

Monmouth-Ocean
Educational Services
Commission

Board of Directors
Tinton Falls, New Jersey

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2018

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, 2018

Prepared by

Monmouth-Ocean Educational Services Commission
Finance Department

OUTLINE FOR COMPREHENSIVE ANNUAL FINANCIAL REPORT

	Page
INTRODUCTORY SECTION	
Letter of Introduction	1-5
Organizational Chart	6
Roster of Officials	7
Consultants and Advisors	8
FINANCIAL SECTION	
Independent Auditor's Report	10-12
Required Supplementary Information - Part I	
Management's Discussion and Analysis	14-23
Basic Financial Statements	
A. Commission-wide Financial Statements	
A-1 Statement of Net Position	25
A-2 Statement of Activities	26
B. Fund Financial Statements	
Governmental Funds	
B-1 Balance Sheet	27
B-2 Statement of Revenues, Expenditures and Changes in Fund Balance	28
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances Of Governmental Funds to the Statement of Activities	29
Proprietary Funds	
B-4 Statement of Net Position	30-33
B-5 Statement of Revenues, Expenses and Changes in Fund Net Positions	34-37
B-6 Statement of Cash Flows	38
Fiduciary Funds	
B-7 Statement of Fiduciary Net Position	39
B-8 Statement of Changes in Fiduciary Net Position	40
Notes to the Financial Statements	41-74

OUTLINE FOR COMPREHENSIVE ANNUAL FINANCIAL REPORT

Required Supplementary Information - Part II

C.	Budgetary Comparison Schedules	
	C-1 Budgetary Comparison Schedule - General Fund	76-78
	C-1a Combining Schedule of Revenues, Expenditures, and Changes In Fund Balance - Budget and Actual	N/A
	C-1b Community Development Block Grant - Budget and Actual	N/A
	C-2 Budgetary Comparison Schedule - Special Revenue Fund	79

Notes to the Required Supplementary Information - Part II

	C-3 Budget-to-GAAP Reconciliation	80
--	-----------------------------------	----

Required Supplementary Information - Part III

L.	Schedules Related to Accounting and Reporting for Pensions (GASB 68)	
	L-1 Schedule of the District's Proportionate Share of the Net Pension Liability - PERS	82
	L-2 Schedule of District Contributions - PERS	83
	L-3 Schedule of the District's Proportionate Share of the Net Pension Liability - TPAF	84
M.	Schedules Related to Accounting and Reporting for Postemployment Benefits Other Than Pensions	
	M-1 Schedule of Changes in the Total OPEB Liability and Related Ratios	85

Notes to the Required Supplementary Information - Part III

Other Supplementary Information

D.	School Based Budget Schedules	
	D-1 Combining Balance Sheet	N/A
	D-2 Blended Resource Fund - Schedule of Expenditures Allocated by Resource Type - Actual	N/A
	D-3 Blended Resource Fund - Schedule of Blended Expenditures Budget and Actual	N/A
E.	Special Revenue Fund	
	E-1 Combining Schedules of Program Revenues and Expenditures, Special Revenue Fund - Budgetary Basis	90-92
	E-2 Preschool Education Aid Schedule of Expenditures - Budgetary Basis	N/A

OUTLINE FOR COMPREHENSIVE ANNUAL FINANCIAL REPORT

F.	Capital Projects Fund	
	F-1 Summary Statement of Project Expenditures	N/A
	F-2 Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis	N/A
	F-2a through F-2d Schedule of Project Revenues, Expenditures, Project Balance, and Project Status - Budgetary Basis	N/A
G.	Proprietary Funds	
	Enterprise Fund	
	G-1 Combining Schedule of Net Position	N/A
	G-2 Combining Schedule of Revenues, Expenses and Changes in Fund Net Position	N/A
	G-3 Combining Schedule of Cash Flows	N/A
H.	Fiduciary Funds	
	H-1 Combining Statement of Fiduciary Net Position	96
	H-2 Combining Statement of Changes in Fiduciary Net Position	97
	H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	N/A
	H-4 Payroll Agency Fund Schedule of Receipts and Disbursements	98
	H-5 Private Purpose Scholarship Fund Schedule of Receipts and Disbursements	N/A
I.	Long-Term Debt	
	I-1 Schedule of Serial Bonds	N/A
	I-2 Schedule of Obligations Under Capital Leases	100
	I-3 Statement of Loans Payable - N.J.E.D.A.	101
	I-4 Debt Service Fund Budgetary Comparison Schedule	N/A

STATISTICAL SECTION (Unaudited)

Introduction to the Statistical Section

Financial Trends		
J-1	Net Assets/Position by Component	104
J-2	Changes in Net Asset/NetPosition	105
J-3	Fund Balances - Governmental Funds	106
J-4	Changes in Fund Balances - Governmental Funds	107
J-5	General Fund Other Local Revenue by Source	108
Revenue Capacity		
J-6	Assessed Value and Estimated Actual Value of Taxable Property	N/A
J-7	Direct and Overlapping Property Tax Rates	N/A
J-8	Principal Property Taxpayers	N/A
J-9	Property Tax Levies and Collections	N/A
Debt Capacity		
J-10	Ratios of Outstanding Debt by Type	N/A
J-11	Ratios of General Bonded Debt Outstanding	N/A
J-12	Direct and Overlapping Governmental Activities Debt	N/A
J-13	Legal Debt Margin Information	N/A

OUTLINE FOR COMPREHENSIVE ANNUAL FINANCIAL REPORT

Demographic and Economic Information	
J-14 Demographic and Economic Statistics	N/A
J-15 Principal Employers	N/A
Operating Information	
J-16 Full-time Equivalent District Employees by Function/Program	N/A
J-17 Operating Statistics	N/A
J-18 School Building Information	N/A
J-19 Schedule of Required Maintenance Expenditures by School Facility	N/A
J-20 Insurance Schedule	109

SINGLE AUDIT SECTION

K-1 Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	111-112
K-2 Independent Auditor's Report on Compliance for Each Major Program And on Internal Control Over Compliance Required by the Uniform Guidance and New Jersey OMB Circular Letter 15-08	113-115
K-3 Schedule of Expenditures of Federal Awards, Schedule A	116
K-4 Schedule of Expenditures of State Financial Assistance, Schedule B	117
K-5 Notes to the Schedules of Awards and Financial Assistance	118-119
K-6 Summary of Findings and Questioned Costs	120-121
K-7 Summary Schedule of Prior Audit Findings	122

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

December 12, 2018

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, 2018, 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 2022.

During the 2018-2019 school year, in an effort to bring new business and offerings to our districts we will continue 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.

MOESC, in the Spring of 2019, will begin to offer districts the Cyber Insurance for student and employee records 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,

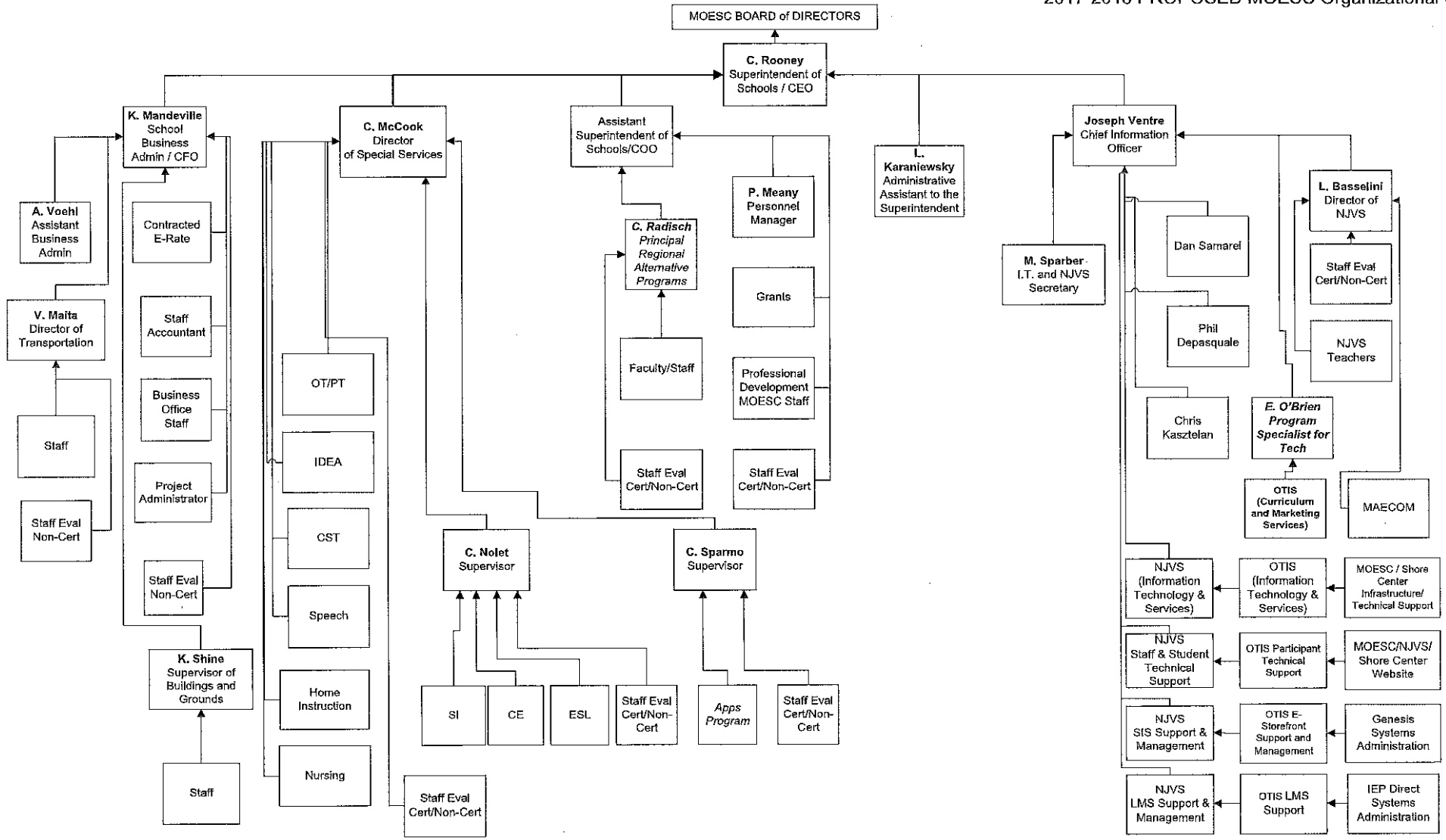


Christopher Rooney
Superintendent



Kathleen Mandeville
Board Secretary/School
Business Administrator

2017-2018 PROPOSED MOESC Organizational Chart



orgchart34.vsd

NOTE: Italics indicates changes from 2016-2017 Organizational Chart

Board Approved:

Monmouth-Ocean Educational Services Commission
Tinton Falls, New Jersey

Roster of Officials
June 30, 2018

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Dr. William George, President	2018
Mr. Timothy McCorkell, Vice President	2018
Ms. Christine Carlson	2018
Dr. Richard Fitzpatrick	2018
Mrs. Loren Fuhring	2018
Mr. David Healy	2018
Dr. Carolyn Kossack	2018
Mr. Gerald North	2018
Dr. John Marciante,	2018
Mr. Timothy McCorkell	2018
Dr. Peter Morris	2018
Dr. Lamont Repollet	2018
Mr. John Russo	2018
Mr. Vincent Smith	2018
Dr. James Stefankiewicz	2018

Other Officials

Mr. Christopher Rooney, Superintendent

Mrs. Kathleen Mandeville, Board Secretary/School Business Administrator

Mrs. Viola Lordi, 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

Wilentz, Goldman & Spitzer
90 Woodbridge Center Drive
Woodbridge, New Jersey 07095

Official Depositories

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, 2018, 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, 2018 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.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 to the basic financial statements, in 2018, the Board adopted Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (an Amendment of GASB Statement No. 45). Our opinions are not modified with respect to this matter.

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, and the schedules related to accounting and reporting for pensions and post-retirement benefits, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of 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.

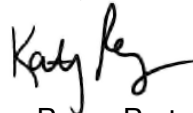
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 31, 2019 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

January 31, 2019

REQUIRED SUPPLEMENTARY INFORMATION - PART I

Monmouth-Ocean Educational Services Commission

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

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, 2018. 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, 2018 are as follows:

Net position totaled \$1,569,658, which represents a (39.70) percent increase from June 30, 2017.

General revenues accounted for \$2,673,868 in revenue or 4.58 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 \$55,770,325 or 95.42 percent of total revenues of \$58,444,193.

Total assets increased by \$2,059,314 as current assets increased by \$2,139,711 and capital assets, net decreased by \$(80,397).

The Commission had \$59,477,688 in expenses; \$55,770,325 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily fees) of \$2,673,868 were adequate to provide for these programs.

Among major funds, the General Fund had \$47,288,234 in revenues and \$47,491,141 in expenditures and transfers. The General Fund's balance increased \$(202,907) over June 30, 2017. The General Fund's balance is \$3,991,956.

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, 2018?" The Statement of Net Position and the Statement of Activities provides the summary. The statements include all assets, liabilities, deferred outflows of resources, and deferred inflows of resources 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, 2018 and 2017.

Table 1

Net Position as of June 30, 2018 and June 30, 2017

	June 30, 2018			June 30, 2017		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Assets:						
Current and other assets	\$ 9,236,998	\$ 1,464,282	\$ 10,701,280	\$ 8,355,920	\$ 205,649	\$ 8,561,569
Capital assets, net	6,582,577	-	6,582,577	6,662,974	-	6,662,974
Total assets	15,819,575	1,464,282	17,283,857	15,018,894	205,649	15,224,543
Deferred outflow of resources	4,296,738	-	4,296,738	5,837,143	-	5,837,143
Liabilities:						
Current liabilities	5,245,042	1,459,058	6,704,100	4,161,057	188,145	4,349,202
Long-term liabilities outstanding	11,103,759	-	11,103,759	14,109,331	-	14,109,331
Total liabilities	16,348,801	1,459,058	17,807,859	18,270,388	188,145	18,458,533
Deferred inflow of resources	2,203,078	-	2,203,078	-	-	-
Net position:						
Net investment in capital assets	6,555,841	-	6,555,841	6,598,874	-	6,598,874
Restricted	-	-	-	-	-	-
Unrestricted	(4,991,407)	5,224	(4,986,183)	(4,013,225)	17,504	(3,995,721)
Total Net Position	\$ 1,564,434	\$ 5,224	\$ 1,569,658	\$ 2,585,649	\$ 17,504	\$ 2,603,153

The Commission's combined net position was \$1,569,658 on June 30, 2018. This is a change of (39.70)% from the previous year.

Table 2 provides a comparison analysis of Commission's changes in net position from fiscal years June 30, 2018 and 2017.

Table 2

Changes in Net Position

	June 30, 2018			June 30, 2017		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues						
Program revenues:						
Charges for services	\$48,489,675	\$ 6,658,966	\$55,148,641	\$44,246,272	\$ 5,328,694	\$49,574,966
Operating and capital grants and contributions	621,684	-	621,684	533,260	13,439	546,699
General revenues:						
Transfers	1,922,876	(1,922,876)	-	1,478,108	(1,478,108)	-
Federal and state aid	-	-	-	-	-	-
Investment earnings	-	-	-	-	-	-
Miscellaneous	2,673,868	-	2,673,868	4,085,252	-	4,085,252
Total revenues	53,708,103	4,736,090	58,444,193	50,342,892	3,864,025	54,206,917
Expenses						
Instructional services	3,501,486	-	3,501,486	3,584,026	-	3,584,026
Support services	51,227,832	4,748,370	55,976,202	46,206,036	3,853,435	50,059,471
Interest on long-term liabilities	-	-	-	-	-	-
Total expenses	54,729,318	4,748,370	59,477,688	49,790,062	3,853,435	53,643,497
Change in net position	(1,021,215)	(12,280)	(1,033,495)	552,830	10,590	563,420
Net position - beginning	2,585,649	17,504	2,603,153	2,032,819	6,914	2,039,733
Net position (deficit) - ending	\$ 1,564,434	\$ 5,224	\$ 1,569,658	\$ 2,585,649	\$ 17,504	\$ 2,603,153

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, 2018

Business-Type Activities

Revenues for the District's business-type activities (adult school and district outsourcing) was earned from charges for services.

Total Enterprise Fund revenues exceeded expenses by \$(12,280).

Charges for services represent \$6,658,966 of revenue. This represents the amount paid by school districts for outsourcing of services.

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

	2018		2017	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$ 3,501,486	\$ 996,126	\$ 3,584,026	\$ 1,073,906
Support Services:				
Pupils and Instructional Staff	4,874,912	296,905	4,741,435	361,244
General Administration, School Administration, Business Operation and Maintenance of Facilities	5,835,575	5,835,575	5,039,266	5,031,806
Pupil Transportation	40,517,345	(1,510,647)	36,425,335	(1,456,426)
Interest and Fiscal Charges	-	-	-	-
Total Expenses	<u>\$ 54,729,318</u>	<u>\$ 5,617,959</u>	<u>\$ 49,790,062</u>	<u>\$ 5,010,530</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 for school districts.

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

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 other districts where services are provided. 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, 2018, it reported a combined fund balance of \$3,991,956, which is an increase of \$(202,907). 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, 2018.

<u>Revenue</u>	<u>2018 Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) from 2017</u>	<u>Percent of Increase/ (Decrease)</u>
Local Sources	\$ 50,947,935	98.79 %	\$ 3,641,679	7.70 %
State Sources	621,684	1.21	88,424	16.58
Federal Sources	-	-	-	DIV/0
Total	\$ <u>51,569,619</u>	<u>100.00 %</u>	\$ <u>3,730,103</u>	<u>7.80 %</u>

The following schedule presents a summary of General Fund and Special Revenue Fund expenditures for the fiscal year ended June 30, 2018.

<u>Expenditures</u>	<u>2018 Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) from 2017</u>	<u>Percent of Increase/ (Decrease)</u>
Current Expense:				
Instruction	\$ 3,501,486	6.49 %	\$ (82,540)	(2.30)%
Undistributed Expenditures	50,058,935	92.78	4,195,037	9.15
Capital Outlay	392,403	0.73	283,902	261.66
Debt Service:				
Principal	-	-	-	DIV/0
Interest	-	-	-	DIV/0
Total	\$ <u>53,952,824</u>	<u>100.00 %</u>	\$ <u>4,396,399</u>	<u>8.87 %</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 \$1,884,920 better than had been budgeted in terms of expenditures. Revenue-wise, the General Fund was under budget by \$2,087,827. 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, 2018, the Commission had \$6,582,577 invested in land, buildings, and machinery and equipment.

Table 4

Capital Assets (Net of Depreciation) at June 30, 2018 and June 30, 2017

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Construction in Progress	22,725	22,725	-	-	22,725	22,725
Building and Improvements	6,320,848	6,421,712	-	-	6,320,848	6,421,712
Machinery and Equipment	239,004	218,537	-	-	239,004	218,537
Total	\$ 6,582,577	\$ 6,662,974	\$ -	\$ -	\$ 6,582,577	\$ 6,662,974

During the current fiscal year, \$131,035 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 and business-type activities:

	June 30, 2018	June 30, 2017
Loans Payable	\$ 26,736	\$ 53,473
Capital Leases payable	-	10,627
Pension Liability-PERS	10,953,920	13,943,879
Compensated Absences payable	<u>123,103</u>	<u>101,352</u>
Total long-term liabilities	\$ <u>11,103,759</u>	\$ <u>14,109,331</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 2017-2018 school year, the Commission was able to sustain its budget through the additional revenue sources. Approximately 1.21% of the Commission's revenue is from state (restricted and not restricted), while 98.79% of total revenue is from charges for operations.

The \$(4,991,407) 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 2017-2018 budget was adopted in March 2017 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 2018-2019 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 Activities
For the Fiscal Year Ended June 30, 2018**

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	\$ 3,501,486	\$ 2,505,360	\$ -	\$ -	\$ (996,126)	\$ -	\$ (996,126)
Support services and undistributed costs:							
Instruction	-	-	-	-	-	-	-
Attendance	60,092	-	-	-	(60,092)	-	(60,092)
Health services	28,709	-	-	-	(28,709)	-	(28,709)
Other support services	4,014,189	3,956,323	-	-	(57,866)	-	(57,866)
Instruction staff training	1,375	-	-	-	(1,375)	-	(1,375)
General administrative services	866,645	-	-	-	(866,645)	-	(866,645)
School administrative services	868,005	-	-	-	(868,005)	-	(868,005)
Information technology	947,468	-	-	-	(947,468)	-	(947,468)
Other operation & maintenance of plant	857,076	-	-	-	(857,076)	-	(857,076)
Care & upkeep of grounds	72,830	-	-	-	(72,830)	-	(72,830)
Student transportation services	40,517,345	42,027,992	-	-	1,510,647	-	1,510,647
Unallocated employee benefits	2,223,551	-	-	-	(2,223,551)	-	(2,223,551)
Non-budgeted expenditures	621,684	-	621,684	-	-	-	-
Special schools	148,863	-	-	-	(148,863)	-	(148,863)
Total governmental activities	<u>54,729,318</u>	<u>48,489,675</u>	<u>621,684</u>	<u>-</u>	<u>(5,617,959)</u>	<u>-</u>	<u>(5,617,959)</u>
Business-type activities:							
Enterprise funds	4,748,370	6,658,966	-	-	-	1,910,596	1,910,596
Total business-type activities	<u>4,748,370</u>	<u>6,658,966</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,910,596</u>	<u>1,910,596</u>
Total primary government	<u>\$ 59,477,688</u>	<u>\$ 55,148,641</u>	<u>\$ 621,684</u>	<u>\$ -</u>	<u>(5,617,959)</u>	<u>1,910,596</u>	<u>(3,707,363)</u>
General revenues:							
					2,074,120	-	2,074,120
					383,007	-	383,007
					216,741	-	216,741
					1,922,876	(1,922,876)	-
Total general revenues					<u>4,596,744</u>	<u>(1,922,876)</u>	<u>2,673,868</u>
Change in net position					(1,021,215)	(12,280)	(1,033,495)
Net position—beginning					2,585,649	17,504	2,603,153
Net positions—ending					<u>\$ 1,564,434</u>	<u>\$ 5,224</u>	<u>\$ 1,569,658</u>

See accompanying notes to the financial statements.

**Monmouth-Ocean Educational Services Commission
Balance Sheet
Governmental Funds
June 30, 2018**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 110,210	\$ 260,892	\$ 371,102
Receivables from state	11,382	-	11,382
Interfund receivables	-	-	-
Receivables from other	8,229,459	625,055	8,854,514
Total assets	<u>8,351,051</u>	<u>885,947</u>	<u>9,236,998</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	3,899,886	403,433	4,303,319
Contracts payable	-	-	-
Negative cash balance	459,209	-	459,209
Interfund payable	-	-	-
Payable to federal government	-	-	-
Payable to state government	-	482,514	482,514
Other liabilities	-	-	-
Unearned revenue	-	-	-
Total liabilities	<u>4,359,095</u>	<u>885,947</u>	<u>5,245,042</u>
Fund Balances:			
Unassigned to:			
General fund	<u>3,991,956</u>	-	3,991,956
Total Fund balances	<u>3,991,956</u>	-	3,991,956
Total liabilities and fund balances	<u>\$ 8,351,051</u>	<u>\$ 885,947</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 \$9,503,690 and the accumulated depreciation is \$2,921,113.	6,582,577
Deferred outflows related to the PERS pension plan	4,296,738
Deferred inflows related to the PERS pension plan	(2,203,078)
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>(11,103,759)</u>
Net Position of governmental activities	<u>\$ 1,564,434</u>

Monmouth-Ocean Educational Services Commission
Statement of Revenues, Expenditures, And Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Local sources:			
Tuition charges	\$ 2,074,120	\$ -	\$ 2,074,120
Transportation fees	42,027,992	-	42,027,992
Interest	50,621	-	50,621
Rental income	264,615	-	264,615
Miscellaneous	68,904	-	68,904
Total - Local sources	<u>44,486,252</u>	<u>-</u>	<u>44,486,252</u>
State sources	621,684	-	621,684
District sources	-	6,461,683	6,461,683
Total revenues	<u>45,107,936</u>	<u>6,461,683</u>	<u>51,569,619</u>
EXPENDITURES			
Current:			
Special education instruction	996,126	2,505,360	3,501,486
Undistributed - current:			
Attendance	60,092	-	60,092
Health services	28,709	-	28,709
Other support services	57,866	3,956,323	4,014,189
Instruction staff training	1,375	-	1,375
General administrative services	866,645	-	866,645
School administrative services	868,005	-	868,005
Information technology	947,468	-	947,468
Other operation & maintenance of plant	378,248	-	378,248
Care and upkeep of grounds	72,830	-	72,830
Security	44,525	-	44,525
Student transportation services	40,517,345	-	40,517,345
Unallocated employee benefits	1,448,276	-	1,448,276
Non-budgeted expenditures	621,684	-	621,684
Food services-transfer to cover deficit	40,681	-	40,681
Capital outlay	392,403	-	392,403
Special schools	148,863	-	148,863
Total expenditures	<u>47,491,141</u>	<u>6,461,683</u>	<u>53,952,824</u>
Excess (Deficiency) of revenues over expenditures	<u>(2,383,205)</u>	<u>-</u>	<u>(2,383,205)</u>
OTHER FINANCING SOURCES (USES)			
Other funds transfers	1,963,557	-	1,963,557
Indirect cost allocation	216,741	-	216,741
Total other financing sources and uses	<u>2,180,298</u>	<u>-</u>	<u>2,180,298</u>
Net change in fund balances	(202,907)	-	(202,907)
Fund balance—July 1	4,194,863	-	4,194,863
Fund balance—June 30	<u>\$ 3,991,956</u>	<u>\$ -</u>	<u>\$ 3,991,956</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, 2018**

Total net change in fund balances - governmental funds (from B-2)	\$	(202,907)
<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	(210,299)
	Capital outlays	131,035
		<u>(79,264)</u>
<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, 2018	14,270
	Cost basis of capital assets sold or retired during the fiscal year ended June 30, 2018	(15,403)
		<u>(1,133)</u>
<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>		
		(753,524)
<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 position 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>		
		10,627
<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>		
		<u>(21,751)</u>
Change in net position of governmental activities	\$	<u>(1,021,215)</u>

Monmouth-Ocean Educational Services Commission
Proprietary Funds
Statement of Net Position
as of June 30, 2018

	Enterprise Fund		
	Food Service	Adult School	Contracted OT/PT
Assets:			
Current assets:			
Cash and cash equivalents	\$ -	\$ 224	\$ (82,174)
Accounts receivable:			
State	-	-	-
Federal	-	-	-
Other	-	-	175,497
Interfunds	-	-	-
Deposits	-	5,000	-
Total current assets	-	5,224	93,323
Fixed assets:			
Equipment	-	-	-
Accumulated depreciation	-	-	-
Total fixed assets	-	-	-
Total assets	-	5,224	93,323
Liabilities and Fund Equity:			
Liabilities:			
Accounts payable	-	-	93,323
Deferred revenue	-	-	-
Intergovernmental payable	-	-	-
Compensated absences	-	-	-
Other liabilities	-	-	-
Interfund payable	-	-	-
Total liabilities	-	-	93,323
Net Position:			
Net investment in capital assets	-	-	-
Restricted for other purposes	-	-	-
Unrestricted net position	-	5,224	-
Total fund equity	-	5,224	-
Total liabilities and fund equity	\$ -	\$ 5,224	\$ 93,323

See accompanying notes to the financial statements.

Monmouth-Ocean Educational Services Commission
Proprietary Funds
Statement of Net Position
as of June 30, 2018

	Enterprise Fund			
	Contracted Services	Contracted Apps	Contracted Nurses	Contracted Home Inst
Assets:				
Current assets:				
Cash and cash equivalents	\$ (22,721)	\$ (702,847)	\$ (40,845)	\$ (62,094)
Accounts receivable:				
State	-	-	-	-
Federal	-	-	-	-
Other	22,721	737,332	74,990	62,094
Interfunds	-	-	-	-
Deposits	-	-	-	-
Total current assets	-	34,485	34,145	-
Fixed assets:				
Equipment	-	-	-	-
Accumulated depreciation	-	-	-	-
Total fixed assets	-	-	-	-
Total assets	-	34,485	34,145	-
Liabilities and Fund Equity:				
Liabilities:				
Accounts payable	-	34,485	34,145	-
Deferred revenue	-	-	-	-
Intergovernmental payable	-	-	-	-
Compensated absences	-	-	-	-
Other liabilities	-	-	-	-
Interfund payable	-	-	-	-
Total liabilities	-	34,485	34,145	-
Net Position:				
Invested in capital assets,	-	-	-	-
Restricted for other purposes	-	-	-	-
Unrestricted net position	-	-	-	-
Total fund equity	-	-	-	-
Total liabilities and fund equity	\$ -	\$ 34,485	\$ 34,145	\$ -

See accompanying notes to the financial statements.

Monmouth-Ocean Educational Services Commission
Proprietary Funds
Statement of Net Position
as of June 30, 2018

	Enterprise Fund			
	Contracted CST	Training OTIS	Contracted Speech	Training Rest Train
Assets:				
Current assets:				
Cash and cash equivalents	\$ (59,392)	\$ -	\$ (95,592)	\$ -
Accounts receivable:				
State	-	-	-	-
Federal	-	-	-	-
Other	117,149	-	264,377	-
Interfunds	-	-	-	-
Deposits	-	-	-	-
	<u>57,757</u>	<u>-</u>	<u>168,785</u>	<u>-</u>
Total current assets	<u>57,757</u>	<u>-</u>	<u>168,785</u>	<u>-</u>
Fixed assets:				
Equipment	-	3,478	-	-
Accumulated depreciation	-	(3,478)	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fixed assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>57,757</u>	<u>-</u>	<u>168,785</u>	<u>-</u>
Liabilities and Fund Equity:				
Liabilities:				
Accounts payable	57,757	-	168,785	-
Deferred revenue	-	-	-	-
Intergovernmental payable	-	-	-	-
Compensated absences	-	-	-	-
Other liabilities	-	-	-	-
Interfund payable	-	-	-	-
	<u>57,757</u>	<u>-</u>	<u>168,785</u>	<u>-</u>
Total liabilities	<u>57,757</u>	<u>-</u>	<u>168,785</u>	<u>-</u>
Net Position:				
Invested in capital assets, Restricted for other purposes	-	-	-	-
Unrestricted net position	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund equity	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund equity	<u>\$ 57,757</u>	<u>\$ -</u>	<u>\$ 168,785</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, 2018

	<u>Contracted Recycle</u>	<u>Training RTK</u>	<u>Physical Education</u>	<u>Contracted ESL</u>	<u>Enterprise Fund Total</u>
Assets:					
Current assets:					
Cash and cash equivalents	\$ (712)	\$ -	\$ -	\$ (3,655)	\$ (1,069,808)
Accounts receivable:					-
State	-	-	-	-	-
Federal	-	-	-	-	-
Other	1,243	-	-	3,655	1,459,058
Interfunds	-	-	-	-	-
Deposits	-	-	-	-	5,000
Total current assets	<u>531</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>394,250</u>
Fixed assets:					
Equipment	-	-	-	-	3,478
Accumulated depreciation	-	-	-	-	(3,478)
Total fixed assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 531</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>394,250</u>
Liabilities and Fund Equity:					
Liabilities:					
Accounts payable	531	-	-	-	389,026
Deferred revenue	-	-	-	-	-
Intergovernmental payable	-	-	-	-	-
Compensated absences	-	-	-	-	-
Other liabilities	-	-	-	-	-
Interfund payable	-	-	-	-	-
Total liabilities	<u>531</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>389,026</u>
Net Position:					
Invested in capital assets,	-	-	-	-	-
Restricted for other purposes	-	-	-	-	-
Unrestricted net position	-	-	-	-	5,224
Total fund equity	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,224</u>
Total liabilities and fund equity	<u>\$ 531</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 394,250</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, 2018

	<u>Enterprise Fund</u>		
	<u>Food Service</u>	<u>Adult School</u>	<u>Contracted OT/PT</u>
Operating revenues:			
Local Sources:			
Food service sales	\$ -	\$ -	\$ -
Childcare		-	
Community service activities	-	36,759	
Refunds	-	-	
ISF	-	-	
Training	-	-	
Contracted services	-	-	958,065
COOP	-	-	-
Total operating revenues	<u>-</u>	<u>36,759</u>	<u>958,065</u>
Operating expenses:			
Salaries	-	32,372	-
Employee benefits	-	-	-
Cost of Sales - reimbursable programs	-	-	-
Cost of Sales - non-reimbursable programs	52,736	-	-
Purchased technical services	-	-	614,111
Other purchased services	-	-	-
General supplies	-	248	-
Calculators	-	-	-
Textbooks	-	2,684	-
Other expenses	449	1,231	-
Total operating expenses	<u>53,185</u>	<u>36,535</u>	<u>614,111</u>
Operating income (loss)	<u>(53,185)</u>	<u>224</u>	<u>343,954</u>
Nonoperating revenues (expenses):			
State sources:			
State school lunch program	-	-	-
Federal sources:			
National school lunch program	-	-	-
National school breakfast program	-	-	-
Miscellaneous revenue	-	-	-
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	(53,185)	224	343,954
Transfers in (out)	40,681	-	(343,954)
Total net position—beginning	12,504	5,000	-
Total net position—ending	<u>\$ -</u>	<u>\$ 5,224</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, 2018**

	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	42,998	3,520,647	459,267	149,788
COOP	-	-	-	-
Total operating revenues	<u>42,998</u>	<u>3,520,647</u>	<u>459,267</u>	<u>149,788</u>
Operating expenses:				
Salaries	16,650	1,813,561	-	59,975
Employee benefits	-	594,800	-	-
Cost of Sales - reimbursable programs	-	-	-	-
Cost of Sales - non-reimbursable programs	-	-	-	-
Purchased technical services	8,500	-	349,332	-
Other purchased services	-	-	-	-
General supplies	1,109	-	-	-
Calculators	-	-	-	-
Textbooks	-	-	-	-
Other expenses	-	2,072	-	-
Total operating expenses	<u>26,259</u>	<u>2,410,433</u>	<u>349,332</u>	<u>59,975</u>
Operating income (loss)	<u>16,739</u>	<u>1,110,214</u>	<u>109,935</u>	<u>89,813</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	16,739	1,110,214	109,935	89,813
Transfers in (out)	<u>(16,739)</u>	<u>(1,110,214)</u>	<u>(109,935)</u>	<u>(89,813)</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, 2018**

	Enterprise Fund			
	Contracted CST	Training OTIS	Contracted Speech	Training Rest Train
Operating revenues:				
Local Sources:				
Food service sales	\$ -	\$ -	\$ -	\$ -
Childcare	-	-	-	-
Community service activities	-	-	-	-
Refunds	-	-	-	-
ISF	-	-	-	-
Training	-	1,121	-	5,250
Contracted services	314,380	-	1,154,179	-
COOP	-	-	-	-
Total operating revenues	<u>314,380</u>	<u>1,121</u>	<u>1,154,179</u>	<u>5,250</u>
Operating expenses:				
Salaries	-	33,990	-	-
Employee benefits	-	-	-	-
Cost of Sales - reimbursable programs	-	-	-	-
Cost of Sales - non-reimbursable programs	-	-	-	-
Purchased technical services	257,800	31,070	864,516	-
Other purchased services	-	-	-	-
General supplies	-	3,625	-	150
Calculators	-	-	-	-
Textbooks	-	-	-	-
Other expenses	-	-	-	-
Total operating expenses	<u>257,800</u>	<u>68,685</u>	<u>864,516</u>	<u>150</u>
Operating income (loss)	<u>56,580</u>	<u>(67,564)</u>	<u>289,663</u>	<u>5,100</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	56,580	(67,564)	289,663	5,100
Transfers in (out)	<u>(56,580)</u>	<u>67,564</u>	<u>(289,663)</u>	<u>(5,100)</u>
Total net position—beginning	-	-	-	-
Total net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Monmouth-Ocean Educational Services Commission
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	Enterprise Fund			
	Contracted Recycle	Training RTK	Contracted ESL	Total
Operating revenues:				
Local Sources:				
Food service sales	\$ -	\$ -	\$ -	\$ -
Childcare	-	-	-	-
Community service activities	-	-	-	\$ 36,759
Refunds	-	-	-	-
ISF	-	-	-	-
Training	-	990	10,625	\$ 17,986
Contracted services	4,897	-	-	\$ 6,604,221
COOP	-	-	-	-
Total operating revenues	<u>4,897</u>	<u>990</u>	<u>10,625</u>	<u>6,658,966</u>
Operating expenses:				
Salaries	-	-	4,336	1,960,884
Employee benefits	-	-	-	594,800
Cost of Sales - reimbursable programs	-	-	-	-
Cost of Sales - non-reimbursable programs	-	-	-	52,736
Purchased technical services	-	400	-	2,125,729
Other purchased services	-	-	-	-
General supplies	-	-	-	5,132
Calculators	-	-	-	-
Textbooks	-	-	-	2,684
Other expenses	2,653	-	-	6,405
Total operating expenses	<u>2,653</u>	<u>400</u>	<u>4,336</u>	<u>4,748,370</u>
Operating income (loss)	<u>2,244</u>	<u>590</u>	<u>6,289</u>	<u>1,910,596</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	2,244	590	6,289	1,910,596
Transfers in (out)	<u>(2,244)</u>	<u>(590)</u>	<u>(6,289)</u>	<u>(1,922,876)</u>
Total net position—beginning	-	-	-	17,504
Total net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,224</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, 2018

	<u>Total Enterprise</u>
Cash Flows from Operating Activities:	
Receipts from Daily Sales	\$ -
Receipts from Catering	-
Supplemental Educational Services	6,108,585
Payments to Employees	(2,555,684)
Payments to Suppliers	(1,983,989)
Payments for Other Expenditures	(7,816)
Net Cash Provided by Operating Activities	<u>1,561,096</u>
Cash Flow from Noncapital Financing Sources:	
State Sources	21
Federal Sources	1,733
Interest Earned	-
Miscellaneous income	-
Interfund- General Fund	(1,910,372)
Net Cash Used by Non-Capital Financing Activities	<u>(1,908,618)</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	(347,522)
Cash and cash equivalents, July 1	<u>(722,286)</u>
Cash and cash equivalents, June 30	<u>(1,069,808)</u>
Operating income (loss)	1,910,596
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	(550,381)
Increase in other liabilities	-
Increase in accounts payable	200,881
Net cash provided by (used) in operating activities	<u>\$ 1,561,096</u>

See accompanying notes to the financial statements.

**Monmouth-Ocean Educational Services Commission
Statement of Fiduciary Net Position
June 30, 2018**

	<u>Unemployment Compensation Trust</u>	<u>Agency Fund</u>	<u>Total Fund</u>
ASSETS			
Cash and cash equivalents	\$ 1,872	\$ 188,429	\$ 190,301
Intergovernmental accounts receivable	-	-	-
Interfund receivable	-	-	-
Total assets	<u>1,872</u>	<u>188,429</u>	<u>190,301</u>
LIABILITIES			
Accounts payable	-	-	-
Payroll deductions and withholdings	-	188,429	188,429
Interfund payable	-	-	-
Other current liabilities	-	-	-
Total liabilities	<u>-</u>	<u>188,429</u>	<u>188,429</u>
NET POSITION			
Held in trust for unemployment claims and other purposes	1,872	-	1,872
Reserved for scholarships	-	-	-
Total net position	<u>1,872</u>	<u>-</u>	<u>1,872</u>
Total liabilities and net position	<u>\$ 1,872</u>	<u>\$ 188,429</u>	<u>\$ 190,301</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, 2018

	Unemployment Compensation Trust
ADDITIONS	
Contributions:	
Plan member	\$ -
Other	-
Total Contributions	-
Investment earnings:	
Net increase (decrease) in fair value of investments	-
Interest	24
Dividends	-
Less investment expense	-
Net investment earnings	24
Total additions	24
DEDUCTIONS	
Quarterly contribution reports	-
Unemployment claims	-
Scholarships awarded	-
Refunds of contributions	-
Administrative expenses	-
Total deductions	-
Change in net position	24
Net Position—beginning of the year	1,848
Net Position—end of the year	\$ 1,872

See accompanying notes to the financial statements.

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2018

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, 2018

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.

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.

Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the Commission.

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

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2018

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 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.

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, 2018

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, 2018

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, 2018, there was a reconciling difference of \$(527,869) 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, 2018

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, 2018

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 acquisition 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, 2018

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, 2018

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, 2018

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, 2018

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	\$ (967,614)
Total Deposits	<u>\$ (967,614)</u>

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

Governmental Activities	\$ (88,107)
Business-Type Activities	(1,069,808)
Fiduciary Funds	<u>190,301</u>
Total Cash & Cash Equivalents	<u>\$ (967,614)</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, 2018, the Board's bank balances of \$3,555,878 were exposed to Custodial Credit Risk as follows:

	<u>2017</u>
FDIC Insured	\$250,000
GUDPA Protected	<u>3,305,878</u>
	<u>\$3,555,878</u>

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2018

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, 2018, 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, 2018, 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	\$ 11,382	\$ 11,382
Federal Aid	-	-
Other	8,854,514	10,313,572
Interfunds	<u>-</u>	<u>-</u>
	8,865,896	10,324,954
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>
Total Receivables, Net	<u>\$ 8,865,896</u>	<u>\$ 10,324,954</u>

4. Interfund Balances and Transfers

There were no interfund balances at June 30, 2018.

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2018

5. Capital Assets

Capital Assets consisted of the following at June 30, 2018.

	<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>22,725</u>	<u>-</u>	<u>-</u>	<u>22,725</u>
Total Capital Assets Not Being Depreciated	<u>22,725</u>	<u>-</u>	<u>-</u>	<u>22,725</u>
Capital Assets Being Depreciated				
Building and Building Improvements	8,193,210	63,000	-	8,256,210
Machinery and Equipment	<u>1,172,123</u>	<u>68,035</u>	<u>(15,403)</u>	<u>1,224,755</u>
Totals at Historical Cost	<u>9,365,333</u>	<u>131,035</u>	<u>(15,403)</u>	<u>9,480,965</u>
Less Accumulated Depreciation for:				
Building and Building Improvements	(1,771,498)	(163,864)	-	(1,935,362)
Machinery and Equipment	<u>(953,586)</u>	<u>(46,435)</u>	<u>14,270</u>	<u>(985,751)</u>
Total Accumulated Depreciation	<u>(2,725,084)</u>	<u>(210,299)</u>	<u>14,270</u>	<u>(2,921,113)</u>
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	<u>6,640,249</u>	<u>(79,264)</u>	<u>(1,133)</u>	<u>6,559,852</u>
Government Activity Capital Assets, Net	<u>6,662,974</u>	<u>(79,264)</u>	<u>(1,133)</u>	<u>6,582,577</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, 2018

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>210,299</u>
Total	\$ <u><u>210,299</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, 2018 was \$264,615.

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:

2019	<u>5,196</u>
	5,196
Less: interest	<u>(572)</u>
	<u><u>\$ 4,624</u></u>

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2018

7. Long-Term Obligations

A. Long-Term Obligation Activity

Changes in Long-Term Obligations for the year ended June 30, 2018, are as follows:

<u>Governmental Activities:</u>	Balance <u>June 30, 2017</u>	Increases/ <u>Decreases</u>	Balance <u>June 30, 2018</u>	Amounts Due Within <u>One Year</u>
Compensated				
Absences Payable	\$ 101,352	\$ 21,751	\$ 123,103	\$ 12,042
Capital Leases	10,627	(10,627)	-	-
Loans Payable	53,473	(26,737)	26,736	26,736
Pension liability- PERS	<u>13,943,879</u>	<u>(2,989,959)</u>	<u>10,953,920</u>	<u>-</u>
	<u>\$ 14,109,331</u>	<u>\$ (3,005,572)</u>	<u>\$ 11,103,759</u>	<u>\$ 38,778</u>

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

B. 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,

2019	<u>26,736</u>
	26,736
Less: Current portion	<u>(26,736)</u>
	<u>\$ -</u>

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2018

8. Pension Plans

A. Public Employees' Retirement System (PERS)

Plan Description - The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/financial-reports.shtml.

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

The following represents the membership tiers for PERS:

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

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2018

8. Pension Plans (cont'd)

A. Public Employees' Retirement System (PERS) (cont'd)

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

Contributions - The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2017, the State's pension contribution was less than the actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources - At

June 30, 2018, the School District reported a liability of \$10,953,920 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using update procedure to roll forward the total pension liability from an actuarial valuation as of July 1, 2016, to the measurement date of June 30, 2017. The School District's proportion of the net pension liability was based on the School District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. The School District's proportion measured as of June 30, 2017, was .0470561528%, which was a decrease of .0000242980% from its proportion measured as of June 30, 2016.

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2018

8. Pension Plans (cont'd)

A. Public Employees' Retirement System (PERS) (cont'd)

For the year ended June 30, 2018, the School District recognized full accrual pension expense of \$753,524 in the government-wide financial statements. This pension expense was based on the pension plans June 30, 2017 measurement date. At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 257,927	\$ -
Changes of assumptions	2,206,837	2,198,747
Net difference between projected and actual earnings on pension plan investments	74,589	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,267,034	4,331
District contributions subsequent to the measurement date	490,351	-
Total	<u>\$ 4,296,738</u>	<u>\$ 2,203,078</u>

\$490,351 reported as deferred outflows of resources resulting from school district contributions subsequent to the measurement date is estimated based on unadjusted 2017-2018 total salaries for PERS employees multiplied by an employer contribution rate. The payable is due on April 1, 2019 and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The 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:	
2018	\$ 1,213,832
2019	1,831,701
2020	1,109,917
2021	(1,476,193)
2022	(1,075,948)
Thereafter	-
Total	<u>\$ 1,603,309</u>

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2018

8. Pension Plans (cont'd)

A. Public Employees' Retirement System (PERS) (cont'd)

The amortization of the above other deferred outflows of resources and deferred inflows of resources related to pensions will be over the following number of years:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
Net Difference between projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	5.00	-
June 30, 2015	5.00	-
June 30, 2016	5.00	-
June 30, 2017	5.00	-

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.48, 5.57, 5.72 and 6.44 years for the 2017, 2016, 2015 and 2014 amounts, respectively.

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2018

8. Pension Plans (cont'd)

A. Public Employees' Retirement System (PERS) (cont'd)

Actuarial Assumptions - The collective total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following assumptions:

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age
Investment Rate of Return	7.00%

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. 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. Postretirement mortality rates were based on the RP-2000 Combined Healthy Male 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, 2016 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.

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2018

8. Pension Plans (cont'd)

A. Public Employees' Retirement System (PERS) (cont'd)

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranged of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00 %	5.51 %
Cash Equivalents	5.50 %	1.00 %
U.S. Treasuries	3.00 %	1.87 %
Investment Grade Credit	10.00 %	3.78 %
Public High Yield	2.50 %	6.82 %
Global Diversified Credit	5.00 %	7.10 %
Credit Oriented Hedge Funds	1.00 %	6.60 %
Debt Related Private Equity	2.00 %	10.63 %
Debt Related Real Estate	1.00 %	6.61 %
Private Real Asset	2.50 %	11.83 %
Equity Related Real Estate	6.25 %	9.23 %
U.S. Equity	30.00 %	8.19 %
Non-U.S. Developed Markets Equity	11.50 %	9.00 %
Emerging Markets Equity	6.50 %	11.64 %
Buyouts/Venture Capital	8.25 %	13.08 %

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2018

8. Pension Plans (cont'd)

A. Public Employees' Retirement System (PERS) (cont'd)

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, 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 contribution rate in the most recent fiscal year. State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined 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 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, 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, 2017 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 (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
District's proportionate share of the net pension liability	13,589,081	10,953,920	8,758,504

Additional Information - The following is a summary of the collective balances of the local group at June 30, 2018 and 2017:

	<u>6/30/18</u>	<u>6/30/17</u>
Collective Deferred Outflows of Resources	723,829,861	7,815,204,785
Collective Deferred Inflows of Resources	-	-
Collective Net Pension Liability	23,278,401,588	29,617,131,759
School District's Portion	.0470561528%	.0470804508%

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2018

8. Pension Plans (cont'd)

B. Teachers' Pension and Annuity (TPAF)

Plan Description - The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF) is a cost sharing multiple-employer defined benefit plan with a special-funding situation, by which a State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. TPAF is administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about TPAF, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/financial-reports.shtml.

The vesting and benefit provisions are set by N.J.S.A 18A:66. TPAF provides retirement, death, and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are 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.

The following represents the membership tiers for TPAF:

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

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

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2018

8. Pension Plans (cont'd)

B. Teachers' Pension and Annuity (TPAF) (cont'd)

Contributions - The contribution policy for TPAF is set by *N.J.S.A. 18A:66* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2017, the State's pension contribution was less than the actuarial determined amount.

As mentioned previously, the employer contributions for local participating employers are legally required to be funded by the State in accordance with *N.J.S.A. 18A:66-33*. Therefore, the School District is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the School District does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the School District.

Pension Liability and Pension Expense - The State's proportionate share of the TPAF net pension liability, attributable to the School District as of June 30, 2017 was \$20,453,158. The School District's proportionate share was \$0.

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The State's proportionate share of the net pension liability associated with the District was based on projection of the State's long-term contributions to the pension plan associated with the District relative to the projected contributions by the State associated with all participating school districts, actuarially determined. At June 30, 2017, the State proportionate share of the TPAF net pension liability attributable to the School District was .0303353066%, which was an increase of .0051867140% from its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the State of New Jersey recognized a pension expense in the amount of \$527,869 for the State's proportionate share of the TPAF pension expense attributable to the School District. This pension expense was based on the pension plans June 30, 2017 measurement date.

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2018

8. Pension Plans (cont'd)

B. Teachers' Pension and Annuity (TPAF) (cont'd)

Actuarial Assumptions - The collective total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation Rate	2.25%
Salary Increases:	
2012-2021	Varies Based on Experience
Thereafter	Varies Based on Experience
Investment Rate of Return	7.00%

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

Long-term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranged of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2017 are summarized in the following table:

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2018

8. Pension Plans (cont'd)

B. Teachers' Pension and Annuity (TPAF) (cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00 %	5.51 %
Cash Equivalents	5.50 %	1.00 %
U.S. Treasuries	3.00 %	1.87 %
Investment Grade Credit	10.00 %	3.78 %
Public High Yield	2.50 %	6.82 %
Global Diversified Credit	5.00 %	7.10 %
Credit Oriented Hedge Funds	1.00 %	6.60 %
Debt Related Private Equity	2.00 %	10.63 %
Debt Related Real Estate	1.00 %	6.61 %
Private Real Asset	2.50 %	11.83 %
Equity Related Real Estate	6.25 %	9.23 %
U.S. Equity	30.00 %	8.19 %
Non-U.S. Developed Markets Equity	11.50 %	9.00 %
Emerging Markets Equity	6.50 %	11.64 %
Buyouts/Venture Capital	8.25 %	13.08 %

Discount Rate - The discount rate used to measure the total pension liability was 4.25% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, 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 contribution rate in the most recent fiscal year. State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined 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 2036. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2036, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2018

8. Pension Plans (cont'd)

B. Teachers' Pension and Annuity (TPAF) (cont'd)

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, 2017 calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (3.25%)	Current Discount Rate (4.25%)	1% Increase (5.25%)
District's proportionate share of the net pension liability	20,218,043	17,018,105	14,381,983

Pension Plan Fiduciary Net Position - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers Pension and Annuity Fund (TPAF) and additions to/deductions from the TPAF's fiduciary net position have been determined on the same basis as they are reported by the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2018

8. Pension Plans (cont'd)

B. Teachers' Pension and Annuity (TPAF) (cont'd)

The District's contributions to the DCRP for June 30, 2018 were \$21,619. There was no liability for unpaid contributions at June 30, 2018.

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

9. Post-Retirement Benefits

General Information about the OPEB Plan

Plan description and benefits provided

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. 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 benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126 which provides employer paid 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.
(GASB Cod. Sec. 2300.106(g))

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et. seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code.

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

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2018

9. Post-Retirement Benefits (cont'd)

Employees covered by benefit terms

At June 30, 2016, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	142,331
Active plan members	<u>223,747</u>
Total	<u><u>366,078</u></u>

Total Nonemployer OPEB Liability

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified returned PERS and TPAF participants. The LEA's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASB 75 is zero percent. Accordingly, the LEA did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. Accordingly, the following OPEB liability note information is reported at the State's level and is not specific to the board of education. Note that actual numbers will be published in the NJ State's CAFR (<https://www.nj.gov/treasury/omb/publications/archives.shtml>).

Actuarial assumptions and other imputes

The total OPEB liability in the June 30, 2017 actuarial valuation reported by the State in the State's most recently issued CAFR was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation Rate	2.5%
Salary Increases through 2026	PERS 2.15%-4.15%
	PFRS 2.1%-8.98%
	TPAF 1.55%-4.55%
Salary Increases after 2026	PERS 3.15%-5.15%
	PFRS 3.1%-9.98%
	TPAF 2.0%-5.45%
Discount Rate	3.58%
Healthcare Cost Trend Rates	4.5%-5.9%
Retirees' Share of Benefit Related Costs	1.5% of projected health insurance premiums for retirees

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2018

9. Post-Retirement Benefits (cont'd)

Actuarial assumptions and other imputes (cont'd)

Preretirement mortality rates were based on the RP-2014 Headcount-weighted Healthy Employee Male/Female Mortality Table with Fully Generational Mortality Improvement projections from the central year using Scale MP-2017. Postretirement mortality rates were based on the RP-2014 Headcount-weighted Health Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. The disabled mortality was based on the RP-2014 Headcount-weighted Male/Female mortality table with fully generational improvement projects from the central year using the MP-2017 scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for PERS-June 30, 2014; TPAF-June 30, 2015 and PFRS-June 30, 2013.

Changes in the Total OPEB Liability reported by the State of New Jersey

Balance at June 30, 2016	\$ 57,831,784,184
Changes for the year:	
Service cost	2,391,878,884
Interest on the total OPEB liability	1,699,441,736
Changes in assumptions	(7,086,599,129)
Gross benefit payments by the state	(1,242,412,566)
Contributions from members	<u>45,748,749</u>
Net changes	<u>(4,191,942,326)</u>
Balance at June 30, 2017	\$ <u>53,639,841,858</u>

Discount rate

The discount rate was 2.85% percent in 2016 and 3.85% percent in 2017. This represents the municipal bond rate chosen by the State of New Jersey Division of Pension and Benefits. The source is the Bond Buyer Go 20-Bond municipal bond index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2018

9. Post-Retirement Benefits (cont'd)

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the June 30, 2017 total OPEB liability of the State for school board retirees, as well as the State's total OPEB liability for the school district calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease <u>(2.58%)</u>	Current Discount Rate <u>(3.58%)</u>	1% Increase <u>(4.58%)</u>
Total OPEB Liability of the State for School Retirees	\$63,674,362,200	\$53,639,841,858	\$45,680,364,953
Total OPEB Liability of the State Associated with the School District for School Retirees	\$35,228,994	\$29,677,215	\$25,273,490

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount is 5.9% and decreases to a 5.0% long term trend rate after nine years. For self-insured post 65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long term rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% and decreases to 5.0% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Sensitivity of the total OPEB liability to changes in the health care cost trend rates

The following presents the June 30, 2017 total OPEB liability of the State for school board retirees, as well as the State's total OPEB liability for the school district calculated using a health care cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% <u>Decrease</u>	<u>Trend Rate</u>	1% <u>Increase</u>
Total OPEB Liability of the State for School Retirees	\$44,113,584,560	\$53,639,841,858	\$66,290,599,457
Total OPEB Liability of the State Associated with the School District for School Retirees	\$24,406,542	\$29,677,215	\$36,676,476

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2018

9. Post-Retirement Benefits (cont'd)

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

For the year ended June 30, 2018, the board of education recognized OPEB expense of \$1,149,553 determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASB 75 and in which there is a special funding situation.

In accordance with GASB 75, the Monmouth-Ocean Educational Services Commission's proportionate share of school retirees OPEB is zero, there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources. At June 30, 2017, the State reported deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB from the following sources:

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (cont'd)

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience		
Changes of assumptions	\$ -	\$ 6,343,769,032
Contributions made in fiscal year ending 2018 after June 30, 2017 measurement date	<u>1,190,373,242</u>	<u>-</u>
Total	<u>\$ 1,190,373,242</u>	<u>\$ 6,343,769,032</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2018	\$ (742,830,097)
2019	(742,830,097)
2020	(742,830,097)
2021	(742,830,097)
2022	(742,830,097)
Thereafter	<u>(2,629,618,547)</u>
Total	<u>\$ (6,343,769,032)</u>

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2018

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	Lincoln Investment Planning
VALIC	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.

<u>Fiscal Year</u>	<u>Commission Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017 / 2018	\$ 24	\$ -	\$ -	\$ 1,872
2016 / 2017	\$ 10	\$ -	\$ -	\$ 1,848
2015 / 2016	5	-	-	1,838

Monmouth-Ocean Educational Services Commission

Notes to Financial Statements

For the Year Ended June 30, 2018

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, 2018, the Commission estimated that the Foundation had net assets of approximately \$36,000. Revenue and support received by the Foundation, and not reflected in the financial statements of the Commission, aggregated \$27,000 in the year ended December 31, 2017.

14 Fund Balance Appropriated

General Fund (Exhibit B-1) - Of the \$3,991,956 General Fund balance at June 30, 2018, 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, 2018 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, 2018

16 Uncertain Tax Positions

The school district had no unrecognized tax benefits at June 30, 2018. 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 January 31, 2019, 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, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Tuition from other LEAs within the state	\$ 2,016,258	\$ -	\$ 2,016,258	1,443,082	\$ (573,176)
Tuition from summer school	686,500	-	686,500	631,038	(55,462)
Interest on Investments	-	-	-	50,621	50,621
Transportation Fees from Other LEAs	35,700,000	(4,641,014)	40,341,014	42,027,992	1,686,978
Rents and Royalties	299,475	-	299,475	264,615	(34,860)
Miscellaneous	240,964	-	240,964	68,904	(172,060)
Total - local sources	<u>38,943,197</u>	<u>(4,641,014)</u>	<u>43,584,211</u>	<u>44,486,252</u>	<u>902,041</u>
State sources:					
Other state aids	32,818	-	32,818	-	(32,818)
State reimbursement for lead testing in drinking water	920	-	920	-	(920)
TPAF - LTDI (on-behalf - Non-budgeted)	-	-	-	805	805
TPAF - post retirement medical (on-behalf - Non-budgeted)	-	-	-	340,393	340,393
Teacher's pension and annuity fund (on-behalf - Non-budgeted)	-	-	-	527,869	527,869
TPAF social security (reimbursed - Non-budgeted)	-	-	-	280,486	280,486
Total state sources	<u>33,738</u>	<u>-</u>	<u>33,738</u>	<u>1,149,553</u>	<u>1,115,815</u>
Federal sources:					
Other federal grant revenue - passed through state	282,000	-	282,000	-	(282,000)
Total federal sources	<u>282,000</u>	<u>-</u>	<u>282,000</u>	<u>-</u>	<u>(282,000)</u>
Total revenues	<u>39,258,935</u>	<u>(4,641,014)</u>	<u>43,899,949</u>	<u>45,635,805</u>	<u>1,735,856</u>
EXPENDITURES:					
Current Expense:					
Resource Room/Resource Center:					
Salaries of teachers	178,950	-	178,950	177,391	1,559
Purchased technical services	1,550	-	1,550	-	1,550
General supplies	8,150	-	8,150	1,778	6,372
Textbooks	1,000	-	1,000	500	500
Other Objects	3,500	-	3,500	2,076	1,424
Total Resource Room/Resource Center	<u>193,150</u>	<u>-</u>	<u>193,150</u>	<u>181,745</u>	<u>11,405</u>
Other Instructional Programs - Instruction					
Salaries	672,640	-	672,640	582,721	89,919
Purchased services (300-500 series)	488,175	-	488,175	216,512	271,663
Supplies and materials	57,775	-	57,775	11,204	46,571
Other objects	14,500	-	14,500	3,944	10,556
Total Other Instructional Programs - Instruction	<u>1,233,090</u>	<u>-</u>	<u>1,233,090</u>	<u>814,381</u>	<u>418,709</u>
Total Instruction	<u>1,426,240</u>	<u>-</u>	<u>1,426,240</u>	<u>996,126</u>	<u>430,114</u>
Undist. Expend. - Attendance and Social Work					
Salaries	51,870	-	51,870	51,864	6
Purchased professional and technical services	8,250	-	8,250	8,228	22
Total Undistributed Expenditures - Attendance	<u>60,120</u>	<u>-</u>	<u>60,120</u>	<u>60,092</u>	<u>28</u>
Undist. Expend. - Health Services					
Purchased professional and technical services	33,650	-	33,650	28,469	5,181
Supplies and materials	355	-	355	240	115
Total Undistributed Expenditures - Health Services	<u>34,005</u>	<u>-</u>	<u>34,005</u>	<u>28,709</u>	<u>5,296</u>
Undist. Expend. - Extra Service					
Travel	500	-	500	-	500
Other objects	6,300	-	6,300	1,858	4,442
Supplies and materials	1,000	-	1,000	-	1,000
Total Undist. Expend. - Extra Service	<u>7,800</u>	<u>-</u>	<u>7,800</u>	<u>1,858</u>	<u>5,942</u>
Undist. Expend. - Child Study Team					
Purchased professional and technical services	47,500	-	47,500	45,651	1,849
Other purchased services (400-500 series)	11,000	-	11,000	9,370	1,630
Supplies and materials	5,000	-	5,000	987	4,013
Other objects	1,000	-	1,000	-	1,000
Total Undist. Expend. - Child Study Team	<u>64,500</u>	<u>-</u>	<u>64,500</u>	<u>56,008</u>	<u>8,492</u>
Undist. Expend. - Instruction Staff Training Services					
Purchased professional - educational services	2,500	-	2,500	-	2,500
Supplies and materials	5,000	-	5,000	-	5,000
Other purchased services (400-500)	4,500	-	4,500	1,375	3,125
Total Undist. Expend. - Instruction Staff Training Services	<u>12,000</u>	<u>-</u>	<u>12,000</u>	<u>1,375</u>	<u>10,625</u>

Monmouth-Ocean Educational Services Commission
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Support Service - General Administration					
Salaries	\$ 527,530	\$ (8,400)	\$ 519,130	489,319	\$ 29,811
Legal services	100,000	1,417	101,417	101,417	-
Audit Fees	32,500	(4,200)	28,300	27,000	1,300
Architectural/Engineering Services	55,000	4,200	59,200	58,557	643
Other purchased professional services	4,000	5,900	9,900	8,900	1,000
Purchased technical services	29,820	1,083	30,903	30,787	116
Communications/Telephone	101,095	-	101,095	47,579	53,516
Other purchased services (400-500 series)	48,090	-	48,090	34,814	13,276
General supplies	17,000	-	17,000	16,416	584
BOE In-House Training/Meeting Supplies	5,000	-	5,000	2,051	2,949
Judgements Agst. School Dist.	37,000	-	37,000	26,737	10,263
Miscellaneous expenditures	31,000	-	31,000	20,568	10,432
BOE membership dues and fees	10,000	-	10,000	2,500	7,500
Total Undist. Expend. - Support Service - General Administration	998,035	-	998,035	866,645	131,390
Undist. Expend. - Support Service - School Administration					
Salaries of principals/Assistant principals	551,765	-	551,765	528,139	23,626
Salaries of secretarial and clerical assistants	422,220	(5,301)	416,919	320,684	96,235
Purchased professional and technical services	-	5,301	5,301	4,664	637
Other purchased services (400-500 series)	2,500	-	2,500	2,059	441
Supplies and materials	40,000	-	40,000	7,005	32,995
Other objects	6,100	-	6,100	5,454	646
Total Undist. Expend. - Support Service - School Administration	1,022,585	-	1,022,585	868,005	154,580
Undistributed Expenditures - Central Services					
Salaries	567,395	-	567,395	553,838	13,557
Purchased technical services	21,285	-	21,285	19,365	1,920
Misc. Purchased Services	13,000	-	13,000	1,108	11,892
Supplies and materials	10,000	-	10,000	7,626	2,374
Interest on lease purchase	1,550	-	1,550	1,432	118
Miscellaneous expenditures	20,300	-	20,300	2,669	17,631
Total Undist. Expend. - Central Services	633,530	-	633,530	586,038	47,492
Undist. - Admin. Info. Technology					
Salaries	295,260	28,273	323,533	299,696	23,837
Purchased professional services	-	3,795	3,795	3,795	-
Purchased technical services	95,628	-	95,628	26,632	68,996
Other Purchased Services	15,850	-	15,850	11,422	4,428
Supplies and materials	31,080	(3,795)	27,285	19,660	7,625
Other objects	1,000	-	1,000	225	775
Total Undist. Expend - Admin. Info. Technology	438,818	28,273	467,091	361,430	105,661
Undist. Expend. - Other Operation & Maintenance of Plant					
Salaries	133,845	(34,495)	99,350	98,406	944
Cleaning, repair and maintenance services	68,615	91,990	160,605	134,105	26,500
Other purchased property services	8,750	-	8,750	6,817	1,933
Insurance	31,500	-	31,500	30,553	947
Travel	-	250	250	74	176
Misc Purchased Services	2,750	(250)	2,500	1,560	940
General supplies	32,090	1,687	33,777	21,727	12,050
Energy (natural gas)	28,220	8,725	36,945	36,731	214
Energy (electricity)	89,595	(8,725)	80,870	46,098	34,772
Energy (gasoline)	3,500	(1,687)	1,813	1,167	646
Other objects	5,150	-	5,150	1,010	4,140
Total Undist Expend-Other Operation & Maint Of Plant	404,015	57,495	461,510	378,248	83,262
Undist. Expend. - Care & Upkeep of Grounds					
Cleaning, repair and maintenance services	57,500	57,900	115,400	72,830	42,570
Total Undist Expend-Care & Upkeep of Grounds	57,500	57,900	115,400	72,830	42,570
Security					
Salaries	45,655	-	45,655	44,525	1,130
Purchased professional and technical services	57,900	(57,900)	-	-	-
General supplies	1,000	-	1,000	-	1,000
Total Security	104,555	(57,900)	46,655	44,525	2,130
Undist. Expend. - Student Transportation Services					
Salaries of non-instructional aides	380,450	(2,141)	378,309	378,299	10
Management fee - ESC & CTSA trans. Program	-	-	-	-	-
Purchased professional and technical services	93,355	(69,869)	23,486	23,421	65
Contract Svc (btw home & Sch.) - Joint Agreements	34,000,000	6,102,625	40,102,625	40,102,625	-
General supplies	4,600	2,000	6,600	6,331	269
Misc Purchased Serv - Transportation	1,500	(1,500)	-	-	-
Other objects	7,000	-	7,000	6,669	331
Total Undist. Expend. - Student Transportation Services	34,486,905	6,031,115	40,518,020	40,517,345	675

Monmouth-Ocean Educational Services Commission
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
UNALLOCATED EMPLOYEE BENEFITS					
Group insurance	\$ 15,000	\$ -	\$ 15,000	6,436	\$ 8,564
Social security contributions	435,000	-	435,000	-	435,000
Other retirement contributions - PERS	560,000	(68,882)	491,118	478,015	13,103
Other retirement contributions - Regular	35,000	-	35,000	4,105	30,895
Unemployment compensation	185,000	-	185,000	26,053	158,947
Workmen's compensation	117,260	-	117,260	71,319	45,941
Health benefits	2,015,325	(1,247,595)	767,730	767,730	-
Tuition reimbursement	25,000	-	25,000	6,075	18,925
Other employee benefits	116,500	(11,202)	105,298	88,543	16,755
Unused sick payment to terminated/retired	6,000	-	6,000	-	6,000
TOTAL UNALLOCATED EMPLOYEE BENEFITS	<u>3,510,085</u>	<u>(1,327,679)</u>	<u>2,182,406</u>	<u>1,448,276</u>	<u>734,130</u>
On-behalf TPAF LTDI (non-budgeted)	-	-	-	805	(805)
On-behalf TPAF OPEB (post retirement med) (non-budgeted)	-	-	-	340,393	(340,393)
On-behalf TPAF Pension Contributions (non-budgeted)	-	-	-	527,869	(527,869)
Reimbursed TPAF social security contributions (non-budgeted)	-	-	-	280,486	(280,486)
TOTAL ON-BEHALF CONTRIBUTIONS	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,149,553</u>	<u>(1,149,553)</u>
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS	<u>3,510,085</u>	<u>(1,327,679)</u>	<u>2,182,406</u>	<u>2,597,829</u>	<u>(415,423)</u>
Food Services					
Transfers to cover deficit in food services	22,500	18,181	40,681	40,681	-
Total Food Services	<u>22,500</u>	<u>18,181</u>	<u>40,681</u>	<u>40,681</u>	<u>-</u>
TOTAL UNDISTRIBUTED EXPENDITURES	<u>41,856,953</u>	<u>4,807,385</u>	<u>46,664,338</u>	<u>46,481,618</u>	<u>182,720</u>
TOTAL GENERAL CURRENT EXPENSE	<u>43,283,193</u>	<u>4,807,385</u>	<u>48,090,578</u>	<u>47,477,744</u>	<u>612,834</u>
CAPITAL OUTLAY					
Special Education - Instruction:					
Undistributed expenditures - General administration	19,045	-	19,045	19,001	44
Undistributed expenditures - Admin Info Tech	41,000	(8,893)	32,107	32,107	-
Undistributed expenditures - Req. Maint. Schl. Facilities	355,000	(54,423)	300,577	300,577	-
Undistributed expenditures - Custodial services	45,000	(19,753)	25,247	25,247	-
Undistributed expenditures - Security	3,500	(3,500)	-	-	-
Total Equipment	<u>463,545</u>	<u>(86,569)</u>	<u>376,976</u>	<u>376,932</u>	<u>44</u>
Facilities Acquisition and Construction Services					
Construction Services	67,000	(51,529)	15,471	15,471	-
Total Facilities Acquisition and Construction Services	<u>67,000</u>	<u>(51,529)</u>	<u>15,471</u>	<u>15,471</u>	<u>-</u>
TOTAL CAPITAL OUTLAY	<u>530,545</u>	<u>(138,098)</u>	<u>392,447</u>	<u>392,403</u>	<u>44</u>
SPECIAL SCHOOLS					
Summer School - Support services					
Salaries of teachers	\$ 255,625	\$ -	\$ 255,625	144,788	\$ 110,837
Total Summer School - Support services	<u>255,625</u>	<u>-</u>	<u>255,625</u>	<u>144,788</u>	<u>110,837</u>
Summer School - Instruction					
Salaries of teachers	44,000	(28,273)	15,727	4,075	11,652
Total Summer School - Instruction	<u>44,000</u>	<u>(28,273)</u>	<u>15,727</u>	<u>4,075</u>	<u>11,652</u>
TOTAL SPECIAL SCHOOLS	<u>299,625</u>	<u>(28,273)</u>	<u>271,352</u>	<u>148,863</u>	<u>122,489</u>
TOTAL EXPENDITURES	<u>44,113,363</u>	<u>4,641,014</u>	<u>48,754,377</u>	<u>48,019,010</u>	<u>735,367</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>(4,854,428)</u>	<u>-</u>	<u>(4,854,428)</u>	<u>(2,383,205)</u>	<u>(2,471,223)</u>
Other Financing Sources/ (Uses):					
Other funds transfers	4,854,428	-	4,854,428	1,963,557	2,890,871
Indirect costs allocation	-	-	-	216,741	(216,741)
Total Other Financing Sources:	<u>4,854,428</u>	<u>-</u>	<u>4,854,428</u>	<u>2,180,298</u>	<u>2,674,130</u>
Excess (Deficiency) of Revenues and Other Financing Sources					
Over (Under) Expenditures & Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(202,907)</u>	<u>202,907</u>
Fund Balance, July 1	<u>4,194,863</u>	<u>-</u>	<u>4,194,863</u>	<u>4,194,863</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 4,194,863</u>	<u>\$ -</u>	<u>\$ 4,194,863</u>	<u>3,991,956</u>	<u>\$ 202,907</u>
Recapitulation:					
Restricted fund balances				-	
Unrestricted fund balances				3,991,956	
Fund balance per governmental funds (GAAP) - B-1				<u>3,991,956</u>	

Monmouth-Ocean Educational Services Commission
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Local sources	\$ 7,888,994	\$ 568,900	\$ 8,457,894	\$ 6,461,683	\$ (1,996,211)
State sources	-	-	-	-	-
Federal sources	-	-	-	-	-
Total Revenues	<u>7,888,994</u>	<u>568,900</u>	<u>8,457,894</u>	<u>6,461,683</u>	<u>(1,996,211)</u>
EXPENDITURES					
Instruction:					
Salaries of teachers	1,977,500	(325,757)	1,651,743	1,514,354	137,389
Other salaries/instruction	764,695	(188,707)	575,988	522,314	53,674
Purchased services	-	29,195	29,195	29,195	-
Other purchased services	-	-	-	-	-
Purchased professional services	-	-	-	-	-
General supplies	175,200	(87,229)	87,971	29,438	58,533
Textbooks	475,000	-	475,000	410,059	64,941
Total instruction	<u>3,392,395</u>	<u>(572,498)</u>	<u>2,819,897</u>	<u>2,505,360</u>	<u>314,537</u>
Support services:					
Other support services					
students - special:					
Other professional staff salaries	1,064,248	(203,893)	860,355	707,336	153,019
Secretarial/Clerical salaries	27,260	(423)	26,837	26,837	-
Purchased professional services	3,270,891	(109,783)	3,161,108	1,958,779	1,202,329
Other purchased services	-	216,829	216,829	214,457	2,372
Purchased technical services	-	-	-	-	-
Employee benefits	-	945,987	945,987	926,943	19,044
Travel	-	858	858	858	-
Nursing services	-	-	-	-	-
Miscellaneous purchased services	-	-	-	-	-
Purchased Property Service	-	-	-	-	-
General supplies	68,760	6,101	74,861	54,011	20,850
Miscellaneous/Other objects	65,440	285,722	351,162	67,102	284,060
Total other support services - students - special	<u>4,496,599</u>	<u>1,141,398</u>	<u>5,637,997</u>	<u>3,956,323</u>	<u>1,681,674</u>
Facilities acquisition and const. serv.:					
Regular programs instruction	-	-	-	-	-
Non-instructional equipment	-	-	-	-	-
Total facilities acquisition and const. serv.	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>7,888,994</u>	<u>568,900</u>	<u>8,457,894</u>	<u>6,461,683</u>	<u>1,996,211</u>
Other financing sources (uses)					
Transfer in from general fund	-	-	-	-	-
Contribution to whole school reform	-	-	-	-	-
Total outflows	<u>7,888,994</u>	<u>568,900</u>	<u>8,457,894</u>	<u>6,461,683</u>	<u>1,996,211</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, 2018**

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]	\$ 45,635,805	[C-2]	\$ 6,461,683
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.		(527,869)		
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]	\$ 45,107,936	[B-2]	\$ 6,461,683
 Uses/outflows of resources				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1]	\$ 48,019,010	[C-2]	\$ 6,461,683
Differences - budget to GAAP				
TPAF pension payments completely funded by the State of New Jersey are not included on the GAAP statements.		(527,869)		-
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]	\$ 47,491,141	[B-2]	\$ 6,461,683

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, 2018**

Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
District's proportion of the net pension liability	0.0357465012%	0.0439781334%	0.0470804508%	0.0470561528%
District's proportionate share of the net pension liability	\$ 7,093,861	\$ 10,290,466	\$ 13,943,879	\$ 10,953,920
District's covered-employee payroll	3,167,776	3,025,156	3,322,054	3,565,958
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	223.94%	340.16%	419.74%	307.18%
Plan fiduciary net position as a percentage of the total pension liability	67.89%	61.84%	45.35%	58.18%

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, 2018**

Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contributions	\$ 249,689	\$ 378,094	\$ 448,129	\$ 478,015
Contributions in relation to the contractually required contribution	<u>337,605</u>	<u>-</u>	<u>471,510</u>	<u>478,015</u>
Contribution deficiency (excess)	<u>\$ (87,916)</u>	<u>\$ 378,094</u>	<u>\$ (23,381)</u>	<u>\$ -</u>
District's covered-employee payroll	\$ -	\$ 3,167,776	\$ 3,025,156	\$ 3,322,054
Contributions as a percentage of covered-employee payroll	0.00%	11.94%	14.81%	14.39%

* 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, 2018**

Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
District's proportion of the net pension liability	0.0310304894%	0.0283967086%	0.0251485926%	0.0303353066%
District's proportionate share of the net pension liability	\$ 16,584,787	\$ 17,947,932	\$ 19,783,484	\$ 20,453,158
District's covered-employee payroll	3,201,923	3,655,183	3,713,043	3,523,252
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	517.96%	491.03%	532.81%	580.52%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%	25.41%

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
Required Supplementary Information
Schedule of Changes in the Total OPEB Liability and Related Ratios
For the Fiscal Year Ended June 30, 2018
(Unaudited)

Last 10 Fiscal Years*

	2018
Total OPEB liability	
Service cost	\$ 1,930,599
Interest cost	938,833
Changes in assumptions	(3,869,761)
Member contributions	25,311
Gross benefit payments	(687,387)
Net change in total OPEB liability	(1,662,405)
Total OPEB liability - beginning	31,339,620
Total OPEB liability - ending	\$ 29,677,215
District's covered employee payroll	\$ 8,328,045
Total OPEB liability as a percentage of covered employee payroll	356%

* 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, 2018

Notes for TPAF Pension Schedules

Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	2.25 %
Salary increases: 2012-2021	1.65 - 4.15 % based on age
Thereafter	2.65 - 5.15 % based on age
Investment rate of return	7.00 %

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, 2016 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.

Notes to OPEB Schedule

Benefit changes: None

Changes in assumptions: The increase in the liability from June 30, 2015 to June 30, 2016 is due to the decrease in the assumed discount rate from 3.8% as of June 30, 2015 to 2.85% as of June 30, 2016. The decrease in the liability from June 30, 2016 to June 30, 2017 is due to the increase in the assumed discount rate from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

OTHER SUPPLEMENTARY INFORMATION

D. School Based Budget Schedules
Not Applicable

E. Special Revenue Fund

Monmouth-Ocean Educational Services Commission
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2018

	I.D.E.A. Part B 2017-2018	I.D.E.A. Part B 2016-2017	N.J. Non Public Textbook Aid	N.J. Non Public Nurse Aid	N.J. Non Public Technology Grant
Revenues:					
Local sources	\$ 1,223,448	\$ 127,584	\$ 410,059	\$ 926,238	\$ 221,570
State sources	-	-	-	-	-
Federal sources	-	-	-	-	-
Total revenues	<u>1,223,448</u>	<u>127,584</u>	<u>410,059</u>	<u>926,238</u>	<u>221,570</u>
Expenditures:					
Instruction:					
Salaries of teachers	402,535	23,883	-	-	210,897
Other salaries/instruction	441,274	81,040	-	-	-
Purchased services	-	-	-	-	-
Other purchased services	-	-	-	-	-
Purchased professional services	-	-	-	-	-
General supplies	12,446	104	-	-	-
Textbooks	-	-	410,059	-	-
Total instruction	<u>856,255</u>	<u>105,027</u>	<u>410,059</u>	<u>-</u>	<u>210,897</u>
Support services:					
Other support services - students - special:					
Other professional staff salaries	-	-	-	-	-
Secretarial/Clerical salaries	-	-	-	-	-
Purchased professional services	32,554	11,565	-	873,318	10,673
Other purchased services	-	-	-	-	-
Purchased technical services	-	-	-	-	-
Employee benefits	279,280	10,992	-	-	-
Travel	-	-	-	-	-
Nursing services	-	-	-	-	-
Miscellaneous purchased services	-	-	-	-	-
Purchased property services	-	-	-	-	-
General supplies	-	-	-	52,920	-
Miscellaneous/Other objects	55,359	-	-	-	-
Total other support services - students - special	<u>367,193</u>	<u>22,557</u>	<u>-</u>	<u>926,238</u>	<u>10,673</u>
Equipment:					
Regular programs instruction	-	-	-	-	-
Non-instructional equipment	-	-	-	-	-
Total equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 1,223,448</u>	<u>\$ 127,584</u>	<u>\$ 410,059</u>	<u>\$ 926,238</u>	<u>\$ 221,570</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, 2018**

(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	\$ 1,296,874	\$ 81,529	\$ 2,770	\$ 10,627	\$ 306,433
State sources	-	-	-	-	-
Federal sources	-	-	-	-	-
Total revenues	<u>1,296,874</u>	<u>81,529</u>	<u>2,770</u>	<u>10,627</u>	<u>306,433</u>
Expenditures:					
Instruction:					
Salaries of teachers	776,093	81,529	-	10,627	8,790
Other salaries/instruction	-	-	-	-	-
Purchased services	-	-	-	-	29,195
Other purchased services	-	-	-	-	-
Purchased professional services	-	-	-	-	-
Other purchased services	-	-	-	-	-
General supplies	4,703	-	-	-	12,185
Textbooks	-	-	-	-	-
Total instruction	<u>780,796</u>	<u>81,529</u>	<u>-</u>	<u>10,627</u>	<u>50,170</u>
Support services:					
Other support services - students - special:					
Other professional staff salaries	-	-	2,770	-	69,693
Secretarial/Clerical salaries	-	-	-	-	26,837
Purchased professional services	-	-	-	-	132,920
Other purchased services	-	-	-	-	-
Purchased technical services	-	-	-	-	-
Employee benefits	516,078	-	-	-	13,121
Travel	-	-	-	-	858
General supplies	-	-	-	-	1,091
Miscellaneous/Other objects	-	-	-	-	11,743
Total other support services - students - special	<u>516,078</u>	<u>-</u>	<u>2,770</u>	<u>-</u>	<u>256,263</u>
Equipment:					
Regular programs instruction	-	-	-	-	-
Non-instructional equipment	-	-	-	-	-
Total equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 1,296,874</u>	<u>\$ 81,529</u>	<u>\$ 2,770</u>	<u>\$ 10,627</u>	<u>\$ 306,433</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, 2018

(Continued from prior page)

	N.J. Nonpublic Handicapped Services Chapter 193			N.J. Non Public Security	Total 2018
	Supplemental Instruction	Examination and Classification	Corrective Speech		
Revenues:					
Local sources	\$ 742,345	\$ 602,685	\$ 279,321	\$ 230,200	\$ 6,461,683
State sources	-	-	-	-	-
Federal sources	-	-	-	-	-
Total revenues	<u>742,345</u>	<u>602,685</u>	<u>279,321</u>	<u>230,200</u>	<u>6,461,683</u>
Expenditures:					
Instruction:					
Salaries of teachers	-	-	-	-	1,514,354
Other salaries/instruction	-	-	-	-	522,314
Purchased services	-	-	-	-	29,195
Other purchased services	-	-	-	-	-
Purchased professional services	-	-	-	-	-
Other purchased services	-	-	-	-	-
General supplies	-	-	-	-	29,438
Textbooks	-	-	-	-	410,059
Total instruction	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,505,360</u>
Support services:					
Other support services - students - special:					
Other professional staff salaries	634,873	-	-	-	707,336
Secretarial/Clerical salaries	-	-	-	-	26,837
Purchased professional services	-	602,685	279,321	15,743	1,958,779
Other purchased services	-	-	-	214,457	214,457
Purchased technical services	-	-	-	-	-
Employee benefits	107,472	-	-	-	926,943
Travel	-	-	-	-	858
Nursing Svcs	-	-	-	-	-
Miscellaneous purchased services	-	-	-	-	-
Purchased property services	-	-	-	-	-
General supplies	-	-	-	-	54,011
Miscellaneous/Other objects	-	-	-	-	67,102
Total other support services - students - special	<u>742,345</u>	<u>602,685</u>	<u>279,321</u>	<u>230,200</u>	<u>3,956,323</u>
Equipment:					
Regular programs instruction	-	-	-	-	-
Non-instructional equipment	-	-	-	-	-
Total equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 742,345</u>	<u>\$ 602,685</u>	<u>\$ 279,321</u>	<u>\$ 230,200</u>	<u>\$ 6,461,683</u>

F. Capital Projects Fund
Not Applicable

G. Proprietary Funds
Not Applicable

H. Fiduciary Funds

Monmouth-Ocean Educational Services Commission
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	<u>Unemployment Compensation Trust</u>	<u>Payroll Agency</u>	<u>Total Fund</u>
ASSETS			
Cash and cash equivalents	\$ 1,872	\$ 188,429	\$ 190,301
Intergovernmental Accounts Receivable	-	-	-
Interfund receivable	-	-	-
Total assets	<u>1,872</u>	<u>188,429</u>	<u>190,301</u>
LIABILITIES			
Accounts payable	-	-	-
Payroll deductions and withholdings	-	188,429	188,429
Payable to student groups	-	-	-
Interfund payable	-	-	-
Due to County Office	-	-	-
Total liabilities	<u>-</u>	<u>188,429</u>	<u>188,429</u>
NET POSITION			
Held in trust for unemployment claims and other purposes	1,872	-	1,872
Reserved for scholarships	-	-	-
Total net position	<u>1,872</u>	<u>-</u>	<u>1,872</u>
Total liabilities and net position	<u>\$ 1,872</u>	<u>\$ 188,429</u>	<u>\$ 190,301</u>

**Monmouth-Ocean Educational Services Commission
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2018**

	Unemployment Compensation Trust
ADDITIONS	
Contributions:	
Plan member	\$ -
Other	-
Total contributions	-
Investment earnings:	
Net increase (decrease) in fair value of investments	-
Interest	24
Dividends	-
Less investment expense	-
Net investment earnings	24
Total additions	24
DEDUCTIONS	
Quarterly contribution reports	-
Unemployment claims	-
Scholarships awarded	-
Refunds of contributions	-
Administrative expenses	-
Total deductions	-
Change in net position	24
Net position—beginning of the year	1,848
Net position—end of the year	\$ 1,872

Monmouth-Ocean Educational Services Commission
 Payroll Agency Fund
 Schedule of Receipts and Disbursements
 For the Fiscal Year ended June 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
Payroll deductions and withholdings	\$ 168,310	<u>11,389,635</u>	<u>11,369,516</u>	\$ <u>188,429</u>

I. Long-Term Debt

Monmouth-Ocean Educational Services Commission
Long-Term Debt
Statement of Obligations Under Capital Lease
June 30, 2018

<u>Series</u>	<u>Date of Lease</u>	<u>Amount of Original Lease Principal</u>	<u>Interest Rate</u>	<u>Amount Outstanding June 30, 2017</u>	<u>Issued Current Year</u>	<u>Cancelled Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding June 30, 2018</u>
Computer Lease	03/17/14	\$ 52,361	6.25%	\$ 10,627	\$ -	\$ -	\$ 10,627	\$ -
				<u>\$ 10,627</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,627</u>	<u>\$ -</u>

Monmouth-Ocean Educational Services Commission
 Long-Term Debt
 Statement of Obligations-Notes Payable
 June 30, 2018

<u>Series</u>	<u>Date of Loan</u>	<u>Amount of Original Loan Principal</u>	<u>Interest Rate</u>	<u>Amount Outstanding June 30, 2017</u>	<u>Issued Current Year</u>	<u>Cancelled Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding June 30, 2018</u>
Chapter 192/193 loan	07/01/11	\$ 187,158	0.00%	\$ 53,473	\$ -	\$ -	\$ 26,737	\$ 26,736
				<u>\$ 53,473</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,737</u>	<u>\$ 26,736</u>

STATISTICAL SECTION

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

Contents

Page

Financial Trends

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

104-108

Revenue Capacity

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

N/A

Debt Capacity

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

N/A

Demographic and Economic Information

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

N/A

Operating Information

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

109

***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 Assets/Positions by Component
Last Nine Fiscal Years
UNAUDITED
 (accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities									
Net investment in capital assets	\$ 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	\$ 6,555,841
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)	(4,991,407)
Total governmental activities net position	<u>\$ 11,851,016</u>	<u>\$ 9,809,877</u>	<u>\$ 9,493,231</u>	<u>\$ 9,104,615</u>	<u>\$ 8,271,230</u>	<u>\$ 2,229,193</u>	<u>\$ 2,032,819</u>	<u>\$ 2,585,649</u>	<u>\$ 1,564,434</u>
Business-type activities									
Net investment in capital assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-
Unrestricted	(590,218)	(617,820)	(581,071)	(378,349)	(77,238)	7,133	6,914.00	17,504	5,224
Total business-type activities net position	<u>\$ (590,218)</u>	<u>\$ (617,820)</u>	<u>\$ (581,071)</u>	<u>\$ (378,349)</u>	<u>\$ (77,238)</u>	<u>\$ 7,133</u>	<u>\$ 6,914</u>	<u>\$ 17,504</u>	<u>\$ 5,224</u>
District-wide									
Net investment in capital assets	\$ 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	\$ 6,555,841
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)	(4,986,183)
Total district net position	<u>\$ 11,260,798</u>	<u>\$ 9,192,057</u>	<u>\$ 8,912,160</u>	<u>\$ 8,726,266</u>	<u>\$ 8,193,992</u>	<u>\$ 2,236,326</u>	<u>\$ 2,039,733</u>	<u>\$ 2,603,153</u>	<u>\$ 1,569,658</u>

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018
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)	(3,501,486)
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)	(60,092)
Health services	-	-	-	-	-	(16,013)	(28,085)	(28,477)	(28,709)
Other support services	-	-	-	-	-	(3,840,300)	(3,062,042)	(3,942,945)	(4,014,189)
Educational media services	-	-	-	-	-	-	-	-	-
Instruction staff training	-	-	-	-	-	(3,303)	(2,699)	(3,701)	(1,375)
School administrative services	2,018,769	2,313,774	1,501,498	1,257,094	1,212,378	(969,061)	(785,768)	(894,008)	(866,645)
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)	(868,005)
Admin info technology	-	-	-	-	-	(865,487)	(831,416)	(1,002,528)	(947,468)
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)	(857,076)
Care & upkeep of grounds	-	-	-	-	-	(70,815)	(41,860)	(41,640)	(72,830)
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)	(40,517,345)
Business and other support services	-	-	-	-	-	-	-	-	-
Unallocated employee benefits	-	-	-	-	-	(1,513,948)	(2,197,619)	(1,668,043)	(2,223,551)
Non-budgeted expenditures	-	-	-	-	-	(440,618)	(534,046)	(533,260)	(621,684)
Special schools	240,748	35,713	256,880	274,926	316,788	(242,791)	(236,362)	(182,699)	(148,863)
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)	(54,729,318)
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	\$ 4,748,370
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	4,748,370
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)	\$ (49,980,948)
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	\$ 2,074,120
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	42,027,992
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	6,461,683
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	50,563,795
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	6,658,966
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	6,658,966
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	57,222,761
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)	(4,165,523)
Business-type activities	5,386	(31,924)	35,374	196,922	297,298	1,293,749	1,168,703	1,488,698	1,910,596
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)	(2,254,927)
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	621,684
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	599,748
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	1,922,876
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	3,144,308
Business-type activities:									
Investment earnings	-	-	-	-	-	-	-	-	-
Transfers	1,742	4,322	1,375	5,800	3,813	(892,122)	(1,168,922)	(1,478,108)	(1,922,876)
Total business-type activities	1,742	4,322	1,375	5,800	3,813	(892,122)	(1,168,922)	(1,478,108)	(1,922,876)
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	1,221,432
Change in Net Position									
Governmental activities	(2,725,612)	(2,041,140)	(316,645)	(388,615)	(833,385)	839,417	(196,374)	552,830	(1,021,215)
Business-type activities	7,128	(27,602)	36,749	202,722	301,111	401,627	(219)	10,590	(12,280)
Total district	\$ (149,336)	\$ (2,068,742)	\$ (279,896)	\$ (185,893)	\$ (532,274)	\$ 1,241,044	\$ (196,593)	\$ 563,420	\$ (1,033,495)

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	3,991,956
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>	<u>\$ 3,991,956</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>	<u>\$ -</u>

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
District charges	\$ 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	\$ 6,461,683
Transportation fees	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	42,027,992
Tuition charges	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	2,074,120
Interest earnings	42,009	9,991	4,382	48	-	-	-	-	-	-
Interest earned on capital reserve funds	-	-	-	-	-	-	-	3,766	3,122	50,621
Miscellaneous	178,722	5,624,527	1,979,778	2,149,750	1,353,856	2,098,437	350,407	507,898	450,595	333,519
State sources	993,050	908,664	1,046,555	863,162	708,083	530,057	440,618	534,046	533,260	621,684
Federal sources	29,929	270,382	5,804	1,901	-	-	-	-	-	-
Total revenue	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	51,569,619
Expenditures										
Current:										
Regular instruction	1,525,979	1,494,579	2,162,380	1,541,239	1,372,184	1,420,863	-	-	-	-
Special education instruction	1,213,983	1,206,635	1,237,586	495,484	325,296	510,105	3,596,451	4,263,659	3,584,026	3,501,486
Other special instruction	-	-	-	-	-	-	-	-	-	-
Other instruction	-	-	-	-	-	-	-	-	-	-
Nonpublic school programs	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	60,092
Health services	-	-	-	-	-	-	16,013	28,085	28,477	28,709
Other support services	-	-	-	-	-	-	3,840,300	3,062,042	3,942,945	4,014,189
Educational media services	-	-	-	-	-	-	-	-	-	-
Instruction staff training	-	-	-	-	-	-	3,303	2,699	3,701	1,375
Student & inst. Related services	3,926,862	4,380,870	3,246,376	2,975,093	4,642,045	2,558,359	-	-	-	-
General administrative services	1,355,287	2,064,423	1,788,555	1,816,238	1,748,197	1,682,297	969,061	785,768	894,008	866,645
School administrative services	640,311	1,526,989	1,539,782	1,003,405	806,783	767,800	944,344	966,248	870,028	868,005
Other administrative	-	-	-	-	-	-	865,487	831,416	1,002,528	947,468
Information technology	-	-	-	-	-	-	-	-	-	-
Allowed maintenance for school facilities	-	-	-	-	-	-	-	-	-	-
Other operation & maintenance of plant	562,686	650,475	656,064	433,527	414,512	543,938	355,288	327,671	316,728	378,248
Care & upkeep of grounds	-	-	-	-	-	-	70,815	41,860	41,640	72,830
Security	-	-	-	-	-	-	86,737	43,116	44,462	44,525
Student transportation services	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	40,517,345
Business and other support services	-	-	-	-	-	-	-	-	-	-
Unallocated employee benefits	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	1,448,276
Non-budgeted expenditures	-	-	-	-	-	-	440,618	534,046	533,260	621,684
Miscellaneous	111,805	9,446	553,453	51	52,519	-	-	-	-	-
Transfer to cover food service deficit	-	-	-	-	-	-	-	874	26,971	40,681
Special schools	180,199	151,906	23,645	170,316	174,444	197,319	242,791	236,362	182,699	148,863
Debt service:										
Principal	-	-	-	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-	-	-	-
Capital outlay	551,547	310,551	386,983	28,488	41,003	84,377	247,133	99,301	108,501	392,403
Total expenditures	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	53,952,824
Excess (Deficiency) of revenues over (under) expenditures	(847,097)	643,775	(2,139,325)	(247,902)	(629,268)	(258,537)	(2,548,384)	(1,524,523)	(1,716,909)	(2,383,205)
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	577,000	40,538	-	-	-	-	892,167	1,987,426	2,531,480	2,180,298
Transfers out	(581,757)	(1,742)	(4,322)	(1,375)	(5,800)	(3,813)	2,411,215	-	-	-
Costs of issuance	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(4,757)	38,796	(4,322)	(1,375)	154,621	48,548	3,303,382	1,987,426	2,531,480	2,180,298
Net change in fund balances	(851,854)	682,571	(2,143,647)	(249,277)	(474,647)	(209,989)	754,998	462,903	814,571	(202,907)
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
2018	\$ 50,621	\$ -	\$ 2,180,298	\$ -	\$ 264,615	\$ 68,904	\$ 2,564,438
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

Source: District records

**Monmouth-Ocean Educational Services Commission
INSURANCE SCHEDULE
JUNE 30, 2018
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 January 31, 2019.

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

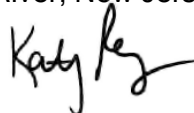
As part of obtaining reasonable assurance about whether the Monmouth-Ocean Educational Services Commission financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which 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

January 31, 2019

**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, 2018. Monmouth-Ocean Educational Services Commission's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 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 state programs for the year ended June 30, 2018.

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.

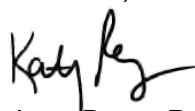
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

A handwritten signature in black ink, appearing to read "Kathy Perry".

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

January 31, 2019

Monmouth-Ocean Educational Services Commission
 Schedule of Expenditures of Federal Awards
 for the Fiscal Year ended June 30, 2018

<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, 2017</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, 2018</u>	<u>(Accounts Receivable) at June 30, 2018</u>	<u>Due to Grantor at June 30, 2018</u>
U.S. Department of Agriculture Passed-through State Department of Education: Enterprise Fund: Child Nutrition Cluster											
National School Lunch Program	10.555	7/1/16-6/30/17	-	(1,733)	-	1,733	-	-	-	-	-
National School Lunch Program	10.555	7/1/17-6/30/18	-	-	-	-	-	-	-	-	-
Subtotal of Child Nutrition Cluster			-	<u>(1,733)</u>	<u>-</u>	<u>1,733</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Enterprise Fund				<u>(1,733)</u>	<u>-</u>	<u>1,733</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures of Federal Financial Awards				<u>\$ (1,733)</u>	<u>\$ -</u>	<u>\$ 1,733</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to schedules of expenditures.

Monmouth-Ocean Educational Services Commission
 Schedule of Expenditures of State Financial Assistance
 for the Fiscal Year ended June 30, 2018

State Grantor/ Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2017	Carryover Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Deferred Revenue at June 30, 2018	(Accounts Receivable) at June 30, 2018	Due to Grantor at June 30, 2018	MEMO	
												Budgetary Receivable	Total Expenditures
State Department of Agriculture:													
Enterprise Fund:													
National School Lunch Program (State Share)	18-100-034-5120-122	7/1/17-6/30/18	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
National School Lunch Program (State Share)	17-100-034-5120-122	7/1/16-6/30/17	1,754	(21)	-	21	-	-	-	-	-	-	-
Total Enterprise Fund				(21)	-	21	-	-	-	-	-	-	-
State Department of Education:													
General Fund:													
On-Behalf TPAF Pension Contribution	18-100-034-5095-002	7/1/17-6/30/18	527,869	-	-	527,869	(527,869)	-	-	-	-	-	527,869
On-Behalf TPAF Post-Retirement Medical	18-100-034-5095-001	7/1/17-6/30/18	340,393	-	-	340,393	(340,393)	-	-	-	-	-	340,393
On-Behalf TPAF Long-Term Disability Insurance	18-100-034-5095-004	7/1/17-6/30/18	805	-	-	805	(805)	-	-	-	-	-	805
Reimbursed TPAF Social Security Contributions	18-495-034-5094-003	7/1/17-6/30/18	280,486	-	-	269,104	(280,486)	-	-	(11,382)	-	(11,382)	280,486
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	7/1/16-6/30/17	248,064	(12,156)	-	12,156	-	-	-	-	-	-	-
Total General Fund				(12,156)	-	1,150,327	(1,149,553)	-	-	(11,382)	-	(11,382)	1,149,553
Total State Financial Assistance				\$ (12,177)	-	1,150,348	(1,149,553)	-	-	(11,382)	-	(11,382)	1,149,553
State Financial Assistance Not Subject to Major Program Determination				-	-	(869,067)	869,067	-	-	-	-	-	(527,869)
Total State Financial Assistance For Major Program Determination				\$ (12,177)	-	281,281	(280,486)	-	-	(11,382)	-	(11,382)	621,684

See accompanying notes to schedules of expenditures.

Monmouth-Ocean Educational Services Commission
Notes to Schedules of Awards and Financial Assistance
June 30, 2018

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 state awards received directly from state agencies, as well as state awards passed through other government agencies are included on the schedules of expenditures of state awards.

2. Basis of Accounting

The accompanying schedules of expenditures of 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, 2018

3. Relationship to General Purpose Financial Statements (continued)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$527,869) 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	\$ -	621,684	\$ 621,684
Special Revenue Fund	-	-	-
Debt Service Fund	-	-	-
Food Service Fund	-	-	-
Total awards and financial assistance	\$ <u>-</u>	<u>621,684</u>	\$ <u>621,684</u>

4. Relationship to Federal and State Financial Reports

Amounts reported in the accompanying schedules agree with the amounts reported in the related 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, 2018. 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, 2018.

6. Indirect Costs

The Commission has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Monmouth-Ocean Educational Services Commission

Notes to Schedules of Awards and Financial Assistance (continued)

June 30, 2018

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, 2018

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 no2) Significant deficiencies identified that are not considered to be material weaknesses? yes noneAny 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, 2018.

Prior Year Audit Findings

None

Section III - State Award Findings and Questioned Costs

No matters were reported for the period ended June 30, 2018.

Monmouth-Ocean Educational Services Commission

Summary Schedule of Prior Audit Findings

June 30, 2018

There were no prior year findings for the period ended June 30, 2017.