deferred Revenue
U.S. Department of Education:											
General Fund:											
Medical Assistance Program (SEMI)	93.778	2005N5MAP	07/01/22-06/30/23	533,997.86	-	-	533,997.86	(533,997.86)	-	-	-
Total General Fund							533,997.86	(533,997.86)	-	-	-
U.S. Department of Education Passed-Through State Department of Education:											
Special Revenue Fund:											
ARP-Non Title I	84.425U	S425U210027	03/13/20-09/30/24	34,811.00	-	-	9,697.95	(9,697.95)	-	-	-
Total Special Revenue Fund							9,697.95	(9,697.95)	-	-	-
TOTAL FEDERAL FINANCIAL AWARDS							543,695.81	(543,695.81)	-	-	-

NOTE: THIS SCHEDULE WAS NOT SUBJECT TO AN AUDIT IN ACCORDANCE WITH FEDERAL OMB UNIFORM GUIDANCE.

See accompanying notes to schedules of expenditures of federal awards and state financial assistance.

NORTHERN REGION 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	Grant Period	Award Amount	Balance at June 30, 2022		Carryover/ Walkover Amount	Cash Received	Budgetary Expenditures	Adjustment/ Repayment of Prior Year's Balance	Balance at June 30, 2023			MEMO	
				Deferred Revenue/ (Accts. Receivable)	Due To Grantor					Accounts Receivable	Deferred Revenue	Due To Grantor at		Budgetary Receivable
State Department of Education:														
General Fund:														
On-Behalf TPAF - Post Retirement Medical	23-495-034-5095-001	07/01/22-06/30/23	454,590.00	-	-	-	454,590.00	(454,590.00)	-	-	-	-	-	454,590.00
On-Behalf TPAF - LTDI	23-495-034-5095-004	07/01/22-06/30/23	1,449.00	-	-	-	1,449.00	(1,449.00)	-	-	-	-	-	1,449.00
On-Behalf TPAF - Pension Contributions	23-495-034-5095-002	07/01/22-06/30/23	1,706,789.00	-	-	-	1,706,789.00	(1,706,789.00)	-	-	-	-	-	1,706,789.00
On-Behalf TPAF - NCGI Contributions	23-495-034-5095-004	07/01/22-06/30/23	23,680.00	-	-	-	23,680.00	(23,680.00)	-	-	-	-	-	23,680.00
Reimbursed TPAF - Social Security	23-495-034-5095-003	07/01/22-06/30/23	351,150.49	-	-	-	319,804.73	(351,150.49)	(31,345.76)	-	-	-	-	351,150.49
Total General Fund				-	-	-	2,506,312.73	(2,537,658.49)	-	(31,345.76)	-	-	-	2,537,658.49
TOTAL STATE FINANCIAL ASSISTANCE														
Less: On-Behalf TPAF Pension and Amnuty Aid:														
On-Behalf TPAF - Post Retirement Medical	23-495-034-5095-001	07/01/22-06/30/23	454,590.00	-	-	-	454,590.00	(454,590.00)	-	-	-	-	-	454,590.00
On-Behalf TPAF - LTDI	23-495-034-5095-004	07/01/22-06/30/23	1,449.00	-	-	-	1,449.00	(1,449.00)	-	-	-	-	-	1,449.00
On-Behalf TPAF - Pension Contributions	23-495-034-5095-002	07/01/22-06/30/23	1,706,789.00	-	-	-	1,706,789.00	(1,706,789.00)	-	-	-	-	-	1,706,789.00
On-Behalf TPAF - NCGI Contributions	23-495-034-5095-004	07/01/22-06/30/23	23,680.00	-	-	-	23,680.00	(23,680.00)	-	-	-	-	-	23,680.00
Total for State Financial Assistance-Major Program Determination				-	-	-	2,186,508.00	(2,186,508.00)	-	(31,345.76)	-	-	-	2,186,508.00
				-	-	-	319,804.73	(351,150.49)	-	(31,345.76)	-	-	-	351,150.49

See accompanying notes to schedules of expenditures of federal awards and state financial assistance.

NOTE 1. GENERAL

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance include the activity of all federal and state award programs of the Northern Region 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 federal and state agencies, as well as federal and state awards passed through other government agencies is included on the Schedules of Expenditures of Federal Awards and State Financial Assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Notes 1(D) and 1(E) to the Board's basic financial statements. The information in these schedules is presented in accordance with the requirements of *2 CFR 200-Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ in amounts presented in or used in the preparation of the basic financial statements.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS, (continued)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$0.00 the general fund and special revenue fund. See Notes to Required Supplemental Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board’s financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$533,997.86	\$2,537,658.49	\$3,071,656.35
Special Revenue Fees	<u>9,697.95</u>	<u> </u>	<u>9,697.95</u>
Total Awards and Financial Assistance	<u>\$543,695.81</u>	<u>\$2,537,658.49</u>	<u>\$3,081,354.30</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

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions, respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the District for the year ended June 30, 2023. The amount reported as TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2023.

NOTE 6. ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

On-behalf State Programs for TPAF Pension and Post-Retirement Medical Benefits Contributions are not subject to a State single audit and, therefore, the amount of \$2,537,658.49 of on-behalf payments is excluded from major program determination.

NOTE 7. INDIRECT COST RATE

The Northern Region Educational Services Commission has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NORTHERN REGION 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

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

1. Material weakness(es) identified? yes X no
2. Significant deficiencies identified that are
not considered to be material weaknesses? yes X none reported

Noncompliance material to basic financial
statements noted? yes X no

Federal Awards - Not Applicable

**NORTHERN REGION EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF FINANCIAL, FEDERAL AND STATE FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(continued)**

State Awards

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000.00

Auditee qualified as low-risk auditee? X yes _____ no

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

Internal Control over major programs:

1. Material weakness(es) identified? _____ yes X no

2. Significant deficiencies identified that are not
considered to be material weaknesses? _____ yes X none reported

Any audit findings disclosed that are required to be reported
in accordance with NJ OMB Circular Letter 15-08,
as applicable? _____ yes X no

Identification of major programs:

State Grant/Project Number(s)

Name of State Program

23-495-034-5095-003

Reimbursed TPAF - Social Security

**NORTHERN REGION EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF FINANCIAL, FEDERAL AND STATE FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(continued)**

Section II - Financial Statement Findings

None

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

Not Applicable.

**NORTHERN REGION EDUCATIONAL SERVICES COMMISSION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Status of Prior Year Findings

There were no prior year audit findings related to Federal or State Awards.