

**Annual Comprehensive
Financial Report**

of the

Somerset County Educational Services Commission

County of Somerset

Bridgewater, New Jersey

For the Fiscal Year Ended June 30, 2023

Prepared by

**Somerset County Educational Services Commission
Finance Department**

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INTRODUCTORY SECTION



SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
 WWW.SOMERSETCOUNTYESC.ORG
 991 Route 22 West, Suite 301 • Bridgewater, NJ • 08807
 Phone: 908-707-0070 • Fax: 908-429-3947

HAROLD DUNSAVAGE
 Superintendent

PAUL C. RAFALOWSKI, ED. D.
 Assistant Superintendent/
 Principal

JEFFREY SHIPOLA
 Business Administrator/
 Board Secretary

January 9, 2024

Honorable President and
 Members of the Representative Assembly/ Board of Directors
 Somerset County Educational Services Commission
 991 Route 22 West, Suite 301
 Bridgewater, NJ 08807

Dear Representative Assembly/Board of Directors:

The Annual Comprehensive Financial Report of the Somerset County 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 Representative Assembly/ Board of Directors. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the Commission. All disclosures necessary to enable the reader to gain an understanding of the Commission's financial activities have been included .

The Annual Comprehensive Financial Report is presented in four sections: introductory, financial, statistical, and single audit. The introductory section includes this transmittal letter, the Commission's organizational chart and a list of principal officials. The financial section includes the basic financial statements and required supplemental information, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The Commission is required to undergo an annual single audit in conformity with the audit requirements of Title 2 U.S. Code of Federal regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of 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.

Career Center Programs, Grades 9-12
 Special Education Programs, Grades K-12
 Life Skills Program
 Alternative to Suspension Programs
 Nonpublic/Public Programs & Services
 Special Education Transportation

New Dawn Academy Programs, Grades 5-12
 Alternative Academic Middle & High School Programs
 Extended School Year
 Customized In-District Educational Programs
 Coordinated In & Out of County Public Transportation
 Charters & Field Trips

EXCELLENCE THROUGH SHARED SERVICES

1) **REPORTING ENTITY AND ITS SERVICES:** Somerset County 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 Somerset County Educational Services Commission and its schools constitute the Commission's reporting entity.

The Commission provides a full range of educational services appropriate to grade level pre-K through 12, as well as staff development for educators. These services include students in special and general education programs. All public school districts in Somerset County are members of the Commission, and various out-of-county districts also request to use our programs and services.

2) **ECONOMIC CONDITION AND OUTLOOK:** The Somerset County Educational Services Commission continues expanding and diversifying its services. This expansion and diversification, in conjunction with reviewing efficiency and budgeting for each established program, are expected to continue in order for the Commission to operate within its anticipated budget. The Commission continues to assist school districts maximize their assets, share services, and expand their educational options.

3) **MAJOR INCENTIVES:** Due in no small part to the hard work and dedication of our administration and education staff, we are steadily reaching our pre-pandemic student enrollment numbers. We opened 2022-2023 with approximately 100 students in comparison to our 2021-2022 opening total of 75 and continued to grow throughout the year in turn, required the hiring of twenty-two new employees Commission wide.

The Somerset County Office of the Executive Superintendent had approved the Commission's application for participation in the Limited Certificate of Eligibility and Certificate of Eligibility with Advanced Standing Five-Year Pilot Program. This program assisted the Commission with filling 2022-2023 teacher vacancies with two (2) qualified candidates.

The Commission was pleased to introduce our Pathways Academy program for students, ages 18-21. This special education program offered students with a variety of disabilities who have satisfied the State academic requirements for graduation and are eligible to receive further education in the areas of career development, life skills, instruction, and support. The program allowed students to gain functional employment skills and greater independence in adult life. Students in the program participated in a work study program twice a week in addition to academics.

In the 2022-2023 school year, our Special Education Transportation Department demonstrated consistent expansion by increasing their coordinated routes from 250 to 306 and increasing districts service from 35 to 44, all of which were run by 55 bus contractors.

Our Technology Department connected our facilities to a private fiber line. A refresh and expansion of the school's security camera system was completed, enabling greater coverage throughout the building. Utilizing grant funding, additional student Chromebooks were purchased, the telephone system was revamped, and WAN/LAN networking was incorporated.

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

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

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

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

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

7) **FINANCIAL INFORMATION AT FISCAL YEAR-END:** As demonstrated by the various statements and schedules included in the financial section of this report, the Commission continues meeting its responsibility for sound financial management. You should review in detail the management's discussion and analysis for the fiscal year ended June 30, 2022, for Financial Summaries.

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

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

Honorable President and Members of the Representative Assembly/ Board of Directors

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

11) ACKNOWLEDGMENT: Suplee, Clooney & Company is acknowledged for its review of the Business Office operations and for financial advisory services. Appreciation is expressed to the members of the Commission's Board of Directors for their concern for providing fiscal accountability to the districts that use the Commission's services and thereby contributing their support to the development and maintenance of our financial operation.

Special appreciation is expressed to the members of the Representative Assembly/Board of Directors and Commission staff for their dedication, time, and hard work in an effort to move the Commission forward in 2023-2024 during these challenging economic times.

Respectfully submitted,



Harold Dunsavage, Superintendent

**SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
ROSTER OF OFFICIALS
JUNE 30, 2023**

Board of Directors/Representative Assembly

District

Judy Creelman (Jennifer Giordano - Alt.)	Bedminster
Keith Molinari (Robin McKeon - Alt)	Bernards
Sue (Therese) High (Lisa Guzzino - Alt.)	Bound Brook
Vincent Carpentier	Branchburg
Barry Walker	Bridgewater-Raritan
William Grippo (Sami Shaban - Alt.)	Franklin
Andrea Ferrante	Green Brook
Joel Davis	Hillsborough
Timothy Kenyon	Manville
Michelle Dowling (Christina Harris - Alt.)	Montgomery
Carlie Dougherty	North Plainfield
Dr. Lydia Furnari	Somerset Hills
Dr. Ayanna Taylor (Gregory Lalevee - Alt.)	Somerset Vo-Tech
<i>Vacancy</i>	Somerville
Edith Lima	South Bound Brook
Scott Otto (Mehul Desai - Alt.)	Warren
<i>Vacancy</i>	Watchung
<i>Vacancy</i>	Watchung Hills Regional

Executive Committee

Position

Barry Walker	President
William Grippo	Vice-President
Sue (Therese) High	Member
Vincent Carpentier	Executive Committee Alternate

Other Officials

Harold Dunsavage	Superintendent
Dr. Paul C. Rafalowski	Assistant Superintendent/Principal
Jeffrey Siipola	Business Administrator
Dr. Nicholas Celso, III Esq.	Attorney

**SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
CONSULTANTS AND ADVISORS
JUNE 30, 2023**

Audit Firm

Suplee, Clooney & Company
Certified Public Accountants
308 East Broad Street
Westfield, New Jersey 07090-2122

Attorney

Nicholas Celso, Esq.
Busch Law Group, LLC
450 Main Street
Metuchen, New Jersey 08840

Official Depository

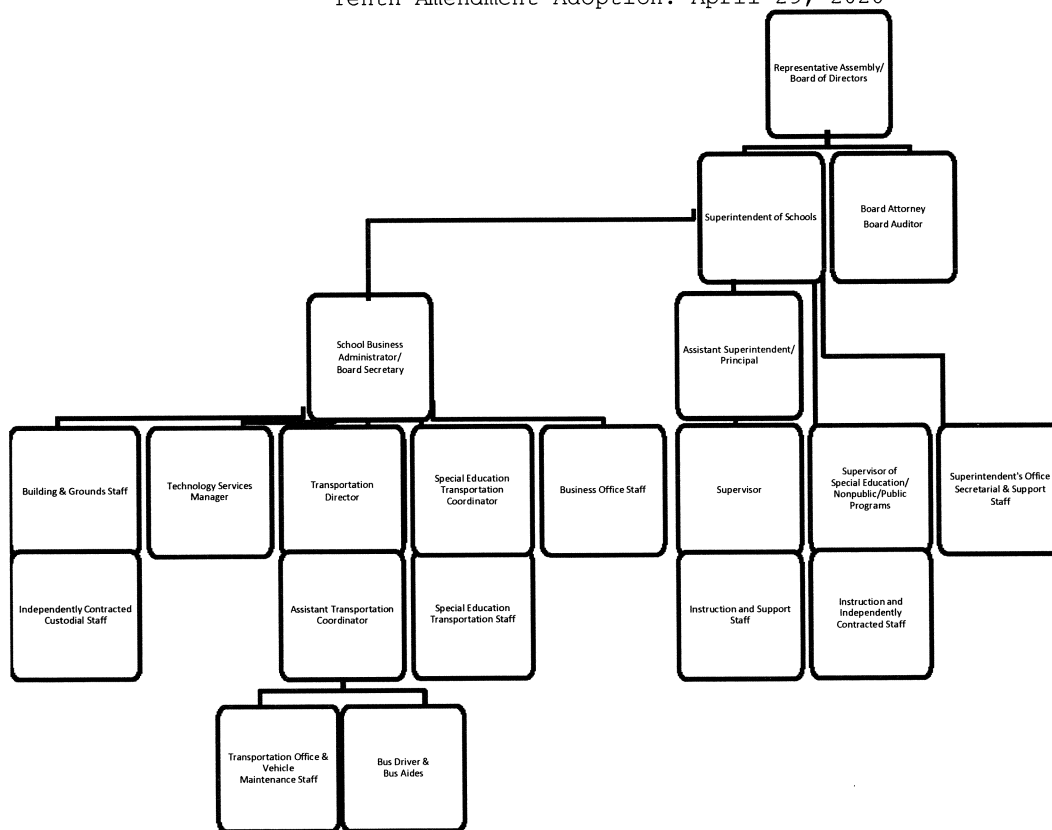
TD North Bank
50 West Main Street
Somerville, New Jersey 08876

Somerset County Educational Services Commission
ADMINISTRATION

1110

1110 ORGANIZATIONAL CHART

Adoption: February 18, 2009
 Amendment First Reading: August 12, 2010
 Amendment Adoption: October 14, 2010
 Second Amendment First Reading: June 2, 2011
 Second Amendment Adoption: August 7, 2011
 Third Amendment First Reading: December 8, 2011
 Third Amendment Adoption: February 16, 2012
 Fourth Amendment First Reading: April 11, 2013
 Fourth Amendment Adoption: June 6, 2013
 Fifth Amendment First Reading: April 10, 2014
 Fifth Amendment Adoption: June 5, 2014
 Sixth Amendment First Reading: October 5, 2016
 Sixth Amendment Adoption: December 7, 2016
 Seventh Amendment First Reading: April 5, 2017
 Seventh Amendment Adoption: June 7, 2017
 Eighth Amendment First Reading: August 7, 2019
 Eighth Amendment Adoption: October 2, 2019
 Ninth Amendment First Reading: December 4, 2019
 Ninth Amendment Adoption: February 5, 2020
 Tenth Amendment First Reading: April 7, 2020
 Tenth Amendment Adoption: April 29, 2020



FINANCIAL SECTION



SUPLEE, CLOONEY & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Directors
Somerset County Educational Services Commission
County of Somerset
Bridgewater, New Jersey 08807

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Somerset County Educational Services Commission, in the County of Somerset, State of New Jersey (the "Commission") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Commission as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

SUPLEE, CLOONEY & COMPANY

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, the Uniform Guidance, the State of New Jersey OMB Circular 15-08 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

SUPLEE, CLOONEY & COMPANY

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

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

Required Supplementary Information

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

Supplementary Information

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

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Other Information


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

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

Other Reporting Required by Government Auditing Standards

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


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 962

January 9, 2024

REQUIRED SUPPLEMENTARY INFORMATION – PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
SOMERSET COUNTY, NEW JERSEY

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

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

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

Financial Highlights

In the Commission-Wide Financial Statements:

- Net position of Governmental Activities increased \$3,021,872.96.
- Net position of the Business-type Activities increased \$1,094.55.

In the Major Fund Financial Statements:

- Governmental fund revenues exceeded expenditures by \$1,334,083.33.
- Proprietary fund revenues exceeded expenditures by \$1,094.55.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
SOMERSET COUNTY, NEW JERSEY

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

Overview of the Financial Statements

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

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

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

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

Commission-Wide Financial Statements

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

The Commission-Wide Financial Statements report the Commission's net position and how they have changed. Net position, the difference between the Commission's assets and liabilities, is one way to measure the Commission's financial health or position. Over time, increases or decreases in the Commission's net position are an indicator of whether its financial position has improved or diminished. The causes of this change may be a result of many factors, some financial and some not.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
SOMERSET COUNTY, NEW JERSEY

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

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

- **Governmental activities** - All of the Commission's programs and services are reported here including, but not limited to instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities. Tuition and transportation fees finance most of these activities.
- **Business-Type activities** - These services are provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. Commission charges fees to help it cover the costs of certain services it provided. The food service activities and Career Center are reported as business activities.

Fund Financial Statements

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

The Commission maintains two financial funds:

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

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
SOMERSET COUNTY, NEW JERSEY

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

Financial Analysis of the Commission as a Whole

Table 1 below reflects the Commission's net position as a whole.

**Table 1
Net Position**

	<u>FY 2023</u>	<u>FY 2022</u>
ASSETS		
Current and Other Assets	\$14,214,947.81	\$12,692,533.24
Capital Assets	<u>14,932,341.87</u>	<u>15,960,537.21</u>
Total Assets	<u>29,147,289.68</u>	<u>28,653,070.45</u>
DEFERRED OUTFLOWS		
Related to Pensions	<u>566,765.00</u>	<u>558,778.00</u>
LIABILITIES		
Current Liabilities	2,251,488.05	2,208,850.04
Long-Term Liabilities	<u>11,708,107.09</u>	<u>13,556,675.08</u>
Total Liabilities	<u>13,959,595.14</u>	<u>15,765,525.12</u>
DEFERRED INFLOWS		
Related to Pensions	2,042,101.00	2,723,319.00
Related to Refunding Debt	<u>152,895.89</u>	<u>186,509.19</u>
Total Deferred Inflows	<u>2,194,996.89</u>	<u>2,909,828.19</u>
NET POSITION		
Net Investment in Capital Assets	7,031,164.22	6,482,144.39
Unrestricted	<u>6,528,298.43</u>	<u>4,054,350.75</u>
Total Net Position	<u><u>\$13,559,462.65</u></u>	<u><u>\$10,536,495.14</u></u>

The net position of governmental activities was \$13,531,872.09 while business-type activities made up \$27,590.56. The Commission's combined net position was \$13,559,462.65 on June 30, 2023. The Commission's investment in capital assets is shown net of any related debt used to acquire those assets.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
SOMERSET COUNTY, NEW JERSEY

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

Table 2 shows changes in net position for fiscal years 2023 and 2022.

Table 2
Changes in Net Position

	<u>FY 2023</u>	<u>FY 2022</u>
Revenue:		
Program Revenue:		
Charges for Services	\$26,513,606.91	\$22,216,915.63
Operating Grants and Contributions	1,875,324.11	2,779,443.81
General Revenue:		
Tuition	8,072,273.42	6,518,854.56
Other	499,943.08	531,142.56
	<u>36,961,147.52</u>	<u>32,046,356.56</u>
Total Revenue		
	<u>36,961,147.52</u>	<u>32,046,356.56</u>
Expenses:		
Instruction	3,805,149.59	3,720,369.81
Student and Instructional Related Service:	1,427,596.81	1,302,828.68
Administrative and Business	2,387,488.55	2,584,126.89
Maintenance and Operations	875,592.44	944,376.47
Transportation	24,677,871.11	20,485,898.81
Interest on Long-Term Debt	316,445.90	373,428.78
Other	125,783.50	204,934.45
Unallocated Depreciation	322,252.11	339,373.04
	<u>33,938,180.01</u>	<u>29,955,336.93</u>
Total Expenses		
	<u>33,938,180.01</u>	<u>29,955,336.93</u>
Increase/(Decrease) in Net Position	<u>3,022,967.51</u>	<u>2,091,019.63</u>
Net Position July 1,	10,536,495.14	8,445,475.51
Net Position June 30,	<u>\$13,559,462.65</u>	<u>\$10,536,495.14</u>

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Both revenues and expenses increased mainly because of the Commission's transportation services programs offered to other districts returning to pre-pandemic levels.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
SOMERSET COUNTY, NEW JERSEY

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

Sources of Revenue for Fiscal Year 2023

The Commission's total revenue for the 2022-2023 school year was \$36,961,147.52 as reflected in Table 3 below. Charges for services accounted for 71.73%, operating grants and contributions accounted for 5.07% tuition fees accounted for 21.84% of the total revenue with the other 1.35% consisting of miscellaneous sources.

**Table 3
Sources of Revenue for Fiscal Year 2023**

<u>Sources of Revenue</u>	<u>Amount</u>	<u>Percentage</u>
Charges for Services	\$26,513,606.91	71.73%
Operating Grants and Contributions	1,875,324.11	5.07%
Tuition	8,072,273.42	21.84%
Miscellaneous	499,943.08	1.35%
	\$36,961,147.52	100.00%

Expenses for the Fiscal Year 2023

The total expenses for the 2022-2023 fiscal year for all programs and services were \$33,938,180.01. Table 4 below summarizes these program costs.

**Table 4
Expenses for Fiscal Year 2023**

<u>Expense Category</u>	<u>Amount</u>	<u>Percentage</u>
Instruction	\$3,805,149.59	11.21%
Student and Instructional Related Service	1,427,596.81	4.21%
Administrative and Business	2,387,488.55	7.03%
Maintenance and Operations	875,592.44	2.58%
Transportation	24,677,871.11	72.71%
Interest on Long-Term Debt	316,445.90	0.93%
Other	125,783.50	0.37%
Unallocated Depreciation	322,252.11	0.95%
	\$33,938,180.01	100.00%

The Commission's expenses are predominantly related to instructing, providing services and transporting students. Administrative and business expenses account for the costs of the Office of the Superintendent of Schools, the Business Office, and the Principal's Office. Maintenance and operations account for the costs of keeping the school buildings and grounds safe, clean and in good operating condition, and includes all the utility costs related to the school facilities. Other costs include interest on long-term debt, unallocated depreciation expense and the costs of the business-type activities of the proprietary funds. It is important to note that depreciation expense on capital assets is included in expenses for the year under the GASB entity-wide reporting model; expenses therefore include \$1,028,195.34 for depreciation.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
SOMERSET COUNTY, NEW JERSEY

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

Governmental Activities

Table 5 presents the net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs) of the major Commission activities: instruction, student and instructional services, administration and business, maintenance and operations, transportation, other and depreciation.

**Table 5
Net Cost of Governmental Activities**

<u>Function/Program</u>	<u>FY 2023</u>		<u>FY 2022</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Instruction	\$2,884,976.72	51.99%	2,201,042.88	45.56%
Student and Instructional Related Services	829,109.04	14.94%	788,481.91	16.32%
Administrative and Business	2,114,867.55	38.11%	1,916,264.26	39.67%
Maintenance and Operations	875,592.44	15.78%	944,376.47	19.55%
Transportation	(1,827,749.06)	-32.94%	(1,725,831.24)	-35.73%
Interest on Long-Term Debt	316,445.90	5.70%	373,428.78	7.73%
Other	33,754.29	0.61%	(6,263.93)	-0.13%
Unallocated Depreciation	322,252.11	5.81%	339,373.04	7.03%
	<u>\$5,549,248.99</u>	<u>100.00%</u>	<u>\$4,830,872.17</u>	<u>100.00%</u>

Capital Assets

At the end of the fiscal year 2023, the Commission had \$14,932,341.87 invested in land, building, machinery and equipment. Table 6 shows fiscal year 2023 balances compared to 2022.

**Table 6
Capital Assets (Net of Depreciation)**

	<u>June 30 2023</u>	<u>June 30 2022</u>
Capital Assets (Net of Depreciation)		
Sites	\$1,754,238.00	\$1,754,238.00
Building and Building Improvements	11,548,253.01	11,860,910.28
Machinery and Equipment	<u>1,629,850.86</u>	<u>2,345,388.93</u>
Total	<u>\$14,932,341.87</u>	<u>\$15,960,537.21</u>

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
SOMERSET COUNTY, NEW JERSEY

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

Debt Administration

At June 30, 2023, the Commission had \$11,708,107.09 of outstanding long-term debt, consisting of installment purchase contracts, compensated absences, subscription based information technology arrangements and net pension liability. The Commission will continue to pay down its debt, as the obligations are due. Table 7 reflects the comparison of outstanding debt for the past two fiscal years. More information of the Commission's long-term debt is presented in Note 5 to the financial statements.

**Table 7
Long-Term Debt**

	<u>FY 2023</u>	<u>FY 2022</u>
Installment Purchase Contracts	\$7,748,281.76	\$9,291,883.63
Compensated Absences	245,727.93	311,942.47
Subscription Based Information Technology Arrangements	323,322.40	227,823.98
Net Pension Liability	<u>3,390,775.00</u>	<u>3,725,025.00</u>
	<u><u>\$11,708,107.09</u></u>	<u><u>\$13,556,675.08</u></u>

Contacting the Commission's Financial Management Office

This financial report is designed to provide SCESC member school Commissions, Commission Board members, Board of Directors, and the general public with an overview of the Somerset County Educational Services Commission's business activities for the fiscal year. To contact the business office, call or write to Jeff Siipola, Business Administrator, or Harold Dunsavage, Superintendent, Somerset County Educational Services Commission, 991 Rt. 22 West, Suite 102, Bridgewater, New Jersey 08807 or (908) 707-1640.

BASIC FINANCIAL STATEMENTS

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

COMMISSION-WIDE FINANCIAL STATEMENTS

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

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

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
ASSETS:			
Cash and cash equivalents	\$6,308,310.95	\$1,706.57	\$6,310,017.52
Receivables, net	7,379,915.29	9,041.92	7,388,957.21
Prepaid expenses	159,946.29		159,946.29
Interfund receivable		16,842.07	16,842.07
Intangible Assets, Net of Amortization	339,184.72		339,184.72
Capital assets:			
Land and Construction in Progress	1,754,238.00		1,754,238.00
Other capital assets, net of depreciation	13,178,103.87		13,178,103.87
Total Assets	<u>29,119,699.12</u>	<u>27,590.56</u>	<u>29,147,289.68</u>
DEFERRED OUTFLOW OF RESOURCES:			
Related to pension	566,765.00		566,765.00
	<u>566,765.00</u>		<u>566,765.00</u>
LIABILITIES:			
Accounts payable	2,068,038.07		2,068,038.07
Interfund payables	16,842.07		16,842.07
Payroll deductions and withholdings payable	9,923.93		9,923.93
Unearned revenue	23,855.22		23,855.22
Accrued interest payable	132,828.76		132,828.76
Noncurrent liabilities:			
Due within one year:			
Installment purchase contracts payable and SBITAs payable	1,388,964.81		1,388,964.81
Due beyond one year:			
Compensated absences payable	245,727.93		245,727.93
Installment purchase contracts payable and SBITAs payable	6,682,639.35		6,682,639.35
Net pension liability	3,390,775.00		3,390,775.00
Total liabilities	<u>13,959,595.14</u>		<u>13,959,595.14</u>
DEFERRED INFLOW OF RESOURCES:			
Related to pension	2,042,101.00		2,042,101.00
Related to refunding of installment purchases	152,895.89		152,895.89
Total inflow of resources	<u>2,194,996.89</u>		<u>2,194,996.89</u>
NET POSITION:			
Net investment in capital assets	7,031,164.22		7,031,164.22
Unrestricted	6,500,707.87	27,590.56	6,528,298.43
Total net position	<u>\$13,531,872.09</u>	<u>\$27,590.56</u>	<u>\$13,559,462.65</u>

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

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

Functions/Programs	Expenses	Indirect Expense Allocation	Programs Revenues		Net (Expense) Revenue and Changes in Net Position	
			Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities
Governmental Activities:						
Instruction:						
Special	\$ 2,609,816.75	\$ 1,172,172.32	\$	\$ 920,172.87	\$ (2,861,816.20)	\$ (2,861,816.20)
Other Instruction	23,160.52				(23,160.52)	(23,160.52)
Support services:						
Student & instruction related services	1,207,849.95	219,746.86		598,487.77	(829,109.04)	(829,109.04)
General administrative services	671,794.03	280,911.79		119,362.81	(833,343.01)	(833,343.01)
School administrative services	529,623.17	247,601.53		111,162.30	(666,062.40)	(666,062.40)
Central services	380,226.04	69,408.06		42,095.89	(407,538.21)	(407,538.21)
Administration information technology	218,507.64	(10,583.71)			(207,923.93)	(207,923.93)
Plant operations and maintenance	919,626.24	(44,033.80)			(875,592.44)	(875,592.44)
Pupil transportation	24,187,782.71	490,088.40	26,505,620.17		1,827,749.06	1,827,749.06
Unallocated benefits	1,719,368.21	(1,719,368.21)				
Interest on Long-Term Debt	316,445.90				(316,445.90)	(316,445.90)
Unallocated depreciation	1,028,195.34				(322,252.11)	(322,252.11)
Total governmental activities	<u>33,812,396.50</u>	<u>(705,943.23)</u>	<u>26,505,620.17</u>	<u>1,791,281.64</u>	<u>(5,515,494.70)</u>	<u>(5,515,494.70)</u>
Business-type activities						
Food Service	115,053.85			84,042.47	(31,011.38)	(31,011.38)
Career Center	10,729.65		7,986.74		(2,742.91)	(2,742.91)
Total business-type activities	<u>125,783.50</u>		<u>7,986.74</u>	<u>84,042.47</u>	<u>(33,754.29)</u>	<u>(33,754.29)</u>
Total primary government	<u>\$ 33,938,180.00</u>	<u>\$</u>	<u>\$ 26,513,606.91</u>	<u>\$ 1,875,324.11</u>	<u>\$ (5,515,494.70)</u>	<u>\$ (5,549,248.99)</u>
General Revenues:						
Federal and state aid not restricted						
Tuition					1,850.00	1,850.00
Miscellaneous income					8,072,273.42	8,072,273.42
Transfers					497,951.57	498,093.08
Total general revenues and special items					141.51	
Change in net position					(34,707.33)	
					8,537,367.66	8,572,216.50
					3,021,872.96	3,022,967.51
Net Position - beginning (As Restated)					10,509,999.13	10,536,495.14
Net Position - ending					<u>\$ 13,531,872.09</u>	<u>\$ 13,559,462.65</u>

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

MAJOR FUND FINANCIAL STATEMENTS

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

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

	<u>GENERAL</u> <u>FUND</u>	<u>SPECIAL</u> <u>REVENUE</u> <u>FUND</u>	<u>TOTAL</u> <u>GOVERNMENTAL</u> <u>FUNDS</u>
ASSETS:			
Cash and cash equivalents	\$ 4,742,265.88	\$ 1,566,045.07	\$ 6,308,310.95
Interfunds receivable	1,759,847.97		1,759,847.97
Intergovernmental Accounts Receivable:			
State	24,095.40		24,095.40
Other	6,992,901.60	362,918.29	7,355,819.89
Prepaid expenses	<u>159,946.29</u>		<u>159,946.29</u>
 Total assets	 <u>\$ 13,679,057.14</u>	 <u>\$ 1,928,963.36</u>	 <u>\$ 15,608,020.50</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	1,665,881.18	145,571.89	1,811,453.07
Interfunds payable	17,153.79	1,759,536.25	1,776,690.04
Payroll deductions and withholdings payable	9,923.93		9,923.93
Unearned revenue		<u>23,855.22</u>	<u>23,855.22</u>
 Total liabilities	 <u>1,692,958.90</u>	 <u>1,928,963.36</u>	 <u>3,621,922.26</u>
Fund balances:			
Unassigned:			
General Fund	<u>11,986,098.24</u>		<u>11,986,098.24</u>
 Total fund balances	 <u>11,986,098.24</u>		 <u>11,986,098.24</u>
 Total liabilities and fund balances	 <u>\$ 13,679,057.14</u>	 <u>\$ 1,928,963.36</u>	

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

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

Total Fund Balances (Brought Forward)	\$	11,986,098.24
<p>Amounts Reported for Governmental Activities in the Statement of Net Position (A-1) are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
Cost of Assets	\$ 26,355,117.64	
Accumulated Depreciation	<u>(11,422,775.77)</u>	14,932,341.87
<p>Intangible assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
		339,184.72
<p>Long term liabilities, including bonds payable, and other related amounts that are not due and payable in the current period and therefore are not reported as liabilities in the funds.</p>		
Compensated Absences	(245,727.93)	
Net Pension Liability	(3,390,775.00)	
Subscription Based Information Technology Arrangements	(323,322.40)	
Installment Payment Contracts	<u>(7,748,281.76)</u>	<u>(11,708,107.09)</u>
<p>Deferred Outflows and Inflows of resources are applicable to future periods and therefore are not reported in the funds.</p>		
Pensions:		
Deferred Outflows		
Pension related		566,765.00
Deferred Inflows:		
Pension related	(2,042,101.00)	
Related to Refunding of Debt	<u>(152,895.89)</u>	(2,194,996.89)
<p>Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.</p>		
Accounts Payable - Pension Related	(256,585.00)	
Accrued Interest Payable	<u>(132,828.76)</u>	<u>(389,413.76)</u>
Net Position of Governmental Activities	\$	<u><u>13,531,872.09</u></u>

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

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

	GENERAL FUND	SPECIAL REVENUE FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES:			
Local sources:			
Tuition	\$8,072,273.42		\$8,072,273.42
Transportation	26,505,620.17		26,505,620.17
Miscellaneous	497,951.57	\$829,781.44	1,327,733.01
Total revenues - local sources	<u>35,075,845.16</u>	<u>829,781.44</u>	<u>35,905,626.60</u>
State sources	1,323,288.41		1,323,288.41
Federal sources		50,333.78	50,333.78
Total revenues	<u>36,399,133.57</u>	<u>880,115.22</u>	<u>37,279,248.79</u>
EXPENDITURES:			
Current expense:			
Special instruction	2,223,860.75	385,956.00	2,609,816.75
Other Instruction	23,160.52		23,160.52
Support services:			
Student & instruction related services	721,832.33	494,159.22	1,215,991.55
General administrative services	671,794.03		671,794.03
School administrative services	529,623.17		529,623.17
Central services	706,607.70		706,607.70
Administration information technology	218,507.64		218,507.64
Plant operations and maintenance	919,626.24		919,626.24
Pupil transportation	24,779,269.78		24,779,269.78
Unallocated benefits	3,246,060.75		3,246,060.75
Capital outlay - principal	990,000.00		990,000.00
Total expenditures	<u>35,030,342.91</u>	<u>880,115.22</u>	<u>35,910,458.13</u>
Excess (deficiency) of revenues over (under) expenditures	1,368,790.66		1,368,790.66
Other financing sources (uses):			
Transfers in/(out)	(34,707.33)		(34,707.33)
Total other financing sources (uses)	<u>(34,707.33)</u>		<u>(34,707.33)</u>
Net change in fund balances	1,334,083.33		1,334,083.33
Fund balances, July 1, 2022	<u>10,652,014.91</u>	<u>-0-</u>	<u>10,652,014.91</u>
Fund balances, June 30, 2023	<u>\$11,986,098.24</u>	<u>\$-0-</u>	<u>\$11,986,098.24</u>

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

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

Total net change in fund balances - governmental funds (from B-2)		\$1,334,083.33
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p> <p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period</p>		
Depreciation expense		(1,028,195.34)
<p>Amortization Expense:</p>		
Subscription Based Information Technology Arrangements		(68,031.33)
<p>Proceeds from debt issues are a financing source in governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net position.</p>		
Deferred amortization on issuance of refunding bonds		33,613.30
<p>Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.</p>		
Payment of installment purchase contracts payable		1,543,601.87
Payment of Subscription Based Information Technology Arrangements		76,172.93
<p>In the statement of activities, interest on long-term debt is accrued, regardless of when due. In governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation.</p>		
		14,207.66
<p>District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.</p>		
District pension contributions	\$283,872.00	
Add: Pension benefit	<u>766,334.00</u>	
		1,050,206.00
<p>In the statement of activities, certain expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).</p>		
Decrease in Compensated Absences		<u>66,214.54</u>
Change in net position of governmental activities		<u><u>\$3,021,872.96</u></u>

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

OTHER FUNDS

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

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND		
	FOOD SERVICE FUND	CAREER CENTER FUND	TOTAL
ASSETS:			
Current assets:			
Cash and cash equivalents	\$1,064.07	\$642.50	\$1,706.57
Interfund Receivable	17,484.57		17,484.57
Intergovernmental Receivables:			
State	266.26		266.26
Federal	8,775.66		8,775.66
	27,590.56	642.50	28,233.06
Total current assets			
	27,590.56	642.50	28,233.06
LIABILITIES:			
Current liabilities:			
Interfund payable		642.50	642.50
		642.50	642.50
Total current liabilities			
		642.50	642.50
NET POSITION:			
Unrestricted	27,590.56		27,590.56
	27,590.56		27,590.56
Total net position	\$27,590.56		\$27,590.56

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

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

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND</u>		
	<u>FOOD SERVICE FUND</u>	<u>CAREER CENTER FUND</u>	<u>TOTAL</u>
OPERATING REVENUES:			
Charges for services:			
Other sales		\$7,986.74	\$7,986.74
Total operating revenues		7,986.74	7,986.74
OPERATING EXPENSES:			
Cost of sales	\$115,053.85	10,729.65	125,783.50
Total operating expenses	115,053.85	10,729.65	125,783.50
Operating income (loss)	(115,053.85)	(2,742.91)	(117,796.76)
NONOPERATING REVENUES (EXPENSES):			
State Sources:			
State School Lunch Program	1,065.06		1,065.06
Breakfast After the Bell	1,560.10		1,560.10
Federal Sources:			
National School Lunch Program	50,973.03		50,973.03
National School Breakfast Program	29,791.28		29,791.28
P-EBT administrative costs	653.00		653.00
Interest on Investments	105.93	35.58	141.51
Total nonoperating revenues	84,148.40	35.58	84,183.98
Income/(loss) before contributions and transfers	(30,905.45)	(2,707.33)	(33,612.78)
Capital Contributions and Operating Transfers:			
Operating Transfers:			
General Fund	32,000.00	2,707.33	34,707.33
Total Capital Contributions and Operating Transfers	32,000.00	2,707.33	34,707.33
Change in net position	1,094.55		1,094.55
Total net position - beginning of the year	26,496.01		26,496.01
Total net position - end of the year	\$27,590.56		\$27,590.56

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

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

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND</u>		
	<u>FOOD SERVICE FUND</u>	<u>CAREER CENTER FUND</u>	<u>TOTAL</u>
Cash flows from operating activities:			
Receipts from customers		\$7,986.74	\$7,986.74
Payments to suppliers	(\$115,053.85)	(10,729.65)	(125,783.50)
Net cash provided by (used for) operating activities	(115,053.85)	(2,742.91)	(117,796.76)
Cash flows from noncapital financing activities:			
State Sources	2,466.84		2,466.84
Federal Sources	80,142.70		80,142.70
Interfund Activity	390.46	1,500.00	1,890.46
Operating subsidies	32,000.00		32,000.00
Net cash provided by noncapital financing activities:	115,000.00	1,500.00	116,500.00
Cash flows from investing activities:			
Interest	105.93	35.58	141.51
Net cash provided by (used for) investing activities	105.93	35.58	141.51
Net increase (decrease) in cash and cash equivalents	52.08	(1,207.33)	(1,155.25)
Cash and cash equivalents, July 1, 2022	1,011.99	1,849.83	2,861.82
Cash and cash equivalents, June 30, 2023	<u>\$1,064.07</u>	<u>\$642.50</u>	<u>\$1,706.57</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	(\$115,053.85)	(\$2,742.91)	(\$117,796.76)
Net cash provided by (used for) operating activities	<u>(\$115,053.85)</u>	<u>(\$2,742.91)</u>	<u>(\$117,796.76)</u>

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Somerset County Educational Services Commission is an instrumentality of the State of New Jersey, established to function as an educational institution in one or more counties for the purpose of carrying on programs of education, research and development, and providing to public school districts administrative services as may be authorized pursuant to the rules of the State Board of Education. The Commission consists of representatives of the membership districts and is responsible for the fiscal control of the Commission. A Superintendent is appointed by the Board of Directors of the Commission and is responsible for the administrative control of the Commission.

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

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

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

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

Commission-Wide Statements: The Statement of Net Position and the Statement of Activities display information about the Commission as a whole. These statements include the financial activities of the overall Commission. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish generally between the governmental and business-type activity of the Commission. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Net Position presents the financial condition of the governmental and business-type activity of the Commission at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for the business-type activity of the Commission and for each function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirement of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as generally revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the Commission.

Fund Financial Statements: During the fiscal year, the Commission segregates transactions related to certain Commission functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the Commission's funds. Separate statements are presented for each fund category – governmental and proprietary. The New Jersey Department of Education (NJDOE) has elected to require New Jersey entities to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among entity financial reporting models.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Types

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

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

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

Capital Projects Fund - The Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds, funds appropriated from the General Fund, and from aid provided by the State to offset the cost of approved capital projects.

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund

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

Basis of Accounting – Measurement Focus

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

Commission-wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments and transfers must be approved by resolution. There were \$7,250,000.00 in budget amendments during the year ended June 30, 2023 due to increased special education transportation services and costs.

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

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

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrance Accounting

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

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

Interfunds

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

Inventories and Prepaid Expenses

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

Inventories of food and/or supplies in the food service fund are recorded at cost on a first-in, first-out basis at stated value which approximates market.

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

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

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

Compensated Absences

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (Continued)

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

The liability for compensated absences was accrued using the termination payment method, whereby the liability is calculated based on the amount of sick leave and vacation days that are expected to become eligible for payment upon termination. The Commission estimates its accrued compensated absences liability based on the accumulated sick and vacation days at the balance sheet date by those employees who are currently eligible to receive termination payments.

For the commission-wide statements, the current portion is the amount estimated to be used in the following year. For the governmental funds in the fund financial statements, a liability is reported only for to the extent of the amount actually due at year end as a result of employee resignations/retirements. Compensated absences are a reconciling item between the fund level and commission-wide presentations.

Fund Balance and Net Position

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

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

Unearned Revenue

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Liabilities and Long-Term Obligations

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

Net Position

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Restrictions

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

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

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

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

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

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues – Exchange and Nonexchange Transactions

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

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund Revenues and Expenses

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

Allocation of Indirect Expenses

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

Extraordinary and Special Items

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

Management Estimates

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting and Financial Reporting for Pensions

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

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

Deferred Outflows/Inflows of Resources

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

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

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

Right to Use Assets

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

Recently Adopted Accounting Pronouncements

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

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

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

Deposits

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

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

Fund Type	<u>Bank Balance</u>	<u>Reconciling Items: Deletions</u>	<u>Reconciled Balance</u>
Governmental	\$9,228,513.20	\$2,920,202.25	\$6,308,310.95
Proprietary	<u>12,778.32</u>	<u>11,071.75</u>	<u>1,706.57</u>
	<u>\$9,241,291.52</u>	<u>\$2,931,274.00</u>	<u>\$6,310,017.52</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Commission does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of June 30, 2023, based upon the coverage provided by FDIC and NJ GUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on balance in the bank \$250,000.00 was covered by Federal Depository Insurance and \$8,991,291.52 was covered by NJ GUDPA.

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

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

Investments

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

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

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

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

Investments (Continued)

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

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

Based upon the limitation set forth by New Jersey Statutes 18A:20-37 and its existing investment practices, the Commission is generally not exposed to credit risks, custodial credit risks, concentration of credit risks and interest rate risks for its investments, nor is it exposed to foreign currency risks for its deposits and investments.

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

NOTE 3: CHANGE IN CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 1,750,000.00	\$	\$	\$ 1,750,000.00
Leasehold Improvements	<u>4,238.00</u>	<u> </u>	<u> </u>	<u>4,238.00</u>
Total Capital assets not being depreciated	<u>1,754,238.00</u>	<u> </u>	<u> </u>	<u>1,754,238.00</u>
Land Improvements	108,700.00			108,700.00
Building and Building Improvements	15,500,314.20			15,500,314.20
Trailers/Mobile Classrooms	81,975.00			81,975.00
Machinery & Equipment	<u>8,909,890.44</u>	<u> </u>	<u> </u>	<u>8,909,890.44</u>
Totals as historical cost	<u>24,600,879.64</u>	<u> </u>	<u> </u>	<u>24,600,879.64</u>
Total Gross assets (Memo only)	<u>\$ 26,355,117.64</u>	<u>\$</u>	<u>\$</u>	<u>\$ 26,355,117.64</u>
Less: Accumulated Depreciation for:				
Land Improvements	\$ (108,700.00)	\$	\$	\$ (108,700.00)
Building and Building Improvements	(3,639,403.92)	(312,657.27)		(3,952,061.19)
Trailers/Mobile Classrooms	(81,975.00)			(81,975.00)
Machinery & Equipment	<u>(6,564,501.51)</u>	<u>(715,538.07)</u>	<u> </u>	<u>(7,280,039.58)</u>
Total depreciation	<u>(10,394,580.43)</u>	<u>(1,028,195.34)</u>	<u> </u>	<u>(11,422,775.77)</u>
Total Capital assets being depreciated net of accumulated depreciation	<u>14,206,299.21</u>	<u>(1,028,195.34)</u>	<u> </u>	<u>13,178,103.87</u>
Governmental activities capital assets, net	<u>\$ 15,960,537.21</u>	<u>\$ (1,028,195.34)</u>	<u>\$</u>	<u>\$ 14,932,341.87</u>

Depreciation Expense was charged to governmental expenses as follows:

Support Services:

Student transportation	\$ 693,510.66
Unallocated depreciation	<u>334,684.68</u>
	<u>\$ 1,028,195.34</u>

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

NOTE 4: INTANGIBLE ASSETS

The Commission has recorded the following intangible assets. The assets are for various subscription-based information technology arrangements (“SBITAs”). These agreements are discussed in the SBITAs subsection of the long-term liabilities section of these notes. The intangible assets are amortized on a straight-line basis over the terms of the related agreement. Intangible asset activity for the Governmental Funds for the year ended June 30, 2023 was as follows:

GOVERNMENTAL ACTIVITIES:	Balance as of July 1, 2022 <u>(As Restated)</u>	<u>Additions</u>	Balance as of June 30, 2023
Subscription Assets			
Software			
Sophos Advanced XDR Software	\$	\$ 37,597.99	\$ 37,597.99
N2Y-ULS Bundle Software		8,022.50	8,022.50
Edlio Website		9,984.03	9,984.03
USF Filing Service	5,734.00		5,734.00
Form Approvals Platform		2,995.21	2,995.21
Frontline IEP Direct Setup	53,267.01		53,267.01
Genesis SIS Software	44,505.03		44,505.03
Trans Software Hosting	24,054.15		24,054.15
Help Scout Subscription		8,368.71	8,368.71
GoGuardian Suite		24,441.19	24,441.19
NetCarrier Web Host		1,673.74	1,673.74
Swift K12 Standalone Solution		3,466.68	3,466.68
Systems Annual License	108,903.79		108,903.79
VersaTrans Annual Hosting		5,983.46	5,983.46
Tyler-VersaTrans Software		51,303.27	51,303.27
Zones-Creative Cloud License		16,915.31	16,915.31
Total Software Subscription Assets	<u>236,463.98</u>	<u>170,752.09</u>	<u>407,216.07</u>
Total Subscription Assets	\$ <u>236,463.98</u>	\$ <u>170,752.09</u>	\$ <u>407,216.07</u>

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

NOTE 4: INTANGIBLE ASSETS (CONTINUED)

Subscription Accumulated Amortization
Software

Sophos Advanced XDR Software	\$	\$	6,144.49	\$	6,144.49
N2Y-ULS Bundle Software			1,121.66		1,121.66
Edlio Website			1,063.42		1,063.42
USF Filing Service			955.67		955.67
Form Approvals Platform			371.63		371.63
Frontline IEP Direct Setup			17,755.67		17,755.67
Genesis SIS Software			7,417.50		7,417.50
Trans Software Hosting			4,009.02		4,009.02
Help Scout Subscription			608.28		608.28
GoGuardian Suite			4,050.90		4,050.90
NetCarrier Web Host			136.38		136.38
Swift K12 Standalone Solution			337.04		337.04
Systems Annual License			18,150.63		18,150.63
VersaTrans Annual Hosting			83.10		83.10
Tyler-VersaTrans Software			3,562.73		3,562.73
Zones-Creative Cloud License			2,263.21		2,263.21
Total Software Subscription Accumulated Amortization			<u>68,031.33</u>		<u>68,031.33</u>
Total Subscription Accumulated Amortization			<u>68,031.33</u>		<u>68,031.33</u>
Total Governmental Funds Subscription Assets, Net	\$	<u>236,463.98</u>	\$	<u>102,720.76</u>	\$ <u>339,184.74</u>

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

NOTE 5: LONG-TERM LIABILITIES

Installment Purchase Contracts

The Commission has entered into various installment purchase contracts for the purchase of real property, office equipment and vehicles.

Future annual debt service payments on installment purchases as of June 30, 2023 including interest of \$1,043,489.75 in governmental funds are as follows:

Governmental Fund:

Fiscal Year <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,317,962.81	\$ 260,988.04	\$ 1,578,950.85
2025	1,085,318.95	211,205.37	1,296,524.32
2026	1,120,000.00	165,281.25	1,285,281.25
2027	1,160,000.00	117,581.25	1,277,581.25
2028	480,000.00	86,081.25	566,081.25
2029	495,000.00	71,456.25	566,456.25
2030	505,000.00	56,456.25	561,456.25
2031	520,000.00	41,081.25	561,081.25
2032	530,000.00	25,000.00	555,000.00
2033	535,000.00	8,358.84	543,358.84
	<u>\$ 7,748,281.76</u>	<u>\$ 1,043,489.75</u>	<u>\$ 8,791,771.51</u>

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

NOTE 5: LONG-TERM LIABILITIES (CONTINUED)

Subscription-Based Information Technology Arrangements Payable
("SBITAs")

For the year ended 6/30/2023, the financial statements include the following SBITAs:

On 11/30/2022, Somerset County Educational Services Commission, NJ entered into a 67 month subscription for the use of Edlio Website. An initial subscription liability was recorded in the amount of \$9,984.03. As of 06/30/2023, the value of the subscription liability is \$8,184.03. Somerset County Educational Services Commission, NJ is required to make annual fixed payments of \$1,800.00. The subscription has an interest rate of 3.2540%.

On 07/01/2022, Somerset County Educational Services Commission, NJ entered into a 36 month subscription for the use of Frontline IEP Direct Setup. An initial subscription liability was recorded in the amount of \$46,127.01. As of 06/30/2023, the value of the subscription liability is \$31,142.01. Somerset County Educational Services Commission, NJ is required to make annual fixed payments of \$14,985.00. The subscription has an interest rate of 2.3543%.

On 07/03/2022, Somerset County Educational Services Commission, NJ entered into a 72 month subscription for the use of GoGuardian Suite. An initial subscription liability was recorded in the amount of \$24,441.19. As of 06/30/2023, the value of the subscription liability is \$20,178.69. Somerset County Educational Services Commission, NJ is required to make annual fixed payments of \$4,262.50. The subscription has an interest rate of 1.8503%.

On 01/24/2023, Somerset County Educational Services Commission, NJ entered into a 72 month subscription for the use of Help Scout Subscription. An initial subscription liability was recorded in the amount of \$8,368.71. As of 06/30/2023, the value of the subscription liability is \$6,868.71. Somerset County Educational Services Commission, NJ is required to make annual fixed payments of \$1,500.00. The subscription has an interest rate of 3.0043%.

On 08/29/2022, Somerset County Educational Services Commission, NJ entered into a 72 month subscription for the use of N2Y-ULS Bundle Software. An initial subscription liability was recorded in the amount of \$8,022.50. As of 06/30/2023, the value of the subscription liability is \$6,623.39. Somerset County Educational Services Commission, NJ is required to make annual fixed payments of \$1,399.11. The subscription has an interest rate of 1.8503%.

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

NOTE 5: LONG-TERM LIABILITIES (CONTINUED)

Subscription-Based Information Technology Arrangements Payable
("SBITAs") – (Continued)

On 01/05/2023, Somerset County Educational Services Commission, NJ entered into a 72 month subscription for the use of NetCarrier Web Host. An initial subscription liability was recorded in the amount of \$1,673.74. As of 06/30/2023, the value of the subscription liability is \$1,373.74. Somerset County Educational Services Commission, NJ is required to make annual fixed payments of \$300.00. The subscription has an interest rate of 3.0043%.

On 07/08/2022, Somerset County Educational Services Commission, NJ entered into a 72 month subscription for the use of Sophos Advanced XDR Software. An initial subscription liability was recorded in the amount of \$37,597.99. As of 06/30/2023, the value of the subscription liability is \$31,825.29. Somerset County Educational Services Commission, NJ is required to make annual fixed payments of \$6,722.70. The subscription has an interest rate of 1.8503%.

On 07/01/2022, Somerset County Educational Services Commission, NJ entered into a 72 month subscription for the use of Systems Annual License. An initial subscription liability was recorded in the amount of \$108,903.79. As of 06/30/2023, the value of the subscription liability is \$90,739.05. Somerset County Educational Services Commission, NJ is required to make semi-annual fixed payments of \$9,542.00. The subscription has an interest rate of 1.8503%.

On 07/01/2022, Somerset County Educational Services Commission, NJ entered into a 72 month subscription for the use of Trans Software Hosting. An initial subscription liability was recorded in the amount of \$24,054.15. As of 06/30/2023, the value of the subscription liability is \$19,859.15. Somerset County Educational Services Commission, NJ is required to make annual fixed payments of \$4,195.00. The subscription has an interest rate of 1.8503%.

On 02/01/2023, Somerset County Educational Services Commission, NJ entered into a 72 month subscription for the use of Tyler-VersaTrans Software. An initial subscription liability was recorded in the amount of \$51,303.27. As of 06/30/2023, the value of the subscription liability is \$42,107.72. Somerset County Educational Services Commission, NJ is required to make annual fixed payments of \$9,195.55. The subscription has an interest rate of 3.0043%.

On 07/01/2022, Somerset County Educational Services Commission, NJ entered into a 72 month subscription for the use of USF Filing Service. An initial subscription liability was recorded in the amount of \$5,734.00. As of 06/30/2023, the value of the subscription liability is \$4,734.00. Somerset County Educational Services Commission, NJ is required to make annual fixed payments of \$1,000.00. The subscription has an interest rate of 1.8503%.

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

NOTE 5: LONG-TERM LIABILITIES (CONTINUED)

Subscription-Based Information Technology Arrangements Payable
("SBITAs") – (Continued)

On 06/01/2023, Somerset County Educational Services Commission, NJ entered into a 72 month subscription for the use of VersaTrans Annual Hosting. An initial subscription liability was recorded in the amount of \$5,983.46. As of 06/30/2023, the value of the subscription liability is \$4,919.39. Somerset County Educational Services Commission, NJ is required to make annual fixed payments of \$1,064.07. The subscription has an interest rate of 2.6700%.

On 09/12/2022, Somerset County Educational Services Commission, NJ entered into a 72 month subscription for the use of Zones-Creative Cloud License. An initial subscription liability was recorded in the amount of \$16,915.31. As of 06/30/2023, the value of the subscription liability is \$13,965.31. Somerset County Educational Services Commission, NJ is required to make annual fixed payments of \$2,950.00. The subscription has an interest rate of 1.8503%.

On 10/03/2022, Somerset County Educational Services Commission, NJ entered into a 72 month subscription for the use of Form Approvals Platform. An initial subscription liability was recorded in the amount of \$2,995.21. As of 06/30/2023, the value of the subscription liability is \$2,455.21. Somerset County Educational Services Commission, NJ is required to make annual fixed payments of \$540.00. The subscription has an interest rate of 3.2540%.

On 07/01/2022, Somerset County Educational Services Commission, NJ entered into a 72 month subscription for the use of Genesis SIS Software. An initial subscription liability was recorded in the amount of \$43,005.03. As of 06/30/2023, the value of the subscription liability is \$35,505.03. Somerset County Educational Services Commission, NJ is required to make annual fixed payments of \$7,500.00. The subscription has an interest rate of 1.8503%.

On 12/01/2022, Somerset County Educational Services Commission, NJ entered into a 72 month subscription for the use of Swift K12 Standalone Solution. An initial subscription liability was recorded in the amount of \$3,466.68. As of 06/30/2023, the value of the subscription liability is \$2,841.68. Somerset County Educational Services Commission, NJ is required to make annual fixed payments of \$625.00. The subscription has an interest rate of 3.2540%.

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

NOTE 5: LONG-TERM LIABILITIES (CONTINUED)

Subscription-Based Information Technology Arrangements Payable
("SBITAs") – (Continued)

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

<u>Fiscal Year</u>	<u>Governmental Activities</u>		
	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2024	\$ 71,002.62	\$ 6,869.56	\$ 77,872.18
2025	73,332.75	5,326.14	78,658.89
2026	58,408.72	3,729.21	62,137.93
2027	59,653.03	2,484.90	62,137.93
2028	60,925.28	1,212.65	62,137.93
	<u>\$ 323,322.40</u>	<u>\$ 19,622.46</u>	<u>\$ 342,944.86</u>

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

	Balance June 30 2022 <u>(As Restated)</u>	<u>Additions</u>	<u>Reductions</u>	Balance June 30 2023	Amounts due within <u>one year</u>
Compensated Absences	\$ 311,942.47	\$ 37,548.41	\$ 103,762.95	\$ 245,727.93	\$
Installment Purchase					
Contracts	9,291,883.63		1,543,601.87	7,748,281.76	1,317,962.81
SBITA's Payable	227,823.98	170,752.09	75,253.67	323,322.40	71,002.00
Net Pension Liability	<u>3,725,025.00</u>		<u>334,250.00</u>	<u>3,390,775.00</u>	
Totals	<u>\$ 13,556,675.08</u>	<u>\$ 208,300.50</u>	<u>\$ 2,056,868.49</u>	<u>\$ 11,708,107.09</u>	<u>\$ 1,388,964.81</u>

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

NOTE 6: PENSION PLANS

Description of Plans - All required employees of the Commission are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of 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, N.J., 08625 or online at www.state.nj.us/treasury/pensions.

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

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provision of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, 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.

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

Significant Legislation

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

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

NOTE 6: PENSION PLANS (CONTINUED)

Pension Plan Design Changes

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

Funding Changes

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

COLA Suspension

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

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

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

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

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

NOTE 6: PENSION PLANS (CONTINUED)

Contribution Requirements (Continued)

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

<u>Three-Year Trend Information for PERS</u>			
<u>Year</u> <u>June 30,</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2023	\$283,336.00	100.00%	\$283,336.00
2022	\$368,247.00	100.00%	\$368,247.00
2021	\$344,715.00	100.00%	\$344,715.00

<u>Three-Year Trend Information for TPAF (Paid on-behalf of the Commission)</u>			
<u>Year</u> <u>June 30,</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2023	\$862,896.00	100.00%	\$862,896.00
2022	\$1,011,557.00	100.00%	\$1,011,557.00
2021	\$772,707.00	100.00%	\$772,707.00

Also, in accordance with N.J.S.A. 18A:66-66 during the years ended June 30, 2023, 2022 and 2021, the State of New Jersey reimbursed the Commission \$216,357.41, \$174,306.36 and \$165,949.70 respectively for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the basic financial statements, and the governmental fund statements and schedules as a revenue and expenditure in accordance with GASB 68.

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

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68

Public Employees Retirement System (PERS)

At June 30, 2023, the State reported a net pension liability of \$3,390,775.00 for the Commission's proportionate share of the total net pension liability. The total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the Commission's proportion was 0.0224682958 percent, which was a decrease of 0.0089758079 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Commission recognized a pension benefit of \$766,334.00 in the government-wide financial statements. This pension benefit was based on the pension plan's June 30, 2022 measurement date.

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

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$24,473.00	\$21,582.00
Changes of assumptions	10,506.00	507,733.00
Net difference between projected and actual earnings on pension plan investments	140,341.00	
Changes in proportion and differences between Commission contributions and proportionate share of contributions	134,860.00	1,512,786.00
Commission contributions subsequent to the measurement date	<u>256,585.00</u>	
	<u>\$566,765.00</u>	<u>\$2,042,101.00</u>

The \$256,585.00 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2023, the plan measurement date is June 30, 2022) will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

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

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

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

Year Ended <u>June 30</u>	<u>Amount</u>
2023	(\$566,442.20)
2024	(423,767.20)
2025	(347,850.20)
2026	(117,929.20)
2027	(275,932.20)
	<u>(\$1,731,921.00)</u>

Actuarial Assumptions

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

Inflation	
Price	2.75%
Wage	3.25%
Salary Increases	
Through 2026	2.75-6.55%
	Based on
	Years of Service
Investment Rate of Return	7.00%

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

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

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

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

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

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2022) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major assets class included in PERS's target assets allocation as of June 30, 2022 asset are summarized in the following table:

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

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

Long-Term Rate of Return (Continued)

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

Discount Rate

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

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

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

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

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

	June 30, 2022		
	1% Decrease <u>6.00%</u>	At Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
Commission's proportionate share of the net pension liability	\$ 4,356,153.00	\$ 3,390,775.00	\$ 2,569,200.00

Pension Plan Fiduciary Net Position

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

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

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Teachers Pensions and Annuity Fund (TPAF)

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

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

Net Pension Liability:	
Commission's proportionate share	-0-
State's proportionate share	
associated with the Commission	<u>\$12,677,936</u>
	<u>\$12,677,936</u>

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 which was rolled forward to June 30, 2022. The net pension liability associated with the Commission was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2022, the proportion of the TPAF net pension liability associated with the Commission was .0247263035% which was a decrease of .0018557259 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Commission recognized on-behalf pension expense and revenue of \$341,199.00 in the government-wide financial statements for contributions provided by the State. This pension expense and revenue was based on the pension plans June 30, 2022 measurement date.

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

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Teachers Pensions and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions

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

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

Mortality Rate

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

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

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

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Teachers Pensions and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions (Continued)

Long-Term Expected Rate of Return

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

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

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

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

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

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Teachers Pensions and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions (Continued)

Discount Rate

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

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

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

Pension Plan Fiduciary Net Position

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

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

NOTE 8: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75

Plan Description and Benefits Provided

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

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

Employees Covered by Benefit Terms

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

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

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

NOTE 8: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

Total Non-Employer OPEB Liability

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

Total OPEB Liability:	
District's Proportionate Share	\$-0-
State's Proportionate Share associated with the Commission	<u>14,906,528</u>
	<u>\$14,906,528</u>

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

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

For the year ended June 30, 2023, the Commission recognized on-behalf post-employment expense and revenue of \$353,610.00 in the government-wide financial statements for contributions provided by the State. This expense and revenue was based on the plans June 30, 2022 measurement date.

At June 30, 2022, the Commission's proportion was .0294325154 percent, which was a decrease of .0059770210 from its proportion measured as of June 30, 2021.

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

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

NOTE 8: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

Actuarial Assumptions and Other Inputs

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

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

*- Based on Years of Service

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

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

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

NOTE 8: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

Actuarial Assumptions and Other Input (Continued)

Health Care Trend Assumptions

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

Discount Rate

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

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

NOTE 8: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

Changes in the Total Non-Employer OPEB Liability (Continued)

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

Balance at 6/30/21		\$21,248,431
Changes for the year:		
Service cost	\$1,039,906	
Interest	395,039	
Changes of Benefit Terms		
Differences between expected and actual experience	(3,399,293)	
Changes in assumptions or other inputs	(3,998,810)	
Membership Contributions	12,553	
Benefit payments - Net	(391,298)	
Net changes		<u>(6,341,903)</u>
Balance at 6/30/22		<u><u>\$14,906,528</u></u>

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

The following presents the total Non-Employer OPEB liability associated with the Commission as of June 30, 2022, calculated using the discount rate as disclosed above as well as what the total Non-Employer OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2022		
	1.00% <u>Decrease (2.54%)</u>	At Discount Rate (3.54%)	1.00% <u>Increase (4.54%)</u>
State of New Jersey's Proportionate Share of the total Non-Employer OPEB Liability associated with the Commission	\$17,521,056	\$14,906,528	\$12,811,115

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

NOTE 8: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

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

The following presents the total Non-Employer OPEB liability associated with the Commission as of June 30, 2022, calculated using the healthcare trend rate as disclosed above as well as what the total Non-Employer OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1.00% <u>Decrease</u>	June 30, 2022 Healthcare Cost <u>Trend Rate</u>	1.00% <u>Increase</u>
State of New Jersey's Proportionate Share of the total Non-Employer OPEB Liability associated with the Commission	\$12,321,157	\$14,906,528	\$18,302,570

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

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

	<u>Deferred Outflow of Resources</u>		<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 2,661,407	\$	4,551,135
Changes of assumptions	2,579,943		5,073,368
Changes in proportion	1,130,261		4,011,477
	\$ 6,371,611	\$	13,635,980

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

NOTE 8: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

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

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

Measurement Period Ended	<u>Amount</u>
<u>June 30,</u>	
2023	(\$1,317,104)
2024	(\$1,317,104)
2025	(\$1,317,104)
2026	(\$1,216,533)
2027	(\$942,369)
Total Thereafter	<u>(\$1,154,154)</u>
	<u>(\$7,264,369)</u>

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

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

NOTE 9: LITIGATION

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

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

NOTE 10: CONTINGENCIES

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

NOTE 11: RISK MANAGEMENT

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

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

NOTE 12: COMPENSATED ABSENCES

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

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

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

NOTE 12: COMPENSATED ABSENCES (CONTINUED)

The liability for vested compensated absences of the governmental fund types are recorded in the commission - wide statement of net position. As of June 30, 2023, a liability existed for compensated absences for governmental fund-types in the commission-wide Statement of Net Position of \$245,727.93.

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

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

NOTE 13: FUND BALANCE APPROPRIATED

General Fund – Of the \$11,986,098.24 General Fund fund balance at June 30, 2023, the entire amount is unassigned.

NOTE 14: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2023:

<u>FUND</u>	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
General Fund	\$ 1,759,847.97	\$ 17,153.79
Special Revenue Fund		1,759,536.25
Proprietary Fund	<u>17,484.57</u>	<u>642.50</u>
	<u>\$ 1,777,332.54</u>	<u>\$ 1,777,332.54</u>

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

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

NOTE 15: DEFERRED COMPENSATION

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

NOTE 16: SUBSEQUENT EVENTS

The Commission has evaluated subsequent events occurring after the financial statement date through January 9, 2024, which is the date the financial statements were available to be issued. The Commission has determined that no subsequent events need to be disclosed.

NOTE 17: PRIOR PERIOD ADJUSTMENTS

As of July 1, 2022 the Commission implemented GASB Statement No. 87 Leases and GASB 96 Subscription-Based Information Technology Agreements. The Commission restated the balance of the accounts indicated below to appropriately reflect the June 30, 2022 balances as follows:

	<u>Balance</u> <u>June 30, 2022</u>	<u>Balance</u> <u>June 30, 2022</u> <u>(As Restated)</u>
Assets:		
Intangible Assets		\$236,463.98
Liabilities:		
Noncurrent Liabilities		227,823.98
Net Position	\$10,501,359.13	10,509,999.13

REQUIRED SUPPLEMENTARY INFORMATION – PART II

BUDGETARY COMPARISON SCHEDULES

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

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
REVENUES:					
Local sources:					
Tuition from other LEA's within the State	\$ 8,684,247		\$ 8,684,247	\$ 8,072,273.42	\$(611,973.58)
Transportation fees from other LEAs	19,645,652	7,250,000.00	26,895,652.00	26,505,620.17	\$(390,031.83)
Rents and Royalties				29,500.00	
Sale of property				4,432.00	
Unrestricted miscellaneous revenues	720,000.00		720,000.00	464,019.57	4,432.00
Total revenues-local sources	29,049,899.00	7,250,000.00	36,299,899.00	35,075,845.16	\$(1,224,053.84)
State sources:					
Other state aids				1,850.00	1,850.00
Reimbursed TPAF social security contributions (non-budgeted)				216,357.41	216,357.41
On-behalf TPAF post retirement medical (non-budgeted)				229,825.00	229,825.00
On-Behalf TPAF - Non-contributory insurance (non-budgeted)				11,972.00	11,972.00
On-Behalf TPAF - Long Term Disability (non-budgeted)				388.00	388.00
On-behalf TPAF pension contributions (non-budgeted)				862,896.00	862,896.00
Total - state sources				1,323,288.41	1,323,288.41
Total revenues	29,049,899.00	7,250,000.00	36,299,899.00	36,399,133.57	99,234.57
EXPENDITURES:					
CURRENT EXPENSE:					
Special Education - Instruction:					
Multiple Disabilities:					
Salaries of Teachers	1,719,149.00	134,076.61	1,853,225.61	1,847,235.11	5,990.50
Other Salaries for Instruction	428,033.00	(60,000.00)	368,033.00	291,942.54	76,090.46
Purchased Professional-Educational Services	30,000.00	2,410.00	32,410.00	28,837.12	3,572.88
General Supplies	65,708.00	(11,500.00)	54,208.00	46,813.12	7,394.88
Textbooks	1,000.00	15,200.00	16,200.00	8,845.98	7,354.02
Other Objects	1,850.00		1,850.00	186.88	1,663.12
Total Multiple Disabilities	2,245,740.00	80,186.61	2,325,926.61	2,223,860.75	102,065.86
Total Special Education - Instruction	2,245,740.00	80,186.61	2,325,926.61	2,223,860.75	102,065.86

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

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS/ AMENDMENTS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FINAL TO ACTUAL</u>
School Sponsored Co/Extra Curricular Activities - Instruction:					
Purchased Services (300-500 series)	10,000.00	10,490.00	20,490.00	15,955.91	4,534.09
Supplies and Materials	10,000.00		10,000.00	7,204.61	2,795.39
Total School Sponsored Co/Extra Curricular Activities - Instruction	20,000.00	10,490.00	30,490.00	23,160.52	7,329.48
Undistributed Expenditures - Health Services:					
Salaries	80,560.00	5,113.75	85,673.75	84,123.20	1,550.55
Purchased Professional and Technical Services	9,300.00		9,300.00	3,704.00	5,596.00
Supplies and Materials	3,500.00		3,500.00	2,224.64	1,275.36
Total Undistributed Expenditures - Health Services	93,360.00	5,113.75	98,473.75	90,051.84	8,421.91
Undistributed Expend. - Speech, OT, PT & Related Services:					
Salaries	97,708.00		97,708.00	32,225.90	65,482.10
Purchased professional - Educational Services	70,000.00		70,000.00	38,689.68	31,310.32
Supplies and materials	200.00		200.00	200.00	200.00
Total Undistributed Expend. - Speech, OT, PT & Related Services	167,908.00		167,908.00	70,915.58	96,992.42
Undistributed Expend. - Other Supp. Serv. -Students- Extra Services:					
Salaries		98,000.00	98,000.00	90,693.03	7,306.97
Total Undistributed Expend. - Other Supp. Serv. -Students- Extra Services		98,000.00	98,000.00	90,693.03	7,306.97
Undistributed Expenditures - Child Study Teams:					
Salaries of Other Professional Staff	156,010.00	116,258.34	272,268.34	217,327.49	54,940.85
Other Salaries	73,920.00		73,920.00	59,215.00	14,705.00
Purchased Professional - Educational Services	236,000.00	(22,150.00)	213,850.00	191,573.96	22,276.04
Total Undistributed Expenditures - Child Study Teams	465,930.00	94,108.34	560,038.34	468,116.45	91,921.89
Undistributed Expend. - Instructional Staff Training Services:					
Other Purchased Services (400-500 series)	7,515.00		7,515.00	2,055.43	5,459.57
Total Undistributed Expend. - Instructional Staff Training Services	7,515.00		7,515.00	2,055.43	5,459.57

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

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Undistributed Expend.-Support Services-General Administration:					
Salaries	464,266.00	24,880.25	489,146.25	485,433.58	3,712.67
Legal Services	160,000.00	(24,114.96)	135,885.04	24,831.60	111,053.44
Audit Fees	23,750.00	3,700.00	27,450.00	27,450.00	
Other Purchased Professional Services	27,500.00	15,000.00	42,500.00	27,815.25	14,684.75
Purchased Technical Services	5,000.00		5,000.00		5,000.00
Communications/Telephone	100,000.00		100,000.00	84,694.55	15,305.45
OTHER PURCH SERVICES		1,414.96	1,414.96	1,414.96	
BOE Other Purch Serv		834.00	834.00		834.00
Misc. Purchased Services (400-500 series, O/T 530 & 585)	14,631.00	3,166.00	17,797.00	15,346.12	2,450.88
General Supplies	2,525.00		2,525.00	1,848.50	676.50
Miscellaneous Expenditures	11,330.00		11,330.00	2,959.47	8,370.53
Total Undistributed Expend.-Support Services-General Administration	809,002.00	24,880.25	833,882.25	671,794.03	162,088.22
Undistributed Expend.-Support Services - School Administration:					
Salaries of Principals/Assistant Principals	125,000.00	(10,000.00)	115,000.00	92,916.50	22,083.50
Salaries of Other Professional Staff	295,645.00	24,000.00	319,645.00	291,384.00	28,261.00
Salaries of Secretarial and Clerical Assistants	113,662.00	5,000.00	118,662.00	118,424.00	238.00
Other Salaries	6,000.00		6,000.00		6,000.00
Other Purchased Services (400-500 series)	17,112.00		17,112.00	12,757.66	4,354.34
Supplies and Materials	9,287.00	4,732.58	14,019.58	13,373.13	646.45
Other Objects	1,459.00		1,459.00	767.88	691.12
Total Undistributed Expend.-Support Services - School Administration	568,165.00	23,732.58	591,897.58	529,623.17	62,274.41
Undistributed Expend. - Central Services					
Salaries	458,611.00		458,611.00	384,477.46	74,133.54
Purchased Professional Services	25,750.00	(5,000.00)	20,750.00	2,008.00	18,742.00
Purchased Professional Services- Public Relations Cost	4,650.00		4,650.00	593.23	4,056.77
Miscellaneous Purchased Services (400-500 series, O/T 594)	12,000.00		12,000.00	5,580.47	6,419.53
Supplies and Materials	11,000.00		11,000.00	10,689.14	310.86
Interest on Installment Purchase Contracts	296,582.00		296,582.00	296,489.40	92.60
Miscellaneous Expenditures	10,300.00		10,300.00	6,770.00	3,530.00
Total Undistributed Expend. - Central Services	818,893.00	(5,000.00)	813,893.00	706,607.70	107,285.30

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

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Undistributed Expend. - Admin. Info. Technology:					
Salaries	74,484.00	7,930.40	82,414.40	80,916.58	1,497.82
Purchased Technical Services	133,777.00	22,150.00	155,927.00	97,685.88	58,241.12
Other Purchased Services (400-500 series)		36.00	36.00	36.00	
Supplies and Materials	120,667.00	159.82	120,826.82	39,179.18	81,647.64
Other Objects	1,545.00		1,545.00	690.00	855.00
Total Undistributed Expend. - Admin. Info. Technology	330,473.00	30,276.22	360,749.22	218,507.64	142,241.58
Undistributed Expend.-Required Maintenance for School Facilities:					
Salaries	92,735.00	21,673.44	114,408.44	98,776.17	15,632.27
Cleaning, Repair and Maintenance Services	67,000.00	(10,700.00)	56,300.00	54,031.56	2,268.44
General Supplies	30,500.00	(5,516.00)	24,984.00	9,586.47	15,397.53
Other Objects	2,515.00		2,515.00	166.31	2,348.69
Total Undistributed Expend.-Required Maintenance for School Facilities	192,750.00	5,457.44	198,207.44	162,560.51	35,646.93
Undistributed Expend.-Custodial Services:					
Salaries of Non-Instructional Aides	7,500.00		7,500.00		7,500.00
Cleaning, Repair and Maintenance Services	148,250.00	26,000.00	174,250.00	150,958.48	23,291.52
Rental of Land & Bldg. Other Than Installment Purch. Agreement	250,940.00		250,940.00	245,089.20	5,850.80
Other Purchased Property Services	10,000.00	9,944.53	19,944.53	19,854.09	90.44
Insurance	275,000.00		275,000.00	123,111.68	151,888.32
General Supplies	6,000.00	11,516.00	17,516.00	13,702.24	3,813.76
Energy (Electricity)	128,737.00		128,737.00	104,278.77	24,458.23
Total Undistributed Expend.-Custodial Services:	826,427.00	47,460.53	873,887.53	656,994.46	216,893.07
Care and Upkeep of Grounds:					
Cleaning, Repair and Maintenance Services	49,600.00	(24,694.26)	24,905.74	12,404.50	12,501.24
Total Care and Upkeep of Grounds	49,600.00	(24,694.26)	24,905.74	12,404.50	12,501.24
Security:					
Salaries	86,232.00	12,120.04	98,352.04	87,666.77	10,685.27
Total Security:	86,232.00	12,120.04	98,352.04	87,666.77	10,685.27
Total Undistributed Expend.- Oper. & Maintenance of Plant Serv.	1,155,009.00	40,343.75	1,195,352.75	919,626.24	275,726.51

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

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
Undistributed Expend.-Student Transportation Services:					
Salaries of Non-Instructional Aides	38,138.00	24,984.14	63,122.14	31,738.12	31,384.02
Salaries for Pupil Transportation (bet. home & school)-Reg	699,928.00	120,319.24	820,247.24	439,698.53	380,548.71
Salaries for Pupil Transportation (other than bet. home & school)	716,167.00	(94,000.00)	622,167.00	527,104.87	95,062.13
Other Purchased Professional and Technical Services	4,000.00		4,000.00	1,893.75	2,106.25
Installment Purchase Contract Payments - School Buses	818,559.00	(266,374.88)	560,184.12	560,184.12	
Contracted Services - Special Ed. Students-Vendors	16,106,093.00	7,084,648.16	23,190,741.16	23,190,683.49	
Miscellaneous Purchased Services - Transportation	7,000.00		7,000.00	5,078.64	1,921.36
General Supplies	8,000.00		8,000.00	3,693.29	4,306.71
Transportation Supplies	250,000.00		250,000.00	18,642.98	231,357.02
Other Objects	4,200.00		4,200.00	551.99	3,648.01
Total Undistributed Expend.-Student Transportation Services	18,652,085.00	6,877,576.66	25,529,661.66	24,779,269.78	750,391.88
Unallocated Benefits:					
Social Security Contributions - Other	412,899.00		412,899.00	209,263.48	203,635.52
Other Retirement Contributions - Regular	325,000.00		325,000.00	283,336.00	41,664.00
Unemployment Compensation	61,665.00	(38,752.30)	22,912.70	19,387.54	3,525.16
Workmen's Compensation	37,795.00	61,828.59	99,623.59	97,848.92	1,774.67
Health Benefits	1,443,712.00	(53,000.00)	1,390,712.00	1,271,476.36	119,235.64
Tuition Reimbursement	44,000.00		44,000.00	8,958.00	35,042.00
Other Employee Benefits	370,748.00	(11,600.00)	359,148.00	34,352.04	324,795.96
Total Unallocated Benefits	2,695,819.00	(41,523.71)	2,654,295.29	1,924,622.34	729,672.95
Total Personal Services - Employee	2,695,819.00	(41,523.71)	2,654,295.29	1,924,622.34	729,672.95
Reimbursed TPAF social security contributions (non-budgeted)				216,357.41	(216,357.41)
On-behalf TPAF post retirement medical (non-budgeted)				229,825.00	(229,825.00)
On-Behalf TPAF - Non-contributory Insurance (non-budgeted)				11,972.00	(11,972.00)
On-Behalf TPAF - Long Term Disability (non-budgeted)				388.00	(388.00)
On-behalf TPAF pension contributions (non-budgeted)				862,896.00	(862,896.00)
Total TPAF pension/social security				1,321,438.41	(1,321,438.41)
TOTAL UNDISTRIBUTED EXPENDITURES	25,764,159.00	7,147,507.84	32,911,666.84	31,793,321.64	1,118,345.20
TOTAL GENERAL CURRENT EXPENSE	28,029,899.00	7,238,184.45	35,268,083.45	34,040,342.91	1,227,740.54

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

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
CAPITAL OUTLAY:					
Facilities Acquisition and Construction Services:					
Installment Purchase Contracts - Principal	990,000.00		990,000.00	990,000.00	
TOTAL CAPITAL OUTLAY	990,000.00		990,000.00	990,000.00	
TOTAL EXPENDITURES	29,019,899.00	7,238,184.45	36,258,083.45	35,030,342.91	1,227,740.54
Excess (Deficiency) of Revenues Over (Under) Expenditures	30,000.00	11,815.55	41,815.55	1,368,790.66	1,326,975.11
Other financing sources (use)	(30,000.00)	(2,000.00)	(32,000.00)	(34,707.33)	(2,707.33)
Transfer from (to) other funds	(30,000.00)	(2,000.00)	(32,000.00)	(34,707.33)	(2,707.33)
Total other financing sources					
Excess/Deficit of Revenues and other Financing Sources Over Expenditures and Other Expenditures and Other Financing Sources		9,815.55	9,815.55	1,334,083.33	1,324,267.78
Fund Balances, July 1, 2022	10,652,014.91		10,652,014.91	10,652,014.91	
Fund Balances, June 30, 2023	\$ 10,652,014.91	\$ 9,815.55	\$ 10,661,830.46	\$ 11,986,098.24	\$ 1,324,267.78
Recapitulation:					
Unrestricted Fund Balance				\$ 11,986,098.24	
Fund Balance per Governmental Funds (GAAP)				\$ 11,986,098.24	

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

	ORIGINAL BUDGET	BUDGET TRANSFERS/ AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
REVENUES:					
Federal Aid	\$	50,333.78	\$ 50,333.78	\$ 50,333.78	
Local education agencies	796,000.00	33,781.44	829,781.44	829,781.44	
Total Revenues	<u>796,000.00</u>	<u>84,115.22</u>	<u>880,115.22</u>	<u>880,115.22</u>	
EXPENDITURES:					
Instruction:					
Salaries	346,000.00	(164,477.30)	181,522.70	181,522.70	
Purchased Professional - Educational Services		117,405.52	117,405.52	117,405.52	
General Supplies		10,361.00	10,361.00	10,361.00	
Textbooks	80,000.00	(3,333.22)	76,666.78	76,666.78	
Total Instruction	<u>426,000.00</u>	<u>(40,044.00)</u>	<u>385,956.00</u>	<u>385,956.00</u>	
Support Services:					
Salaries	150,000.00	(95,524.14)	54,475.86	54,475.86	
Personal Services - Employee Benefits		10,113.57	10,113.57	10,113.57	
Purchased Professional and Technical Services		28,739.62	28,739.62	28,739.62	
Supplies and Materials	220,000.00	170,558.66	390,558.66	390,558.66	
Miscellaneous Expenditures		10,271.51	10,271.51	10,271.51	
Total Support Services	<u>370,000.00</u>	<u>124,159.22</u>	<u>494,159.22</u>	<u>494,159.22</u>	
Total Expenditures	<u>796,000.00</u>	<u>84,115.22</u>	<u>880,115.22</u>	<u>880,115.22</u>	
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

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

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

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$36,399,133.57	\$880,115.22
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	N/A	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$36,399,133.57</u>	<u>\$880,115.22</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule.	\$35,030,342.91	\$880,115.22
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	N/A	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$35,030,342.91</u>	<u>\$880,115.22</u>

REQUIRED SUPPLEMENTARY INFORMATION – PART III

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

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

	Measurement Date Ending June 30, 2022	Measurement Date Ending June 30, 2021	Measurement Date Ending June 30, 2020	Measurement Date Ending June 30, 2019	Measurement Date Ending June 30, 2018	Measurement Date Ending June 30, 2017	Measurement Date Ending June 30, 2016	Measurement Date Ending June 30, 2015	Measurement Date Ending June 30, 2014	Measurement Date Ending June 30, 2013
Commission's proportion of the net pension liability (asset)	0.0224682958%	0.0314441037%	0.0315109592%	0.0300800211%	0.0320666900%	0.0332888885%	0.0388824351%	0.0392574752%	0.0435481903%	0.0447786524%
Commission's proportionate share of the net pension liability (asset)	\$3,390,775	\$3,725,025	\$5,138,613	\$5,419,963	\$6,313,771	\$7,749,121	\$11,515,862	\$8,812,517	\$8,153,412	\$8,568,090
Commission's covered-employee payroll	1,430,157	1,560,911	2,315,493	2,208,506	2,148,900	2,218,329	2,263,054	2,529,313	2,617,706	2,938,629
Commission's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	237.09%	238.64%	221.92%	245.41%	293.81%	349.32%	508.86%	348.42%	311.47%	291.23%
Plan fiduciary net position as a percentage of the total pension liability	62.91%	70.33%	58.32%	56.27%	53.60%	48.10%	40.14%	47.92%	52.08%	48.72%

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
 SCHEDULE OF THE COMMISSION'S CONTRIBUTIONS
 PUBLIC EMPLOYEES RETIREMENT SYSTEM
 LAST TEN YEARS

	Fiscal Year Ending June 30, 2023	Fiscal Year Ending June 30, 2022	Fiscal Year Ending June 30, 2021	Fiscal Year Ending June 30, 2020	Fiscal Year Ending June 30, 2019	Fiscal Year Ending June 30, 2018	Fiscal Year Ending June 30, 2017	Fiscal Year Ending June 30, 2016	Fiscal Year Ending June 30, 2015	Fiscal Year Ending June 30, 2014
Contractually required contribution	\$ 256,585	\$ 283,336	\$ 368,247	\$ 344,715	\$ 293,071	\$ 319,552	\$ 310,744	\$ 346,579	\$ 337,509	\$ 359,005
Contributions in relation to the contractually required contribution	256,585	283,336	368,247	344,715	293,071	319,552	310,744	344,043	516,756	316,292
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,536.00	\$ (179,247.00)	\$ 42,713.00
Commission's covered-employee payroll	1,435,276	1,430,157	1,560,911	2,315,493	2,208,506	2,148,900	2,218,329	2,283,054	2,529,313	2,617,706
Contributions as a percentage of covered-employee payroll	17.88%	19.81%	23.59%	14.89%	13.27%	14.87%	14.01%	15.31%	13.34%	13.71%

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

	Measurement Date Ending June 30, 2022	Measurement Date Ending June 30, 2021	Measurement Date Ending June 30, 2020	Measurement Date Ending June 30, 2019	Measurement Date Ending June 30, 2018	Measurement Date Ending June 30, 2017	Measurement Date Ending June 30, 2016	Measurement Date Ending June 30, 2015	Measurement Date Ending June 30, 2014	Measurement Date Ending June 30, 2013
Commission's proportion of the net pension liability (asset)	0.0247263035%	0.0265620294%	0.0259607922%	0.02665693333%	0.0258910616%	0.0286724013%	0.0267355546%	0.0253662418%	0.0263816248%	0.03706393686%
State's proportionate share of the net pension liability (asset) associated with the Commission	\$12,677,936	\$12,779,361	\$17,048,775	\$16,483,826	\$16,471,337	\$19,331,967	\$21,031,889	\$16,033,812	\$14,100,227	\$18,731,823
Commission's covered-employee payroll	2,385,466	2,322,676	2,703,907	2,707,036	2,771,548	2,570,984	2,597,577	2,683,193	2,528,198	2,368,437
Commission's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
State's Proportionate Share of the Total Net Pension Liability associated with the Commission as a percentage of the Commission's Covered-Employee Payroll	531.46%	550.20%	630.52%	608.93%	594.30%	751.93%	809.67%	597.56%	557.50%	790.89%
Plan fiduciary net position as a percentage of the total pension liability	32.29%	35.52%	24.60%	26.95%	26.49%	25.41%	22.33%	28.71%	33.64%	33.76%

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

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Change in benefit terms:

None

Change in assumptions:

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

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

TEACHERS PENSION AND ANNUITY FUND (TPAF)

Change in benefit terms:

None

Change in assumptions:

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

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

REQUIRED SUPPLEMENTARY INFORMATION – PART IV

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

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

	Measurement Date Ended June 30,					
	2022	2021	2020	2019	2018	2017
Total Non-Employer OPEB Liability - State's Proportionate Share of Total OPEB Liability Associated with the School Commission						
Balance at 6/30	\$21,248,431	\$24,214,234	\$13,951,408	\$15,275,656	\$18,509,350	\$19,683,514
Changes for the year:						
Service cost	1,039,906	1,283,591	689,648	746,359	925,079	1,097,427
Interest	395,039	551,207	505,345	612,087	688,756	586,414
Changes of benefit terms		(22,616)				
Differences between expected and actual experience	(3,399,293)	(4,378,844)	5,053,498	(2,475,139)	(2,700,222)	
Changes in assumptions or other inputs	(3,998,810)	20,963	4,423,108	208,017	(1,752,958)	(2,445,075)
Membership Contributions	12,553	14,092	12,777	12,895	14,117	15,786
Benefit payments - Net	(391,298)	(434,196)	(421,550)	(428,267)	(408,466)	(428,716)
Net changes	(6,341,903)	(2,965,803)	10,262,826	(1,324,248)	(3,233,694)	(1,174,164)
Balance at 6/30	\$14,906,528	\$21,248,431	\$24,214,234	\$13,951,408	\$15,275,656	\$18,509,350
Covered Employee Payroll	3,815,643	3,883,587	5,019,400	4,915,542	4,920,448	4,789,313
Commission's Proportionate Share of the Total Non-Employer OPEB Liability as a percentage of the Commission's Covered Employee Payroll	-0-	-0-	-0-	-0-	-0-	-0-
State's Proportionate Share of the Total Non-Employer OPEB Liability associated with the Commission as a percentage of the Commission's Covered Employee Payroll	390.67%	547.13%	482.41%	283.82%	310.45%	386.47%

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

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

Change in benefit terms:

None

Change in assumptions:

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

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

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND DETAIL STATEMENTS

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

IDEA PROGRAM	NON-PUBLIC TEXTBOOKS	NON-PUBLIC NURSING	NON-PUBLIC TECHNOLOGY	NON-PUBLIC SECURITY	NON-PUBLIC CH 192-193	ARP NON TITLE I	CRRSA NON TITLE I	LOCAL PROJECTS	TOTAL
Revenues:									
Federal Aid	\$ 58,565.00	\$ 139,323.81	\$ 50,018.18	\$ 239,338.14	\$ 255,508.53	\$ 17,923.78	\$ 32,410.00	\$ 10,361.00	\$ 50,333.78
Local Sources	76,666.78	139,323.81	50,018.18	239,338.14	255,508.53	17,923.78	32,410.00	10,361.00	829,781.44
Total Revenues	135,231.78	278,647.62	100,036.36	478,676.28	511,017.06	35,847.56	64,820.00	20,722.00	1,335,115.22
Expenditures:									
Instruction:									
Salaries	43,940.35				137,582.35				181,522.70
Purchased Professional - Educational Services	14,624.65				102,780.87				117,405.52
General Supplies								10,361.00	10,361.00
Textbooks	76,666.78								76,666.78
Total Instruction	135,231.78				240,363.22			10,361.00	385,956.00
Support Services:									
Salaries		39,330.55			15,145.31				54,475.86
Personal Services - Employee Benefits		10,113.57							10,113.57
Purchased Professional and Technical Services		28,739.62							28,739.62
Supplies and Materials		53,254.06	47,632.68	239,338.14		17,923.78	32,410.00		390,558.66
Miscellaneous Expenditures		7,886.01	2,385.50						10,271.51
Total Support Services		139,323.81	50,018.18	239,338.14	15,145.31	17,923.78	32,410.00		494,159.22
Total Expenditures	135,231.78	139,323.81	50,018.18	239,338.14	255,508.53	17,923.78	32,410.00	10,361.00	880,115.22
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)									

CAPITAL PROJECTS FUND DETAIL STATEMENTS

N/A

PROPRIETARY FUND DETAIL STATEMENTS

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

Food Services Fund: This fund provides for the operation of food services within the Commission.

Career Center Fund: This fund provides for the operation of the Career Center within the Commission.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUNDS - ENTERPRISE FUNDS
JUNE 30, 2023

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND		
	FOOD SERVICE FUND	CAREER CENTER FUND	TOTAL
ASSETS:			
Current assets:			
Cash and cash equivalents	\$1,064.07	\$642.50	\$1,706.57
Interfund Receivable	17,484.57		17,484.57
Intergovernmental Receivables:			
State	266.26		266.26
Federal	8,775.66		8,775.66
	27,590.56	642.50	28,233.06
Total current assets			
	27,590.56	642.50	28,233.06
Total assets			
	27,590.56	642.50	28,233.06
LIABILITIES:			
Current liabilities:			
Interfund payable		642.50	642.50
		642.50	642.50
Total current liabilities			
		642.50	642.50
Total liabilities			
		642.50	642.50
NET POSITION:			
Unrestricted	27,590.56		27,590.56
	27,590.56		27,590.56
Total net position	\$27,590.56		\$27,590.56

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

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND</u>		
	<u>FOOD SERVICE FUND</u>	<u>CAREER CENTER FUND</u>	<u>TOTAL</u>
OPERATING REVENUES:			
Charges for services:			
Other sales		\$7,986.74	\$7,986.74
Total operating revenues		7,986.74	7,986.74
OPERATING EXPENSES:			
Cost of sales	\$115,053.85	10,729.65	125,783.50
Total operating expenses	115,053.85	10,729.65	125,783.50
Operating income (loss)	(115,053.85)	(2,742.91)	(117,796.76)
NONOPERATING REVENUES (EXPENSES):			
State Sources:			
State School Lunch Program	1,065.06		1,065.06
Breakfast After the Bell	1,560.10		1,560.10
Federal Sources:			
National School Lunch Program	50,973.03		50,973.03
National School Breakfast Program	29,791.28		29,791.28
P-EBT administrative costs	653.00		653.00
Interest on Investments	105.93	35.58	141.51
Total nonoperating revenues	84,148.40	35.58	84,183.98
Income/(loss) before contributions and transfers	(30,905.45)	(2,707.33)	(33,612.78)
Capital Contributions and Operating Transfers:			
Operating Transfers:			
General Fund	32,000.00	2,707.33	34,707.33
Total Capital Contributions and Operating Transfers	32,000.00	2,707.33	34,707.33
Change in net position	1,094.55		1,094.55
Total net position - beginning of the year	26,496.01		26,496.01
Total net position - end of the year	\$27,590.56		\$27,590.56

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND		
	FOOD SERVICE FUND	CAREER CENTER FUND	TOTAL
Cash flows from operating activities:			
Receipts from customers		\$7,986.74	\$7,986.74
Payments to suppliers	(\$115,053.85)	(10,729.65)	(125,783.50)
Net cash provided by (used for) operating activities	(115,053.85)	(2,742.91)	(117,796.76)
Cash flows from noncapital financing activities:			
State Sources	2,466.84		2,466.84
Federal Sources	80,142.70		80,142.70
Interfund Activity	390.46	1,500.00	1,890.46
Operating subsidies	32,000.00		32,000.00
Net cash provided by noncapital financing activities:	115,000.00	1,500.00	116,500.00
Cash flows from investing activities:			
Interest	105.93	35.58	141.51
Net cash provided by (used for) investing activities	105.93	35.58	141.51
Net increase (decrease) in cash and cash equivalents	52.08	(1,207.33)	(1,155.25)
Cash and cash equivalents, July 1, 2022	1,011.99	1,849.83	2,861.82
Cash and cash equivalents, June 30, 2023	<u>\$1,064.07</u>	<u>\$642.50</u>	<u>\$1,706.57</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	(\$115,053.85)	(\$2,742.91)	(\$117,796.76)
Net cash provided by (used for) operating activities	<u>(\$115,053.85)</u>	<u>(\$2,742.91)</u>	<u>(\$117,796.76)</u>

FIDUCIARY FUND DETAIL STATEMENTS

Fiduciary Funds are used to account for funds received by the Commission for a specific purpose:

Agency Funds are used to account for assets held by the Commission as an agent for another party:

N/A

LONG-TERM LIABILITY SCHEDULES

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF OBLIGATIONS UNDER INSTALLMENT PURCHASE CONTRACTS
AS OF JUNE 30, 2023

<u>DESCRIPTION</u>	<u>DATE OF CONTRACT</u>	<u>TERM OF CONTRACT</u>	<u>INTEREST RATE PAYABLE</u>	<u>AMOUNT OF ORIGINAL CONTRACT</u>	<u>AMOUNT OUTSTANDING JUNE 30, 2022</u>	<u>DECREASE</u>	<u>AMOUNT OUTSTANDING JUNE 30, 2023</u>
Career Center	05/22/13	18 years	Various \$	8,000,000.00 \$	5,300,000.00 \$	425,000.00 \$	4,875,000.00
Refinance- Land, Building & Improv.	12/17/14	12 years	2%-5%	5,715,000.00	3,135,000.00	565,000.00	2,570,000.00
Buses	10/15/14	6 years	2.75%	207,464.99	57,293.03	22,448.86	34,844.17
Buses	06/12/18	5 years	2.78%	1,259,625.05	265,560.89	265,560.89	
Copy Machine	06/28/18	5 years	Various	41,880.36	10,901.61	9,298.04	1,603.57
Buses	04/15/19	5 years	2.6242%	1,215,585.22	506,416.14	249,907.52	256,508.62
Copy Machine	11/21/19	5 years	5.89%	26,115.89	14,016.76	5,360.58	8,656.18
Finisher/Stapler Unit for Copy Machine	09/16/21	39 months	6.50%	3,422.19	2,695.20	1,025.98	1,669.22
			\$		9,291,883.63 \$	1,543,601.87 \$	7,748,281.76

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
 SCHEDULE OF OBLIGATIONS UNDER SUBSCRIPTION BASED TECHNOLOGY ARRANGEMENTS
 AS OF JUNE 30, 2023

DESCRIPTION	DATE OF CONTRACT	INTEREST RATE PAYABLE	AMOUNT OF ORIGINAL CONTRACT	AMOUNT		ISSUED	RETIRED	AMOUNT OUTSTANDING JUNE 30, 2023
				OUTSTANDING JUNE 30, 2022 (AS RESTATED)	\$			
Sophos Advanced XDR Software	07/08/22	1.8503%	37,597.99		\$	37,597.99	5,772.70	\$ 31,825.29
N2Y-ULS Bundle Software	8/29/2022	1.8503%	8,022.50			8,022.50	1,399.11	6,623.39
Edlio Website	11/30/22	3.2540%	9,984.03			9,984.03	1,800.00	8,184.03
USF Filing Service	07/01/22	1.8503%	5,734.00	5,734.00			1,000.00	4,734.00
Form Approvals Platform	10/03/22	3.2540%	2,995.21			2,995.21	540.00	2,455.21
Frontline IEP Direct Setup	07/01/22	2.3543%	46,127.01	46,127.01			14,985.00	31,142.01
Genesis SIS Software	07/01/22	1.8503%	43,005.03	43,005.03			7,500.00	35,505.03
Trans Software Hosting	07/01/22	1.8503%	24,054.15	24,054.15			4,195.00	19,859.15
Help Scout Subscription	01/24/23	3.0043%	8,368.71			8,368.71	1,500.00	6,868.71
GoGuardian Suite	07/03/22	1.8503%	24,441.19			24,441.19	4,262.50	20,178.69
NetCarrier Web Host	01/05/23	3.0043%	1,673.74			1,673.74	300.00	1,373.74
Swift K12 Standalone Solution	12/01/22	3.2540%	3,466.68			3,466.68	625.00	2,841.68
Systems Annual License	07/01/22	1.8503%	108,903.79	108,903.79			18,164.74	90,739.05
VersaTrans Annual Hosting	06/01/23	2.6700%	5,983.46			5,983.46	1,064.07	4,919.39
Tyler-VersaTrans Software	02/01/23	3.0043%	51,303.27			51,303.27	9,195.55	42,107.72
Zones-Creative Cloud License	9/12/2022	1.8503%	16,915.31			16,915.31	2,950.00	13,965.31
					\$	170,752.09	75,253.67	323,322.40
					\$	227,823.98		

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STATISTICAL SECTION (UNAUDITED)

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
STATISTICAL SECTION

<u>Contents</u>	<u>Page</u>
Financial Trends: These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	J-1 to J-4
Revenue Capacity: These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	J-5
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.	N/A
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.	N/A
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.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
NET POSITION BY COMPONENT
UNAUDITED

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Governmental activities										
Net investment in capital assets	\$7,031,164.22	\$6,482,144.39	\$5,725,286.30	\$4,793,136.25	\$3,772,717.57	\$2,915,227.57	\$2,205,887.56	\$1,672,004.22	\$906,027.65	\$1,809,974.12
Restricted						237,852.38	750,868.58	765,521.73	1,032,289.51	113,685.24
Unrestricted	6,500,707.87	4,027,854.74	2,692,813.49	2,537,378.41	2,208,490.58	2,195,265.30	1,548,932.36	1,476,952.21	564,400.84	7,959,115.05
Total governmental activities net position	\$13,531,872.09	\$10,509,999.13	\$8,418,099.79	\$7,330,514.66	\$5,981,208.15	\$5,348,345.25	\$4,505,688.50	\$3,914,478.16	\$2,502,718.00	\$9,882,774.41
Business-type activities										
Unrestricted (deficit)	\$27,590.56	\$26,496.01	\$18,735.72	(\$3,713.38)	(\$1,972.28)	(\$2,981.85)	\$575.68	\$1,378.72	\$2,619.36	\$2,589.26
Total business-type activities net position	\$27,590.56	\$26,496.01	\$18,735.72	(\$3,713.38)	(\$1,972.28)	(\$2,981.85)	\$575.68	\$1,378.72	\$2,619.36	\$2,589.26
District-wide										
Net investment in capital assets	\$7,031,164.22	\$6,482,144.39	\$5,725,286.30	\$4,793,136.25	\$3,772,717.57	\$2,915,227.57	\$2,205,887.56	\$1,672,004.22	\$906,027.65	\$1,809,974.12
Restricted						237,852.38	750,868.58	765,521.73	1,032,289.51	113,685.24
Unrestricted	6,528,298.43	4,054,350.75	2,711,549.21	2,533,665.03	2,206,518.30	2,192,283.45	1,549,508.04	1,478,330.93	567,020.20	7,961,704.31
Total district net position	\$13,559,462.65	\$10,536,495.14	\$8,436,835.51	\$7,326,801.28	\$5,979,235.87	\$5,345,363.40	\$4,506,264.18	\$3,915,866.86	\$2,505,337.36	\$9,885,363.67

Source: ACFR Schedule A-1

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
CHANGES IN NET POSITION
UNAUDITED

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
EXPENSES										
Governmental activities										
Instruction										
Special education	\$3,781,989.07	\$3,705,151.22	\$4,376,301.44	\$3,938,419.37	\$4,850,451.61	\$5,180,128.31	\$4,403,999.79	\$3,970,132.84	\$4,091,620.29	\$3,445,753.06
Other instruction	23,160.52	15,218.59	3,009.47	17,450.79	28,457.05	23,908.12	27,482.33	26,385.51	27,199.30	29,474.03
Support Services:										
Student & instruction related services	1,427,596.81	1,302,828.68	1,535,385.04	1,605,366.12	1,537,149.98	1,768,435.19	1,744,977.57	1,095,160.61	1,335,184.48	1,135,297.54
General administrative services	952,705.82	1,047,167.24	643,590.37	663,797.57	708,514.69	705,988.15	627,801.84	471,982.10	553,124.07	455,978.63
School administrative services	777,224.70	798,583.85	643,814.18	932,414.60	972,593.16	857,930.15	717,542.36	996,376.71	908,515.01	630,920.95
Central services/Admin. Info. Technology	657,558.03	738,375.80	1,091,090.51	1,081,716.79	1,242,485.27	1,172,892.85	1,108,214.34	1,324,105.09	1,123,372.87	1,018,519.00
Plant operations and maintenance	875,592.44	944,376.47	971,135.64	1,008,646.85	1,224,611.10	1,216,162.62	1,280,953.47	1,154,472.87	1,144,588.85	982,840.65
Student transportation services	24,677,871.11	20,485,898.81	10,900,389.69	15,552,424.95	16,611,241.55	15,606,916.12	12,789,991.57	11,304,380.13	10,552,145.40	11,473,626.98
Interest on long-term debt	316,445.90	373,428.78						(16,388.36)	120,926.53	41,498.91
Unallocated depreciation	322,252.11	339,373.04	340,156.84	342,294.92	348,280.28	336,561.90	329,284.00	329,232.59	439,993.48	173,779.65
Total governmental activities expenses	\$33,812,396.50	\$29,750,402.48	\$20,504,873.18	\$25,142,531.96	\$27,523,784.69	\$26,868,903.41	\$23,030,247.27	\$20,655,940.09	\$20,296,670.28	\$19,387,689.40
Business-type activities:										
Food Service	115,053.85	69,195.30	34,462.20	66,003.45	101,535.35	106,392.55	107,896.05	103,540.10	118,712.96	104,979.75
Career Center	10,729.65	7,633.83	399.36	6,756.66	10,359.52	10,090.17	3,179.00	3,049.03		
Total business-type activities expense	125,783.50	76,829.13	34,861.56	72,760.11	111,894.87	116,482.72	111,075.05	106,589.13	118,712.96	104,979.75
Total district expenses	\$33,938,180.00	\$29,827,231.61	\$20,539,734.74	\$25,215,292.07	\$27,635,679.56	\$26,985,386.13	\$23,141,322.32	\$20,762,429.22	\$20,415,383.24	\$19,492,669.15
PROGRAM REVENUES										
Governmental activities:										
Charges for services	\$26,505,620.17	\$22,211,730.05	\$11,292,127.51	\$16,466,607.36	\$18,092,694.20	\$16,644,769.06	\$13,887,392.25	\$13,184,267.98	\$12,123,024.29	\$12,369,473.18
Operating grants and contributions	1,791,281.64	2,701,536.33	3,292,500.19	2,226,247.81	2,881,630.54	3,701,563.84	2,675,620.83	2,050,262.88	1,844,924.30	1,314,516.26
Total governmental activities program revenues	\$28,296,901.81	\$24,913,266.38	\$14,584,627.70	\$18,692,855.17	\$20,974,324.74	\$20,346,332.90	\$16,563,013.08	\$15,234,530.86	\$13,967,948.59	\$13,683,989.44
Business-type activities:										
Charges for services									3.45	2,162.70
Food Service										
Career Center	7,986.74	5,185.58	841.00	4,878.72	11,162.35	6,313.22	2,375.54	1,801.48	88,439.35	66,580.91
Operating grants and contributions	84,042.47	77,907.48	42,194.63	48,066.25	73,655.98	78,257.01	82,077.38	76,297.01	66,442.80	68,743.61
Total business-type activities program revenues	\$2,029.21	\$83,093.06	\$43,035.63	\$52,944.97	\$84,813.33	\$84,569.89	\$84,452.92	\$78,098.49	\$88,442.80	\$68,743.61
Total district program revenues	\$28,388,931.02	\$24,996,359.44	\$14,627,663.33	\$18,765,800.14	\$21,059,143.07	\$20,430,902.89	\$16,647,466.00	\$15,312,629.35	\$14,056,391.39	\$13,752,733.05
NET (EXPENSE)/REVENUE										
Governmental activities	(\$5,515,494.69)	(\$4,837,136.09)	(\$5,920,245.48)	(\$8,429,676.79)	(\$6,549,459.95)	(\$6,522,570.51)	(\$6,467,234.19)	(\$5,421,309.23)	(\$6,328,721.69)	(\$5,703,699.96)
Business-type activities	(33,754.29)	6,263.93	8,174.07	(19,815.14)	(27,076.54)	(31,912.73)	(26,622.13)	(28,490.64)	(30,270.16)	(36,236.14)
Total district-wide net expense	(\$5,549,248.98)	(\$4,830,872.16)	(\$5,912,071.41)	(\$6,449,491.93)	(\$6,576,536.49)	(\$6,554,483.24)	(\$6,493,856.32)	(\$5,449,799.87)	(\$6,358,991.85)	(\$5,739,936.10)

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
CHANGES IN NET POSITION
UNAUDITED

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Governmental activities:										
Unrestricted grants and contributions	\$1,650.00	\$6,518,654.56	\$6,614,924.22	\$6,961,007.63	\$6,791,267.30	\$7,117,649.18	\$6,846,434.78	\$6,611,156.08	\$7,294,507.67	\$8,013,354.77
Tuition	8,072,273.42	(1,480.95)	(28,394.64)	(18,000.00)	(28,000.00)	(46,500.00)	(69,230.00)	(27,250.00)	(30,291.01)	(36,250.00)
Transfers	(34,707.33)	531,127.15	421,301.03	835,973.67	419,055.55	294,078.08	281,239.76	249,163.31	244,537.46	254,102.31
Miscellaneous income	497,951.57	(128,105.32)								
Prior year receivables canceled										
Disposal of capital assets										
Total governmental activities	<u>8,537,967.66</u>	<u>6,920,395.44</u>	<u>7,007,830.61</u>	<u>7,778,983.30</u>	<u>7,182,322.85</u>	<u>7,365,227.26</u>	<u>7,058,444.54</u>	<u>6,833,069.39</u>	<u>7,506,755.29</u>	<u>8,231,207.08</u>
Business-type activities:										
Transfers in (out)	34,707.33	1,480.95	28,394.64	18,000.00	28,000.00	46,500.00	69,230.00	27,250.00	30,291.01	36,250.00
Prior year receivables canceled			(14,123.77)			(18,144.80)	(43,410.91)			
Miscellaneous income	141.51	15.41	4.16	74.04	86.11				9.25	11.45
Total business-type activities	<u>34,848.84</u>	<u>1,496.36</u>	<u>14,275.03</u>	<u>18,074.04</u>	<u>28,086.11</u>	<u>28,355.20</u>	<u>25,819.09</u>	<u>27,250.00</u>	<u>30,300.26</u>	<u>36,261.45</u>
Total district-wide	<u>\$8,572,216.50</u>	<u>\$6,921,891.80</u>	<u>\$7,022,105.64</u>	<u>\$7,797,057.34</u>	<u>\$7,210,408.96</u>	<u>\$7,393,582.46</u>	<u>\$7,084,263.63</u>	<u>\$6,860,319.39</u>	<u>\$7,537,055.55</u>	<u>\$8,267,468.53</u>
CHANGE IN NET POSITION										
Governmental activities	\$3,021,872.96	\$2,083,259.34	\$1,087,585.13	\$1,349,306.51	\$632,862.90	\$842,656.75	\$591,210.35	\$1,411,760.16	\$1,178,033.60	\$2,527,507.12
Business-type activities	1,094.55	7,760.29	22,449.10	(1,741.10)	1,009.57	(3,557.53)	(803.04)	(1,240.64)	30.10	25.31
Total district	<u>\$3,022,967.51</u>	<u>\$2,091,019.63</u>	<u>\$1,110,034.23</u>	<u>\$1,347,565.41</u>	<u>\$633,872.47</u>	<u>\$839,099.22</u>	<u>\$590,407.31</u>	<u>\$1,410,519.52</u>	<u>\$1,178,063.70</u>	<u>\$2,527,532.43</u>

Source: ACFR Schedule A-2

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
 FUND BALANCES - GOVERNMENTAL FUNDS
 UNAUDITED

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
General Fund										
Assigned										\$15,569.10
Unassigned	\$11,986,098.24	\$10,652,014.91	\$10,526,568.06	\$10,927,418.44	\$11,233,504.97	\$11,676,165.21	\$11,225,274.40	\$10,668,031.37	\$9,630,331.47	8,302,123.44
Restricted	-	-	-	-	-	-	-	6,500.00	6,500.00	6,500.00
Total general fund	\$11,986,098.24	\$10,652,014.91	\$10,526,568.06	\$10,927,418.44	\$11,233,504.97	\$11,676,165.21	\$11,225,274.40	\$10,674,531.37	\$9,636,831.47	\$8,324,192.54
All Other Governmental Funds										
Restricted						\$237,852.38	\$750,868.58	\$759,021.73	\$1,025,789.51	\$5,786,063.54
Assigned										107,185.24
Total all other governmental funds						\$237,852.38	\$750,868.58	\$759,021.73	\$1,025,789.51	\$5,893,248.78

Source: ACFR Schedule B-1

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Revenues										
Tuition charges	\$8,072,273.42	\$6,518,854.56	\$8,614,924.22	\$6,961,007.63	\$6,791,267.30	\$7,117,649.18	\$6,846,434.78	\$6,611,156.08	\$7,294,507.67	\$8,013,354.77
Transportation fees from other LEA's	26,505,620.17	22,211,730.05	11,292,127.51	16,486,607.36	18,092,694.20	16,644,769.06	13,887,392.25	13,184,267.98	12,123,024.29	12,369,473.18
Local educational agency fees	829,781.44	743,488.96	717,461.50	597,851.82	808,653.09	710,041.73	637,962.88	623,865.65	649,929.29	819,292.39
Miscellaneous	497,951.57	531,127.15	421,301.02	835,975.67	419,055.55	236,880.18	281,239.75	249,163.30	244,537.45	254,102.31
State sources	1,323,288.41	1,443,229.36	1,200,809.70	985,015.99	986,212.44	843,478.11	781,646.95	661,443.23	573,420.01	495,223.87
Total revenue	37,279,248.79	31,448,430.08	20,246,623.95	25,866,458.47	27,097,882.58	25,552,818.26	22,434,676.61	21,329,896.24	20,885,418.71	21,951,446.52
Expenditures										
Instruction										
Special education instruction	2,609,816.75	2,045,572.05	1,899,750.25	2,209,168.44	2,555,121.58	2,499,768.47	2,441,995.88	2,390,586.61	2,619,657.28	2,666,121.91
Other instruction	23,160.62	15,218.59	3,009.47	17,450.79	28,457.05	23,908.12	27,482.33	26,385.51	27,199.30	29,474.03
Support Services:										
Student & instruction related services	1,215,991.55	1,093,531.08	965,076.26	1,148,065.96	1,059,841.77	979,027.67	1,117,596.62	789,795.56	939,509.02	903,896.20
General administrative services	671,794.03	613,419.71	606,492.42	636,645.10	615,211.50	593,352.44	509,707.83	370,648.00	469,386.42	392,003.04
School Administrative services	529,623.17	448,366.57	420,038.48	594,728.78	537,679.21	388,591.79	395,274.08	569,368.44	573,266.94	473,695.96
Central services/										
Administration Information Technology	925,115.34	997,027.58	1,032,091.44	1,028,605.01	1,179,306.08	1,091,458.65	1,029,879.41	1,169,979.10	985,643.41	848,918.07
Plant operations and maintenance	919,626.24	958,953.19	966,634.38	993,316.81	1,206,779.14	1,196,919.31	1,249,911.16	1,133,803.39	1,105,250.28	948,003.27
Student transportation services	24,779,269.78	20,789,080.48	11,085,884.31	15,584,230.97	16,355,119.09	14,938,011.04	11,438,320.99	10,493,833.23	9,617,822.35	10,072,394.87
Unallocated employee benefits	3,246,060.75	3,263,698.56	2,729,777.44	3,047,333.14	3,252,879.78	3,028,607.00	2,784,535.28	2,601,367.55	2,769,793.77	2,579,533.14
Capital outlay	990,000.00	955,000.00	910,325.24	895,000.00	860,000.00	840,000.00	820,000.00	719,178.95	435,000.00	415,000.00
Capital projects	35,910,458.13	31,196,819.15	20,619,079.69	27,386,246.11	1,301,505.41	1,309,108.10	1,023,886.80	949,993.96	4,867,459.27	1,765,531.12
Total expenditures	1,368,790.66	251,610.93	(372,455.74)	(1,529,787.64)	(1,954,018.03)	(1,335,934.33)	(403,913.77)	114,955.94	(3,524,529.33)	856,874.91
Excess (Deficiency) of revenues over (under) expenditures										
Other Financing sources (uses)										
Installment purchase contract proceeds (non-budgeted)		3,422.19		1,241,701.11	1,301,505.41	1,263,111.04	1,015,733.65	683,226.18		
Prior year receivables canceled		(128,105.32)		(18,000.00)	(28,000.00)	(46,500.00)	(69,230.00)	(27,250.00)	(30,291.01)	(36,250.00)
Transfers in (out)	(34,707.33)	(1,480.95)	(28,394.64)	(18,000.00)	(28,000.00)	57,197.90				
Proceeds from refinancing - net										
Total other financing sources (uses)	(34,707.33)	(126,164.08)	(28,394.64)	1,223,701.11	1,273,505.41	1,273,808.94	946,503.65	655,976.18	(30,291.01)	(36,250.00)
Net change in fund balances	\$1,334,083.33	\$125,446.85	(\$400,850.38)	(\$306,086.53)	(\$880,512.62)	(\$82,125.39)	\$542,589.88	\$770,932.12	(\$3,554,820.34)	\$820,624.91

Source: ACFR Schedule B-2

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

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Transportation</u> <u>Fees</u>	<u>Tuition</u>	<u>Miscellaneous</u>	<u>Total</u>
2023	\$26,505,620.17	\$8,072,273.42	\$497,951.57	\$35,075,845.16
2022	22,211,730.05	6,518,854.56	531,127.15	29,261,711.76
2021	11,292,127.51	6,614,924.22	421,301.02	18,328,352.75
2020	16,486,607.36	6,961,007.63	835,975.67	24,283,590.66
2019	18,092,694.20	6,791,267.30	418,658.16	25,302,619.66
2018	16,644,769.06	7,117,649.18	236,013.02	23,998,431.26
2017	13,887,392.25	6,846,434.78	281,239.75	21,015,066.78
2016	13,184,267.98	6,611,156.08	249,000.83	20,044,424.89
2015	12,123,024.29	7,294,507.67	244,240.02	19,661,771.98
2014	12,369,473.18	8,013,354.77	253,389.51	20,636,217.46

Source: District Records

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

Function/Program	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Instruction:										
Regular and Special Education	31	29	29	26	24	24	26	23	45	60
Support Services:										
Student & instruction related services	38	22	13	12	23	24	27	26	49	40
General administrative services	3	3	3	3	3	3	2	2	4	3
School administrative services	8	6	6	5	8	5	5	5	7	3
Central services	5	5	7	7	12	15	12	10	8	8
Plant operations and maintenance	1	1	1	1	1	1	1	1	1	1
Student transportation	5	36	40	40	111	102	106	112	141	134
Total	91	102	99	94	182	174	179	179	255	249

Source: Commission Personnel Records

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
OPERATING STATISTICS
UNAUDITED

<u>Fiscal Year</u>	<u>Enrollment (d)</u>	<u>Operating Expenditures (a)</u>	<u>Cost Per Pupil</u>	<u>% Change</u>	<u>Teaching Staff (b)</u>	<u>Teacher/Pupil Ratio</u>	<u>Average Daily Enrollment (c)</u>	<u>Average Daily Attendance (c)</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2023	100	\$ 34,920,458.13	\$ 349,204.58	-2.95%	31	1/3	122	77	8.93%	63.11%
2022	84	30,224,877.81	359,819.97	111.78%	29	1/3	112	80	-0.88%	71.43%
2021	116	19,708,754.45	169,903.06	-31.06%	20	1/6	113	81	-1.36%	71.68%
2020	103	25,259,545.00	246,434.59	1.72%	24	1/4	115	87	-2.67%	76.27%
2019	111	26,890,395.20	242,255.81	24.36%	24	1/5	118	88	-6.59%	74.84%
2018	127	24,739,644.49	194,800.35	31.76%	24	1/5	126	91	-7.35%	72.22%
2017	142	20,994,703.58	147,850.03	2.87%	26	1/5	136	98	0.74%	72.06%
2016	136	19,545,767.39	143,718.88	31.63%	22	1/3	135	94	-18.18%	69.63%
2015	175	19,107,488.77	109,185.65	13.15%	35	1/5	165	112	-15.82%	67.88%
2014	196	18,914,040.49	96,500.21	-17.20%	60	1/3	196	134	10.11%	68.37%

Sources: Commission records

Note: Enrollment based on annual October count.

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

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

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

(d) Enrollment obtained from fall survey system report.

SOMERSET COUNTY EDUCATIONAL SERVICES COMMISSION
SCHOOL BUILDING INFORMATION
UNAUDITED

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>District Buildings</u>										
Somerset County Educational Services Commission										
Elementary/Secondary										
Square Feet	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Capacity (students - full time)	300	300	300	300	300	300	300	300	300	300
Enrollment*	65	50	40	60	79	67	77	79	93	94
Alternative High School										
Square Feet	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500
Capacity (students - full time)	150	150	150	150	150	150	150	150	150	150
Enrollment*	18	16	56	19	17	32	48	42	69	102
Career Center										
Square Feet	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000
Capacity (students - full time)	70	70	70	70	70	70	70	70	70	70
Enrollment*	17	18	21	24	15	26	17	15	17	17

* full and part-time students

Number of Schools at June 30, 2023
Elementary/Secondary School = 1
Alternative High School = 1
Career Center = 1

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

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

	<u>Coverage</u>	<u>Deductible</u>
New Jersey School Insurance Group (NJSIG) except as noted		
Educational Risk Insurance Consortium - North:		
School Buildings and Contents		
Blanket real and personal property	\$ 500,000,000.00	\$5,000.00
Valuable papers and records	\$ 10,000,000.00	
Extra expense	\$ 50,000,000.00	
Electronic Data Processing:	\$ 500,000.00	1,000.00
Blanket hardware/software		
Comprehensive General Liability Insurance:		
Bodily injury and property damage - single limit	\$ 31,000,000.00	
Employee benefit liability per claim	\$ 31,000,000.00	1,000.00
Equipment breakdown	\$ 100,000,000.00	25,000.00
Public Employee Dishonesty/Forgery or Alteration	\$ 500,000.00	1,000.00
Automobile Insurance:		
Bodily injury and property damage	\$ 31,000,000.00	
Uninsured/underinsured motorist	\$ 1,000,000.00	
Physical Damage (Scheduled Vehicles Only)		\$1,000 / \$1,000
School Leaders Errors and Omissions	\$ 31,000,000.00	10,000.00
Workers Compensation	Statutory	
Employers Liability	\$ 3,000,000.00	each accident
	\$ 3,000,000.00	each employee
	\$ 3,000,000.00	aggregate limit

SINGLE AUDIT SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable President and Members
of the Board of Directors
Somerset County Educational Services Commission
County of Somerset
Bridgewater, New Jersey 08807

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the Somerset County Educational Services Commission, in the County of Somerset, State of New Jersey (the "Commission") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated January 9, 2024.

Internal Control Over Financial Reporting

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

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

SUPLEE, CLOONEY & COMPANY

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. However, we also noted other matters that we have reported to the Board of Education of the Somerset County Educational Services Commission in a separate Auditor's Management Report on Administrative Findings – Financial and Compliance dated January 9, 2024.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted immaterial instances of noncompliance that we have reported to the Board of Education of the Somerset County Educational Services Commission in a separate Auditor's Management Report on Administrative Findings – Financial and Compliance 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 Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 962

January 9, 2024



SUPLEE, CLOONEY & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable President and Members
of the Board of Directors
Somerset County Educational Services Commission
County of Somerset
Bridgewater, New Jersey 08807

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

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

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

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the New Jersey OMB State Grant Compliance Supplement. Our responsibilities under those standards and the New Jersey OMB State Grant Compliance Supplement are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

SUPLEE, CLOONEY & COMPANY

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the New Jersey OMB State Grant Compliance Supplement. Accordingly, this report is not suitable for any other purpose.


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 962

January 9, 2024

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

FEDERAL AGENCY NUMBER	FEDERAL AGENCY TITLE	FEDERAL AGENCY NUMBER	GRANT OR STATE PROJECT NUMBER	PROGRAM OR AWARD AMOUNT	GRANT PERIOD FROM	GRANT PERIOD TO	BALANCE JUNE 30, 2022	CARRYOVER/ (WALKOVER) AMOUNT	CASH RECEIVED	BUDGETARY EXPENDITURES	ADJUSTMENTS	REPAYMENT OF PRIOR YEARS BALANCES	(ACCOUNTS RECEIVABLE)	BALANCE AT JUNE 30, 2023	UNEARNED REVENUE	DUE TO GRANTOR	
97.036	General Fund	N/A	2022-066-1200-100-C84	\$15,615.97	09/08/21	06/30/23	\$	\$	15,615.97		(15,615.97)	\$	\$	\$	\$	\$	
Total U.S. Department of Health and Human Services																	
Special Revenue Fund																	
U.S. Department of Homeland Security:																	
Public Assistance for Presidentially Declared Disasters-																	
Passed through the New Jersey Department																	
of Law and Public Safety - Hurricane DA																	
84.425D	Coronavirus Aid Relief and Economic Security:	S425D210027	21-5120-518	32,410.00	03/13/20	09/30/23			32,410.00	(32,410.00)							
84.425U	American Rescue Plan - Elementary and Secondary Schools (ARP-ESSER)	S425U210027	21-5120-523	64,820.00	03/13/20	09/30/24			36,838.00	(17,923.78)	(18,915.22)						
Total Special Revenue Fund																	
Enterprise Funds																	
U.S. Department of Agriculture																	
Passed-Through State Department of Education:																	
Child Nutrition Cluster:																	
Cash Assistance:																	
10.553	School Breakfast Program	221NJ304N1099	N/A	\$27,723.36	7/1/21	6/30/22	(2,810.80)		2,810.80								
10.553	National School Lunch Program	231NJ304N1099	N/A	29,791.28	7/1/22	6/30/23	(4,690.25)		26,724.97	(29,791.28)			(3,066.31)				
10.555	National School Lunch Program	221NJ304N1099	N/A	48,424.73	7/1/21	6/30/22			4,690.25								
10.555	National School Lunch Program	231NJ304N1099	N/A	50,973.03	7/1/22	6/30/23			45,916.68	(50,973.03)			(5,056.35)				
10.649	P-EBT Administrative Costs	2022Z2900941	N/A	655.00	7/1/22	6/30/23	(7,501.05)		80,142.70	(81,417.37)			(653.00)				
Total U.S. Department of Agriculture																	
Total Federal Financial Assistance																	

See accompanying Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance.

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

STATE GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	PROGRAM OR AWARD AMOUNT	GRANT PERIOD FROM TO	BALANCE AT JUNE 30, 2022		CARRYOVER AMOUNT	CASH RECEIVED	BUDGETARY EXPENDITURES	ADJUSTMENTS/ REVERSALS OF PRIOR YEAR BALANCES	BALANCE AT JUNE 30, 2023		DUE TO GRANITOR	BUDGETARY RECEIVABLE	MEMO CUMULATIVE TOTAL EXPENDITURES
				(ACCOUNTS RECEIVABLE)	UNEARNED REVENUE					(ACCOUNTS RECEIVABLE)	UNEARNED REVENUE			
State Department of Education														
On-Behalf:														
T.P.A.F. Contribution	23-465-034-5094-002	\$662,896.00	7/1/22		\$	\$	\$ 662,896.00	\$ (662,896.00)	\$	\$	\$	\$	\$	\$ (662,896.00)
T.P.A.F. Long Term Disability Insurance	23-465-034-5094-004	388.00	7/1/22				11,972.00	(11,972.00)						(11,972.00)
T.P.A.F. Non-contributory Insurance	23-465-034-5094-004	229,825.00	7/1/22				229,825.00	(229,825.00)						(229,825.00)
T.P.A.F. Post-Retirement Medical Benefits	23-465-034-5094-001	216,357.41	7/1/22				192,262.01	(216,357.41)		(24,095.40)				(216,357.41)
Reimbursed TPAF Social Security	23-465-034-5094-003	174,306.36	7/1/21		(9,237.57)		9,237.57							
Reimbursed TPAF Social Security	23-465-034-5094-003	1,850.00	7/1/21				1,850.00	(1,850.00)						(1,850.00)
Lead Testing for Schools Ad	23-465-034-5120-104		7/1/22		(9,237.57)			(1,323,288.41)		(24,095.40)				(1,323,288.41)
Total General Fund							1,306,430.58	(1,323,288.41)						
Enterprise Fund:														
State Breakfast After the Bell	N/A	2,625.16	7/1/22				1,399.50	(1,560.10)		(150.60)				(1,560.10)
State School Lunch Program	23-100-010-3350-023	1,065.06	6/30/23				959.40	(1,065.06)		(105.66)				(1,065.06)
State School Lunch Program	22-100-010-3350-023	1,131.39	7/1/21		(107.94)		107.94							
Total Enterprise Fund							2,466.84	(2,625.16)		(256.26)				(2,625.16)
Total State Financial Assistance Subject to Single Audit Testing							1,310,897.42	(1,325,913.57)		(24,361.66)				(1,325,913.57)
Less: On-Behalf amounts not utilized for determination of Single Audit and Major Programs:														
T.P.A.F. Contribution	23-465-034-5094-002	662,896.00	7/1/22				662,896.00	(662,896.00)						(662,896.00)
T.P.A.F. Long Term Disability Insurance	23-465-034-5094-004	388.00	7/1/22				388.00	(388.00)						(388.00)
T.P.A.F. Non-contributory Insurance	23-465-034-5094-004	11,972.00	7/1/22				11,972.00	(11,972.00)						(11,972.00)
T.P.A.F. Post-Retirement Medical Benefits	23-465-034-5094-001	229,825.00	7/1/22				229,825.00	(229,825.00)						(229,825.00)
Total State Financial Assistance Subject to Single Audit							206,816.42	(229,632.57)		(24,361.66)				(229,632.57)

See accompanying Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance.

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

NOTE 1: GENERAL

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

NOTE 2: BASIS OF ACCOUNTING

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

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

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

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

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

	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Total</u>
General Fund		\$1,323,288.41		\$1,323,288.41
Special Revenue Fund	\$50,333.78		\$829,781.44	880,115.22
Food Service Fund	<u>81,417.31</u>	<u>2,625.16</u>		<u>84,042.47</u>
Total Awards & Financial Assistance	<u>\$131,751.09</u>	<u>\$1,325,913.57</u>	<u>\$829,781.44</u>	<u>\$2,287,446.10</u>

NOTE 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5: OTHER

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

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

Section I – Summary of Auditor’s Results

Financial Statements

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

Federal Program(s) – Not Applicable

State Program(s)

- | | | |
|-----|---|------------|
| (1) | Internal Control Over Major State Programs: | |
| | (a) Material weakness identified? | No |
| | (a) Significant deficiencies identified that are not considered to be material weaknesses? | No |
| (2) | Type of Auditor’s Report issued on compliance for major state program(s)? | Unmodified |
| (3) | Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular 15-08? | No |

(4) Identification of Major State Program(s):

<u>Program</u>	<u>Grant Number</u>
Reimbursed TPAF Social Security Contribution	495-034-5094-003

- | | | |
|-----|---|-----|
| (5) | Program Threshold Determination:
Type A State Program Threshold > \$750,000.00
Type B State Program Threshold <= \$750,000.00 | |
| (6) | Auditee qualified as a low-risk auditee under OMB Circular 15-08? | Yes |

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

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

Internal Control Findings

None Reported

Compliance Findings

None Reported

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

Federal Programs – Not Applicable

State Programs – None Reported

Somerset County Educational Services Commission

Schedule of Prior Year Audit Findings

Not Applicable

