

Monmouth-Ocean
Educational Services
Commission

Board of Directors
Tinton Falls, New Jersey

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2016

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

Of the

Monmouth-Ocean Educational Services Commission
of Monmouth County

Tinton Falls, New Jersey

For the Fiscal Year Ended June 30, 2016

Prepared by

M-OESC Board of Directors
Finance Department

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INTRODUCTORY SECTION



Monmouth-Ocean Educational Services Commission

Christopher J. Rooney
Superintendent/CEO

Kathleen Mandeville
Business Administrator/CFO

900 Hope Road
Tinton Falls, NJ 07712
(732) 695-7800
Fax: (732) 493-4515
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November 3, 2016

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, 2016, 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 and Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) and the NJOMB Circular Letter 15-08, "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.

The Mission of the Monmouth Ocean Education Services Commission is to provide high quality, cost effective programming and services geared to local school districts' individual educational and administrative needs.

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 and is statewide with some of the services. Services include special education, alternative education, non-public instruction and services, home instruction, virtual instruction, Federal grant administration, transportation, 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 continues to provide services for the Bayshore Jointure Commission through agreements for administration as well as shared 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 lease agreement with MOESC to June 2018.
2. MOESC's New Jersey Virtual School™ continues to operate a GED program at the Monmouth County Correctional Institute and has graduated over 150 GED diploma students. The NJVST™ is experiencing a large increase in summer school enrollments and regular year enrollments.
3. During the 2015-2016 school year, in an effort to bring new business and offerings to our districts we have adopted more of a business model and MOESC has begun to serve as a broker/sales liaison in an enterprise relationship between corporations and our school districts.

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.

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. Ms. Kathryn Perry, CPA of Jump, Perry and Company, LLP 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 Uniform Guidance and State Treasury Circular Letter 15-08. 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,


Christopher Rooney
Superintendent


Kathleen Mandeville
Board Secretary/School
Business Administrator

Monmouth-Ocean Educational Services Commission
Tinton Falls, New Jersey

Roster of Officials
June 30, 2016

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Dr. Frank Kasyan, President	2016
Mr. Vincent Smith - Vice President	2016
Ms. Christine Carlson	2016
Dr. Stephen Genco	2016
Dr. Richard Fitzpatrick	2016
Dr. William George	2016
Mr. David Healy	2016
Dr. John Marciante	2016
Mr. Timothy McCorkell	2016
Dr. Peter Morris	2016
Mr. John Russo	2016
Dr. Lisa Savoia	2016
Dr. James Stefankiewicz	2016
Ms. Karen Wood	2016
Mr. Thomas Farrell	2016

Other Officials

Mr. Christopher Rooney, Superintendent
Mrs. Kathleen Mandeville, Board Secretary/School Business Administrator
Mr. Richard McOmber, Attorney

Monmouth-Ocean Educational Services Commission
Consultants and Advisors

Audit Firm

Kathryn Perry, CPA
Jump, Perry and Company, L.L.P.
12 Lexington Avenue
Toms River, New Jersey 08753

Attorney

McOmber & McOmber
54 Shrewsbury Avenue
Red Bank, NJ 07701

Official Depositories

TD Bank
175 Wyckoff Road
Eatontown, NJ 07724

Investor's Bank
88 Norwood Ave
Deal, NJ 07723

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Honorable President and
Members of the Board of Education
Monmouth-Ocean Educational Services Commission:
County of Monmouth
Tinton Falls, New Jersey

Report of the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Monmouth-Ocean Educational Services Commission in the County of Monmouth, State of New Jersey, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 in compliance with the audit requirements as prescribed by the Office of School 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Monmouth-Ocean Educational Services Commission in the County of Monmouth, State of New Jersey as of June 30, 2016 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Monmouth-Ocean Educational Services Commission's basic financial statements. The introductory section, combining fund financial statements and schedules and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, and is also not a required part of the basic financial statements.

The combining fund financial statements and schedules and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements and schedules and the schedule of expenditures of federal and state awards are fairly stated, in all material respects in relation to the basic financial statements as a whole.

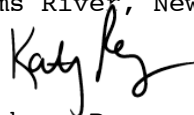
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 22, 2016 on our consideration of the Monmouth-Ocean Educational Services Commission in the County of Monmouth, State of New Jersey internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Monmouth-Ocean Educational Services Commission in the County of Monmouth, State of New Jersey internal control over financial reporting and compliance.

Respectfully Submitted

Jump, Perry and Company L.L.P.
Toms River, New Jersey



Kathryn Perry, Partner
Licensed Public School Accountant
No. CS 20CS00226400

October 22, 2016

REQUIRED SUPPLEMENTARY INFORMATION - PART I

Monmouth-Ocean Educational Services Commission

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2016

Unaudited

The discussion and analysis of Monmouth-Ocean Educational Services Commission's financial performance provides an overall review of the Commission's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the Commission's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Commission's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the Required Supplementary Information Section specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34- Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments issued in June 1999. Certain comparative information between the current year (2015-2016) and the prior year (2014-2015) is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2016 are as follows:

In total, net position totaled \$2,039,733, which represents a 8.79 percent decrease from 2015.

General revenues accounted for \$4,222,495 in revenue or 8.71 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$44,238,608 or 91.29 percent of total revenues of \$48,461,103.

Total assets increased by \$1,373,441 as cash and cash equivalents increased by \$294,767, receivables increased by \$1,205,367 and capital assets decreased by \$(126,693).

The Commission had \$48,657,696 in expenses; \$44,238,608 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$4,222,495 were adequate to provide for the costs to run the other programs.

Among major funds, the General Fund had \$37,398,261 in revenues and \$36,935,358 in expenditures and transfers. The General Fund's balance increased \$462,903 over 2015. The General Fund's balance is \$3,380,292.

Using this Comprehensive Annual Financial Report (CAFR)

The annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Monmouth-Ocean Educational Services Commission as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the Commission, presenting both an aggregate view of the Commission's finances and longer-term view of those finances. Fund financial statements provide the next level of detail. For government funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Commission's most significant funds with all other non-major funds presented in total in one column. In the case of Monmouth-Ocean Educational Services Commission, the General Fund is by far the most significant.

Reporting the Commission as a Whole

Statement of Net Position and the Statement of Activities

This document contains all funds used by the Commission to provide programs and activities viewing the Commission as a whole and reports the culmination of all financial transactions. The report answers the question "How We Did Financially During Fiscal Year 2016." The Statement of Net Position and the Statement of Activities provides the summary. The statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Commission's net position and changes in those assets. This change in net position is important because reports whether the Commission's financial position has improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include the School Commission's participating districts, current laws in restricting revenue growth, facility condition, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the Commission is divided into two kinds of activities:

Governmental Activities - All of the Commission's programs and services are reported here including, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.

Business-Type Activities - This service is provided on a charge for goods or services basis to recover all the expense of the goods or services provided. The Contracted Enterprise Fund are reported as business activity.

Reporting the Commission's Most Significant Funds

Fund Financial Statement

Fund financial reports provide detailed information about the Commission's funds. The Commission uses many funds to account for a multitude of financial transactions. The Commission's governmental funds are the General Fund and Special Revenue Fund.

Governmental Funds

The Commission's activities are reported in governmental funds, which focus on how money flows into and out of the funds and balances left at year-end available for spending in the future years. These funds are reported using a modified accrual accounting method which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Commission's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Enterprise Fund

The Enterprise Fund uses the same basis of accounting as business-type activities.

The Commission as a Whole

The Statement of Net Position provides the financial perspective of the Commission as a whole. Table 1 provides a summary comparison of the School Commission's net position for 2016 and 2015.

Table 1

Net Position as of June 30, 2016 and 2015

	2016	2015
Assets:		
Cash and Cash Equivalents	\$ 846,613	\$ 551,846
Receivables, Net	6,909,246	5,703,879
Interfund Receivable	-	-
Other Assets	5,000	5,000
Capital Assets, Net	<u>6,797,672</u>	<u>6,924,365</u>
Total Assets	<u>14,558,531</u>	<u>13,185,090</u>
Deferred Outflows of Res.	<u>2,819,051</u>	<u>210,455</u>
Liabilities:		
Accounts Payable	4,372,779	1,168,136
Other Liabilities	-	1,731,641
Interfund Payable	874	-
Deferred Revenue	-	436,426
Noncurrent Liabilities:		
Due Within One Year	458,493	448,075
Due Beyond One Year	<u>10,346,977</u>	<u>6,976,091</u>
Total Liabilities	<u>15,179,123</u>	<u>10,760,369</u>
Deferred Inflows of Res.	<u>158,726</u>	<u>398,850</u>
Net Position:		
Invested in Capital Assets, Net of Related Debt	6,693,335	6,780,041
Unrestricted	<u>(4,653,602)</u>	<u>(4,543,715)</u>
Total Net Position	<u>\$ 2,039,733</u>	<u>\$ 2,236,326</u>

The Commission's combined net position were \$2,039,733 on June 30, 2016. This is a change of (8.79)% from the previous year.

Table 2 provides a comparison analysis of Commission-wide changes in net position from fiscal years 2015 and 2016.

Table 2

Changes in Net Position

	<u>2016</u>	<u>2015</u>
<u>Revenues</u>		
Program Revenues:		
Charges for Services	\$ 43,684,268	\$ 43,050,103
Operating Grants and Contributions	554,340	458,534
Capital Grants and Contributions	-	-
General Revenues:		
Tuition	2,897,257	2,400,701
Grants and Entitlements	735,395	440,618
Other	<u>589,843</u>	<u>2,354,648</u>
Total Revenues	<u>48,461,103</u>	<u>48,704,604</u>
<u>Program Expenses</u>		
Instruction	4,263,659	3,596,451
Support Services:		
Pupils and Instructional Staff	3,378,074	4,151,723
General Administration, School Administration		
Business Operations and Maintenance of		
Facilities	5,909,695	5,553,070
Pupil Transportation	32,024,563	30,822,701
Enterprise funds	3,081,705	3,339,615
Interest on Long-Term Debt	<u>-</u>	<u>-</u>
Total Expenses	<u>48,657,696</u>	<u>47,463,560</u>
Increase in Net Position	<u>\$ (196,593)</u>	<u>\$ 1,241,044</u>

Government Activities

The Commission's total revenues were \$45,384,547 for the year ended June 30, 2016. Federal, state and local grants accounted for another 93.62%.

The total cost of all programs and services was \$45,575,991. Instruction comprises 9.36% of the Commission's expenses.

Expenses for Fiscal Year 2016

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total costs of services and the net cost of services. The net cost shows the financial burden that was placed on the Commission's member's by each of these functions.

Table 3

	2016		2015	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$ 4,263,659	\$ 1,036,803	\$ 3,596,451	\$ 1,171,516
Support Services:				
Pupils and Instructional Staff	3,378,074	409,436	6,106,289	1,679,647
General Administration, School Administration, Business Operation and Maintenance of Facilities	5,909,695	5,370,934	3,598,504	3,598,504
Pupil Transportation	32,024,563	(1,229,382)	30,822,701	(1,200,995)
Interest and Fiscal Charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>\$ 45,575,991</u>	<u>\$ 5,587,791</u>	<u>\$ 44,123,945</u>	<u>\$ 5,248,672</u>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student.

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development.

General administration, school administration and business include expenses associated with administrative and financial supervision of the Commission.

Operation and maintenance of facilities activities involve keeping the school grounds, buildings, and equipment in an effective working condition.

Pupil transportation includes activities involved with the conveyance of students to and from school, to school curricular and athletic activities and field trips as provided by state law.

Other includes special schools and unallocated depreciation.

Business-Type Activities

Revenues for the Commission's business-type activities were comprised of charges for services. Revenues exceeded expenses by \$1,168,703. Charges for services represent \$4,230,114 of revenue. This represents the amount paid by member districts for charged services.

The Commission's Funds

Governmental funds (i.e., General fund and Special revenue fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. All government funds had total revenues of \$45,384,547 and expenditures of \$44,921,644. The net positive (negative) change in fund balance for the year was most significant in the General Fund, a increase of \$462,903.

As demonstrated by the various statements and schedules included in the financial section of this report, the Commission continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2016, and the amount and percentage of increase and increases in relation to prior-year revenues.

<u>Revenue</u>	<u>2015-16 Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) from 2014-15</u>	<u>Percent of Increase/ (Decrease)</u>
Local Sources	\$ 44,850,501	98.82 %	\$ 327,757	77.82 %
State Sources	534,046	1.18	93,428	22.18
Federal Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>45,384,547</u>	<u>100.00 %</u>	\$ <u>421,185</u>	<u>100.00 %</u>

The following schedule presents a summary of General Fund and Special Revenue Fund expenditures for the fiscal year ended June 30, 2016.

<u>Expenditures</u>	<u>2015-16 Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) from 2014-15</u>	<u>Percent of Increase/ (Decrease)</u>
Current Expense:				
Instruction	\$ 4,263,659	9.49 %	\$ 424,417	59.50 %
Undistributed				
Expenditures	40,558,684	90.29	436,695	61.22
Capital Outlay	<u>99,301</u>	<u>0.22</u>	<u>(147,832)</u>	<u>(20.73)</u>
Total	\$ <u>44,921,644</u>	<u>100.00 %</u>	\$ <u>713,280</u>	<u>99.99 %</u>

General Fund Budgeting Highlights

The Commission's budget is prepared according to New Jersey law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

The Commission, in accordance with regulations, approves budget transfers throughout the year to accurately reflect expenditures in accordance with state guidelines.

While the Commission final budget for the General Fund anticipated that revenues and expenditures would roughly equal, the actual results for the year show a \$462,903 surplus.

Actual revenues were \$37,398,261.
Actual expenditures and transfers were \$36,935,358.

Capital Assets

At the end of the fiscal year 2016, the School Commission had \$6,797,672 invested in land, buildings, and machinery and equipment.

Table 4

Capital Assets (Net of Depreciation) at June 30, 2016 and 2015

	2016	2015
Building and Improvements	\$ 6,547,455	\$ 6,710,533
Machinery and Equipment	<u>250,217</u>	<u>213,832</u>
Total	<u>\$ 6,797,672</u>	<u>\$ 6,924,365</u>

Overall capital assets decreased \$(126,693) from fiscal year 2015 to 2016.

Contacting the School Commission's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School Commission's finances and to show the Commission's accountability for the money it receives. If you have any questions about this report or need additional information, contact Christopher Rooney, Superintendent, Monmouth-Ocean Educational Services Commission, 900 Hope Road, Tinton Falls, NJ 07712. Also, please visit our website to learn more about our at www.moesc.org.

BASIC FINANCIAL STATEMENTS

Monmouth-Ocean Educational Services Commission
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,421,572	\$ (574,959)	\$ 846,613
Receivables - state	13,300	1,597	14,897
Receivables - other governments	-	1,782	1,782
Receivables - other	6,094,134	797,559	6,891,693
Interfund receivables	874	-	874
Deposits	-	5,000	5,000
Capital assets, net	6,797,672	-	6,797,672
Total assets	<u>14,327,552</u>	<u>230,979</u>	<u>14,558,531</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - PERS	2,819,051	-	2,819,051
Total deferred outflows of resources	<u>2,819,051</u>	<u>-</u>	<u>2,819,051</u>
LIABILITIES			
Accounts payable	4,149,588	223,191	4,372,779
Interfund payable	-	874	874
Noncurrent liabilities:			
Due within one year	458,493	-	458,493
Due beyond one year	10,346,977	-	10,346,977
Total liabilities	<u>14,955,058</u>	<u>224,065</u>	<u>15,179,123</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - PERS	158,726	-	158,726
Total deferred inflows of resources	<u>158,726</u>	<u>-</u>	<u>158,726</u>
NET POSITION			
Net investment in capital assets	6,693,335	-	6,693,335
Unrestricted	(4,660,516)	6,914	(4,653,602)
Total Net Position	<u>\$ 2,032,819</u>	<u>\$ 6,914</u>	<u>\$ 2,039,733</u>

See accompanying notes to the financial statements.

Monmouth-Ocean Educational Services Commission
Statement of Activities
For the Fiscal Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Current:							
Special schools instruction	\$ 4,263,659	\$ 3,226,856	\$ -	\$ -	\$ (1,036,803)	\$ -	\$ (1,036,803)
Support services and undistributed costs:							
Instruction	-	-	-	-	-	-	-
Attendance	48,886	-	-	-	(48,886)	-	(48,886)
Health services	28,085	-	-	-	(28,085)	-	(28,085)
Other support services	3,062,042	2,968,638	-	-	(93,404)	-	(93,404)
Instruction staff training	2,699	-	-	-	(2,699)	-	(2,699)
General administrative services	785,768	-	-	-	(785,768)	-	(785,768)
School administrative services	966,248	-	-	-	(966,248)	-	(966,248)
Information technology	831,416	-	-	-	(831,416)	-	(831,416)
Other operation & maintenance of plant	552,738	4,715	-	-	(548,023)	-	(548,023)
Care & upkeep of grounds	41,860	-	-	-	(41,860)	-	(41,860)
Student transportation services	32,024,563	33,253,945	-	-	1,229,382	-	1,229,382
Unallocated employee benefits	2,197,619	-	-	-	(2,197,619)	-	(2,197,619)
Non-budgeted expenditures	534,046	-	534,046	-	-	-	-
Special schools	236,362	-	-	-	(236,362)	-	(236,362)
Total governmental activities	<u>45,575,991</u>	<u>39,454,154</u>	<u>534,046</u>	<u>-</u>	<u>(5,587,791)</u>	<u>-</u>	<u>(5,587,791)</u>
Business-type activities:							
Enterprise funds	3,081,705	4,230,114	20,294	-	-	1,168,703	1,168,703
Total business-type activities	<u>3,081,705</u>	<u>4,230,114</u>	<u>20,294</u>	<u>-</u>	<u>-</u>	<u>1,168,703</u>	<u>1,168,703</u>
Total primary government	<u>\$ 48,657,696</u>	<u>\$ 43,684,268</u>	<u>\$ 554,340</u>	<u>\$ -</u>	<u>(5,587,791)</u>	<u>1,168,703</u>	<u>(4,419,088)</u>
General revenues:							
					2,897,257	-	2,897,257
					507,608	-	507,608
					517,630	-	517,630
					300,000	-	300,000
					1,168,922	(1,168,922)	-
					<u>5,391,417</u>	<u>(1,168,922)</u>	<u>4,222,495</u>
					(196,374)	(219)	(196,593)
					2,229,193	7,133	2,236,326
					<u>\$ 2,032,819</u>	<u>\$ 6,914</u>	<u>\$ 2,039,733</u>

See accompanying notes to the financial statements.

Monmouth-Ocean Educational Services Commission
Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 634,043	\$ 787,529	\$ 1,421,572
Receivables from state	13,300	-	13,300
Interfund receivables	874	-	874
Receivables from other	5,482,269	611,865	6,094,134
Total assets	6,130,486	1,399,394	7,529,880
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	2,750,194	1,399,394	4,149,588
Unearned revenue	-	-	-
Total liabilities	2,750,194	1,399,394	4,149,588
Fund Balances:			
Unassigned to:			
General fund	3,380,292	-	3,380,292
Special revenue fund	-	-	-
Total Fund balances	3,380,292	-	3,380,292
Total liabilities and fund balances	\$ 6,130,486	\$ 1,399,394	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$9,330,721 and the accumulated depreciation is \$2,533,049.	6,797,672
Deferred outflows related to the PERS pension plan	2,819,051
Deferred inflows related to the PERS pension plan	(158,726)
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 (see Note 6)	(10,805,470)
Net Position of governmental activities	\$ 2,032,819

Monmouth-Ocean Educational Services Commission
Statement of Revenues, Expenditures, And Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Local sources:			
Tuition charges	\$ 2,897,257	\$ -	\$ 2,897,257
Transportation fees	33,253,945	-	33,253,945
Interest	3,766	-	3,766
Rental income	285,215	-	285,215
Miscellaneous	222,683	-	222,683
Total - Local sources	<u>36,662,866</u>	<u>-</u>	<u>36,662,866</u>
State sources	534,046	-	534,046
District sources	-	6,200,209	6,200,209
Total revenues	<u>37,196,912</u>	<u>6,200,209</u>	<u>43,397,121</u>
EXPENDITURES			
Current:			
Special education instruction	1,036,803	3,226,856	4,263,659
Support services and undistributed costs:			
Instruction	-	-	-
Attendance	48,886	-	48,886
Health services	28,085	-	28,085
Other support services	93,404	2,968,638	3,062,042
Instruction staff training	2,699	-	2,699
General administrative services	785,768	-	785,768
School administrative services	966,248	-	966,248
Information technology	831,416	-	831,416
Other operation & maintenance of plant	327,671	-	327,671
Care and upkeep of grounds	41,860	-	41,860
Security	43,116	-	43,116
Student transportation services	32,024,563	-	32,024,563
Unallocated employee benefits	1,625,048	-	1,625,048
Non-budgeted expenditures	534,046	-	534,046
Food services-transfer to cover deficit	874	-	874
Capital outlay	94,586	4,715	99,301
Special schools	236,362	-	236,362
Total expenditures	<u>38,721,435</u>	<u>6,200,209</u>	<u>44,921,644</u>
Excess (Deficiency) of revenues over expenditures	<u>(1,524,523)</u>	<u>-</u>	<u>(1,524,523)</u>
OTHER FINANCING SOURCES (USES)			
Other funds transfers	1,169,796	-	1,169,796
Transfers-Payroll	300,000	-	300,000
Indirect cost allocation	517,630	-	517,630
Total other financing sources and uses	<u>1,987,426</u>	<u>-</u>	<u>1,987,426</u>
Net change in fund balances	462,903	-	462,903
Fund balance-July 1	2,917,389	-	2,917,389
Fund balance-June 30	<u>\$ 3,380,292</u>	<u>\$ -</u>	<u>\$ 3,380,292</u>

See accompanying notes to the 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
 For the Fiscal Year Ended June 30, 2016**

Total net change in fund balances - governmental funds (from B-2) \$ 462,903

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.

Depreciation expense	(200,418)	
Capital outlays	<u>77,781</u>	(122,637)

In the statement of activities, only the gain on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from a sale increase financial resources. Thus, the change in net assets will differ from the change in fund balance by the cost of the asset removed.

Accumulated depreciation on capital assets sold or retired during the fiscal year ended June 30, 2016	4,729	
Cost basis of capital assets sold or retired during the fiscal year ended June 30, 2016	<u>(8,785)</u>	(4,056)

In the Statement of Activities, the PERS pension expense is the amount paid plus net change in the Deferred Outflows, Deferred Inflows and pension liability as reported by the State of New Jersey. (347,885)

Repayment of bond principal is 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. -

Payments made on loans payable is 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. 26,737

In the Statement of Activities, the principal payments on capital leases are recorded as a reduction in the long-term liability. In the governmental funds, the payments is an expenditure. 13,250

In the Statement of Activities certain expenses, e.g., accrued liabilities for insurance, interest, IBNR and compensated absences are measured by amounts incurred during the year.

In governmental funds expenditures for these items are reported in the amount of financial resources used. (224,686)

Change in net assets of governmental activities \$ (196,374)

Monmouth-Ocean Educational Services Commission
Proprietary Funds
Statement of Net Position
as of June 30, 2016

	Enterprise Fund		
	Food Service	Adult School	Contracted OT/PT
Assets:			
Current assets:			
Cash and cash equivalents	\$ (1,865)	\$ 4,039	\$ (55)
Accounts receivable:			-
State	22	-	-
Federal	1,782	-	-
Other	-	-	305
Interfunds	-	-	-
Deposits	-	5,000	-
Total current assets	(61)	9,039	250
Fixed assets:			
Equipment	-	-	-
Accumulated depreciation	-	-	-
Total fixed assets	-	-	-
Total assets	(61)	9,039	250
Liabilities and Fund Equity:			
Liabilities:			
Accounts payable	-	1,190	250
Interfund payable	874	-	-
Total liabilities	874	1,190	250
Net Position:			
Invested in capital assets, net of related debt	-	-	-
Restricted for other purposes	-	-	-
Unrestricted net position	(935)	7,849	-
Total fund equity	(935)	7,849	-
Total liabilities and fund equity	\$ (61)	\$ 9,039	\$ 250

See accompanying notes to the financial statements.

Monmouth-Ocean Educational Services Commission
 Proprietary Funds
 Statement of Net Position
 as of June 30, 2016

	Enterprise Fund			
	Contracted Services	Contracted Apps	Contracted Nurses	Contracted Home Inst
Assets:				
Current assets:				
Cash and cash equivalents	\$ (1,250)	\$ (431,616)	\$ (81,934)	\$ (21,368)
Accounts receivable:				
State	-	-	-	1,575
Federal	-	-	-	-
Other	1,250	431,616	223,896	19,793
Interfunds	-	-	-	-
Deposits	-	-	-	-
Total current assets	-	-	141,962	-
Fixed assets:				
Equipment	-	-	-	-
Accumulated depreciation	-	-	-	-
Total fixed assets	-	-	-	-
Total assets	-	-	141,962	-
Liabilities and Fund Equity:				
Liabilities:				
Accounts payable	-	-	141,962	-
Deferred revenue	-	-	-	-
Intergovernmental payable	-	-	-	-
Compensated absences	-	-	-	-
Other liabilities	-	-	-	-
Interfund payable	-	-	-	-
Total liabilities	-	-	141,962	-
Net Position:				
Invested in capital assets, net of related debt	-	-	-	-
Restricted for other purposes	-	-	-	-
Unrestricted net position	-	-	-	-
Total fund equity	-	-	-	-
Total liabilities and fund equity	\$ -	\$ -	\$ 141,962	\$ -

See accompanying notes to the financial statements.

Monmouth-Ocean Educational Services Commission
Proprietary Funds
Statement of Net Position
as of June 30, 2016

	Enterprise Fund		
	Contracted Technology	Contracted CST	Contracted ESL
Assets:			
Current assets:			
Cash and cash equivalents	\$ 789	\$ (46,925)	\$ (360)
Accounts receivable:			
State	-	-	-
Federal	-	-	-
Other	-	104,815	360
Interfunds	-	-	-
Deposits	-	-	-
Total current assets	789	57,890	-
Fixed assets:			
Equipment	-	-	-
Accumulated depreciation	-	-	-
Total fixed assets	-	-	-
Total assets	789	57,890	-
Liabilities and Fund Equity:			
Liabilities:			
Accounts payable	789	57,890	-
Deferred revenue	-	-	-
Intergovernmental payable	-	-	-
Compensated absences	-	-	-
Other liabilities	-	-	-
Interfund payable	-	-	-
Total liabilities	789	57,890	-
Net Position:			
Invested in capital assets, net of related debt	-	-	-
Restricted for other purposes	-	-	-
Unrestricted net position	-	-	-
Total fund equity	-	-	-
Total liabilities and fund equity	\$ 789	\$ 57,890	\$ -

See accompanying notes to the financial statements.

Monmouth-Ocean Educational Services Commission
 Proprietary Funds
 Statement of Net Position
 as of June 30, 2016

	Enterprise Fund	
	Training OTIS	Training Rest Train
Assets:		
Current assets:		
Cash and cash equivalents	\$ 10,114	\$ (1,500)
Accounts receivable:		
State	-	-
Federal	-	-
Other	36	1,500
Interfunds	-	-
Deposits	-	-
Total current assets	10,150	-
Fixed assets:		
Equipment	3,478	-
Accumulated depreciation	(3,478)	-
Total fixed assets	-	-
Total assets	10,150	-
Liabilities and Fund Equity:		
Liabilities:		
Accounts payable	10,150	-
Deferred revenue	-	-
Intergovernmental payable	-	-
Compensated absences	-	-
Other liabilities	-	-
Interfund payable	-	-
Total liabilities	10,150	-
Net Position:		
Invested in capital assets, net of related debt	-	-
Restricted for other purposes	-	-
Unrestricted net position	-	-
Total fund equity	-	-
Total liabilities and fund equity	\$ 10,150	\$ -

See accompanying notes to the financial statements.

Monmouth-Ocean Educational Services Commission
Proprietary Funds
Statement of Net Position
as of June 30, 2016

	Contracted Speech	Enterprise Fund Total
Assets:		
Current assets:		
Cash and cash equivalents	\$ (3,028)	\$ (574,959)
Accounts receivable:		-
State	-	1,597
Federal	-	1,782
Other	13,988	797,559
Interfunds	-	-
Deposits	-	5,000
	10,960	230,979
Fixed assets:		
Equipment	-	3,478
Accumulated depreciation	-	(3,478)
	-	-
Total fixed assets	-	-
Total assets	10,960	230,979
Liabilities and Fund Equity:		
Liabilities:		
Accounts payable	10,960	223,191
Deferred revenue		-
Intergovernmental payable		-
Compensated absences	-	-
Other liabilities	-	-
Interfund payable	-	874
	10,960	224,065
Total liabilities	10,960	224,065
Net Position:		
Invested in capital assets, net of related debt	-	-
Restricted for other purposes	-	-
Unrestricted net position	-	6,914
	-	6,914
Total fund equity	-	6,914
Total liabilities and fund equity	\$ 10,960	\$ 230,979

See accompanying notes to the financial statements.

Monmouth-Ocean Educational Services Commission
 Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 For the Year Ended June 30, 2016

Enterprise Fund				
	Food Service	School Age Child Care	Adult School	Contracted OT/PT
Operating revenues:				
Local Sources:				
Food service sales	\$ 400	\$ -	\$ -	\$ -
Childcare	-	8,278	-	-
Community service activities	-	-	36,750	-
Refunds	-	-	-	-
ISF	-	-	-	-
Training	-	-	-	-
Contracted services	-	-	-	1,220
COOP	-	-	-	-
Total operating revenues	400	8,278	36,750	1,220
Operating expenses:				
Salaries	-	-	30,844	-
Employee benefits	-	-	-	-
Cost of Sales	22,503	-	-	-
Purchased technical services	-	-	-	965
Other purchased services	-	-	-	-
General supplies	-	-	129	-
Calculators	-	-	-	-
Textbooks	-	-	2,703	-
Other expenses	-	-	225	-
Total operating expenses	22,503	-	33,901	965
Operating income (loss)	(22,103)	8,278	2,849	255
Nonoperating revenues (expenses):				
State sources:				
State school lunch program	231	-	-	-
Federal sources:				
National school lunch program	12,298	-	-	-
National school breakfast program	7,765	-	-	-
Miscellaneous revenue	-	-	-	-
Total nonoperating revenues (expenses)	20,294	-	-	-
Change in net position	(1,809)	8,278	2,849	255
Transfers in (out)	874	(8,278)	-	(255)
Total net position—beginning	-	-	5,000	-
Total net position—ending	\$ (935)	\$ -	\$ 7,849	\$ -

See accompanying notes to the financial statements.

Monmouth-Ocean Educational Services Commission
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2016

	Enterprise Fund			
	<u>Contracted Services</u>	<u>Contracted Apps</u>	<u>Contracted Nurses</u>	<u>Contracted Home Inst</u>
Operating revenues:				
Local Sources:				
Food service sales	\$ -	\$ -	\$ -	\$ -
Childcare	-	-	-	-
Community service activities	-	-	-	-
Refunds	-	-	-	-
ISF	-	-	-	-
Training	-	-	-	-
Contracted services	13,752	2,741,445	964,836	98,671
COOP	-	-	-	-
Total operating revenues	<u>13,752</u>	<u>2,741,445</u>	<u>964,836</u>	<u>98,671</u>
Operating expenses:				
Salaries	-	1,506,312	-	40,372
Employee benefits	-	363,423	-	-
Cost of Sales	-	-	-	-
Purchased technical services	6,000	-	779,101	-
Other purchased services	-	-	-	-
General supplies	-	-	-	-
Calculators	-	-	-	-
Textbooks	-	-	-	-
Other expenses	(910)	1,637	-	-
Total operating expenses	<u>5,090</u>	<u>1,871,372</u>	<u>779,101</u>	<u>40,372</u>
Operating income (loss)	<u>8,662</u>	<u>870,073</u>	<u>185,735</u>	<u>58,299</u>
Nonoperating revenues (expenses):				
State sources:				
State school lunch program	-	-	-	-
Federal sources:				
National school lunch program	-	-	-	-
National school breakfast program	-	-	-	-
Interest and investment revenue	-	-	-	-
Miscellaneous revenue	-	-	-	-
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	8,662	870,073	185,735	58,299
Transfers in (out)	(8,662)	(870,073)	(187,868)	(58,299)
Total net position—beginning	-	-	2,133	-
Total net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

Monmouth-Ocean Educational Services Commission
 Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 For the Year Ended June 30, 2016

Enterprise Fund				
	Contracted ESL	Contracted CST	Contracted Speech	COOP Purchases
Operating revenues:				
Local Sources:				
Food service sales	\$ -	\$ -	\$ -	\$ -
Childcare	-	-	-	-
Community service activities	-	-	-	-
Refunds	-	-	-	-
ISF	-	-	-	-
Training	-	-	-	-
Contracted services	35,692	234,068	-	74,603
COOP	-	-	2,847	-
Total operating revenues	<u>35,692</u>	<u>234,068</u>	<u>2,847</u>	<u>74,603</u>
Operating expenses:				
Salaries	16,280	-	-	-
Employee benefits	-	-	-	-
Cost of Sales	-	-	-	-
Purchased technical services	-	187,475	-	58,315
Other purchased services	-	-	-	-
General supplies	-	-	-	-
Calculators	-	-	-	-
Textbooks	-	-	-	-
Other expenses	-	-	2,433	-
Total operating expenses	<u>16,280</u>	<u>187,475</u>	<u>2,433</u>	<u>58,315</u>
Operating income (loss)	<u>19,412</u>	<u>46,593</u>	<u>414</u>	<u>16,288</u>
Nonoperating revenues (expenses):				
State sources:				
State school lunch program	-	-	-	-
Federal sources:				
National school lunch program	-	-	-	-
National school breakfast program	-	-	-	-
Interest and investment revenue	-	-	-	-
Miscellaneous revenue	-	-	-	-
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	19,412	46,593	414	16,288
Transfers in (out)	<u>(19,412)</u>	<u>(46,593)</u>	<u>(414)</u>	<u>(16,288)</u>
Total net position—beginning	-	-	-	-
Total net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

Monmouth-Ocean Educational Services Commission
 Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 For the Year Ended June 30, 2016

Enterprise Fund				
	Training RTK	Training OTIS	Training PD	Training Rest Train
Operating revenues:				
Local Sources:				
Food service sales	\$ -	\$ -	\$ -	\$ -
Childcare	-	-	-	-
Community service activities	-	-	-	-
Refunds	-	-	-	-
ISF	-	-	-	-
Training	1,545	8,164	2,058	3,000
Contracted services	-	-	-	-
COOP	-	-	-	-
Total operating revenues	<u>1,545</u>	<u>8,164</u>	<u>2,058</u>	<u>3,000</u>
Operating expenses:				
Salaries	-	28,897	1,100	4,450
Employee benefits	-	-	-	-
Cost of Sales	-	-	-	-
Purchased technical services	1,000	26,013	-	-
Other purchased services	-	-	-	-
General supplies	-	42	-	-
Calculators	-	-	-	-
Textbooks	-	-	-	-
Other expenses	-	-	-	-
Total operating expenses	<u>1,000</u>	<u>54,952</u>	<u>1,100</u>	<u>4,450</u>
Operating income (loss)	<u>545</u>	<u>(46,788)</u>	<u>958</u>	<u>(1,450)</u>
Nonoperating revenues (expenses):				
State sources:				
State school lunch program	-	-	-	-
Federal sources:				
National school lunch program	-	-	-	-
National school breakfast program	-	-	-	-
Interest and investment revenue	-	-	-	-
Miscellaneous revenue	-	-	-	-
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	545	(46,788)	958	(1,450)
Transfers in (out)	(545)	46,788	(958)	1,450
Total net position—beginning	-	-	-	-
Total net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

Monmouth-Ocean Educational Services Commission
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2016

	Enterprise Fund	
	Contracted Technology	Total
Operating revenues:		
Local Sources:		
Food service sales	\$ -	\$ 400
Childcare	-	8,278
Community service activities	-	36,750
Refunds	-	-
ISF	-	-
Training	-	14,767
Contracted services	2,785	4,167,072
COOP	-	2,847
Total operating revenues	2,785	4,230,114
Operating expenses:		
Salaries	-	1,628,255
Employee benefits	-	363,423
Cost of Sales	-	22,503
Purchased technical services	-	1,058,869
Other purchased services	-	-
General supplies	-	171
Calculators	-	-
Textbooks	-	2,703
Other expenses	2,396	5,781
Total operating expenses	2,396	3,081,705
Operating income (loss)	389	1,148,409
Nonoperating revenues (expenses):		
State sources:		
State school lunch program	-	231
Federal sources:		
National school lunch program	-	12,298
National school breakfast program	-	7,765
Interest and investment revenue	-	-
Miscellaneous revenue	-	-
Total nonoperating revenues (expenses)	-	20,294
Change in net position	389	1,168,703
Transfers in (out)	(389)	(1,168,922)
Total net position—beginning	-	7,133
Total net position—ending	\$ -	\$ 6,914

See accompanying notes to the financial statements.

Monmouth-Ocean Educational Services Commission
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

	<u>Total Enterprise</u>
Cash Flows from Operating Activities:	
Receipts from Daily Sales	\$ 400
Receipts from Catering	-
Before / After Care	8,278
Supplemental Educational Services	4,138,009
Payments to Employees	(1,991,678)
Payments to Suppliers	(914,188)
Payments for Other Expenditures	(5,781)
Net Cash Provided by Operating Activities	<u>1,235,040</u>
Cash Flow from Noncapital Financing Sources:	
State Sources	230
Federal Sources	20,125
Interest Earned	-
Miscellaneous income	-
Interfund- General Fund	(1,168,048)
Net Cash Used by Non-Capital Financing Activities	<u>(1,147,693)</u>
Cash Flows from Capital and Related Financing Activities:	
Purchases of equipment	-
Net Cash Used for capital and related financing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	87,347
Cash and cash equivalents, July 1	<u>(662,306)</u>
Cash and cash equivalents, June 30	<u><u>(574,959)</u></u>
Operating income (loss)	1,148,409
Adjustments to reconcile operating loss to cash used by operating activities:	
Depreciation expense	-
Transfer	-
Change in assets and liabilities:	
Increase in Interfund payable	-
Decrease in inventory	-
Increase in accounts receivable	(83,427)
Increase in other liabilities	-
Increase in accounts payable	170,058
Net cash provided by (used) in operating activities	<u><u>\$ 1,235,040</u></u>

See accompanying notes to the financial statements.

Monmouth-Ocean Educational Services Commission
Statement of Fiduciary Net Position
June 30, 2016

	<u>Unemployment Compensation Trust</u>	<u>Agency Fund</u>	<u>Total Fund</u>
ASSETS			
Cash and cash equivalents	\$ 1,838	\$ 113,116	\$ 114,954
Intergovernmental accounts receivable	-	-	-
Interfund receivable	-	-	-
Total assets	<u>1,838</u>	<u>113,116</u>	<u>114,954</u>
LIABILITIES			
Accounts payable	-	-	-
Payroll deductions and withholdings	-	113,116	113,116
Interfund payable	-	-	-
Other current liabilities	-	-	-
Total liabilities	<u>-</u>	<u>113,116</u>	<u>113,116</u>
NET POSITION			
Held in trust for unemployment claims and other purposes	1,838	-	1,838
Reserved for scholarships	-	-	-
Total net position	<u>1,838</u>	<u>-</u>	<u>1,838</u>
Total liabilities and net position	<u>\$ 1,838</u>	<u>\$ 113,116</u>	<u>\$ 114,954</u>

See accompanying notes to the financial statements.

Monmouth-Ocean Educational Services Commission
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2016

	Unemployment Compensation Trust
ADDITIONS	
Contributions:	
Plan member	\$ -
Other	-
Total Contributions	-
Investment earnings:	
Net increase (decrease) in fair value of investments	-
Interest	5
Dividends	-
Less investment expense	-
Net investment earnings	5
Total additions	5
DEDUCTIONS	
Quarterly contribution reports	-
Unemployment claims	-
Scholarships awarded	-
Refunds of contributions	-
Administrative expenses	-
Total deductions	-
Change in net position	5
Net Position—beginning of the year	1,833
Net Position—end of the year	\$ 1,838

See accompanying notes to the financial statements.

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2016

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

A. Reporting Entity

In June, 1979, the Monmouth-Ocean 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 District. 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 Board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Commission is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation, Basis of Accounting:

The Commission's basic financial statements consist of Commission-wide statements, including a Statement of Net Position and a Statement of Activities, and Fund Financial Statements which provide a more detailed level of financial information. The Statement of Net Position includes the reporting of assets, deferred outflows, liabilities and deferred inflows. Items not meeting that definition of assets and liabilities have been classified as deferred outflows or deferred inflows. The deferred outflows are reported under assets and deferred inflows are reported under liabilities on the Statement of Net Position.

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2016

1. Summary of Significant Accounting Policies (Cont'd)

B. Basis of Presentation, Basis of Accounting (Cont'd)

Basis of Presentation

The Commission has employees that are enrolled in a defined benefit plan operated by the State of New Jersey which creates deferred outflows and inflows as described in Note 11.

In June 2015, GASB issued Statement No. 74, Financial Reporting For Postemployment Benefits Other Than Pension Plans (Replaces GASB No. 43 and No. 57) and Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (Replaces GASB No. 45 and No. 57). The primary objective of these Statements is to improve accounting and financial reporting by state and local governments for postemployment benefits. It also improves information provided by state and local governmental employers about financial support for postemployment benefits that is provided by other entities. These Statements result from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of these Statements will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net postemployment benefit liability and a more comprehensive measure of benefits expense. The requirements of these Statements are effective for financial statements for periods beginning after June 15, 2016 (GASB No. 74) and June 15, 2017 (GASB No. 75). The effect of these new standards on the Commission has not been measured.

Commission-wide Statements: The Statement of Net Position and the Statement of Activities display information about the Commission as a whole. These Statements include the financial activities of the overall Commission, 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 taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in a whole or in part by fees charged to external parties.

The Statement of Net Position presents the financial condition of the governmental and business-type activity of the Commission at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for the business-type activity of the Commission and for each function of the Commission's governmental activities.

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2016

1. **Summary of Significant Accounting Policies (Cont'd)**

B. Basis of Presentation, Basis of Accounting (Cont'd)

Basis of Presentation (Cont'd)

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, including all taxes, 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.

Fund Financial Statements: During the fiscal year, the Commission segregates transactions related to certain Commission functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The Fund Financial Statements provide information about the Commission's funds, including its fiduciary funds. Separate statements for each Fund category - governmental, proprietary, and fiduciary - are presented. The New Jersey Department of Education ("NJDOE") has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted is 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 financial resources except those required to be accounted for in another fund.

As required by the NJDOE, the District includes budgeted capital outlay in this Fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

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

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

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2016

1. **Summary of Significant Accounting Policies (Cont'd)**

B. Basis of Presentation, Basis of Accounting (Cont'd)

Basis of Presentation (Cont'd)

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).

The Commission reports the following proprietary funds:

Enterprise Fund - The Enterprise Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the Commission is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the Commission has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Additionally, the Commission reports the following fund type:

Fiduciary Funds - The Fiduciary Funds are used to account for assets held by the Commission on behalf of others and includes the Payroll Agency Fund and Unemployment Compensation Insurance Trust Fund.

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2016

1. **Summary of Significant Accounting Policies (Cont'd)**

B. Basis of Presentation, Basis of Accounting (Cont'd)

Basis of Accounting

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

Commission-Wide, Proprietary, and Fiduciary Fund Financial Statements: The Commission-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the Enterprise Fund and Fiduciary Funds use the accrual basis of accounting. Differences in the accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. Ad Valorem (Property) Taxes are susceptible to accrual as, under New Jersey State Statute, a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "Accounts Receivable". Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the 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 recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital releases are reported as other financing sources.

All governmental and business-type activities and Enterprise Funds of the Commission follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2016

1. Summary of Significant Accounting Policies (Cont'd)

C. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue, and Debt Service Funds. The budgets are submitted to the County Office and are not voted upon in the annual school election. Budgets are prepared using the modified accrual basis of accounting, except for Special Revenue 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/transfers must be approved by Board resolution. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget which have been adjusted for legally-authorized revisions of the annual budgets during the year.

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 legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the Special Revenue Fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund-types. Unencumbered appropriations lapse at fiscal year-end.

The accounting records of the Special Revenue Fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports. At June 30, 2016, there was a reconciling difference of \$(201,349) between the budgetary basis and GAAP basis in the General Fund and of \$- in the Special Revenue Fund.

Exhibit C-3 presents a reconciliation of the General Fund revenues and Special Revenue Fund revenues and expenditures from the budgetary basis of accounting as presented in the Budgetary Comparison Schedules - General and Special Revenue Funds to the GAAP basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types. Note that the Commission does not report encumbrances outstanding at year-end as expenditures in the General Fund since the General Fund budget follows modified accrual basis with the exception of the revenue recognition policy for the last state aid payment.

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2016

1. Summary of Significant Accounting Policies (Cont'd)

D. Encumbrance Accounting

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

Open encumbrances in the Special Revenue Fund, for which the Commission has received advances are reflected in the Balance Sheet as deferred revenues at fiscal year-end.

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

E. Assets, Liabilities, and Equity

Interfund Transactions

Transfers between Governmental and Business-Type activities on the Commission-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as Interfund transfers. Interfund transfers are reported as other financing sources/uses in Governmental Funds and after non-operating revenues/expenses to the funds that initially paid for them are not presented on the financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represent a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time.

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2016

1. Summary of Significant Accounting Policies (Cont'd)

E. Assets, Liabilities, and Equity (Cont'd)

Capital Assets

The Commission has an established formal system of accounting for its Capital Assets. Purchased or constructed Capital Assets are reported at cost. Donated Capital Assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The Commission does not possess any infrastructure.

All reported Capital Assets except for Land and Construction in Progress are depreciated. Depreciation is computed using the straight-line method over the following estimated useful lives:

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

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. A liability for Compensated Absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and the employee is accrued as the employees earn the rights to the benefits.

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 accumulated sick and vacation days at the balance sheet date by those employees who are currently eligible to receive termination payments.

In the Commission-wide Statement of Net Position, the liabilities whose average maturities are greater than one year should be reported in two components - the amount due within one year and the amount due in more than one year.

The liability for vested compensated absences of the proprietary fund-types is recorded within those funds as the benefits accrue to employees.

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2016

1. Summary of Significant Accounting Policies (Cont'd)

E. Assets, Liabilities, and Equity (Cont'd)

Unearned/Deferred Revenue

Unearned/deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlement received before the eligibility requirements are met are also recorded as Unearned/deferred Revenue.

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 are accrued liabilities that, once incurred are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, contractually-required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year.

Net Position

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

Fund Balance Reserves

The Commission reserves those portions of Fund Balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation in future periods. A Fund Balance Reserve has not been established for encumbrances, maintenance, capital and subsequent year's expenditures.

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2016

1. Summary of Significant Accounting Policies (Cont'd)

E. Assets, Liabilities, and Equity (Cont'd)

Revenues - Exchange and Nonexchange Transactions

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, and tuition.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Enterprise Fund. For the Commission, these revenues are sales for food service, before and after care program and supplemental services. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Enterprise Fund.

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2016

1. Summary of Significant Accounting Policies (Cont'd)

E. Assets, Liabilities, and Equity (Cont'd)

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 attributable to a specific function is considered an Indirect Expense and is reported separately in the Statement of Activities. Interest on long-term debt is considered an Indirect Expense and is reported separately on the Statement of Activities.

Extraordinary and Special Items

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

Management Estimates

The preparation of financial statements in conformity with 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.

2. Deposits and Investments

The Commission considers petty cash, change funds, cash in banks, certificates of deposit and deposits with the New Jersey Cash Management Fund as Cash and Cash Equivalents.

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2016

2. Deposits and Investments (Cont'd)

Deposits

The Commission's deposits are insured through the Federal Deposit Insurance Corporation ("FDIC") or New Jersey's Governmental Unit Deposit Protection Act. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to maintain additional collateral in the amount of 5% of the average public deposits and to deposit these amounts with the Federal Reserve Bank for all deposits not covered by the FDIC.

Type	Carrying Value
Deposits	
Demand Deposits	\$ <u>961,567</u>
Total Deposits	\$ <u><u>961,567</u></u>

The District's Cash & Cash Equivalents are Reported as Follows:

Governmental Activities	\$ 1,421,572
Business-Type Activities	(574,959)
Fiduciary Funds	<u>114,954</u>
Total Cash & Cash Equivalents	\$ <u><u>961,567</u></u>

Custodial Credit Risk Related to Deposits

Custodial Credit Risk is the risk that, in the event of a bank failure, the Board's deposit might not be recovered. Although the Board does not have a formal policy regarding custodial credit risk, NJSA 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of GUDPA. Under the Act, the first \$ 250,000 of governmental deposits in each insured depository is protected by FDIC. Public funds owned by the Board in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds, or funds that may pass to the Board relative to the happening of a future condition. Such funds are shown as Uninsured and Uncollateralized in the schedule below.

At June 30, 2016, the Board's bank balances of \$4,320,966 were exposed to Custodial Credit Risk as follows:

	<u>2015</u>
FDIC Insured	\$ 250,000
GUDPA Protected	<u>4,070,966</u>
	\$ <u><u>4,320,966</u></u>

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2016

2. Deposits and Investments (Cont'd)

Investments

The Board is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located, Local Government investment pools, and agreements or the repurchase of fully-collateralized securities, if transacted in accordance with the above statute.

As of June 30, 2016, the Board had no investments.

Credit Risk

State law limits investments as noted above (N.J.S.A. 18A:20-37). The District has an investment policy that further limits its investment choices.

3. Receivables

Receivables at June 30, 2016, consisted of state aid, accrued interest, interfund, intergovernmental, and other. All Receivables are considered collectible in full. A summary of the principal items of intergovernmental receivable follows:

	Governmental Fund Financial <u>Statements</u>	District-Wide Financial <u>Statements</u>
State Aid	\$ 13,300	\$ 14,897
Federal Aid	-	1,782
Other	6,094,134	6,891,693
Interfunds	<u>874</u>	<u>874</u>
	6,108,308	6,909,246
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>
Total Receivables, Net	<u>\$ 6,108,308</u>	<u>\$ 6,909,246</u>

4. Interfund Balances and Transfers

The following interfund balances remained on the balance sheet at June 30, 2016:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 874	\$ -
Enterprise Fund	<u>-</u>	<u>874</u>
	<u>\$ 874</u>	<u>\$ 874</u>

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2016

5. Capital Assets

Capital Assets consisted of the following at June 30, 2016.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated				
Land	\$ -	\$ -	-	\$ -
Construction in Progress	<u>-</u>	<u>43,929</u>	<u>-</u>	<u>43,929</u>
Total Capital Assets Not Being Depreciated	<u>-</u>	<u>43,929</u>	<u>-</u>	<u>43,929</u>
Capital Assets Being Depreciated				
Site Improvements	-	-	-	-
Building and Building Improvements	8,153,910	33,852	(8,785)	8,178,977
Machinery and Equipment	<u>506,747</u>	<u>601,068</u>	<u>-</u>	<u>1,107,815</u>
Totals at Historical Cost	<u>8,660,657</u>	<u>634,920</u>	<u>(8,785)</u>	<u>9,286,792</u>
Less Accumulated Depreciation for:				
Building and Building Improvements	(1,443,377)	(163,078)	-	(1,606,455)
Machinery and Equipment	<u>(893,983)</u>	<u>(37,340)</u>	<u>4,729</u>	<u>(926,594)</u>
Total Accumulated Depreciation	<u>(2,337,360)</u>	<u>(200,418)</u>	<u>4,729</u>	<u>(2,533,049)</u>
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	<u>6,323,297</u>	<u>434,502</u>	<u>(4,056)</u>	<u>6,753,743</u>
Government Activity Capital Assets, Net	<u>6,323,297</u>	<u>478,431</u>	<u>(4,056)</u>	<u>6,797,672</u>
Business-Type Activities:				
Capital Assets Being Depreciated:				
Equipment	3,478	-	-	3,478
Less Accumulated Depreciation	<u>(3,478)</u>	<u>-</u>	<u>-</u>	<u>(3,478)</u>
Business-Type Activities Capital Assets, Net	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2016

5. Capital Assets (Cont'd)

The NJ State Department of Education has set the capitalization threshold used in the State of New Jersey at \$2,000.

Depreciation expense was charged to functions as follows:

Operations and maintenance	\$ <u>200,418</u>
Total	\$ <u><u>200,418</u></u>

6. Operating Leases

Operating lease receivable:

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, 2018. Basic monthly rent is \$22,051 for the remaining life of the lease. Total rental income for the fiscal year ended June 30, 2016 was \$264,615.

Future minimum lease receipts are as follows:

2017	\$ 264,615
2018	<u>264,615</u>
	\$ <u><u>529,230</u></u>

Operating lease payable:

The Commission entered into a lease agreement to lease a copier from Atlantic, Tomorrows Office through a state contract. The lease term is for 60 months and expires on January 28, 2019. Monthly payments equal \$742 inclusive of interest at a 5.934%. Future minimum rentals under this lease are:

2017	\$ 8,907
2018	8,907
2019	<u>5,196</u>
	23,010
Less: interest	<u>(3,089)</u>
	\$ <u><u>19,921</u></u>

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2016

7. Long-Term Obligations

A. Long-Term Obligation Activity

Changes in Long-Term Obligations for the year ended June 30, 2016, are as follows:

<u>Governmental Activities:</u>	Balance <u>June 30, 2015</u>	Increases/ <u>Decreases</u>	Balance <u>June 30, 2016</u>	Amounts Due Within <u>One Year</u>
Compensated				
Absences Payable	\$ 185,981	\$ 224,686	\$ 410,667	\$ -
Capital Leases	37,377	(13,250)	24,127	13,500
Loans Payable	106,947	(26,737)	80,210	26,737
Pension liability- PERS	<u>7,093,861</u>	<u>3,196,605</u>	<u>10,290,466</u>	<u>418,256</u>
	<u>\$ 7,424,166</u>	<u>\$ 3,381,304</u>	<u>\$ 10,805,470</u>	<u>\$ 458,493</u>

Compensated absences, capital leases and loans payable, if applicable, have been liquidated in the General Fund.

B. Capital Leases

The Commission is leasing computer equipment and software under a capital lease. The system cost \$52,361 and payments are made on a monthly basis in the amount of \$1,236, inclusive of interest at a rate of 6.251%, for a period of 48 months. The following is a schedule of the remaining future minimum lease payments under the capital lease and the present value of the net minimum lease payments at June 30, 2016:

Year ending June 30,	
2017	\$ 14,829
2018	<u>11,121</u>
	25,950
Less: Interest	<u>(1,823)</u>
	24,127
Less: Current portion	<u>(13,500)</u>
	<u>\$ 10,627</u>

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2016

7. Long-Term Obligations (Cont'd)

C. Loans Payable

The Commission underwent an audit of the Chapter 192/193 program provided to districts. The audit revealed discrepancies in the documentation of student support. As such, the Commission is required to reimburse the State of New Jersey Department of Education \$187,158 over a period of 7 years. The annual payment is due in September and is payable through September 2018.

Year ending June 30,

2017	26,737
2018	26,737
2029	<u>26,736</u>
	80,210
Less: Current portion	<u>(26,737)</u>
	<u><u>\$ 53,473</u></u>

8. Pension Plans

Description of Plans

All required employees of the District are covered by either the Public Employees' Retirement System ("PERS"), the Teachers' Pension and Annuity Fund ("TPAF") or the Defined Contribution Retirement Program (DCRP) which have been established by State statute and are administered by the New Jersey Division of Pension and Benefits ("Division"). Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes the financial statements and required supplementary information. These reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625.

Teachers' Pension and Annuity Fund ("TPAF")

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

For the year ended June 30, 2016, the District recognized pension expense of \$201,349 and revenue of \$201,349 for support provided by the State on the fund financials. These amounts are not included in the district-wide financials as required by GASB 68.

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2016

8. Pension Plans (Cont'd)

Teachers' Pension and Annuity Fund ("TPAF") (Cont'd)

At June 30, 2016, the District has no deferred outflow, deferred inflows or pension liability for the TPAF plan as all future costs are to be incurred by the State of New Jersey. As detailed in GASB 68 the District's proportionate share of the deferred outflows of resources and deferred inflows of resources and pension liability is required to be disclosed. These items are not included on the district-wide financials. The District's proportionate share is 0.0283967086% of the total plan. The information below was provided from the State of New Jersey June 30, 2015 audit of the TPAF fund and has been adjusted to the District's proportionate share:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 90,681	\$ 5,375
Changes of assumptions	2,032,592	-
Net difference between projected and actual earnings on pension plan investments	-	151,131
Changes in proportion and differences between District contributions and proportionate share of contributions	12,980	20,509
District contributions subsequent to the measurement date	<u>-</u>	<u>-</u>
Total	<u>\$ 2,136,253</u>	<u>\$ 177,015</u>

The District's proportionate share of the pension liability at June 30, 2015 as it relates to the District is \$17,947,932.

The District's proportionate share of other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense by the State of New Jersey as follows:

Year ended June 30:	
2016	\$ 232,408
2017	232,408
2018	232,408
2019	356,022
2020	301,318
Thereafter	<u>623,829</u>
Total	<u>1,978,393</u>

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2016

8. Pension Plans (Cont'd)

Public Employees' Retirement System ("PERS")

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

For the year ended June 30, 2016, the District recognized pension expense of \$418,256. As detailed in GASB 68 the District's proportionate share of the deferred outflows of resources and deferred inflows of resources and pension liability is required to be disclosed and recorded. These items are included on the district-wide financials. The District's proportionate share is 0.0439781334% of the total plan. The information below was provided from the State of New Jersey June 30, 2015 audit of the PERS fund and has been adjusted to the District's proportionate share. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 235,516	\$ -
Changes of assumptions	1,060,196	-
Net difference between projected and actual earnings on pension plan investments	-	158,726
Changes in proportion and differences between District contributions and proportionate share of contributions	1,523,339	-
District contributions subsequent to the measurement date	<u>-</u>	<u>-</u>
Total	<u>\$ 2,819,051</u>	<u>\$ 158,726</u>

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2016

8. Pension Plans (Cont'd)

Public Employees' Retirement System ("PERS") (Cont'd)

The District's proportionate share of the pension liability at June 30, 2015 as it relates to the District is \$9,872,210 and has been recorded on the district-wide financials. The current portion due in April 2017 for the June 30, 2016 liability is \$418,256 and has been included on the district-wide financials. The total PERS pension liability at June 30, 2016 is \$10,290,466.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2016	\$	206,989
2017		206,989
2018		206,989
2019		329,663
2020		186,357
Thereafter		-
Total		<u>1,136,987</u>

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00 %	1.04 %
U.S. Treasuries	1.75 %	1.64 %
Investment Grade Credit	10.00 %	1.79 %
Mortgages	2.10 %	1.62 %
High Yield Bonds	2.00 %	4.03 %
Inflation-Indexed Bonds	1.50 %	3.25 %
Broad US Equities	27.25 %	8.52 %
Developed Foreign Equities	12.00 %	6.88 %
Emerging Market Equities	6.40 %	10.00 %
Private Equity	9.25 %	12.41 %
Hedge Funds/Absolute Return	12.00 %	4.72 %
Real Estate (Property)	2.00 %	6.83 %
Commodities	1.00 %	5.32 %
Global Debt ex US	3.50 %	(0.40) %
REIT	4.25 %	5.12 %

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2016

8. Pension Plans (Cont'd)

Discount Rate

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% as of June 30, 2015 based on Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the collective net pension liability of the participating employers as of June 30, 2016 and 2015 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (3.90 %)	Current Discount Rate (4.90 %)	1% Increase (5.90 %)
District's proportionate share of the net pension liability	12,269,949	9,872,210	7,861,963

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2016

8. Pension Plans (Cont'd)

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by the N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:66 for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years or service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

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

Contribution Requirements

Three-Year Trend Information for PERS

Year Funding June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2016	\$ 420,848	100 %	\$ 420,848
2015	337,605	100 %	337,605
2014	1,869,682	100 %	1,869,682

Three-Year Trend Information for TPAF (Paid on-behalf of the District)

Year Funding June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2016	\$ 441,100	100 %	\$ -
2015	397,242	100 %	-
2014	-	100 %	-

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 6.78% 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 included funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a non-contributing employer of the TPAF.

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2016

8. Pension Plans (Cont'd)

Contribution Requirements (Cont'd)

There was a current year contribution to the TPAF post-retirement medical benefits made by the State of New Jersey on behalf of the Board in the amount of \$441,100. The State did not make any normal contributions on behalf of the Board. Also, in accordance with N.J.S.A 18A: 66-66, the State of New Jersey reimbursed the District \$294,295 during the year ended June 30, 2016 for the employer's share of social security contributions for TPAF members as calculated on their base salaries.

These amount has been included in the general purpose financial statements, and the combining and individual fund and account group statements and schedules as a revenues and expenditures in accordance with Governmental Accounting Standards.

Defined Contribution Retirement Plan (DCRP)

The Defined Contribution Retirement Plan is a cost-sharing multiple-employer defined contribution pension plan which was established on July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A.43:15C-1 et. seq), and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The Defined Contribution Retirement Program Board oversees the DCRP, which is administered for the Divisions of Pensions and Benefits by Prudential Financial. The DCRP provides eligible members, and their beneficiaries, with tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A.43:15C-1 et. seq.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the School District's contribution amounts for each pay period are transmitted to Prudential not later than the fifth business day after the date on which the employee is paid for that pay period.

The District's contributions to the DCRP for June 30, 2016 were \$17,175. There was no liability for unpaid contributions at June 30, 2016.

Related Party Investments – The Division of Pensions and Benefits does not invest in securities issued by the School District.

9. Post-Retirement Benefits

Legislation enacted during 1991 provides early retirement incentives for certain member of TPAF and PERS who met certain age and service requirements and who applied for retirement between certain dates in the 1992 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 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 District will assume the increased cost for the early retirement as it affects their district.

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2016

9. Post-Retirement Benefits (Cont'd)

P.L. 1987, c 384 and P.L. 1990, c.6 required Teachers' Pensions 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, 2015, there were 107,314 retirees eligible for post-retirement medical benefits, and the State contributed \$1.25 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. 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 of 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 \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in fiscal year 2015.

10. Deferred Compensation

The Commission offers its employees a choice of 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:

Lincoln Financial Advisors
VALIC

Lincoln Investment Planning
Axa Equitable

11. Risk Management

The Commission is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omission; 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.

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 charged to its account with the State. The Commission is billed quarterly for amounts due to the State. The table below is a summary of the District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Commission's expendable trust fund for the current and the previous two years.

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2016

11. Risk Management (continued)

<u>Fiscal Year</u>	<u>Commission Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2015 / 2016	\$ 5	\$ -	\$ -	\$ 1,838
2014 / 2015	2	-	-	1,833
2013 / 2014	55,049	28,405	(83,453)	1,831

12. Contingent Liabilities

Grant Programs

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

The Commission is also involved in several claims and lawsuits incidental to its operations. In the opinion of the administration and legal counsel, the ultimate resolution of these matters will not have a material adverse effect on the financial position of the Board.

13. 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, 2016, the Commission estimated that the Foundation had net assets of approximately \$17,000. Revenue and support received by the Foundation, and not reflected in the financial statements of the Commission, aggregated \$47,000 in the year ended December 31, 2015.

14. Fund Balance Appropriated

General Fund (Exhibit B-1) - Of the \$3,380,292 General Fund balance at June 30, 2016, nothing is reserved.

15. Related Party

The Commission entered into multiple shared service agreements with the Bayshore Jointure Commission during the year ended June 30, 2016 and is renewable on an annual basis. The following are the services provided and the amounts charged for each during the fiscal year.

Administrative Services (MOESC provides)	\$	6,252
Nursing (Bayshore provides)		22,000

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2016

16. Uncertain Tax Positions

The school district had no unrecognized tax benefits at June 30, 2016. The school district files tax returns in the U.S. federal jurisdiction and New Jersey. The school district has no open year prior to June 30, 2013.

17. Subsequent Events

Management has evaluated subsequent events through October 22, 2016, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

Monmouth-Ocean Educational Services Commission
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2016

Exhibit C-1

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Tuition	\$ 7,591,408	\$ -	\$ 7,591,408	\$ 2,897,257	\$ (4,694,151)
Interest on Investments	-	-	-	3,766	3,766
Transportation Fees from Other LEAs	31,500,000	-	31,500,000	33,253,945	1,753,945
Rents and Royalties	-	-	-	285,215	285,215
Miscellaneous	-	(38,241)	38,241	222,683	184,442
Total - local sources	39,091,408	(38,241)	39,129,649	36,662,866	(2,466,783)
State sources:					
TPAF pension (on-behalf - Non-budgeted)	-	-	-	441,100	441,100
TPAF social security (reimbursed - Non-budgeted)	-	-	-	294,295	294,295
Total state sources	-	-	-	735,395	735,395
Total revenues	39,091,408	(38,241)	39,129,649	37,398,261	(1,731,388)
EXPENDITURES:					
SPECIAL EDUCATION - INSTRUCTION					
Salaries of teachers	647,305	17,064	664,369	615,570	48,799
Other Purch. Serv. (400-500 series)	241,630	(9,212)	232,418	228,362	4,056
General supplies	12,740	8,476	21,216	9,549	11,667
Travel	-	920	920	919	1
Other Objects	13,500	(4,881)	8,619	6,713	1,906
Total Special Education-Instruction	915,175	12,367	927,542	861,113	66,429
Resource Room/Resource Center:					
Salaries of teachers	193,245	-	193,245	171,663	21,582
General supplies	4,540	-	4,540	4,027	513
Other Objects	1,500	-	1,500	-	1,500
Total Resource Room/Resource Center	199,285	-	199,285	175,690	23,595
TOTAL SPECIAL EDUCATION - INSTRUCTION	1,114,460	12,367	1,126,827	1,036,803	90,024
Total Instruction	1,114,460	12,367	1,126,827	1,036,803	90,024
Undistributed Expenditures - Instruction:					
Tuition - Other	5,000	4,563	9,563	-	9,563
Total Undistributed Expenditures - Instruction:	5,000	4,563	9,563	-	9,563
Undist. Expend. - Attendance and Social Work					
Salaries	48,885	3	48,888	48,886	2
Total Undistributed Expenditures - Attendance	48,885	3	48,888	48,886	2
Undist. Expend. - Health Services					
Purchased professional and technical services	22,285	9,925	32,210	28,085	4,125
Total Undistributed Expenditures - Health Services	22,285	9,925	32,210	28,085	4,125
Undist. Expend. - Child Study Team					
Purchased professional and technical services	74,500	3,693	78,193	77,693	500
Other purchased services (400-500 series)	11,500	(3,693)	7,807	6,547	1,260
Supplies and materials	11,200	-	11,200	9,164	2,036
Other objects	2,000	-	2,000	-	2,000
Total Undist. Expend. - Child Study Team	99,200	-	99,200	93,404	5,796
Undist. Expend. - Instruction Staff Training Services					
Purchased professional - educational services	2,000	-	2,000	125	1,875
Supplies and materials	20,000	-	20,000	583	19,417
Other purchased services (400-500)	2,500	-	2,500	1,991	509
Total Undist. Expend. - Instruction Staff Training Services	24,500	-	24,500	2,699	21,801

Monmouth-Ocean Educational Services Commission
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Support Service - General Administration					
Salaries	\$ 650,410	\$ (17,528)	\$ 632,882	\$ 460,883	\$ 171,999
Legal services	100,000	(5,428)	94,572	71,468	23,104
Audit Fees	34,500	(7,140)	27,360	26,500	860
Architectural/Engineering Services	10,000	(2,500)	7,500	3,500	4,000
Other purchased professional services	8,500	(922)	7,578	4,186	3,392
Purchased technical services	24,800	5,689	30,489	30,489	-
Communications/Telephone	91,283	2,923	94,206	89,419	4,787
Other purchased services (400-500 series)	45,620	-	45,620	31,836	13,784
General supplies	15,000	317	15,317	15,304	13
BOE In-House Training/Meeting Supplies	5,000	(317)	4,683	-	4,683
Judgements Agst. School Dist.	30,000	-	30,000	26,737	3,263
Miscellaneous expenditures	17,000	8,665	25,665	20,136	5,529
BOE membership dues and fees	12,000	(3,236)	8,764	5,310	3,454
Total Undist. Expend. - Support Service - General Administration	1,044,113	(19,477)	1,024,636	785,768	238,868
Undist. Expend. - Support Service - School Administration					
Salaries of principals/Assistant principals	508,405	75,009	583,414	583,414	-
Salaries of secretarial and clerical assistants	523,965	(75,559)	448,406	379,520	68,886
Purchased professional and technical services	-	79	79	-	79
Other purchased services (400-500 series)	2,500	-	2,500	-	2,500
Supplies and materials	15,000	-	15,000	3,314	11,686
Other objects	14,000	(79)	13,921	-	13,921
Total Undist. Expend. - Support Service - School Administration	1,063,870	(550)	1,063,320	966,248	97,072
Undistributed Expenditures - Central Services					
Salaries	560,750	-	560,750	495,372	65,378
Purchased technical services	17,570	-	17,570	9,547	8,023
Misc. Purchased Services	11,000	-	11,000	4,152	6,848
Supplies and materials	6,500	131	6,631	6,631	-
Interest on lease purchase	1,650	-	1,650	531	1,119
Miscellaneous expenditures	32,000	(131)	31,869	25,017	6,852
Total Undist. Expend. - Central Services	629,470	-	629,470	541,250	88,220
Undist.- Admin. Info. Technology					
Salaries	262,925	(2,500)	260,425	208,841	51,584
Purchased technical services	61,200	1,918	63,118	45,205	17,913
Other Purchased Services	24,760	832	25,592	25,581	11
Supplies and materials	11,350	110	11,460	10,469	991
Other objects	1,000	-	1,000	70	930
Total Undist. Expend - Admin. Info. Technology	361,235	360	361,595	290,166	71,429
Undist. Expend. - Other Operation & Maintenance of Plant					
Salaries	121,755	11,740	133,495	133,495	-
Cleaning, repair and maintenance services	91,205	(7,021)	84,184	84,183	1
Other purchased property services	7,400	403	7,803	7,803	-
Insurance	30,000	-	30,000	26,183	3,817
Misc Purchased Services	2,750	(472)	2,278	429	1,849
General supplies	18,000	(2,828)	15,172	11,103	4,069
Energy (natural gas)	24,000	-	24,000	9,576	14,424
Travel	-	2,019	2,019	2,019	-
Energy (electricity)	72,000	-	72,000	50,966	21,034
Energy (gasoline)	3,500	-	3,500	1,054	2,446
Other objects	4,200	(3,340)	860	860	-
Total Undist Expend-Other Operation & Maint Of Plant	374,810	501	375,311	327,671	47,640
Undist. Expend. - Care & Upkeep of Grounds					
Cleaning, repair and maintenance services	48,300	-	48,300	41,860	6,440
Total Undist Expend-Care & Upkeep of Grounds	48,300	-	48,300	41,860	6,440
Security					
Salaries	26,500	4,162	30,662	30,662	-
Purchased professional and technical services	55,120	(16,616)	38,504	12,454	26,050
Total Security	81,620	(12,454)	69,166	43,116	26,050
Undist. Expend. - Student Transportation Services					
Salaries of non-instructional aides	353,225	(30,543)	322,682	318,179	4,503
Purchased professional and technical services	8,300	25,614	33,914	31,157	2,757
Contract Svc (btw home & Sch.) - Joint Agreements	30,000,000	2,000,000	32,000,000	31,665,156	334,844
General supplies	4,000	5,911	9,911	9,852	59
Misc Purchased Serv - Transportation	1,500	(1,481)	19	19	-
Other objects	300	-	300	200	100
Total Undist. Expend. - Student Transportation Services	30,367,325	1,999,501	32,366,826	32,024,563	342,263

Monmouth-Ocean Educational Services Commission
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
UNALLOCATED EMPLOYEE BENEFITS					
Group insurance	\$ 15,000	\$ -	\$ 15,000	\$ 6,527	\$ 8,473
Social security contributions	290,000	44,767	334,767	334,767	-
Other Retirement contributions -PERS	505,830	(44,767)	461,063	420,848	40,215
Unemployment compensation	185,000	-	185,000	101,113	83,887
Workmen's compensation	106,600	-	106,600	81,754	24,846
Health benefits	2,205,560	-	2,205,560	634,252	1,571,308
Tuition reimbursement	25,000	-	25,000	6,850	18,150
Other employee benefits	71,770	-	71,770	38,937	32,833
TOTAL UNALLOCATED EMPLOYEE BENEFITS	3,404,760	-	3,404,760	1,625,048	1,779,712
On-behalf TPAF pension contributions (non-budgeted)	-	-	-	441,100	(441,100)
Reimbursed TPAF social security contributions (non-budgeted)	-	-	-	294,295	(294,295)
TOTAL ON-BEHALF CONTRIBUTIONS	-	-	-	735,395	(735,395)
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS	3,404,760	-	3,404,760	2,360,443	1,044,317
Food Services					
Transfers to cover deficit in food services	11,000	-	11,000	874	10,126
Total Food Services	11,000	-	11,000	874	10,126
TOTAL UNDISTRIBUTED EXPENDITURES	37,586,373	1,982,372	39,568,745	37,555,033	2,013,712
TOTAL GENERAL CURRENT EXPENSE	38,700,833	1,994,739	40,695,572	38,591,836	2,103,736
CAPITAL OUTLAY					
Equipment					
Special Education - Instruction:					
Undistributed expenditures - General administration	-	7,409	7,409	6,935	474
Undistributed expenditures - Admin Info Tech	58,465	(13,408)	45,057	18,945	26,112
Undistributed expenditures - Req. Maint. Schl. Facilities	78,510	-	78,510	68,706	9,804
Total Equipment	136,975	(5,999)	130,976	94,586	36,390
TOTAL CAPITAL OUTLAY	136,975	(5,999)	130,976	94,586	36,390
SPECIAL SCHOOLS					
Summer School - Support services					
Salaries of teachers	14,800	(2,290)	12,510	5,797	6,713
Total Summer School - Support services	14,800	(2,290)	12,510	5,797	6,713
Summer School - Instruction					
Salaries of teachers	238,800	-	238,800	230,565	8,235
Total Summer School - Instruction	238,800	-	238,800	230,565	8,235
TOTAL SPECIAL SCHOOLS	253,600	(2,290)	251,310	236,362	14,948
TOTAL EXPENDITURES	39,091,408	1,986,450	41,077,858	38,922,784	2,155,074
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(2,024,691)	(1,948,209)	(1,524,523)	(423,686)
Other Financing Sources/ (Uses):					
Other funds transfers	-	-	-	1,169,796	(1,169,796)
Indirect costs allocation	-	-	-	517,630	(517,630)
Transfers-Payroll	-	-	-	300,000	(300,000)
Total Other Financing Sources:	-	-	-	1,987,426	(1,987,426)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures & Other Financing Sources (Uses)	-	(2,024,691)	(1,948,209)	462,903	(2,411,112)
Fund Balance, July 1	2,917,389	-	2,917,389	2,917,389	-
Fund Balance, June 30	\$ 2,917,389	\$ (2,024,691)	\$ 969,180	\$ 3,380,292	\$ (2,411,112)
Recapitulation:					
Restricted fund balances				-	
Unrestricted fund balances				3,380,292	
Fund balance per governmental funds (GAAP) - B-1				<u>\$ 3,380,292</u>	

**Monmouth-Ocean Educational Services Commission
 Budgetary Comparison Schedule
 Special Revenue Fund
 For the Fiscal Year Ended June 30, 2016**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Local sources	\$ 7,104,365	\$ 271,574	\$ 7,375,939	\$ 6,200,209	\$ (1,175,730)
State sources	-	-	-	-	-
Federal sources	-	-	-	-	-
Total Revenues	<u>7,104,365</u>	<u>271,574</u>	<u>7,375,939</u>	<u>6,200,209</u>	<u>(1,175,730)</u>
EXPENDITURES					
Instruction:					
Salaries of teachers	2,938,035	(851,131)	2,086,904	1,971,916	114,988
Other salaries/instruction	5,000	587,832	592,832	573,684	19,148
Purchased services	-	-	-	-	-
Other purchased services	-	-	-	-	-
Purchased professional services	-	-	-	-	-
General supplies	339,100	16,360	355,460	252,134	103,326
Textbooks	480,930	(6,768)	474,162	429,122	45,040
Miscellaneous/Other objects	-	-	-	-	-
Total instruction	<u>3,763,065</u>	<u>(253,707)</u>	<u>3,509,358</u>	<u>3,226,856</u>	<u>282,502</u>
Support services:					
Other support services					
students - special:					
Other professional				-	-
staff salaries	70,995	247,174	318,169	42,188	275,981
Secretarial/Clerical	-	-	-	-	-
salaries	-	11,775	11,775	11,775	-
Purchased professional services	3,270,305	(924,471)	2,345,834	1,776,500	569,334
Other purchased services	-	112,516	112,516	105,408	7,108
Purchased technical services	-	-	-	-	-
Employee benefits	-	787,090	787,090	769,895	17,195
Travel	-	196,319	196,319	196,319	-
Nursing services	-	-	-	-	-
Miscellaneous purchased services	-	-	-	-	-
Purchased Property Service	-	-	-	-	-
General supplies	-	71,846	71,846	48,236	23,610
Miscellaneous/Other objects	-	18,317	18,317	18,317	-
Total other support services - students - special	<u>3,341,300</u>	<u>520,566</u>	<u>3,861,866</u>	<u>2,968,638</u>	<u>893,228</u>
Facilities acquisition and const. serv.:					
Regular programs instruction	-	4,715	4,715	4,715	-
Non-instructional equipment	-	-	-	-	-
Total facilities acquisition and const. serv.	<u>-</u>	<u>4,715</u>	<u>4,715</u>	<u>4,715</u>	<u>-</u>
Total expenditures	<u>7,104,365</u>	<u>271,574</u>	<u>7,375,939</u>	<u>6,200,209</u>	<u>1,175,730</u>
Other financing sources (uses)					
Transfer in from general fund	-	-	-	-	-
Contribution to whole school reform	-	-	-	-	-
Total outflows	<u>7,104,365</u>	<u>271,574</u>	<u>7,375,939</u>	<u>6,200,209</u>	<u>1,175,730</u>
Excess (deficiency) of revenues					
Over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation to governmental funds statements (GAAP)					
Last state aid payment not recognized on GAAP basis				-	
Fund balance per governmental funds (GAAP)				<u>\$ -</u>	

Monmouth-Ocean Educational Services Commission
 Required Supplementary Information
 Budgetary Comparison Schedule
 Note to Required Supplementary Information
 For the Fiscal Year Ended June 30, 2016

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

		General Fund		Special Revenue Fund
Sources/inflows of resources				
Actual amounts (budgetary basis) "revenue"				
from the budgetary comparison schedule	[C-1]	\$ 37,398,261	[C-2]	\$ 6,200,209
Difference - budget to GAAP:				
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		-		-
TPAF pension payments completely funded by the State of New Jersey are not included on the GAAP statements.		(201,349)		
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes		-		-
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.		-		-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2]	\$ 37,196,912	[B-2]	\$ 6,200,209
 Uses/outflows of resources				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1]	\$ 38,922,784	[C-2]	\$ 6,200,209
Differences - budget to GAAP				
TPAF pension payments completely funded by the State of New Jersey are not included on the GAAP statements.		(201,349)		-
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 as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2]	\$ 38,721,435	[B-2]	\$ 6,200,209

REQUIRED SUPPLEMENTARY INFORMATION - PART III

Monmouth-Ocean Educational Services Commission
 Required Supplementary Information
 Schedule of the District's Proportionate Share of Net Pension Liability-PERS
 For the Fiscal Year Ended June 30, 2016

Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>
District's proportion of the net pension liability	0.0357465012%	0.0439781334%
District's proportionate share of the net pension liability	\$ 7,093,861	\$ 10,290,466
District's covered-employee payroll	3,167,776	3,025,156
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	44.66%	29.40%
Plan fiduciary net position as a percentage of the total pension liability	67.89%	61.84%

The amounts presented were determined as of the fiscal year-end that occurred one year before the District's fiscal year end.

* The schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled governments should present information for those years for which information is available.

Monmouth-Ocean Educational Services Commission
 Required Supplementary Information
 Schedule of the District Contributions-PERS
 For the Fiscal Year Ended June 30, 2016

Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>
Contractually required contributions	\$ 249,689	\$ 378,094
Contributions in relation to the contractually required contribution	<u>337,605</u>	<u>420,848</u>
Contribution deficiency (excess)	<u>\$ (87,916)</u>	<u>\$ (42,754)</u>
District's covered-employee payroll	\$ 3,167,776	\$ 3,025,156
Contributions as a percentage of covered-employee payroll	7.88%	12.50%

* The schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled governments should present information for those years for which information is available.

Monmouth-Ocean Educational Services Commission
 Required Supplementary Information
 Schedule of the District's Proportionate Share of Net Pension Liability-TPAF
 For the Fiscal Year Ended June 30, 2016

Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>
District's proportion of the net pension liability	0.0310304894%	0.0283967086%
District's proportionate share of the net pension liability	\$ 16,584,787	\$ 17,947,932
District's covered-employee payroll	3,201,923	3,655,183
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	19.31%	20.37%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%

The District has a special funding situation as is not required to make any payments for this liability therefore it is not recorded on the CAFR.

The amounts presented were determined as of the fiscal year-end that occurred one year before the District's fiscal year end.

* The schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled governments should present information for those years for which information is available.

Monmouth-Ocean Educational Services Commission

Notes to Required Supplementary Information - Part III

For the Year Ended June 30, 2016

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	3.04 %
Salary increases: 2012-2021	2.15 - 4.40 % based on age
Thereafter	3.15 - 5.40 % based on age
Investment rate of return	7.90 %

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

OTHER SUPPLEMENTARY INFORMATION

Monmouth-Ocean Educational Services Commission
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2016

	Idea Part B 2015-2016	Idea Part B 2014-2015	N.J. Non Public Textbook Aid	N.J. Non Public Nurse Aid	N.J. Non Public Technology Grant
Revenues:					
Local sources	\$ 1,372,391	\$ 169,266	\$ 429,122	\$ 885,001	\$ 178,245
State sources	-	-	-	-	-
Federal sources	-	-	-	-	-
Total revenues	<u>1,372,391</u>	<u>169,266</u>	<u>429,122</u>	<u>885,001</u>	<u>178,245</u>
Expenditures:					
Instruction:					
Salaries of teachers	456,165	18,068	-	-	-
Other salaries/instruction	477,515	91,286	-	-	-
Purchased services	-	-	-	-	-
Other purchased services	-	-	-	-	-
Purchased professional services	-	-	-	-	-
General supplies	65,118	16,070	-	-	170,946
Textbooks	-	-	429,122	-	-
Total instruction	<u>998,798</u>	<u>125,424</u>	<u>429,122</u>	<u>-</u>	<u>170,946</u>
Support services:					
Other support services - students - special:					
Other professional staff salaries	-	-	-	-	-
Secretarial/Clerical salaries	-	-	-	-	-
Purchased professional services	118,307	24,816	-	836,765	-
Other purchased services	-	9,044	-	-	-
Purchased technical services	-	-	-	-	-
Employee benefits	250,571	9,982	-	-	-
Travel	-	-	-	-	-
Nursing services	-	-	-	-	-
Miscellaneous purchased services	-	-	-	-	-
Purchased property services	-	-	-	-	-
General supplies	-	-	-	48,236	-
Miscellaneous/Other objects	-	-	-	-	7,299
Total other support services - students - special	<u>368,878</u>	<u>43,842</u>	<u>-</u>	<u>885,001</u>	<u>7,299</u>
Equipment:					
Regular programs instruction	4,715	-	-	-	-
Non-instructional equipment	-	-	-	-	-
Total equipment	<u>4,715</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 1,372,391</u>	<u>\$ 169,266</u>	<u>\$ 429,122</u>	<u>\$ 885,001</u>	<u>\$ 178,245</u>

(Continued on next page)

Monmouth-Ocean Educational Services Commission
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2016

(Continued from prior page)

	N.J. Non Public Auxiliary Services Chapter 192				
	Compensatory Education	English As A Second Language	Transportation	Home Instruction	Homeless
Revenues:					
Local sources	\$ 1,277,406	\$ 87,400	\$ 3,250	\$ 29,246	\$ 265,705
State sources	-	-	-	-	-
Federal sources	-	-	-	-	-
Total revenues	<u>1,277,406</u>	<u>87,400</u>	<u>3,250</u>	<u>29,246</u>	<u>265,705</u>
Expenditures:					
Instruction:					
Salaries of teachers	872,972	87,400	3,250	29,246	6,540
Other salaries/instruction	4,883	-	-	-	-
Purchased services	-	-	-	-	-
Other purchased services	-	-	-	-	-
Purchased professional serv	-	-	-	-	-
Other purchased services	-	-	-	-	-
General supplies	-	-	-	-	-
Textbooks	-	-	-	-	-
Total instruction	<u>877,855</u>	<u>87,400</u>	<u>3,250</u>	<u>29,246</u>	<u>6,540</u>
Support services:					
Other support services - students - special:					
Other professional staff salaries	-	-	-	-	42,188
Secretarial/Clerical salaries	-	-	-	-	11,775
Other purchased services	-	-	-	-	6,884
Purchased technical service	-	-	-	-	-
Employee benefits	399,551	-	-	-	1,999
Travel	-	-	-	-	196,319
General supplies	-	-	-	-	-
Miscellaneous/Other objects	-	-	-	-	-
Total other support services - students - special	<u>399,551</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>259,165</u>
Equipment:					
Regular programs instructic	-	-	-	-	-
Non-instructional equipment	-	-	-	-	-
Total equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 1,277,406</u>	<u>\$ 87,400</u>	<u>\$ 3,250</u>	<u>\$ 29,246</u>	<u>\$ 265,705</u>

(Continued on next page)

Monmouth-Ocean Educational Services Commission
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2016

(Continued from prior page)

	N.J. Nonpublic Handicapped Services Chapter 193				
	Supplemental Instruction	Examination and Classification	Corrective Speech	N. J. Non Public Security	Total 2016
Revenues:					
Local sources	\$ 606,067	\$ 532,905	\$ 263,707	\$ 100,498	\$ 6,200,209
State sources	-	-	-	-	-
Federal sources	-	-	-	-	-
Total revenues	<u>606,067</u>	<u>532,905</u>	<u>263,707</u>	<u>100,498</u>	<u>6,200,209</u>
Expenditures:					
Instruction:					
Salaries of teachers	498,275	-	-	-	1,971,916
Other salaries/instruction	-	-	-	-	573,684
Purchased services	-	-	-	-	-
Other purchased services	-	-	-	-	-
Purchased professional services	-	-	-	-	-
Other purchased services	-	-	-	-	-
General supplies	-	-	-	-	252,134
Textbooks	-	-	-	-	429,122
Total instruction	<u>498,275</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,226,856</u>
Support services:					
Other support services - students - special:					
Other professional staff salaries	-	-	-	-	42,188
Secretarial/Clerical salaries	-	-	-	-	11,775
Professional Development NP	-	-	-	-	-
Purchased professional services	-	532,905	263,707	-	1,776,500
Other purchased services	-	-	-	89,480	105,408
Purchased technical services	-	-	-	-	-
Employee benefits	107,792	-	-	-	769,895
Travel	-	-	-	-	196,319
Nursing Svcs	-	-	-	-	-
Miscellaneous purchased services	-	-	-	-	-
Purchased property services	-	-	-	-	-
General supplies	-	-	-	-	48,236
Miscellaneous/Other objects	-	-	-	11,018	18,317
Total other support services - students - special	<u>107,792</u>	<u>532,905</u>	<u>263,707</u>	<u>100,498</u>	<u>2,968,638</u>
Equipment:					
Regular programs instruction	-	-	-	-	4,715
Non-instructional equipment	-	-	-	-	-
Total equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,715</u>
Total expenditures	<u>\$ 606,067</u>	<u>\$ 532,905</u>	<u>\$ 263,707</u>	<u>\$ 100,498</u>	<u>\$ 6,200,209</u>

Monmouth-Ocean Educational Services Commission
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Unemployment Compensation Trust	Agency Funds	Total Fund
ASSETS			
Cash and cash equivalents	\$ 1,838	\$ 113,116	\$ 114,954
Intergovernmental Accounts Receivable	-	-	-
Interfund receivable	-	-	-
Total assets	<u>1,838</u>	<u>113,116</u>	<u>114,954</u>
LIABILITIES			
Accounts payable	-	-	-
Payroll deductions and withholdings	-	113,116	113,116
Payable to student groups	-	-	-
Interfund payable	-	-	-
Due to County Office	-	-	-
Total liabilities	<u>-</u>	<u>113,116</u>	<u>113,116</u>
NET POSITION			
Held in trust for unemployment claims and other purposes	1,838	-	1,838
Reserved for scholarships	-	-	-
Total net position	<u>1,838</u>	<u>-</u>	<u>1,838</u>
Total liabilities and net position	<u>\$ 1,838</u>	<u>\$ 113,116</u>	<u>\$ 114,954</u>

Monmouth-Ocean Educational Services Commission
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2016

	Unemployment Compensation Trust
ADDITIONS	
Contributions:	
Plan member	\$ -
Other	-
Total contributions	-
Investment earnings:	
Net increase (decrease) in fair value of investments	-
Interest	5
Dividends	-
Less investment expense	-
Net investment earnings	5
Total additions	5
DEDUCTIONS	
Quarterly contribution reports	-
Unemployment claims	-
Scholarships awarded	-
Refunds of contributions	-
Administrative expenses	-
Total deductions	-
Change in net position	5
Net position—beginning of the year	1,833
Net position—end of the year	\$ 1,838

Monmouth-Ocean Educational Services Commission
 Payroll Agency Fund
 Schedule of Receipts and Disbursements
 For the Fiscal Year ended June 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
Payroll deductions and withholdings	\$ 466,790	9,068,400	9,422,074	\$ 113,116

Monmouth-Ocean Educational Services Commission
 Long-Term Debt
 Statement of Obligations Under Capital Lease
 June 30, 2016

<u>Series</u>	<u>Date of Lease</u>	<u>Amount of Original Lease Principal</u>	<u>Interest Rate</u>	<u>Amount Outstanding June 30, 2015</u>	<u>Issued Current Year</u>	<u>Cancelled Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding June 30, 2016</u>
Computer Lease	03/17/14	\$ 52,361	6.25%	\$ 37,377	\$ -	\$ -	\$ 13,250	\$ 24,127
				<u>\$ 37,377</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,250</u>	<u>\$ 24,127</u>

Monmouth-Ocean Educational Services Commission
 Long-Term Debt
 Statement of Obligations-Notes Payable
 June 30, 2016

<u>Series</u>	<u>Date of Loan</u>	<u>Amount of Original Loan Principal</u>	<u>Interest Rate</u>	<u>Amount Outstanding June 30, 2015</u>	<u>Issued Current Year</u>	<u>Cancelled Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding June 30, 2016</u>
Chapter 192/193 loan	07/01/11	\$ 187,158	0.00%	\$ 106,947	\$ -	\$ -	\$ 26,737	\$ 80,210
				<u>\$ 106,947</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,737</u>	<u>\$ 80,210</u>

STATISTICAL SECTION

**Monmouth-Ocean Educational Services Commission
Statistical Section**

Contents

Page

Financial Trends

These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.

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Revenue Capacity

These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.

N/A

Debt Capacity

These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.

N/A

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.

N/A

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.

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Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year.*

Monmouth-Ocean Educational Services Commission
Net Position by Component
Last Six Fiscal Years
UNAUDITED
(accrual basis of accounting)

	2011	2012	2013	2014	2015	2016
Governmental activities						
Invested in capital assets, net of related debt	\$ 6,219,674	\$ 6,065,693	\$ 5,952,522	\$ 5,804,922	\$ 6,780,041	\$ 6,693,335
Restricted	-	-	-	-	-	-
Unrestricted	3,590,203	3,427,538	3,152,093	2,466,308	(4,550,848)	(4,660,516)
Total governmental activities net position	<u>\$ 9,809,877</u>	<u>\$ 9,493,231</u>	<u>\$ 9,104,615</u>	<u>\$ 8,271,230</u>	<u>\$ 2,229,193</u>	<u>\$ 2,032,819</u>
Business-type activities						
Invested in capital assets, net of related debt	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Unrestricted	(617,820)	(581,071)	(378,349)	(77,238)	7,133	6,914
Total business-type activities net position	<u>\$ (617,820)</u>	<u>\$ (581,071)</u>	<u>\$ (378,349)</u>	<u>\$ (77,238)</u>	<u>\$ 7,133</u>	<u>\$ 6,914</u>
District-wide						
Invested in capital assets, net of related debt	\$ 6,219,674	\$ 6,065,693	\$ 5,952,522	\$ 5,804,922	\$ 6,780,041	\$ 6,693,335
Restricted	-	-	-	-	-	-
Unrestricted	2,972,383	2,846,467	2,773,744	2,389,070	(4,543,715)	(4,653,602)
Total district net position	<u>\$ 9,192,057</u>	<u>\$ 8,912,160</u>	<u>\$ 8,726,266</u>	<u>\$ 8,193,992</u>	<u>\$ 2,236,326</u>	<u>\$ 2,039,733</u>

Monmouth-Ocean Educational Services Commission
Changes in Net Position
Last Six Fiscal Years
(accrual basis of accounting)
UNAUDITED

	2011	2012	2013	2014	2015	2016
Expenses						
Governmental activities						
Current:						
Regular instruction					\$ -	\$ -
Special schools instruction	2,580,709	1,916,321	1,220,935	2,931,500	(3,596,451)	(4,263,659)
Other special instruction					-	-
Other instruction	1,729,487	700,346	419,812	722,190	-	-
Nonpublic school programs	2,745,839	2,753,927	1,319,349	1,567,359		
Support services and undistributed costs:						
Student & instruction related services	4,556,036	4,183,388	6,195,546	5,676,957	(5,839)	-
Attendance					(43,477)	(48,886)
Health services					(16,013)	(28,085)
Other support services					(3,840,300)	(3,062,042)
Educational media services					-	-
Instruction staff training					(3,303)	(2,699)
School administrative services	2,313,774	1,501,498	1,257,094	1,212,378	(969,061)	(785,768)
Central services						
General administrative services	2,462,544	2,554,531	2,491,667	2,423,408	(944,344)	(966,248)
Admin info technology					(865,487)	(831,416)
Allowed maintenance for school facilities						
Other operation & maintenance of plant	864,334	462,785	445,364	582,701	(748,797)	(552,738)
Care & upkeep of grounds					(70,815)	(41,860)
Pupil transportation	23,673,482	25,560,539	28,724,628	30,504,256	(30,822,701)	(32,024,563)
Business and other support services						
Unallocated employee benefits					(1,513,948)	(2,197,619)
Non-budgeted expenditures					(440,618)	(534,046)
Special schools	35,713	256,880	274,926	316,788	(242,791)	(236,362)
Interest on long-term debt	4,275					
Amortization of bond issuance costs	2,917					
Unallocated depreciation	116,801	116,801	116,801	116,801		
Total governmental activities expenses	41,085,911	40,007,016	42,466,122	46,054,338	(44,123,945)	(45,575,991)
Business-type activities:						
Enterprise	\$ 1,004,538	\$ 864,215	\$ 653,253	\$ 616,573	\$ 3,339,615	\$ 3,081,705
Total business-type activities expense	1,004,538	864,215	653,253	616,573	3,339,615	3,081,705
Total district expenses	\$ 42,090,449	\$ 40,871,231	\$ 43,119,375	\$ 46,670,911	\$ (40,784,330)	\$ (42,494,286)
Program Revenues						
Governmental activities:						
Charges for services:						
Instruction (tuition)	\$ 3,751,061	\$ 3,844,414	\$ 4,148,294	\$ 4,934,634	\$ 2,400,701	\$ 2,897,257
Pupil transportation	24,469,459	26,355,482	29,702,494	31,541,096	32,023,696	33,253,945
Central and other support services	-	-	-	-	-	-
Operating grants and contributions	8,141,944	6,600,733	6,170,580	6,124,591	6,410,959	6,200,209
Capital grants and contributions	-	-	-	-	-	-
Total governmental activities program revenues	36,362,464	36,800,629	40,021,368	42,600,321	40,835,356	42,351,411
Business-type activities:						
Charges for services						
Enterprise	967,592	897,618	847,824	904,860	4,615,448	4,230,114
Operating grants and contributions	5,022	1,971	2,351	9,011	17,916	20,294
Capital grants and contributions	-	-	-	-	-	-
Total business type activities program revenues	972,614	899,589	850,175	913,871	4,633,364	4,250,408
Total district program revenues	37,335,078	37,700,218	40,871,543	43,514,192	45,468,720	46,601,819
Net (Expense)/Revenue						
Governmental activities	(4,723,447)	(3,206,387)	(2,444,754)	(3,454,017)	(3,288,589)	(3,224,580)
Business-type activities	(31,924)	35,374	196,922	297,298	1,293,749	1,168,703
Total district-wide net expense	(4,755,371)	(3,171,013)	(2,247,832)	(3,156,719)	(1,994,840)	(2,055,877)
General Revenues and Other Changes in Net Position						
Governmental activities:						
On-behalf and TPAF aid	702,469	741,319	708,083	530,057	440,618	534,046
Miscellaneous income	1,979,778	2,149,750	1,353,856	2,094,388	384,006	1,025,238
Other	4,382	48			2,411,215	300,000
Capital Contributions/(Transfers)	(4,322)	(1,375)	(5,800)	(3,813)	892,167	1,168,922
Total governmental activities	2,682,307	2,889,742	2,056,139	2,620,632	4,128,006	3,028,206
Business-type activities:						
Investment earnings	-	-	-	-	-	-
Transfers	4,322	1,375	5,800	3,813	(892,122)	(1,168,922)
Total business-type activities	4,322	1,375	5,800	3,813	(892,122)	(1,168,922)
Total district-wide	2,686,629	2,891,117	2,061,939	2,624,445	3,235,884	1,859,284
Change in Net Position						
Governmental activities	(2,041,140)	(316,645)	(388,615)	(833,385)	839,417	(196,374)
Business-type activities	(27,602)	36,749	202,722	301,111	401,627	(219)
Total district	\$ (2,068,742)	\$ (279,896)	\$ (185,893)	\$ (532,274)	\$ 1,241,044	\$ (196,593)

Monmouth-Ocean Educational Services Commission
Fund Balances, Governmental Funds
Last Six Fiscal Years
(modified accrual basis of accounting)
UNAUDITED

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund						
Reserved	\$ 1,253	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	<u>3,095,051</u>	<u>2,847,027</u>	<u>2,372,380</u>	<u>2,162,391</u>	<u>2,917,389</u>	<u>3,380,292</u>
Total general fund	<u>\$ 3,096,304</u>	<u>\$ 2,847,027</u>	<u>\$ 2,372,380</u>	<u>\$ 2,162,391</u>	<u>\$ 2,917,389</u>	<u>\$ 3,380,292</u>
All Other Governmental Funds						
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:						
Special revenue fund	-	-	-	-	-	-
Capital projects fund	-	-	-	-	-	-
Debt service fund	-	-	-	-	-	-
Permanent fund	-	-	-	-	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Monmouth-Ocean Educational Services Commission
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
UNAUDITED

Fiscal Year Ending June 30,

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2015	2016
Revenues											
District charges	\$ 8,473,590	\$ 8,113,302	\$ 8,049,026	\$ 7,950,983	\$ 7,287,371	\$ 7,792,054	\$ 6,476,989	\$ 6,170,580	\$ 6,124,591	\$ 6,444,558	\$ 6,200,209
Transportation fees	28,143,647	30,071,664	29,988,779	27,541,221	25,932,362	24,469,459	26,355,482	29,702,494	31,541,096	32,023,696	33,253,945
Tuition charges	5,713,713	4,591,255	4,521,773	4,295,663	3,725,724	3,150,024	2,721,739	2,392,961	2,330,071	2,400,701	2,897,257
Interest earnings	295,925	421,143	282,228	42,009	9,991	4,382	48	-	-	-	3,766
Interest earned on capital reserve funds	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	351,394	56,629	83,533	178,722	5,624,527	1,979,778	2,149,750	1,353,856	2,098,437	350,407	507,898
State sources	680,787	1,184,576	1,213,884	993,050	908,664	1,046,555	863,162	708,083	530,057	440,618	534,046
Federal sources	-	-	-	29,929	270,382	5,804	1,901	-	-	-	-
Total revenue	43,659,056	44,438,569	44,139,223	41,031,577	43,759,021	38,448,056	38,569,071	40,327,974	42,624,252	41,659,980	43,397,121
Expenditures											
Current:											
Regular instruction	153,800	135,669	2,063	1,525,979	1,494,579	2,162,380	1,541,239	1,372,184	1,420,863	-	-
Special education instruction	2,295,760	2,155,232	2,283,498	1,213,983	1,206,635	1,237,586	495,484	325,296	510,105	3,596,451	4,263,659
Other special instruction	421,625	430,076	467,937	-	-	-	-	-	-	-	-
Other instruction	-	-	-	-	-	-	-	-	-	-	-
Nonpublic school programs	2,842,636	2,182,464	2,105,777	2,079,700	1,924,139	1,951,117	1,963,777	423,860	1,567,359	-	-
Support services and undistributed costs:											
Instruction	-	-	-	-	-	-	-	-	-	5,839	-
Attendance	-	-	-	-	-	-	-	-	-	43,477	48,886
Health services	-	-	-	-	-	-	-	-	-	16,013	28,085
Other support services	-	-	-	-	-	-	-	-	-	3,840,300	3,062,042
Educational media services	-	-	-	-	-	-	-	-	-	-	-
Instruction staff training	-	-	-	-	-	-	-	-	-	-	2,699
Student & inst. Related services	3,680,272	3,163,754	3,149,563	3,926,862	4,380,870	3,246,376	2,975,093	4,642,045	2,558,359	-	-
General administrative services	1,089,336	1,458,755	1,037,234	1,355,287	2,064,423	1,788,555	1,816,238	1,748,197	1,682,297	969,061	785,768
School administrative services	892,373	1,737,022	1,746,002	640,311	1,526,989	1,539,782	1,003,405	806,783	767,800	944,344	966,248
Other administrative	-	-	-	-	-	-	-	-	-	865,487	831,416
Information technology	-	-	-	-	-	-	-	-	-	-	-
Allowed maintenance for school facilities	-	-	-	-	-	-	-	-	-	-	-
Other operation & maintenance of plant	827,626	841,159	1,029,272	562,686	650,475	656,064	433,527	414,512	543,938	355,288	327,671
Care & upkeep of grounds	-	-	-	-	-	-	-	-	-	70,815	41,860
Security	-	-	-	-	-	-	-	-	-	86,737	43,116
Student transportation services	27,106,534	28,923,593	28,854,544	26,645,356	25,126,139	23,523,540	25,396,868	28,572,384	30,323,859	30,822,701	32,024,563
Business and other support services	-	-	-	-	-	-	-	-	-	-	-
Unallocated employee benefits	2,873,182	3,528,374	3,664,415	3,084,959	4,269,094	3,517,900	2,992,487	2,384,015	3,226,513	1,658,006	1,625,048
Non-budgeted expenditures	-	-	-	-	-	-	-	-	-	440,618	534,046
Miscellaneous	93,548	124,039	128,482	111,805	9,446	553,453	51	52,519	-	-	-
Transfer to cover food service deficit	-	-	-	-	-	-	-	-	-	-	874
Special schools	225,090	227,363	145,463	180,199	151,906	23,645	170,316	174,444	197,319	242,791	236,362
Debt service:											
Principal	-	-	-	-	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	171,831	243,064	2,313,765	551,547	310,551	386,983	28,488	41,003	84,377	247,133	99,301
Total expenditures	42,673,613	45,150,564	46,928,015	41,878,674	43,115,246	40,587,381	38,816,973	40,957,242	42,882,789	44,208,364	44,921,644
Excess (Deficiency) of revenues over (under) expenditures	985,443	(711,995)	(2,788,792)	(847,097)	643,775	(2,139,325)	(247,902)	(629,268)	(258,537)	(2,548,384)	(1,524,523)
Other Financing sources (uses)											
Bond proceeds	-	-	-	-	-	-	-	160,421	52,361	-	-
NJ DOE Audit payable	-	-	-	-	-	-	-	-	-	-	-
Capital leases (non-budgeted)	-	-	-	-	-	-	-	-	-	-	-
Reclass of capital projects transfer	-	-	-	-	-	-	-	-	-	-	-
Bond refunding premium and transfers	-	-	-	-	-	-	-	-	-	-	-
Transfers in	172,760	166,642	2,193,078	577,000	40,538	-	-	-	-	892,167	1,987,426
Transfers out	(174,576)	(174,927)	(2,190,414)	(581,757)	(1,742)	(4,322)	(1,375)	(5,800)	(3,813)	2,411,215	-
Costs of issuance	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(1,816)	(8,285)	2,664	(4,757)	38,796	(4,322)	(1,375)	154,621	48,548	3,303,382	1,987,426
Net change in fund balances	983,627	(720,280)	(2,786,128)	(851,854)	682,571	(2,143,647)	(249,277)	(474,647)	(209,989)	754,998	462,903
Debt service as a percentage of noncapital expenditures		2.42%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: District records

Monmouth-Ocean Educational Services Commission
General Fund - Other Local Revenue by Source
Last Ten Fiscal Years

(modified accrual basis of accounting)

UNAUDITED

Fiscal Year Ended June 30	Interest Income	Prior Year Under- Expenditures	Administrative Fees	Sale of Building and/or Equipment	Rent and Facility Usage Fees	Miscellaneous	Total
2016	\$ 3,766	\$ -	\$ 1,987,426	\$ -	\$ 285,215	\$ 222,683	\$ 2,499,090
2015	-	-	-	-	264,615	85,792	350,407
2014	-	46,975	1,765,963	3,601	275,369	6,529	2,098,437
2013	-	-	1,064,158	-	241,695	48,003	1,353,856
2012	43	7,343	1,870,927	454	240,995	29,988	2,149,750
2011	6,867	-	1,780,846	598	190,100	1,367	1,979,778
2010	33,056	8,611	2,469,803	3,004,570	95,061	973	5,612,074
2009	-	61,893	111,682	-	-	-	173,575
2008	-	73,497	1,010	-	-	-	74,507
2007	-	45,802	246	-	-	-	46,048

Source: District records

Monmouth-Ocean Educational Services Commission
INSURANCE SCHEDULE
JUNE 30, 2016
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
Commercial Package Policy -		
New Jersey School Boards Association		
Insurance Group:		
Property - Blanket Real and Personal	\$8,381,208	\$1,000
Electronic Data Processing	500,000	1,000
Environmental Package	1,000,000	25,000
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	8,250,375	
non-pro	151,911	

Source: Commission Records

SINGLE AUDIT SECTION

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

Honorable President and
Members of the Board of Education
Monmouth-Ocean Educational Services Commission
County of Monmouth
Tinton Falls, New Jersey

We have audited, in accordance with the 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 Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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 year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Monmouth-Ocean Educational Services Commission basic financial statements, and have issued our report thereon dated October 22, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted

Jump, Perry and Company, L.L.P.
Toms River, New Jersey



Kathryn Perry, Partner
Licensed Public School Accountant
No. CS 20CS00226400

October 22, 2016

Monmouth-Ocean Educational Services Commission
 Schedule of Expenditures of Federal Awards
 for the Fiscal Year ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Period	Award Amount	Balance at June 30, 2015	Carryover Amount	Cash Received	Budgetary Expenditures	Repayment of Prior years' Balances	Deferred Revenue at June 30, 2016	(Accounts Receivable) at June 30, 2016	Due to Grantor at June 30, 2016
U.S. Department of Agriculture											
Passed-through State Department of Education:											
Enterprise Fund:											
National School Lunch Program	10.555	7/1/14-6/30/15	\$ 10,713	\$ (1,135)	\$ -	\$ 1,135	\$ -	\$ -	\$ -	\$ -	\$ -
National School Lunch Program	10.555	7/1/15-6/30/16	12,298	-	-	11,207	(12,298)	-	-	(1,091)	-
School breakfast program	10.553	7/1/14-6/30/15	6,983	(709)	-	709	-	-	-	-	-
School breakfast program	10.553	7/1/15-6/30/16	7,765	-	-	7,074	(7,765)	-	-	(691)	-
Total Enterprise Fund				(1,844)	-	20,125	(20,063)	-	-	(1,782)	-
Total Expenditures of Federal Financial Awards				\$ (1,844)	\$ -	\$ 20,125	\$ (20,063)	\$ -	\$ -	\$ (1,782)	\$ -

See accompanying notes to schedules of expenditures.

Monmouth-Ocean Educational Services Commission
 Schedule of Expenditures of State Awards
 for the Fiscal Year ended June 30, 2016

State Grantor/ Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2015	Carryover Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Deferred Revenue at June 30, 2016	(Accounts Receivable) at June 30, 2016	Due to Grantor at June 30, 2016	MEMO		
												Budgetary Receivable	Total Expenditures	
State Department of Agriculture: Enterprise Fund:														
National School Lunch Program (State Share)	16-100-034-5120-122	7/1/15-6/30/16	\$ 231	\$ -	\$ -	\$ 209	\$ (231)	\$ -	\$ -	\$ (22)	\$ -	\$ (22)	\$ 231	
National School Lunch Program (State Share)	15-100-034-5120-122	7/1/14-6/30/15	220	(21)	-	21	-	-	-	-	-	-	-	
Total Enterprise Fund				(21)	-	230	(231)	-	-	(22)	-	(22)	231	
State Department of Education: General Fund:														
On-behalf TPAF Social Security Reimbursed TPAF Social Security Contributions	16-495-034-5095-001	7/1/15-6/30/16	441,100			441,100	(441,100)	-	-	-	-	-	441,100	
Reimbursed TPAF Social Security Contributions	16-495-034-5095-002	7/1/15-6/30/16	294,295	-	-	280,995	(294,295)	-	-	(13,300)	-	(13,300)	294,295	
Reimbursed TPAF Social Security Contributions	15-495-034-5095-002	7/1/14-6/30/15	174,647	(11,304)	-	11,304	-	-	-	-	-	-	-	
Total General Fund				(11,304)	-	733,399	(735,395)	-	-	(13,300)	-	(13,300)	735,395	
Total State Financial Assistance				\$ (11,325)	-	733,629	(735,626)	-	-	(13,322)	-	(13,322)	735,626	
State Financial Assistance Not Subject to Single Audit Determination				-	-	-	441,100	-	-	-	-	-	(441,100)	
Total Expenditures of State Awards Subject to Single Audit Determination				\$ (11,325)	-	733,629	(294,526)	-	-	(13,322)	-	(13,322)	294,526	

See accompanying notes to schedules of expenditures.

Monmouth-Ocean Educational Services Commission
Notes to Schedules of Awards and Financial Assistance
June 30, 2016

1. General

The accompanying schedules of expenditures of award present the activity of all federal and state awards 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 and state awards passed through other government agencies are included on the schedules of expenditures of federal and state awards.

2. Basis of Accounting

The accompanying schedules of expenditures of federal and state awards are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements.

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 are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the last state aid payment in the current budget year, which is mandated pursuant to P.L. 2003, c.97.(A3521). For GAAP purposes that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

Monmouth-Ocean Educational Services Commission

Notes to Schedules of Awards and Financial Assistance (continued)

June 30, 2016

3. Relationship to General Purpose Financial Statements (continued)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$0 for the general fund and \$0 for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the GAAP basis of accounting for the general and special revenue fund. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	735,395	\$ 735,395
Special Revenue Fund	-	-	-
Debt Service Fund	-	-	-
Food Service Fund	<u>20,063</u>	<u>231</u>	<u>20,294</u>
Total awards and financial assistance	<u>\$ 20,063</u>	<u>735,626</u>	<u>\$ 755,689</u>

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.

5. Other

The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the district for the year ended June 30, 2016. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2016.

Monmouth-Ocean Educational Services Commission

Notes to Schedules of Awards and Financial Assistance (continued)

June 30, 2016

Section I – Summary of Auditor’s Results
Financial Statement Section

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to general-purpose financial statements noted? yes no

Federal Awards Section - N/A

Internal Control over major programs:

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

Type of auditor's report issued on compliance for major programs: N/A

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section .516(a) of the Uniform Guidance? yes no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
----------------	------------------------------------

N/A

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

Auditee qualified as low-risk auditee? yes no

Monmouth-Ocean Educational Services Commission

Schedule of Finding and Questioned Costs

June 30, 2016

Section I – Summary of Auditor’s Results (continued)

State Awards Section - N/A

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

Auditee qualified as low-risk auditee? _____yes _____no

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

Internal Control over major programs:

1) Material weakness(es) identified? _____ yes _____no

2) Significant deficiencies identified that are not considered to be material weaknesses? _____ yes _____none

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 15-08? _____ yes _____no

Identification of major programs:

GMIS Number(s) Name of State Program

N/A

Section II – Financial Statement Findings

No matters were reported for the period ended June 30, 2016.

Prior Year Audit Findings – N/A

Section III – State Award Findings and Questioned Costs

No matters were reported for the period ended June 30, 2016.

Monmouth-Ocean Educational Services Commission

Summary Schedule of Prior Audit Findings

June 30, 2016

There were no prior year findings for the period ended June 30, 2015.