

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

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2024**

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT
of the**

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION

Sparta, New Jersey

For the Fiscal Year Ended June 30, 2024

Prepared by

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
Finance Office

**SUSSEX COUNTY EDUCATION SERVICES COMMISSION
FISCAL YEAR ENDED JUNE 30, 2024**

TABLE OF CONTENTS

INTRODUCTORY SECTION

	<u>Page</u>
Letter of Transmittal	1
Organizational Chart	5
Roster of Officials	6
Consultants and Advisors	7

FINANCIAL SECTION

Independent Auditor's Report	8
Management's Discussion and Analysis	13
Basic Financial Statements	
A. District-Wide Financial Statements:	
A-1 Statement of Net Position	22
A-2 Statement of Activities	23
B. Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet	24
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balance	25
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	26
Proprietary Funds:	
B-4 Statement of Net Position	N/A
B-5 Statement of Revenues, Expenditures and Changes in Fund Net Position	N/A
B-6 Statement of Cash Flows	N/A
Fiduciary Funds:	
Not Applicable	
Notes to the Basic Financial Statements	27
Required Supplementary Information	
C. Budgetary Comparison Schedules:	
C-1 Budgetary Comparison Schedule - General Fund	60
C-2 Budgetary Comparison Schedule - Special Revenue Fund	64
C-3 Budgetary Comparison Schedule - Note to the Required Supplementary Information	65
L. Schedules Related to Accounting and Reporting for Pensions (GASB 68)	
L-1 Schedule of the District's Share of the Net Pension Liability - Public Employees Retirement System	66
L-2 Schedule of District's Contributions - Public Employees Retirement System	67
L-3 Schedule of District's Proportionate Share of the Net Pension Liability - Teacher's Pension and Annuity Fund	68
L-4 Schedule of District's Contributions - Teacher's Pension and Annuity Fund	69

**SUSSEX COUNTY EDUCATION SERVICES COMMISSION
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2024**

FINANCIAL SECTION (continued)

	<u>Page</u>
Required Supplementary Information (continued)	
M. Schedules Related to Accounting and Reporting for OPEB (GASB 75)	
M-1 Schedule of Changes in the District's Proportionate Share of the State OPEB Liability	70
Other Supplementary Schedules	
E. Special Revenue Fund:	
E-1 Combining Schedule of Program Revenues and Expenditures - Budgetary Basis	71
F. Capital Projects Fund:	
F-1 Summary Schedule of Project Expenditures	N/A
F-2 Summary Schedule of Revenues, Expenditures and Changes in Fund Balance - Budgetary Basis	N/A
G. Proprietary Funds:	
G-1 Combining Statement of Net Position	N/A
G-2 Combining Statement of Revenues Expenses, and Changes in Fund Net Position	N/A
G-3 Combining Statement of Cash Flows	N/A
H. Fiduciary Fund:	
Not Applicable	
I. Long Term Debt:	
I-1 Schedule of Serial Bonds	N/A
I-2 Schedule of Obligations Under Finance Purchases	72
I-3 Budgetary Comparison Schedule	N/A

STATISTICAL SECTION (Unaudited)

J. Statistical Section (Unaudited)	
J-1 Net Position by Component	73
J-2 Changes in Net Position	74
J-3 Fund Balances - Governmental Funds	75
J-4 Changes in Fund Balances - Governmental Funds	76
J-5 General Fund - Other Local Revenue by Source	77
J-6 Assessed Value and Actual Value of Taxable Property	N/A
J-7 Direct and Overlapping Property Tax Rates	N/A
J-8 Principal Property Taxpayers, Current Year and Nine Years Ago	N/A
J-9 Property Tax Levies and Collections	N/A
J-10 Ratios of Outstanding Debt by Type	N/A
J-11 Ratios of Net General Bonded Debt Outstanding	N/A
J-12 Ratios of Overlapping Governmental Activities Debt	N/A
J-13 Legal Debt Margin Information	N/A
J-14 Demographic and Economic Statistics	N/A
J-15 Principal Employers, Current Year and Nine Years Ago	N/A
J-16 Full-time Equivalent District Employees by Function/Program	78
J-17 Operating Statistics	79
J-18 School Building Information	80
J-19 Schedule of Required Maintenance for School Facilities	81
J-20 Insurance Schedule	82

**SUSSEX COUNTY EDUCATION SERVICES COMMISSION
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2024**

SINGLE AUDIT SECTION

	<u>Page</u>
K-1 Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	83
K-2 Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with the Uniform Guidance and N.J. OMB Circular 15-08	85
K-3 Schedule of Expenditure of Federal Awards	89
K-4 Schedule of Expenditure of State Financial Assistance	90
K-5 Notes to the Schedules of Expenditures of Awards and Financial Assistance	91
K-6 Schedule of Findings and Questioned Costs	93
K-7 Summary Schedule of Prior Audit Findings	95

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**

**Kim Gallagher
Principal**

**Anthony DeFelice
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, 2024, 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 2023-2024 school year having served 50 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 2023-2024 school year. Many of these services were provided to local Boards of Education to help provide efficient cost savings to our member/non member 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 2023-2024 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 fourth 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.

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, 2024.

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 Wielkott & 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,

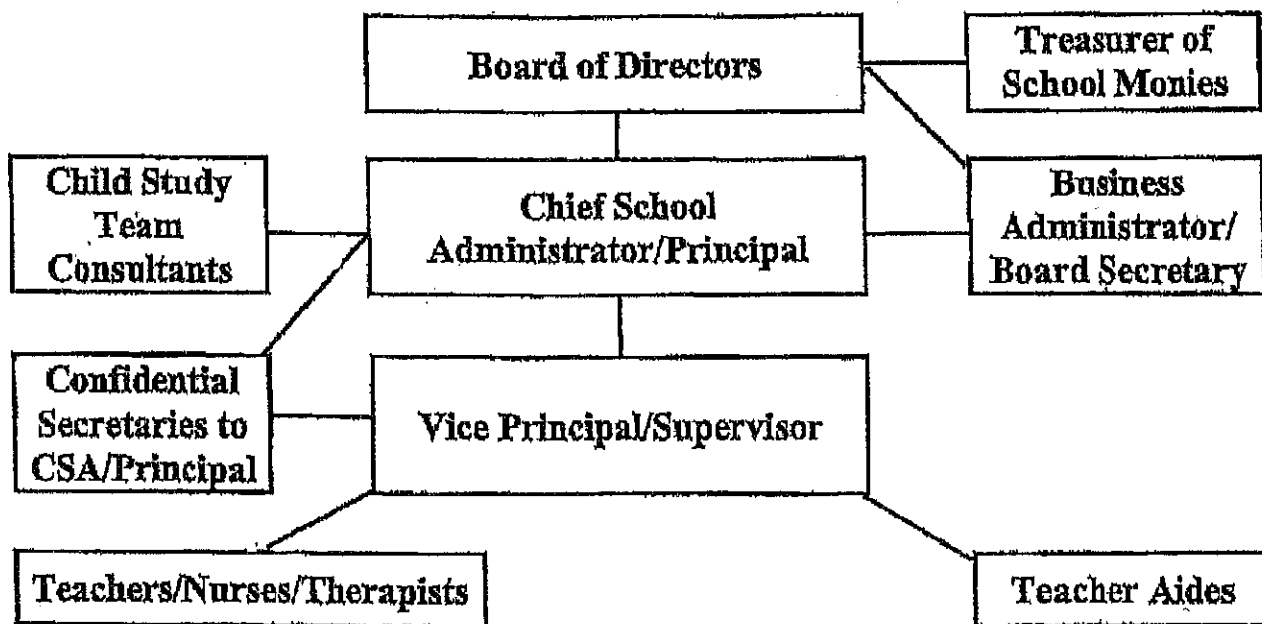


Andrea Romano
Superintendent



Anthony DeFelice
Business Administrator / Board Secretary

**SUSSEX COUNTY
EDUCATIONAL SERVICES COMMISSION
ORGANIZATION CHART**



**Sussex County Educational Services Commission
Sparta, New Jersey**

**Roster of Officials
June 30, 2024**

Members of the Board of Education

Suzanne Ross, President
Joanie Faye, Vice President
Brian Hertenstein
Lauren Pedersen
Kathleen Clohessey
Christopher Bilik
Robert Jones
Ron Hoffman
Debra Cook
Brendan Donegan
Leigh McMichael
Gil Moscatello
Gus Modla
Carl Contino
Virginia Jones

District

Lafayette
Newton
Andover
Byram
Franklin
Green
Hamburg
Hardyston
Kittatinny
Ogdensburg
Sparta
Stanhope
Sussex Tech
Vernon
Walkill Valley

Superintendent of Schools

Andrea Romano

Business Administrator/Board Secretary

Erin Siipola

Business Administrator/Board Secretary

Eileen Kithcart

**Sussex County Educational Services Commission
Sparta, New Jersey**

**Consultants and Advisors
June 30, 2024**

Architect

Parette Somjen Architects
439 US-46, Suite 4
Rockaway, New Jersey 07866

Audit Firm

Wielkottz & Company, LLC
401 Wanaque Avenue
Pompton Lakes, New Jersey 07442

Board Attorney

Cornell, Merlino, McKeever & Osborne, LLC
238 St. Paul Street
Westfield, NJ 07090

Offical Depository

Santander Bank
110 East Main Street
Rockaway, New Jersey 07866

FINANCIAL SECTION



WIELKOTZ & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN D. WIELKOTZ, CPA, RMA, PSA
MATTHEW B. WIELKOTZ, CPA, PSA
DAVID BOTTGE, CPA, RMA, PSA
PAUL J. CUVA, CPA, RMA, PSA
KARI FERGUSON, CPA, RMA, CMFO, PSA
ROBERT C. MCNINCH, CPA, CFE, PSA
KEVIN REEVES, CPA, PSA

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INDEPENDENT AUDITOR'S REPORT

Honorable President and
Members of the Board of 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, 2024, 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, 2024, 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
Page 3.

- 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
Page 4.

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
Page 5.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2025 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. Wielkatz

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

Wielkatz & Company, LLC

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

January 13, 2025



**REQUIRED SUPPLEMENTARY
INFORMATION - PART I**

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2024 (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, 2024. 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. These statements were not applicable in 2023-24.
- *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

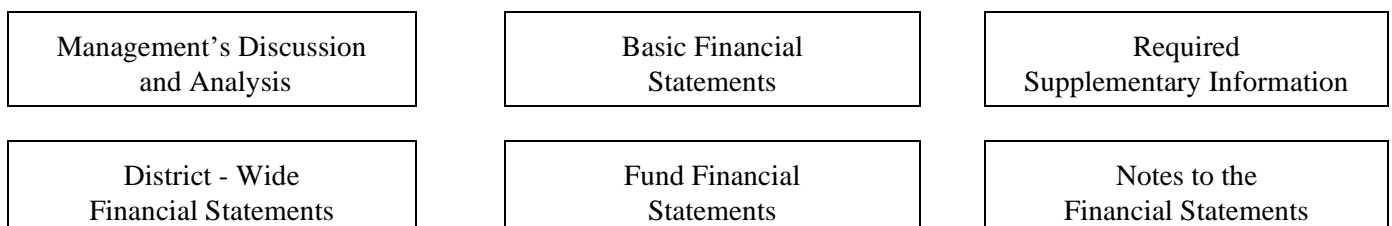


Figure A-2 summarizes the major features of the Commission’s financial statements, including the portion of the Commission’s activities they cover and the types of information they contain. The remainder of this overview section of the Management’s Discussion and Analysis highlights the structure and 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 - N/A
Scope	Entire Commission	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:	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 utilized one type of these 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.

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 \$933,055. Investment in capital assets decreased \$82,001, restricted net position decreased \$27,514 and unrestricted net position increased \$1,042,571.

Figure A-3

Condensed Statement of Net Position

	<u>Governmental Activities</u>	
	<u>2024</u>	<u>2023</u>
Assets:		
Current and Other Assets	\$5,486,463	\$4,639,714
Capital Assets, Net	<u>1,391,870</u>	<u>1,479,028</u>
Total Assets	<u>6,878,333</u>	<u>6,118,742</u>
Deferred Outflows of Resources		
Related to PERS	<u>102,511</u>	<u>224,782</u>
Liabilities:		
Current Liabilities	138,754	169,859
Noncurrent Liabilities	<u>863,246</u>	<u>1,110,409</u>
Total Liabilities	<u>1,002,000</u>	<u>1,280,268</u>
Deferred Inflows of Resources		
Related to PERS	<u>387,827</u>	<u>405,295</u>
Net Position:		
Net Investment in Capital Assets	1,380,667	1,462,668
Restricted	7,001	34,516
Unrestricted	<u>4,203,348</u>	<u>3,160,777</u>
Total Net Position	<u>\$5,591,017</u>	<u>\$4,657,961</u>

Changes in Net Position. The Commission’s combined net position was \$5,591,017 on June 30, 2024, \$933,055 or 20.03% 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>2024</u>	<u>2023</u>
Revenues:		
Charges for Services	\$5,851,007	\$4,692,688
Operating Grants and Contributions	986,528	922,291
General Revenues:		
Other	<u>84,997</u>	<u>458,078</u>
Total Revenues and Transfers	<u>6,922,532</u>	<u>6,073,057</u>
Expenses:		
Instruction	2,555,820	2,129,698
Pupil and Instruction Services	1,768,636	1,539,203
Administrative and Business	1,089,004	1,126,084
Maintenance and Operations	282,663	258,379
Pupil Transportation	-	-
Special Schools	284,454	214,246
Capital Outlay – non-depreciable	<u>8,900</u>	<u>20,036</u>
Total Expenditures and Transfers	<u>5,989,477</u>	<u>5,287,646</u>
Increase/(Decrease) in Net Position	<u>\$933,055</u>	<u>\$785,411</u>

Revenue Sources. The Commission’s total revenue for the 2023/2024 school year was \$6,922,532. (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 84.52%. Another 14.25% 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>2023-24</u>		<u>2022-23</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Sources of Income:				
Charges for Services	\$5,851,007	84.52%	\$4,692,688	77.27%
Grants and Contributions	986,528	14.25%	922,9291	15.19%
Other	<u>84,997</u>	<u>1.23%</u>	<u>458,078</u>	<u>7.54%</u>
	<u>\$6,922,532</u>	<u>100.0%</u>	<u>\$6,073,057</u>	<u>100.00%</u>

Costs of Services. The total cost of all programs and services was \$5,989,477. The Commission's expenses are predominately related to instruction and pupil services 72.20%. (See Figure A-6). The Commission's administrative and business activities accounted for 18.18% of total costs.

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

	<u>2023-24</u>		<u>2022-23</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Expense Category:				
Instruction	\$2,555,820	40.28%	\$2,129,697	40.28%
Pupil and Instruction Services	1,768,636	29.11%	1,539,203	29.11%
Administrative and Business	1,089,004	21.30%	1,126,084	21.30%
Maintenance and Operations	282,663	4.89%	258,379	4.89%
Pupil Transportation	-	0.00%	-	0.00%
Other	<u>293,354</u>	<u>4.43%</u>	<u>234,282</u>	<u>4.43%</u>
	<u>\$5,989,477</u>	<u>100.00%</u>	<u>\$5,287,646</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) Earnings of Services</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Instruction	\$2,555,820	\$2,129,697	\$4,281,715	\$3,485,282
Pupil and Instruction Services	1,768,636	1,539,203	(1,768,636)	(1,539,203)
Administration and Operations	1,089,004	1,126,084	(1,089,004)	(1,126,084)
Maintenance and Operations	282,663	258,379	(282,663)	(258,379)
Pupil Transportation	-	-	-	-
Other	<u>293,354</u>	<u>234,283</u>	<u>(293,354)</u>	<u>(234,283)</u>
	<u>\$5,989,477</u>	<u>\$5,287,646</u>	<u>\$848,058</u>	<u>\$327,333</u>

- Total costs from all governmental activities this year was \$5,989,477.
- The net costs from all governmental activities this year was \$848,058.
- The state and federal governments subsidized certain programs with grants and contributions \$986,528.
- Most of the Commission's costs, however, were financed by charges for services from other local governmental units \$5,851,007.
- 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>2023/2024</u>	<u>2022/2023</u>
Sites	\$230,000	\$ 230,000
Building and Building Improvements	1,138,730	1,213,497
Machinery and Equipment	<u>23,140</u>	<u>29,322</u>
Total Capital Assets	<u>\$1,391,870</u>	<u>\$1,479,028</u>

Long-Term Debt

Financed Purchases balances increased by a new finance purchase agreement for copiers and decreased by principal payments in 2023/2024. 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>2023/2024</u>	<u>2022/2023</u>
Financed Purchases	\$ 11,203	\$ 16,360
Other Long-term	<u>857,492</u>	<u>1,099,205</u>
	<u>\$868,695</u>	<u>\$1,115,565</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, 2024**

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	4,434,944
Receivables, net	1,051,519
Capital Assets:	
Land	230,000
Capital assets, net	<u>1,161,870</u>
Total Assets	<u>6,878,333</u>
 DEFERRED OUTFLOWS	
Deferred outflows of resources related to PERS	<u>102,511</u>
 LIABILITIES	
Accounts payable and accrued liabilities	126,280
Other liabilities	841
Unearned revenue	6,185
Noncurrent liabilities:	
Due within one year	5,448
Due beyond one year	<u>863,246</u>
Total liabilities	<u>1,002,000</u>
 DEFERRED INFLOWS	
Deferred inflows of resources related to PERS	<u>387,827</u>
 NET POSITION	
Invested in capital assets, net of related debt	1,380,667
Restricted for:	
Student Activities	4,571
Other purposes	2,430
Unrestricted	<u>4,203,348</u>
Total net position	<u><u>5,591,017</u></u>

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, 2024

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	1,111,174	201,951	5,851,007	986,528	5,524,410
Other instruction	975,001	267,694	-	-	(1,242,695)
Support services:					
Student & instruction related services	1,329,394	439,242	-	-	(1,768,636)
General administrative services	271,285	70,511	-	-	(341,796)
School administrative service	296,101	71,341	-	-	(367,442)
Central Services and Admin. Info. Tech.	304,732	75,034	-	-	(379,766)
Plant operations and maintenance	251,349	31,314	-	-	(282,663)
Special Schools	284,454	-	-	-	(284,454)
Capital outlay - Non-depreciable	-	8,900	-	-	(8,900)
Total governmental activities	4,823,491	1,165,986	5,851,007	986,528	848,058
Total primary government	4,823,491		5,851,007	986,528	848,058
General revenues:					
		Federal and State aid not restricted			(593,771)
		Interest Earned			11,651
		Other Restricted Miscellaneous Revenue			665,340
		Miscellaneous Income			1,777
Total general revenues, special items, extraordinary items and transfers					84,997
Change in Net Position					933,055
Net Position—beginning					4,657,962
Net Position—ending					5,591,017

* 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, 2024

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	4,430,373	4,571	4,434,944
Interfund loan receivable	-	798	798
Receivables from Federal government	-	5,708	5,708
Receivables from State government	8,060	-	8,060
Receivables from other governments	1,037,015	-	1,037,015
Other Current Assets	736	-	736
Total assets	<u>5,476,183</u>	<u>11,077</u>	<u>5,487,261</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable:			
Payroll Deductions and Withholdings	31,248	-	31,248
Other	22,690	321	23,011
Interfund loans payable	798	-	798
Deferred Revenue	-	6,185	6,185
Other Current Liabilities	841	-	841
Total liabilities	<u>55,576</u>	<u>6,506</u>	<u>62,082</u>
Fund Balances:			
Committed to:			
Reserve for Encumbrances	2,430	-	2,430
Restricted:			
Student Activities	-	4,571	4,571
Unassigned:			
General fund	5,418,177	-	5,418,177
Total fund balances	<u>5,420,607</u>	<u>4,571</u>	<u>5,425,178</u>
Total liabilities and fund balances	<u>5,476,183</u>	<u>11,077</u>	

Amounts reported for *governmental activities* in the statement of net 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.	1,391,870
Accounts payable for subsequent Pension payment is not a payable in the funds	(72,021)
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	102,511
Deferred Inflows of Resources Related to PERS Pension Liability	(387,827)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(868,695)
Net position of governmental activities	<u>5,591,017</u>

* 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, 2024

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Local sources:			
Tuition Charges	4,831,197	-	4,831,197
Interest Income	11,651	-	11,651
Service Revenues	1,019,809	-	1,019,809
Other Restricted Miscellaneous Revenue	665,340	-	665,340
Local Sources		1,777	1,777
Total - Local Sources	6,527,998	1,777	6,529,775
State sources	978,165	-	978,165
Federal sources	-	8,363	8,363
Total revenues	7,506,163	10,140	7,516,303
EXPENDITURES			
Current:			
Instruction:			
Special education instruction	1,111,174	-	1,111,174
Other instruction	973,959	1,042	975,001
Support services and undistributed costs:			
Student & instruction related services	1,320,312	9,082	1,329,394
General administrative services	271,285	-	271,285
School administrative services	296,101	-	296,101
Central Services and Admin. Info. Tech.	304,732	-	304,732
Plant operations and maintenance	251,349	-	251,349
Unallocated employee benefits	1,805,700	-	1,805,700
Capital outlay	11,598	-	11,598
Special Schools	284,454	-	284,454
Total expenditures	6,630,664	10,125	6,640,789
Excess (Deficiency) of revenues over expenditures	875,499	16	875,514
Fund balance—July 1	4,545,108	4,556	4,549,664
Fund balance—June 30	5,420,607	4,571	5,425,178

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, 2024**

Total net change in fund balances - governmental funds (from B-2)	875,514
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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	(89,856)	
Depreciable capital outlay	<u>2,698</u>	(87,158)

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 the difference is an addition to the reconciliation (+).

(Increase) Decrease in compensated absences payable	11,224
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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	5,157
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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	74,968	
Less: Pension Expense	<u>(53,350)</u>	128,318
(Increase)/Decrease in Pension Expense		

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	(460,089)
Decrease in On-behalf TPAF Pension Expense	460,089

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	(133,682)
Increase in On-behalf State Aid TPAF Post Retirement Medical Expense	133,682

Change in net position of governmental activities	<u><u>933,055</u></u>
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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, 2024

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, 2024

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, 2024

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, 2024

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2024**

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, 2024

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, 2024**

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, 2024.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2024, 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, 2024

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 capital assets are valued at their acquisition 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. 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, 2024

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 judgments, 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, 2024

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, 2024

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, 2024**

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, 2024

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.

Recently Issued Accounting Pronouncements

The GASB has issued the following statements that will become effective for the School District for fiscal years ending June 30, 2025 and 2026:

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

In December 2023, the Government Accounting Standards Board issued GASB Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Management is currently evaluating whether or not this Statement will have an impact on the basic financial statements of the District.

In April 2024, the Government Accounting Standards Board issued GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its' effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter, though, earlier application is encouraged. Management is currently reviewing the provisions of this Statement and plans to implement, as needed, before the effective date.

Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2024

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, 2024, \$-0- of the Commission's bank balance of \$4,392,607 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, 2024

NOTE 4. RECEIVABLES

Receivables at June 30, 2024 consisted of accounts and intergovernmental. All receivables are considered collectible in full. A summary of the principal items of receivables follows:

	District Wide Financial <u>Statements</u>	Governmental <u>Fund</u>
Interfunds	\$ -	\$798
State Aid	8,060	8,060
Federal Aid	5,708	5,708
Other	<u>1,037,750</u>	<u>1,037,015</u>
Gross Receivables	1,051,518	1,051,581
Less: Allowance for Uncollectibles	<u>-0-</u>	<u>-0-</u>
Total Receivables, Net	<u><u>\$1,051,518</u></u>	<u><u>\$1,051,581</u></u>

NOTE 5. INTERFUND BALANCES AND ACTIVITY

Balances due to/from other funds at June 30, 2024 consist of the following:

Due to the General Fund from the Special Revenue Fund for short term loans	<u><u>\$798</u></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, 2024

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2024 was as follows:

	<u>Balance</u> <u>06/30/23</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>06/30/24</u>
Governmental Activities:				
Capital Assets,				
Not being depreciated:				
Sites (Land)				
	<u>\$230,000</u>	<u>\$</u>	<u>\$</u>	<u>\$230,000</u>
Total Capital Assets, Not Being				
Depreciated	<u>230,000</u>	<u></u>	<u></u>	<u>230,000</u>
 Building and Improvements	2,226,652			2,226,652
Site Improvements	362,657			362,657
 Machinery and Equipment	<u>129,942</u>	<u>2,698</u>	<u></u>	<u>132,640</u>
 Total at historical cost	<u>2,719,251</u>	<u>2,698</u>	<u></u>	<u>2,721,949</u>
 Less: Accumulated Depreciation for:				
Building and Improvements	(1,167,201)	(60,447)		(1,227,648)
Site Improvements	(202,402)	(20,529)		(222,931)
Machinery and Equipment	<u>(100,620)</u>	<u>(8,880)</u>	<u></u>	<u>(109,500)</u>
 Total Accumulated Depreciation	<u>(1,470,223)</u>	<u>(89,856)</u>	<u>0</u>	<u>(1,560,079)</u>
 Total Capital Assets, Being				
Depreciated, Net of Accumulated				
Depreciation	<u>1,249,028</u>	<u>(87,158)</u>	<u></u>	<u>1,161,870</u>
 Governmental Activities				
Capital Assets, Net	<u>\$1,479,028</u>	<u>\$(87,158)</u>	<u>\$</u>	<u>\$1,391,870</u>

Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2024

NOTE 6. CAPITAL ASSETS

Depreciation expense was charged to functions as follows:

Instruction:

Special Education Instruction	\$37,740
Student and Instruction Related Services	22,464
General Administrative Services	8,985
School Administrative Services	17,971
Central Services & Admin. Info. Tech	1,797
Plant Operations and Maintenance	<u>899</u>

Total Depreciation Expense	<u><u>\$89,856</u></u>
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NOTE 7. LONG-TERM OBLIGATION ACTIVITY

Changes in long-term obligations for the fiscal year ended June 30, 2024 were as follows:

	Balance June 30, 2023	Issued	Retired	Balance June 30, 2024	Due Within One year	Long-Term Portion
Compensated Absences Payable	\$59,687	\$	(\$11,224)	\$48,463	\$	\$48,463
Net Pension Liability - PERS	1,039,518		(230,490)	809,028		809,028
Financed Purchases Payable	<u>16,360</u>		<u>(5,157)</u>	<u>11,203</u>	<u>5,448</u>	<u>5,755</u>
Total Governmental Activities	<u><u>\$1,115,565</u></u>	<u>\$0</u>	<u><u>(\$246,871)</u></u>	<u><u>\$868,694</u></u>	<u><u>\$5,448</u></u>	<u><u>\$863,246</u></u>

(1) Net of days allowed and days used.

A. Bonds Authorized but not Issued

As of June 30, 2024, 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, 2024.

Year	Total	Principal	Interest
2024-2025	\$5,928	\$5,448	\$480
2025-2026	<u>5,928</u>	<u>5,755</u>	<u>173</u>
	<u><u>\$11,856</u></u>	<u><u>\$11,203</u></u>	<u><u>\$653</u></u>

Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2024

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 \$48,463 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, 2024

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, 2024

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, 2024

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:

<u>Year</u> <u>Ending</u>	<u>PERS</u>	<u>DCRP</u>
6/30/24	\$74,652	\$20,921
6/30/23	86,863	23,009
6/30/22	92,412	15,405

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:

<u>Year</u> <u>Ending</u>	<u>Pension</u> <u>Contributions</u>	<u>Post-Retirement</u> <u>Medical</u> <u>Contributions</u>	<u>NCGI</u> <u>Premium</u>	<u>LTD</u> <u>Liability</u>
6/30/24	\$637,444	\$175,467	\$7,270	\$434
6/30/23	602,014	160,342	8,352	460
6/30/22	605,317	143,422	8,540	431

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 \$157,550 during the year ended June 30, 2024 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, 2024, the Commission had a liability of \$809,028 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2023, the Commission's proportion was 0.0055855202 percent, which was a decrease of 0.0013026394 percent from its proportion measured as of June 30, 2022.

Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2024

NOTE 8. PENSION PLANS (continued)

For the year ended June 30, 2024, the Commission recognized pension expense of \$(53,350). At June 30, 2024, 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	\$7,735	\$3,307
Changes of assumptions	1,777	49,031
Net difference between projected and actual earnings on pension plan investments	3,726	-
Changes in proportion	17,252	335,489
Commission contributions subsequent to the measurement date	<u>72,021</u>	<u>-</u>
Total	<u>\$102,511</u>	<u>\$387,827</u>

The \$72,071 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, 2024, the plan measurement date is June 30, 2023 will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. 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:	
2024	(\$42,714)
2025	(23,841)
2026	33,316
2027	(5,962)
2028	101

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 5.08, 5.04, 5.13, 5.16, 5.21 and 5.63 years for 2023, 2022, 2021, 2020, 2019 and 2018, respectively.

Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2024

NOTE 8. PENSION PLANS (continued)

Additional Information

Local Group Collective balances at June 30, 2023 and June 30, 2022 are as follows:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Collective deferred outflows of resources	\$1,080,204,730	\$1,660,772,008
Collective deferred inflows of resources	1,780,216,457	3,236,303,955
Collective net pension liability	14,606,489,066	15,219,184,920
District s Proportion	0.0055855202%	0.0068881596%

Actuarial Assumptions

The total pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of July 1, 2022, which rolled forward to June 30, 2023. 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, 2022 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, 2024

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, 2023) 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, 2023 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	28.00%	8.98%
Non-U.S. Developed Market Equity	12.75%	9.22%
International Small Cap Equity	1.25%	9.22%
Emerging Market Equity	5.50%	11.13%
Private Equity	13.00%	12.50%
Real Estate	8.00%	8.58%
Real Assets	3.00%	8.40%
High Yield	4.50%	6.97%
Private Credit	8.00%	9.20%
Investment Grade Credit	7.00%	5.19%
Cash Equivalents	2.00%	3.31%
U.S. Treasuries	4.00%	3.31%
Risk Mitigation Strategies	3.00%	6.21%

Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2024

NOTE 8. PENSION PLANS (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2023. 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, 2023 calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 - percentage point lower or 1- percentage-point higher than the current rate:

	June 30, 2023		
	1% Decrease <u>6.00%</u>	At Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
Commission's proportionate share of the pension liability	\$1,062,061	\$809,028	\$606,289

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 in the financial

Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2024

NOTE 8. PENSION PLANS (continued)

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

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, 2024 was as follows:

Net Pension Liability:	
Commission s proportionate share	\$ -0-
State's proportionate share associated with the Commission	<u>7,515,146</u>
	<u>\$7,515,146</u>

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023. 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, 2023, the proportion of the TPAF net pension liability associated with the District was 0.0147261464%.

For the year ended June 30, 2024, the Commission recognized on-behalf pension expense and revenue of \$184,625 for contributions provided by the State in the District-Wide Financial Statements.

Actuarial Assumptions

The total pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. 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	2.75-4.25% (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, 2024

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, 2022 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, 2023) 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, 2023 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	28.00%	8.98%
Non-U.S. Developed Market Equity	12.75%	9.22%
International Small Cap Equity	1.25%	9.22%
Emerging Market Equity	5.50%	11.13%
Private Equity	13.00%	12.50%
Real Estate	8.00%	8.58%
Real Assets	3.00%	8.40%
High Yield	4.50%	6.97%
Private Credit	8.00%	9.20%
Investment Grade Credit	7.00%	5.19%
Cash Equivalents	2.00%	3.31%
U.S. Treasuries	4.00%	3.31%
Risk Mitigation Strategies	3.00%	6.21%

**Sussex County Educational Services Commission
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2024**

NOTE 8. PENSION PLANS (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2023. 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 2023 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, 2024

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 2023, 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, 2024

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>5,185,865</u>
	<u><u>\$5,185,865</u></u>

Actual Assumptions and Other Imputes

The total OPEB liability in the June 30, 2023 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, 2023 was determined by an actuarial valuation as of June 30, 2022, which was rolled forward to June 30, 2023. 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, 2022 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, 2024

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 nine years. For post-65 medical benefits PPO, the trend is increasing to 14.8% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For HMO the trend is increasing to 17.4% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For prescription drug benefits, the initial trend rate is 9.56% 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 3.65%. 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 \$41,785 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, 2024

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 \$5,420,607 General Fund fund balance at June 30, 2024, \$2,430 is committed to encumbrances, and \$5,418,177 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, 2024

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 13, 2025, 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, 2024**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues:					
Local Sources:					
Other Local Governmental Units - Unrestricted	555,849	305,198	861,047	1,019,809	158,762
Tuition from Individuals	-	10,000	10,000	-	(10,000)
Tuition from Other LEAs within the State	3,970,931	800,217	4,771,148	4,831,197	60,049
Unrestricted Miscellaneous Revenues	6,000	-	6,000	11,651	5,651
Other Restricted Miscellaneous Revenue	590,102	103,884	693,986	665,340	(28,646)
Total - Local Sources	5,122,882	1,219,299	6,342,181	6,527,998	185,817
State Sources:					
On-behalf TPAF Pension Contributions (non-budgeted)	-	-	-	637,444	637,444
On-behalf TPAF NCGI Premium (non-budgeted)	-	-	-	7,270	7,270
On-behalf TPAF Post Retirement Medical (non-budgeted)	-	-	-	175,467	175,467
On-behalf TPAF Long-Term Disability Ins. (non-budgeted)	-	-	-	434	434
TPAF Social Security (Reimbursed - Non-Budgeted)	-	-	-	157,550	157,550
Total State Sources	-	-	-	978,165	978,165
Total Revenues	5,122,882	1,219,299	6,342,181	7,506,163	1,163,982
Expenditures:					
Current Expense:					
Special Education - Instruction					
Emotional Regulation Impairment:					
Salaries of Teachers	137,800	117,654	255,454	255,453	1
Other Salaries for Instruction	57,951	54,098	112,049	111,702	347
Other Purchased Services (400-500 Series)	3,460	7,577	11,037	10,183	854
General Supplies	2,570	500	3,070	2,678	392
Other Objects	500	1,000	1,500	1,019	481
Total Emotional Regulation Impairment	202,281	180,829	383,110	381,035	2,075
Multiple Disabilities:					
Salaries of Teachers	125,100	(10,982)	114,118	114,117	1
Other Salaries for Instruction	170,996	193,278	364,274	364,268	6
Other Purchased Services (400-500 Series)	29,209	(3,327)	25,882	25,075	807
General Supplies	4,000	725	4,725	4,192	533
Other Objects	2,000	140	2,140	2,139	1
Total Multiple Disabilities	331,305	179,834	511,139	509,792	1,347
Autism:					
Salaries of Teachers	120,700	12,616	133,316	133,315	1
Other Salaries for Instruction	103,218	(25,577)	77,641	77,641	0
Other Purchased Services (400-500 Series)	15,000	(600)	14,400	8,825	5,575
General Supplies	3,000	(2,000)	1,000	428	572
Other Objects	400	-	400	139	261
Total Autism	242,318	(15,561)	226,757	220,348	6,409
Preschool Disabilities - Full Time:					
Salaries of Teachers	59,300	(59,300)	-	-	-
Other Salaries for Instruction	82,737	(82,737)	-	-	-
Other Purchased Services (400-500 Series)	750	(750)	-	-	-
General Supplies	1,225	(1,225)	-	-	-
Other Objects	400	(400)	-	-	-
Total Preschool Disabilities - Full Time	144,412	(144,412)	-	-	-
Total Special Education - Instruction	920,316	200,690	1,121,006	1,111,174	9,831
Vocational Programs - Local - Instruction					
Salaries	-	145,050	145,050	145,050	-
Purchased Services (300-500 Series)	730	(730)	-	-	-
General Supplies	-	800	800	-	-
Other Objects	1,000	6,300	7,300	5,223	2,077
Total Vocational Programs - Local - Instruction	1,730	151,420	153,150	150,273	2,877

**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Other Instructional Programs - Instruction					
Salaries	566,885	261,926	828,811	634,804	194,007
Social Security	8,926	642	9,568	4,406	5,162
Other Retirement Contributions - Regular	4,307	211	4,518	1,659	2,859
Unemployment Compensation	1,283	164	1,447	939	508
Health Benefits	47,629	-	47,629	-	47,629
Other Employee Benefits	5,000	-	5,000	5,000	-
Purchased Services (300-500 Series)	221,608	70,922	292,530	172,099	120,431
Supplies and Materials	6,090	3,363	9,453	4,778	4,675
Total Other Instructional Programs - Instruction	861,728	337,228	1,198,956	823,687	375,270
Total Instruction	1,783,774	689,338	2,473,112	2,085,133	387,978
Undistributed Expenditures - Health Services:					
Salaries	235,562	122,162	357,724	306,108	51,616
Social Security Contributions	6,220	4,192	10,412	10,101	310
Other Retirement Contributions - Regular	2,450	1,883	4,333	4,229	104
Unemployment Compensation	527	470	997	962	35
Purchased Professional and Technical Services	4,500	6,850	11,350	10,502	848
Other Purchased Services (400-500 series)	825	(25)	800	-	800
Supplies and Materials	6,866	7,655	14,521	12,073	2,448
Other Objects	180	125	305	123	182
Total Undistributed Expenditures - Health Services	257,130	143,311	400,441	344,097	56,344
Undist. Expend.-Speech, OT, PT & Related Services:					
Salaries	642,540	169,956	812,496	811,915	581
Purchased Professional - Educational Services	-	52,500	52,500	50,434	2,066
Supplies and Materials	10,017	4,555	14,572	12,259	2,313
Other Objects	-	1,415	1,415	919	496
Total Undist. Expend.-Speech, OT, PT & Related Services	652,557	228,426	880,983	875,527	5,456
Undist. Expend. - Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	88,734	7,416	96,150	96,149	1
Health Benefits	31,529	-	31,529	-	31,529
Other Purchased Services (400-500 series)	1,600	-	1,600	665	935
Supplies and Materials	500	(1)	499	135	364
Total Undist. Expend. - Improvement of Instructional Services:	122,363	7,415	129,778	96,949	32,829
Undist. Expend. - Instructional Staff Training Serv.:					
Other Purchased Services (400-500 series)	14,638	4,100	18,738	3,738	14,999
Total Undist. Expend. - Instructional Staff Training Serv.	14,638	4,100	18,738	3,738	14,999
Undist. Expend. - Supp. Serv. - General Admin.:					
Salaries	175,157	7,100	182,257	182,242	15
Legal Services	20,000	-	20,000	10,797	9,204
Audit Fees	17,400	-	17,400	16,750	650
Other Purchased Professional Services	2,850	-	2,850	2,725	125
Communications/Telephone	16,000	800	16,800	10,717	6,083
Misc. Purchased Services (400-500) [Other than 530 & 585]	11,500	1,600	13,100	12,649	451
General Supplies	2,000	2,500	4,500	3,487	1,013
Miscellaneous Expenditures	29,000	3,600	32,600	31,918	682
Total Undist. Expend. - Supp. Serv. - General Admin.	273,907	15,600	289,507	271,285	18,222
Undist. Expend. - Support Serv. - School Admin.:					
Salaries of Principals/Assistant Principals	108,150	(10,755)	97,395	93,769	3,626
Salaries of Other Professional Staff	-	85,945	85,945	85,942	3
Salaries of Secretarial and Clerical Assistants	197,724	(82,292)	115,432	73,729	41,703
Purchased Professional and Technical Services	12,000	25,000	37,000	26,484	10,516
Other Purchased Services (400-500 series)	8,000	8,260	16,260	8,453	7,807
Supplies and Materials	5,838	1,173	7,010	5,475	1,536
Other Objects	2,600	-	2,600	2,250	350
Total Undist. Expend. - Support Serv. - School Admin.	334,312	27,331	361,642	296,101	65,541

**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Central Services:					
Salaries	224,295	-	224,295	213,356	10,939
Unused Vacation Payment to Terminated / Retired Staff	-	11,416	11,416	11,416	0
Purchased Technical Services	21,000	5,000	26,000	22,557	3,443
Misc. Purchased Services (400-500 Series)	5,950	210	6,160	5,689	471
Supplies and Materials	1,100	935	2,035	1,787	248
Miscellaneous Expenditures	2,000	(145)	1,855	1,855	0
Total Undist. Expend. - Central Services	254,345	17,416	271,761	256,659	15,102
Undist. Expend. - Admin. Info. Tech.:					
Purchased Technical Services	50,000	-	50,000	48,073	1,927
Total Undist. Expend. - Admin. Info. Tech.	50,000	-	50,000	48,073	1,927
Undist. Expend. - Required Maint. School Facilities:					
Cleaning, Repair, and Maintenance Services	15,526	2,500	18,026	11,178	6,848
General Supplies	-	600	600	573	27
Total Undist. Expend. - Required Maint. School Facilities	15,526	3,100	18,626	11,752	6,874
Undist. Expend. - Custodial Services:					
Salaries	95,861	(2,500)	93,361	88,607	4,754
Purchased Professional and Technical Services	13,000	8,285	21,285	16,048	5,237
Cleaning, Repair, and Maintenance Services	44,000	(9,500)	34,500	32,504	1,996
Other Purchased Property Services	5,000	-	5,000	4,776	225
Insurance	61,000	6,500	67,500	66,543	957
General Supplies	12,246	2,900	15,146	11,323	3,823
Natural Gas	21,228	(12,000)	9,228	7,236	1,992
Electricity	17,000	2,300	19,300	12,321	6,979
Other Objects	-	715	715	239	476
Total Undist. Expend. - Custodial Services	269,335	(3,300)	266,035	239,597	26,438
Undist. Expend. - Security					
General Supplies	2,000	(2,000)	-	-	-
Total Undist. Expend. - Security	2,000	(2,000)	-	-	-
Total Undist. Expend. - Oper. & Maint. Plant Services	286,861	(2,200)	284,661	251,349	33,312
Undist. Expend. - Student Transportation Services:					
Salaries for Pupil Trans. - (Other than bet. home and sch.)	8,000	-	8,000	-	8,000
Misc. Purchased Services - Transportation	12,600	(12,600)	-	-	-
Supplies and Materials	5,000	(5,000)	-	-	-
Total Undist. Expend. - Student Transportation Serv.	25,600	(17,600)	8,000	-	8,000
Unallocated Benefits:					
Social Security Contributions	115,000	37,455	152,455	137,946	14,509
Other Retirement Contributions - PERS	90,000	(15,000)	75,000	74,968	32
Other Retirement Contributions - Regular	28,000	-	28,000	20,921	7,079
Unemployment Compensation	15,500	10,000	25,500	16,403	9,097
Health Benefits	508,135	11,625	519,760	499,250	20,510
Tuition Reimbursement	12,000	-	12,000	10,235	1,765
Other Employee Benefits	45,100	24,000	69,100	66,101	2,999
Unused Sick Payment to Terminated / Retired Staff	-	1,712	1,712	1,711	1
Total Unallocated Benefits	813,735	69,792	883,527	827,535	55,992
On-Behalf Contributions:					
On-behalf TPAF Pension Contributions (non-budgeted)	-	-	-	637,444	(637,444)
On-behalf TPAF NCGI Premium (non-budgeted)	-	-	-	7,270	(7,270)
On-behalf TPAF Post Retirement Medical (non-budgeted)	-	-	-	175,467	(175,467)
On-behalf TPAF Long-Term Disability Ins. (non-budgeted)	-	-	-	434	(434)
Reimbursed TPAF Social Security Contributions (non-budgeted)	-	-	-	157,550	(157,550)
Total On-Behalf Payments	-	-	-	978,165	(978,165)
Total Personal Services - Employee Benefits	813,735	69,792	883,527	1,805,700	(922,173)
Total Undistributed Expenditures	3,085,447	493,591	3,579,038	4,249,478	(670,440)
Total General Current Expense	4,869,221	1,182,929	6,052,150	6,334,612	(282,462)

**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Capital Outlay					
Equipment:					
Undistributed Expend. - Instruction	11,500	-	11,500	2,698	8,802
Total Equipment	11,500	-	11,500	2,698	8,802
Facilities Acquisition and Construction Services:					
Construction Services	9,900	-	9,900	8,900	1,000
Total Facilities Acquisition and Construction Services	9,900	-	9,900	8,900	1,000
Total Capital Outlay	21,400	-	21,400	11,598	9,802
Special Schools					
Summer School - Instruction:					
Salaries of Teachers	72,537	16,582	89,119	86,642	2,477
Other Salaries for Instruction	96,845	-	96,845	85,863	10,982
General Supplies	800	-	800	537	263
Total Summer School Instruction	170,182	16,582	186,764	173,043	13,721
Summer School - Support Services:					
Salaries	90,539	20,788	111,327	111,326	1
Other Purchased Services (400-500 series)	1,000	(1,000)	-	-	-
Supplies and Materials	500	-	500	85	415
Total Summer School - Support Services	92,039	19,788	111,827	111,412	415
Total Special Schools	262,221	36,370	298,591	284,454	14,137
Total Expenditures	5,152,842	1,219,299	6,372,141	6,630,664	(258,523)
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	(29,960)	-	(29,960)	875,499	905,459
Fund Balance, July 1	4,545,108	-	4,545,108	4,545,108	-
Fund Balance, June 30	4,515,148	-	4,515,148	5,420,607	905,459
Recapitulation of excess (deficiency) of revenues under expenditures:					
Adjustment for Prior Year Encumbrances	(29,960)	-	(29,960)	(29,960)	-
Budgeted Fund Balance	-	-	-	905,459	905,459
	(29,960)	-	(29,960)	875,499	905,459
Recapitulation:					
Committed Fund Balance:					
Year End Encumbrances				2,430	
Unassigned Fund Balance				5,418,177	
Fund Balance per Governmental Funds (GAAP)				5,420,607	

**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

	Original Budget	Budget Transfers/ Adjustments	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Federal Sources	18,800	-	18,800	12,615	(6,185)
Local Sources	1,500	-	1,500	1,777	277
Total Revenues	<u>20,300</u>	<u>-</u>	<u>20,300</u>	<u>14,392</u>	<u>(5,908)</u>
EXPENDITURES:					
Instruction					
General Supplies	5,000	(1,500)	3,500	1,042	2,458
Total Instruction	<u>5,000</u>	<u>(1,500)</u>	<u>3,500</u>	<u>1,042</u>	<u>2,458</u>
Support Services					
Other Purchased Services	13,800	(3,000)	10,800	7,630	3,170
General Supplies	-	4,518	4,518	3,943	575
Student Activities	-	-	-	1,761	(1,761) *
Total Support Services	<u>13,800</u>	<u>1,518</u>	<u>15,318</u>	<u>13,334</u>	<u>1,984</u>
Total Expenditures	<u>18,800</u>	<u>18</u>	<u>18,818</u>	<u>14,376</u>	<u>4,442</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	<u>1,500</u>	<u>(18)</u>	<u>1,482</u>	<u>16</u>	<u>(1,467)</u>
Fund Balance, July 1				<u>4,556</u>	
Fund Balance, June 30				<u><u>4,571</u></u>	
Recapitulation:					
Student Activities				<u>4,571</u>	
Total Fund Balance				<u><u>4,571</u></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, 2024**

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

		General Fund	Special Revenue Fund
		<u> </u>	<u> </u>
Sources/inflows of resources			
Actual amounts (budgetary basis) "revenue"			
from the budgetary comparison schedule	[C-1]&[C-2]	7,506,163	14,392
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		-	18
Less: Current Year Encumbrances		-	(4,269)
 Total revenues as reported on the statement of revenues, expenditures			
and changes in fund balances - government funds.	[B-2]	<u><u>7,506,163</u></u>	<u><u>10,140</u></u>
 Uses/outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the			
budgetary comparison schedule	[C-1]&[C-2]	6,630,664	14,376
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		-	18
Less: Current Year Encumbrances		-	(4,269)
 Total expenditures as reported on the statement of revenues,			
expenditures, and changes in fund balances - government funds.	[B-2]	<u><u>6,630,664</u></u>	<u><u>10,125</u></u>

**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*

<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>Commission's Covered Payroll - PERS Employee's</u>	<u>Commission's 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>
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%
2024	0.0055855202%	809,028	488,239	165.70%	65.23%

* 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>
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%
2024	74,652	74,652	-	488,239	15.29%

* 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
Schedules of Required Supplementary Information
Schedule of Commission's Proportionate Share of Net Pension Liability - TPAF
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)	State's Proportionate Share of the Net Pension Liability Associated with the Commission (Asset)	Commission's Covered Payroll - TPAF 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
2016	0.0116098318%	-	7,337,909	1,326,713	0.00%	28.71%
2017	0.0122743684%	-	9,655,800	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%
2024	0.0147261464%	-	7,515,146	2,123,437	0.00%	34.68%

* 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, 2024

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

Notes to Schedule:

Change in assumptions

* 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, 2024**

	Rural Education Achievement Program	Student Activities	Total
Revenues:			
Federal Sources	12,615	-	12,615
Local Sources	-	1,777	1,777
Total Revenues	<u>12,615</u>	<u>1,777</u>	<u>14,392</u>
Expenditures:			
Instruction:			
Instructional Supplies	1,042	-	1,042
Total Instruction	<u>1,042</u>	<u>-</u>	<u>1,042</u>
Support Services:			
Other Purchased Services (400-500) Series	7,630	-	7,630
General Supplies	3,943	-	3,943
Student Activities	-	1,761	1,761
Total Support Services	<u>11,573</u>	<u>1,761</u>	<u>13,334</u>
Total Expenditures	<u>12,615</u>	<u>1,761</u>	<u>14,376</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	-	16	16
Fund Balance, July 1	-	4,556	4,556
Fund Balance, June 30	<u>-</u>	<u>4,571</u>	<u>4,571</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, 2024

	Interest Rate Payables	Amount of Original Issue	Balance July 1, 2023	Retired Current Year	Balance June 30, 2024
Savin IMC6000 Digital Copier w/ Accessories & IM7000 Digital Copier w/Accessories			16,361	5,157	11,203
			<u>16,361</u>	<u>5,157</u>	<u>11,203</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 comprehensive annual financial reports (CAFR) for the relevant year. The district implemented GASB Statement 34 in the fiscal year ending June 30, 2004; schedules presenting district-wide information include information beginning in that year.	

Sussex County Educational Services Commission

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

	Fiscal Year Ending June 30,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Governmental activities										
Invested in capital assets, net of related debt	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	1,380,667
Restricted	120,090	79,941	711	125,470	23,019	4,456	30,712	12,303	34,516	7,001
Unrestricted	332,617	666,114	896,768	1,208,529	1,591,777	1,264,438	1,465,101	2,320,857	3,160,777	4,203,348
Total governmental activities net position	<u>2,271,035</u>	<u>2,509,528</u>	<u>2,598,756</u>	<u>2,991,777</u>	<u>3,329,484</u>	<u>2,943,274</u>	<u>3,080,688</u>	<u>3,840,809</u>	<u>4,657,961</u>	<u>5,591,017</u>
District-wide										
Invested in capital assets, net of related debt	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	1,380,667
Restricted	120,090	79,941	711	125,470	23,019	4,456	30,712	12,303	34,516	7,001
Unrestricted	332,617	666,114	896,768	1,208,529	1,591,777	1,264,438	1,465,101	2,320,857	3,160,777	4,203,348
Total district net position	<u>2,271,035</u>	<u>2,509,528</u>	<u>2,598,756</u>	<u>2,991,777</u>	<u>3,329,484</u>	<u>2,943,274</u>	<u>3,080,688</u>	<u>3,840,809</u>	<u>4,657,961</u>	<u>5,591,017</u>

Source: 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,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Expenses										
Governmental activities										
Instruction										
Special education	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	1,313,125
Other instruction	1,170,764	1,197,114	671,264	767,151	754,762	749,805	893,377	1,043,182	973,937	1,242,895
Support Services:										
Student & instruction related services	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	1,768,636
General administrative services	322,963	333,089	364,961	449,866	375,393	368,495	397,608	343,799	350,275	341,796
School administrative services	352,920	407,967	333,655	375,553	452,244	465,021	505,291	421,730	414,055	367,442
Central Services and Admin. Info. Tech.	228,003	288,258	421,466	430,159	379,382	379,901	403,885	391,735	361,754	379,766
Plant operations and maintenance	176,672	183,240	241,370	284,365	288,046	282,792	251,207	295,294	258,379	282,663
Pupil Transportation	586	382	-	1,410	-	158	-	-	-	-
Capital outlay	3,477	1	-	-	-	-	-	-	20,036	8,900
Special schools	200,197	211,708	201,234	223,037	244,438	234,434	162,647	212,153	214,246	284,454
Total governmental activities expenses	4,660,552	4,766,103	4,850,582	5,625,113	5,507,550	5,524,752	5,619,168	5,407,308	5,287,646	5,989,477
Program Revenues										
Governmental activities:										
Charges for services:										
Instruction	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	5,851,007
Operating grants and contributions	279,749	333,407	388,670	434,186	497,384	549,689	703,653	941,974	922,291	986,528
Total governmental activities program revenues	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	6,837,535
Net (Expense)/Revenue										
Governmental activities	(594,884)	(886,164)	(1,230,241)	(1,098,841)	(808,535)	(1,145,836)	(971,371)	64,300	327,333	848,058
Total district-wide net expense	<u>(594,884)</u>	<u>(886,164)</u>	<u>(1,230,241)</u>	<u>(1,098,841)</u>	<u>(808,535)</u>	<u>(1,145,836)</u>	<u>(971,371)</u>	<u>64,300</u>	<u>327,333</u>	<u>848,058</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Unrestricted grants and contributions	219,723	349,772	575,713	830,809	472,611	189,854	502,806	12,711	(322,148)	(593,771)
Investment earnings	1,776	3,224	3,890	4,788	5,023	5,335	4,649	4,503	20,826	11,651
Miscellaneous income	830,174	771,657	739,866	646,354	670,106	564,437	597,749	678,607	759,401	667,117
Total governmental activities	1,051,673	1,124,653	1,319,470	1,481,950	1,147,740	759,626	1,105,204	695,821	458,078	84,997
Change in Net Position										
Governmental activities	456,789	238,489	89,228	383,109	339,205	(386,210)	133,833	760,121	785,411	933,055

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,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General fund										
Committed	42,271	16,899	711	125,470	23,019	4,456	27,126	8,642	29,960	2,430
Unassigned	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	5,418,177
Total general fund	<u>1,828,781</u>	<u>2,265,119</u>	<u>2,605,311</u>	<u>3,083,413</u>	<u>3,354,115</u>	<u>3,063,069</u>	<u>3,257,285</u>	<u>3,868,432</u>	<u>4,545,108</u>	<u>5,420,607</u>
All other governmental funds										
Restricted										
Special revenue fund	-	-	-	-	-	-	3,586	3,661	4,556	4,571
Total all other governmental funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,586</u>	<u>3,661</u>	<u>4,556</u>	<u>4,571</u>

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,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenues										
Tuition charges	\$ 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	\$ 4,831,197
Other local government units	825,496	627,759	335,547	1,330,576	1,352,287	391,322	524,235	711,560	757,313	1,019,809
Miscellaneous	835,420	774,903	743,757	651,659	675,129	569,772	608,953	683,108	696,650	678,769
State sources	256,279	313,407	371,295	417,355	478,414	532,412	685,962	902,360	888,502	978,165
Federal sources	20,000	20,000	17,375	16,830	18,970	17,277	17,691	39,614	33,789	8,363
Total revenue	4,897,618	4,654,844	4,364,098	5,177,931	5,374,144	4,948,688	5,256,750	6,154,717	6,395,205	7,516,303
Expenditures										
Instruction										
Special education instruction	925,968	864,075	865,994	1,089,560	1,156,454	1,136,855	948,730	860,673	922,386	1,111,174
Other instruction	888,343	815,280	456,330	521,750	512,772	540,033	568,374	721,532	772,431	975,001
Support Services:										
Student & instruction related services	703,177	649,299	772,260	828,251	870,167	951,006	962,906	1,098,242	1,133,169	1,329,394
General administrative services	238,772	214,867	246,801	323,271	258,142	259,285	258,210	248,535	273,176	271,285
School Administrative services	220,197	232,309	207,265	225,188	274,557	289,394	290,571	273,518	300,393	296,101
Central Services and Admin. Info. Tech.	151,583	179,808	251,449	255,957	244,315	269,688	259,183	276,926	278,964	304,732
Plant operations and maintenance	160,922	157,936	191,281	223,948	228,991	225,367	199,968	249,996	235,251	251,350
Pupil transportation	587	382	-	1,410	-	158	-	-	-	-
Unallocated benefits	889,050	938,342	833,264	986,821	1,172,495	1,214,234	1,411,940	1,601,920	1,567,584	1,805,700
Special schools	200,197	211,708	201,234	223,037	139,140	234,434	162,647	212,153	214,246	284,454
Capital outlay	21,776	32,297	26,943	20,634	244,438	119,280	-	25,864	20,036	11,598
Total expenditures	4,400,572	4,296,303	4,052,820	4,699,829	5,101,472	5,239,734	5,062,528	5,569,359	5,717,634	6,640,789
Excess (Deficiency) of revenues over (under) expenditures	497,046	358,541	311,278	478,102	272,672	(291,046)	194,222	585,358	677,571	875,514
Other Financing sources (uses)										
Financed purchases (non-budgeted)	-	-	26,943	-	-	-	-	25,864	-	-
Transfers in - capital outlay	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	26,943	-	-	-	-	25,864	-	-
Net change in fund balances	497,046	358,541	338,221	478,102	272,672	(291,046)	194,222	611,222	677,571	875,514
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
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
2024	11,651	1,019,809	4,831,197	665,340	6,527,998

Source: Commission Records

Sussex County Educational Services Commission
Full-time Equivalent Commission Employees by Function/Program,
Last Ten Fiscal Years

Function/Program	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Instruction										
Special education	8.0	7.0	8.0	9	9	9	8	7	9	10
Other special education	31.5	31.2	32.4	35.2	32.8	28	22.4	20.8	28.8	28
Support Services:										
Tuition										
Student & instruction related services	9.0	10.2	13.9	22.2	22.1	20.8	19.3	19.3	25	26
School administrative services	5.5	5.0	5.8	5	6	7	7	6	6	5.3
Business and other support services	2.8	2.0	2.0	2.4	2.4	2.4	2.4	2.4	2.4	2
Plant operations and maintenance	1.0	1.0	1.9	1.9	2.2	2	1.6	1.7	2.01	2.7
Total	57.8	56.4	64.0	75.7	74.5	69.2	60.7	57.2	73.2	74.00

Source: Commission Budget Records

Sussex County Educational Services Commission

Operating Statistics

Last Ten Fiscal Years

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				
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	4,679,194	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	36.3	2.31%	86.48%
2023	42	5,697,598	135,657	2.78%	14		3:1	47.0	36.07	11.90%	76.74%
2024	51	6,470,183	126,866	-6.48%	15		3:1	50.0	43.15	6.38%	86.30%

Sources: Commission records

Note: Enrollment based on annual October district count.

\$5,120,454.00

^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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<u>District Building</u>										
Northern Hills Academy (1994)										
Square Feet	12,277	12,277	12,277	12,277	12,277	12,277	12,277	12,277	12,277	12,277
Capacity (students)	60	60	60	60	60	60	60	60	60	60
Enrollment	37	35	32	46	44	44	40	42	42	51

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*	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
--------------------	------	------	------	------	------	------	------	------	------	------

Northern Hills Academy	11,752	20,611	8,895	14,391	4,316	5,555	6,164	12,461	8,748	9,028
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(*) 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, 2024
Unaudited**

	<u>Coverage</u>	<u>Deductible</u>
Commercial Package Policy Building & Contents	3,420,600.00	1,000.00
New Jersey School Boards Association Insurance Group (NJSBAIG)		
Casualty Coverage General Liability and Auto Liability (NJSBAIG)	16,000,000.00	0.00
School Board Legal Liability: Coverage A (NJSBAIG)	15,000,000.00	10,000.00
School Board Legal Liability: Coverage B (NJSBAIG)	300,000.00	10,000.00
Public Official's Bond - Selective Insurance Company		
Treasurer of School Monies	175,000.00	
School Business Administrator / Commission Secretary	150,000.00	
Workers' Compensation (NJSBAIG):	Statutory	

SINGLE AUDIT SECTION



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K-1
Page 1 of 2

**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, 2024, 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 13, 2025.

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 13, 2025.

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. Wielkotz

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

Wielkotz & Company, LLC

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

January 13, 2025





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CERTIFIED PUBLIC ACCOUNTANTS

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K-2
Page 1 of 4

**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, 2024. 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, 2024.

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

K-2
Page 4 of 4

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. Wielkatz

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

Wielkatz & Company, LLC

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

January 13, 2025

Sussex County Educational Services Commission
Schedule of Expenditures of Federal Awards
for the Fiscal Year Ending June 30, 2024

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, 2023 (Accounts Receivable	Cash Received	Budgetary Expenditures	Adjustments	Balance at June 30, 2024 (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.E.R.	84.425U	S425U210027	22,207	3/13/20-9/30/24	(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	8,667	07/01/23-09/30/24	(28,229)	35,136	(12,615)	-	(5,708)	12,615
					(43,386)	35,136	(12,615)	15,157	(5,708)	12,615
Total Federal Financial Awards										

Sussex County Educational Services Commission
Schedule of Expenditures of State Financial Assistance
for the Fiscal Year Ending June 30, 2024

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From / To	Balance		Cash Received	Budgetary Expenditures	MEMO	
				June 30, 2023	June 30, 2024			Balance June 30, 2024	Cumulative Total
				Def. Rev. (Accts Rec.)	Def. Rev. (Accts Rec.)			Def. Rev. (Accts Rec.)	Expenditures
State Department of Education:									
General Fund:									
Reimbursed T.P.A.F. - Social Security	495-034-5094-003	117,334	7/1/21 - 6/30/22	(6,460)		6,460	-	-	117,334
Reimbursed T.P.A.F. - Social Security	495-034-5094-003	157,550	7/1/23 - 6/30/24	-		149,490	(157,550)	(8,060)	157,550
On-Behalf TPAF Post Retirement Medical	495-034-5094-001	175,467	7/1/23 - 6/30/24	-		175,467	(175,467)	-	175,467
On-Behalf TPAF Pension	495-034-5094-002	637,444	7/1/23 - 6/30/24	-		637,444	(637,444)	-	637,444
On-Behalf TPAF NCGI Pension	495-034-5094-004	7,270	7/1/23 - 6/30/24	-		7,270	(7,270)	-	7,270
On-Behalf TPAF Long Term Disability	495-034-5094-004	434	7/1/23 - 6/30/24	-		434	(434)	-	434
Total General Fund				(6,460)		976,565	(978,165)	(8,060)	1,095,499
Less: On-Behalf TPAF Pension & Annuity Aid									
On-Behalf TPAF Post Retirement Medical	495-034-5094-001	175,467	7/1/23 - 6/30/24	-		175,467	(175,467)	-	175,467
On-Behalf TPAF Pension	495-034-5094-002	637,444	7/1/23 - 6/30/24	-		637,444	(637,444)	-	637,444
On-Behalf TPAF NCGI Pension	495-034-5094-004	7,270	7/1/23 - 6/30/24	-		7,270	(7,270)	-	7,270
On-Behalf TPAF Long Term Disability	495-034-5094-004	434	7/1/23 - 6/30/24	-		434	(434)	-	434
Total For State Financial Assistance Determination				(6,460)		155,950	(157,550)	(8,060)	291,508

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 \$(4,252) 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 2024 fiscal year was \$820,615.

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	\$	\$978,165	\$978,165
Special Revenue Fund	<u>8,363</u>	<u> </u>	<u>8,363</u>
	<u>\$8,363</u>	<u>\$978,165</u>	<u>\$986,528</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, 2024.

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, 2024**

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 | _____ <u>X</u> no | |
| 2) | Significant deficiencies identified? | _____ yes | _____ <u>X</u> none reported | |

Noncompliance material to financial statements noted?	_____ yes	_____ <u>X</u> no
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Federal Awards

NOT APPLICABLE

State Awards Section

Dollar threshold used to distinguish between type A and type B programs:	<u>\$750,000</u>
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Auditee qualified as low-risk auditee?	_____ yes	_____ <u>X</u> no
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Type of auditor's report issued on compliance for major programs: Unmodified

Internal Control over major programs:

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

Any audit findings disclosed that are required to be reported in accordance with NJ OMB's Circular 15-08?	_____ yes	_____ <u>X</u> no
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Identification of major programs:

<u>State Grant/Project Number(s)</u>	<u>Name of State Program</u>
24-495-034-5094-003	Reimbursed TPAF Social Security Contributions

**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024
(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, 2024**

Status of Prior Year Findings

N/A