

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

OF THE

**MONMOUTH-OCEAN
EDUCATIONAL SERVICES
COMMISSION**

**BOARD OF DIRECTORS
TINTON FALLS, NEW JERSEY 07712**

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

PREPARED BY:

**M-OESC BOARD OF DIRECTORS
FINANCE DEPARTMENT**

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE MONMOUTH-OCEAN COUNTY EDUCATIONAL SERVICES COMMISSION
FISCAL YEAR ENDED JUNE 30, 2012**

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INTRODUCTORY SECTION

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Monmouth-Ocean Educational Services Commission

Kathleen Mandeville
School Business Administrator

900 Hope Road
Tinton Falls, NJ 07712

(732) 695-7827 Fax: (732) 493-4515
kmandeville@moesc.org

Honorable President and
Members of the Board of Directors
M-OESC
900 Hope Road
Tinton Falls, New Jersey 07712

Dear Board Members:

The Comprehensive Annual Financial Report (CAFR) of the M-OESC (Commission) for the fiscal year ended June 30, 2012, is hereby submitted. This CAFR includes the Commission's Basic Financial Statement prepared in accordance with Governmental Accounting Standards Board (GASB) Statement 34. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Directors (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the Commission. All disclosures necessary to enable the reader to gain an understanding of the Commission's financial activities have been included.

The Comprehensive Annual 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, management's discussion and analysis, the basic financial statements and notes providing an overview of the Commission's financial position and operating results and other schedules. The statistical section includes selected financial information. The Commission is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act 1986 as amended in 2003 and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations", and the NJOMB Circular Letter 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

COMMISSION ORGANIZATION: The Commission was established in 1979 pursuant to state law. All public school districts in Monmouth and Ocean Counties are members. Each district appoints a board member to sit on the Commission's Representative Assembly. The Representative Assembly is responsible for the adoption of the Commission's annual budget and the selection of a 15-person Board of Directors from among its membership. The Board of Directors functions in a manner similar to a Board of Education. An Executive Committee, comprised of the Board President, Vice President and one other member of the Board of Directors, is empowered to take action in place of the Board of Directors.

REPORTING ENTITY AND ITS SERVICES: The M-OESC is an independent reporting entity within the criteria adopted by the GASB as established by GASB Statement No. 14. All funds and account groups of the Commission are included in this report. The M-OESC and all its schools constitute the Commission's reporting entity.

The Commission provides a broad range of services and programs to school districts and students, primarily in Monmouth and Ocean Counties. Services include special education, adult education, alternative education, non-public instruction and services, home instruction, technical instruction, grant administration, after-school childcare, cooperative purchasing, staff development and special projects.

ECONOMIC CONDITION AND OUTLOOK: The Monmouth-Ocean County area is experiencing a period of economic downturn, consistent with the national economy.

MAJOR INITIATIVES:

1. MOESC has joined with LEGAL ONE to create a one-hour Online Training Inservice Seminar (OTIS) on the topic of Anti-Bullying. Their OTIS program includes the state regulation and the procedure districts need to follow. MOESC, a partner in LEGAL ONE has expanded its offerings to include the New York State Administrators Association. In addition, a new LEGAL ONE course has been created on the topic of how to conduct a bullying and/or harassment investigation. To date, over 4,000 New Jersey school staff members have been training using this OTIS program.
2. MOESC has contracted with the Bayshore Jointure Commission in a shared services agreement to provide for the administration and business operations as well as a shared administrative assistant, physical education teacher and nursing services for the Jointure's Shore Center for students with Autism program housed in the MOESC's 100 Tornillo Way, Tinton Falls building. In addition, the Jointure has entered a new five year lease beginning July 1, 2013.

3. MOESC has joined with Rutgers University to create the New Jersey Virtual Charter School for high school dropouts. This unique approach to helping high school dropouts has been approved by the New Jersey Department of Education for a September 2013 opening. This planning year continues through the 2012-2013 school year.
4. MOESC's New Jersey Virtual School continues to operate a GED program at the Monmouth County Correctional Institute and is about to graduate its 150th GED diploma student.

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

As a recipient of Federal and State financial assistance, the Commission also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs.

This internal control structure is also subject to periodic evaluation by Commission management.

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

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 approved by the Board of Directors. Annual appropriated budgets are adopted for the general fund and the special revenue fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects 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 at fiscal year end.

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

DEBT ADMINISTRATION: On February 23, 2001, Certificates of Participation were issued in the amount of \$2,000,000. The proceeds were used to finance a portion of the purchase of 100 Tornillo Way, Tinton Falls. The total cost of the purchase was approximately \$5,470,000. The balance of the purchase was provided by surplus Commission reserves. The Commission met its financial obligation to repay this debt.

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

RISK MANAGEMENT: The Commission carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, fidelity bonds, and errors and omissions coverage.

OTHER INFORMATION:

A. **Independent Audit** – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. Mr. David Ferullo, CPA of The Curchin Group was selected as the Commission's auditor.

In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1996 and the related OMB Circular A-133 and State Treasury Circular Letter 04-04. The auditor's report on the basic financial statements and combining and individual fund statements and schedules 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.

ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the M-OESC Board of Directors and Representative Assembly for their concern in providing fiscal accountability to the members of the Commission and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,

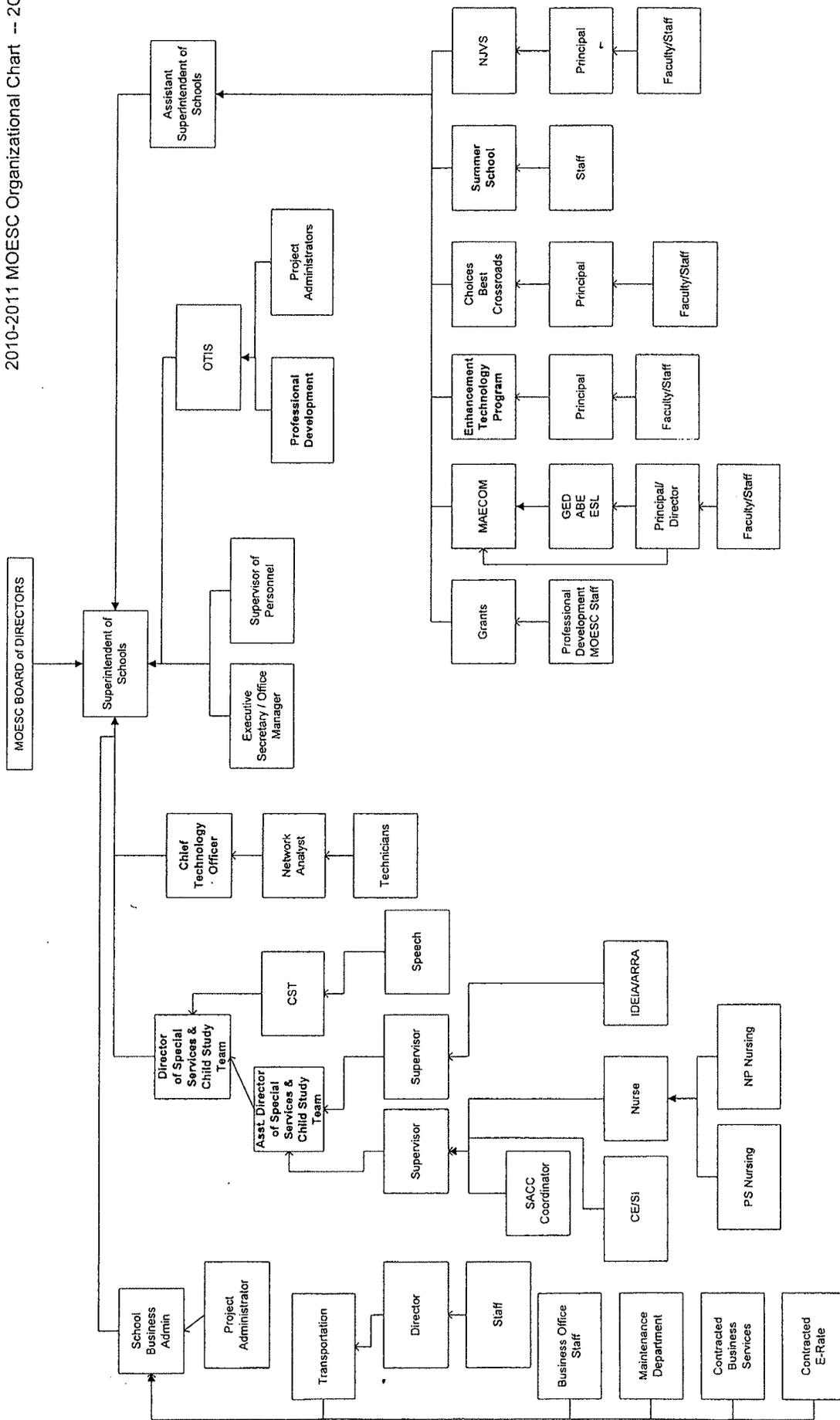


Timothy Nogueira
Superintendent



Kathleen Mandeville
Board Secretary/School
Business Administrator

2010-2011 MOESC Organizational Chart -- 2C



NOTE: Bold indicates changes from 2009-2010 Organizational Chart

Board Approved: 4/21/2010

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION

ROSTER OF OFFICIALS

JUNE 30, 2012

<u>Members of the Board of Directors</u>	<u>Term Expires</u>
Mr. Christopher Rooney, President	June 30, 2012
Mr. Thomas Gialanella, Vice President	June 30, 2012
Dr. Richard Fitzpatrick	June 30, 2012
Dr. William George	June 30, 2012
Mr. Walter Hrycenko	June 30, 2012
Mr. John Lysko	June 30, 2012
Mrs. Geraldine Margin	June 30, 2012
Mr. Timothy McCorkell	June 30, 2012
Mr. John Russo	June 30, 2012
Mr. David Trethaway	June 30, 2012
Mr. David Healy	June 30, 2012
Dr. Frank Kasyan	June 30, 2012
Mr. Charles Sampson	June 30, 2012
Mr. Vincent Smith	June 30, 2012

Other Officials

Mr. Timothy P. Nogueira, Superintendent

Mrs. Kathleen Mandeville, Board Secretary/School Business Administrator

Mr. Richard McOmber, Attorney

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION

CONSULTANTS AND ADVISORS

AUDIT FIRM

David L. Ferullo, CPA, PSA
The Curchin Group, LLC
200 Schulz Drive, Suite 400
Red Bank, NJ 07701

ATTORNEY

Richard McOmber
54 Shrewsbury Avenue
Red Bank, NJ 07701

OFFICIAL DEPOSITORY

TD Bank
175 Wyckoff Road
Eatontown, NJ 07724

FINANCIAL SECTION

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CURCHIN

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Monmouth-Ocean Educational Services Commission
100 Tornillo Way, Suite 1
Tinton Falls, NJ 07712

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund and the aggregate remaining fund information of the Monmouth-Ocean Educational Services Commission, in the County of Monmouth, State of New Jersey, as of and for the fiscal year ending June 30, 2012, which collectively comprise the Commission's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit 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 audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Monmouth-Ocean Educational Services Commission, in the County of Monmouth, State of New Jersey, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report, dated March 11, 2013, on our consideration of the Monmouth-Ocean Educational Services Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis and budgetary comparison information on pages 11 through 12 and pages 38 through 41 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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's financial statements as a whole. The introductory section, combining and individual fund financial statements, long-term debt schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and long-term debt schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the New Jersey OMB's Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid, and are not a required part of the basic financial statements. The schedules of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Curchin Group

Licensed Public School Accountant, No. 20900
THE CURCHIN GROUP, LLC

Red Bank, New Jersey
March 11, 2013

**REQUIRED SUPPLEMENTARY
INFORMATION – PART I**

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Monmouth-Ocean Educational Services Commission

Kathleen Mandeville
School Business Administrator

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Tinton Falls, NJ 07712

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kmandeville@moesc.org

MANAGEMENT’S DISCUSSION & ANALYSIS (MD&A), 2011-2012

The M-OESC provides a diverse range of services and programs to member and non-member school districts throughout the state of New Jersey.

The Commission recorded a net decrease of \$173,970 during the fiscal year ended 6/30/12. Broken down by fund, the decrease was calculated as follows:

	Fund	Revenue	Expenditures	Transfers	+/-
General	(10)	31,968,338	32,246,240	(1,375)	(249,277)
Special Revenue	(20)	6,600,733	6,600,733	-	-
Capital Projects	(30)	-	-	-	-
Internal Service	(70)	1,122,675	1,084,117	-	38,558
Enterprise	(60)	899,589	864,215	1,375	36,749
TOTAL		40,591,335	40,765,305	-	(173,970)

	Restricted	Unrestricted	Total
Total Net Assets at June 30, 2011	0	2,972,381	2,972,381
Net change in Fund Balances during 2011-2012	-	(173,970)	(173,970)
Adjustments to arrive at net assets per GASB 34	-	48,056	48,056
Total Unrestricted Net Assets at June 30, 2012	\$0	\$2,846,467	\$2,846,467

The decrease of \$173,970 during the most recent fiscal year was the result of many factors. The Commission regained some transportation contracts during the 2011-2012 school year, but salary and benefits costs continued to escalate. Major gains in services in public school nursing and child study services were offset by the loss of administrative fees due to the phase out of the Federal ARRA program administered by MOESC and the reduction in funds for Chapter 192-193 and Chapter 226 services by the closing of additional public schools and the competition for services within the counties served.

BASIC FINANCIAL STATEMENTS

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COMMISSION-WIDE FINANCIAL STATEMENTS

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

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MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 4,100	\$ -	\$ 4,100
Receivables, Net	6,488,417	16,917	6,505,334
Interfund Receivable	1,392,679	795,541	2,188,220
Security Deposit	-	5,000	5,000
Capital Assets, net	7,231,231	-	7,231,231
Total Assets	<u>15,116,427</u>	<u>817,458</u>	<u>15,933,885</u>
LIABILITIES			
Cash Overdraft	3,366,069	-	3,366,069
Accounts Payable	444,005	5,850	449,855
Interfund Payable	795,541	1,392,679	2,188,220
Payable to State Government	336,345	-	336,345
Payable to Other Government	201	-	201
Deferred Revenue	311,716	-	311,716
Noncurrent Liabilities:			
Due Within One Year	54,831	-	54,831
Due Beyond One Year	314,488	-	314,488
Total Liabilities	<u>5,623,196</u>	<u>1,398,529</u>	<u>7,021,725</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	6,065,693	-	6,065,693
Unrestricted	3,427,537	(581,071)	2,846,466
Total Net Assets	<u>\$ 9,493,230</u>	<u>\$ (581,071)</u>	<u>\$ 8,912,159</u>

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

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
GOVERNMENTAL ACTIVITIES			
Instruction:			
Regular Instruction	\$ -	\$ -	\$ -
Special Education Instruction	1,916,322	-	1,425,065
Other Instruction	700,346	1,122,675	-
Nonpublic school programs	2,753,927	-	2,345,012
Support Services:			
Tuition	-	2,721,739	-
Student & Instruction Related Services	4,183,388	-	2,827,040
School Administrative Services	1,501,498	-	-
General and Business Administrative Services	2,554,531	-	101
Plant Operations and Maintenance	462,785	-	3,515
Pupil Transportation	25,560,539	26,355,482	-
Special Schools	256,880	-	-
Unallocated Depreciation and Amortization	116,801	-	-
Total Governmental Activities	<u>40,007,017</u>	<u>30,199,896</u>	<u>6,600,733</u>
BUSINESS-TYPE ACTIVITIES			
Food Service	3,650	156	1,971
School-age Child Care Services	819,065	855,962	-
Adult School	41,500	41,500	-
Total Business-type Activities	<u>864,215</u>	<u>897,618</u>	<u>1,971</u>
Total Primary Government	<u>\$ 40,871,232</u>	<u>\$ 31,097,514</u>	<u>\$ 6,602,704</u>

GENERAL REVENUES

TPAF FICA reimbursement
Investment earnings
Miscellaneous income
Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - beginning

Net Assets - ending

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

Net (Expense)
Revenue and Changes
in Net Assets

Governmental Activities	Business-type Activities	Total
\$ -	\$ -	\$ -
(491,257)	-	(491,257)
422,329	-	422,329
(408,915)	-	(408,915)
2,721,739	-	2,721,739
(1,356,348)	-	(1,356,348)
(1,501,498)	-	(1,501,498)
(2,554,430)	-	(2,554,430)
(459,270)	-	(459,270)
794,943	-	794,943
(256,880)	-	(256,880)
(116,801)	-	(116,801)
<u>(3,206,388)</u>	<u>-</u>	<u>(3,206,388)</u>
-	(1,523)	(1,523)
-	36,897	36,897
-	-	-
-	35,374	35,374
<u>(3,206,388)</u>	<u>35,374</u>	<u>(3,171,014)</u>
741,319	-	741,319
48	-	48
2,149,750	-	2,149,750
(1,375)	1,375	-
<u>2,889,742</u>	<u>1,375</u>	<u>2,891,117</u>
(316,646)	36,749	(279,897)
<u>9,809,876</u>	<u>(617,820)</u>	<u>9,192,056</u>
<u>\$ 9,493,230</u>	<u>\$ (581,071)</u>	<u>\$ 8,912,159</u>

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FUND FINANCIAL STATEMENTS

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

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MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 4,000	\$ 100	\$ -	\$ 4,100
Receivables From Other Governments	4,439,618	1,542,995	-	5,982,613
Interfund Receivable	2,806,788	-	-	2,806,788
Total Assets	\$ 7,250,406	\$ 1,543,095	\$ -	\$ 8,793,501
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 18,524	\$ 422,393	\$ -	\$ 440,917
Cash overdraft	3,366,069	-	-	3,366,069
Interfund Payable	795,541	697,901	-	1,493,442
Payable to State Government	-	336,345	-	336,345
Payable to Other Government	-	51	-	51
Deferred Revenue	223,245	86,405	-	309,650
Total Liabilities	4,403,379	1,543,095	-	5,946,474
Fund Balances:				
Reserved for:				
Encumbrances	-	-	-	-
Unreserved, Undesignated, Reported in:				
General Fund	2,847,027	-	-	2,847,027
Total Fund Balances	2,847,027	-	-	2,847,027
Total Liabilities and Fund Balances	\$ 7,250,406	\$ 1,543,095	\$ -	

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

Internal Service Fund assets and liabilities are included in the Statement of Net Assets but are not part of the Governmental Funds Balance (from B-1). The Internal Service Fund balance is added here to reconcile the net assets. (215,707)

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is \$8,612,800 and the accumulated depreciation is \$1,381,569. 7,231,231

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. (4,832)

Telephone lease (364,488)

Compensated absences payable

Net Assets of Governmental Activities **\$ 9,493,231**

See Notes to the Basic Financial Statements.

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
REVENUES				
Local Sources:				
Tuition Charges	\$ 2,721,739	\$ -	\$ -	\$ 2,721,739
Transportation Charges	26,355,482	-	-	26,355,482
Interest Earned on Investments	48	-	-	48
Miscellaneous	2,149,750	-	-	2,149,750
Total - Local Sources	31,227,019	-	-	31,227,019
Federal Sources	-	1,901	-	1,901
State Sources	741,319	121,843	-	863,162
District Sources	-	6,476,989	-	6,476,989
Total Revenues	31,968,338	6,600,733	-	38,569,071
EXPENDITURES				
Current:				
Regular Instruction	-	-	-	-
Special Education Instruction	246,895	1,294,344	-	1,541,239
Other Instruction	495,484	-	-	495,484
Nonpublic School Programs	-	1,963,777	-	1,963,777
Support Services and Undistributed Costs:				
Student & Instruction Related Services	176,674	2,798,419	-	2,975,093
General and Business Admin. Services	1,816,188	50	-	1,816,238
School Administrative Services	1,003,405	-	-	1,003,405
Plant Operations and Maintenance	433,527	-	-	433,527
Pupil Transportation	25,396,868	-	-	25,396,868
Employee Benefits	2,451,910	540,577	-	2,992,487
Miscellaneous	-	51	-	51
Special Schools	170,316	-	-	170,316
Capital Outlay	24,973	3,515	-	28,488
Total Expenditures	32,216,240	6,600,733	-	38,816,973
Deficiency of Revenues				
Over (Under) Expenditures	(247,902)	-	-	(247,902)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	(1,375)	-	-	(1,375)
Total Other Financing Sources and Uses	(1,375)	-	-	(1,375)
Net Change in Fund Balances	(249,277)	-	-	(249,277)
Fund Balance, July 1	3,096,304	-	-	3,096,304
Fund Balance, June 30	\$ 2,847,027	\$ -	\$ -	\$ 2,847,027

See Notes to the Basic Financial Statements.

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Total net change in fund balances - governmental funds (from B-2)	\$	(249,277)
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p>		
<p>Capital outlays are reported in governmental funds as expenditures. However, 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.</p>		
Depreciation Expense	(156,563)	
Capital Outlay	2,581	(153,982)
<p>In the Statement of Activities, interest on long-term debt is accrued regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is a deduction in the reconciliation.</p>		
<p>Capital lease payments are 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.</p>		15,122
<p>In the Statement of Activities, certain operating expenses, e.g., compensated absences (vacations & sick pay) 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 a reduction in the reconciliation; when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation.</p>		
		32,934
<p>In the Statement of Activities, Internal Service Fund revenue and expenses are reported as a governmental activity. However, they are not included in the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds (from B-2).</p>		
		38,558
Change in net assets of governmental activities	\$	(316,645)

See Notes to the Basic Financial Statements.

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Enterprise Funds				Governmental Activities Internal Service Fund
	Food Service	School Age Child Care	Adult School	Total Enterprise	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental receivables					
Federal	600	-	-	600	-
State	13	1,917	-	1,930	-
Other	-	434	13,953	14,387	505,804
Interfund receivables	-	795,541	-	795,541	-
Deposits	-	-	5,000	5,000	-
Total current assets	<u>613</u>	<u>797,892</u>	<u>18,953</u>	<u>817,458</u>	<u>505,804</u>
Noncurrent assets:					
Furniture, machinery and equipment	-	-	-	-	3,478
Less accumulated depreciation	-	-	-	-	(3,478)
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 613</u>	<u>\$ 797,892</u>	<u>\$ 18,953</u>	<u>\$ 817,458</u>	<u>\$ 505,804</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ -	\$ 5,850	\$ -	\$ 5,850	\$ 3,088
Deferred revenue	-	-	-	-	2,066
Intergovernmental payable	-	-	-	-	150
Interfund payable	-	-	1,392,679	1,392,679	716,207
Total current liabilities	<u>-</u>	<u>5,850</u>	<u>1,392,679</u>	<u>1,398,529</u>	<u>721,511</u>
NET ASSETS					
Unrestricted	<u>613</u>	<u>792,042</u>	<u>(1,373,726)</u>	<u>(581,071)</u>	<u>(215,707)</u>
Total net assets	<u>613</u>	<u>792,042</u>	<u>(1,373,726)</u>	<u>(581,071)</u>	<u>(215,707)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 613</u>	<u>\$ 797,892</u>	<u>\$ 18,953</u>	<u>\$ 817,458</u>	<u>\$ 505,804</u>

See Notes to the Basic Financial Statements.

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Enterprise Funds				Governmental Activities Internal Service Fund
	Food Service	School Age Child Care	Adult School	Total Enterprise	
OPERATING REVENUES:					
Local sources:	\$ -	\$ -	\$ -	\$ -	\$ 1,122,675
Food service sales	156	-	-	156	-
Community service activities	-	865,769	41,610	907,379	-
Refunds	-	(9,807)	(110)	(9,917)	-
Total operating revenues	<u>156</u>	<u>855,962</u>	<u>41,500</u>	<u>897,618</u>	<u>1,122,675</u>
OPERATING EXPENSES:					
Salaries	-	636,798	36,350	673,148	153,619
Employee benefits	-	-	-	-	7,210
Cost of sales	3,650	-	-	3,650	-
Other purchased professional services	-	166,884	400	167,284	913,531
General supplies	-	9,513	1,196	10,709	4,244
Textbooks	-	-	3,554	3,554	-
Other expenses	-	5,870	-	5,870	5,513
Total operating expenses	<u>3,650</u>	<u>819,065</u>	<u>41,500</u>	<u>864,215</u>	<u>1,084,117</u>
OPERATING INCOME/(LOSS)	<u>(3,494)</u>	<u>36,897</u>	<u>-</u>	<u>33,403</u>	<u>38,558</u>
NONOPERATING REVENUES:					
State sources:					
State school lunch program	43	-	-	43	-
Federal sources:					
National school lunch program	1,928	-	-	1,928	-
TOTAL NONOPERATING REVENUES	<u>1,971</u>	<u>-</u>	<u>-</u>	<u>1,971</u>	<u>-</u>
INCOME/(LOSS) BEFORE TRANSFERS	<u>(1,523)</u>	<u>36,897</u>	<u>-</u>	<u>35,374</u>	<u>38,558</u>
TRANSFERS IN/(OUT)	<u>1,375</u>	<u>-</u>	<u>-</u>	<u>1,375</u>	<u>-</u>
CHANGE IN NET ASSETS	<u>(148)</u>	<u>36,897</u>	<u>-</u>	<u>36,749</u>	<u>38,558</u>
TOTAL NET ASSETS - BEGINNING	<u>761</u>	<u>755,145</u>	<u>(1,373,726)</u>	<u>(617,820)</u>	<u>(254,265)</u>
TOTAL NET ASSETS - ENDING	<u>\$ 613</u>	<u>\$ 792,042</u>	<u>\$ (1,373,726)</u>	<u>\$ (581,071)</u>	<u>\$ (215,707)</u>

See Notes to the Basic Financial Statements.

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Enterprise Funds				Governmental Activities Internal Service Fund
	Food Service	School Age Child Care	Adult School	Total Enterprise	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 156	\$ 861,882	\$ 41,500	\$ 903,538	\$ 1,084,934
Payments to employees	-	(636,798)	(36,350)	(673,148)	(153,619)
Payments for employee benefits	-	-	-	-	(7,210)
Payments to suppliers	(3,650)	-	-	(3,650)	(914,348)
Other expenses	-	(188,426)	(5,150)	(193,576)	(9,757)
Net cash provided by (used in) operating activities	<u>(3,494)</u>	<u>36,658</u>	<u>-</u>	<u>33,164</u>	<u>-</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
State Sources	30	-	-	30	-
Federal Sources	2,089	-	-	2,089	-
Operating subsidies and transfers to other funds	1,375	(36,658)	-	(35,283)	-
Net cash provided by non-capital financing activities	<u>3,494</u>	<u>(36,658)</u>	<u>-</u>	<u>(33,164)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	-	-	-	-	-
Balances—beginning of year	-	-	-	-	-
Balances—end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided by (used in) by operating activities:					
Operating income (loss)	\$ (3,494)	\$ 36,897	\$ -	\$ 33,403	\$ 38,558
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
(Increase)/decrease in accounts receivable	-	5,920	-	5,920	(67,623)
Increase/(decrease) in accounts payable	-	(6,159)	-	(6,159)	(817)
Increase in interfund payable	-	-	-	-	29,882
Total adjustments	<u>-</u>	<u>(239)</u>	<u>-</u>	<u>(239)</u>	<u>(38,558)</u>
Net cash provided by (used in) operating activities	<u>\$ (3,494)</u>	<u>\$ 36,658</u>	<u>\$ -</u>	<u>\$ 33,164</u>	<u>\$ -</u>

See Notes to the Basic Financial Statements.

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2012

	<u>Unemployment Compensation Trust</u>	<u>Payroll Agency Fund</u>
ASSETS		
Cash and Cash Equivalents	<u>\$ 1,830</u>	<u>\$ 174,799</u>
Total Assets	<u>1,830</u>	<u>\$ 174,799</u>
LIABILITIES		
Payroll Deductions and Withholdings	-	124,216
Accrued Salaries	<u>-</u>	<u>50,583</u>
Total Liabilities	<u>-</u>	<u>174,799</u>
NET ASSETS		
Held in Trust for Unemployment Claims and Other Purposes	<u>1,830</u>	<u>-</u>
Total Net Assets	<u><u>\$ 1,830</u></u>	<u><u>\$ -</u></u>

See Notes to the Basic Financial Statements.

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Unemployment Compensation Trust</u>
ADDITIONS	
Contributions:	
Employee withholding	\$ 22,041
Board contributions	140,081
Total Contributions	<u>162,122</u>
Investment Earnings:	
Interest	<u>1</u>
Total Additions	<u>162,123</u>
DEDUCTIONS	
Quarterly contribution reports	8,920
Unemployment claims	<u>153,202</u>
Total Deductions	<u>162,122</u>
Change in Net Assets	1
Net Assets - Beginning of the Year	<u>1,829</u>
Net Assets - End of the Year	<u>\$ 1,830</u>

See Notes to the Basic Financial Statements.

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

In June, 1979 the Monmouth County Educational Services Commission was established by local school districts in Monmouth County to administer, in a cooperative fashion, programs designated by the membership. During 1991/1992, the Commission admitted numerous Ocean County districts and changed its name to the Monmouth-Ocean Educational Services Commission (M-OESC).

The general purpose of the Commission is to provide services for the consortium of school districts comprising it that are more economically and efficiently provided on a collective basis. The Commission has been established pursuant to the laws of the State of New Jersey (NJSA 18A:6, et seq.).

The primary criterion for including activities within the Commission's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Commission. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the Commission over which the Commission exercises operating control.

B. Basis of Presentation

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

Basis of Presentation

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

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

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (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 fund, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The New Jersey Department of Education (NJDOE) has elected to require the Commission to follow New Jersey school districts in treating 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 Commission financial reporting models.

The Commission reports the following governmental funds:

General Fund - The General Fund is the general operating fund of the Commission and is used to account for all expendable financial resources except those required to be accounted for in another fund.

Special Revenue Fund - The Commission accounts for the proceeds of specific revenue sources, other than expendable trusts or major capital projects, that are legally restricted to expenditures for specified purposes in the Special Revenue Fund.

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Types:

Enterprise (Food Service) Fund - The Enterprise Fund accounts for operations financed and operated in a manner similar to private business enterprises. The Commission intends that costs of providing goods and services on a continuing basis be financed or recovered primarily through user charges.

Internal Service Fund - The Internal Service Fund is used to account for the financing of goods or services provided by the Commission to other local education agencies on a cost-reimbursement basis.

Fiduciary Fund Types:

Trust and Agency Funds - The Trust and Agency Funds are used to account for assets held by the Commission on behalf of outside parties.

Expendable Trust Fund - The Expendable Trust Fund is used to account for assets held under the terms of a formal trust agreement whereby the Commission may expend both principal and earnings.

Agency Funds (Payroll Agency and Summer Pay Plan) - Agency funds are used to account for the assets that the Commission holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

C. Basis of Accounting:

The Commission-wide financial statements are prepared using the accrual method of accounting.

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting: (Continued)

The modified accrual basis of accounting is used for measuring financial position and operating results of the governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

The accrual basis of accounting is used for measuring financial position and operating results of Proprietary Fund Types and Expendable Trust Funds. Under this method revenues are recorded in the accounting period in which they are earned and expenses are recorded at the time liabilities are incurred.

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the winter of each year for the General and Special Revenue Funds. The budgets are submitted to the County office. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments must be approved by Commission resolution. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget.

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 generally accepted accounting principles with the exception of the Special Revenue Fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the Special Revenue Fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that it recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports. At June 30, 2012 and 2011 the reconciling differences between the budgetary basis and GAAP basis in the Special Revenue Fund was equal to \$0. The reconciliation is located on Schedule C-3 of the CAFR.

E. Encumbrances:

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

Open encumbrances in the Special Revenue Fund for which the Commission has received advances are reflected in the balance sheet as deferred revenues at fiscal year end.

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

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Interfund Receivables/Payables:

Interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the Commission and that are due within one year.

G. Allowance for Uncollectible Accounts:

No allowance for uncollectible accounts has been recorded since all receivables are deemed collectible.

H. Capital Assets:

During the year ended June 30, 1994, the Commission established a formal system of accounting for its fixed assets. General fixed assets acquired or constructed subsequent to June 30, 1993, are recorded at original cost. Fixed assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records.

General fixed assets are reflected as expenditures in the applicable governmental funds, and the related assets are reported as Capital Assets. Expenditures which enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the fixed assets currently capitalized cost. The cost of normal repairs and maintenance are not capitalized. The capitalization threshold is \$2,000.

All reported capital assets except for land and construction-in-progress are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50
Building improvements	20
Vehicles	10
Office and computer equipment	5-10
Instructional equipment	10

In the Fund Financial Statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the Fund Financial Statements.

I. Accrued Salaries and Wages:

Certain Commission employees who provide services to the Commission over the ten-month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned, but undisbursed, amounts be retained in a separate bank account. As of June 30, 2012, the amounts earned by these employees, but not disbursed, was \$50,583.

J. Compensated Absences:

Commission employees are granted vacation and sick leave in varying amounts under the Commission's personnel policies. In the event of termination an employee is reimbursed for accumulated vacation. Sick leave benefits provide for ordinary sick pay.

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Compensated Absences: (Continued)

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

For the Commission-wide statements, the current portion is the amount estimated to be used in the following year. 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 represent a reconciling item between the fund level and Commission-wide presentations. As of June 30, 2012 no liability existed for compensated absences in the Proprietary Fund types.

K. Deferred Revenue:

Deferred revenue in the General Fund, Special Revenue Fund and Enterprise Fund represents cash which has been received but not yet earned. See Note 1 E. regarding the Special Revenue Fund.

L. Accrued Liabilities and Long-term Obligations:

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

M. Fund Equity:

Contributed capital represents the amount of fund capital contributed to the Proprietary Funds from other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

N. Allocation of Indirect Expenses:

The Commission reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of Social Security workers' compensation, and medical and dental benefits, were allocated based on salaries of that program. 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. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Management Estimates:

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

P. Subsequent Events:

The Commission has evaluated subsequent events through March 11, 2013, which is the date the financial statements were available to be issued.

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include petty cash, amounts on deposit and short-term investments with original maturities of three months or less.

Investments are stated at cost which approximates market.

Deposits:

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments:

The Commission did not make any investments during the year; however, it does avail itself of the New Jersey Cash Management Fund. These accounts are deemed to be cash equivalents. Cash, cash equivalents and investments at June 30, 2012 consisted of the following:

Checking and savings accounts	\$ (3,257,147)
NJ Cash Management Account	<u>71,807</u>
Total cash and cash equivalents	<u>\$ (3,185,340)</u>

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

Investments: (Continued)

The carrying amount of the Commission's cash and cash equivalents at June 30, 2012 was \$(3,185,340) and the bank balance was \$2,465,740. Of the bank balance, \$321,807 was covered by Federal Deposit Insurance and \$2,143,933 was covered by a collateral pool maintained by the banks as required by New Jersey statutes.

NOTE 3. CAPITAL RESERVE ACCOUNT

A Capital Reserve Account was established by the Commission by inclusion of \$750,000 in the original 1994-95 annual capital outlay budget for accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The Capital Reserve Account is maintained in the General Fund and its activity is included in the General Fund Annual Budget.

Funds placed in the Capital Reserve Account are restricted to capital outlay expenditures, and transfers of such funds for other uses are prohibited pursuant to N.J.S.A. 18A:22-8.2. Funds withdrawn from the Account must be included in the Annual Budget as revenue labeled "Withdrawal from Capital Reserve." Unbudgeted withdrawals may be made upon approval by the Commissioner of Education for good cause. Increases in the Account from sources other than investment income cannot exceed the amount appropriated in the Annual Budget as an increase in the Capital Reserve Account.

NOTE 4. CAPITAL (FIXED) ASSETS

The following schedule is a summarization of the changes in Capital Assets by source for the fiscal year ended June 30, 2012:

	<u>Building and Improvements</u>	<u>Machinery and Equipment</u>	<u>Construction In Progress</u>	<u>Total</u>
Balance, 6/30/11	<u>\$8,153,910</u>	<u>\$456,310</u>	<u>\$ -</u>	<u>\$8,610,220</u>
Expended from:				
Special Revenue	-	-	-	-
General Fund	-	2,581	-	2,581
Capital Projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>2,581</u>	<u>-</u>	<u>2,581</u>
Disposals:				
Special Revenue	-	-	-	-
General Fund	-	-	-	-
Capital Projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance 6/30/12	<u>8,153,910</u>	<u>458,891</u>	<u>-</u>	<u>8,612,801</u>
Accumulated depreciation 6/30/11	929,896	295,111	-	1,225,007
2012 depreciation expense	116,801	39,762	-	156,563
2012 disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Accumulated depreciation 6/30/12	<u>1,046,697</u>	<u>334,873</u>	<u>-</u>	<u>1,381,570</u>
Net capital assets	<u>\$7,107,213</u>	<u>\$124,018</u>	<u>\$ -</u>	<u>\$7,231,231</u>

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 4. CAPITAL (FIXED) ASSETS (CONTINUED)

Following is a summary of Proprietary Fund-type fixed assets at June 30, 2012:

Machinery and equipment	\$ 3,478
Less accumulated depreciation	<u>3,478</u>
Net fixed assets	<u>\$ -</u>

NOTE 5. OPERATING LEASE

The Commission has entered into a lease agreement to lease building space to the Bayshore Jointure Commission. The lease term is for five years and expires on June 30, 2015. Basic monthly rent is \$20,066 and will remain flat for the fiscal year June 30, 2013 and will increase 4% per year for every year thereafter. Total rental income for the fiscal year ended June 30, 2012 was \$240,795.

Future minimum lease receipts are as follows:

2013	\$240,795
2014	250,427
2015	<u>260,444</u>
	<u>\$751,666</u>

NOTE 6. LONG-TERM DEBT

During the fiscal year ended June 30, 2012, the following changes occurred in liabilities reported in the Long-Term Debt:

	<u>Balance</u> <u>6/30/11</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>6/30/12</u>
Compensated absences payable	\$397,423	\$ -	\$32,935	\$364,488
Capital lease obligation - phones	<u>19,953</u>	<u>-</u>	<u>15,121</u>	<u>4,832</u>
	<u>\$417,376</u>	<u>\$ -</u>	<u>\$48,056</u>	<u>\$369,320</u>

On September 18, 2009, the Commission entered into a capital lease agreement with Avaya Financial Services to obtain a telephone system for the Tinton Falls building. The system cost \$40,538 and payments are made on a monthly basis in the amount of \$1,221, inclusive of interest at a rate of 5.353%, for a period of 36 months. Future payments under the capital lease are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2013	\$4,886
Less: Interest	<u>54</u>
	4,832
Less: Current portion	<u>4,832</u>
	<u>\$ -</u>

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 7. PENSION PLANS

Plan Descriptions:

Substantially all of the Commission's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Teacher's Pension and Annuity Fund (TPAF) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the State of New Jersey. The Teachers' Pension and Annuity Fund retirement system is considered a cost-sharing multiple-employer plan with a special funding situation. 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. The Public Employees Retirement System is considered a cost-sharing multiple-employer plan.

Teachers' Pension and Annuity Fund:

The Teachers' Pension and Annuity Fund was established in January, 1955 under the provisions of N.J.S.A. 18A:66 to provide coverage, including post-retirement health care, to substantially all full-time public school employees in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for health care coverage. Members are eligible for retirement at age 60 with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 60 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above-mentioned formula, but at a reduced rate (one-quarter of one percent for each month the member lacks of attaining age 55).

Public Employees' Retirement System:

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full-time employees of the State, or any county, municipality, school district or public agency, provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service and 25 years for health care coverage. Members are eligible for retirement at age 60 with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 60 with 25 or more years of credited service.

Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above-mentioned formula but at a reduced rate (one-quarter of one percent for each month the member lacks of attaining age 55).

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 for TPAF and PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P. O. Box 295, Trenton, New Jersey 08625-0295.

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 7. PENSION PLANS (CONTINUED)

Significant Legislation:

During the year ended June 30, 1997, legislation was enacted authorizing the New Jersey Economic Development Authority (the "Authority") to issue bonds, notes or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems.

As a result of additional legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997), the asset valuation method was changed from market related value to full market value. This legislation also contains a provision to reduce the employee contribution rates under TPAF and PERS by 1/2 of 1% to 4.5% for the calendar years 1998 and 1999, and to allow for a similar reduction in the employee's rate after calendar year 1999 providing excess valuation assets are available. The legislation also provided that the Commission's normal contributions to the Fund may be reduced based on the revaluation of assets. Because of the recognition of the bond proceeds and the change in asset valuation method as a result of enactment of Chapters 114 and 115, all unfunded accrued liabilities were eliminated except for the unfunded liability for the local early retirement incentive benefits. Accordingly, the pension costs for TPAF and PERS were reduced.

Funding Policy:

The contribution policy is set by New Jersey State Statutes, and contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Commission is a noncontributing employer of the TPAF. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Commission is a noncontributing employer of the TPAF.

Legislation enacted during 1993 provides early retirement incentives for certain members of TPAF and PERS who met certain age and service requirements and who applied for retirement between certain dates in the 1994 fiscal year. The early retirement incentives included: (a) an additional five years of service credit for employees at least age 50 with a minimum of 25 years of service; (b) free health benefits for employees at least 60 years old with at least 20 years of service; and (c) an additional \$500 per month for two years for employees at least age 60 with 10 but less than 20 years of service. The Commission will assume the increased cost for the early retirement.

The Commission's contribution to PERS for the year ended June 30, 1998 was \$11,034 equal to the required contribution for that year; no contributions were made for the years ended June 30, 1999 through June 30, 2012.

During the year ended June 30, 2012, the State of New Jersey contributed \$516,884 to the TPAF for normal pension contributions on behalf of the Commission. Also, in accordance with N.J.S.A. 18A:66-66, the State of New Jersey reimbursed the Commission \$224,435 during the year ended June 30, 2012 for the employer's share of Social Security contributions for TPAF members as calculated on their base salaries. These amounts have been included in the basic financial statements as revenues and expenditures in accordance with GASB 24.

**MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 8. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required the Teachers' Pension and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2011 there were 93,323 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c.126 which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in fiscal year 2011.

NOTE 9. DEFERRED COMPENSATION

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

Fidelity Investments VALIC The Equitable	Lincoln Investment Planning Dean Witter
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NOTE 10. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables consist of expenses advanced on behalf of other funds. At June 30, 2012 the balances in interfund accounts consisted of:

	<u>Receivable</u>	<u>Payable</u>
General	\$2,806,788	\$ 795,541
Special Revenue	-	697,901
Enterprise	795,541	1,392,680
Internal Service	-	716,207
	<u>\$3,602,329</u>	<u>\$3,602,329</u>

NOTE 11. CONTINGENT LIABILITIES (RISK MANAGEMENT)

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

Property and Liability Insurance - The Commission maintains 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.

**MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 11. CONTINGENT LIABILITIES (RISK MANAGEMENT) (CONTINUED)

New Jersey Unemployment Compensation Insurance - The Commission has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the Commission is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and to charge its account with the State. The Commission is billed quarterly for amounts due to the State. Following is a summary of Commission contributions, employee contributions, reimbursements to the State for benefits paid, and the ending balance of the Commissions' Expendable Trust Fund for the current and previous two years:

<u>Fiscal Year</u>	<u>Commission Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2011 – 2012	\$140,082	\$22,041	\$162,122	\$ 1,830
2010 – 2011	318,428	26,632	345,056	1,829
2009 – 2010	115,340	37,362	152,696	1,825

NOTE 12. FOUNDATION

A charitable Foundation has been established for the benefit of the Commission. Since this Foundation operates under an independent Board of Trustees and independent management, the financial statements of the Foundation are not included in the accompanying financial statements. As of June 30, 2012, the Commission estimated that the Foundation had net assets of approximately \$50,000. Revenue and support received by the Foundation, and not reflected in the financial statements of the Commission, aggregated \$0 in the year ended December 31, 2011.

NOTE 13. GAIN/(LOSS) ON SALE OF FIXED ASSETS

During the year the Commission sold and disposed of fully depreciated equipment previously written off as obsolete. The breakdown on the gain/(loss) is as follows:

	<u>Equipment Sale</u>	<u>Total</u>
Proceeds	<u>\$454</u>	<u>\$454</u>
Cost	-	-
Less: Accumulated depreciation	<u>-</u>	<u>-</u>
Basis	<u>-</u>	<u>-</u>
Gain/(Loss)	<u>\$454</u>	<u>454</u>

NOTE 15. FUND BALANCE APPROPRIATED

General Fund (Exhibit B-1) – Of the \$2,847,027 General Fund balance at June 30, 2012 nothing is reserved.

**MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 16. RELATED PARTY

The Commission entered into multiple shared service agreements with the Monmouth-Ocean Educational Services Commission (M-OESC) during the fiscal year ended June 30, 2012 and is renewable on an annual basis. The following are the services provided and the amounts charged for each during the fiscal year.

Business & Administrative Services (full year)	\$25,800
Nursing (prorated)	\$5,000
Physical Education Teacher (prorated)	\$18,500
Administrative Assistant (prorated)	\$20,250

The total accounts receivable at June 30, 2012 due to MOESC equals \$156,085.81, shared services and rent (see Note 5), and has been paid by October 2012.

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**REQUIRED SUPPLEMENTARY
INFORMATION – PART II**

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BUDGETARY COMPARISON SCHEDULES

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Tuition	\$ 7,537,782	\$ (4,817,494)	\$ 2,720,288	\$ 2,721,739	\$ 1,451
Transportation fees from other LEA's	30,048,302	(3,692,820)	26,355,482	26,355,482	-
Interest earned on investments	-	-	-	48	48
Miscellaneous	-	2,139,460	2,139,460	2,149,750	10,290
Total Local Sources	37,586,084	(6,370,854)	31,215,230	31,227,019	11,789
State Sources:					
TPAF Pension (On-Behalf - Non-Budgeted)	-	-	-	516,884	516,884
TPAF Social Security (Reimbursed - Non-Budgeted)	-	-	-	224,435	224,435
Total State Sources	-	-	-	741,319	741,319
Total Revenues	37,586,084	(6,370,854)	31,215,230	31,968,338	753,108
EXPENDITURES:					
Current Expense:					
SPECIAL EDUCATION - INSTRUCTION					
Resource Room/Resource Center:					
Salaries of Teachers	222,960	29,838	252,798	246,357	6,441
General Supplies	1,750	(1,212)	538	538	-
Textbooks	2,000	(2,000)	-	-	-
Other objects	1,500	(1,500)	-	-	-
Total Resource Room/Resource Center	228,210	25,126	253,336	246,895	6,441
TOTAL SPECIAL EDUCATION - INSTRUCTION	228,210	25,126	253,336	246,895	6,441
Other Instructional Programs - Instruction					
Salaries	451,046	(35,349)	415,697	403,069	12,628
Purchased Services	190,000	(59,751)	130,249	85,953	44,296
Supplies and Materials	19,500	(14,099)	5,401	5,397	4
Other Objects	2,250	650	2,900	1,065	1,835
Total Other Instructional Programs - Instruction	662,796	(108,549)	554,247	495,484	58,763
TOTAL INSTRUCTION	891,006	(83,423)	807,583	742,379	65,204
UNDISTRIBUTED EXPENDITURES					
Undistributed Expend. - Attend. & Social Work					
Salaries	142,931	(112,221)	30,710	30,710	-
Total Undistributed Expend. - Attend. & Social Work	142,931	(112,221)	30,710	30,710	-
Undist. Expend. - Health Services					
Salaries	59,965	(26,984)	32,981	32,981	-
Purchased Professional and Technical Services	3,500	13,328	16,828	16,805	23
Supplies and Materials	-	250	250	250	-
Total Undistributed Expenditures - Health Services	63,465	(13,406)	50,059	50,036	23
Undist. Expend. - Speech, OT, PT and Related Svcs.					
Supplies and Materials	-	938	938	938	-
Total Undist. Expend. - Speech, OT, PT and Related Svcs.	-	938	938	938	-
Undist. Expend. - Guidance					
Salaries of Other Professional Staff	-	61,365	61,365	61,365	-
Total Undist. Expend. - Guidance	-	61,365	61,365	61,365	-
Undist. Expend. - Child Study Team					
Purchased Prof-Educational Services	18,000	4,196	22,196	22,195	1
Supplies and Materials	7,500	(755)	6,745	6,745	-
Total Undist. Expend. - Child Study Team	25,500	3,441	28,941	28,940	1

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Instructional Staff Training Serv.					
Purchased Professional - Educational Serv	3,000	(3,000)	-	-	-
Other Purchased Services (400-500 series)	2,000	2,685	4,685	4,685	-
Total Undist. Expend. - Instructional Staff Training Serv.	5,000	(315)	4,685	4,685	-
Undist. Expend. - Supp. Serv. - General Admin.					
Salaries	569,444	112,748	682,192	682,192	-
Legal Services	97,000	(4,562)	92,438	91,665	773
Audit Fees	30,000	2,000	32,000	32,000	-
Architectural/Engineering Services	-	7,000	7,000	6,644	356
Other Purchased Professional Services	6,500	(3,316)	3,184	3,184	-
Purchased Technical Services	6,500	(179)	6,321	6,321	-
Communications/Telephone	102,000	(2,718)	99,282	99,282	-
Other Purchased Services (400-500 series)	85,000	(63,550)	21,450	21,450	-
Supplies and Materials	71,000	(53,279)	17,721	17,721	-
BOE in-House Training/Meeting Supplies	3,000	(3,000)	-	-	-
Judgments Against the School District	-	10,000	10,000	10,000	-
Miscellaneous Expenditures	10,000	18,119	28,119	28,119	-
BOE Membership Dues and Fees	4,500	3,342	7,842	7,842	-
Total Undist. Expend. - Supp. Serv. - General Admin.	984,944	22,605	1,007,549	1,006,420	1,129
Undist. Expend. - Support Serv. - School Admin.					
Salaries of Principals/Assistant Principals	931,240	(398,789)	532,451	530,604	1,847
Salaries of Secretarial and Clerical Assistants	561,902	(111,871)	450,031	449,401	630
Other Purchased Services	17,500	(9,175)	8,325	8,325	-
Supplies and Materials	15,000	(5,250)	9,750	9,747	3
Other Objects	8,500	(3,172)	5,328	5,328	-
Total Undist. Expend. - Support Serv. - School Admin.	1,534,142	(528,257)	1,005,885	1,003,405	2,480
Undist. Expend. - Central Services					
Salaries	467,022	45,009	512,031	491,640	20,391
Purchased Technical Services	-	7,848	7,848	7,848	-
Misc. Purchased Services (400-500 series)	11,000	(7,757)	3,243	3,242	1
Supplies and Materials	4,500	(721)	3,779	3,779	-
Interest on Lease Purchase Agreements	5,574	(2,291)	3,283	3,283	-
Miscellaneous Expenditures	2,500	23,157	25,657	25,657	-
Total Undist. Expend. - Central Services	490,596	65,245	555,841	535,449	20,392
Undist. Expend. - Admin. Info. Tech.					
Salaries	256,948	(12,214)	244,734	244,565	169
Purchased Technical Services	82,000	(54,000)	28,000	27,726	274
Other Purchased Services	1,200	(1,200)	-	-	-
Supplies and Materials	3,500	(1,472)	2,028	2,028	-
Other Objects	1,000	(1,000)	-	-	-
Total Undist. Expend. - Admin Info Technology	344,648	(69,886)	274,762	274,319	443
Undist. Expend. - Oth. Oper. & Maint. of Plant					
Salaries	114,730	(2,774)	111,956	111,956	-
Cleaning, Repair and Maintenance Services	152,000	(20,859)	131,141	131,008	133
Rental of Land and Buildings	32,058	(29,688)	2,370	2,370	-
Other Purchased Property Services	4,500	2,121	6,621	6,621	-
Insurance	30,000	772	30,772	28,022	2,750
Travel	-	90	90	90	-
Miscellaneous Purchased Services	6,800	(6,765)	35	35	-
General Supplies	35,000	(881)	34,119	33,136	983
Energy (Energy and Electricity)	152,000	(58,268)	93,732	93,732	-
Other Objects	4,200	(3,795)	405	405	-
Total Undist. Expend. - Other Oper. & Maint. Of Plant	531,288	(120,047)	411,241	407,375	3,866
Undist. Expend. - Care and Upkeep of Grounds					
Cleaning, Repair and Maintenance Services	22,000	(21,429)	571	571	-
Total Undist. Expend. - Care and Upkeep of Grounds	22,000	(21,429)	571	571	-
Undist. Expend. - Security					
Salaries	74,694	(48,213)	26,481	25,581	900
Total Undist. Expend. - Security	74,694	(48,213)	26,481	25,581	900

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Student Transportation Services					
Salaries of Non-Instructional Aids	312,302	2,349	314,651	314,571	80
Other Purchased Professional and Technical Services	-	7,816	7,816	7,365	451
Contracted Svcs. (Sp Ed Stds) - Joint Agrmnts	29,730,000	(4,519,857)	25,210,143	25,071,736	138,407
Travel	-	7	7	7	-
Miscellaneous Purchased Services - Transportation	2,500	(2,500)	-	-	-
Supplies and Materials	3,000	(355)	2,645	2,645	-
Miscellaneous Expense	500	44	544	544	-
Total Undist. Expend. - Student Transportation Services	30,048,302	(4,512,496)	25,535,806	25,396,868	138,938
Unallocated Benefits					
Group Insurance	14,700	1,201	15,901	15,901	-
Social Security Contributions	200,000	218,356	418,356	390,751	27,605
Other Retirement Contributions - PERS	446,646	(21,047)	425,599	422,538	3,061
Unemployment Compensation	215,000	(85,049)	129,951	129,951	-
Worker's Compensation	124,500	(28,464)	96,036	96,036	-
Health Benefits	1,314,418	(426,343)	888,075	581,171	306,904
Tuition Reimbursement	47,000	(20,419)	26,581	26,581	-
Other Employee Benefits	35,000	12,662	47,662	47,662	-
Total Unallocated Benefits	2,397,264	(349,103)	2,048,161	1,710,591	337,570
On-behalf TPAF pension Contributions (non-budgeted)	-	-	-	516,884	(516,884)
Reimbursed TPAF Social Security (non-budgeted)	-	-	-	224,435	(224,435)
Total On-Behalf Payments	-	-	-	741,319	(741,319)
Total Personnel Services - Employee Benefits	2,397,264	(349,103)	2,048,161	2,451,910	(403,749)
Undistributed Expenditures - Food Service					
Transfers to Cover Deficit	14,000	(11,941)	2,059	1,375	684
Total Undistributed Expenditures - Food Service	14,000	(11,941)	2,059	1,375	684
TOTAL UNDISTRIBUTED EXPENDITURES	36,678,774	(5,633,720)	31,045,054	31,279,947	(234,893)
TOTAL GENERAL CURRENT EXPENSE	37,569,780	(5,717,143)	31,852,637	32,022,326	(169,689)
CAPITAL OUTLAY					
Equipment					
Undistributed Expenditures-General Administration	16,304	(9,666)	6,638	6,638	-
Undistributed Expenditures-Admin. Info. Tech.	-	18,335	18,335	18,335	-
Total Equipment	16,304	8,669	24,973	24,973	-
TOTAL CAPITAL OUTLAY	16,304	8,669	24,973	24,973	-
SPECIAL SCHOOLS					
Summer School					
Instruction:					
Salaries	-	170,316	170,316	170,316	-
Total Summer School	-	170,316	170,316	170,316	-
TOTAL SPECIAL SCHOOLS	-	170,316	170,316	170,316	-
TOTAL EXPENDITURES	37,586,084	(5,538,158)	32,047,926	32,217,615	(169,689)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(832,696)	(832,696)	(249,277)	583,419
Fund Balance, July 1	-	-	-	3,096,304	(3,096,304)
Fund Balance, June 30	\$ -	\$ (832,696)	\$ (832,696)	\$ 2,847,027	\$ 3,679,723
Recapitulation:					
Unreserved Designated for Subsequent Year's Expenditures				\$ -	
Unreserved Fund Balance				2,847,027	
				<u>\$ 2,847,027</u>	

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND
 FISCAL YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Federal sources	\$ -	\$ -	\$ -	\$ 1,901	\$ 1,901
State sources	144,100	6,000	150,100	121,843	(28,257)
District sources	5,655,962	3,223,896	8,879,858	6,476,989	(2,402,869)
Total Revenues	5,800,062	3,229,896	9,029,958	6,600,733	(2,429,225)
EXPENDITURES:					
Instruction					
Salaries of Teachers	2,191,357	(506,082)	1,685,275	1,684,000	1,275
Other Salaries for Instruction	444,929	102,940	547,869	403,695	144,174
Purchased Professional-Technical Services	2,479,371	(2,254,310)	225,061	5,061	220,000
Other Purchased Services (400-500 series)	-	541,700	541,700	450,561	91,139
General supplies	190	790,882	791,072	350,060	441,012
Textbooks	520,000	(155,256)	364,744	364,744	-
Total Instruction	5,635,847	(1,480,126)	4,155,721	3,258,121	897,600
Support Services					
Salaries of Program Directors	-	226,658	226,658	116,713	109,945
Salaries of Other Professional Staff	-	-	-	-	-
Personal Services - Employee Benefits	-	840,580	840,580	540,577	300,003
Purchased Professional - Educational Services	35,215	1,729,372	1,764,587	1,493,668	270,919
Other Purchased Prof. Services	118,000	504,571	622,571	412,116	210,455
Purchased Technical Services	-	906,225	906,225	745,604	160,621
Travel	-	50	50	50	-
Supplies & Materials	6,000	504,000	510,000	30,318	479,682
Other Objects	-	51	51	51	-
Total Support Services	159,215	4,711,507	4,870,722	3,339,097	1,531,625
Facilities Acquisition and Construction Services:					
Instructional Equipment	5,000	(1,485)	3,515	3,515	-
Total Facilities Acquisition and Construction Services	5,000	(1,485)	3,515	3,515	-
Total Expenditures	5,800,062	3,229,896	9,029,958	6,600,733	2,429,225
Excess (Deficiency) of Revenues Over (Under)					
Expenditures and Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -	\$ -

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**NOTES TO THE REQUIRED
SUPPLEMENTARY INFORMATION**

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MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 BUDGET TO GAAP RECONCILIATION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures:

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$ 31,968,338	\$ 6,600,733
Differences - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	-	-
Total revenues reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	\$ 31,968,338	\$ 6,600,733
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules	\$ 32,217,615	\$ 6,600,733
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.	-	-
Total expenditures reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	\$ 32,217,615	\$ 6,600,733

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OTHER SUPPLEMENTARY INFORMATION

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SPECIAL REVENUE FUND DETAIL STATEMENTS

The Special Revenue fund is used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
 COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES
 SPECIAL REVENUE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012
 BUDGETARY BASIS

	FIE Virtual School Grant	N.J. Nonpublic Nurse Aid	N.J. Nonpublic Textbook Aid	N.J. Nonpublic Auxiliary Services Chapter 192			
				Compensatory Education	English as a Second Language	Transportation	Home Instruction
REVENUES:							
Federal sources	\$ 1,901	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-	-
District sources	-	814,380	364,744	1,452,895	66,117	65,395	33,359
Total Revenues	\$ 1,901	\$ 814,380	\$ 364,744	\$ 1,452,895	\$ 66,117	\$ 65,395	\$ 33,359
EXPENDITURES:							
Instruction:							
Salaries of teachers	\$ 600	\$ -	\$ -	\$ 716,935	\$ 35,071	\$ -	\$ 21,070
Other salaries for instruction	-	-	-	-	-	-	-
Purchased Professional and Tech Svcs	-	-	-	-	-	-	5,061
Other purchased services	-	-	-	423,258	27,303	-	-
General supplies	1,301	-	-	-	-	-	-
Textbooks	-	-	364,744	-	-	-	-
Total Instruction	1,901	-	364,744	1,140,193	62,374	-	26,131
Support services:							
Salaries of program directors	-	-	-	-	-	3,410	-
Sal. of other professional staff	-	-	-	-	-	-	-
Personal svcs. - employee benefits	-	-	-	230,336	-	-	-
Purchased prof. educational svcs.	-	-	-	-	-	-	-
Other purchased prof. svcs.	-	46,097	-	82,366	3,743	58,591	7,228
Purchased technical services	-	738,252	-	-	-	3,057	-
Travel	-	-	-	-	-	50	-
Supplies and materials	-	30,031	-	-	-	287	-
Other Objects	-	-	-	-	-	-	-
Total Support Services	-	814,380	-	312,702	3,743	65,395	7,228
Facilities acquisition and construction services:							
Instructional equipment	-	-	-	-	-	-	-
Total Facilities Acquisition and Construction Services	-	-	-	-	-	-	-
Total Expenditures	\$ 1,901	\$ 814,380	\$ 364,744	\$ 1,452,895	\$ 66,117	\$ 65,395	\$ 33,359

High School Completion	N.J. Nonpublic Handicapped Services Chapter 193							Totals 2012
	Supplemental Instruction	Examination and Classification	Corrective Speech	IDEA Part B	IDEA Part B ARRA	Title I Basic Skills	WIB	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,901
121,843	-	-	-	-	-	-	-	121,843
-	530,700	958,881	489,952	1,568,357	114,623	15,176	51	6,474,630
<u>\$ 121,843</u>	<u>\$ 530,700</u>	<u>\$ 958,881</u>	<u>\$ 489,952</u>	<u>\$ 1,568,357</u>	<u>\$ 114,623</u>	<u>\$ 15,176</u>	<u>\$ 51</u>	<u>\$ 6,598,374</u>
\$ 121,843	\$ 368,434	\$ -	\$ -	\$ 409,722	\$ -	\$ 10,325	\$ -	\$ 1,684,000
-	-	-	-	403,695	-	-	-	403,695
-	-	-	-	-	-	-	-	5,061
-	-	-	-	-	-	-	-	450,561
-	-	-	-	264,780	81,753	-	-	347,834
-	-	-	-	-	-	-	-	364,744
<u>121,843</u>	<u>368,434</u>	<u>-</u>	<u>-</u>	<u>1,078,197</u>	<u>81,753</u>	<u>10,325</u>	<u>-</u>	<u>3,255,895</u>
-	-	-	-	95,603	17,700	-	-	116,713
-	-	-	-	-	-	-	-	-
-	132,226	-	-	173,997	1,417	2,601	-	540,577
-	-	904,553	462,384	125,340	-	1,391	-	1,493,668
-	30,040	54,328	27,568	93,195	7,968	859	-	411,983
-	-	-	-	2,025	2,270	-	-	745,604
-	-	-	-	-	-	-	-	50
-	-	-	-	-	-	-	-	30,318
-	-	-	-	-	-	-	51	51
-	162,266	958,881	489,952	490,160	29,355	4,851	51	3,338,964
-	-	-	-	-	3,515	-	-	3,515
-	-	-	-	-	3,515	-	-	3,515
<u>\$ 121,843</u>	<u>\$ 530,700</u>	<u>\$ 958,881</u>	<u>\$ 489,952</u>	<u>\$ 1,568,357</u>	<u>\$ 114,623</u>	<u>\$ 15,176</u>	<u>\$ 51</u>	<u>\$ 6,598,374</u>

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CAPITAL PROJECTS FUND DETAIL STATEMENTS

N/A

The Capital Projects Fund is used to account for the acquisition and construction of major capital facilities and equipment purchases other than those financed by proprietary funds.

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ENTERPRISE AND INTERNAL SERVICE FUNDS DETAIL STATEMENTS

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

FOOD SERVICE FUND – This fund provides for the operation of food services in all schools within the Commission.

SACC ENTERPRISE FUND – This fund provides for the operation of school age child care services for schools in the member districts.

ADULT SCHOOL – This fund provides for the operation of MAECOM.

INTERNAL SERVICE FUNDS – This fund is used to account for the financing of goods or services provided by the Commission to member districts.

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MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
 COMBINING STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2012

	Enterprise Funds			
	Food Service	School Age Child Care	Adult School	Totals 2012
ASSETS				
Current assets:				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Intergovernmental receivables				
Federal	600	-	-	600
State	13	1,917	-	1,930
Other	-	434	13,953	14,387
Interfund receivables	-	795,541	-	795,541
Deposits	-	-	5,000	5,000
Total current assets	<u>613</u>	<u>797,892</u>	<u>18,953</u>	<u>817,458</u>
TOTAL ASSETS	<u>\$ 613</u>	<u>\$ 797,892</u>	<u>\$ 18,953</u>	<u>\$ 817,458</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ -	\$ 5,850	\$ -	\$ 5,850
Deferred revenue	-	-	-	-
Interfund payable	-	-	1,392,679	1,392,679
Total current liabilities	<u>-</u>	<u>5,850</u>	<u>1,392,679</u>	<u>1,398,529</u>
NET ASSETS				
Unrestricted	<u>613</u>	<u>792,042</u>	<u>(1,373,726)</u>	<u>(581,071)</u>
Total net assets	<u>613</u>	<u>792,042</u>	<u>(1,373,726)</u>	<u>(581,071)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 613</u>	<u>\$ 797,892</u>	<u>\$ 18,953</u>	<u>\$ 817,458</u>

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
 COMBINING STATEMENT OF REVENUE, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

G-2

	Enterprise Funds			Totals
	Food Service	School Age Child Care	Adult School	
OPERATING REVENUES:				
Local sources:				
Food service sales	\$ 156	\$ -	\$ -	\$ 156
Community service activities	-	865,769	41,610	907,379
Refunds	-	(9,807)	(110)	(9,917)
Total operating revenues	<u>156</u>	<u>855,962</u>	<u>41,500</u>	<u>897,618</u>
OPERATING EXPENSES:				
Salaries	-	636,798	36,350	673,148
Cost of sales	3,650	-	-	3,650
Other purchased professional services	-	166,884	400	167,284
Rentals	-	-	-	-
General supplies	-	9,513	1,196	10,709
Textbooks	-	-	3,554	3,554
Other expenses	-	5,870	-	5,870
Total operating expenses	<u>3,650</u>	<u>819,065</u>	<u>41,500</u>	<u>864,215</u>
OPERATING INCOME/(LOSS)	<u>(3,494)</u>	<u>36,897</u>	<u>-</u>	<u>33,403</u>
NONOPERATING REVENUES:				
State sources:				
State school lunch program	43	-	-	43
Federal sources:				
National school lunch program	1,928	-	-	1,928
TOTAL NONOPERATING REVENUES	<u>1,971</u>	<u>-</u>	<u>-</u>	<u>1,971</u>
INCOME/(LOSS) BEFORE TRANSFERS	(1,523)	36,897	-	35,374
TRANSFERS IN	<u>1,375</u>	<u>-</u>	<u>-</u>	<u>1,375</u>
CHANGE IN NET ASSETS	(148)	36,897	-	36,749
TOTAL NET ASSETS - BEGINNING	<u>761</u>	<u>755,145</u>	<u>(1,373,726)</u>	<u>(617,820)</u>
TOTAL NET ASSETS - ENDING	<u>\$ 613</u>	<u>\$ 792,042</u>	<u>\$(1,373,726)</u>	<u>\$ (581,071)</u>

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
 COMBINING STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

G-3

	Enterprise Funds			
	Food Service	School Age Child Care	Adult School	Total Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 156	\$ 861,882	\$ 41,500	\$ 903,538
Payments to employees	-	(636,798)	(36,350)	(673,148)
Payments for employee benefits	-	-	-	-
Payments to suppliers	(3,650)	-	-	(3,650)
Other expenses	-	(188,426)	(5,150)	(193,576)
Net cash provided by (used in) operating activities	<u>(3,494)</u>	<u>36,658</u>	<u>-</u>	<u>33,164</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State Sources	30	-	-	30
Federal Sources	2,089	-	-	2,089
Operating subsidies and transfers (to)/from other funds	1,375	(36,658)	-	(35,283)
Net cash provided by non-capital financing activities	<u>3,494</u>	<u>(36,658)</u>	<u>-</u>	<u>(33,164)</u>
Net increase (decrease) in cash and cash equivalents	-	-	-	-
Balances—beginning of year	-	-	-	-
Balances—end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided by (used in) by operating activities:				
Operating income (loss)	\$ (3,494)	\$ 36,897	\$ -	\$ 33,403
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
(Increase)/decrease in accounts receivable	-	5,920	-	5,920
Decrease in deferred revenue	-	-	-	-
Increase/(decrease) in accounts payable	-	(6,159)	-	(6,159)
Total adjustments	<u>-</u>	<u>(239)</u>	<u>-</u>	<u>(239)</u>
Net cash provided by (used in) operating activities	<u>\$ (3,494)</u>	<u>\$ 36,658</u>	<u>\$ -</u>	<u>\$ 33,164</u>

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 JUNE 30, 2012

G-4

	<u>Governmental Activities Internal Services Fund</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ -
Accounts receivable	<u>505,804</u>
Total Current Assets	<u>505,804</u>
Noncurrent Assets:	
Furniture, machinery and equipment	3,478
Less accumulated depreciation	<u>(3,478)</u>
Total Noncurrent Assets	<u>-</u>
Total Assets	<u><u>\$ 505,804</u></u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 3,088
Deferred revenue	2,066
Intergovernmental payable	150
Interfund payable	<u>716,207</u>
Total current liabilities	<u>721,511</u>
NET ASSETS:	
Unrestricted	<u>(215,707)</u>
Total Net Assets	<u><u>\$ 505,804</u></u>

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
 COMBINING STATEMENT OF REVENUE, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 INTERNAL SERVICE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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	Governmental Activities Internal Services Fund
	<u> </u>
OPERATING REVENUES:	
Charges for services:	
Special functions	\$ 1,122,675
	<u> </u>
Total operating revenues	<u>1,122,675</u>
OPERATING EXPENSES:	
Salaries	153,619
Employee benefits	7,210
Other purchased professional services	913,531
General supplies	4,244
Other costs	5,513
	<u> </u>
Total operating expenses	<u>1,084,117</u>
OPERATING INCOME/(LOSS)	<u>38,558</u>
CHANGE IN NET ASSETS	38,558
TOTAL NET ASSETS - BEGINNING	<u>(254,265)</u>
TOTAL NET ASSETS - ENDING	<u><u>\$ (215,707)</u></u>

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

G-6

	Governmental Activities Internal Services Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,084,934
Payments to employees	(153,619)
Payments for employee benefits	(7,210)
Payments to suppliers	(914,348)
Other expenses	(9,757)
	-
Net cash provided by (used in) operating activities	-
Balances—beginning of year	-
Balances—end of year	\$ -
Reconciliation of operating income (loss) to net cash provided by (used in) by operating activities:	
Operating income (loss)	\$ 38,558
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Increase in accounts receivable	(67,623)
Increase in interfund payable	29,882
Decrease in accounts payable	(817)
	(38,558)
Total adjustments	(38,558)
Net cash provided by (used in) operating activities	\$ -

FIDUCIARY FUNDS DETAIL STATEMENTS

Fiduciary Funds are used to account for assets held by the Commission in a trustee capacity.

Agency Funds are used to account for assets held by the Commission as an agent for individuals, private organizations, other governments and/or other funds.

UNEMPLOYMENT COMPENSATION INSURANCE TRUST FUND – This is an expendable trust fund whose purpose is to provide unemployment benefits under the direct reimbursement method.

PAYROLL FUND – This agency fund is used to account for the payroll transactions of the Commission.

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MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2012

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	Unemployment Compensation Trust	Agency Funds	Totals
ASSETS			
Cash and cash equivalents	\$ 1,830	\$ 174,799	\$ 176,629
Total Assets	\$ 1,830	\$ 174,799	\$ 176,629
LIABILITIES			
Payroll deductions and withholdings	-	124,216	124,216
Accrued salaries	-	50,583	50,583
Total liabilities	-	\$ 174,799	174,799
NET ASSETS:			
Held in Trust for Unemployment Claims and Other Purposes	\$ 1,830		1,830
Total Net Assets			1,830
Total Liabilities and Net Assets			\$ 176,629

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Unemployment Compensation Trust
ADDITIONS	
Employee payroll contributions	\$ 22,041
Investment income	1
Board contributions	<u>140,081</u>
Total additions	<u>162,123</u>
DEDUCTIONS	
Quarterly contribution reports	8,920
Unemployment claims	<u>153,202</u>
Total deductions	<u>162,122</u>
Change in Net Assets	1
Net Assets - Beginning of Year	<u>1,829</u>
Net Assets - End of Year	<u><u>\$ 1,830</u></u>

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
 PAYROLL AGENCY FUND
 SCHEDULE OF RECEIPTS AND DISBURSEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
ASSETS:				
Cash and cash equivalents	\$ 142,223	\$ 3,033,561	\$ 3,000,985	\$ 174,799
TOTAL ASSETS	<u>\$ 142,223</u>	<u>\$ 3,033,561</u>	<u>\$ 3,000,985</u>	<u>\$ 174,799</u>
LIABILITIES:				
Payroll deductions and withholdings	\$ 93,093	\$ 2,982,979	\$ 2,951,856	\$ 124,216
Accrued salaries	49,130	50,582	49,129	50,583
TOTAL LIABILITIES	<u>\$ 142,223</u>	<u>\$ 3,033,561</u>	<u>\$ 3,000,985</u>	<u>\$ 174,799</u>

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LONG-TERM DEBT SCHEDULES

The Long-Term Debt group is used to record the outstanding principal balances of the long-term liabilities of the Commission. This includes the outstanding principal balance on capital leases.

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Monmouth-Ocean Educational Services Commission
 Long-Term Debt
 Schedule of Obligations Under Capital Leases
 Year Ended June 30, 2012

Purpose	Date of Lease	Term of Lease	Amount of Original Lease		Interest Rate	Balance			Balance June 30, 2012
			Principal	Interest		June 30, 2011	Issued	Retired	
Phone lease	9/18/2009	3 years	40,538	3,432	5.353%	19,953	-	15,121	4,832
						\$ 19,953	\$ -	\$ 15,121	\$ 4,832

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STATISTICAL SECTION

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MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
NET ASSETS BY COMPONENT
LAST FIVE FISCAL YEARS ENDED JUNE 30, 2012
UNAUDITED

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 9,643,316	\$ 9,936,756	\$ 6,365,255	\$ 6,219,674	\$ 6,065,693
Restricted	53,922	87,760	87,760	-	-
Unrestricted	5,830,974	4,552,112	5,398,001	3,590,203	3,427,538
Total governmental activities net assets	<u>\$ 15,528,212</u>	<u>\$ 14,576,628</u>	<u>\$ 11,851,016</u>	<u>\$ 9,809,877</u>	<u>\$ 9,493,231</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Unrestricted	(416,413)	(597,346)	(590,218)	(617,820)	(581,071)
Total business-type activities net assets	<u>\$ (416,413)</u>	<u>\$ (597,346)</u>	<u>\$ (590,218)</u>	<u>\$ (617,820)</u>	<u>\$ (581,071)</u>
District-wide					
Invested in capital assets, net of related debt	\$ 9,643,316	\$ 9,936,756	\$ 6,365,255	\$ 6,219,674	\$ 6,065,693
Restricted	53,922	87,760	87,760	-	-
Unrestricted	5,414,561	3,954,766	4,807,783	2,972,383	2,846,467
Total district net assets	<u>\$ 15,111,799</u>	<u>\$ 13,979,282</u>	<u>\$ 11,260,798</u>	<u>\$ 9,192,057</u>	<u>\$ 8,912,160</u>

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
 CHANGES IN NET ASSETS
 LAST FIVE FISCAL YEARS ENDED JUNE 30, 2012
 UNAUDITED

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	2008	2009	2010	2011	2012
Expenses					
Governmental activities					
Instruction					
Regular	\$ 2,063	\$ -	\$ -	\$ -	\$ -
Special education	3,448,184	2,146,260	2,127,406	2,580,709	1,916,321
Other special education	634,997	-	-	-	-
Other instruction	-	1,617,204	1,895,427	1,729,487	700,346
Nonpublic school programs	2,727,530	2,620,718	2,837,352	2,745,839	2,753,927
Support Services:					
Student & instruction related services	5,201,307	6,286,810	6,135,936	4,556,036	4,183,388
School Administrative services	2,495,643	913,247	2,018,769	2,313,774	1,501,498
General administration	1,223,916	1,527,073	2,551,449	2,462,544	2,554,531
Plant operations and maintenance	934,505	367,927	721,788	864,334	462,785
Pupil transportation	28,992,143	26,746,891	25,129,927	23,673,482	25,560,539
Special Schools	205,284	240,278	240,748	35,713	256,880
Interest on long-term debt	34,932	24,826	14,266	4,275	-
Amortization of bond issuance costs	5,000	5,000	5,000	2,917	-
Unallocated depreciation	179,290	204,725	119,770	116,801	116,801
Total governmental activities expenses	<u>46,084,794</u>	<u>42,700,959</u>	<u>43,797,838</u>	<u>41,085,911</u>	<u>40,007,016</u>
Business-type activities:					
Food service	8,744	11,753	8,541	9,250	3,650
Child Care	1,714,036	1,614,057	885,289	776,518	819,065
Adult school	629,528	497,328	310,750	218,770	41,500
Total business-type activities expense	<u>2,352,308</u>	<u>2,123,138</u>	<u>1,204,580</u>	<u>1,004,538</u>	<u>864,215</u>
Total district expenses	<u>\$ 48,437,102</u>	<u>\$ 44,824,097</u>	<u>\$ 45,002,418</u>	<u>\$ 42,090,449</u>	<u>\$ 40,871,231</u>
Program Revenues					
Governmental activities:					
Charges for services:					
Instruction (tuition)	\$ 5,482,700	\$ 5,018,218	\$ 4,456,916	\$ 3,751,061	\$ 3,844,414
Pupil transportation	29,988,779	27,541,221	25,932,362	24,469,459	26,355,482
Operating grants and contributions	8,168,266	8,097,051	7,697,206	8,141,944	6,600,733
Total governmental activities program revenues	<u>43,639,745</u>	<u>40,656,490</u>	<u>38,086,484</u>	<u>36,362,464</u>	<u>36,800,629</u>

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
 CHANGES IN NET ASSETS
 LAST FIVE FISCAL YEARS ENDED JUNE 30, 2012
 UNAUDITED

J-2

	2008	2009	2010	2011	2012
Business-type activities:					
Charges for services					
Food service	733	350	182	451	156
Child care	1,586,789	1,587,273	889,049	809,733	855,962
Adult school	395,855	341,744	316,751	157,408	41,500
Operating grants and contributions	9,224	8,081	3,984	5,022	1,971
Total business type activities program revenues	<u>1,992,601</u>	<u>1,937,448</u>	<u>1,209,966</u>	<u>972,614</u>	<u>899,589</u>
Total district program revenues	<u>\$ 45,632,346</u>	<u>\$ 42,593,938</u>	<u>\$ 39,296,450</u>	<u>\$ 37,335,078</u>	<u>\$ 37,700,218</u>
Net (Expense)/Revenue					
Governmental activities	\$ (2,445,049)	\$ (2,044,469)	\$ (5,711,354)	\$ (4,723,447)	\$ (3,206,387)
Business-type activities	(359,707)	(185,690)	5,386	(31,924)	35,374
Total district-wide net expense	<u>\$ (2,804,756)</u>	<u>\$ (2,230,159)</u>	<u>\$ (5,705,968)</u>	<u>\$ (4,755,371)</u>	<u>\$ (3,171,013)</u>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
On-behalf and TPAF aid	\$ 1,103,670	\$ 882,058	\$ 781,664	\$ 702,469	\$ 741,319
Investment earnings	282,228	42,009	9,991	4,382	48
Miscellaneous income	74,507	173,575	2,195,829	1,979,778	2,149,750
Transfers	2,664	(4,757)	(1,742)	(4,322)	(1,375)
Total governmental activities	<u>1,463,069</u>	<u>1,092,885</u>	<u>2,985,742</u>	<u>2,682,307</u>	<u>2,889,742</u>
Business-type activities:					
Transfers	(2,664)	4,757	1,742	4,322	1,375
Total business-type activities	<u>(2,664)</u>	<u>4,757</u>	<u>1,742</u>	<u>4,322</u>	<u>1,375</u>
Total district-wide	<u>\$ 1,460,405</u>	<u>\$ 1,097,642</u>	<u>\$ 2,987,484</u>	<u>\$ 2,686,629</u>	<u>\$ 2,891,117</u>
Change in Net Assets					
Governmental activities	\$ (981,980)	\$ (951,584)	\$ (2,725,612)	\$ (2,041,140)	\$ (316,645)
Business-type activities	(362,371)	(180,933)	7,128	(27,602)	36,749
Total district	<u>\$ (1,344,351)</u>	<u>\$ (1,132,517)</u>	<u>\$ (2,718,484)</u>	<u>\$ (2,068,742)</u>	<u>\$ (279,896)</u>

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
 FUND BALANCES, GOVERNMENTAL FUND
 LAST FIVE FISCAL YEARS ENDED JUNE 30, 2012
 UNAUDITED

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Fund					
Reserved	\$ -	\$ -	\$ 1,253	\$ 1,253	\$ -
Unreserved	5,355,312	4,469,620	5,150,938	3,095,051	2,847,027
Total general fund	<u>\$ 5,355,312</u>	<u>\$ 4,469,620</u>	<u>\$ 5,152,191</u>	<u>\$ 3,096,304</u>	<u>\$ 2,847,027</u>
All Other Governmental Funds					
Unreserved, reported in:					
Special revenue fund	\$ -	\$ -	\$ -	\$ -	\$ -
Capital projects fund	53,922	87,760	87,760	-	-
Total all other governmental funds	<u>\$ 53,922</u>	<u>\$ 87,760</u>	<u>\$ 87,760</u>	<u>\$ -</u>	<u>\$ -</u>

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MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS ENDED JUNE 30, 2012
 UNAUDITED

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Revenues				
District charges	\$ 6,535,032	\$ 7,689,503	\$ 8,450,340	\$ 8,473,590
Transportation fees	22,294,505	23,178,516	25,359,605	28,143,647
Tuition charges	5,203,493	5,416,506	4,845,095	5,713,713
Interest earnings	116,222	79,753	188,500	295,925
Miscellaneous	326,881	206,930	93,560	351,394
State sources	565,859	615,831	655,898	680,787
Federal sources	-	-	-	-
Total revenue	<u>35,041,992</u>	<u>37,187,039</u>	<u>39,592,998</u>	<u>43,659,056</u>
Expenditures				
Instruction				
Regular Instruction	131,031	120,655	120,150	153,800
Special education instruction	2,236,648	2,526,864	2,327,842	2,295,760
Other special instruction	283,477	371,170	372,703	421,625
Vocational education	-	-	-	-
Nonpublic school programs	2,692,311	2,229,587	2,718,724	2,842,636
Undistributed				
Student & inst. related services	1,853,552	3,129,250	2,622,921	3,680,272
General administration	767,915	649,576	699,822	1,089,336
School administrative services	1,185,430	1,678,741	1,879,975	892,373
Admin. information technology	915,313	110,546	112,104	-
Plant operations and maintenance	955,997	750,595	816,727	827,626
Pupil transportation	21,468,085	22,322,919	24,417,299	27,106,534
Other Support Services	-	-	-	-
Employee benefits	2,090,299	2,448,157	2,841,770	2,873,182
Miscellaneous	-	-	-	93,548
Special Schools	-	240,898	228,017	225,090
Capital outlay	31,982	16,911	30,344	171,831
Total expenditures	<u>34,612,040</u>	<u>36,595,869</u>	<u>39,188,398</u>	<u>42,673,613</u>
Excess (Deficiency) of revenues over (under) expenditures	429,952	591,170	404,600	985,443
Other Financing sources (uses)				
Proceeds from borrowing	-	-	-	-
Transfers in	8,549	2,868	-	172,760
Transfers out	-	-	(5,910)	(174,576)
Total other financing sources (uses)	<u>8,549</u>	<u>2,868</u>	<u>(5,910)</u>	<u>(1,816)</u>
Net change in fund balances	<u>\$ 438,501</u>	<u>\$ 594,038</u>	<u>\$ 398,690</u>	<u>\$ 983,627</u>
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%

Source: District records

2007	2008	2009	2010	2011	2012
\$ 8,113,302	\$ 8,049,026	\$ 7,950,983	\$ 7,287,371	\$ 7,792,054	\$ 6,476,989
30,071,664	29,988,779	27,541,221	25,932,362	24,469,459	26,355,482
4,591,255	4,521,773	4,295,663	3,725,724	3,150,024	2,721,739
421,143	282,228	42,009	9,991	4,382	48
56,629	83,533	178,722	5,624,527	1,979,778	2,149,750
1,184,576	1,213,884	993,050	908,664	1,046,555	863,162
-	-	29,929	270,382	5,804	1,901
<u>44,438,569</u>	<u>44,139,223</u>	<u>41,031,577</u>	<u>43,759,021</u>	<u>38,448,056</u>	<u>38,569,071</u>
135,669	2,063	-	-	-	-
2,155,232	2,283,498	1,525,979	1,494,579	2,162,380	1,541,239
430,076	467,937	1,213,983	1,206,635	1,237,586	495,484
-	-	-	-	-	-
2,182,464	2,105,777	2,079,700	1,924,139	1,951,117	1,963,777
3,163,754	3,149,563	3,926,862	4,380,870	3,246,376	2,975,093
1,458,755	1,037,234	1,355,287	2,064,423	1,788,555	1,816,238
1,737,022	1,746,002	640,311	1,526,989	1,539,782	1,003,405
-	-	-	-	-	-
841,159	1,029,272	562,686	650,475	656,064	433,527
28,923,593	28,854,544	26,645,356	25,126,139	23,523,540	25,396,868
-	-	-	-	-	-
3,528,374	3,664,415	3,084,959	4,269,094	3,517,900	2,992,487
124,039	128,482	111,805	9,446	553,453	51
227,363	145,463	180,199	151,906	23,645	170,316
243,064	2,313,765	551,547	310,551	386,983	28,488
<u>45,150,564</u>	<u>46,928,015</u>	<u>41,878,674</u>	<u>43,115,246</u>	<u>40,587,381</u>	<u>38,816,973</u>
(711,995)	(2,788,792)	(847,097)	643,775	(2,139,325)	(247,902)
-	-	-	-	-	-
166,642	2,193,078	577,000	40,538	-	-
(174,927)	(2,190,414)	(581,757)	(1,742)	(4,322)	(1,375)
<u>(8,285)</u>	<u>2,664</u>	<u>(4,757)</u>	<u>38,796</u>	<u>(4,322)</u>	<u>(1,375)</u>
<u>\$ (720,280)</u>	<u>\$ (2,786,128)</u>	<u>\$ (851,854)</u>	<u>\$ 682,571</u>	<u>\$ (2,143,647)</u>	<u>\$ (249,277)</u>
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
GENERAL FUND OTHER MISCELLANEOUS REVENUE BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ending June 30,	<u>COBRA Receipts</u>	<u>Prior Year Under- Expenditures</u>	<u>Administrative Fee</u>	<u>Sale of Building and/or Equipment</u>	<u>Rent and Facility Usage Fees</u>
2003	\$ -	\$ 224,919	\$ 36,557	\$ -	\$ -
2004	-	161,077	5,000	-	-
2005	-	43,580	12,502	-	-
2006	-	218,363	3,580	-	-
2007	-	45,802	246	-	-
2008	-	73,497	1,010	-	-
2009	-	61,893	111,682	-	-
2010	33,056	8,611	2,469,803	3,004,570	95,061
2011	6,867	-	1,780,846	598	190,100
2012	43	7,343	1,870,927	454	240,995

Source: Commission records

<u>Miscellaneous</u>	<u>Total</u>
\$ 46,701	\$ 308,177
671	166,748
-	56,082
-	221,943
-	46,048
-	74,507
-	173,575
973	5,612,074
1,367	1,979,778
29,988	2,149,750

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
INSURANCE SCHEDULE
JUNE 30, 2012

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	<u>Coverage</u>	<u>Deductible</u>
Commercial Package Policy -		
New Jersey School Boards Association		
Insurance Group:		
Property - Blanket real and personal	\$ 9,613,532	\$ 1,000
Electronic data processing	500,000	1,000
Environmental Package	1,000,000	10,000
Extra Expense	50,000,000	1,000
Valuable Papers	10,000,000	1,000
Loss of Rents	1,500,000	1,000
Business Income/Tuition	500,000	1,000
Equipment Breakdown	100,000,000	1,000
Crime coverage	405,000	3,500
Comprehensive general liability	11,000,000	-
Automobile	11,000,000	-
School Leaders' Errors and Omissions -		
New Jersey School Boards Association		
Insurance Group		
Coverage A	6,000,000	10,000
Coverage B	100,000/300,000	10,000
Officials' Bonds -		
New Jersey School Boards Association		
Insurance Group:		
Superintendent	255,000	1,000
Board Secretary/School Business Administrator	300,000	1,000
Workers' Compensation and Employers' Liability		
New Jersey School Boards Association		
Insurance Group	pro 8,636,930	
	non-pro 250,266	

Source: Commission records

SINGLE AUDIT SECTION

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**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**

Monmouth-Ocean Educational Services Commission
100 Tornillo Way, Suite 1
Tinton Falls, NJ 07712

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Monmouth-Ocean Educational Services Commission in the County of Monmouth, as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated March 11, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Monmouth-Ocean Educational Services Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined below.

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 control deficiency, or 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Monmouth-Ocean 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 grants agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statements 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey, and which are described in the accompanying schedule of findings and questioned costs as item.

This report is intended for the information and use of the Monmouth-Ocean Educational Services Commission's management, the New Jersey State Department of Education, other state and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

The Curchin Group

Licensed Public School Accountant, No. 20900
THE CURCHIN GROUP, LLC

Red Bank, New Jersey
March 11, 2013



CURCHIN

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH NEW JERSEY OMB CIRCULAR 04-04**

Board of Directors
Monmouth-Ocean Educational Services Commission
100 Tornillo Way, Suite 1
Tinton Falls, NJ 07712

Compliance

We have audited the compliance of the Monmouth-Ocean Educational Services Commission in the County of Monmouth, State of New Jersey, with the types of compliance requirements described in the "New Jersey State Grant Compliance Supplement" that is applicable to each of its major State programs for the fiscal year ended June 30, 2012. The major State programs of the Monmouth-Ocean Educational Services Commission are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of the management of the Commission. Our responsibility is to express an opinion on the compliance of the Monmouth-Ocean Educational Services Commission based on our audit.

We conducted our audit 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; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; and New Jersey OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." New Jersey OMB Circular 04-04 requires that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Monmouth-Ocean Educational Services Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Monmouth-Ocean Educational Services Commission's compliance with those requirements.

In our opinion, the Monmouth-Ocean Educational Services Commission, in the County of Monmouth, State of New Jersey, complied in all material respects with the requirements referred to above that are applicable to each of its major State programs for the fiscal year ended June 30, 2012.

Internal Control over Compliance

The management of the Monmouth-Ocean Educational Services Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal or State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined below.

A deficiency in internal control over compliance 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, 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.

This report is intended for the information of the management of the Monmouth-Ocean Educational Services Commission, the New Jersey State Department of Education, other State and Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Licensed Public School Accountant, No. 20900
THE CURCHIN GROUP, LLC

Red Bank, New Jersey
March 11, 2013

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MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - SCHEDULE A
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	<u>Grant Period</u>		Balance at June 30, 2011
				From	To	
U.S. Department of Education						
Passed-through State Department of Education						
Special Revenue Fund:						
IASA Title I-Neglected, Delinquent or At-Risk	84.013	IASA 524503C	41,010	9/1/09	8/31/11	\$ (41,010)
Title I - ARRA	84.389		24,687	9/1/09	6/30/11	(24,687)
Virtual Education in the 21st Century	84.215K	U215K090148	190,000	9/4/09	9/3/11	<u>(188,099)</u>
Total Special Revenue Fund						<u>(253,796)</u>
U.S. Department of Agriculture						
Passed-through State Department of Education						
Enterprise Fund:						
School Breakfast Program	10.553	N/A	1,496	7/1/10	6/30/11	(277)
National School Lunch Program	10.555	N/A	1,928	7/1/11	6/30/12	-
National School Lunch Program	10.555	N/A	3,526	7/1/10	6/30/11	<u>(484)</u>
Total Enterprise Fund						<u>(761)</u>
Sub-Total Federal Financial Awards						<u>\$ (254,557)</u>

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance at June 30, 2012		
					Accounts Receivable	Deferred Revenue	Due to Grantor
\$ -	\$ 41,010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	24,687	-	-	-	-	-	-
-	190,000	1,901	-	-	-	-	-
-	255,697	1,901	-	-	-	-	-
-	277	-	-	-	-	-	-
-	1,329	1,928	-	-	(599)	-	-
-	484	-	-	-	-	-	-
-	2,090	1,928	-	-	(599)	-	-
\$ -	\$ 257,787	\$ 3,829	\$ -	\$ -	\$ (599)	\$ -	\$ -

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE-SCHEDULE B
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Deferred Revenue (Accts Receivable)
			From	To	
State Department of Education					
General Fund:					
On Behalf TPAF Pension Contributions	12-100-034-5095-116	516,884	7/1/11	6/30/12	\$ -
Reimbursed TPAF Social Security Contributions	12-495-034-5095-002	224,435	7/1/11	6/30/12	(13,163)
Total General Fund					(13,163)
Special Revenue Fund:					
Mentor Grant	N/A	341	7/1/07	6/30/08	-
High School Completion	12-100-034-5062-027	121,843	7/1/11	6/30/12	-
High School Completion	11-100-034-5062-027	144,100	7/1/10	6/30/11	(70,946)
High School Completion	10-100-034-5062-027	127,000	7/1/09	6/30/10	(1,698)
Total Special Revenue Fund					(72,644)
State Department of Agriculture					
Enterprise Fund:					
National School Lunch Program (State Share)	12-100-010-3360-067	43	7/1/11	6/30/12	-
Total Enterprise Fund					
Total State Financial Assistance					\$ (85,807)

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

September 30, 2011

Due to
Grantor

\$ -

51
-
-
-

51

\$ 51

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments/ Repayment of Prior Years' Balances	Balance at June 30, 2012			MEMO	
				(Accounts Receivable)	Deferred Revenue/ Interfund Payable	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
\$ -	\$ 516,884	\$ 516,884	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 516,884
-	226,546	224,435	-	(11,052)	-	-	(11,052)	224,435
-	743,430	741,319	-	(11,052)	-	-	(11,052)	741,319
-	-	-	-	-	-	51	-	-
-	101,305	121,843	-	(20,538)	-	-	(20,538)	121,843
-	70,252	-	694	-	-	-	-	-
-	-	-	-	(1,698)	-	-	(1,698)	-
-	171,557	121,843	694	(22,236)	-	51	(22,236)	121,843
-	30	43	-	(13)	-	-	(13)	43
-	30	43	-	(13)	-	-	(13)	43
\$ -	\$ 915,017	\$ 863,205	\$ 694	\$ (33,301)	\$ -	\$ 51	\$ (33,301)	\$ 863,205

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

**MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
NOTES TO THE SCHEDULES OF AWARDS AND FINANCIAL ASSISTANCE
JUNE 30, 2012**

NOTE 1. GENERAL

The accompanying schedules of financial assistance present the activity of all Federal and State financial assistance programs of the Monmouth-Ocean Educational Services Commission. The Commission is defined in Note 1(A) to the Commission's general-purpose financial statements. All Federal and State awards received directly from Federal and State agencies, as well as Federal financial assistance passed through other government agencies, is included on the Schedule of Expenditures of Federal Awards and State Financial Assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented using the modified accrual basis of accounting, with the exception of programs recorded in the Food Service (Enterprise) Fund which are presented using the accrual basis of accounting, and those recorded in the Special Revenue Fund which are presented using the budgetary basis of accounting. These bases of accounting are described in Notes 1 to the Commission's 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 are made.

The General Fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last state aid payment in the current budget year which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes that payment is not recognized until the subsequent budget year because of the state deferral and recording of the last state aid payment in the subsequent year. The Special Revenue Fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue; whereas, the GAAP 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:22-4.2.

The net adjustment to reconcile from the budgetary basis to the GAAP basis for the General Fund is \$0 and the Special Revenue Fund is \$0. See Note 1 (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. Awards and financial assistance revenues are reported in the Commission's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ -	\$ -
Special Revenue Fund	1,901	121,843	123,744
Food Service Fund	<u>2,089</u>	<u>30</u>	<u>2,119</u>
	<u>\$3,990</u>	<u>\$121,873</u>	<u>\$125,863</u>

*Totals above do not include \$741,319 of TPAF and on behalf of Pension Aid.

**MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
NOTES TO THE SCHEDULES OF EXPENDITURES OF AWARDS
AND FINANCIAL ASSISTANCE
JUNE 30, 2012**

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related Federal and State financial reports.

NOTE 5. OTHER

The amount reported as TPAF Pension Contribution represents the amount paid by the State on behalf of the Commission for the year ended June 30, 2012.

TPAF Social Security Contributions represent the amount reimbursed by the State for the employer's share of Social Security contributions for TPAF members for the year ended June 30, 2012.

**MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Part 1 - Summary of Auditor's Results

Financial Statement Section

- A. Type of auditor's report issued: Unqualified
- B. Internal control over financial reporting:
1. Material weakness(es) identified? Yes X No
2. Were reportable condition(s) identified that were not considered to be material weaknesses? Yes X No
- C. Noncompliance material to general-purpose financial statements noted? Yes X No

Federal Awards Section - NOT APPLICABLE

State Awards Section

- Dollar threshold used to distinguish between Type A and Type B Programs: \$300,000
- Auditee qualified as low-risk auditee? X Yes No
- Type of auditor's report issued on compliance for major programs: Unqualified
- Internal Control over major programs:
1. Material weakness(es) identified? Yes X None Reported
2. Reportable condition(s) identified that are not considered to be material weaknesses? Yes X No
- Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 98-07? Yes X No

Identification of major programs:

<u>GMIS Number</u>	<u>Name of State Program</u>
10-495-034-5095-002	TPAF Social Security Aid
10-495-034-5095-001	On behalf TPAF contribution

**MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Part 2 - Schedule of Financial Statement Findings

None Noted.

**MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Part 3 - Schedule of Federal Award and State
Financial Assistance Findings and
Questioned Costs

NOT APPLICABLE

**MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Status of Prior Year Findings

No prior year audit findings.

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