

Monmouth-Ocean
Educational Services
Commission

Board of Directors
Tinton Falls, New Jersey

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2017

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, 2017

Prepared by

Monmouth-Ocean Educational Services Commission
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
www.moesc.org

November 27, 2017

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, 2017, 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 recovery, 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 a lease agreement with MOESC to June 2018.
2. During the 2016-2017 school year, in an effort to bring new business and offerings to our districts we have formed a business partnership with TechXtend whereby MOESC has begun to serve as a broker/sales liaison in an enterprise relationship between TechXtend and our client school districts.
3. MOESC, with its corporate partner, TechXtend, has begun to offer districts the "Build Your Own Curriculum" platform. MOESC receives a sales percentage for each district on the platform.

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.

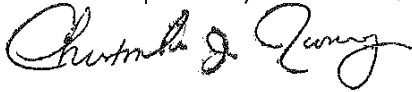
OTHER INFORMATION:

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.

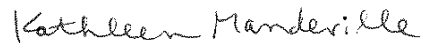
In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1996 and the related Uniform Guidance and State Treasury Circular Letter 15-08. The auditor's report on the basic financial statements and combining and 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,

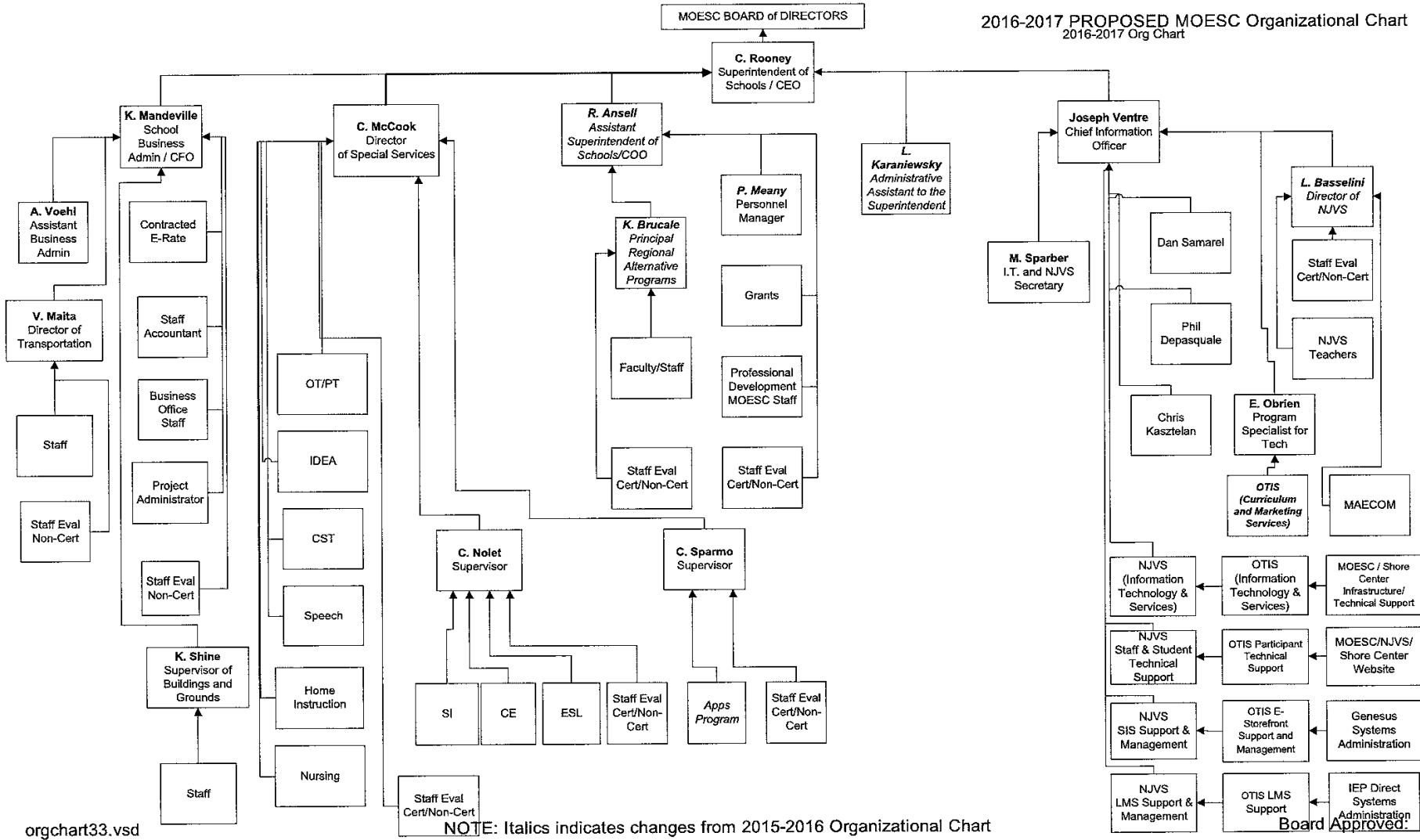


Christopher Rooney
Superintendent



Kathleen Mandeville
Board Secretary/School
Business Administrator

2016-2017 PROPOSED MOESC Organizational Chart
2016-2017 Org Chart



orgchart33.vsd

NOTE: Italics indicates changes from 2015-2016 Organizational Chart

Board Approved:

Monmouth-Ocean Educational Services Commission
Tinton Falls, New Jersey

Roster of Officials
June 30, 2017

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Dr. James Stefankiewicz, President	2017
Mr. Timothy McCorkell, Vice President	2017
Ms. Christine Carlson	2017
Mr. Thomas Farrell	2017
Dr. Richard Fitzpatrick	2017
Dr. William George	2017
Dr. Stephen Genco	2017
Mr. David Healy	2017
Dr. Frank Kasyan,	2017
Dr. Peter Morris	2017
Dr. John Marciante	2017
Mr. John Russo	2017
Dr. Lisa Savoia	2017
Mr. Vincent Smith	2017
Ms. Karen Wood	2017

Other Officials

Mr. Christopher Rooney, Superintendent

Mrs. Kathleen Mandeville, Board Secretary/School Business Administrator

Mr. Richard McOmer, 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, New Jersey 07701

Official Depositories

TD Bank
175 Wyckoff Road
Eatontown, New Jersey 07724

Investor's Bank
88 Norwood Ave
Deal, New Jersey 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, 2017, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 opinions.

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, 2017 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 November 15, 2017 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

November 15, 2017

REQUIRED SUPPLEMENTARY INFORMATION - PART I

Monmouth-Ocean Educational Services Commission

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

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, 2017. 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.

Financial Highlights

Key financial highlights for June 30, 2017 are as follows:

Net position totaled \$2,603,153, which represents a 27.62 percent increase from June 30, 2016.

General revenues accounted for \$4,085,252 in revenue or 7.54 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 \$50,121,665 or 92.46 percent of total revenues of \$54,206,917.

Total assets increased by \$666,012 as current assets increased by \$800,710 and capital assets decreased by \$(134,698).

The Commission had \$53,643,497 in expenses; \$50,121,665 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily fees) of \$4,085,252 were adequate to provide for these programs.

Among major funds, the General Fund had \$44,006,485 in revenues and \$43,191,914 in expenditures and transfers. The General Fund's balance increased \$814,571 over June 30, 2016. The General Fund's balance is \$4,194,863.

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 Did We Do Financially During Fiscal Year June 30, 2017?" 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.

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 Food Service Funds are reported as a business activity.

Reporting the Commission's Most Significant Funds

Fund Financial Statement

The Analysis of the Commission's major funds begins with Exhibit B-1. Fund financial reports provide detailed information about the Commission's major funds. The Commission's major 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 Commission's net position for June 30, 2017 and 2016.

Table 1

Net Position as of June 30, 2017 and June 30, 2016

	June 30, 2017			June 30, 2016		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Assets:						
Current and other assets	\$ 8,355,920	\$ 205,649	\$ 8,561,569	\$ 7,529,880	\$ 230,979	\$ 7,760,859
Capital assets, net	6,662,974	-	6,662,974	6,797,672	-	6,797,672
Total assets	15,018,894	205,649	15,224,543	14,327,552	230,979	14,558,531
Deferred outflow of resources	5,837,143	-	5,837,143	2,819,051	-	2,819,051
Liabilities:						
Current liabilities	4,161,057	188,145	4,349,202	4,149,588	224,065	4,373,653
Long-term liabilities outstanding	14,109,331	-	14,109,331	10,805,470	-	10,805,470
Total liabilities	18,270,388	188,145	18,458,533	14,955,058	224,065	15,179,123
Deferred inflow of resources	-	-	-	158,726	-	158,726
Net position:						
Net investment in capital assets	6,598,874	-	6,598,874	6,693,335	-	6,693,335
Restricted	-	-	-	-	-	-
Unrestricted	(4,013,225)	17,504	(3,995,721)	(4,660,516)	6,914	(4,653,602)
Total Net Position	\$ 2,585,649	\$ 17,504	\$ 2,603,153	\$ 2,032,819	\$ 6,914	\$ 2,039,733

The Commission's combined net position was \$2,603,153 on June 30, 2017. This is a change of 27.62% from the previous year.

Table 2 provides a comparison analysis of Commission's changes in net position from fiscal years June 30, 2017 and 2016.

Table 2

Changes in Net Position

	June 30, 2017			June 30, 2016		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues						
Program revenues:						
Charges for services	\$44,246,272	\$ 5,328,694	\$49,574,966	\$39,454,154	\$ 4,230,114	\$43,684,268
Operating and capital grants and contributions	533,260	13,439	546,699	534,046	20,294	554,340
General revenues:						
Transfers	1,478,108	(1,478,108)	-	1,468,922	(1,168,922)	300,000
Federal and state aid	-	-	-	-	-	-
Investment earnings	-	-	-	-	-	-
Miscellaneous	4,085,252	-	4,085,252	3,922,495	-	3,922,495
Total revenues	50,342,892	3,864,025	54,206,917	45,379,617	3,081,486	48,461,103
Expenses						
Instructional services	3,584,026	-	3,584,026	4,263,659	-	4,263,659
Support services	46,206,036	3,853,435	50,059,471	41,312,332	3,081,705	44,394,037
Interest on long-term liabilities	-	-	-	-	-	-
Total expenses	49,790,062	3,853,435	53,643,497	45,575,991	3,081,705	48,657,696
Change in net position	552,830	10,590	563,420	(196,374)	(219)	(196,593)
Net position - beginning	2,032,819	6,914	2,039,733	2,229,193	7,133	2,236,326
Net position (deficit) - ending	\$ 2,585,649	\$ 17,504	\$ 2,603,153	\$ 2,032,819	\$ 6,914	\$ 2,039,733

The transportation revenue listed in charges for services is the largest revenue item for the Commission. The Commission had also gained additional support services income.

Other support services increased primarily due to the additional transportation costs for the increase in revenues.

Expenses for Fiscal Year June 30, 2017

Business-Type Activities

Revenues for the District's business-type activities (food service program and child care) were comprised of charges for services and royalties.

Total Enterprise Fund revenues exceeded expenses by \$10,590.

Charges for services represent \$5,328,694 of revenue. This represents the amount paid by patrons for daily food service and catering.

Federal and state reimbursements for meals, including interest, payments for free and reduced lunches and donated commodities was \$13,439.

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 School District's taxpayers by each of these functions.

Table 3

Governmental Activities

	2017		2016	
	Total Cost of <u>Services</u>	Net Cost of <u>Services</u>	Total Cost of <u>Services</u>	Net Cost of <u>Services</u>
Instruction	\$ 3,584,026	\$ 1,073,906	\$ 4,263,659	\$ 1,036,803
Support Services:				
Pupils and Instructional Staff	4,741,435	361,244	3,912,120	409,436
General Administration, School Administration, Business Operation and Maintenance of Facilities	5,039,266	5,031,806	5,375,649	5,370,934
Pupil Transportation	36,425,335	(1,456,426)	32,024,563	(1,229,382)
Interest and Fiscal Charges	-	-	-	-
Total Expenses	<u>\$ 49,790,062</u>	<u>\$ 5,010,530</u>	<u>\$ 45,575,991</u>	<u>\$ 5,587,791</u>

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

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 District.

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.

Interest and fiscal charges involve the transactions associated with the payment of interest and other related charges to debt of the District.

The Commission's Funds

The Commission uses funds to control and manage money for particular purposes. The Fund's basic financial statements allow the Commission to demonstrate its stewardship over and accountability for resources received from the Borough of Tinton Falls, State of New Jersey and other entities. These statements also allow the reader to obtain more insight into the financial workings of the Commission, and assess further the Commission's overall financial health.

As the Commission completed the fiscal year ended June 30, 2017, it reported a combined fund balance of \$4,194,863, which is an increase of \$814,571. The Reconciliation of the Statement of Revenue Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities, Exhibit B-3, presents the reader with a detailed explanation of the increase in fund balance for the fiscal year.

The following schedule presents a summary of General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund revenues for the fiscal year ended June 30, 2017.

<u>Revenue</u>	<u>2016-17 Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) from 2016-17</u>	<u>Percent of Increase/ (Decrease)</u>
Local Sources	\$ 47,306,256	98.89 %	\$ 4,443,181	9.79 %
State Sources	533,260	1.11	(786)	0.15
Federal Sources	-	-	-	-
Total	\$ <u>47,839,516</u>	<u>100.00 %</u>	\$ <u>4,442,395</u>	<u>9.94 %</u>

The following schedule presents a summary of General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund expenditures for the fiscal year ended June 30, 2017.

<u>Expenditures</u>	<u>2016-17 Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) from 2016-17</u>	<u>Percent of Increase/ (Decrease)</u>
Current Expense:				
Instruction	\$ 3,584,026	7.23 %	\$ (679,633)	(18.96)%
Undistributed Expenditures	45,863,898	92.55	5,305,214	11.57
Capital Outlay	108,501	0.22	9,200	8.48
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total	\$ <u>49,556,425</u>	<u>100.00 %</u>	\$ <u>4,634,781</u>	<u>1.09 %</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.

Over the course of the year, the Commission revises its budget as it attempts to take into consideration unexpected changes in revenue and expenditures.

A schedule showing the Commission's original and final budget compared with actual operating results is provided in Section C of the CAFR, entitled Budgetary Comparison Schedules. The Commission generally did better than had been budgeted in its General Fund since it practices conservative budgetary practices in which revenues are forecasted very conservatively and expenditures are budgeted with worst-case scenarios in mind.

The General Fund finished the fiscal year approximately \$1,717,303 better than had been budgeted in terms of expenditures. Revenue-wise, the General Fund was under budget by \$782,699. Both these amounts have been adjusted for the non-budgeted amounts reflected in the comparison schedule for reimbursed TPAF social security contributions and on-behalf TPAF post-retirement medical contributions.

The General Fund has no restricted Fund Balances.

The expenditures were less due to cost containment by the Commission even after the salary and benefit increases. The Commission increased its transportation revenue. The Commission is actively pursuing additional revenue making activities.

Capital Assets and Debt Administration

Capital Assets. At the end of the fiscal year June 30, 2017, the Commission had \$6,662,974 invested in land, buildings, and machinery and equipment.

Table 4

Capital Assets (Net of Depreciation) at June 30, 2017 and June 30, 2016

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Construction in Progress	22,725	43,929	-	-	22,725	43,929
Building and Improvements	6,421,712	6,572,522	-	-	6,421,712	6,572,522
Machinery and Equipment	218,537	181,221	-	-	218,537	181,221
Total	\$ 6,662,974	\$ 6,797,672	\$ -	\$ -	\$ 6,662,974	\$ 6,797,672

During the current fiscal year, \$89,869 of fixed assets were capitalized as additions. Increases in capital assets were offset by depreciation expense for the year.

Debt Administration. The District's long-term liabilities are as follows for the governmental activities at June 30, 2017 and June 30, 2016.

	June 30, 2017	June 30, 2016
Loans Payable	\$ 53,473	\$ 80,210
Capital Leases payable	10,627	24,127
Pension Liability-PERS	13,943,879	10,290,466
Compensated Absences payable	<u>101,352</u>	<u>410,667</u>
Total long-term liabilities	\$ <u>14,109,331</u>	\$ <u>10,805,470</u>

For more detailed information, please refer to the Capital Assets and Long-term debt notes in the basic financial statements.

Economic Factors and Next Year's Budget

For the 2016-2017 school year, the Commission was able to sustain its budget through the additional revenue sources. Approximately 1.11% of the Commission's revenue is from state (restricted and not restricted), while 98.89% of total revenue is from charges for operations.

The \$(4,013,225) in unrestricted net position for all governmental activities represents the accumulated results of all past years' operations. It means that if the Commission had to pay off all bills today, including all of the Commission's non-capital liabilities (compensated absences, etc.), the Commission would have that much in value.

The 2016-2017 budget was adopted in March 2016 based on anticipated revenue. The increased competition from other ESC's in the State of New Jersey create the need to be competitive with pricing and to look to other revenue streams.

The Commission anticipates a slight increase in transportation and OT/PT revenue for the 2017-2018 fiscal year. If the Commission were to experience a significant increase in transportation billing with no appreciable increase in commission for future budgets, the Commission will be faced with the following alternatives: (a) reduce programs and services, (b) increase charges or (c) seek alternative sources of funding.

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 Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional information, you may contact the School Business Administrator/Board Secretary at Monmouth-Ocean Educational Services Commission, 900 Hope Road, Tinton Falls, NJ, 07712.

BASIC FINANCIAL STATEMENTS

Monmouth-Ocean Educational Services Commission
Statement of Net Position
June 30, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,183,921	\$ (722,286)	\$ 461,635
Receivables - state	12,156	21	12,177
Receivables - other governments	-	1,733	1,733
Receivables - other	7,159,843	908,677	8,068,520
Interfund receivables	-	12,504	12,504
Deposits	-	5,000	5,000
Capital assets, net	6,662,974	-	6,662,974
Total assets	<u>15,018,894</u>	<u>205,649</u>	<u>15,224,543</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - PERS	5,837,143	-	5,837,143
Total deferred outflows of resources	<u>5,837,143</u>	<u>-</u>	<u>5,837,143</u>
LIABILITIES			
Accounts payable	4,148,553	188,145	4,336,698
Interfund payable	12,504	-	12,504
Noncurrent liabilities:			
Due within one year	37,364	-	37,364
Due beyond one year	14,071,967	-	14,071,967
Total liabilities	<u>18,270,388</u>	<u>188,145</u>	<u>18,458,533</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - PERS	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	6,598,874	-	6,598,874
Restricted for:			
Unrestricted	(4,013,225)	17,504	(3,995,721)
Total Net Position	<u>\$ 2,585,649</u>	<u>\$ 17,504</u>	<u>\$ 2,603,153</u>

See accompanying notes to the financial statements.

Monmouth-Ocean Educational Services Commission
Statement of Activities
For the Fiscal Year Ended June 30, 2017

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	\$ 3,584,026	\$ 2,510,120	\$ -	\$ -	\$ (1,073,906)	\$ -	\$ (1,073,906)
Support services and undistributed costs:							
Instruction	-	-	-	-	-	-	-
Attendance	50,353	-	-	-	(50,353)	-	(50,353)
Health services	28,477	-	-	-	(28,477)	-	(28,477)
Other support services	3,942,945	3,846,931	-	-	(96,014)	-	(96,014)
Instruction staff training	3,701	-	-	-	(3,701)	-	(3,701)
General administrative services	894,008	-	-	-	(894,008)	-	(894,008)
School administrative services	870,028	-	-	-	(870,028)	-	(870,028)
Information technology	1,002,528	-	-	-	(1,002,528)	-	(1,002,528)
Other operation & maintenance of plant	563,019	7,460	-	-	(555,559)	-	(555,559)
Care & upkeep of grounds	41,640	-	-	-	(41,640)	-	(41,640)
Student transportation services	36,425,335	37,881,761	-	-	1,456,426	-	1,456,426
Unallocated employee benefits	1,668,043	-	-	-	(1,668,043)	-	(1,668,043)
Non-budgeted expenditures	533,260	-	533,260	-	-	-	-
Special schools	182,699	-	-	-	(182,699)	-	(182,699)
Total governmental activities	<u>49,790,062</u>	<u>44,246,272</u>	<u>533,260</u>	<u>-</u>	<u>(5,010,530)</u>	<u>-</u>	<u>(5,010,530)</u>
Business-type activities:							
Enterprise funds	3,853,435	5,328,694	13,439	-	-	1,488,698	1,488,698
Total business-type activities	<u>3,853,435</u>	<u>5,328,694</u>	<u>13,439</u>	<u>-</u>	<u>-</u>	<u>1,488,698</u>	<u>1,488,698</u>
Total primary government	<u>\$ 53,643,497</u>	<u>\$ 49,574,966</u>	<u>\$ 546,699</u>	<u>\$ -</u>	<u>(5,010,530)</u>	<u>1,488,698</u>	<u>(3,521,832)</u>
General revenues:							
					2,606,267	-	2,606,267
					452,584	-	452,584
					1,026,401	-	1,026,401
					1,478,108	(1,478,108)	-
Total general revenues					<u>5,563,360</u>	<u>(1,478,108)</u>	<u>4,085,252</u>
Change in net position					552,830	10,590	563,420
Net position—beginning					2,032,819	6,914	2,039,733
Net positions—ending					<u>\$ 2,585,649</u>	<u>\$ 17,504</u>	<u>\$ 2,603,153</u>

See accompanying notes to the financial statements.

Monmouth-Ocean Educational Services Commission
Balance Sheet
Governmental Funds
June 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,031,109	\$ 152,812	\$ 1,183,921
Receivables from state	12,156	-	12,156
Interfund receivables	-	-	-
Receivables from other	6,362,260	797,583	7,159,843
Total assets	<u>7,405,525</u>	<u>950,395</u>	<u>8,355,920</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	3,198,158	950,395	4,148,553
Contracts payable	-	-	-
Negative cash balance	-	-	-
Interfund payable	12,504	-	12,504
Payable to federal government	-	-	-
Payable to state government	-	-	-
Other liabilities	-	-	-
Unearned revenue	-	-	-
Total liabilities	<u>3,210,662</u>	<u>950,395</u>	<u>4,161,057</u>
Fund Balances:			
Unassigned to:			
General fund	4,194,863	-	4,194,863
Special revenue fund	-	-	-
Total Fund balances	<u>4,194,863</u>	<u>-</u>	<u>4,194,863</u>
Total liabilities and fund balances	<u>\$ 7,405,525</u>	<u>\$ 950,395</u>	

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 \$9,388,058 and the accumulated depreciation is \$2,725,084.	6,662,974
Deferred outflows related to the PERS pension plan	5,837,143
Deferred inflows related to the PERS pension plan	-
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)	<u>(14,109,331)</u>
Net Position of governmental activities	<u>\$ 2,585,649</u>

Monmouth-Ocean Educational Services Commission
Statement of Revenues, Expenditures, And Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Local sources:			
Tuition charges	\$ 2,606,267	\$ -	\$ 2,606,267
Transportation fees	37,881,761	-	37,881,761
Interest	3,122	-	3,122
Rental income	264,615	-	264,615
Miscellaneous	185,980	-	185,980
Total - Local sources	<u>40,941,745</u>	<u>-</u>	<u>40,941,745</u>
State sources	533,260	-	533,260
District sources	-	6,364,511	6,364,511
Total revenues	<u>41,475,005</u>	<u>6,364,511</u>	<u>47,839,516</u>
EXPENDITURES			
Current:			
Special education instruction	1,073,906	2,510,120	3,584,026
Undistributed - current:			
Instruction	-	-	-
Attendance	50,353	-	50,353
Health services	28,477	-	28,477
Other support services	96,014	3,846,931	3,942,945
Instruction staff training	3,701	-	3,701
General administrative services	894,008	-	894,008
School administrative services	870,028	-	870,028
Information technology	1,002,528	-	1,002,528
Other operation & maintenance of plant	316,728	-	316,728
Care and upkeep of grounds	41,640	-	41,640
Security	44,462	-	44,462
Student transportation services	36,425,335	-	36,425,335
Unallocated employee benefits	1,500,763	-	1,500,763
Non-budgeted expenditures	533,260	-	533,260
Food services-transfer to cover deficit	26,971	-	26,971
Capital outlay	101,041	7,460	108,501
Special schools	182,699	-	182,699
Total expenditures	<u>43,191,914</u>	<u>6,364,511</u>	<u>49,556,425</u>
Excess (Deficiency) of revenues over expenditures	<u>(1,716,909)</u>	<u>-</u>	<u>(1,716,909)</u>
OTHER FINANCING SOURCES (USES)			
Other funds transfers	1,505,079	-	1,505,079
Indirect cost allocation	1,026,401	-	1,026,401
Total other financing sources and uses	<u>2,531,480</u>	<u>-</u>	<u>2,531,480</u>
Net change in fund balances	814,571	-	814,571
Fund balance—July 1	3,380,292	-	3,380,292
Fund balance—June 30	<u>\$ 4,194,863</u>	<u>\$ -</u>	<u>\$ 4,194,863</u>

**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, 2017**

Total net change in fund balances - governmental funds (from B-2)	\$	814,571
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p> <p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.</p>		
Depreciation expense	(202,230)	
Capital outlays	68,665	(133,565)
<p>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.</p>		
Accumulated depreciation on capital assets sold or retired during the fiscal year ended June 30, 2016	10,195	
Cost basis of capital assets sold or retired during the fiscal year ended June 30, 2016	(11,328)	(1,133)
<p>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.</p>		
		(476,595)
<p>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.</p>		
		26,737
<p>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.</p>		
		13,500
<p>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.</p>		
		309,315
Change in net assets of governmental activities	\$	552,830

Monmouth-Ocean Educational Services Commission
Proprietary Funds
Statement of Net Position
as of June 30, 2017

	Enterprise Fund		
	Food Service	Adult School	Contracted OT/PT
Assets:			
Current assets:	-		
Cash and cash equivalents	\$ (1,754)	\$ -	\$ (87,587)
Accounts receivable:	-		-
State	21	-	-
Federal	1,733	-	-
Other	-	-	117,786
Interfunds	12,504	-	-
Deposits	-	5,000	-
	12,504	5,000	30,199
Total current assets			
Fixed assets:			
Equipment	-	-	-
Accumulated depreciation	-	-	-
	-	-	-
Total fixed assets			
	-	-	-
Total assets	12,504	5,000	30,199
Liabilities and Fund Equity:			
Liabilities:			
Accounts payable	-	-	30,199
Interfund payable	-	-	-
	-	-	30,199
Total liabilities			
	-	-	30,199
Net Position:			
Invested in capital assets, net of related debt	-	-	-
Restricted for other purposes	-	-	-
Unrestricted net position	12,504	5,000	-
	12,504	5,000	-
Total fund equity			
	12,504	5,000	-
Total liabilities and fund equity	\$ 12,504	\$ 5,000	\$ 30,199

See accompanying notes to the financial statements.

Monmouth-Ocean Educational Services Commission
Proprietary Funds
Statement of Net Position
as of June 30, 2017

	Enterprise Fund			
	<u>Contracted Services</u>	<u>Contracted Apps</u>	<u>Contracted Nurses</u>	<u>Contracted Home Inst</u>
Assets:				
Current assets:				
Cash and cash equivalents	\$ (1,250)	\$ (399,224)	\$ (123,462)	\$ (20,437)
Accounts receivable:				
State	-	-	-	-
Federal	-	-	-	-
Other	1,250	399,643	162,095	20,437
Interfunds	-	-	-	-
Deposits	-	-	-	-
Total current assets	<u>-</u>	<u>419</u>	<u>38,633</u>	<u>-</u>
Fixed assets:				
Equipment	-	-	-	-
Accumulated depreciation	-	-	-	-
Total fixed assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u><u>-</u></u>	<u><u>419</u></u>	<u><u>38,633</u></u>	<u><u>-</u></u>
Liabilities and Fund Equity:				
Liabilities:				
Accounts payable	-	419	38,633	-
Deferred revenue	-	-	-	-
Intergovernmental payable	-	-	-	-
Compensated absences	-	-	-	-
Other liabilities	-	-	-	-
Interfund payable	-	-	-	-
Total liabilities	<u>-</u>	<u>419</u>	<u>38,633</u>	<u>-</u>
Net Position:				
Invested in capital assets, net of related debt	-	-	-	-
Restricted for other purposes	-	-	-	-
Unrestricted net position	-	-	-	-
Total fund equity	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund equity	<u><u>\$ -</u></u>	<u><u>\$ 419</u></u>	<u><u>\$ 38,633</u></u>	<u><u>\$ -</u></u>

See accompanying notes to the financial statements.

Monmouth-Ocean Educational Services Commission
 Proprietary Funds
 Statement of Net Position
 as of June 30, 2017

	Enterprise Fund		
	Contracted CST	Training OTIS	Training Rest Train
Assets:			
Current assets:			
Cash and cash equivalents	\$ (45,325)	\$ -	\$ (1,700)
Accounts receivable:			
State	-	-	-
Federal	-	-	-
Other	63,750	-	1,700
Interfunds	-	-	-
Deposits	-	-	-
Total current assets	<u>18,425</u>	<u>-</u>	<u>-</u>
Fixed assets:			
Equipment	-	3,478	-
Accumulated depreciation	-	<u>(3,478)</u>	-
Total fixed assets	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u><u>18,425</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Liabilities and Fund Equity:			
Liabilities:			
Accounts payable	18,425	-	-
Deferred revenue	-	-	-
Intergovernmental payable	-	-	-
Compensated absences	-	-	-
Other liabilities	-	-	-
Interfund payable	-	-	-
Total liabilities	<u>18,425</u>	<u>-</u>	<u>-</u>
Net Position:			
Invested in capital assets, net of related debt	-	-	-
Restricted for other purposes	-	-	-
Unrestricted net position	<u>-</u>	<u>-</u>	<u>-</u>
Total fund equity	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund equity	<u><u>\$ 18,425</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying notes to the financial statements.

Exhibit B-4c

Monmouth-Ocean Educational Services Commission
Proprietary Funds
Statement of Net Position
as of June 30, 2017

	<u>Contracted Speech</u>	<u>Enterprise Fund Total</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ (41,547)	\$ (722,286)
Accounts receivable:		-
State	-	21
Federal	-	1,733
Other	142,016	908,677
Interfunds	-	12,504
Deposits	-	5,000
	<u>100,469</u>	<u>205,649</u>
Total current assets		
Fixed assets:		
Equipment	-	3,478
Accumulated depreciation	-	(3,478)
	<u>-</u>	<u>-</u>
Total fixed assets		
Total assets	<u>100,469</u>	<u>205,649</u>
Liabilities and Fund Equity:		
Liabilities:		
Accounts payable	100,469	188,145
Deferred revenue		-
Intergovernmental payable		-
Compensated absences	-	-
Other liabilities	-	-
Interfund payable	-	-
	<u>100,469</u>	<u>188,145</u>
Total liabilities		
Net Position:		
Invested in capital assets, net of related debt	-	-
Restricted for other purposes	-	-
Unrestricted net position	-	17,504
	<u>-</u>	<u>17,504</u>
Total fund equity		
Total liabilities and fund equity	<u>\$ 100,469</u>	<u>\$ 205,649</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, 2017

	Enterprise Fund			
	Food Service	School Age Child Care	Adult School	Contracted OT/PT
Operating revenues:				
Local Sources:				
Food service sales	\$ 1,087	\$ -	\$ -	\$ -
Childcare	-	6,471	-	-
Community service activities	-	-	45,457	-
Refunds	-	-	-	-
ISF	-	-	-	-
Training	-	-	-	-
Contracted services	-	-	-	580,574
COOP	-	-	-	-
Total operating revenues	1,087	6,471	45,457	580,574
Operating expenses:				
Salaries	-	-	32,806	-
Employee benefits	-	-	-	-
Cost of Sales - reimbursable programs	28,058	-	-	-
Cost of Sales - non-reimbursable programs	-	-	-	-
Purchased technical services	-	-	-	431,012
Other purchased services	-	-	-	-
General supplies	-	-	1,340	-
Calculators	-	-	1,485	-
Textbooks	-	-	100	-
Other expenses	-	-	-	-
Total operating expenses	28,058	-	35,731	431,012
Operating income (loss)	(26,971)	6,471	9,726	149,562
Nonoperating revenues (expenses):				
State sources:				
State school lunch program	1,754	-	-	-
Federal sources:				
National school lunch program	11,685	-	-	-
National school breakfast program	-	-	-	-
Miscellaneous revenue	-	-	-	-
Total nonoperating revenues (expenses)	13,439	-	-	-
Change in net position	(13,532)	6,471	9,726	149,562
Transfers in (out)	26,971	(6,471)	(12,575)	(149,562)
Total net position—beginning	(935)	-	7,849	-
Total net position—ending	\$ 12,504	\$ -	\$ 5,000	\$ -

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, 2017

	Enterprise Fund			
	Contracted Services	Contracted Apps	Contracted Nurses	Contracted Home Inst
Operating revenues:				
Local Sources:				
Food service sales	\$ -	\$ -	\$ -	\$ -
Childcare	-	-	-	-
Community service activities	-	-	-	-
Refunds	-	-	-	-
ISF	-	-	-	-
Training	-	-	-	-
Contracted services	27,720	2,988,870	765,369	93,075
COOP	-	-	-	-
Total operating revenues	<u>27,720</u>	<u>2,988,870</u>	<u>765,369</u>	<u>93,075</u>
Operating expenses:				
Salaries	-	1,571,442	-	-
Employee benefits	-	478,567	-	-
Cost of Sales - reimbursable programs	-	-	-	-
Cost of Sales - non-reimbursable programs	-	-	-	-
Purchased technical services	12,000	-	584,894	-
Other purchased services	-	-	-	-
General supplies	-	-	-	-
Calculators	-	-	-	-
Textbooks	-	-	-	-
Other expenses	7,299	1,335	-	37,230
Total operating expenses	<u>19,299</u>	<u>2,051,344</u>	<u>584,894</u>	<u>37,230</u>
Operating income (loss)	<u>8,421</u>	<u>937,526</u>	<u>180,475</u>	<u>55,845</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	8,421	937,526	180,475	55,845
Transfers in (out)	<u>(8,421)</u>	<u>(937,526)</u>	<u>(180,475)</u>	<u>(55,845)</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, 2017

	Enterprise Fund			
	Contracted CST	Contracted Speech	Training RTK	Training OTIS
Operating revenues:				
Local Sources:				
Food service sales	\$ -	\$ -	\$ -	\$ -
Childcare	-	-	-	-
Community service activities	-	-	-	-
Refunds	-	-	-	-
ISF	-	-	-	-
Training	-	-	2,935	7,239
Contracted services	145,050	655,932	-	-
COOP	-	-	-	-
Total operating revenues	<u>145,050</u>	<u>655,932</u>	<u>2,935</u>	<u>7,239</u>
Operating expenses:				
Salaries	-	-	-	27,500
Employee benefits	-	-	-	-
Cost of Sales - reimbursable programs	-	-	-	-
Cost of Sales - non-reimbursable programs	-	-	-	-
Purchased technical services	113,725	484,702	-	-
Other purchased services	-	-	-	-
General supplies	-	-	1,400	35,690
Calculators	-	-	-	-
Textbooks	-	-	-	-
Other expenses	-	-	-	-
Total operating expenses	<u>113,725</u>	<u>484,702</u>	<u>1,400</u>	<u>63,190</u>
Operating income (loss)	<u>31,325</u>	<u>171,230</u>	<u>1,535</u>	<u>(55,951)</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	31,325	171,230	1,535	(55,951)
Transfers in (out)	<u>(31,325)</u>	<u>(171,230)</u>	<u>(1,535)</u>	<u>55,951</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, 2017

	<u>Enterprise Fund</u>	
	<u>Training Rest Train</u>	<u>Total</u>
Operating revenues:		
Local Sources:		
Food service sales	\$ -	\$ 1,087
Childcare	-	6,471
Community service activities	-	45,457
Refunds	-	-
ISF	-	-
Training	8,915	19,089
Contracted services	-	5,256,590
COOP	-	-
Total operating revenues	<u>8,915</u>	<u>5,328,694</u>
Operating expenses:		
Salaries	-	1,631,748
Employee benefits	-	478,567
Cost of Sales - reimbursable programs	-	28,058
Cost of Sales - non-reimbursable programs	-	-
Purchased technical services	-	1,626,333
Other purchased services	-	-
General supplies	2,850	41,280
Calculators	-	1,485
Textbooks	-	100
Other expenses	-	45,864
Total operating expenses	<u>2,850</u>	<u>3,853,435</u>
Operating income (loss)	<u>6,065</u>	<u>1,475,259</u>
Nonoperating revenues (expenses):		
State sources:		
State school lunch program	-	1,754
Federal sources:		
National school lunch program	-	11,685
National school breakfast program	-	-
Interest and investment revenue	-	-
Miscellaneous revenue	-	-
Total nonoperating revenues (expenses)	<u>-</u>	<u>13,439</u>
Change in net position	6,065	1,488,698
Transfers in (out)	<u>(6,065)</u>	<u>(1,478,108)</u>
Total net position—beginning	-	6,914
Total net position—ending	<u>\$ -</u>	<u>\$ 17,504</u>

See accompanying notes to the financial statements.

Monmouth-Ocean Educational Services Commission
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	<u>Total Enterprise</u>
Cash Flows from Operating Activities:	
Receipts from Daily Sales	\$ 1,087
Receipts from Catering Before / After Care	-
Supplemental Educational Services	6,471
Payments to Employees	5,321,136
Payments to Suppliers	(2,110,315)
Payments for Other Expenditures	(1,735,301)
Net Cash Provided by Operating Activities	<u>(42,865)</u> <u>1,440,213</u>
Cash Flow from Noncapital Financing Sources:	
State Sources	3,330
Federal Sources	11,734
Interest Earned	-
Miscellaneous income	-
Interfund- General Fund	(1,602,604)
Net Cash Used by Non-Capital Financing Activities	<u>(1,587,540)</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	(147,327)
Cash and cash equivalents, July 1	<u>(574,959)</u>
Cash and cash equivalents, June 30	<u>(722,286)</u>
Operating income (loss)	1,475,259
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	-
Increase in other liabilities	-
Increase in accounts payable	(35,046)
Net cash provided by (used) in operating activities	<u>\$ 1,440,213</u>

See accompanying notes to the financial statements.

Monmouth-Ocean Educational Services Commission
Statement of Fiduciary Net Position
June 30, 2017

	<u>Unemployment Compensation Trust</u>	<u>Agency Fund</u>	<u>Total Fund</u>
ASSETS			
Cash and cash equivalents	\$ 1,848	\$ 168,310	\$ 170,158
Intergovernmental accounts receivable	-	-	-
Interfund receivable	-	-	-
Total assets	<u>1,848</u>	<u>168,310</u>	<u>170,158</u>
LIABILITIES			
Accounts payable	-	-	-
Payroll deductions and withholdings	-	168,310	168,310
Interfund payable	-	-	-
Other current liabilities	-	-	-
Total liabilities	<u>-</u>	<u>168,310</u>	<u>168,310</u>
NET POSITION			
Held in trust for unemployment claims and other purposes	1,848	-	1,848
Reserved for scholarships	-	-	-
Total net position	<u>1,848</u>	<u>-</u>	<u>1,848</u>
Total liabilities and net position	<u>\$ 1,848</u>	<u>\$ 168,310</u>	<u>\$ 170,158</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, 2017

	Unemployment Compensation Trust
ADDITIONS	
Contributions:	
Plan member	\$ -
Other	-
Total Contributions	-
Investment earnings:	
Net increase (decrease) in fair value of investments	-
Interest	10
Dividends	-
Less investment expense	-
Net investment earnings	10
Total additions	10
DEDUCTIONS	
Quarterly contribution reports	-
Unemployment claims	-
Scholarships awarded	-
Refunds of contributions	-
Administrative expenses	-
Total deductions	-
Change in net position	10
Net Position—beginning of the year	1,838
Net Position—end of the year	\$ 1,848

See accompanying notes to the financial statements.

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2017

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, 2017

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).

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, 2017

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 in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among Commission financial reporting models.

The Commission reports the following governmental funds:

General Fund - The General Fund is the general operating fund of the Commission and is used to account for all 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 transportation charges, tuition 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 other board of educations, (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, 2017

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

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

Basis of Presentation (Cont'd)

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, 2017

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 does not receive tax levy as revenue. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the 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, 2017

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, 2017, there was a reconciling difference of \$(341,213) 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, 2017

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, 2017

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, 2017

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 investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net Position 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, 2017

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, 2017

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, 2017

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	\$ 631,793
Total Deposits	<u>\$ 631,793</u>

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

Governmental Activities	\$ 1,183,921
Business-Type Activities	(722,286)
Fiduciary Funds	<u>170,158</u>
Total Cash & Cash Equivalents	<u>\$ 631,793</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, 2017, the Board's bank balances of \$4,796,068 were exposed to Custodial Credit Risk as follows:

	<u>2017</u>
FDIC Insured	\$250,000
GUDPA Protected	<u>4,546,068</u>
	<u>\$4,796,068</u>

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2017

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, 2017, 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, 2017, 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	\$ 12,156	\$ 12,177
Federal Aid	-	1,733
Other	7,159,843	8,068,520
Interfunds	<u>-</u>	<u>12,504</u>
	7,171,999	8,094,934
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>
Total Receivables, Net	<u>\$ 7,171,999</u>	<u>\$ 8,094,934</u>

4. Interfund Balances and Transfers

The following interfund balances remained on the balance sheet at June 30, 2017:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ -	\$ 12,504
Enterprise Fund	<u>12,504</u>	<u>-</u>
	<u>\$ 12,504</u>	<u>\$ 12,504</u>

The interfund payable is for cash collected by the General Fund for the Enterprise Fund..

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2017

5. Capital Assets

Capital Assets consisted of the following at June 30, 2017.

	<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>43,929</u>	<u>-</u>	<u>(21,204)</u>	<u>22,725</u>
Total Capital Assets Not Being Depreciated	<u>43,929</u>	<u>-</u>	<u>(21,204)</u>	<u>22,725</u>
Capital Assets Being Depreciated				
Site Improvements	-	-	-	-
Building and Building Improvements	8,153,910	39,300	-	8,193,210
Machinery and Equipment	<u>1,132,882</u>	<u>50,569</u>	<u>(11,328)</u>	<u>1,172,123</u>
Totals at Historical Cost	<u>9,286,792</u>	<u>89,869</u>	<u>(11,328)</u>	<u>9,365,333</u>
Less Accumulated Depreciation for:				
Building and Building Improvements	(1,606,455)	(165,043)	-	(1,771,498)
Machinery and Equipment	<u>(926,594)</u>	<u>(37,187)</u>	<u>10,195</u>	<u>(953,586)</u>
Total Accumulated Depreciation	<u>(2,533,049)</u>	<u>(202,230)</u>	<u>10,195</u>	<u>(2,725,084)</u>
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	<u>6,753,743</u>	<u>(112,361)</u>	<u>(1,133)</u>	<u>6,640,249</u>
Government Activity Capital Assets, Net	<u>6,797,672</u>	<u>(112,361)</u>	<u>(22,337)</u>	<u>6,662,974</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, 2017

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>202,230</u>
Total	\$ <u><u>202,230</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, 2017 was \$264,615.

Future minimum lease receipts are as follows:

2018	<u>264,615</u>
	\$ <u><u>264,615</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:

2018	8,907
2019	<u>5,196</u>
	14,103
Less: interest	<u>(1,048)</u>
	\$ <u><u>13,055</u></u>

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2017

7. Long-Term Obligations

A. Long-Term Obligation Activity

Changes in Long-Term Obligations for the year ended June 30, 2017, are as follows:

<u>Governmental Activities:</u>	Balance <u>June 29, 2016</u>	Increases/ <u>Decreases</u>	Balance <u>June 30, 2017</u>	Amounts Due Within <u>One Year</u>
Compensated				
Absences Payable	\$ 410,667	\$ (309,315)	\$ 101,352	\$ -
Capital Leases	24,127	(13,500)	10,627	10,627
Loans Payable	80,210	(26,737)	53,473	26,737
Pension liability- PERS	<u>10,290,466</u>	<u>3,653,413</u>	<u>13,943,879</u>	<u>-</u>
	<u>\$ 10,805,470</u>	<u>\$ 3,303,861</u>	<u>\$ 14,109,331</u>	<u>\$ 37,364</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, 2017:

Year ending June 30,	
2018	<u>11,121</u>
	11,121
Less: Interest	<u>(494)</u>
	10,627
Less: Current portion	<u>(10,627)</u>
	<u>\$ -</u>

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2017

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,

2018	26,737
2029	<u>26,736</u>
	53,473
Less: Current portion	<u>(26,737)</u>
	<u>\$ 26,736</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, 2017, the District recognized pension expense of \$341,213 and revenue of \$341,213 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, 2017

8. Pension Plans (Cont'd)

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

At June 30, 2017, 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 0.0251485926% of the total plan. The information below was provided from the State of New Jersey June 30, 2016 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	\$ 69,397	\$ 33,678
Changes of assumptions	3,930,905	-
Net difference between projected and actual earnings on pension plan investments	359,159	-
Changes in proportion and differences between District contributions and proportionate share of contributions	26,454	15,369
District contributions subsequent to the measurement date	<u>-</u>	<u>-</u>
Total	<u>\$ 4,385,915</u>	<u>\$ 49,047</u>

The District's proportionate share of the pension liability at June 30, 2016 as it relates to the District is \$19,783,484.

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:

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2017

8. Pension Plans (Cont'd)

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

Year ended June 30:		
2017	\$	638,406
2018		638,406
2019		747,880
2020		699,433
2021		590,828
Thereafter		<u>1,030,766</u>
Total		<u><u>4,345,719</u></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 TPAF's target asset allocation as of June 30, 2016 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 %	0.39 %
US Government Bonds	1.50 %	1.28 %
US Credit Bonds	13.00 %	2.76 %
US Mortgages	2.00 %	2.38 %
US Inflation-Indexed Bonds	1.50 %	1.41 %
US High Yield Bonds	2.00 %	4.70 %
US Equity Market	26.00 %	5.14 %
Foreign-Developed Equity	13.25 %	5.91 %
Emerging Market Equity	6.50 %	8.16 %
Private Real Estate Property	5.25 %	3.64 %
Timber	1.00 %	3.86 %
Farmland	1.00 %	4.39 %
Private Equity	9.00 %	8.97 %
Commodities	0.50 %	2.87 %
Hedge Funds - MultiStrategy	5.00 %	3.70 %
Hedge Funds - Equity Hedge	3.75 %	4.72 %
Hedge Funds - Distressed	3.75 %	3.49 %

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2017

8. Pension Plans (Cont'd)

Discount Rate

The discount rate used to measure the total pension liability was 3.22% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, 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 2029. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029, 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 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 (2.22 %)	Current Discount Rate (3.22 %)	1% Increase (4.22 %)
District's proportionate share of the net pension liability	23,734,783	19,874,658	16,722,368

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

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2017

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, 2017, the District recognized pension expense of \$471,510. 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 0.0470804508% of the total plan. The information below was provided from the State of New Jersey June 30, 2016 audit of the PERS fund and has been adjusted to the District's proportionate share. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 259,314	\$ -
Changes of assumptions	2,888,427	-
Net difference between projected and actual earnings on pension plan investments	531,693	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,703,288	-
District contributions subsequent to the measurement date	<u>454,421</u>	<u>-</u>
Total	<u>\$ 5,837,143</u>	<u>\$ -</u>

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2017

8. Pension Plans (Cont'd)

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

The District's proportionate share of the pension liability at June 30, 2016 as it relates to the District is \$13,943,879 and has been recorded on the district-wide financials.

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:		
2017	\$	828,391
2018		828,391
2019		959,719
2020		806,304
2021		256,628
Thereafter		-
Total		<u>3,679,433</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, 2016 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 %	0.87 %
U.S. Treasuries	1.50 %	1.74 %
Investment Grade Credit	8.00 %	1.79 %
Mortgages	2.00 %	1.67 %
High Yield Bonds	2.00 %	4.56 %
Inflation-Indexed Bonds	1.50 %	3.44 %
Broad US Equities	26.00 %	8.53 %
Developed Foreign Equities	13.25 %	6.83 %
Emerging Market Equities	6.50 %	9.95 %
Private Equity	9.00 %	12.40 %
Hedge Funds/Absolute Return	12.50 %	4.68 %
Real Estate (Property)	2.00 %	6.91 %
Commodities	0.50 %	5.45 %
Global Debt ex US	5.00 %	(0.25)%
REIT	5.25 %	5.63 %

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2017

8. Pension Plans (Cont'd)

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016 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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, 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, 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 (2.98 %)	Current Discount Rate (3.98 %)	1% Increase (4.98 %)
District's proportionate share of the net pension liability	17,086,596	13,943,879	11,349,294

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, 2017

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

<u>Year Funding June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2017	\$ 471,510	100 %	\$ 471,510
2016	420,848	100 %	420,848
2015	337,605	100 %	337,605

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

<u>Year Funding June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2017	\$ 626,409	100 %	\$ -
2016	441,100	100 %	-
2015	397,242	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, 2017

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 \$626,409. 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 \$248,064 during the year ended June 30, 2017 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, 2017 were \$17,690. There was no liability for unpaid contributions at June 30, 2017.

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, 2017

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 2016 , there were 110,512 retirees receiving post-retirement medical benefits, and the State contributed \$1.37 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 \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in fiscal year 2016.

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 year.

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2017

11. Risk Management (Cont'd)

<u>Fiscal Year</u>	<u>Commission Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016 / 2017	\$ 10	\$ -	\$ -	\$ 1,848
2015 / 2016	5	-	-	1,838

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, 2017, the Commission estimated that the Foundation had net assets of approximately \$15,000. 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, 2016.

14. Fund Balance Appropriated

General Fund (Exhibit B-1) - Of the \$4,194,863 General Fund balance at June 30, 2017, 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, 2017 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, 2017

16. Uncertain Tax Positions

The school district had no unrecognized tax benefits at June 30, 2017. 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, 2014.

17. Subsequent Events

Management has evaluated subsequent events through November 15, 2017, the date the financial statements were available to be issued.

18. Tax Abatement

As defined by the Governmental Accounting Standards Board (GASB), a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. School districts are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements, and that potential must be disclosed in these financial statements. If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district's local tax revenue because N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

**Monmouth-Ocean Educational Services Commission
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local sources:					
Tuition from other LEAs within the state	\$ 8,772,914	\$ -	\$ 8,772,914	\$ 2,606,267	\$ (6,166,647)
Interest on Investments	-	-	-	3,122	3,122
Transportation Fees from Other LEAs	33,600,000	1,883,010	35,483,010	37,881,761	2,398,751
Interest earned on capital reserve funds	-	-	-	-	-
Rents and Royalties	-	-	-	264,615	264,615
Miscellaneous	-	-	-	185,980	185,980
Total - local sources	<u>42,372,914</u>	<u>1,883,010</u>	<u>44,255,924</u>	<u>40,941,745</u>	<u>(3,314,179)</u>
State sources:					
TPAF - LTDI (on-behalf - Non-budgeted)	-	-	-	888	888
TPAF - post retirement medical (on-behalf - Non-budgeted)	-	-	-	284,308	284,308
Teacher's pension and annuity fund (on-behalf - Non-budgeted)	-	-	-	341,213	341,213
TPAF social security (reimbursed - Non-budgeted)	-	-	-	248,064	248,064
Total state sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>874,473</u>	<u>874,473</u>
Total revenues	<u>42,372,914</u>	<u>1,883,010</u>	<u>44,255,924</u>	<u>41,816,218</u>	<u>(2,439,706)</u>
EXPENDITURES:					
Current Expense:					
SPECIAL EDUCATION - INSTRUCTION					
Salaries of teachers	771,995	(16,401)	755,594	605,849	149,745
General supplies	-	8,800	8,800	6,930	1,870
Other Purch. Serv. (300-500 series)	354,462	725	355,187	256,759	98,428
General supplies	70,850	(10,076)	60,774	9,141	51,633
Other Objects	1,500	16,400	17,900	4,631	13,269
Total Special Education-Instruction	<u>1,198,807</u>	<u>(552)</u>	<u>1,198,255</u>	<u>883,310</u>	<u>314,945</u>
Resource Room/Resource Center:					
Salaries of teachers	194,600	(6,594)	188,006	177,485	10,521
General supplies	5,800	(200)	5,600	5,175	425
Textbooks	3,000	-	3,000	2,878	122
Other Objects	2,500	5,200	7,700	5,058	2,642
Total Resource Room/Resource Center	<u>205,900</u>	<u>(1,594)</u>	<u>204,306</u>	<u>190,596</u>	<u>13,710</u>
TOTAL SPECIAL EDUCATION - INSTRUCTION	<u>1,404,707</u>	<u>(2,146)</u>	<u>1,402,561</u>	<u>1,073,906</u>	<u>328,655</u>
Total Instruction	<u>1,404,707</u>	<u>(2,146)</u>	<u>1,402,561</u>	<u>1,073,906</u>	<u>328,655</u>
Undist. Expend. - Attendance and Social Work					
Salaries	50,355	-	50,355	50,353	2
Total Undistributed Expenditures - Attendance	<u>50,355</u>	<u>-</u>	<u>50,355</u>	<u>50,353</u>	<u>2</u>
Undist. Expend. - Health Services					
Purchased professional and technical services	21,655	11,600	33,255	28,477	4,778
Total Undistributed Expenditures - Health Services	<u>21,655</u>	<u>11,600</u>	<u>33,255</u>	<u>28,477</u>	<u>4,778</u>
Undist. Expend. - Guidance					
Travel	500	-	500	-	500
Other objects	1,000	-	1,000	-	1,000
Supplies and materials	5,500	-	5,500	2,661	2,839
Total Undist. Expend. - Guidance	<u>7,000</u>	<u>-</u>	<u>7,000</u>	<u>2,661</u>	<u>4,339</u>
Undist. Expend. - Child Study Team					
Purchased professional and technical services	77,410	-	77,410	75,402	2,008
Other purchased services (400-500 series)	11,000	-	11,000	6,946	4,054
Supplies and materials	6,100	12,000	18,100	11,005	7,095
Other objects	1,000	-	1,000	-	1,000
Total Undist. Expend. - Child Study Team	<u>95,510</u>	<u>12,000</u>	<u>107,510</u>	<u>93,353</u>	<u>14,157</u>
Undist. Expend. - Instruction Staff Training Services					
Purchased professional - educational services	32,000	-	32,000	2,530	29,470
Supplies and materials	20,000	(725)	19,275	-	19,275
Other purchased services (400-500)	3,500	-	3,500	1,171	2,329
Total Undist. Expend. - Instruction Staff Training Services	<u>55,500</u>	<u>(725)</u>	<u>54,775</u>	<u>3,701</u>	<u>51,074</u>

Monmouth-Ocean Educational Services Commission
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Support Service - General Administration					
Salaries	\$ 485,000	\$ 29,799	\$ 514,799	\$ 514,608	\$ 191
Legal services	100,000	64,117	164,117	164,117	-
Audit Fees	30,500	(2,675)	27,825	26,500	1,325
Architectural/Engineering Services	20,000	(6,982)	13,018	11,620	1,398
Other purchased professional services	4,000	(229)	3,771	496	3,275
Purchased technical services	22,450	4,809	27,259	27,259	-
Communications/Telephone	99,283	(48,804)	50,479	44,805	5,674
Other purchased services (400-500 series)	47,460	1	47,461	32,571	14,890
General supplies	17,000	(2,200)	14,800	12,157	2,643
BOE In-House Training/Meeting Supplies	5,000	-	5,000	2,659	2,341
Judgements Agst. School Dist.	40,000	(8,849)	31,151	26,736	4,415
Miscellaneous expenditures	17,000	2,947	19,947	19,869	78
BOE membership dues and fees	12,000	-	12,000	10,611	1,389
Total Undist. Expend. - Support Service - General Administration	899,693	31,934	931,627	894,008	37,619
Undist. Expend. - Support Service - School Administration					
Salaries of principals/Assistant principals	569,200	(59,192)	510,008	510,007	1
Salaries of secretarial and clerical assistants	423,100	(24,548)	398,552	340,061	58,491
Purchased professional and technical services	-	17,000	17,000	15,010	1,990
Other purchased services (400-500 series)	2,500	-	2,500	-	2,500
Supplies and materials	15,000	-	15,000	3,160	11,840
Other objects	13,100	-	13,100	1,790	11,310
Total Undist. Expend. - Support Service - School Administration	1,022,900	(66,740)	956,160	870,028	86,132
Undistributed Expenditures - Central Services					
Salaries	550,250	-	550,250	549,872	378
Purchased technical services	17,985	-	17,985	13,669	4,316
Misc. Purchased Services	11,000	-	11,000	3,933	7,067
Supplies and materials	6,500	-	6,500	5,805	695
Interest on lease purchase	2,075	-	2,075	1,275	800
Miscellaneous expenditures	32,000	-	32,000	9,765	22,235
Total Undist. Expend. - Central Services	619,810	-	619,810	584,319	35,491
Undist.- Admin. Info. Technology					
Salaries	283,300	36,064	319,364	316,701	2,663
Purchased technical services	89,904	(16,331)	73,573	70,064	3,509
Other Purchased Services	28,960	-	28,960	26,228	2,732
Supplies and materials	6,000	(402)	5,598	5,028	570
Other objects	1,000	-	1,000	188	812
Total Undist. Expend - Admin. Info. Technology	409,164	19,331	428,495	418,209	10,286
Undist. Expend. - Other Operation & Maintenance of Plant					
Salaries	132,000	(11,725)	120,275	120,274	1
Cleaning, repair and maintenance services	66,350	24,359	90,709	72,795	17,914
Other purchased property services	7,710	68	7,778	7,778	-
Insurance	30,000	(921)	29,079	28,701	378
Misc Purchased Services	2,500	(932)	1,568	703	865
General supplies	12,080	4,026	16,106	13,653	2,453
Energy (natural gas)	24,000	(4,432)	19,568	13,157	6,411
Travel	1,585	-	1,585	516	1,069
Energy (electricity)	72,000	(2,736)	69,264	56,101	13,163
Energy (gasoline)	3,500	-	3,500	1,352	2,148
Other objects	5,200	(3,260)	1,940	1,698	242
Total Undist Expend-Other Operation & Maint Of Plant	356,925	4,447	361,372	316,728	44,644
Undist. Expend. - Care & Upkeep of Grounds					
Cleaning, repair and maintenance services	48,310	-	48,310	41,640	6,670
Total Undist Expend-Care & Upkeep of Grounds	48,310	-	48,310	41,640	6,670
Security					
Salaries	44,400	(700)	43,700	42,864	836
Purchased professional and technical services	57,900	(56,200)	1,700	1,598	102
Total Security	102,300	(56,900)	45,400	44,462	938

Monmouth-Ocean Educational Services Commission
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Student Transportation Services					
Salaries of non-instructional aides	\$ 357,105	\$ (12,735)	\$ 344,370	\$ 344,364	\$ 6
Management fee - ESC & CTSA trans. Program	55,000	2,120	57,120	21,381	35,739
Purchased professional and technical services	12,365	(12,365)	-	-	-
Contract Svc (btw home & Sch.) - Joint Agreements	32,000,000	4,053,845	36,053,845	36,053,844	1
General supplies	4,500	800	5,300	5,068	232
Misc Purchased Serv - Transportation	1,500	(800)	700	478	222
Other objects	3,400	-	3,400	200	3,200
Total Undist. Expend. - Student Transportation Services	32,433,870	4,030,865	36,464,735	36,425,335	39,400
UNALLOCATED EMPLOYEE BENEFITS					
Group insurance	15,000	(4,500)	10,500	6,527	3,973
Social security contributions	481,250	(81,250)	400,000	-	400,000
Other Retirement contributions -PERs	621,670	(81,771)	539,899	471,510	68,389
Unemployment compensation	185,000	-	185,000	33,130	151,870
Workmen's compensation	106,600	-	106,600	90,198	16,402
Health benefits	2,764,170	(1,833,178)	930,992	767,798	163,194
Tuition reimbursement	25,000	-	25,000	6,088	18,912
Other employee benefits	70,500	55,013	125,513	125,512	1
TOTAL UNALLOCATED EMPLOYEE BENEFITS	4,269,190	(1,945,686)	2,323,504	1,500,763	822,741
On-behalf TPAF LTDI (non-budgeted)	-	-	-	888	(888)
On-behalf TPAF OPEB (post retirement med) (non-budgeted)	-	-	-	284,308	(284,308)
On-behalf TPAF Pension Contributions (non-budgeted)	-	-	-	341,213	(341,213)
Reimbursed TPAF social security contributions (non-budgeted)	-	-	-	248,064	(248,064)
TOTAL ON-BEHALF CONTRIBUTIONS	-	-	-	874,473	(874,473)
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS	4,269,190	(1,945,686)	2,323,504	2,375,236	(51,732)
Food Services					
Transfers to cover deficit in food services	21,000	6,018	27,018	26,971	47
Total Food Services	21,000	6,018	27,018	26,971	47
TOTAL UNDISTRIBUTED EXPENDITURES	40,413,182	2,046,144	42,459,326	42,175,481	283,845
TOTAL GENERAL CURRENT EXPENSE	41,817,889	2,043,998	43,861,887	43,249,387	612,500
CAPITAL OUTLAY					
Equipment					
Special Education - Instruction:					
Undistributed expenditures - General administration	10,170	82	10,252	10,252	-
Undistributed expenditures - Admin Info Tech	54,900	(22,000)	32,900	31,801	1,099
Undistributed expenditures - Care and upkeep of grounds	31,200	(81)	31,119	19,688	11,431
Undistributed expenditures - Security	3,500	-	3,500	-	3,500
Total Equipment	99,770	(21,999)	77,771	61,741	16,030
Facilities Acquisition and Construction Services					
Construction Services	86,000	(19,331)	66,669	39,300	27,369
Total Facilities Acquisition and Construction Services	86,000	(19,331)	66,669	39,300	27,369
TOTAL CAPITAL OUTLAY	185,770	(41,330)	144,440	101,041	43,399

Monmouth-Ocean Educational Services Commission
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
SPECIAL SCHOOLS					
Summer School - Support services					
Salaries of teachers	\$ 5,000	\$ -	\$ 5,000	\$ 2,650	\$ 2,350
Total Summer School - Support services	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>2,650</u>	<u>2,350</u>
Summer School - Instruction					
Salaries of teachers	364,255	375	364,630	180,049	184,581
Total Summer School - Instruction	<u>364,255</u>	<u>375</u>	<u>364,630</u>	<u>180,049</u>	<u>184,581</u>
TOTAL SPECIAL SCHOOLS	<u>369,255</u>	<u>375</u>	<u>369,630</u>	<u>182,699</u>	<u>186,931</u>
TOTAL EXPENDITURES	<u>42,372,914</u>	<u>2,003,043</u>	<u>44,375,957</u>	<u>43,533,127</u>	<u>842,830</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>3,886,053</u>	<u>(120,033)</u>	<u>(1,716,909)</u>	<u>1,596,876</u>
Other Financing Sources/ (Uses):					
Other funds transfers	-	-	-	1,505,079	(1,505,079)
Indirect costs allocation	-	-	-	1,026,401	(1,026,401)
Total Other Financing Sources:	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,531,480</u>	<u>(2,531,480)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures & Other Financing Sources (Uses)	<u>-</u>	<u>3,886,053</u>	<u>(120,033)</u>	<u>814,571</u>	<u>(934,604)</u>
Fund Balance, July 1	3,380,292	-	3,380,292	3,380,292	-
Fund Balance, June 30	<u>\$ 3,380,292</u>	<u>\$ 3,886,053</u>	<u>\$ 3,260,259</u>	<u>4,194,863</u>	<u>\$ (934,604)</u>
Recapitulation:					
Restricted fund balances				-	
Unrestricted fund balances				4,194,863	
Fund balance per governmental funds (GAAP) - B-1				<u>\$ 4,194,863</u>	

Monmouth-Ocean Educational Services Commission
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local sources	\$ 7,845,336	\$ 634,454	\$ 8,479,790	\$ 6,364,511	\$ (2,115,279)
State sources	-	-	-	-	-
Federal sources	-	-	-	-	-
Total Revenues	<u>7,845,336</u>	<u>634,454</u>	<u>8,479,790</u>	<u>6,364,511</u>	<u>(2,115,279)</u>
EXPENDITURES					
Instruction:					
Salaries of teachers	1,852,503	(337,189)	1,515,314	1,425,963	89,351
Other salaries/instruction	568,600	(5,619)	562,981	560,558	2,423
Purchased services	-	17,978	17,978	17,978	-
Other purchased services	-	-	-	-	-
Purchased professional services	-	-	-	-	-
General supplies	492,500	(196,452)	296,048	76,066	219,982
Textbooks	475,000	-	475,000	429,555	45,445
Miscellaneous/Other objects	-	-	-	-	-
Total instruction	<u>3,388,603</u>	<u>(521,282)</u>	<u>2,867,321</u>	<u>2,510,120</u>	<u>357,201</u>
Support services:					
Other support services					
students - special:					
Other professional staff salaries	90,600	(21,121)	69,479	63,879	5,600
Secretarial/Clerical salaries	857,955	399,636	1,257,591	877,510	380,081
Purchased professional services	3,184,315	(177,170)	3,007,145	1,743,051	1,264,094
Other purchased services	194,968	(43,137)	151,831	131,840	19,991
Purchased technical services	-	-	-	-	-
Employee benefits	-	955,102	955,102	925,008	30,094
Travel	1,500	(503)	997	997	-
Nursing services	-	-	-	-	-
Miscellaneous purchased services	-	-	-	-	-
Purchased Property Service	-	-	-	-	-
General supplies	62,000	25,414	87,414	45,470	41,944
Miscellaneous/Other objects	65,395	10,055	75,450	59,176	16,274
Total other support services - students - special	<u>4,456,733</u>	<u>1,148,276</u>	<u>5,605,009</u>	<u>3,846,931</u>	<u>1,758,078</u>
Facilities acquisition and const. serv.:					
Regular programs instruction	-	7,460	7,460	7,460	-
Non-instructional equipment	-	-	-	-	-
Total facilities acquisition and const. serv.	<u>-</u>	<u>7,460</u>	<u>7,460</u>	<u>7,460</u>	<u>-</u>
Total expenditures	<u>7,845,336</u>	<u>634,454</u>	<u>8,479,790</u>	<u>6,364,511</u>	<u>2,115,279</u>
Other financing sources (uses)					
Transfer in from general fund	-	-	-	-	-
Contribution to whole school reform	-	-	-	-	-
Total outflows	<u>7,845,336</u>	<u>634,454</u>	<u>8,479,790</u>	<u>6,364,511</u>	<u>2,115,279</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, 2017

Exhibit C-3

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]	\$ 41,816,218	[C-2]	\$ 6,364,511
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.		(341,213)		
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]	\$ 41,475,005	[B-2]	\$ 6,364,511
Uses/outflows of resources				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1]	\$ 43,533,127	[C-2]	\$ 6,364,511
Differences - budget to GAAP				
TPAF pension payments completely funded by the State of New Jersey are not included on the GAAP statements.		(341,213)		-
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]	\$ 43,191,914	[B-2]	\$ 6,364,511

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, 2017**

Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's proportion of the net pension liability	0.0357465012%	0.0439781334%	0.0470804508%
District's proportionate share of the net pension liability	\$ 7,093,861	\$ 10,290,466	\$ 13,943,879
District's covered-employee payroll	3,167,776	3,025,156	3,322,054
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	223.94%	340.16%	419.74%
Plan fiduciary net position as a percentage of the total pension liability	67.89%	61.84%	45.35%

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, 2017**

Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contributions	\$ 249,689	\$ 378,094	\$ 448,129
Contributions in relation to the contractually required contribution	<u>337,605</u>	<u>-</u>	<u>471,510</u>
Contribution deficiency (excess)	<u>\$ (87,916)</u>	<u>\$ 378,094</u>	<u>\$ (23,381)</u>
District's covered-employee payroll	\$ 3,167,776	\$ 3,025,156	\$ 3,322,054
Contributions as a percentage of covered-employee payroll	7.88%	12.50%	13.49%

* 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, 2017**

Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's proportion of the net pension liability	0.0310304894%	0.0283967086%	0.0251485926%
District's proportionate share of the net pension liability	\$ 16,584,787	\$ 17,947,932	\$ 19,783,484
District's covered-employee payroll	3,201,923	3,655,183	3,713,043
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	517.96%	491.03%	532.81%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%

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, 2017

Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	3.08 %
Salary increases: 2012-2021	1.65 - 4.15 % based on age
Thereafter	2.65 - 5.15 % based on age
Investment rate of return	7.65 %

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. 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, 2017

	I.D.E.A. Part B 2016-2017	I.D.E.A. Part B 2015-2016	N.J. Non Public Textbook Aid	N.J. Non Public Nurse Aid	N.J. Non Public Technology Grant
Revenues:					
Local sources	\$ 1,275,622	\$ 134,189	\$ 429,555	\$ 899,746	\$ 170,338
State sources	-	-	-	-	-
Federal sources	-	-	-	-	-
Total revenues	<u>1,275,622</u>	<u>134,189</u>	<u>429,555</u>	<u>899,746</u>	<u>170,338</u>
Expenditures:					
Instruction:					
Salaries of teachers	434,253	7,748	-	-	-
Other salaries/instruction	464,173	82,149	-	-	-
Purchased services	-	-	-	-	-
Other purchased services	-	-	-	-	-
Purchased professional services	-	-	-	-	-
General supplies	28,540	43,202	-	-	-
Textbooks	-	-	429,555	-	-
Total instruction	<u>926,966</u>	<u>133,099</u>	<u>429,555</u>	<u>-</u>	<u>-</u>
Support services:					
Other support services - students - special:					
Other professional staff salaries	-	-	-	-	-
Secretarial/Clerical salaries	-	-	-	-	-
Purchased professional services	12,741	-	-	855,009	166,782
Other purchased services	450	-	-	-	3,556
Purchased technical services	-	-	-	-	-
Employee benefits	269,919	-	-	-	-
Travel	-	-	-	-	-
Nursing services	-	-	-	-	-
Miscellaneous purchased services	-	-	-	-	-
Purchased property services	-	-	-	-	-
General supplies	-	-	-	44,737	-
Miscellaneous/Other objects	59,176	-	-	-	-
Total other support services - students - special	<u>342,286</u>	<u>-</u>	<u>-</u>	<u>899,746</u>	<u>170,338</u>
Equipment:					
Regular programs instruction	6,370	1,090	-	-	-
Non-instructional equipment	-	-	-	-	-
Total equipment	<u>6,370</u>	<u>1,090</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 1,275,622</u>	<u>\$ 134,189</u>	<u>\$ 429,555</u>	<u>\$ 899,746</u>	<u>\$ 170,338</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, 2017

(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	\$ 1,416,931	\$ 72,154	\$ 3,340	\$ 14,236	\$ 273,217
State sources	-	-	-	-	-
Federal sources	-	-	-	-	-
Total revenues	<u>1,416,931</u>	<u>72,154</u>	<u>3,340</u>	<u>14,236</u>	<u>273,217</u>
Expenditures:					
Instruction:					
Salaries of teachers	898,881	72,154	-	-	12,927
Other salaries/instruction	-	-	-	14,236	-
Purchased services	-	-	-	-	17,978
Other purchased services	-	-	-	-	-
Purchased professional services	-	-	-	-	-
Other purchased services	-	-	-	-	-
General supplies	2,322	-	-	-	2,002
Textbooks	-	-	-	-	-
Total instruction	<u>901,203</u>	<u>72,154</u>	<u>-</u>	<u>14,236</u>	<u>32,907</u>
Support services:					
Other support services - students - special:					
Other professional staff salaries	-	-	-	-	63,879
Secretarial/Clerical salaries	-	-	3,340	-	26,411
Purchased professional services	-	-	-	-	135,448
Other purchased services	-	-	-	-	-
Purchased technical services	-	-	-	-	-
Employee benefits	515,728	-	-	-	12,842
Travel	-	-	-	-	997
General supplies	-	-	-	-	733
Miscellaneous/Other objects	-	-	-	-	-
Total other support services - students - special	<u>515,728</u>	<u>-</u>	<u>3,340</u>	<u>-</u>	<u>240,310</u>
Equipment:					
Regular programs instruction	-	-	-	-	-
Non-instructional equipment	-	-	-	-	-
Total equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 1,416,931</u>	<u>\$ 72,154</u>	<u>\$ 3,340</u>	<u>\$ 14,236</u>	<u>\$ 273,217</u>

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Monmouth-Ocean Educational Services Commission
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2017

(Continued from prior page)

	N.J. Nonpublic Handicapped Services Chapter 193			N.J. Non Public Security	Total 2017
	Supplemental Instruction	Examination and Classification	Corrective Speech		
Revenues:					
Local sources	\$ 707,107	\$ 560,423	\$ 267,171	\$ 140,482	\$ 6,364,511
State sources	-	-	-	-	-
Federal sources	-	-	-	-	-
Total revenues	<u>707,107</u>	<u>560,423</u>	<u>267,171</u>	<u>140,482</u>	<u>6,364,511</u>
Expenditures:					
Instruction:					
Salaries of teachers	-	-	-	-	1,425,963
Other salaries/instruction	-	-	-	-	560,558
Purchased services	-	-	-	-	17,978
Other purchased services	-	-	-	-	-
Purchased professional services	-	-	-	-	-
Other purchased services	-	-	-	-	-
General supplies	-	-	-	-	76,066
Textbooks	-	-	-	-	429,555
Total instruction	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,510,120</u>
Support services:					
Other support services - students - special:					
Other professional staff salaries	-	-	-	-	63,879
Secretarial/Clerical salaries	580,588	-	267,171	-	877,510
Purchased professional services	-	560,423	-	12,648	1,743,051
Other purchased services	-	-	-	127,834	131,840
Purchased technical services	-	-	-	-	-
Employee benefits	126,519	-	-	-	925,008
Travel	-	-	-	-	997
Nursing Svcs	-	-	-	-	-
Miscellaneous purchased services	-	-	-	-	-
Purchased property services	-	-	-	-	-
General supplies	-	-	-	-	45,470
Miscellaneous/Other objects	-	-	-	-	59,176
Total other support services - students - special	<u>707,107</u>	<u>560,423</u>	<u>267,171</u>	<u>140,482</u>	<u>3,846,931</u>
Equipment:					
Regular programs instruction	-	-	-	-	7,460
Non-instructional equipment	-	-	-	-	-
Total equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,460</u>
Total expenditures	<u>\$ 707,107</u>	<u>\$ 560,423</u>	<u>\$ 267,171</u>	<u>\$ 140,482</u>	<u>\$ 6,364,511</u>

Monmouth-Ocean Educational Services Commission
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	<u>Unemployment Compensation Trust</u>	<u>Payroll Agency</u>	<u>Total Fund</u>
ASSETS			
Cash and cash equivalents	\$ 1,848	\$ 168,310	\$ 170,158
Intergovernmental Accounts Receivable	-	-	-
Interfund receivable	-	-	-
Total assets	<u>1,848</u>	<u>168,310</u>	<u>170,158</u>
LIABILITIES			
Accounts payable	-	-	-
Payroll deductions and withholdings	-	168,310	168,310
Payable to student groups	-	-	-
Interfund payable	-	-	-
Due to County Office	-	-	-
Total liabilities	<u>-</u>	<u>168,310</u>	<u>168,310</u>
NET POSITION			
Held in trust for unemployment claims and other purposes	1,848	-	1,848
Reserved for scholarships	-	-	-
Total net position	<u>1,848</u>	<u>-</u>	<u>1,848</u>
Total liabilities and net position	<u>\$ 1,848</u>	<u>\$ 168,310</u>	<u>\$ 170,158</u>

**Monmouth-Ocean Educational Services Commission
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2017**

	<u>Unemployment Compensation Trust</u>
ADDITIONS	
Contributions:	
Plan member	\$ -
Other	-
Total contributions	-
Investment earnings:	
Net increase (decrease) in fair value of investments	-
Interest	10
Dividends	-
Less investment expense	-
Net investment earnings	10
Total additions	10
DEDUCTIONS	
Quarterly contribution reports	-
Unemployment claims	-
Scholarships awarded	-
Refunds of contributions	-
Administrative expenses	-
Total deductions	-
Change in net position	10
Net position—beginning of the year	1,838
Net position—end of the year	\$ 1,848

Monmouth-Ocean Educational Services Commission
 Payroll Agency Fund
 Schedule of Receipts and Disbursements
 For the Fiscal Year ended June 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
Payroll deductions and withholdings	\$ 113,117	16,491,718	16,436,525	\$ 168,310

Monmouth-Ocean Educational Services Commission
Long-Term Debt
Statement of Obligations Under Capital Lease
June 30, 2017

<u>Series</u>	<u>Date of Lease</u>	<u>Amount of Original Lease Principal</u>	<u>Interest Rate</u>	<u>Amount Outstanding June 30, 2016</u>	<u>Issued Current Year</u>	<u>Cancelled Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding June 30, 2017</u>
Computer Lease	03/17/14	\$ 52,361	6.25%	\$ 24,127	\$ -	\$ -	\$ 13,500	\$ 10,627
				<u>\$ 24,127</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,500</u>	<u>\$ 10,627</u>

Monmouth-Ocean Educational Services Commission
 Long-Term Debt
 Statement of Obligations-Notes Payable
 June 30, 2017

<u>Series</u>	<u>Date of Loan</u>	<u>Amount of Original Loan Principal</u>	<u>Interest Rate</u>	<u>Amount Outstanding June 30, 2016</u>	<u>Issued Current Year</u>	<u>Cancelled Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding June 30, 2017</u>
Chapter 192/193 loan	07/01/11	\$ 187,158	0.00%	\$ 80,210	\$ -	\$ -	\$ 26,737	\$ 53,473
				<u>\$ 80,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,737</u>	<u>\$ 53,473</u>

STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
<p>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.</p>	92-96
<p>Revenue Capacity These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.</p>	N/A
<p>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</p>	N/A
<p>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</p>	N/A
<p>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.</p>	97

***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 Eight Fiscal Years
UNAUDITED
 (accrual basis of accounting)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Governmental activities								
Invested in capital assets, net of related debt	\$ 6,365,255	\$ 6,219,674	\$ 6,065,693	\$ 5,952,522	\$ 5,804,922	\$ 6,780,041	6,693,335.00	\$ 6,598,874
Restricted	87,760	-	-	-	-	-	-	-
Unrestricted	5,398,001	3,590,203	3,427,538	3,152,093	2,466,308	(4,550,848)	(4,660,516.00)	(4,013,225)
Total governmental activities net position	\$ 11,851,016	\$ 9,809,877	\$ 9,493,231	\$ 9,104,615	\$ 8,271,230	\$ 2,229,193	\$ 2,032,819	\$ 2,585,649
Business-type activities								
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -
Restricted	-	-	-	-	-	-	-	-
Unrestricted	(590,218)	(617,820)	(581,071)	(378,349)	(77,238)	7,133	6,914.00	17,504
Total business-type activities net position	\$ (590,218)	\$ (617,820)	\$ (581,071)	\$ (378,349)	\$ (77,238)	\$ 7,133	\$ 6,914	\$ 17,504
District-wide								
Invested in capital assets, net of related debt	\$ 6,365,255	\$ 6,219,674	\$ 6,065,693	\$ 5,952,522	\$ 5,804,922	\$ 6,780,041	6,693,335.00	\$ 6,598,874
Restricted	87,760	-	-	-	-	-	-	-
Unrestricted	4,807,783	2,972,383	2,846,467	2,773,744	2,389,070	(4,543,715)	(4,653,602.00)	(3,995,721)
Total district net position	\$ 11,260,798	\$ 9,192,057	\$ 8,912,160	\$ 8,726,266	\$ 8,193,992	\$ 2,236,326	\$ 2,039,733	\$ 2,603,153

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

	2010	2011	2012	2013	2014	2015	2016	2017
Expenses								
Governmental activities								
Current:								
Regular instruction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special schools instruction	2,127,406	2,580,709	1,916,321	1,220,935	2,931,500	(3,596,451)	(4,263,659)	(3,584,026)
Other special instruction	-	-	-	-	-	-	-	-
Other instruction	1,895,427	1,729,487	700,346	419,812	722,190	-	-	-
Nonpublic school programs	2,837,352	2,745,839	2,753,927	1,319,349	1,567,359	-	-	-
Support services and undistributed costs:								
Student & instruction related services	6,135,936	4,556,036	4,183,388	6,195,546	5,676,957	(5,839)	-	-
Attendance	-	-	-	-	-	(43,477)	(48,886)	(50,353)
Health services	-	-	-	-	-	(16,013)	(28,085)	(28,477)
Other support services	-	-	-	-	-	(3,840,300)	(3,062,042)	(3,942,945)
Educational media services	-	-	-	-	-	-	-	-
Instruction staff training	-	-	-	-	-	(3,303)	(2,699)	(3,701)
School administrative services	2,018,769	2,313,774	1,501,498	1,257,094	1,212,378	(969,061)	(785,768)	(894,008)
Central services	-	-	-	-	-	-	-	-
General administrative services	2,551,449	2,462,544	2,554,531	2,491,667	2,423,408	(944,344)	(966,248)	(870,028)
Admin info technology	-	-	-	-	-	(865,487)	(831,416)	(1,002,528)
Allowed maintenance for school facilities	-	-	-	-	-	-	-	-
Other operation & maintenance of plant	721,788	864,334	462,785	445,364	582,701	(748,797)	(552,738)	(563,019)
Care & upkeep of grounds	-	-	-	-	-	(70,815)	(41,860)	(41,640)
Pupil transportation	25,129,927	23,673,482	25,560,539	28,724,628	30,504,256	(30,822,701)	(32,024,563)	(36,425,335)
Business and other support services	-	-	-	-	-	-	-	-
Unallocated employee benefits	-	-	-	-	-	(1,513,948)	(2,197,619)	(1,668,043)
Non-budgeted expenditures	-	-	-	-	-	(440,618)	(534,046)	(533,260)
Special schools	240,748	35,713	256,880	274,926	316,788	(242,791)	(236,362)	(182,699)
Interest on long-term debt	14,266	4,275	-	-	-	-	-	-
Amortization of bond issuance costs	5,000	2,917	-	-	-	-	-	-
Unallocated depreciation	119,770	116,801	116,801	116,801	116,801	-	-	-
Total governmental activities expenses	43,797,838	41,085,911	40,007,016	42,466,122	46,054,338	(44,123,945)	(45,575,991)	(49,790,062)
Business-type activities:								
Enterprise								
	\$ 1,204,580	\$ 1,004,538	\$ 864,215	\$ 653,253	\$ 616,573	\$ 3,339,615	\$ 3,081,705	\$ 3,853,435
Total business-type activities expense	1,204,580	1,004,538	864,215	653,253	616,573	3,339,615	3,081,705	3,853,435
Total district expenses	\$ 45,002,418	\$ 42,090,449	\$ 40,871,231	\$ 43,119,375	\$ 46,670,911	\$ (40,784,330)	\$ (42,494,286)	\$ (45,936,627)
Program Revenues								
Governmental activities:								
Charges for services:								
Instruction (tuition)	\$ 4,456,916	\$ 3,751,061	\$ 3,844,414	\$ 4,148,294	\$ 4,934,634	\$ 2,400,701	\$ 2,897,257	\$ 2,606,267
Pupil transportation	25,932,362	24,469,459	26,355,482	29,702,494	31,541,096	32,023,696	33,253,945	37,881,761
Central and other support services	-	-	-	-	-	-	-	-
Operating grants and contributions	7,697,206	8,141,944	6,600,733	6,170,580	6,124,591	6,410,959	6,200,209	6,364,511
Capital grants and contributions	-	-	-	-	-	-	-	-
Total governmental activities program revenues	38,086,484	36,362,464	36,800,629	40,021,368	42,600,321	40,835,356	42,351,411	46,852,539
Business-type activities:								
Charges for services								
Enterprise								
	1,205,982	967,592	897,618	847,824	904,860	4,615,448	4,230,114	5,328,694
Operating grants and contributions	3,984	5,022	1,971	2,351	9,011	17,916	20,294	13,439
Capital grants and contributions	-	-	-	-	-	-	-	-
Total business type activities program revenues	1,209,966	972,614	899,589	850,175	913,871	4,633,364	4,250,408	5,342,133
Total district program revenues	39,296,450	37,335,078	37,700,218	40,871,543	43,514,192	45,468,720	46,601,819	52,194,672
Net (Expense)/Revenue								
Governmental activities	(5,711,354)	(4,723,447)	(3,206,387)	(2,444,754)	(3,454,017)	(3,288,589)	(3,224,580)	(2,937,523)
Business-type activities	5,386	(31,924)	35,374	196,922	297,298	1,293,749	1,168,703	1,488,698
Total district-wide net expense	(5,705,968)	(4,755,371)	(3,171,013)	(2,247,832)	(3,156,719)	(1,994,840)	(2,055,877)	(1,448,825)
General Revenues and Other Changes in Net Position								
Governmental activities:								
On-behalf and TPAF aid	781,664	702,469	741,319	708,083	530,057	440,618	534,046	533,260
Miscellaneous income	2,195,829	1,979,778	2,149,750	1,353,856	2,094,388	384,006	1,025,238	1,478,985
Other	9,991	4,382	48	-	-	2,411,215	300,000	-
Capital Contributions/(Transfers)	(1,742)	(4,322)	(1,375)	(5,800)	(3,813)	892,167	1,168,922	1,478,108
Total governmental activities	2,985,742	2,682,307	2,889,742	2,056,139	2,620,632	4,128,006	3,028,206	3,490,353
Business-type activities:								
Investment earnings								
Transfers	1,742	4,322	1,375	5,800	3,813	(892,122)	(1,168,922)	(1,478,108)
Total business-type activities	1,742	4,322	1,375	5,800	3,813	(892,122)	(1,168,922)	(1,478,108)
Total district-wide	2,987,484	2,686,629	2,891,117	2,061,939	2,624,445	3,235,884	1,859,284	2,012,245
Change in Net Position								
Governmental activities	(2,725,612)	(2,041,140)	(316,645)	(388,615)	(833,385)	839,417	(196,374)	552,830
Business-type activities	7,128	(27,602)	36,749	202,722	301,111	401,627	(219)	10,590
Total district	\$ (149,336)	\$ (2,068,742)	\$ (279,896)	\$ (185,893)	\$ (532,274)	\$ 1,241,044	\$ (196,593)	\$ 563,420

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Fund								
Reserved	\$ 1,253	\$ 1,253	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	5,150,938	3,095,051	2,847,027	2,372,380	2,162,391	2,917,389	3,380,292	4,194,863
Total general fund	<u>\$ 5,152,191</u>	<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>	<u>\$ 4,194,863</u>
All Other Governmental Funds								
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:								
Special revenue fund	-	-	-	-	-	-	-	-
Capital projects fund	87,760	-	-	-	-	-	-	-
Debt service fund	-	-	-	-	-	-	-	-
Permanent fund	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 87,760</u>	<u>\$ -</u>	<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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
District charges	\$ 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	\$ 6,364,511
Transportation fees	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	37,881,761
Tuition charges	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	2,606,267
Interest earnings	282,228	42,009	9,991	4,382	48	-	-	-	-	-
Interest earned on capital reserve funds	-	-	-	-	-	-	-	-	3,766	3,122
Miscellaneous	83,533	178,722	5,624,527	1,979,778	2,149,750	1,353,856	2,098,437	350,407	507,898	450,595
State sources	1,213,884	993,050	908,664	1,046,555	863,162	708,083	530,057	440,618	534,046	533,260
Federal sources	29,929	270,382	5,804	1,901	-	-	-	-	-	-
Total revenue	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	47,839,516
Expenditures										
Current:										
Regular instruction	2,063	1,525,979	1,494,579	2,162,380	1,541,239	1,372,184	1,420,863	-	-	-
Special education instruction	2,283,498	1,213,983	1,206,635	1,237,586	495,484	325,296	510,105	3,596,451	4,263,659	3,584,026
Other special instruction	467,937	-	-	-	-	-	-	-	-	-
Other instruction	-	-	-	-	-	-	-	-	-	-
Nonpublic school programs	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	50,353
Health services	-	-	-	-	-	-	-	16,013	28,085	28,477
Other support services	-	-	-	-	-	-	-	3,840,300	3,062,042	3,942,945
Educational media services	-	-	-	-	-	-	-	-	-	-
Instruction staff training	-	-	-	-	-	-	-	3,303	2,699	3,701
Student & inst. Related services	3,149,563	3,926,862	4,380,870	3,246,376	2,975,093	4,642,045	2,558,359	-	-	-
General administrative services	1,037,234	1,355,287	2,064,423	1,788,555	1,816,238	1,748,197	1,682,297	969,061	785,768	894,008
School administrative services	1,746,002	640,311	1,526,989	1,539,782	1,003,405	806,783	767,800	944,344	966,248	870,028
Other administrative	-	-	-	-	-	-	-	865,487	831,416	1,002,528
Information technology	-	-	-	-	-	-	-	-	-	-
Allowed maintenance for school facilities	-	-	-	-	-	-	-	-	-	-
Other operation & maintenance of plant	1,029,272	562,686	650,475	656,064	433,527	414,512	543,938	355,288	327,671	316,728
Care & upkeep of grounds	-	-	-	-	-	-	-	70,815	41,860	41,640
Security	-	-	-	-	-	-	-	86,737	43,116	44,462
Student transportation services	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	36,425,335
Business and other support services	-	-	-	-	-	-	-	-	-	-
Unallocated employee benefits	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	1,500,763
Non-budgeted expenditures	-	-	-	-	-	-	-	440,618	534,046	533,260
Miscellaneous	128,482	111,805	9,446	553,453	51	52,519	-	-	-	-
Transfer to cover food service deficit	-	-	-	-	-	-	-	-	874	26,971
Special schools	145,463	180,199	151,906	23,645	1/0,316	1/4,444	19/,319	242/,91	236,362	182,699
Debt service:										
Principal	-	-	-	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-	-	-	-
Capital outlay	2,313,765	551,547	310,551	386,983	28,488	41,003	84,377	247,133	99,301	108,501
Total expenditures	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	49,556,425
Excess (Deficiency) of revenues over (under) expenditures	(2,788,792)	(847,097)	643,775	(2,139,325)	(247,902)	(629,268)	(258,537)	(2,548,384)	(1,524,523)	(1,716,909)
Other Financing sources (uses)										
Bond proceeds	-	-	-	-	-	-	-	-	-	-
NJ DOE Audit payable	-	-	-	-	-	160,421	-	-	-	-
Capital leases (non-budgeted)	-	-	-	-	-	-	52,361	-	-	-
Reclass of capital projects transfer	-	-	-	-	-	-	-	-	-	-
Bond refunding premium and transfers	-	-	-	-	-	-	-	-	-	-
Transfers in	2,193,078	577,000	40,538	-	-	-	-	892,167	1,987,426	2,531,480
Transfers out	(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)	2,664	(4,757)	38,796	(4,322)	(1,375)	154,621	48,548	3,303,382	1,987,426	2,531,480
Net change in fund balances	(2,786,128)	(851,854)	682,571	(2,143,647)	(249,277)	(474,647)	(209,989)	754,998	462,903	814,571
Debt service as a percentage of noncapital expenditures	0.00%	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
2017	\$ 3,122	\$ -	\$ 2,531,480	\$ -	\$ 264,615	\$ 185,980	\$ 2,985,197
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	3,122	-	124,311	-	20,600	41,069	189,102

Source: District records

Monmouth-Ocean Educational Services Commission
INSURANCE SCHEDULE
JUNE 30, 2017
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 November 15, 2017.

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

November 15, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE AND NEW JERSEY OMB CIRCULAR 15-08**

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

Report on Compliance for Each Major Federal and State Program

We have audited Monmouth-Ocean Educational Services Commission's compliance with the types of compliance requirements described in the OMB Compliance Supplement and the New Jersey OMB Circular 15-08 that could have a direct and material effect on each of Monmouth-Ocean Educational Services Commission's major federal programs for the year ended June 30, 2017. Monmouth-Ocean Educational Services Commission's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Monmouth-Ocean Educational Services Commission's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, the Uniform Guidance and the New Jersey OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about Monmouth-Ocean Educational Services Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of Monmouth-Ocean Educational Services Commission's compliance.

Opinion on Each Major Federal and State Program

In our opinion, Monmouth-Ocean Educational Services Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Monmouth-Ocean Educational Services Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Monmouth-Ocean Educational Services Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the New Jersey OMB 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Monmouth-Ocean Educational Services Commission's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and New Jersey State OMB Circular 15-08. Accordingly, this report 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

November 15, 2017

Monmouth-Ocean Educational Services Commission
 Schedule of Expenditures of Federal Awards
 for the Fiscal Year ended June 30, 2017

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Balance at June 30, 2016</u>	<u>Carryover Amount</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Repayment of Prior Years' Balances</u>	<u>Deferred Revenue at June 30, 2017</u>	<u>(Accounts Receivable) at June 30, 2017</u>	<u>Due to Grantor at June 30, 2017</u>
U.S. Department of Agriculture Passed-through State Department of Education:											
Enterprise Fund:											
National School Lunch Program	10.555	7/1/15-6/30/16	\$ 12,298	\$ (1,091)	\$ -	\$ 1,091	\$ -	\$ -	\$ -	\$ -	\$ -
National School Lunch Program	10.555	7/1/16-6/30/17		-	-	11,685	(11,685)	-	-	-	-
School Breakfast Program	10.553	7/1/15-6/30/16	7,765	(691)	-	691	-	-	-	-	-
Total Enterprise Fund				(1,782)	-	13,467	(11,685)	-	-	-	-
Total Expenditures of Federal Financial Awards				\$ (1,782)	\$ -	\$ 13,467	\$ (11,685)	\$ -	\$ -	\$ -	\$ -

See accompanying notes to schedules of expenditures.

Monmouth-Ocean Educational Services Commission
for the Fiscal Year ended June 30, 2017

State Grantor/ Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2016	Carryover Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Deferred Revenue at June 30, 2017	(Accounts Receivable) at June 30, 2017	Due to Grantor at June 30, 2017	MEMO	
												Budgetary Receivable	Total Expenditures
State Department of Agriculture:													
Enterprise Fund:													
National School Lunch Program (State Share)	17-100-034-5120-122	7/1/16-6/30/17	\$ 1,754	\$ -	\$ -	\$ 1,733	\$ (1,754)	\$ -	\$ -	\$ (21)	\$ -	\$ (21)	\$ 1,754
National School Lunch Program (State Share)	16-100-034-5120-122	7/1/15-6/30/16	231	(22)	-	22	-	-	-	-	-	-	-
Total Enterprise Fund				(22)	-	1,755	(1,754)	-	-	(21)	-	(21)	1,754
State Department of Education:													
General Fund:													
On-Behalf TPAF Pension Contribution	17-100-034-5095-002	7/1/16-6/30/17	341,213	-	-	341,213	(341,213)	-	-	-	-	-	341,213
On-Behalf TPAF Post-Retirement Medical	17-100-034-5095-001	7/1/16-6/30/17	284,308	-	-	284,308	(284,308)	-	-	-	-	-	284,308
On-Behalf TPAF Long-Term Disability Insurance	17-100-034-5095-004	7/1/16-6/30/17	888	-	-	888	(888)	-	-	-	-	-	888
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	7/1/16-6/30/17	248,064	-	-	235,908	(248,064)	-	-	(12,156)	-	(12,156)	248,064
Reimbursed TPAF Social Security Contributions	16-495-034-5094-003	7/1/15-6/30/16	294,295	(13,300)	-	13,300	-	-	-	-	-	-	-
Total General Fund				(13,300)	-	875,617	(874,473)	-	-	(12,156)	-	(12,156)	874,473
Total State Financial Assistance For Single Audit Determination				\$ (13,322)	-	877,372	(876,227)	-	-	(12,177)	-	(12,177)	876,227
State Financial Assistance Not Subject to Major Program Determination				-	-	(626,409)	626,409	-	-	-	-	-	(341,213)
Total State Financial Assistance For Major Program Determination				\$ (13,322)	-	250,963	(249,818)	-	-	(12,177)	-	(12,177)	535,014

See accompanying notes to schedules of expenditures.

Monmouth-Ocean Educational Services Commission
Notes to Schedules of Awards and Financial Assistance
June 30, 2017

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, 2017

3. Relationship to General Purpose Financial Statements (continued)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$341,213) 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	\$ -	533,260	\$ 533,260
Special Revenue Fund	-	-	-
Debt Service Fund	-	-	-
Food Service Fund	<u>11,685</u>	<u>1,754</u>	<u>13,439</u>
Total awards and financial assistance	<u>\$ 11,685</u>	<u>535,014</u>	<u>\$ 546,699</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, 2017. 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, 2017.

Monmouth-Ocean Educational Services Commission

Notes to Schedules of Awards and Financial Assistance (continued)

June 30, 2017

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, 2017

Section I - Summary of Auditor's Results (continued)

State Awards Section -

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
495-034-5094-003	Reimbursed TPAF Social Security

Section II - Financial Statement Findings

No matters were reported for the period ended June 30, 2017.

Prior Year Audit Findings - N/A

Section III - State Award Findings and Questioned Costs

No matters were reported for the period ended June 30, 2017.

Monmouth-Ocean Educational Services Commission

Summary Schedule of Prior Audit Findings

June 30, 2017

There were no prior year findings for the period ended June 30, 2016.