

**SUSSEX COUNTY EDUCATIONAL
SERVICES COMMISSION
COUNTY OF SUSSEX, NEW JERSEY**

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2023**

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT
of the**

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION

Sparta, New Jersey

For the Fiscal Year Ended June 30, 2023

Prepared by

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
Finance Office

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
OF THE SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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Not Applicable

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Not Applicable	

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INTRODUCTORY SECTION

**Sussex County Educational Services Commission
Northern Hills Academy**

**10 Gail Court
Sparta, New Jersey 07871
Phone: 973-579-6980; Fax: 973-579-1086**

**Andrea Romano
Superintendent**

**Erin Siipola
Business Administrator**

Honorable President and
Members of the Board of Directors
Sussex County ESC
Sparta, NJ

Dear Board Members,

The Annual Comprehensive Financial Report (ACFR) of the Sussex County Educational Services Commission (the "Commission" or "SCESC") for the fiscal year ended June 30, 2023, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness to the presentation, including all disclosures, rests with the management of the Commission. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations 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 Independent Auditor's Report, the Management Discussion and Analysis, the basic financial statements and notes providing an overview of the Commission's financial position and operating results, and supplementary schedules providing detailed budgetary information. The Statistical section includes selected economic and demographic information, financial trends and fiscal capacity of the commission, generally presented on a multi-year basis. The Commission is required to undergo an annual Single Audit in conformity with the provisions of Title 2 US 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 Payments." Information related to this Single Audit, including the auditor's report on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES

The Sussex County Educational Services Commission is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board ("GASB") in codification section 2100. All funds of the Commission are included in this report. The SCESC and its

educational programs inclusive of Northern Hills Academy, Project Search at Newton Medical Center, Non Public and Itinerant programs, constitute the Commission's reporting entity. The Commission provides a full range of educational services for both public school districts and non-public school programs in Sussex and Warren Counties. Services are provided to regular education, as well as special education students. The Commission completed the 2022-2023 school year having served 40 students enrolled in the Northern Hills Academy. Services for basic skill instruction, communication, computation, supplemental instruction in math and language arts, speech therapy and Child Study Team evaluations were provided to 8 eligible nonpublic schools in Sussex and Warren Counties through Chapter 192/193 State funding. Additionally, 8 of those same nonpublic schools received services under IDEA funds. Nursing services for students attending 8 of nonpublic schools were provided under Chapter 226 state funding.

A variety of Itinerant Public School Programs continued in the 2022-2023 school year. Many of these services were provided to local Boards of Education to help provide efficient cost savings to our member/nonmember districts in the areas of child study team services. These services include learning disability teacher consultants, school social workers, educational psychologists, speech therapists and other related service personnel.

2. ECONOMIC CONDITION AND OUTLOOK:

During the 2022-2023 school year, the services provided by the SCESC to districts continued to have a positive impact on the economic condition of the SEC's finances. School districts continued to utilize services for students at the Northern Hills Academy and the number of schools utilizing services under Itinerant Programming expanded. Project Search at Newton Medical Center is in its third year of programming. District from outside of Sussex County asked SCESC to provide services for both students at NHA and within our public itinerant program. Economic conditions have been impacted based on the current health pandemic of COVID-19. As an Educational Services Commission, we do not receive much, if any, federal dollars to support certain COVID-19 expenses related to educational programming. These costs exceeded the budgeted numbers.

3. MAJOR INITIATIVES:

Special education programming has always been the heart and soul of the Sussex County ESC through programming for students at Northern Hills Academy and with providing programming for students in Chapters 192/193 at Non-public Schools. Project Search at Newton Medical Center was introduced to the SCESC.

Success stories for students returning to the district are always met with mixed emotions. The outcomes provided to students shows how they have demonstrated successes and achieved their goals by returning to the district. However, the mixed emotions also come with the celebration of their success but the loss of student tuition. So, although it is bittersweet, it is what the SCESC programs are designed to do- return students to the district when they meet their goals.

As we continue to look to expand services, transition planning for special needs students remains a high priority and cultivating a strong community-based instruction program that can be a model program for the state remains our focus.

Our professional development programming has continued to expand. The repeated requests for staff to engage local schools in sustained professional development has continued. School districts such as Hampton, Kittatinny and Sussex Vocational School have continued to support SCESC.

Supporting local school districts in their teacher evaluation programs is another venue that SCESC can help implement.

4. INTERNAL ACCOUNTING CONTROLS

Management of the Commission is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the Commission are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The internal control system 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 derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal awards and state financial assistance, the Commission also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system will be evaluated on a periodic basis by the Commission's administration.

As part of the Commission's single audit described earlier, tests are made to determine the adequacy of the internal control system, including that portion related to major 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 these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Annual appropriated budgets are adopted for the general fund and special revenue fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

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

6. ACCOUNTING SYSTEM AND REPORTS

The Commission's accounting records reflect Generally Accepted Accounting Principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the Commission is organized on the basis of governmental funds and business type activities funds. These funds are explained in "Notes to the Basic Financial Statements", Note 1.

7. CASH MANAGEMENT

The investment policy of the Commission is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Note 3. The Commission has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA").

GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

8. OTHER INFORMATION

Independent Audit: State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Wielkottz & Company, a professional association of Certified Public Accountants, was selected by the Commission. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Treasury Circular Letter 15-08 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". The auditor's report on the basic financial statements and supplementary information is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

9. ACKNOWLEDGMENTS

We would like to express our appreciation to the members of the Sussex County Educational Services Commission for their concern in providing fiscal accountability to the citizens and taxpayers of their member school districts and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our auditors and administrative staff.

Respectfully Submitted,

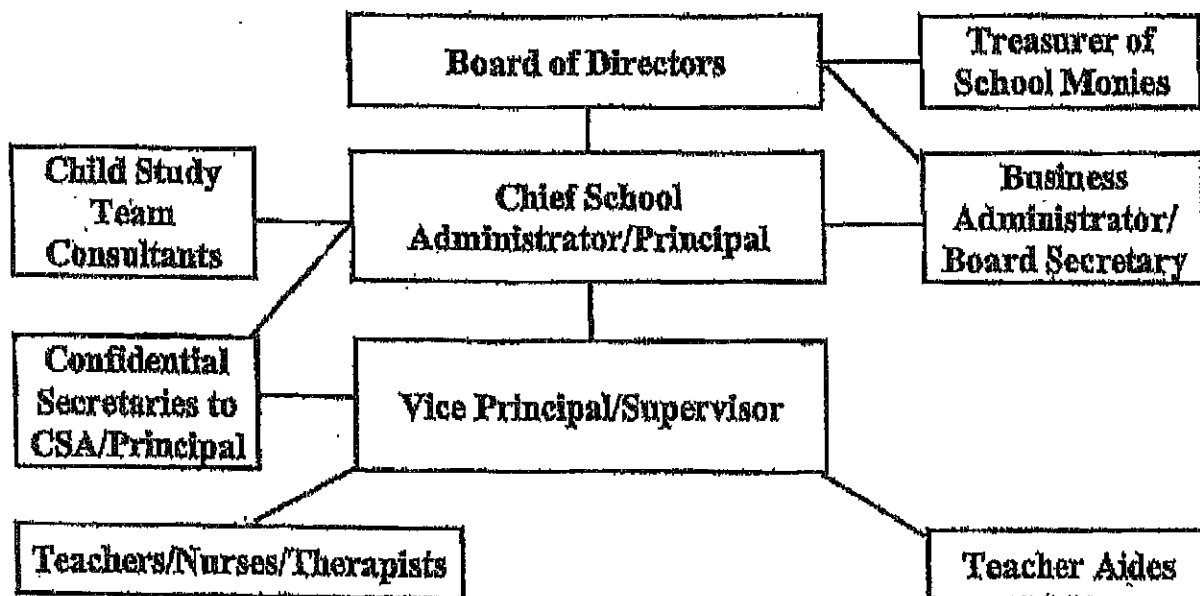


Andrea Romano
Superintendent



Erin Siipola
Business Administrator / Board Secretary

**SUSSEX COUNTY
EDUCATIONAL SERVICES COMMISSION
ORGANIZATION CHART**



**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
SPARTA, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2023**

Members of the Board of Directors

District

Gil Muscatello, Board President	Stanhope
Lisa Carlson, Board Vice-President	Lafayette
Maria Dunbar	Andover
Mary Ann Risley	Byram
Kathleen Clohessey	Franklin
Kimberly Neuffer	Frelinghuysen
Marie Bilik	Green
Robert Jones	Hamburg
Ron Hoffman	Hardyston
Moira Douglas	Kittatinny
Joanie Faye	Newton
Nick D'Agostino	Sussex-Wantage
Carl Contino	Vernon
Virginia Jones	Wallkill Valley
Walter Knapp	Sparta

Other Officials

Andrea Romano	Superintendent
Erin Siipola	Business Administrator
Eileen Kithcart	Treasurer

**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
SPARTA, NEW JERSEY**

**CONSULTANTS AND ADVISORS
JUNE 30, 2023**

Audit Firm

Wielkocz & Company, LLC
401 Wanaque Avenue
Pompton Lakes, NJ 07442

Attorney

Marc Zitomer, Esq.
Schenck, Price, Smith & King LLC
220 Park Avenue, PO Box 991
Florham Park, NJ 07932

Official Depositories

Lakeland Bank
37 Route 15
Lafayette, NJ 07848

FINANCIAL SECTION



WIELKOTZ & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS

STEVEN D. WIELKOTZ, CPA, RMA, PSA
MATTHEW B. WIELKOTZ, CPA, PSA
PAUL J. CUVA, CPA, RMA, PSA
JAMES J. CERULLO, CPA, RMA, PSA
KARI FERGUSON, CPA, RMA, CMFO, PSA
ROBERT C. MCNINCH, CPA, CFE, PSA
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INDEPENDENT AUDITOR'S REPORT

Honorable President and
Members of the Board of Directors
Sussex County Educational Services Commission
County of Sussex, New Jersey
Sparta, New Jersey

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, of the Sussex County Educational Services Commission, in the County of Sussex, State of New Jersey, 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 Opinion

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



Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey and Government Auditing Standards, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Honorable President and
Members of the Board of Directors
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- 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 Sussex County Educational Services Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Sussex County Educational Services Commission's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

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



Honorable President and
Members of the Board of Directors
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Other Information

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

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

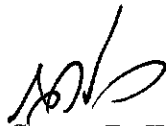
The introductory section and statistical data section has not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



Honorable President and
Members of the Board of Directors
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2024 on our consideration of the Sussex County Educational Services Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sussex County Educational Services Commission's internal control over financial reporting and compliance.



Steven D. Wielkotz, C.P.A.
Licensed Public School Accountant
No. 816



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

January 18, 2024



**REQUIRED SUPPLEMENTARY
INFORMATION - PART I**

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION

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

This section of the Sussex County Educational Services Commission’s annual financial report presents its discussion and analysis of the Commission’s financial performance during the fiscal year ended June 30, 2023. Please read it in conjunction with the transmittal letter at the front of this report and the Commission’s financial statements, which immediately follow this section.

Overview of the Financial Statements

This annual report 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:

- The first two statements are *district-wide* financial statements that provide both short-term and long-term information about the Commission’s overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Commission, reporting the Commission’s operations in more detail than the district-wide statements.
- The *governmental fund* statements tell how basic services, such as regular and special education, were financed in the short-term as well as what remains for future spending.
- *Proprietary fund* statements offer short and long-term financial information about the activities the Commission operates like a business however they are not applicable to the Commission.
- *Fiduciary fund* statements provide information about the financial relationships in which the Commission acts solely as a trustee or agent for the benefit of others.
- *Notes to Financial Statements* provide additional information essential to full understanding of district-wide and fund financial statements.

The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Commission’s budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1

Organization of Sussex County Educational Services Commission’s Financial Report

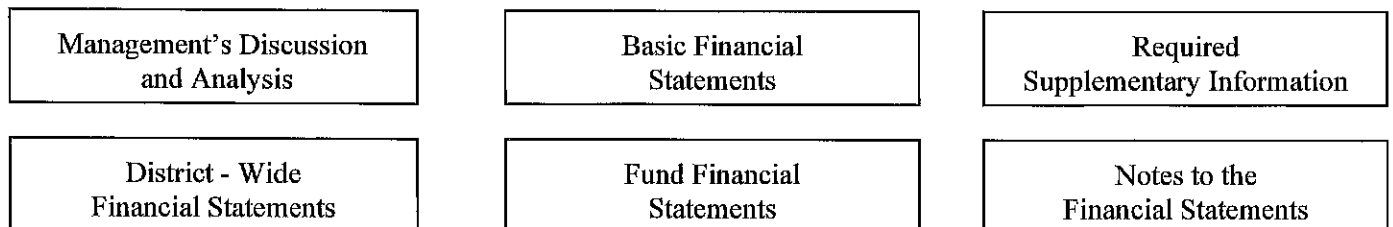


Figure A-2 summarizes the major features of the Commission’s financial statements, including the portion of the Commission’s activities they cover and the types of information they contain. The remainder of this overview section of the Management’s Discussion and Analysis highlights the structure and contents of each of the statements.

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds - N/A	Fiduciary Funds
Scope	Entire Commission (except fiduciary funds)	The activities of the Commission that are not proprietary or fiduciary, such as special education and building maintenance	Activities the Commission operates similar to private businesses: Not applicable	Instances in which the Commission administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenue, expenses changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

The district-wide 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 of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide 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 position.

- Over time, increases and decreases in the Commission's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Commission's overall financial position, you need to consider additional nonfinancial factors such as changes in the condition of school buildings and other facilities.

In the district-wide financial statements, the Commission's activities are divided into two categories:

Government Activities: Most of the Commission's basic services are included here, such as regular and special education and administration. Tuition and revenue from other local governmental units finance most of these activities.

Business-type Activities: The Commission has no business-type activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Commission's funds, focusing on its most significant or 'major' funds - not the Commission as a whole. 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 (such as federal repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants)

The Commission has two kinds of funds:

Governmental Funds: Most of the Commission's basic services are included in governmental funds, which generally focus on 1) how cash and other financial assets that can readily be converted to cash flow in and out; and 2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Commission's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship (or difference) between them.

Fiduciary Funds: The Commission is the trustee, or fiduciary, for assets that belong to others, such as the student activities fund. The Commission is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The Commission excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Notes to Financial Statements

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

Financial Analysis of the Commission as a Whole

The Commission’s net position increased \$817,152. Investment in capital assets decreased \$44,982, restricted increased \$22,213 and unrestricted net position increased \$839,920.

Figure A-3

Condensed Statement of Net Position

	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
Assets:		
Current and Other Assets	\$4,639,714	\$3,955,942
Capital Assets, Net	<u>1,479,028</u>	<u>1,528,891</u>
Total Assets	<u>6,118,742</u>	<u>5,484,832</u>
Deferred Outflows of Resources		
Related to PERS	<u>224,782</u>	<u>281,984</u>
Liabilities:		
Current Liabilities	169,859	175,594
Noncurrent Liabilities	<u>1,110,408</u>	<u>1,010,412</u>
Total Liabilities	<u>1,280,268</u>	<u>1,186,006</u>
Deferred Inflows of Resources		
Related to PERS	<u>405,295</u>	<u>740,002</u>
Net Position:		
Net Investment in Capital Assets	1,462,667	1,507,649
Restricted	34,516	12,303
Unrestricted	<u>3,160,777</u>	<u>2,320,857</u>
Total Net Position	<u>\$4,657,961</u>	<u>\$3,840,809</u>

Changes in Net Position. The Commission’s combined net position was \$4,657,961 on June 30, 2023, \$817,152 or 21.28% more than it was the year before. (See figure A-3). Some of the factors that contributed to this increase in net position are as follows:

- Appropriate billing and budget strategies

Figure A-4

Changes in Net Position from Operating Results

	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
Revenues:		
Charges for Services	\$4,692,688	\$4,529,634
Operating Grants and Contributions	922,291	941,974
General Revenues:		
Other	<u>458,078</u>	<u>695,820</u>
Total Revenues and Transfers	<u>6,073,057</u>	<u>6,167,429</u>
Expenses:		
Instruction	2,129,697	2,133,004
Pupil and Instruction Services	1,539,203	1,609,594
Administrative and Business	1,126,084	1,157,264
Maintenance and Operations	258,379	295,294
Pupil Transportation	-	-
Special Schools	214,246	212,153
Capital Outlay – non-depreciable	<u>20,036</u>	<u> </u>
Total Expenditures and Transfers	<u>5,287,646</u>	<u>5,407,309</u>
Increase/(Decrease) in Net Position	<u>\$785,411</u>	<u>\$760,121</u>

Revenue Sources. The Commission’s total revenue for the 2022/2023 school year was \$6,073,057. (See Figure A-5). Charges for services, which consists of tuition and charges for other special services provided to other local governmental units accounted for most of the Commission’s revenue 77.27%. Another 15.19% came from State and Federal aid for specific programs and the remainder from miscellaneous sources. The Sussex County Education Services Commission basically conducts its operations from the revenues it receives from its tuition and charges for services from other local governmental units.

Figure A-5**Sources of Revenue for Fiscal Year**

	<u>2022-23</u>		<u>2021-22</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Sources of Income:				
Charges for Services	\$4,692,688	77.27%	\$4,529,634	73.44%
Grants and Contributions	922,291	15.19%	941,974	15.27%
Other	<u>458,078</u>	<u>7.54%</u>	<u>695,820</u>	<u>11.28%</u>
	<u>\$6,073,057</u>	<u>100.0%</u>	<u>\$6,167,428</u>	<u>100.00%</u>

Costs of Services. The total cost of all programs and services was \$5,287,646. The Commission's expenses are predominately related to instruction and pupil services 69.39%. (See Figure A-6). The Commission's administrative and business activities accounted for 21.30% of total costs.

Figure A-6**Expenses for Fiscal Year**

	<u>2022-23</u>		<u>2021-22</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Expense Category:				
Instruction	\$2,129,697	40.28%	\$2,133,004	39.45%
Pupil and Instruction Services	1,539,203	29.11%	1,609,594	29.77%
Administrative and Business	1,126,084	21.30%	1,157,263	21.40%
Maintenance and Operations	258,379	4.89%	295,294	5.46%
Pupil Transportation	-	0.00%	-	0.00%
Other	<u>234,282</u>	<u>4.43%</u>	<u>212,253</u>	<u>3.92%</u>
	<u>\$5,287,646</u>	<u>100.00%</u>	<u>\$5,407,308</u>	<u>100.00%</u>

Governmental Activities

Figure A-7 presents the cost of five major Commission activities: instruction, pupil and instructional services, administration and business, maintenance and operations, and other miscellaneous expenses. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net earnings (costs) show the financial resources provided by (used for) the Commission's functions.

Figure A-7

Net Costs/(Earnings) of Governmental Activities

	<u>Total Cost of Services</u>		<u>Net (Cost)</u> <u>Earnings of Services</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	Instruction	\$2,129,697	\$2,133,004	\$3,485,282
Pupil and Instruction Services	1,539,203	1,609,594	(1,539,203)	(1,609,594)
Administration and Operations	1,126,084	1,157,263	(1,126,084)	(1,157,263)
Maintenance and Operations	258,379	295,294	(258,379)	(295,294)
Pupil Transportation	-	-	-	-
Other	<u>234,282</u>	<u>212,153</u>	<u>(234,282)</u>	<u>(212,153)</u>
	<u>\$5,287,646</u>	<u>\$5,407,309</u>	<u>\$327,333</u>	<u>\$64,300</u>

- Total costs from all governmental activities this year was \$5,287,646.
- The net costs from all governmental activities this year was \$327,333.
- The state and federal governments subsidized certain programs with grants and contributions \$922,291.
- Most of the Commission’s costs, however, were financed by charges for services from other local governmental units \$4,692,688.
- The remainder of the funding came from miscellaneous revenue and investment earnings.

Financial Analysis of the Commission’s Funds

The administration is constantly aware that changes in enrollment and cost increases can occur unexpectedly. We rely on the tuition received from providing educational programs to students with special needs from other school districts as our main source of revenue. Even with a healthy fund balance, management of our expenses remains a priority in order to reinforce our financial health.

General Fund Budgetary Highlights

The Commission does not receive State Aid or Property Tax Levy funding. Its primary source of revenue is the tuition paid by a student’s home Board of Education. A minimal funding source is through nonpublic school subsidies for special programs from the State and Federal funds. The Commission also provides consultants to local school districts for speech therapy, social work, educational psychology, case managers, and home instruction on both long and short term basis.

During the course of the year, the Commission revises the annual operating budget several times. These budget amendments are made up of changes within budgetary line items for changes in the revenue stream affected by enrollment, types of services provided, state mandates, and levels of funding.

Capital Asset and Debt Administration

Figure A-8

Capital Assets (Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2022/2023</u>	<u>2021/2022</u>
Sites	\$230,000	\$ 230,000
Building and Building Improvements	1,219,706	1,213,497
Machinery and Equipment	<u>29,322</u>	<u>85,394</u>
Total Capital Assets	<u>\$1,479,028</u>	<u>\$1,528,891</u>

Long-Term Debt

Financed Purchases balances increased by a new finance purchase agreement for copiers and decreased by principal payments in 2022/2023. Other long-term debt decreased due to the accounting for net pension liability under GASB No. 68.

Figure A-9

Outstanding Long-term Debt

	<u>Total School District</u>	
	<u>2022/2023</u>	<u>2021/2022</u>
Financed Purchases	\$ 16,361	\$ 21,243
Other Long-term	<u>1,099,205</u>	<u>994,051</u>
	<u>\$1,115,566</u>	<u>\$1,015,294</u>

Factors Bearing on the Commission's Future Revenue/Expense Changes

The Commission is facing budgetary challenges along with its constituent school districts. However, by marketing effective and efficient instructional services to public school districts and pricing Northern Hills Academy tuition below private "for profit" institutions; SCESC retains a competitive edge for special needs education. A decision to expand programs provided by NHA and may result in the need for additional staff, administration and space. We continue to promote the Commission and Northern Hills Academy through our web site, interaction with other districts, along with word of mouth and have seen the change in how the SCESC is now a leader in special education.

Contacting the Commission's Financial Management

This financial report is designed to provide the Commission's citizens, customers, investors and creditors with a general overview of the Commission's finances and to demonstrate the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Commission, 18 Gail Court, Sparta, New Jersey 07871.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	Governmental Activities
ASSETS	
Cash and cash equivalents	3,907,599
Receivables, net	732,115
Capital Assets:	
Land	230,000
Capital assets, net	1,249,028
Total Assets	6,118,742
 DEFERRED OUTFLOWS	
Deferred outflows of resources related to PERS	224,782
 LIABILITIES	
Accounts payable and accrued liabilities	152,145
Other liabilities	841
Unearned revenue	11,716
Noncurrent liabilities:	
Due within one year	5,157
Due beyond one year	1,110,408
Total liabilities	1,280,268
 DEFERRED INFLOWS	
Deferred inflows of resources related to PERS	405,295
 NET POSITION	
Invested in capital assets, net of related debt	1,462,667
Restricted for:	
Student Activities	4,556
Other purposes	29,960
Unrestricted	3,160,777
Total net position	4,657,961

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

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

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues		Net Revenue (Expense) and Changes in Net Position
			Charges for Services	Operating Grants and Contributions	
Governmental activities:					
Instruction:					
Special education	922,386	233,375	4,692,688	922,291	4,459,219
Other instruction	772,431	201,506	-	-	(973,937)
Support services:					
Student & instruction related services	1,133,169	406,035	-	-	(1,539,203)
General administrative services	273,176	77,099	-	-	(350,275)
School administrative service	300,393	113,662	-	-	(414,055)
Central Services and Admin. Info. Tech.	278,964	82,790	-	-	(361,754)
Plant operations and maintenance	235,251	23,128	-	-	(258,379)
Special Schools	214,246	-	-	-	(214,246)
Capital outlay - Non-depreciable	-	20,036	-	-	(20,036)
Total governmental activities	4,130,014	1,157,631	4,692,688	922,291	327,333
Total primary government	4,130,014		4,692,688	922,291	327,333
General revenues:					
Federal and State aid not restricted					(322,148)
Interest Earned					20,826 *
Other Restricted Miscellaneous Revenue					757,313
Miscellaneous Income					2,088
Total general revenues, special items, extraordinary items and transfers					458,078
Change in Net Position					785,411
Net Position—beginning, as previously reported					
Prior Period adjustment, capital assets, net of depreciation					
Net Position - beginning (restated)					3,840,809
Net Position—ending					31,741
					3,872,550
					4,657,961

* Student Activities revenue is reported as "charges for services"; Interest earned on student accounts is included in Interested Earned

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

FUND FINANCIAL STATEMENTS

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

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	3,903,043 *	4,556 *	3,907,599
Interfund loan receivable	31,652	-	31,652
Receivables from State government	6,460	43,386	49,846
Receivables from other governments	681,331	-	681,331
Other Current Assets	938	-	938
Total assets	4,623,424	47,942	4,671,366
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable:			
Payroll Deductions and Withholdings	44,879 **	-	44,879
Other	32,596	18	32,614
Interfund loans payable	-	31,652	31,652
Deferred Revenue	-	11,716	11,716
Other Current Liabilities	841	-	841
Total liabilities	78,316	43,386	121,702
Fund Balances:			
Committed to:			
Reserve for Encumbrances	29,960	-	29,960
Restricted:			
Student Activities	-	4,556	4,556
Unassigned:			
General fund	4,515,147	-	4,515,147
Total fund balances	4,545,108	4,556	4,549,664
Total liabilities and fund balances	4,623,424	47,942	
Amounts reported for <i>governmental activities</i> in the statement of not assets (A-1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$2,949,251 and the accumulated depreciation is \$1,470,223.			1,479,028
Accounts payable for subsequent Pension payment is not a payable in the funds			(74,652)
Deferred Outflows and Inflows of resources are applicable to future periods and therefore are not reported in the funds.			
Deferred Outflows of Resources Related to PERS Pension Liability			224,782
Deferred Inflows of Resources Related to PERS Pension Liability			(405,295)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.			
			(1,115,566)
Net position of governmental activities			4,657,961

* Includes former Fiduciary Funds cash and cash equivalents

** Includes payroll deductions payable and flexible spending liabilities

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Local sources:			
Tuition Charges	4,018,952	-	4,018,952
Interest Income	20,820	6	20,826
Service Revenues	673,736	-	673,736
Other Restricted Miscellaneous Revenue	757,313	-	757,313
Local Sources	-	2,088	2,088
Total - Local Sources	<u>5,470,821</u>	<u>2,093</u>	<u>5,472,914</u>
State sources	888,502	-	888,502
Federal sources	-	33,789	33,789
Total revenues	<u>6,359,323</u>	<u>35,882</u>	<u>6,395,205</u>
EXPENDITURES			
Current:			
Instruction:			
Special education instruction	922,386	-	922,386
Other instruction	769,027	3,403	772,431
Support services and undistributed costs:			
Student & instruction related services	1,101,585	31,584	1,133,169
General administrative services	273,176	-	273,176
School administrative services	300,393	-	300,393
Central Services and Admin. Info. Tech.	278,964	-	278,964
Plant operations and maintenance	235,251	-	235,251
Unallocated employee benefits	1,567,584	-	1,567,584
Capital outlay	20,036	-	20,036
Special Schools	214,246	-	214,246
Total expenditures	<u>5,682,647</u>	<u>34,987</u>	<u>5,717,634</u>
Excess (Deficiency) of revenues over expenditures	676,676	895	677,571
Fund balance—July 1	<u>3,868,432</u>	<u>3,661</u>	<u>3,872,093</u>
Fund balance—June 30	<u>4,545,108</u>	<u>4,556</u>	<u>4,549,664</u>

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

**SUSSEX 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)		677,571
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year.		
Depreciation expense	(90,104)	
Depreciable capital outlay	8,500	(81,604)
In the statement of activities, certain operating expenses, e.g., compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		
(Increase) Decrease in compensated absences payable		(435)
Repayment of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.		
In the current year, these amounts consist of:		
Principal Payments on Financed Purchases		4,882
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The change in accrued interest is a increase in the reconciliation.		
Commission pension contributions are reported as expenditures in the governmental funds when made. However, per GASB no. 68 they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the Commission'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.		
Commission Pension Contributions	86,863	
Less: Pension Expense	(98,134)	
(Increase)/Decrease in Pension Expense		184,997
Per GASB no. 68 Non-employer contributing entities are required to record an increase in revenue and expense for On-behalf TPAF pension payments paid by the State of New Jersey on the Statement of Activities that are in excess of those amounts reported in the Fund financial statements.		
Decrease in On-behalf TPAF Pension Revenue		(406,192)
Decrease in On-behalf TPAF Pension Expense		406,192
Per GASB no. 75 Non-employer contributing entities are required to record an increase in revenue and expense for On-behalf TPAF post retirement medical payments paid by the State of New Jersey on the Statement of Activities that are in excess of those amounts reported in the Fund financial statements.		
Increase in On-behalf State Aid TPAF Post Retirement Medical Revenue		84,044
Increase in On-behalf State Aid TPAF Post Retirement Medical Expense		(84,044)
Change in net position of governmental activities		785,411

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

NOTES TO THE FINANCIAL STATEMENTS

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

NOTE 1. DESCRIPTION OF THE SCHOOL COMMISSION AND REPORTING ENTITY

The Sussex County Educational Services Commission (“Commission”) is an instrumentality of the State of New Jersey, established to function as an educational institution. The Commission consists of officials appointed to the Commission’s Board of Directors as representatives from member school districts and is responsible for the fiscal control of the Commission. A superintendent is appointed by the Board and is responsible for the administrative control of the Commission. Under existing statutes, the Board’s duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

The Board also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls. The Superintendent of Schools is the Chief Administrative Officer of the Commission who is responsible for general supervision of all schools, planning and operational functions of the Commission. The School Business Administrator/Board Secretary is the Chief Financial Officer and is responsible for budgeting, financial accounting and reporting and reports through the Superintendent to the Board.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation

The financial statements include both district-wide financial statements (based on the Commission as a whole) and fund financial statements (based on specific Commission activities or objectives). Both the district-wide and fund financial statements categorize activities as either governmental activities or business-type activities. While separate district-wide and fund financial statements are presented, they are interrelated. In the district-wide financial statements, the governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the District's enterprise funds. Currently the District does not have any fiduciary funds.

District-wide Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Commission. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In the statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) reflect on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or other governmental entities, including other school districts, who purchase, use, or directly benefit from goods or services provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes, unrestricted state aid and other items not properly included among program revenues are reported instead as general revenues.

As a general rule the effect of interfund activity has been eliminated from the district-wide financial statements. Exceptions to this general rule are charges between the Board's proprietary funds since elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

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

GOVERNMENTAL FUNDS

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

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. Accounting principles generally accepted in the United States of America, as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenue.

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

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

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FIDUCIARY FUNDS

Fiduciary Fund - Fiduciary Fund reporting focuses on net position and changes in net position. The Fiduciary Funds are used to account for assets held by the Board on behalf of individuals, private organizations, other governments and/or other funds. The Commission does not have any activities that are required to be included in the Fiduciary Fund.

B. Measurement Focus

District-wide Financial Statements

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

Fund Financial Statements

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

Like the District-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Board finances and meets the cash flow needs of its proprietary activities.

C. Basis of Accounting

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

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues - Exchange and Non-exchange Transactions

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

Nonexchange transactions, in which the Commission receives value without directly giving equal value in return, include 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 year when use is first permitted, matching requirements, in which the Commission must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Commission on a reimbursement basis. On a 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 to be both measurable and available at year-end: tuition, unrestricted grants and interest.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

Budgets/Budgetary Control

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

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets/Budgetary Control, (continued)

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America, 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 revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

Encumbrances

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

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

Cash, Cash Equivalents and Investments

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

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

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash, Cash Equivalents and Investments, (continued)

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

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

Tuition Revenues/Receivable

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

Lease Receivable

Lease receivables recorded on the government-wide financial statement, in the governmental funds, and in the proprietary fund types represents a contract that conveys control of the right to use the Commission's (lessor) nonfinancial asset. At the commencement of the lease term, the lessor recognizes a lease receivable and a deferred inflow of resources. The lease receivable is measured at the present value of the lease payments expected to be received during the lease term. The Commission was not a lessor during the fiscal year ended June 30, 2023.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2023, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

Short-Term Interfund Receivables/Payables

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

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Sites and Improvements	20 years
Building and Improvements	7-50 years
Furniture, Equipment and Vehicles	5-20 years

Compensated Absences

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

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

Unearned Revenue

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

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

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accrued Liabilities and Long-term Obligations

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

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

Interfund Activity

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

Fund Balances

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

- **Nonspendable** fund balance includes amounts that are not in a spendable form (inventory, for example) or are required to be maintained intact (the principal of an endowment fund, for example).
- **Restricted** fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers (for example, grant providers), constitutionally, or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use). Effectively, restrictions may be changed or lifted only with the consent of resource providers.
- **Committed** fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the Board's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balances, (continued)

- **Assigned** fund balance comprises amounts *intended* to be used by the Commission for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.
- **Unassigned** fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. If another governmental fund has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund. Positive unassigned amounts will be reported only in the general fund.

In the general operating fund and other governmental funds (special revenue, capital projects and debt service fund types), it is the District's policy to consider restricted resources to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted (i.e., committed, assigned or unassigned) fund balances are available, followed by committed and then assigned fund balances. Unassigned amounts are used only after the other resources have been used.

Net Position

Net position represent the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Commission or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

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

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting and Financial Reporting for Pensions

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

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

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

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

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting and Financial Reporting for Pensions (continued)

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

Deferred Outflows/Inflows of Resources

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

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

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Commission and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year.

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, medical and dental benefits and TPAF on-behalf contributions were allocated based on salaries of that program. Changes in compensating absences have not been allocated and have been reported as unallocated benefits on the Statement of Activities. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities as unallocated depreciation. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

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

New Accounting Standards

During fiscal year 2023, the Commission adopted the following GASB Statement:

GASB Statement No. 96, *Subscription-Based Information Technology*, which improves financial reporting by establishing a definition for subscription-based information technology arrangements (SBITAs) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs. The Commission did not have any subscription-based information technology arrangements that rose to an amount that required disclosure. The Commission will review new SBITA's annually to determine proper disclosure.

Recently Issued Accounting Pronouncements

The GASB has issued the following Statement that will become effective for the Commission for fiscal years ending June 30, 2024 or 2025:

Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The Statement will become effective for the Commission in the fiscal year ending June 30, 2025 although earlier application is encouraged. Management is currently evaluating whether or not this Statement will have an impact on the basic financial statements of the Commission.

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Commission's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 18A:20-37 that are treated as cash equivalents. As of June 30, 2023, \$-0- of the Commission's bank balance of \$3,904,263 was exposed to custodial credit risk.

Investments

Investment Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

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

NOTE 4. RECEIVABLES

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

	District Wide Financial Statements	Governmental Fund
Interfunds	\$	\$31,652
State Aid	49,846	49,846
Federal Aid	681,331	681,331
Other	<u>938</u>	<u>938</u>
Gross Receivables	732,115	763,767
Less: Allowance for Uncollectibles	<u>-0-</u>	<u>-0-</u>
Total Receivables, Net	<u>\$732,115</u>	<u>\$763,767</u>

NOTE 5. INTERFUND BALANCES AND ACTIVITY

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

Due to the General Fund from the Special Revenue Fund for short term loans	<u>\$31,652</u>
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It is anticipated that all interfunds will be liquidated within the fiscal year.

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

NOTE 6. CAPITAL ASSETS

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

	<u>Balance</u> <u>06/30/22</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>Balance</u> <u>06/30/23</u>
Governmental Activities:					
Capital Assets,					
Not being depreciated:					
Sites (Land)	<u>\$230,000</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$230,000</u>
Total Capital Assets, Not Being Depreciated	<u>230,000</u>	<u> </u>	<u> </u>	<u> </u>	<u>230,000</u>
Building and Improvements	2,495,134			94,175	
Machinery and Equipment	<u>151,015</u>	<u>8,500</u>	<u> </u>	<u>(29,573)</u>	<u> </u>
Total at historical cost	<u>2,646,149</u>	<u>8,500</u>	<u> </u>	<u>64,602</u>	<u>2,719,251</u>
Less: Accumulated Depreciation for:					
Building and Improvements	(1,281,637)	(80,763)		(7,203)	
Machinery and Equipment	<u>(65,621)</u>	<u>(9,341)</u>	<u> </u>	<u>(25,658)</u>	<u> </u>
Total Accumulated Depreciation	<u>(1,347,258)</u>	<u>(90,104)</u>	<u>0</u>	<u>(32,861)</u>	<u>(1,470,223)</u>
Total Capital Assets, Being Depreciated, Net of Accumulated Depreciation	<u>1,298,891</u>	<u>(81,604)</u>	<u> </u>	<u>31,741</u>	<u>1,249,028</u>
Governmental Activities					
Capital Assets, Net	<u>\$1,528,891</u>	<u>\$(81,604)</u>	<u>\$</u>	<u>\$31,741</u>	<u>\$1,479,208</u>

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

NOTE 6. CAPITAL ASSETS

Depreciation expense was charged to functions as follows:

Instruction:

Special Education Instruction	\$37,844
Student and Instruction Related Services	22,526
General Administrative Services	9,010
School Administrative Services	18,021
Central Services & Admin. Info. Tech	1,802
Plant Operations and Maintenance	<u>901</u>

Total Depreciation Expense	<u>\$90,104</u>
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NOTE 7. LONG-TERM OBLIGATION ACTIVITY

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

	<u>Balance June 30, 2022</u>		<u>Issued</u>		<u>Retired</u>		<u>Balance June 30, 2023</u>		<u>Due Within One year</u>		<u>Long-Term Portion</u>
Compensated Absences Payable	\$59,252	(\$)	\$435		\$		\$59,687		\$		\$59,687
Net Pension Liability - PERS	934,799		104,719				1,039,518				1,039,518
Financed Purchases Payable	<u>21,242</u>				<u>(4,882)</u>		<u>16,360</u>		<u>5,157</u>		<u>11,203</u>
Total Governmental Activities	<u>\$1,015,293</u>		<u>\$105,154</u>		<u>(\$4,882)</u>		<u>\$1,115,565</u>		<u>\$5,157</u>		<u>\$1,110,408</u>

(1) Net of days allowed and days used.

A. Bonds Authorized but not Issued

As of June 30, 2023, the Commission had no debt authorized but not issued.

B. Financed Purchases Payable

The Commission has financed purchases for 2 copiers. The term is for 5 years. The following is a schedule of the future minimum financed purchases payments and the present value of the net minimum financed purchases payments at June 30, 2023.

<u>Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2023-2024	\$5,928	\$5,157	\$771
2024-2025	5,928	5,448	780
2025-2026	<u>5,928</u>	<u>5,755</u>	<u>173</u>
	<u>\$17,784</u>	<u>\$16,361</u>	<u>\$1,423</u>

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

NOTE 7. LONG-TERM OBLIGATION ACTIVITY (continued)

C. Compensated Absences Payable:

The liability for compensated absences of the governmental fund types is recorded as a long-term liability. There is no current portion of the compensated absences balance of the governmental funds in the current year. The long-term portion of compensated absences is \$59,687 for Governmental Activities.

Compensated absences payable will be liquidated by the General Fund.

NOTE 8. PENSION PLANS

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

Teachers' Pension and Annuity Fund (TPAF) - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the 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.

Benefits Provided

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

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

NOTE 8. PENSION PLANS (continued)

The following represents the membership tiers for TPAF:

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

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

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

Benefits Provided

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

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

NOTE 8. PENSION PLANS (continued)

The following represents the membership tiers for PERS:

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

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

Defined Contribution Retirement Program

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

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

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

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

NOTE 8. PENSION PLANS (continued)

Contributions Requirements Fund Based Statements

The Commission’s contribution to PERS and DCRP, equal to the required contributions for each year as reported in the fund based statements, were as follows:

Year <u>Ending</u>	<u>PERS</u>	<u>DCRP</u>
6/30/23	\$86,863	\$23,009
6/30/22	92,412	15,405
6/30/21	86,238	16,041

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

Year <u>Ending</u>	Pension <u>Contributions</u>	Post-Retirement Medical <u>Contributions</u>	NCGI <u>Premium</u>	LTD <u>Liability</u>
6/30/23	\$602,014	\$160,342	\$8,352	\$460
6/30/22	605,317	143,422	8,540	431
6/30/21	423,911	135,375	8,065	516

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

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$117,334 during the year ended June 30, 2023 for the employer’s share of social security contributions for TPAF members as calculated on their base salaries. This amount has been included in the fund-based statements as revenues and expenditures in accordance with GASB 24, paragraphs 7 through 13.

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

Public Employees Retirement System (PERS)

At June 30, 2023, the Commission had a liability of \$1,039,518 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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 governmental entities, actuarially determined. At June 30, 2022, the Commission's proportion was 0.0068881596 percent, which was an increase of 0.0010027737 percent from its proportion measured as of June 30, 2021.

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

NOTE 8. PENSION PLANS (continued)

For the year ended June 30, 2023, the Commission recognized pension expense of \$(98,134). At June 30, 2023, deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$7,503	\$6,616
Changes of assumptions	3,221	155,657
Net difference between projected and actual earnings on pension plan investments	43,025	-
Changes in proportion	96,381	243,022
Commission contributions subsequent to the measurement date	<u>74,652</u>	<u> </u>
Total	<u>\$224,782</u>	<u>\$405,295</u>

The \$74,652 as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2023, the plan measurement date is June 30, 2022) will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

Year ended June 30:	
2023	(\$89,169)
2024	(45,429)
2025	(22,155)
2026	48,333
2027	(106)

Changes in Proportion

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

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

NOTE 8. PENSION PLANS (continued)

Additional Information

Local Group Collective balances at June 30, 2022 and June 30, 2021 are as follows:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Collective deferred outflows of resources	\$1,660,772,008	\$1,164,738,169
Collective deferred inflows of resources	3,236,303,955	8,339,123,762
Collective net pension liability	15,219,184,920	11,846,499,172
District s Proportion	0.0068881596%	0.0078909333%

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 rolled forward to June 30, 2022. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021. It is likely that future experience will not exactly conform to these assumptions.

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

NOTE 8. PENSION PLANS (continued)

Mortality Rates

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

Long-Term Rate of Return

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	8.12%
Non-U.S. Developed Market Equity	13.50%	8.38%
Emerging Market Equity	5.50%	10.33%
Private Equity	13.00%	11.80%
Real 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. Treasuries	4.00%	1.75%
Risk Mitigation Strategies	3.00%	4.91%

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

NOTE 8. PENSION PLANS (continued)

Discount Rate

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

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

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

	<u>June 30, 2022</u>		
	1% Decrease	At Current Discount Rate	1% Increase
	<u>6.00%</u>	<u>7.00%</u>	<u>8.00%</u>
Commission's proportionate share of the pension liability	\$1,346,786	\$1,039,518	\$794,316

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 financial report may be accessed at www.state.nj.us/treasury/pensions.

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

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

NOTE 8. PENSION PLANS (continued)

Teachers Pensions and Annuity Fund (TPAF), (continued)

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>7,586,489</u>
	<u>\$7,586,489</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 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 District was 0.0147040895%.

For the year ended June 30, 2023, the Commission recognized on-behalf pension expense and revenue of \$204,174 for contributions provided by the State in the District-Wide Financial Statements.

Actuarial Assumptions

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

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases	2.75-5.65% (based on years of service)
Investment Rate of Return	7.00%

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

NOTE 8. PENSION PLANS (continued)

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with an 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 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 a 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.

Long-Term Expected Rate of Return

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	8.12%
Non-U.S. Developed Market Equity	13.50%	8.38%
Emerging Market Equity	5.50%	10.33%
Private Equity	13.00%	11.80%
Real 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. Treasuries	4.00%	1.75%
Risk Mitigation Strategies	3.00%	4.91%

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

NOTE 8. PENSION PLANS (continued)

Discount Rate

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

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

Because the 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.

NOTE 9. POST EMPLOYMENT BENEFITS:

General Information about the OPEB Plan

State Health Benefit State Retired Employees Plan

Pension and Other Postemployment Benefits (OPEB) Obligations in Fiscal Year 2022 the State funded the various defined benefit pension systems at 108 percent of the full actuarially determined contributions. Employer contributions to the pension plans are calculated per the requirements of the governing State statutes using generally accepted actuarial procedures and practices. The actuarial funding method used to determine the State's contribution is a matter of State law. Any change to the funding method requires the approval of the State Legislature and the Governor. The amount the State actually contributes to the pension plans may differ from the actuarially determined contributions of the pension plans because the State's contribution to the pension plans is subject to the appropriation of the State Legislature and actions by the Governor. GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires participating employers to recognize their proportionate share of the collective net pension liability. Under the new statement, the calculation of the pension liability was changed to a more conservative methodology and each employer was allocated a proportional share of the pension plans' net pension liability. The State's share of the net pension liability, based on a measurement date of June 30, 2021, which is required to be recorded on the financial statements, is \$75.1 billion. The Fiscal Year 2023 projected aggregate State contribution to the pension plans of \$6.8 billion represents 104 percent of the actuarially determined contribution. The State provides post-retirement medical (PRM) benefits for certain State and other retired employees meeting the service credit eligibility requirements. In Fiscal Year 2022, the State paid PRM benefits for 161,238 State and local retirees. The State funds

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

NOTE 9. POST EMPLOYMENT BENEFITS: (continued)

post-retirement medical benefits on a "pay-as-you-go" basis, which means that the State does not pre-fund, or otherwise establish a reserve or other pool of assets against the PRM expenses that the State may incur in future years. For Fiscal Year 2022, the State contributed \$1.9 billion to pay for "pay-as-you-go" PRM benefit costs incurred by covered populations, a slight increase from \$1.8 billion in Fiscal Year 2021. The State has appropriated \$2.1 billion in Fiscal Year 2023 as the State's contribution to fund increases in prescription drugs and medical claims costs. In accordance with the provisions of GASB Statement NO. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the State is required to quantify and disclose its obligations to pay Other Postemployment Benefits (OPEB) to retired plan members. This new standard supersedes the previously issued guidance, GASB Statement No. 45, Accounting and Financial Reporting for postemployment Benefits Other Than Pensions, effective for Fiscal Year 2018. The State is now required to accrue a liability in all instances where statutory language names the State as the legal obligor for benefit payments. The Fiscal Year 2022 State OPEB liability to provide these benefits is \$88.9 billion, a decrease of \$12.7 billion, or 12.5 percent from the \$101.6 billion liability recorded in Fiscal Year 2021. Additional information on Pensions and OPEB can be accessed on the Division of Pensions & Benefits Financial Reports webpage: <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

Total OPEB Liability

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The LEA's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the LEA did not recognize any portion of the collective net OPEB liability of the Statement of Net Position. Accordingly, the following OPEB liability note information is reported at the State's level and is not specific to the board of education. Note that actual numbers will be published in the NJ State ACFR on the Office of Management and Budget's Financial Publications webpage: nj.gov/treasury/omb/fr.shtml.

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

NOTE 9. POST EMPLOYMENT BENEFITS: (continued)

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

OPEB Liability:		
Commission's proportionate share	\$	-0-
State's proportionate share associated with the Commission		<u>5,940,599</u>
		<u>\$5,940,599</u>

Actual Assumptions and Other Imputes

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

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2022 was determined by an actuarial valuation as of June 30, 2020, 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>TPAF/ABP</u>	<u>PERS</u>
Salary increases:	2.75 - 4.25%	2.75 - 6.55%
	based on service years	based on service years

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

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

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

NOTE 9. POST EMPLOYMENT BENEFITS: (continued)

(a) *Health Care Trend Assumptions*

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

(b) *Discount Rate*

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

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

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

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

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

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

For the year ended June 30, 2023, the board of education/board of trustees recognized on-behalf OPEB expense of \$244,386 in the district-wide financial statements as determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASB No. 75 and in which there is a special funding situation.

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

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

NOTE 10. DEFERRED COMPENSATION

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

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. The Board has obtained insurance coverage to guard against these events to minimize the exposure to the Commission should they occur.

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

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

The Commission has elected to fund its New Jersey Unemployment Compensation Insurance by becoming experience rated in which the Commission pays State unemployment taxes according to the same method the State uses for other employers.

NOTE 12. FUND BALANCE APPROPRIATED

General Fund [Exhibit B-1] - Of the \$4,545,108 General Fund fund balance at June 30, 2023, \$29,960 is committed to encumbrances, and \$4,515,147 is unassigned.

NOTE 13. ECONOMIC DEPENDENCY

The Commission receives a substantial amount of its support from tuition and fees from other local governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Commission's services and activities.

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

NOTE 14. CONTINGENT LIABILITIES

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

Litigation - Counsel representing the Commission has advised us of one currently pending legal matter that is potentially material to the Commission's financial position. In the opinion of the attorneys, an unfavorable outcome is highly unlikely.

NOTE 15. SUBSEQUENT EVENTS

The Commission has evaluated subsequent events through January 18, 2024, the date which the financial statements were available to be issued and no additional items were noted for disclosure.

**REQUIRED SUPPLEMENTARY
INFORMATION - PART II**

BUDGETARY COMPARISON SCHEDULES

**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues:					
Local Sources:					
Other Local Governmental Units - Unrestricted	595,959	205,269	801,228	673,736	(127,492)
Tuition from Individuals	-	-	-	4,110	4,110
Tuition from Other LEAs within the State	3,765,295	257,205	4,022,500	4,014,842	(7,658)
Unrestricted Miscellaneous Revenues	5,500	-	5,500	20,820	15,320
Other Restricted Miscellaneous Revenue	440,959	157,599	598,558	757,313	158,755
Total - Local Sources	4,807,713	620,072	5,427,785	5,470,821	43,036
State Sources:					
On-behalf TPAF NCGI Premium (non-budgeted)	-	-	-	8,352	8,352
On-behalf TPAF Post Retirement Medical (non-budgeted)	-	-	-	160,342	160,342
On-behalf TPAF Long-Term Disability Ins. (non-budgeted)	-	-	-	460	460
On-behalf TPAF Pension Contributions (non-budgeted)	-	-	-	602,014	602,014
TPAF Social Security (Reimbursed - Non-Budgeted)	-	-	-	117,334	117,334
Total State Sources	-	-	-	888,502	888,502
Total Revenues	4,807,713	620,072	5,427,785	6,359,323	931,538
Expenditures:					
Current Expense:					
Special Education - Instruction					
Emotional Regulation Impairment:					
Salaries of Teachers	194,350	(64,650)	129,700	129,700	-
Other Salaries for Instruction	164,375	(112,544)	51,831	51,831	-
Other Purchased Services (400-500 Series)	9,000	5,009	14,009	13,249	760
General Supplies	2,023	(23)	2,000	1,812	188
Other Objects	500	(366)	134	134	-
Total Emotional Regulation Impairment	370,248	(172,574)	197,674	196,726	948
Multiple Disabilities:					
Salaries of Teachers	65,850	46,496	112,346	112,345	1
Other Salaries for Instruction	164,301	84,609	248,910	248,910	0
Other Purchased Services (400-500 Series)	3,100	26,149	29,249	19,140	10,109
General Supplies	1,000	6,223	7,223	6,939	284
Other Objects	3,000	(376)	2,624	2,624	0
Total Multiple Disabilities	237,251	163,101	400,352	389,958	10,394
Autism:					
Salaries of Teachers	60,250	72,782	133,032	133,031	1
Other Salaries for Instruction	81,644	(17,094)	64,550	61,545	3,005
Other Purchased Services (400-500 Series)	3,100	2,600	5,700	5,401	299
General Supplies	1,000	2,000	3,000	2,395	605
Other Objects	400	-	400	134	266
Total Autism	146,394	60,288	206,682	202,507	4,175
Preschool Disabilities - Full Time:					
Salaries of Teachers	56,950	(1,000)	55,950	55,950	-
Other Salaries for Instruction	21,168	51,253	72,421	72,420	1
Other Purchased Services (400-500 Series)	3,100	1,290	4,390	4,389	1
General Supplies	1,000	(253)	747	436	311
Other Objects	400	(400)	-	-	-
Total Preschool Disabilities - Full Time	82,618	50,890	133,508	133,195	313
Total Special Education - Instruction	836,511	101,705	938,216	922,386	15,830
Vocational Programs - Local - Instruction:					
Salaries	-	31,967	31,967	31,967	-
Other Objects	1,000	-	1,000	350	650
Total Vocational Programs - Local - Instruction	1,000	31,967	32,967	32,317	650

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Other Instructional Programs - Instruction					
Salaries	637,986	105,559	743,545	472,620	270,925
Social Security	9,846	2,371	12,217	6,561	5,656
Other Retirement Contributions - Regular	4,042	638	4,680	3,025	1,655
Unemployment Compensation	2,423	165	2,588	640	1,948
Health Benefits	24,860	-	24,860	18,388	6,472
Other Employee Benefits	5,000	-	5,000	5,000	-
Purchased Services (300-500 Series)	162,898	204,428	367,326	228,195	139,131
Supplies and Materials	5,975	-	5,975	2,282	3,693
Total Other Instructional Programs - Instruction	853,030	313,161	1,166,191	736,710	429,481
Total Instruction	1,690,541	446,833	2,137,374	1,691,413	445,961
Undistributed Expenditures - Health Services:					
Salaries	186,463	107,282	293,745	285,305	8,440
Social Security Contributions	6,220	4,873	11,093	10,798	295
Other Retirement Contributions - Regular	2,450	2,292	4,742	4,229	513
Unemployment Compensation	527	499	1,026	987	39
Purchased Professional and Technical Services	-	7,000	7,000	6,033	968
Other Purchased Services (400-500 series)	825	1,936	2,761	2,060	701
Supplies and Materials	5,187	1,216	6,403	5,787	616
Other Objects	-	200	200	-	200
Total Undistributed Expenditures - Health Services	201,672	125,298	326,970	315,198	11,771
Undist. Expend.-Speech, OT, PT & Related Services:					
Salaries	468,012	97,333	565,345	564,237	1,108
Purchased Professional - Educational Services	-	45,000	45,000	40,697	4,303
Supplies and Materials	5,000	500	5,500	5,454	46
Other Objects	250	400	650	560	90
Total Undist. Expend.-Speech, OT, PT & Related Services	473,262	143,233	616,495	610,948	5,547
Undist. Expend. - Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	166,283	(55,042)	111,241	110,793	448
Health Benefits	28,946	1,790	30,736	30,736	(0)
Tuition Reimbursement	6,000	280	6,280	6,067	213
Purchased Professional - Educational Services	-	12,000	12,000	7,838	4,163
Other Purchased Services (400-500 series)	4,697	(418)	4,279	1,028	3,251
Supplies and Materials	800	-	800	-	800
Other Objects	200	10,000	10,200	10,000	200
Total Undist. Expend. - Improvement of Instructional Services:	206,926	(31,390)	175,536	166,462	9,074
Undist. Expend. - Instructional Staff Training Serv.:					
Other Purchased Services (400-500 series)	13,900	(1,790)	12,110	8,977	3,133
Total Undist. Expend. - Instructional Staff Training Serv.	13,900	(1,790)	12,110	8,977	3,133
Undist. Expend. - Supp. Serv. - General Admin.:					
Salaries	169,997	2,948	172,945	172,945	0
Legal Services	20,000	7,300	27,300	19,861	7,440
Audit Fees	16,500	(500)	16,000	16,000	-
Other Purchased Professional Services	2,850	-	2,850	2,645	205
Communications/Telephone	16,000	100	16,100	10,492	5,608
Misc. Purchased Services (400-500) [Other than 530 & 585]	11,860	2,317	14,177	13,284	893
General Supplies	2,248	1,364	3,612	3,561	51
Miscellaneous Expenditures	28,200	6,192	34,392	34,387	5
Total Undist. Expend. - Supp. Serv. - General Admin.	267,656	19,721	287,377	273,176	14,201

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Support Serv. - School Admin.:					
Salaries of Principals/Assistant Principals	107,069	(14,110)	92,959	78,825	14,134
Salaries of Secretarial and Clerical Assistants	153,800	21,094	174,894	170,449	4,445
Purchased Professional and Technical Services	14,300	28,100	42,400	38,021	4,379
Other Purchased Services (400-500 series)	7,500	(600)	6,900	5,057	1,843
Supplies and Materials	4,000	2,767	6,767	5,590	1,177
Other Objects	2,500	-	2,500	2,450	50
Total Undist. Expend. - Support Serv. - School Admin.	289,169	37,251	326,420	300,393	26,027
Undist. Expend. - Central Services:					
Salaries	218,659	(7,890)	210,769	202,800	7,969
Purchased Technical Services	21,000	(125)	20,875	17,549	3,326
Misc. Purchased Services (400-500 Series)	5,950	-	5,950	4,137	1,813
Supplies and Materials	1,004	-	1,004	972	32
Miscellaneous Expenditures	2,000	2,768	4,768	4,693	75
Total Undist. Expend. - Central Services	248,613	(5,247)	243,366	230,151	13,215
Undist. Expend. - Admin. Info. Tech.:					
Purchased Technical Services	50,000	-	50,000	48,813	1,187
Total Undist. Expend. - Admin. Info. Tech.	50,000	-	50,000	48,813	1,187
Undist. Expend. - Required Maint. School Facilities:					
Cleaning, Repair, and Maintenance Services	13,000	12,600	25,600	20,600	5,000
General Supplies	11	-	11	11	-
Total Undist. Expend. - Required Maint. School Facilities	13,011	12,600	25,611	20,611	5,000
Undist. Expend. - Custodial Services:					
Salaries	85,207	-	85,207	76,944	8,263
Purchased Professional and Technical Services	13,000	(11,204)	1,796	1,780	16
Cleaning, Repair, and Maintenance Services	41,786	13,372	55,158	46,259	8,899
Other Purchased Property Services	5,000	100	5,100	4,472	628
Insurance	80,250	(29,450)	50,800	50,380	420
General Supplies	12,000	1,332	13,332	3,429	9,903
Natural Gas	16,000	-	16,000	8,087	7,913
Electricity	17,000	(500)	16,500	9,650	6,850
Other Objects	-	50	50	25	25
Total Undist. Expend. - Custodial Services	270,243	(26,300)	243,943	201,027	42,916
Undist. Expend. - Care and Upkeep of Grounds					
Purchased Professional and Technical Services	2,508	-	2,508	2,508	-
General Supplies	-	11,175	11,175	11,105	70
Total Undist. Expend. - Care and Upkeep of Grounds	2,508	11,175	13,683	13,613	70
Total Undist. Expend. - Oper. & Maint. Plant Services	285,762	(2,525)	283,237	235,251	47,986
Undist. Expend. - Student Transportation Services:					
Salaries for Pupil Trans. - (Other than bet. home and sch.)	13,900	(1,722)	12,178	-	12,178
Misc. Purchased Services - Transportation	12,600	(12,600)	-	-	-
Supplies and Materials	5,000	(5,000)	-	-	-
Total Undist. Expend. - Student Transportation Serv.	31,500	(19,322)	12,178	-	12,178
Unallocated Benefits:					
Social Security Contributions	115,000	959	115,959	108,564	7,395
Other Retirement Contributions - PERS	97,000	(10,137)	86,863	86,863	-
Other Retirement Contributions - Regular	26,000	800	26,800	23,009	3,791
Unemployment Compensation	15,500	(1,500)	14,000	13,216	784
Health Benefits	513,364	(91,724)	421,640	384,772	36,868
Tuition Reimbursement	12,000	-	12,000	12,000	-
Other Employee Benefits	28,500	16,896	45,396	42,896	2,500
Unused Sick Payment to Terminated / Retired Staff	5,000	2,763	7,763	7,763	1
Total Unallocated Benefits	812,364	(81,943)	730,421	679,082	51,339
On-Behalf Contributions:					
On-behalf TPAF NCGI Premium (non-budgeted)	-	-	-	8,352	(8,352)
On-behalf TPAF Post Retirement Medical (non-budgeted)	-	-	-	160,342	(160,342)
On-behalf TPAF Long-Term Disability Ins. (non-budgeted)	-	-	-	460	(460)
On-behalf TPAF Pension Contributions (non-budgeted)	-	-	-	602,014	(602,014)

**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Reimbursed TPAF Social Security Contributions (non-budgeted)	-	-	-	117,334	(117,334)
Total On-Behalf Payments	-	-	-	888,502	(888,502)
Total Personal Services - Employee Benefits	812,364	(81,943)	730,421	1,567,584	(837,163)
Total Undistributed Expenditures	2,880,823	183,286	3,064,109	3,756,952	(692,843)
Total General Current Expense	4,571,364	630,119	5,201,483	5,448,365	(246,882)
Capital Outlay					
Equipment:					
Undistributed Expend. - Central Services	-	8,224	8,224	8,224	-
Undistributed Expend. - Care and Upkeep of Grounds	12,000	-	12,000	11,812	188
Total Equipment	12,000	8,224	20,224	20,036	188
Total Capital Outlay	12,000	8,224	20,224	20,036	188
Special Schools					
Summer School - Instruction:					
Salaries of Teachers	61,394	7,300	68,694	68,682	12
Other Salaries for Instruction	79,088	(2,300)	76,788	76,749	39
General Supplies	800	-	800	198	602
Total Summer School Instruction	141,282	5,000	146,282	145,629	653
Summer School - Support Services:					
Salaries	90,809	(22,371)	68,438	68,438	0
Purchased Professional and Technical Services	700	(700)	-	-	-
Supplies and Materials	200	-	200	180	20
Total Summer School - Support Services	91,709	(23,071)	68,638	68,618	20
Total Special Schools	232,991	(18,071)	214,920	214,246	674
Total Expenditures	4,816,355	620,272	5,436,627	5,682,647	(246,020)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,642)	(200)	(8,842)	676,676	685,518
Fund Balance, July 1	3,868,432	-	3,868,432	3,868,432	-
Fund Balance, June 30	3,859,790	(200)	3,859,590	4,545,108	685,518
Recapitulation of excess (deficiency) of revenues under expenditures:					
Adjustment for Prior Year Encumbrances	(8,642)	-	(8,642)	(8,642)	-
Budgeted Fund Balance	-	-	(200)	685,318	685,518
	(8,642)	-	(8,842)	676,676	685,518
Recapitulation:					
Committed Fund Balance:					
Year End Encumbrances				29,960	
Unassigned Fund Balance				4,515,147	
Fund Balance per Governmental Funds (GAAP)				4,545,108	

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

	Original Budget	Budget Transfers/ Adjustments	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Federal Sources	17,600	22,802	40,402	28,403	(11,999) *
Local Sources	1,000	-	1,000	948	(52)
Total Revenues	18,600	22,802	41,402	29,351	(12,051)
EXPENDITURES:					
Instruction					
General Supplies	-	8,574	8,574	3,403	5,171
Total Instruction	-	8,574	8,574	3,403	5,171
Support Services					
Purchased Prof. & Tech Services	1,000	-	1,000	53	947
Other Purchased Services	15,000	5,529	20,529	16,256	4,273
General Supplies	2,600	8,699	11,299	8,743	2,556
Total Support Services	18,600	14,228	32,828	25,052	7,776
Total Expenditures	18,600	22,802	41,402	28,456	12,946
Total Outflows	18,600	22,802	41,402	28,456	12,946
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	-	-	-	895	895
Fund Balance, July 1				3,661	
Fund Balance, June 30				<u>4,556</u>	
Recapitulation:					
Student Activities				4,556	
Total Fund Balance				<u>4,556</u>	

* Not required to budget for these funds

**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 BUDGET - TO - GAAP RECONCILIATION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Note A - Explanation of difference between budgetary inflows and outflows and GAAP revenues and expenditures.

		General Fund	Special Revenue Fund
Sources/inflows of resources			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1]&[C-2]	6,359,323	29,351
Difference - budget to GAAP:			
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.			
Add: Prior Year Encumbrances		-	6,549
Less: Current Year Encumbrances		-	(18)
 Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - government funds.	 [B-2]	 6,359,323	 35,882
 Uses/outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1]&[C-2]	5,682,647	28,456
Differences - budget to GAAP			
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.			
Add: Prior Year Encumbrances		-	6,549
Less: Current Year Encumbrances		-	(18)
 Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - government funds.	 [B-2]	 5,682,647	 34,987

**REQUIRED SUPPLEMENTARY
INFORMATION - PART III**

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
Schedules of Required Supplementary Information
Schedule of Commission's Proportionate Share of Net Pension Liability - PERS
Last 10 Fiscal Years*

Fiscal Year Ending June30,	Commission's Proportion Share of the Net Pension Liability (Asset)	Commission's Proportion Share of the Net Pension Liability (Asset)	Commission's Covered Payroll - PERS Employee's	Commission's Proportion Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	Plan Fiduciary Net Position as a percentage of the total Pension Liability
2015	0.0065116375%	\$ 1,219,157	\$ 535,010	227.88%	52.08%
2016	0.0077154294%	1,731,959	499,870	346.48%	47.93%
2017	0.0080707061%	2,390,312	467,366	511.44%	40.14%
2018	0.0071531181%	1,665,132	515,084	323.27%	48.10%
2019	0.0069809602%	1,374,516	513,621	267.61%	53.60%
2020	0.0087934124%	1,584,440	532,723	297.42%	56.27%
2021	0.0078831788%	1,285,540	498,102	258.09%	58.32%
2022	0.0078909333%	934,799	441,842	211.57%	70.33%
2023	0.0068881596%	1,039,518	418,336	248.49%	62.91%

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

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
Schedules of Required Supplementary Information
Schedule of Commission's Contributions - PERS
Last 10 Fiscal Years*

<u>Fiscal Year Ending June30,</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Commission's PERS Covered- Employee Payroll</u>	<u>Contributions as a Percentage of PERS Covered- Employee Payroll</u>
2015	53,681	53,681	\$ -	\$535,010	10.03%
2016	66,332	66,332	-	499,870	13.27%
2017	72,053	72,053	-	467,366	15.42%
2018	67,966	67,966	-	515,084	13.20%
2019	69,438	69,438	-	513,621	13.52%
2020	86,297	86,297	-	532,723	16.20%
2021	86,238	86,238	-	498,102	17.31%
2022	92,412	92,412	-	441,842	20.92%
2023	86,863	86,863	-	418,336	20.76%

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

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
Schedules of Required Supplementary Information
Schedule of Commission's Proportionate Share of Net Pension Liability - TPAF
Last 10 Fiscal Years*

<u>Fiscal Year Ending June30,</u>	<u>Commission's Proportion Share of the Net Pension Liability (Asset)</u>	<u>Commission's Proportion Share of the Net Pension Liability (Asset)</u>	<u>State's Proportionate Share of the Net Pension Liability Associated with the Commission (Asset)</u>	<u>Commission's Covered Payroll - TPAF Employee's</u>	<u>Commission's Proportion Share of the Net Pension Liability (Asset) as a percentage of Its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a percentage of the total Pension Liability</u>
2015	0.0098253150%	\$ -	\$ 5,249,823	\$ 1,278,494	0.00%	33.64%
2016	0.0116098318%	-	7,337,909	1,326,713	0.00%	28.71%
2017	0.0122743684%	-	8,655,800	1,309,626	0.00%	28.75%
2018	0.0133166707%	-	8,978,580	1,355,564	0.00%	25.41%
2019	0.0126386989%	-	8,040,469	1,642,285	0.00%	26.49%
2020	0.0123625190%	-	7,586,995	1,597,887	0.00%	26.95%
2021	0.0136383831%	-	8,980,711	1,642,145	0.00%	24.60%
2022	0.0145830263%	-	7,010,817	1,764,793	0.00%	35.52%
2023	0.0147040895%	-	7,586,489	1,592,325	0.00%	32.29%

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

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
Note to Required Schedules of 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

None

TEACHERS PENSION AND ANNUITY FUND (TPAF)

Change in benefit terms

None

Change in assumptions

None

**Sussex County Educational Services Commission
Schedule of Required Supplementary Information
Schedule of Changes in the Commission's Proportionate Share of the State OPEB Liability
Last 10 Fiscal Years***

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service Costs	\$ 493,413.00	\$ 585,063.00	\$ 329,325	\$ 301,675	\$ 322,518	\$ 385,917
Interest on Total OPEB Liability	157,432.00	207,208.00	191,513	252,016	266,227	227,216
Change in Benefit Terms	0.00	(8,502.00)	-	-	-	-
Difference Between Expected and Actual Experience	(953,326.00)	(1,486,897.00)	1,621,325	(1,547,114)	(612,051)	-
Changes in Assumptions	(1,593,619.00)	7,880.00	1,611,259	77,775	(721,502)	(924,466)
Gross Benefit Payments	(155,941.00)	(163,222.00)	(163,563)	(160,125)	(168,121)	(166,639)
Contribution from the Member	5,003.00	5,297.00	4,654	4,747	5,811	6,136
Net Changes in total Share of OPEB Liability	(2,047,038)	(933,173)	3,604,513	(1,071,026)	(907,118)	(471,836)
Total OPEB Liability - Beginning	7,987,637	8,820,810	5,216,297	6,287,323	7,194,441	7,686,277
Total OPEB Liability - Ending	\$ 5,940,599	\$ 7,987,637	\$ 8,820,810	\$ 5,216,297	\$ 6,287,323	\$ 7,194,441
Commission's Proportionate Share of OPEB Liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's Proportionate Share of OPEB Liability	5,940,599	7,987,637	8,820,810	5,216,297	6,287,323	7,194,441
Total OPEB Liability - Ending	\$ 5,940,599	\$ 7,987,637	\$ 8,820,810	\$ 5,216,297	\$ 6,287,323	\$ 7,194,441
Commission's Covered Employee Payroll	\$ 2,010,661	\$ 2,206,635	\$ 2,140,247	\$ 2,130,610	\$ 2,155,906	\$ 1,870,648
Commission's Proportionate Share of the Total OPEB Liability as a Percentage of its Covered Payroll	0%	0%	0%	0%	0%	0%

Notes to Schedule:

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

Change in benefit terms

Decrease in liability due to employers adopting the provisions of Chapter 44, P.L. 2020

Change in assumptions

Assumptions used in calculating the OPEB liability are presented in Note 9.

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

Other Supplementary Information

SPECIAL REVENUE FUND

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

	Rural Education Achievement Program	ARP ESSER	Local Grants	Student Activities	Total
Revenues:					
Federal Sources	23,012	5,391	-	-	28,403
Local Sources	-	-	53	895	948
Total Revenues	<u>23,012</u>	<u>5,391</u>	<u>53</u>	<u>895</u>	<u>29,351</u>
Expenditures:					
Instruction:					
Instructional Supplies	-	3,403	-	-	3,403
Total Instruction	<u>-</u>	<u>3,403</u>	<u>-</u>	<u>-</u>	<u>3,403</u>
Support Services:					
Purchased Prof. & Tech. Services	-	-	53	-	53
Other Purchased Services (400-500) Series	14,268	1,988	-	-	16,256
General Supplies	8,743	-	-	-	8,743
Total Support Services	<u>23,012</u>	<u>1,988</u>	<u>53</u>	<u>-</u>	<u>25,052</u>
Total Expenditures	<u>23,012</u>	<u>5,391</u>	<u>53</u>	<u>-</u>	<u>28,456</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	895	895
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>	3,661	3,661
Fund Balance, June 30	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,556</u>	<u>4,556</u>

LONG-TERM DEBT

**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
 GENERAL LONG TERM DEBT ACCOUNT GROUP
 STATEMENT OF OBLIGATIONS UNDER FINANCED PURCHASES
 AS OF JUNE 30, 2023**

	<u>Interest Rate Payables</u>	<u>Amount of Original Issue</u>	<u>Balance July 1, 2022</u>	<u>Retired Current Year</u>	<u>Balance June 30, 2023</u>
Savin IMC6000 Digital Copier w/ Accessories & IM7000 Digital Copier w/Accessories	N/A	25,864	<u>21,243</u>	<u>4,882</u>	<u>16,361</u>
			<u>21,243</u>	<u>4,882</u>	<u>16,361</u>

STATISTICAL SECTION

STATISTICAL SECTION (UNAUDITED)

Introduction to the Statistical Section

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

STATISTICAL SECTION (UNAUDITED) - INTRODUCTION

J SERIES

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

Sussex County Educational Services Commission

Net Position** by Component,
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental activities										
Invested in capital assets, net of related debt	1,875,551	1,818,328	1,763,473	1,701,277	1,657,777	1,714,688	1,674,380	1,584,875	1,507,649	1,462,667
Restricted	101,239	120,090	79,941	711	125,470	23,019	4,456	30,712	12,303	34,516
Unrestricted	1,236,076	332,617	666,114	896,768	1,208,529	1,591,777	1,264,438	1,465,101	2,320,857	3,160,777
Total governmental activities net position	3,212,866	2,271,035	2,509,528	2,598,756	2,991,777	3,329,484	2,943,274	3,080,688	3,840,809	4,657,961
District-wide										
Invested in capital assets, net of related debt	1,875,551	1,818,328	1,763,473	1,701,277	1,657,777	1,714,688	1,674,380	1,584,875	1,507,649	1,462,667
Restricted	101,239	120,090	79,941	711	125,470	23,019	4,456	30,712	12,303	34,516
Unrestricted	1,236,076	332,617	666,114	896,768	1,208,529	1,591,777	1,264,438	1,465,101	2,320,857	3,160,777
Total district net position	3,212,866	2,271,035	2,509,528	2,598,756	2,991,777	3,329,484	2,943,274	3,080,688	3,840,809	4,657,961

Sources: ACFR Schedule A-1

Sussex County Educational Services Commission
Changes in Net Position**
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Expenses										
Governmental activities										
Instruction										
Regular	170,829	-	-	-	-	-	-	-	-	-
Special education	1,289,489	1,127,496	1,052,475	1,298,869	1,665,222	1,626,710	1,588,954	1,401,778	1,089,821	1,155,761
Other special instruction	100,512	-	-	-	-	-	-	-	-	-
Other instruction	-	1,170,764	1,197,114	671,264	767,151	754,762	749,805	893,377	1,043,182	973,937
Support Services:										
Student & instruction related services	1,200,764	1,077,474	1,091,869	1,317,765	1,428,351	1,386,573	1,455,192	1,603,375	1,609,594	1,539,204
General administrative services	274,546	322,963	333,089	364,961	449,866	375,393	368,495	397,608	343,799	350,275
School administrative services	273,753	352,920	407,967	333,655	375,553	452,244	465,021	505,291	421,730	414,055
Central Services and Admin. Info. Tech.	254,677	228,003	288,258	421,466	430,159	379,382	379,901	403,885	391,735	361,754
Plant operations and maintenance	162,379	176,672	183,240	241,370	284,365	288,046	282,792	251,207	295,294	258,379
Pupil Transportation	5,517	586	382	-	1,410	158	-	-	-	-
Capital outlay	-	3,477	1	-	-	-	-	-	-	20,036
Special schools	182,437	200,197	211,708	201,234	223,037	244,438	234,434	162,647	212,153	214,246
Total governmental activities expenses	3,914,903	4,660,552	4,786,103	4,850,582	5,625,113	5,507,550	5,524,752	5,619,168	5,407,308	5,287,646
Program Revenues										
Governmental activities:										
Charges for services:										
Instruction	3,326,655	3,785,919	3,546,533	3,231,672	4,092,086	4,201,631	3,829,227	3,944,144	4,529,634	4,692,688
Operating grants and contributions	211,428	279,749	333,407	388,670	434,186	497,384	549,689	703,653	941,974	922,291
Total governmental activities program revenues	3,538,083	4,065,668	3,879,940	3,620,341	4,526,272	4,699,014	4,378,916	4,647,797	5,471,608	5,614,979
Net (Expense)/Revenue										
Governmental activities	(376,820)	(594,884)	(886,164)	(1,230,241)	(1,098,841)	(808,535)	(1,145,836)	(971,371)	64,300	327,333
Total district-wide net expense	(376,820)	(594,884)	(886,164)	(1,230,241)	(1,098,841)	(808,535)	(1,145,836)	(971,371)	64,300	327,333
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Unrestricted grants and contributions	-	219,723	349,772	575,713	830,809	472,611	189,864	502,806	12,711	(322,146)
Investment earnings	1,361	1,776	3,224	3,890	4,788	5,023	5,335	4,649	4,503	20,826
Miscellaneous income	710,587	830,174	771,657	739,866	646,354	670,106	564,437	597,749	678,607	759,401
Total governmental activities	711,947	1,051,673	1,124,653	1,319,470	1,481,950	1,147,740	759,626	1,105,204	695,821	458,078
Change in Net Position										
Governmental activities	335,127	456,789	238,489	89,228	383,109	339,205	(386,210)	133,833	760,121	785,411

Source: ACFR Schedule A-2

Sussex County Educational Services Commission

Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Fund										
Committed	8,360	42,271	16,899	711	125,470	23,019	4,456	27,126	8,642	29,960
Unassigned	1,294,358	1,786,510	2,248,220	2,604,600	2,957,943	3,331,096	3,058,613	3,230,158	3,859,790	4,515,147
Total general fund	1,302,718	1,828,781	2,265,119	2,605,311	3,083,413	3,354,115	3,063,069	3,257,285	3,868,432	4,545,108
All Other Governmental Funds										
Restricted										
Special revenue fund	-	-	-	-	-	-	-	3,586	3,661	4,556
Total all other governmental funds	-	-	-	-	-	-	-	3,586	3,661	4,556

Source: ACFR Schedule B-1

Sussex County Educational Services Commission
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues										
Tuition charges	\$ 2,268,117	\$ 2,960,423	\$ 2,918,775	\$ 2,896,125	\$ 2,761,511	\$ 2,849,343	\$ 3,437,905	\$ 3,419,910	\$ 3,818,075	\$ 4,018,952
Other local government units	1,058,538	825,486	627,759	335,547	1,330,576	1,352,287	391,322	524,235	711,560	757,313
Miscellaneous	712,398	835,420	774,903	743,757	651,659	675,129	569,772	606,953	683,108	696,650
State sources	191,428	256,279	313,407	371,295	417,355	478,414	532,412	686,962	902,360	888,502
Federal sources	20,000	20,000	20,000	17,375	16,830	18,970	17,277	17,691	39,614	33,789
Total revenue	4,250,481	4,887,618	4,654,844	4,364,098	5,177,931	5,374,144	4,948,688	5,256,750	6,154,717	6,395,205
Expenditures										
Instruction										
Regular instruction	147,650	-	-	-	-	-	-	-	-	-
Special education instruction	1,034,303	925,968	864,075	865,994	1,089,560	1,156,454	1,136,855	948,730	860,673	922,386
Other instruction	67,841	888,343	815,280	456,330	521,750	512,772	540,033	568,374	721,532	772,431
Support Services:										
Student & instruction related services	952,413	703,177	649,299	772,260	828,251	870,167	951,006	962,906	1,098,242	1,133,169
General administrative services	224,466	238,772	214,867	246,801	323,271	258,142	259,285	256,210	248,535	273,176
School Administrative services	189,456	220,197	232,309	207,265	225,188	274,557	289,394	290,571	273,518	300,393
Central Services and Admin. Info. Tech.	194,824	151,583	179,808	251,449	255,957	244,315	269,688	259,183	276,926	278,964
Plant operations and maintenance	152,945	160,922	157,936	191,281	223,948	228,991	225,367	199,968	249,996	235,251
Pupil transportation	5,517	587	382	-	1,410	-	158	-	-	-
Unallocated benefits	683,925	889,050	938,342	833,264	986,821	1,172,495	1,214,234	1,411,940	1,601,920	1,567,584
Special schools	182,437	200,197	211,708	201,234	223,037	139,140	234,434	162,647	212,153	214,246
Capital outlay	736,386	21,776	32,297	26,943	20,634	244,438	119,280	-	25,864	20,036
Total expenditures	4,571,973	4,400,572	4,296,303	4,062,820	4,699,829	5,101,472	5,239,734	5,062,528	5,569,359	5,717,634
Excess (Deficiency) of revenues over (under) expenditures	(321,493)	487,046	358,541	311,278	478,102	272,672	(291,046)	194,222	585,358	677,571
Other Financing sources (uses)										
Financed purchases (non-budgeted)	29,275	-	-	26,943	-	-	-	-	25,864	-
Transfers in - capital outlay	400,000	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	429,275	-	-	26,943	-	-	-	-	25,864	-
Net change in fund balances	107,782	487,046	358,541	338,221	478,102	272,672	(291,046)	194,222	611,222	677,571
Debt service as a percentage of noncapital expenditures	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%

Source: ACFR Schedule B-2

Note: Noncapital expenditures are total expenditures less capital outlay.

Sussex County Educational Services Commission

General Fund - Local Revenue by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year Ended June 30,	Interest on Investments	Other Local Government Units	Tuition	Misc.	Total
2014	1,361	1,058,538	2,268,117	711,037	4,039,053
2015	1,776	825,496	2,960,423	833,644	4,621,339
2016	3,247	724,955	2,918,775	664,365	4,311,341
2017	3,890	335,547	2,896,125	738,866	3,974,428
2018	4,788	1,330,576	2,761,511	644,514	4,741,388
2019	5,023	1,352,287	2,849,343	668,306	4,874,960
2020	5,335	391,322	3,437,905	564,436	4,398,998
2021	4,642	524,235	3,419,910	602,304	4,551,090
2022	4,498	711,560	3,818,075	674,892	5,209,024
2023	20,820	757,313	4,018,952	673,736	5,470,821

Source: Commission Records

Sussex County Educational Services Commission
Full-time Equivalent Commission Employees by Function/Program,

Last Ten Fiscal Years

<u>Function/Program</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Instruction	7.0	8.0	7.0	8	9	9	9	8	7	9
Special education	32.0	31.5	31.2	32.4	35.2	32.8	28	22.4	20.8	28.8
Other special education										
Support Services:										
Tuition										
Student & instruction related services	9.0	9.0	10.2	13.9	22.2	22.1	20.8	19.3	19.3	25
School administrative services	4.0	5.5	5.0	5.8	5	6	7	7	6	6
Business and other support services	2.5	2.8	2.0	2.0	2.4	2.4	2.4	2.4	2.4	2.4
Plant operations and maintenance	1.0	1.0	1.0	1.9	1.9	2.2	2	1.6	1.7	2.01
Total	55.5	57.8	56.4	64.0	75.7	74.5	69.2	60.7	57.2	73.21

Source: Commission Budget Records

Sussex County Educational Services Commission

Operating Statistics

Last Ten Fiscal Years

Pupil/Teacher Ratio

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Northern Hills					
2014	40	3,835,577	95,889	5.70%	13	3:1		39.1	36.5	4.07%	93.36%
2015	37	4,378,795	118,346	23.42%	13	3:1		37.1	34.6	-5.26%	93.36%
2016	35	4,264,005	121,829	2.94%	13	3:1		36.0	34.0	-2.89%	94.53%
2017	32	4,025,876	125,809	3.27%	13	3:1		36.3	35.8	0.83%	98.62%
2018	46	4,678,194	101,722	-19.15%	15	3:1		45.9	42.4	26.39%	92.44%
2019	44	4,857,033	110,387	8.52%	15	3:1		44.8	41.1	-2.33%	91.70%
2020	44	5,120,454	116,374	5.42%	15	3:1		39.3	36.4	-12.27%	92.67%
2021	40	5,062,528	126,563	8.76%	14	3:1		41.1	33.9	4.43%	82.48%
2022	42	5,543,495	131,988	4.29%	13	3:1		42.0	36.32	2.31%	86.48%
2023	42	5,697,598	135,657	2.78%	14	3:1		47.0	36.07	11.90%	76.74%

Sources: Commission records

Note: Enrollment based on annual October district 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).

Sussex County Educational Services Commission

School Building Information

Last Ten Fiscal Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
District Building										
Northern Hills Academy (1994)	12,277	12,277	12,277	12,277	12,277	12,277	12,277	12,277	12,277	12,277
Square Feet	60	60	60	60	60	60	60	60	60	60
Capacity (students)	40	37	35	32	46	44	44	40	42	42
Enrollment										

Number of Schools at June 30, 2020
Other = 1

Source: Commission records

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of additions.

**Sussex County Educational Services Commission
General Fund
Schedule of Allowable Maintenance Expenditures by School Facility
Last Ten Fiscal Years
Unaudited**

Undistributed Expenditures - Required Maintenance for School Facilities
11-000-261-XXX

School Facilities*	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
--------------------	------	------	------	------	------	------	------	------	------	------

Northern Hills Academy	20,611	8,895	14,391	4,316	5,555	6,164	12,461	8,748	9,028	4,160
------------------------	--------	-------	--------	-------	-------	-------	--------	-------	-------	-------

(* School facilities as defined under EFCFA.
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: Commission Records

**Sussex County Educational Services Commission
Insurance Schedule
For the Fiscal Year ended June 30, 2023
Unaudited**

	Coverage	Deductible
Commercial Package Policy Building & Contents	\$ 3,420,600	\$ 1,000
New Jersey School Boards Association Insurance Group (NJSBAIG)		
Casualty Coverage General Liability and Auto Liability (NJSBAIG)	16,000,000	
School Board Legal Liability: Coverage A (NJSBAIG)	16,000,000	10,000
School Board Legal Liability: Coverage B (NJSBAIG)	100,000 / 300,000	
Public Official's Bond - Selective Insurance Company		
Treasurer of School Monies	175,000	
School Business Administrator / Commission Secretary	150,000	
Workers' Compensation (NJSBAIG):	As per State Statue	

SINGLE AUDIT SECTION



WIELKOTZ & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable President and
Members of the Board of Directors
Sussex County Educational Services Commission
County of Sussex, New Jersey
Sparta, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund and the aggregate remaining fund information of the Sussex County Educational Services Commission, in the County of Sussex, New Jersey, 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 18, 2024.

Internal Control Over Financial Reporting

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



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

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

Compliance and Other Matters

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

We noted certain matters that were required to be reported to the Sussex County Educational Services Commission in the separate Auditors' Management Report on Administrative Findings - Financial, Compliance and Performance dated January 18, 2024.

Purpose of this Report

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



Steven D. Wielkocz, C.P.A.
Licensed Public School Accountant
No. 816



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

January 18, 2024





WIELKOTZ & COMPANY LLC
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE
AND N.J. OMB CIRCULAR 15-08**

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

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major State Program

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

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

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and N.J. OMB Circular 15-08. Our



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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Sussex County Educational Services Commission's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, the Uniform Guidance and N.J. OMB Circular 15-08, will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Sussex County Educational Services Commission's compliance with the requirements of each major state program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Sussex County Educational Services Commission Board of Education'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 Sussex County Educational Services Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and N.J. OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of Sussex County Educational Services Commission's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

Honorable President and
Members of the Board of Directors

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The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and N.J. OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.



Steven D. Wielkotz, C.P.A.
Licensed Public School Accountant
No. 816



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

January 18, 2024

Sussex County Educational Services Commission
 Schedule of Expenditures of Federal Awards
 for the Fiscal Year Ending June 30, 2023

Federal Grantor/Pass- Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period From / To	Balance at June 30, 2022 (Accounts Receivable	Cash Received	Budgetary Expenditures	Balance at June 30, 2023 (Accounts Receivable	MEMO Cumulative Total Expenditure
U.S. Department of Treasury Passed through State Department of Education Special Revenue Fund: A.R.P. - E.S.S.I.E.R.	84.425U	S425U210027	22,207	3/13/20-9/30/24	(9,766) (9,766)	-	(5,391) (5,391)	(15,157)* (15,157)*	15,157 15,157
U.S. Department of Education Passed through State Department of Education: Special Revenue Fund: Rural Education Achievement Program	84.358A	S358A156039	23,012	07/01/22-09/30/23	(5,217)	-	(23,012)	(28,229)*	23,012
Total Federal Financial Awards					(14,983)	-	(28,403)	(43,386)*	38,169

Note: This schedule was not subject to an audit in accordance with the Federal OMB's Uniform Guidance.

Sussex County Educational Services Commission
 Schedule of Expenditures of State Financial Assistance
 for the Fiscal Year Ending June 30, 2023

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From / To	Balance June 30, 2022 Def. Rev. (Accts Rec.)	Cash Received	Budgetary Expenditures	Balance June 30, 2023 Def. Rev. (Accts Rec.)	MEMO Cumulative Total Expenditures
State Department of Education:								
General Fund:								
Reimbursed T.P.A.F. - Social Security	495-034-5094-003	128,026	7/1/21 - 6/30/22	(5,862)	5,862	-	-	128,026
Reimbursed T.P.A.F. - Social Security	495-034-5094-003		7/1/22 - 6/30/23	-	110,874	(117,334)	(6,460)	-
On-Behalf TPAF Post Retirement Medical	495-034-5094-001		7/1/22 - 6/30/23	-	160,342	(160,342)	-	-
On-Behalf TPAF Pension	495-034-5094-002		7/1/22 - 6/30/23	-	602,014	(602,014)	-	-
On-Behalf TPAF NCGI Pension	495-034-5094-004		7/1/22 - 6/30/23	-	8,352	(8,352)	-	-
On-Behalf TPAF Long Term Disability	495-034-5094-004		7/1/22 - 6/30/23	-	460	(460)	-	-
Total General Fund				(5,862)	887,904	(888,502)	(6,460)	128,026
Special Revenue Fund:								
School Security Grant	N/A	16,624	7/1/20 - 6/30/22	(16,624)	16,624	-	-	16,624
Total State Financial Assistance				(22,486)	904,528	(888,502)	(6,460)	144,650
Less: On-Behalf TPAF Pension & Annuity Aid								
On-Behalf TPAF Post Retirement Medical	495-034-5094-001	112,965	7/1/19 - 6/30/20	-	160,342	(160,342)	-	-
On-Behalf TPAF Pension	495-034-5094-002	299,142	7/1/19 - 6/30/20	-	602,014	(602,014)	-	-
On-Behalf TPAF NCGI Pension	495-034-5094-004	5,362	7/1/19 - 6/30/20	-	8,352	(8,352)	-	-
On-Behalf TPAF Long Term Disability	495-034-5094-004	547	7/1/19 - 6/30/20	-	460	(460)	-	-
Total For State Financial Assistance Determination				(22,486)	133,360	(117,334)	(6,460)	144,650

NOTE 1. GENERAL

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance include the activity of all Federal and State Award programs of the Sussex County Educational Services Commission. The Commission is defined in Note 1 to the Commission's financial statements. All Federal and State Awards received directly from federal and state agencies, as well as Federal Awards and State Awards 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 Financial Assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. This basis of accounting is described in Notes 1 to the Commission's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and N.J. OMB Circular 15-08, therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (continued)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$-0- for the general fund and \$6,531 for the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds.

Additionally, as discussed further in Note 8, the State of New Jersey makes contributions on-behalf of the Commission for TPAF post-retirement medical and pension contributions. The total amount of these contributions during 2023 fiscal year was \$771,168.

Awards and financial assistance revenues are reported in the Commission’s financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$888,502	\$888,502
Special Revenue Fund	<u>33,789</u>	<u> </u>	<u>33,789</u>
	<u>\$33,789</u>	<u>\$888,502</u>	<u>\$922,291</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 awards and state financial reports.

NOTE 5. OTHER

The amount reported as TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2023.

The State of New Jersey also makes TPAF post-retirement medical and pension contribution expenditures on-behalf of the Commission. These expenditures are not subject to New Jersey OMB Circular 15-08 because the contributions are made by the State directly and do not have any compliance related requirements, and therefore, have not been included on the Schedule of State Financial Assistance, as directed by the funding agency.

SUSSEX 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

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- 1) Material weakness(es) identified? yes X no
2) Significant deficiencies identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

NOT APPLICABLE

State Awards Section

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

Auditee qualified as low-risk auditee? yes X no

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

Internal Control over major programs:

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

Any audit findings disclosed that are required to be reported in accordance with NJ OMB's Circular 15-08? yes X no

Identification of major programs:

<u>State Grant/Project Number(s)</u>	<u>Name of State Program</u>
<u>22-495-034-5094-003</u>	<u>Reimbursed TPAF Social Security Contributions</u>

**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(CONTINUED)**

Section II - Schedule of Financial Statement Findings

NONE

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

No matters were reported.

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

Status of Prior Year Findings

N/A