

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

OF THE

**MONMOUTH-OCEAN
EDUCATIONAL SERVICES
COMMISSION**

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

PREPARED BY:

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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE MONMOUTH-OCEAN COUNTY EDUCATIONAL SERVICES COMMISSION
FISCAL YEAR ENDED JUNE 30, 2013**

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INTRODUCTORY SECTION

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Monmouth-Ocean Educational Services Commission

Kathleen Mandeville
School Business Administrator

900 Hope Road
Tinton Falls, NJ 07712

(732) 695-7827 Fax: (732) 493-4515
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December 4, 2013

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, 2013, is hereby submitted. This CAFR includes the Commission's Basic Financial Statement prepared in accordance with Governmental Accounting Standards Board (GASB) Statement 34. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Directors (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the Commission. All disclosures necessary to enable the reader to gain an understanding of the Commission's financial activities have been included.

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

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

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

The Commission provides a broad range of services and programs to school districts and students, primarily in Monmouth and Ocean Counties and is expanding its NJ Virtual School Statewide. Services include special education, alternative education, non-public instruction and services, home instruction, virtual instruction, Federal grant administration, after-school childcare, cooperative purchasing, staff development and special projects.

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

MAJOR INITIATIVES:

1. MOESC continues to share services with the Bayshore Jointure Commission through agreements to provide for the administration and business operations as well as a shared administrative assistant, physical education teacher and nursing services for the Jointure's Shore Center for students with Autism program housed in the MOESC's 100 Tornillo Way, Tinton Falls building. In addition, the Jointure has entered a new five year lease beginning July 1, 2013.
2. MOESC's New Jersey Virtual School continues to operate a GED program at the Monmouth County Correctional Institute and is about to graduate its 150th GED diploma student. The NJVS is experiencing a large increase in summer school enrollments.

3. MOESC has joined with Rutgers University to create the New Jersey Virtual Charter School for high school dropouts. This unique approach to helping high school dropouts has been approved by the New Jersey Department of Education for a September 2013 opening. This planning year continues through the 2012-2013 school year.

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

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

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

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

BUDGETARY CONTROLS: In addition to internal accounting controls, the Commission maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Directors. Annual appropriated budgets are adopted for the general fund and the special revenue fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at fiscal year end.

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

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

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

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

OTHER INFORMATION:

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

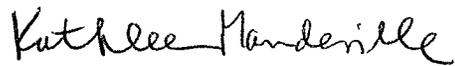
In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1996 and the related OMB Circular A-133 and State Treasury Circular Letter 04-04. The auditor's report on the basic financial statements and combining and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

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "David Abbott", with a long, sweeping flourish extending to the right.

David Abbott
Interim Superintendent

A handwritten signature in black ink, appearing to read "Kathleen Mandeville", written in a cursive style.

Kathleen Mandeville
Board Secretary/School
Business Administrator

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION

ROSTER OF OFFICIALS

JUNE 30, 2013

<u>Members of the Board of Directors</u>	<u>Term Expires</u>
Mr. Thomas Gialanella, President	June 30, 2013
Mr. Timothy McCorkell, Vice President	June 30, 2013
Ms. Christine Carlson	June 30, 2013
Dr. Richard Fitzpatrick	June 30, 2013
Dr. William George	June 30, 2013
Dr. Frank Kasyan	June 30, 2013
Mr. John Lysko	June 30, 2013
Dr. John Marciante	June 30, 2013
Dr. John Ravally	June 30, 2013
Mr. John Russo	June 30, 2013
Mr. David Healy	June 30, 2013
Ms. Lisa Savoia	June 30, 2013
Mr. Vincent Smith	June 30, 2013
Mr. David Trethaway	June 30, 2013

Other Officials

Dr. David Abbott, Interim Superintendent

Mrs. Kathleen Mandeville, Board Secretary/School Business Administrator

Mr. Richard McOmer, Attorney

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION

CONSULTANTS AND ADVISORS

AUDIT FIRM

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

ATTORNEY

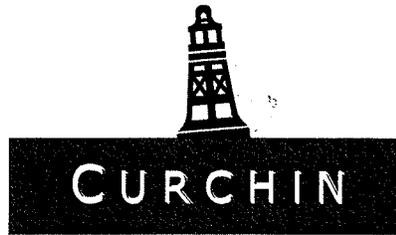
Richard McOmber
54 Shrewsbury Avenue
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OFFICIAL DEPOSITORY

TD Bank
175 Wyckoff Road
Eatontown, NJ 07724

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Monmouth-Ocean Educational Services Commission
900 Hope Road
Tinton Falls, NJ 07712

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund and the aggregate remaining fund information of the Monmouth-Ocean Educational Services Commission, in the County of Monmouth, State of New Jersey, as of and for the fiscal year ending June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission'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 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall financial statement presentation.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Monmouth-Ocean Educational Services Commission, in the County of Monmouth, State of New Jersey, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 12 and 37 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

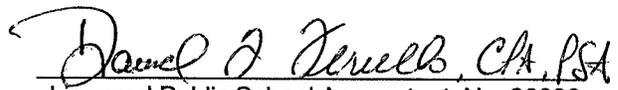
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying introductory section, and other supplementary information, such as, the combining and individual fund financial statements, long-term debt schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and long-term debt schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations and New Jersey OMB's Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2013 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.


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

Red Bank, New Jersey
December 4, 2013

**REQUIRED SUPPLEMENTARY
INFORMATION – PART I**

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Monmouth-Ocean Educational Services Commission

Kathleen Mandeville
School Business Administrator

900 Hope Road
Tinton Falls, NJ 07712

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

MANAGEMENT’S DISCUSSION & ANALYSIS (MD&A), 2012-2013

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

The Commission recorded a net increase of \$105,887 during the fiscal year ended 6/30/13. Broken down by fund, the decrease was calculated as follows:

	Fund	Revenue	Expenditures	Transfers	+/-
General	(10)	34,157,394	34,626,241	(5,800)	(474,647)
Special Revenue	(20)	6,170,580	6,170,580	-	-
Capital Projects	(30)	-	-	-	-
Internal Service	(70)	1,755,333	1,377,521	-	377,812
Enterprise	(60)	850,175	653,253	5,800	202,722
TOTAL		42,933,482	42,827,595	-	105,887

	Restricted	Unrestricted	Total
Total Net Assets at June 30, 2012	0	2,846,466	2,846,466
Net change in Fund Balances during 2012-2013	-	105,887	105,887
Adjustments to arrive at net assets per GASB 34	-	(178,609)	(178,609)
Total Unrestricted Net Assets at June 30, 2013	\$0	\$2,773,744	\$2,773,744

The increase of \$105,887 during the most recent fiscal year was the result of many factors. The Commission regained some transportation contracts during the 2012-2013 school year, there was also an increase in transportation of displaced students caused by Superstorm Sandy. Salaries and benefits costs continued to escalate. Major gains in services in public school nursing and child study services were offset by the loss of administrative fees due to the reduction of funds in Chapter 192/193.

BASIC FINANCIAL STATEMENTS

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COMMISSION-WIDE FINANCIAL STATEMENTS

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

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MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
STATEMENT OF NET ASSETS
JUNE 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 4,100	\$ -	\$ 4,100
Receivables, Net	7,384,734	1,864	7,386,598
Interfund Receivable	1,390,803	1,005,590	2,396,393
Security Deposit	-	5,000	5,000
Capital Assets, net	7,118,060	-	7,118,060
Total Assets	<u>15,897,697</u>	<u>1,012,454</u>	<u>16,910,151</u>
LIABILITIES			
Cash Overdraft	4,370,922	-	4,370,922
Accounts Payable	241,757	-	241,757
Interfund Payable	1,005,590	1,390,803	2,396,393
Payable to State Government	-	-	-
Payable to Other Government	375,220	-	375,220
Deferred Revenue	251,663	-	251,663
Noncurrent Liabilities:			
Due Within One Year	190,092	-	190,092
Due Beyond One Year	357,838	-	357,838
Total Liabilities	<u>6,793,082</u>	<u>1,390,803</u>	<u>8,183,885</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	5,952,522	-	5,952,522
Unrestricted	3,152,093	(378,349)	2,773,744
Total Net Assets	<u>\$ 9,104,615</u>	<u>\$ (378,349)</u>	<u>\$ 8,726,266</u>

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

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE, 2013

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
GOVERNMENTAL ACTIVITIES			
Instruction:			
Regular Instruction	\$ -	\$ -	\$ -
Special Education Instruction	1,220,935	-	898,931
Other Instruction	419,812	1,755,333	-
Nonpublic school programs	1,319,349	-	722,553
Support Services:			
Tuition	-	2,392,961	-
Student & Instruction Related Services	6,195,546	-	4,496,577
School Administrative Services	1,257,094	-	-
General and Business Administrative Services	2,491,667	-	52,519
Plant Operations and Maintenance	445,364	-	-
Pupil Transportation	28,724,628	29,702,494	-
Special Schools	274,926	-	-
Unallocated Depreciation and Amortization	116,801	-	-
Total Governmental Activities	42,466,122	33,850,788	6,170,500
BUSINESS-TYPE ACTIVITIES			
Food Service	9,394	935	2,351
School-age Child Care Services	598,103	813,210	-
Adult School	45,756	33,679	-
Total Business-type Activities	653,253	847,824	2,351
Total Primary Government	\$ 43,119,375	\$ 34,698,612	\$ 6,172,931

GENERAL REVENUES
TPAF FICA reimbursement
Investment earnings
Miscellaneous income
Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - beginning

Net Assets - ending

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

Net (Expense)
Revenue and Changes
in Net Assets

Governmental Activities	Business-type Activities	Total
\$ -	\$ -	\$ -
(322,004)	-	(322,004)
1,335,521	-	1,335,521
(596,796)	-	(596,796)
2,392,961	-	2,392,961
(1,698,969)	-	(1,698,969)
(1,257,094)	-	(1,257,094)
(2,439,148)	-	(2,439,148)
(445,364)	-	(445,364)
977,866	-	977,866
(274,926)	-	(274,926)
(116,801)	-	(116,801)
(2,444,754)	-	(2,444,754)
-	(6,108)	(6,108)
-	215,107	215,107
-	(12,077)	(12,077)
-	196,922	196,922
(2,444,754)	196,922	(2,247,832)
708,083	-	708,083
-	-	-
1,353,856	-	1,353,856
(5,800)	5,800	-
2,056,139	5,800	2,061,939
(388,615)	202,722	(185,893)
9,493,230	(581,071)	8,912,159
\$ 9,104,615	\$ (378,349)	\$ 8,726,266

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FUND FINANCIAL STATEMENTS

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

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MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 4,000	\$ 100	\$ -	\$ 4,100
Receivables From Other Governments	5,621,696	888,306	-	6,510,002
Interfund Receivable	2,358,396	-	-	2,358,396
Total Assets	\$ 7,984,092	\$ 888,406	\$ -	\$ 8,872,498
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 72,128	\$ 169,629	\$ -	\$ 241,757
Cash overdraft	4,370,922	-	-	4,370,922
Interfund Payable	1,005,590	257,182	-	1,262,772
Payable to State Government	-	-	-	-
Payable to Other Government	-	375,070	-	375,070
Deferred Revenue	163,072	86,525	-	249,597
Total Liabilities	5,611,712	888,406	-	6,500,118
Fund Balances:				
Reserved for:				
Encumbrances	-	-	-	-
Unreserved, Undesignated, Reported in:				
General Fund	2,372,380	-	-	2,372,380
Total Fund Balances	2,372,380	-	-	2,372,380
Total Liabilities and Fund Balances	\$ 7,984,092	\$ 888,406	\$ -	

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

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

162,105

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is \$8,656,767 and the accumulated depreciation is \$1,538,707.

7,118,060

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.

N/P NJ DOE

(160,421)

Compensated absences payable

(387,509)

Net Assets of Governmental Activities

\$ 9,104,615

See Notes to the Basic Financial Statements.

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
REVENUES				
Local Sources:				
Tuition Charges	\$ 2,392,961	\$ -	\$ -	\$ 2,392,961
Transportation Charges	29,702,494	-	-	29,702,494
Interest Earned on Investments	-	-	-	-
Miscellaneous	1,353,856	-	-	1,353,856
Total - Local Sources	33,449,311	-	-	33,449,311
Federal Sources	-	-	-	-
State Sources	708,083	-	-	708,083
District Sources	-	6,170,580	-	6,170,580
Total Revenues	34,157,394	6,170,580	-	40,327,974
EXPENDITURES				
Current:				
Regular Instruction	-	-	-	-
Special Education Instruction	345,131	1,027,053	-	1,372,184
Other Instruction	325,296	-	-	325,296
Nonpublic School Programs	-	423,860	-	423,860
Support Services and Undistributed Costs:				
Student & Instruction Related Services	168,322	4,473,723	-	4,642,045
General and Business Admin. Services	1,748,197	-	-	1,748,197
School Administrative Services	806,783	-	-	806,783
Plant Operations and Maintenance	414,512	-	-	414,512
Pupil Transportation	28,572,384	-	-	28,572,384
Employee Benefits	2,190,590	193,425	-	2,384,015
Miscellaneous	-	52,519	-	52,519
Special Schools	174,444	-	-	174,444
Capital Outlay	41,003	-	-	41,003
Total Expenditures	34,786,662	6,170,580	-	40,957,242
Deficiency of Revenues Over (Under) Expenditures				
	(629,268)	-	-	(629,268)
OTHER FINANCING SOURCES (USES)				
NJ DOE Audit payable	160,421	-	-	160,421
Transfers Out	(5,800)	-	-	(5,800)
Total Other Financing Sources and Uses	154,621	-	-	154,621
Net Change in Fund Balances	(474,647)	-	-	(474,647)
Fund Balance, July 1	2,847,027	-	-	2,847,027
Fund Balance, June 30	\$ 2,372,380	\$ -	\$ -	\$ 2,372,380

See Notes to the Basic Financial Statements.

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Total net change in fund balances - governmental funds (from B-2)	\$	(474,647)
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p> <p>Capital outlays are reported in governmental funds as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year.</p>		
Depreciation Expense	(157,137)	
Capital Outlay	43,966	(113,171)
<p>Proceeds from debt issues are a financing source in the governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net assets.</p>		
Audit Assessment on Chapter 192/193		(160,421)
<p>Capital lease payments are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.</p>		
		4,832
<p>In the Statement of Activities, certain operating expenses, e.g., compensated absences (vacations & sick pay) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation.</p>		
		(23,020)
<p>In the Statement of Activities, Internal Service Fund revenue and expenses are reported as a governmental activity. However, they are not included in the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds (from B-2).</p>		
		377,812
Change in net assets of governmental activities	\$	(388,615)

See Notes to the Basic Financial Statements.

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2013

	Enterprise Funds			Total Enterprise	Governmental Activities Internal Service Fund
	Food Service	School Age Child Care	Adult School		
ASSETS					
Current assets:					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental receivables					
Federal	297	-	-	297	-
State	8	1,099	-	1,107	-
Other	-	460	-	460	874,732
Interfund receivables	-	1,005,590	-	1,005,590	-
Deposits	-	-	5,000	5,000	-
Total current assets	<u>305</u>	<u>1,007,149</u>	<u>5,000</u>	<u>1,012,454</u>	<u>874,732</u>
Noncurrent assets:					
Furniture, machinery and equipment	-	-	-	-	3,478
Less accumulated depreciation	-	-	-	-	<u>(3,478)</u>
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 305</u>	<u>\$ 1,007,149</u>	<u>\$ 5,000</u>	<u>\$ 1,012,454</u>	<u>\$ 874,732</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-	-	-	-	2,066
Intergovernmental payable	-	-	-	-	150
Interfund payable	-	-	1,390,803	1,390,803	710,411
Total current liabilities	<u>-</u>	<u>-</u>	<u>1,390,803</u>	<u>1,390,803</u>	<u>712,627</u>
NET ASSETS					
Unrestricted	<u>305</u>	<u>1,007,149</u>	<u>(1,385,803)</u>	<u>(378,349)</u>	<u>162,105</u>
Total net assets	<u>305</u>	<u>1,007,149</u>	<u>(1,385,803)</u>	<u>(378,349)</u>	<u>162,105</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 305</u>	<u>\$ 1,007,149</u>	<u>\$ 5,000</u>	<u>\$ 1,012,454</u>	<u>\$ 874,732</u>

See Notes to the Basic Financial Statements.

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Enterprise Funds			Total Enterprise	Governmental Activities Internal Service Fund
	Food Service	School Age Child Care	Adult School		
OPERATING REVENUES:					
Local sources:	\$ -	\$ -	\$ -	\$ -	\$ 1,755,333
Food service sales	935	823,325	35,179	859,439	-
Community service activities	-	-	-	-	-
Refunds	-	(10,115)	(1,500)	(11,615)	-
Total operating revenues	935	813,210	33,679	847,824	1,755,333
OPERATING EXPENSES:					
Salaries	-	567,209	42,614	609,823	488,985
Employee benefits	-	-	-	-	49,894
Cost of sales	9,394	-	-	9,394	-
Other purchased professional services	-	20,873	-	20,873	833,300
General supplies	-	4,927	-	4,927	72
Textbooks	-	5,094	3,142	8,236	-
Other expenses	-	-	-	-	5,270
Total operating expenses	9,394	598,103	45,756	653,253	1,377,521
OPERATING INCOME/(LOSS)	(8,459)	215,107	(12,077)	194,571	377,812
NONOPERATING REVENUES:					
State sources:					
State school lunch program	57	-	-	57	-
Federal sources:					
National school lunch program	2,294	-	-	2,294	-
TOTAL NONOPERATING REVENUES	2,351	-	-	2,351	-
INCOME/(LOSS) BEFORE TRANSFERS	(6,108)	215,107	(12,077)	196,922	377,812
TRANSFERS IN/(OUT)	5,800	-	-	5,800	-
CHANGE IN NET ASSETS	(308)	215,107	(12,077)	202,722	377,812
TOTAL NET ASSETS - BEGINNING	613	792,042	(1,373,726)	(581,071)	(215,707)
TOTAL NET ASSETS - ENDING	\$ 305	\$ 1,007,149	\$ (1,385,803)	\$ (378,349)	\$ 162,105

See Notes to the Basic Financial Statements.

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

B-6

	Enterprise Funds			Total Enterprise	Governmental Activities Internal Service Fund
	Food Service	School Age Child Care	Adult School		
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 935	\$ 814,002	\$ 47,632	\$ 862,569	\$ 1,380,609
Payments to employees	-	(567,209)	(42,614)	(609,823)	(488,985)
Payments for employee benefits	-	-	-	-	(49,894)
Payments to suppliers	(9,394)	-	-	(9,394)	(836,388)
Other expenses	-	(36,744)	(3,142)	(39,886)	(5,342)
Net cash provided by (used in) operating activities	<u>(8,459)</u>	<u>210,049</u>	<u>1,876</u>	<u>203,466</u>	<u>-</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
State Sources	62	-	-	62	-
Federal Sources	2,597	-	-	2,597	-
Operating subsidies and transfers to other funds	5,800	(210,049)	(1,876)	(208,125)	-
Net cash provided by non-capital financing activities	<u>8,459</u>	<u>(210,049)</u>	<u>(1,876)</u>	<u>(203,466)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	-	-	-	-	-
Balances—beginning of year	-	-	-	-	-
Balances—end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided by (used in) by operating activities:					
Operating income (loss)	\$ (8,459)	\$ 215,107	\$ (12,077)	\$ 194,571	\$ 377,812
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
(Increase)/decrease in accounts receivable	-	792	13,953	14,745	(368,928)
Increase/(decrease) in accounts payable	-	(5,850)	-	(5,850)	(3,088)
Increase in interfund payable	-	-	-	-	(5,796)
Total adjustments	<u>-</u>	<u>(5,058)</u>	<u>13,953</u>	<u>8,895</u>	<u>(377,812)</u>
Net cash provided by (used in) operating activities	<u>\$ (8,459)</u>	<u>\$ 210,049</u>	<u>\$ 1,876</u>	<u>\$ 203,466</u>	<u>\$ -</u>

See Notes to the Basic Financial Statements.

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2013

	<u>Unemployment Compensation Trust</u>	<u>Payroll Agency Fund</u>
ASSETS		
Cash and Cash Equivalents	<u>\$ 1,831</u>	<u>\$ 242,363</u>
Total Assets	<u>1,831</u>	<u>\$ 242,363</u>
LIABILITIES		
Payroll Deductions and Withholdings	-	191,687
Accrued Salaries	<u>-</u>	<u>50,676</u>
Total Liabilities	<u>-</u>	<u>242,363</u>
NET ASSETS		
Held in Trust for Unemployment Claims and Other Purposes	<u>1,831</u>	<u>-</u>
Total Net Assets	<u><u>\$ 1,831</u></u>	<u><u>\$ -</u></u>

See Notes to the Basic Financial Statements.

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Unemployment Compensation Trust
ADDITIONS	
Contributions:	
Employee withholding	\$ 23,795
Board contributions	116,982
Total Contributions	140,777
Investment Earnings:	
Interest	2
Total Additions	140,779
DEDUCTIONS	
Quarterly contribution reports	9,526
Unemployment claims	131,252
Total Deductions	140,778
Change in Net Assets	1
Net Assets - Beginning of the Year	1,830
Net Assets - End of the Year	\$ 1,831

See Notes to the Basic Financial Statements.

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

B. Basis of Presentation

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

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

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

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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

The Commission reports the following governmental funds:

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

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

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

Proprietary Fund Types:

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

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

Fiduciary Fund Types:

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

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

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

C. Basis of Accounting:

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

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting: (Continued)

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

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

D. Budgets/Budgetary Control:

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

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the Special Revenue Fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the Special Revenue Fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that it recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports. At June 30, 2013 and 2012 the reconciling differences between the budgetary basis and GAAP basis in the Special Revenue Fund was equal to \$0. The reconciliation is located on Schedule C-3 of the CAFR.

E. Encumbrances:

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

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

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

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Interfund Receivables/Payables:

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

G. Allowance for Uncollectible Accounts:

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

H. Capital Assets:

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

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

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

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

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

I. Accrued Salaries and Wages:

Certain Commission employees who provide services to the Commission over the ten-month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned, but undisbursed, amounts be retained in a separate bank account. As of June 30, 2013, the amounts earned by these employees, but not disbursed, was \$50,676.

J. Compensated Absences:

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

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Compensated Absences: (Continued)

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

For the Commission-wide statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP for the governmental funds in the fund Financial Statements, all of the compensated absences are considered long term, and therefore, are not a fund liability and represent a reconciling item between the fund level and Commission-wide presentations. As of June 30, 2013 no liability existed for compensated absences in the Proprietary Fund types.

K. Deferred Revenue:

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

L. Accrued Liabilities and Long-term Obligations:

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

M. Fund Equity:

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

N. Allocation of Indirect Expenses:

The Commission reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of Social Security workers' compensation, and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Management Estimates:

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

P. Subsequent Events:

The Commission has evaluated subsequent events through December 4, 2013, which is the date the financial statements were available to be issued.

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

Investments are stated at cost which approximates market.

Deposits:

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

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

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

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

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

Investments:

The Commission did not make any investments during the year; however, it does avail itself of the New Jersey Cash Management Fund. These accounts are deemed to be cash equivalents. Cash, cash equivalents and investments at June 30, 2013 consisted of the following:

Checking and savings accounts	\$ (4,194,478)
NJ Cash Management Account	<u>71,850</u>
Total cash and cash equivalents	<u>\$ (4,122,628)</u>

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

Investments: (Continued)

The carrying amount of the Commission's cash and cash equivalents at June 30, 2013 was \$(4,122,628) and the bank balance was \$1,872,168. Of the bank balance, \$321,851 was covered by Federal Deposit Insurance and \$1,550,317 was covered by a collateral pool maintained by the banks as required by New Jersey statutes.

NOTE 3. CAPITAL RESERVE ACCOUNT

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

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

NOTE 4. CAPITAL (FIXED) ASSETS

The following schedule is a summarization of the changes in Capital Assets by source for the fiscal year ended June 30, 2013:

	<u>Building and Improvements</u>	<u>Machinery and Equipment</u>	<u>Construction In Progress</u>	<u>Total</u>
Balance, 6/30/12	<u>\$8,153,910</u>	<u>\$458,891</u>	\$ -	<u>\$8,612,801</u>
Expended from:				
Special Revenue	-	-	-	-
General Fund	-	43,966	-	43,966
Capital Projects	-	-	-	-
	<u>-</u>	<u>43,966</u>	<u>-</u>	<u>43,966</u>
Disposals:				
Special Revenue	-	-	-	-
General Fund	-	-	-	-
Capital Projects	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance 6/30/13	<u>8,153,910</u>	<u>502,857</u>	<u>-</u>	<u>8,656,767</u>
Accumulated depreciation 6/30/12	1,046,697	334,873	-	1,381,570
2013 depreciation expense	116,801	40,336	-	157,137
2013 disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Accumulated depreciation 6/30/13	<u>1,163,498</u>	<u>375,209</u>	<u>-</u>	<u>1,538,707</u>
Net capital assets	<u>\$6,990,412</u>	<u>\$127,648</u>	<u>\$ -</u>	<u>\$7,118,060</u>

**MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 4. CAPITAL (FIXED) ASSETS (CONTINUED)

Following is a summary of Proprietary Fund-type fixed assets at June 30, 2013:

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

NOTE 5. OPERATING LEASE

The Commission has entered into a lease agreement to lease building space to the Bayshore Jointure Commission. The lease term is for five years and expires on June 30, 2018. Basic monthly rent is \$20,066 and will increase to \$22,051 for the remaining life of the lease. Total rental income for the fiscal year ended June 30, 2013 was \$240,795.

Future minimum lease receipts are as follows:

2014	\$ 264,615
2015	264,615
2016	264,615
2017	264,615
2018	<u>264,615</u>
	<u>\$1,323,075</u>

NOTE 6. LONG-TERM DEBT

During the fiscal year ended June 30, 2013, the following changes occurred in liabilities reported in the Long-Term Debt:

	<u>Balance</u> <u>6/30/12</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>6/30/13</u>
Compensated absences payable	\$364,488	\$ 42,713	\$19,692	\$387,509
Note payable – NJ DOE	-	187,158	26,737	160,421
Capital lease obligation - phones	<u>4,832</u>	<u>-</u>	<u>4,832</u>	<u>-</u>
	<u>\$369,320</u>	<u>\$ 229,871</u>	<u>\$51,261</u>	<u>\$547,930</u>

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.

**MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 6. LONG-TERM DEBT (CONTINUED)

<u>Year Ended June 30,</u>	<u>Amount</u>
2014	\$26,737
2015	26,737
2016	26,737
2017	26,737
2018	26,737
Thereafter	<u>26,736</u>
	160,421
Less: current	<u>(26,737)</u>
	\$133,684

NOTE 7. PENSION PLANS

Plan Descriptions:

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

Teachers' Pension and Annuity Fund:

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

Public Employees' Retirement System:

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

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 7. PENSION PLANS (CONTINUED)

Public Employees' Retirement System: (Continued)

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

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information for TPAF and PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P. O. Box 295, Trenton, New Jersey 08625-0295.

Significant Legislation:

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

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

Funding Policy:

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

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

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 7. PENSION PLANS (CONTINUED)

Funding Policy: (Continued)

The Commission's contribution to PERS for the year ended June 30, 1998 was \$11,034 equal to the required contribution for that year; no contributions were made for the years ended June 30, 1999 through June 30, 2013.

During the year ended June 30, 2013, the State of New Jersey contributed \$518,205 to the TPAF for normal pension contributions on behalf of the Commission. Also, in accordance with N.J.S.A. 18A:66-66, the State of New Jersey reimbursed the Commission \$189,878 during the year ended June 30, 2013 for the employer's share of Social Security contributions for TPAF members as calculated on their base salaries. These amounts have been included in the basic financial statements as revenues and expenditures in accordance with GASB 24.

NOTE 8. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required the Teachers' Pension and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2012 there were 97,661 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c.126 which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$146.6 million toward Chapter 126 benefits for 16,618 eligible retired members in fiscal year 2012.

NOTE 9. DEFERRED COMPENSATION

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

Fidelity Investments	Lincoln Investment Planning
VALIC	Dean Witter
The Equitable	

NOTE 10. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables consist of expenses advanced on behalf of other funds. At June 30, 2013 the balances in interfund accounts consisted of:

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 10. INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

	<u>Receivable</u>	<u>Payable</u>	
General	\$2,358,396	\$1,005,590	
Special Revenue	-	257,182	
Enterprise	1,005,590	1,390,803	
Internal Service	-	710,411	
	<u>\$3,363,986</u>	<u>\$3,363,986</u>	

NOTE 11. CONTINGENT LIABILITIES (RISK MANAGEMENT)

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

Property and Liability Insurance - The Commission maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

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

<u>Fiscal Year</u>	<u>Commission Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2012 – 2013	\$116,982	\$23,795	\$140,776	\$ 1,831
2011 – 2012	140,082	22,041	162,122	1,830
2010 – 2011	318,428	26,632	345,056	1,829

NOTE 12. FOUNDATION

A charitable Foundation has been established for the benefit of the Commission. Since this Foundation operates under an independent Board of Trustees and independent management, the financial statements of the Foundation are not included in the accompanying financial statements. As of June 30, 2013, the Commission estimated that the Foundation had net assets of approximately \$60,000. Revenue and support received by the Foundation, and not reflected in the financial statements of the Commission, aggregated \$6,600 in the year ended December 31, 2012.

NOTE 13. FUND BALANCE APPROPRIATED

General Fund (Exhibit B-1) – Of the \$2,372,380 General Fund balance at June 30, 2013 nothing is reserved.

**MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 14. RELATED PARTY

The Commission entered into multiple shared service agreements with the Bayshore Jointure Commission during the fiscal year ended June 30, 2013 and is renewable on an annual basis. The following are the services provided and the amounts charged for each during the fiscal year.

Business & Administrative Services (MOESC provides)	\$25,800
Nursing (Bayshore provides)	\$10,000
Physical Education Teacher (MOESC provides)	\$48,000
Administrative Assistant (MOESC provides)	\$54,000

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**REQUIRED SUPPLEMENTARY
INFORMATION – PART II**

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BUDGETARY COMPARISON SCHEDULES

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MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Tuition	\$ 5,865,931	\$ (1,767,427)	\$ 4,098,504	\$ 2,392,961	\$ (1,705,543)
Transportation fees from other LEA's	25,310,207	4,452,352	29,762,559	29,702,494	(60,065)
Interest earned on investments	-	-	-	-	-
Miscellaneous	-	1,318,705	1,318,705	1,353,856	35,151
Total Local Sources	31,176,138	4,003,630	35,179,768	33,449,311	(1,730,457)
State Sources:					
TPAF Pension (On-Behalf - Non-Budgeted)	-	-	-	518,205	518,205
TPAF Social Security (Reimbursed - Non-Budgeted)	-	-	-	189,878	189,878
Total State Sources	-	-	-	708,083	708,083
Total Revenues	31,176,138	4,003,630	35,179,768	34,157,394	(1,022,374)
EXPENDITURES:					
Current Expense:					
SPECIAL EDUCATION - INSTRUCTION					
Resource Room/Resource Center:					
Salaries of Teachers	252,370	101,575	353,945	343,692	10,253
General Supplies	1,750	-	1,750	1,143	607
Textbooks	2,000	(1,123)	877	-	877
Other objects	1,500	-	1,500	296	1,204
Total Resource Room/Resource Center	257,620	100,452	358,072	345,131	12,941
TOTAL SPECIAL EDUCATION - INSTRUCTION	257,620	100,452	358,072	345,131	12,941
Other Instructional Programs - Instruction					
Salaries	407,796	(241,336)	166,460	164,086	2,374
Purchased Services	119,000	28,819	147,819	147,819	-
Supplies and Materials	16,250	(9,236)	7,014	7,005	9
Other Objects	2,500	3,887	6,387	6,386	1
Total Other Instructional Programs - Instruction	545,546	(217,866)	327,680	325,296	2,384
TOTAL INSTRUCTION	803,166	(117,414)	685,752	670,427	15,325
UNDISTRIBUTED EXPENDITURES					
Undistributed Expend. - Attend. & Social Work					
Salaries	31,018	(310)	30,708	30,708	-
Total Undistributed Expend. - Attend. & Social Work	31,018	(310)	30,708	30,708	-
Undist. Expend. - Health Services					
Salaries	10,000	(10,000)	-	-	-
Purchased Professional and Technical Services	8,000	10,450	18,450	18,328	122
Supplies and Materials	-	420	420	416	4
Total Undistributed Expenditures - Health Services	18,000	870	18,870	18,744	126
Undist. Expend. - Speech, OT, PT and Related Svcs.					
Purchased Professional Educational Services	-	12,780	12,780	12,780	-
Supplies and Materials	-	-	-	-	-
Total Undist. Expend. - Speech, OT, PT and Related Svcs.	-	12,780	12,780	12,780	-
Undist. Expend. - Guidance					
Salaries of Other Professional Staff	63,881	(1,366)	62,515	62,515	-
Total Undist. Expend. - Guidance	63,881	(1,366)	62,515	62,515	-
Undist. Expend. - Child Study Team					
Purchased Prof-Educational Services	23,000	(10)	22,990	22,987	3
Supplies and Materials	7,500	7,900	15,400	15,370	30
Total Undist. Expend. - Child Study Team	30,500	7,890	38,390	38,357	33

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Improvement of Inst. Serv.					
Other Salaries	-	1,500	1,500	1,500	-
Total Undist. Expend. - Improvement of Inst. Serv.	-	1,500	1,500	1,500	-
Undist. Expend. - Instructional Staff Training Serv.					
Purchased Professional - Educational Serv	3,000	(300)	2,700	645	2,055
Other Purchased Services (400-500 series)	3,600	-	3,600	3,073	527
Total Undist. Expend. - Instructional Staff Training Serv.	6,600	(300)	6,300	3,718	2,582
Undist. Expend. - Supp. Serv. - General Admin.					
Salaries	571,562	13,381	584,943	584,942	1
Legal Services	78,000	22,075	100,075	75,756	24,319
Audit Fees	32,640	(140)	32,500	32,500	-
Architectural/Engineering Services	6,500	(6,500)	-	-	-
Other Purchased Professional Services	3,500	14,500	18,000	17,812	188
Purchased Technical Services	3,500	13,100	16,600	16,584	16
Communications/Telephone	90,000	(20,480)	69,520	27,700	41,820
Other Purchased Services (400-500 series)	37,825	(13,045)	24,780	22,239	2,541
Supplies and Materials	24,500	(16,900)	7,600	6,726	874
BOE In-House Training/Meeting Supplies	5,000	(5,000)	-	-	-
Judgments Against the School District	-	26,737	26,737	187,158	(160,421)
Miscellaneous Expenditures	25,000	(12,800)	12,200	12,105	95
BOE Membership Dues and Fees	7,500	3,990	11,490	11,401	89
Total Undist. Expend. - Supp. Serv. - General Admin.	885,527	18,918	904,445	994,923	(90,478)
Undist. Expend. - Support Serv. - School Admin.					
Salaries of Principals/Assistant Principals	155,972	242,604	398,576	393,734	4,842
Salaries of Secretarial and Clerical Assistants	392,960	6,990	399,950	388,038	11,912
Other Purchased Services	10,500	-	10,500	2,389	8,111
Supplies and Materials	9,000	10,500	19,500	19,437	63
Other Objects	8,500	(5,315)	3,185	3,185	-
Total Undist. Expend. - Support Serv. - School Admin.	576,932	254,779	831,711	806,783	24,928
Undist. Expend. - Central Services					
Salaries	500,924	(21,292)	479,632	476,092	3,540
Purchased Technical Services	-	4,081	4,081	4,081	-
Misc. Purchased Services (400-500 series)	11,000	(6,500)	4,500	4,126	374
Supplies and Materials	4,500	8,000	12,500	10,486	2,014
Interest on Lease Purchase Agreements	5,574	-	5,574	3,979	1,595
Miscellaneous Expenditures	2,500	40,000	42,500	24,264	18,236
Total Undist. Expend. - Central Services	524,498	24,289	548,787	523,028	25,759
Undist. Expend. - Admin. Info. Tech.					
Salaries	226,593	(27,515)	199,078	198,504	574
Purchased Technical Services	80,000	(7,052)	72,948	20,862	52,086
Other Purchased Services	1,200	-	1,200	213	987
Supplies and Materials	11,500	-	11,500	10,667	833
Other Objects	1,000	-	1,000	-	1,000
Total Undist. Expend. - Admin Info Technology	320,293	(34,567)	285,726	230,246	55,480
Undist. Expend. - Oth. Oper. & Maint. of Plant					
Salaries	115,878	3,192	119,070	95,063	24,007
Cleaning, Repair and Maintenance Services	68,000	17,460	85,460	52,554	32,906
Other Purchased Property Services	4,500	3,000	7,500	7,060	440
Insurance	32,311	(1,741)	30,570	26,038	4,532
Travel	-	500	500	21	479
Miscellaneous Purchased Services	7,800	(2,500)	5,300	35	5,265
General Supplies	40,000	(14,857)	25,143	17,552	7,591
Energy (Energy and Electricity)	117,500	(24,000)	93,500	88,268	5,232
Other Objects	4,200	(3,900)	300	271	29
Total Undist. Expend. - Other Oper. & Maint. Of Plant	390,189	(22,846)	367,343	286,862	80,481
Undist. Expend. - Care and Upkeep of Grounds					
Cleaning, Repair and Maintenance Services	22,000	10,640	32,640	32,635	5
Total Undist. Expend. - Care and Upkeep of Grounds	22,000	10,640	32,640	32,635	5
Undist. Expend. - Security					
Salaries	24,010	33,589	57,599	57,597	2
Purchased Professional and Technical Services	-	37,500	37,500	37,418	82
Total Undist. Expend. - Security	24,010	71,089	95,099	95,015	84

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

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Student Transportation Services					
Salaries of Non-Instructional Aids	296,707	(38,276)	258,431	257,731	700
Other Purchased Professional and Technical Services	7,500	27,500	35,000	34,664	336
Contracted Svcs. (Sp Ed Stds) - Joint Agrmnts	25,000,000	3,500,000	28,500,000	28,276,472	223,528
Travel	-	800	800	21	779
Supplies and Materials	3,000	1,000	4,000	3,296	704
Miscellaneous Expense	3,000	(2,800)	200	200	-
Total Undist. Expend. - Student Transportation Services	25,310,207	3,488,224	28,798,431	28,572,384	226,047
Unallocated Benefits					
Group Insurance	10,265	2,735	13,000	12,605	395
Social Security Contributions	195,000	288,906	483,906	260,390	223,516
Other Retirement Contributions - PERS	358,852	(13,768)	345,084	296,405	48,679
Unemployment Compensation	196,000	(50,500)	145,500	117,600	27,900
Worker's Compensation	97,958	(1,000)	96,958	74,647	22,311
Health Benefits	1,086,168	(35,374)	1,050,794	624,207	426,587
Tuition Reimbursement	25,000	(18,520)	6,480	6,253	227
Other Employee Benefits	28,000	65,628	93,628	90,400	3,228
Total Unallocated Benefits	1,997,243	238,107	2,235,350	1,482,507	752,843
On-behalf TPAF pension Contributions (non-budgeted)	-	-	-	518,205	(518,205)
Reimbursed TPAF Social Security (non-budgeted)	-	-	-	189,878	(189,878)
Total On-Behalf Payments	-	-	-	708,083	(708,083)
Total Personnel Services - Employee Benefits	1,997,243	238,107	2,235,350	2,190,590	44,760
Undistributed Expenditures - Food Service					
Transfers to Cover Deficit	4,000	2,500	6,500	5,800	700
Total Undistributed Expenditures - Food Service	4,000	2,500	6,500	5,800	700
TOTAL UNDISTRIBUTED EXPENDITURES	30,204,898	4,072,197	34,277,095	33,906,588	370,507
TOTAL GENERAL CURRENT EXPENSE	31,008,064	3,954,783	34,962,847	34,577,015	385,832
CAPITAL OUTLAY					
Equipment					
Undistributed Expenditures-General Administration	4,804	2,193	6,997	6,996	1
Undistributed Expenditures-Admin. Info. Tech.	10,500	(2,193)	8,307	6,905	1,402
Undistributed Expenditures-Security	-	27,102	27,102	27,102	-
Total Equipment	15,304	27,102	42,406	41,003	1,403
TOTAL CAPITAL OUTLAY	15,304	27,102	42,406	41,003	1,403
SPECIAL SCHOOLS					
Summer School					
Instruction:					
Salaries	152,770	21,745	174,515	174,444	71
Total Summer School	152,770	21,745	174,515	174,444	71
TOTAL SPECIAL SCHOOLS	152,770	21,745	174,515	174,444	71
TOTAL EXPENDITURES	31,176,138	4,003,630	35,179,768	34,792,462	387,306
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	(635,068)	(635,068)
Other Financing Sources/(Uses):					
Audit Assessment by NJ DOE (non-budget)	-	-	-	160,421	160,421
Total Other Financing Sources/(Uses)	-	-	-	160,421	160,421
Excess (Deficiency) of Revenues and Other Financing Uses Over (Under) Expenditures	-	-	-	(474,647)	(474,647)
Fund Balance, July 1	-	-	-	2,847,027	(2,847,027)
Fund Balance, June 30	\$ -	\$ -	\$ -	\$ 2,372,380	\$ 2,372,380
Recapitulation:					
Unreserved Designated for Subsequent Year's Expenditures				\$ -	
Unreserved Fund Balance				2,372,380	
				<u>\$ 2,372,380</u>	

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Federal sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-
District sources	6,696,463	(150,145)	6,546,318	6,170,580	(375,738)
Total Revenues	6,696,463	(150,145)	6,546,318	6,170,580	(375,738)
EXPENDITURES:					
Instruction					
Salaries of Teachers	855,964	(407,883)	448,081	448,081	-
Other Salaries for Instruction	412,112	27,593	439,705	439,705	-
Purchased Professional-Technical Services	-	504	504	504	-
Other Purchased Services (400-500 series)	-	-	-	-	-
General supplies	162,634	10,888	173,522	173,522	-
Textbooks	403,943	10,905	414,848	389,101	25,747
Total Instruction	1,834,653	(357,993)	1,476,660	1,450,913	25,747
Support Services					
Salaries of Program Directors	109,542	9,408	118,950	118,950	-
Salaries of Other Professional Staff	-	-	-	-	-
Personal Services - Employee Benefits	264,791	(71,366)	193,425	193,425	-
Purchased Professional - Educational Services	4,201,662	(38,023)	4,163,639	3,815,255	348,384
Other Purchased Prof. Services	169,374	165,626	335,000	333,393	1,607
Purchased Technical Services	1,074	24,027	25,101	25,101	-
Maintenance	49,925	2,594	52,519	52,519	-
Supplies & Materials	65,442	115,582	181,024	181,024	-
Other Objects	-	-	-	-	-
Total Support Services	4,861,810	207,848	5,069,658	4,719,667	349,991
Facilities Acquisition and Construction Services:					
Instructional Equipment	-	-	-	-	-
Total Facilities Acquisition and Construction Services	-	-	-	-	-
Total Expenditures	6,696,463	(150,145)	6,546,318	6,170,580	375,738
Excess (Deficiency) of Revenues Over (Under)					
Expenditures and Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -	\$ -

**NOTES TO THE REQUIRED
SUPPLEMENTARY INFORMATION**

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MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 BUDGET TO GAAP RECONCILIATION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$ 34,157,394	\$ 6,170,580
Differences - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	-	-
Total revenues reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$ 34,157,394</u>	<u>\$ 6,170,580</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules	\$ 34,792,462	\$ 6,170,580
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	-	-
Total expenditures reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$ 34,792,462</u>	<u>\$ 6,170,580</u>

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OTHER SUPPLEMENTARY INFORMATION

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SPECIAL REVENUE FUND DETAIL STATEMENTS

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

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
 COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES
 SPECIAL REVENUE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013
 BUDGETARY BASIS

	NJ	N.J.	N.J.	N.J. Nonpublic Auxiliary Services Chapter 192			
	Nonpublic Technology Grant	Nonpublic Nurse Aid	Nonpublic Textbook Aid	Compensatory Education	English as a Second Language	Transportation	Home Instruction
REVENUES:							
Federal sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-	-
District sources	158,843	832,793	389,101	1,325,769	69,830	64,680	43,324
Total Revenues	\$ 158,843	\$ 832,793	\$ 389,101	\$ 1,325,769	\$ 69,830	\$ 64,680	\$ 43,324
EXPENDITURES:							
Instruction:							
Salaries of teachers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,820
Other salaries for instruction	-	-	-	-	-	-	-
Purchased Professional and Tech Svcs	-	-	-	-	-	-	504
General supplies	-	-	-	1,435	-	-	-
Textbooks	-	-	389,101	-	-	-	-
Total Instruction	-	-	389,101	1,435	-	-	33,324
Support services:							
Salaries of program directors	-	-	-	-	-	3,530	-
Sal. of other professional staff	-	-	-	-	-	-	-
Personal svcs. employcc benefits	-	-	-	-	-	-	-
Purchased prof. educational svcs.	650	755,225	-	1,248,930	65,877	-	-
Other purchased prof. svcs.	7,619	47,165	-	75,044	3,953	3,661	10,000
Purchased technical services	-	-	-	360	-	4,970	-
Maintenance	-	-	-	-	-	52,519	-
Supplies and materials	150,574	30,403	-	-	-	-	-
Other Objects	-	-	-	-	-	-	-
Total Support Services	158,843	832,793	-	1,324,334	69,830	64,680	10,000
Facilities acquisition and construction services:							
Instructional equipment	-	-	-	-	-	-	-
Total Facilities Acquisition and Construction Services	-	-	-	-	-	-	-
Total Expenditures	\$ 158,843	\$ 832,793	\$ 389,101	\$ 1,325,769	\$ 69,830	\$ 64,680	\$ 43,324

N.J. Nonpublic Handicapped Services Chapter 193					
Supplemental Instruction	Examination and Classification	Corrective Speech	IDEA Part B	IDEA Preschool	Totals 2013
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
525,172	816,003	393,490	1,550,804	771	6,170,580
<u>\$ 525,172</u>	<u>\$ 816,003</u>	<u>\$ 393,490</u>	<u>\$ 1,550,804</u>	<u>\$ 771</u>	<u>\$ 6,170,580</u>
\$ -	\$ -	\$ -	\$ 415,261	\$ -	\$ 448,081
-	-	-	439,705	-	439,705
-	-	-	-	-	504
-	-	-	171,360	727	173,522
-	-	-	-	-	389,101
-	-	-	1,026,326	727	1,450,913
-	-	-	115,420	-	118,950
-	-	-	-	-	-
-	-	-	193,425	-	193,425
495,399	769,814	371,287	108,073	-	3,815,255
29,726	46,189	22,203	87,789	44	333,393
-	-	-	19,771	-	25,101
-	-	-	-	-	52,519
47	-	-	-	-	181,024
-	-	-	-	-	-
525,172	816,003	393,490	524,478	44	4,719,667
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 525,172</u>	<u>\$ 816,003</u>	<u>\$ 393,490</u>	<u>\$ 1,550,804</u>	<u>\$ 771</u>	<u>\$ 6,170,580</u>

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CAPITAL PROJECTS FUND DETAIL STATEMENTS

N/A

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

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ENTERPRISE AND INTERNAL SERVICE FUNDS DETAIL STATEMENTS

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

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

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

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

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

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MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
 COMBINING STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2013

	Enterprise Funds			
	Food Service	School Age Child Care	Adult School	Totals 2013
ASSETS				
Current assets:				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Intergovernmental receivables				
Federal	297	-	-	297
State	8	1,099	-	1,107
Other	-	460	-	460
Interfund receivables	-	1,005,590	-	1,005,590
Deposits	-	-	5,000	5,000
Total current assets	<u>305</u>	<u>1,007,149</u>	<u>5,000</u>	<u>1,012,454</u>
TOTAL ASSETS	<u>\$ 305</u>	<u>\$ 1,007,149</u>	<u>\$ 5,000</u>	<u>\$ 1,012,454</u>
LIABILITIES				
Current liabilities:				
Interfund payable	\$ -	\$ -	\$ 1,390,803	\$ 1,390,803
Total current liabilities	<u>-</u>	<u>-</u>	<u>1,390,803</u>	<u>1,390,803</u>
NET ASSETS				
Unrestricted	<u>305</u>	<u>1,007,149</u>	<u>(1,385,803)</u>	<u>(378,349)</u>
Total net assets	<u>305</u>	<u>1,007,149</u>	<u>(1,385,803)</u>	<u>(378,349)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 305</u>	<u>\$ 1,007,149</u>	<u>\$ 5,000</u>	<u>\$ 1,012,454</u>

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
 COMBINING STATEMENT OF REVENUE, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

G-2

	Enterprise Funds			Totals
	Food Service	School Age Child Care	Adult School	
OPERATING REVENUES:				
Local sources:				
Food service sales	\$ 935	\$ 823,325	\$ 35,179	\$ 859,439
Community service activities	-	-	-	-
Refunds	-	(10,115)	(1,500)	(11,615)
Total operating revenues	935	813,210	33,679	847,824
OPERATING EXPENSES:				
Salaries	-	567,209	42,614	609,823
Cost of sales	9,394	-	-	9,394
Other purchased professional services	-	20,873	-	20,873
Rentals	-	-	-	-
General supplies	-	4,927	-	4,927
Textbooks	-	5,094	3,142	8,236
Other expenses	-	-	-	-
Total operating expenses	9,394	598,103	45,756	653,253
OPERATING INCOME/(LOSS)	(8,459)	215,107	(12,077)	194,571
NONOPERATING REVENUES:				
State sources:				
State school lunch program	57	-	-	57
Federal sources:				
National school lunch program	2,294	-	-	2,294
TOTAL NONOPERATING REVENUES	2,351	-	-	2,351
INCOME/(LOSS) BEFORE TRANSFERS	(6,108)	215,107	(12,077)	196,922
TRANSFERS IN	5,800	-	-	5,800
CHANGE IN NET ASSETS	(308)	215,107	(12,077)	202,722
TOTAL NET ASSETS - BEGINNING	613	792,042	(1,373,726)	(581,071)
TOTAL NET ASSETS - ENDING	\$ 305	\$ 1,007,149	\$(1,385,803)	\$ (378,349)

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
 COMBINING STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

G-3

	Enterprise Funds			
	Food Service	School Age Child Care	Adult School	Total Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 935	\$ 814,002	\$ 47,632	\$ 862,569
Payments to employees	-	(567,209)	(42,614)	(609,823)
Payments for employee benefits	-	-	-	-
Payments to suppliers	(9,394)	-	-	(9,394)
Other expenses	-	(36,744)	(3,142)	(39,886)
Net cash provided by (used in) operating activities	<u>(8,459)</u>	<u>210,049</u>	<u>1,876</u>	<u>203,466</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State Sources	62	-	-	62
Federal Sources	2,597	-	-	2,597
Operating subsidies and transfers (to)/from other funds	<u>5,800</u>	<u>(210,049)</u>	<u>(1,876)</u>	<u>(206,125)</u>
Net cash provided by (used in) non-capital financing activities	<u>8,459</u>	<u>(210,049)</u>	<u>(1,876)</u>	<u>(203,466)</u>
Net increase (decrease) in cash and cash equivalents	-	-	-	-
Balances—beginning of year	-	-	-	-
Balances—end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided by (used in) by operating activities:				
Operating income (loss)	\$ (8,459)	\$ 215,107	\$ (12,077)	\$ 194,571
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
(Increase)/decrease in accounts receivable	-	792	13,953	14,745
Decrease in deferred revenue	-	-	-	-
Increase/(decrease) in accounts payable	-	(5,850)	-	(5,850)
Total adjustments	<u>-</u>	<u>(5,058)</u>	<u>13,953</u>	<u>8,895</u>
Net cash (provided by) used in operating activities	<u>\$ (8,459)</u>	<u>\$ 210,049</u>	<u>\$ 1,876</u>	<u>\$ 203,466</u>

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 JUNE 30, 2013

G-4

	Governmental Activities Internal Services Fund
	<u> </u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ -
Accounts receivable	<u>874,732</u>
Total Current Assets	<u>874,732</u>
Noncurrent Assets:	
Furniture, machinery and equipment	3,478
Less accumulated depreciation	<u>(3,478)</u>
Total Noncurrent Assets	<u>-</u>
Total Assets	<u><u>\$ 874,732</u></u>
LIABILITIES	
Current liabilities	
Deferred revenue	\$ 2,066
Intergovernmental payable	150
Interfund payable	<u>710,411</u>
Total current liabilities	<u>712,627</u>
NET ASSETS:	
Unrestricted	<u>162,105</u>
Total Net Assets	<u><u>\$ 874,732</u></u>

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
 COMBINING STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 INTERNAL SERVICE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

G-5

	<u>Governmental Activities Internal Services Fund</u>
OPERATING REVENUES:	
Charges for services:	
Special functions	\$ 1,755,333
Total operating revenues	<u>1,755,333</u>
OPERATING EXPENSES:	
Salaries	488,985
Employee benefits	49,894
Other purchased professional services	833,300
General supplies	72
Other costs	5,270
Total operating expenses	<u>1,377,521</u>
OPERATING INCOME/(LOSS)	<u>377,812</u>
CHANGE IN NET ASSETS	377,812
TOTAL NET ASSETS - BEGINNING	<u>(215,707)</u>
TOTAL NET ASSETS - ENDING	<u><u>\$ 162,105</u></u>

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

G-6

	Governmental Activities Internal Services Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,380,609
Payments to employees	(488,985)
Payments for employee benefits	(49,894)
Payments to suppliers	(836,388)
Other expenses	(5,342)
	-
Net cash provided by (used in) operating activities	-
Balances—beginning of year	-
Balances—end of year	\$ -
Reconciliation of operating income (loss) to net cash provided by (used in) by operating activities:	
Operating income (loss)	\$ 377,812
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Increase in accounts receivable	(368,928)
Decrease in interfund payable	(5,796)
Decrease in accounts payable	(3,088)
	(377,812)
Total adjustments	(377,812)
Net cash provided by (used in) operating activities	\$ -

FIDUCIARY FUNDS DETAIL STATEMENTS

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

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

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

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

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MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2013

H-1

	Unemployment Compensation Trust	Agency Funds	Totals
ASSETS			
Cash and cash equivalents	\$ 1,831	\$ 242,363	\$ 244,194
Total Assets	\$ 1,831	\$ 242,363	\$ 244,194
 LIABILITIES			
Payroll deductions and withholdings	-	191,687	191,687
Accrued salaries	-	50,676	50,676
Total liabilities	-	\$ 242,363	242,363
 NET ASSETS:			
Held in Trust for Unemployment Claims and Other Purposes	\$ 1,831		1,831
Total Net Assets			1,831
 Total Liabilities and Net Assets			\$ 244,194

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Unemployment Compensation Trust
ADDITIONS	
Employee payroll contributions	\$ 23,795
Investment income	2
Board contributions	<u>116,982</u>
Total additions	<u>140,779</u>
DEDUCTIONS	
Quarterly contribution reports	9,526
Unemployment claims	<u>131,252</u>
Total deductions	<u>140,778</u>
Change in Net Assets	1
Net Assets - Beginning of Year	<u>1,830</u>
Net Assets - End of Year	<u><u>\$ 1,831</u></u>

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
 PAYROLL AGENCY FUND
 SCHEDULE OF RECEIPTS AND DISBURSEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
ASSETS:				
Cash and cash equivalents	\$ 174,799	\$ 2,877,298	\$ 2,809,734	\$ 242,363
TOTAL ASSETS	<u>\$ 174,799</u>	<u>\$ 2,877,298</u>	<u>\$ 2,809,734</u>	<u>\$ 242,363</u>
LIABILITIES:				
Payroll deductions and withholdings	\$ 124,216	\$ 2,826,622	\$ 2,759,151	\$ 191,687
Accrued salaries	50,583	50,676	50,583	50,676
TOTAL LIABILITIES	<u>\$ 174,799</u>	<u>\$ 2,877,298</u>	<u>\$ 2,809,734</u>	<u>\$ 242,363</u>

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LONG-TERM DEBT SCHEDULES

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

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MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Purpose	Date of Lease	Term of Lease	Amount of Original Lease		Interest Rate	Balance			Balance June 30, 2013				
			Principal	Interest		June 30, 2012	Issued	Retired					
Phone lease	9/18/2009	3 years	40,538	3,432	5.353%	4,832	-	4,832	-				
						\$	4,832	\$	-	\$	4,832	\$	-

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STATISTICAL SECTION

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MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
NET ASSETS BY COMPONENT
FOR THE LAST FIVE FISCAL YEARS ENDED ENDED JUNE 30, 2013
UNAUDITED

	2009	2010	2011	2012	2013
Governmental activities					
Invested in capital assets, net of related debt	\$ 9,936,756	\$ 6,365,255	\$ 6,219,674	\$ 6,065,693	\$ 5,952,522
Restricted	87,760	87,760	-	-	-
Unrestricted	4,552,112	5,398,001	3,590,203	3,427,538	3,152,093
Total governmental activities net assets	<u>\$ 14,576,628</u>	<u>\$ 11,851,016</u>	<u>\$ 9,809,877</u>	<u>\$ 9,493,231</u>	<u>\$ 9,104,615</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Unrestricted	(597,346)	(590,218)	(617,820)	(581,071)	(378,349)
Total business-type activities net assets	<u>\$ (597,346)</u>	<u>\$ (590,218)</u>	<u>\$ (617,820)</u>	<u>\$ (581,071)</u>	<u>\$ (378,349)</u>
District-wide					
Invested in capital assets, net of related debt	\$ 9,936,756	\$ 6,365,255	\$ 6,219,674	\$ 6,065,693	\$ 5,952,522
Restricted	87,760	87,760	-	-	-
Unrestricted	3,954,766	4,807,783	2,972,383	2,846,467	2,773,744
Total district net assets	<u>\$ 13,979,282</u>	<u>\$ 11,260,798</u>	<u>\$ 9,192,057</u>	<u>\$ 8,912,160</u>	<u>\$ 8,726,266</u>

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
 CHANGES IN NET ASSETS
 FOR THE LAST FIVE FISCAL YEARS ENDED JUNE 30, 2013
 UNAUDITED

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	2009	2010	2011	2012	2013
Expenses					
Governmental activities					
Instruction					
Regular	\$ -	\$ -	\$ -	\$ -	\$ -
Special education	2,146,260	2,127,406	2,580,709	1,916,321	1,220,935
Other special education	-	-	-	-	-
Other instruction	1,617,204	1,895,427	1,729,487	700,346	419,812
Nonpublic school programs	2,620,718	2,837,352	2,745,839	2,753,927	1,319,349
Support Services:					
Student & instruction related services	6,286,810	6,135,936	4,556,036	4,183,388	6,195,546
School Administrative services	913,247	2,018,769	2,313,774	1,501,498	1,257,094
General administration	1,527,073	2,551,449	2,462,544	2,554,531	2,491,667
Plant operations and maintenance	367,927	721,788	864,334	462,785	445,364
Pupil transportation	26,746,891	25,129,927	23,673,482	25,560,539	28,724,628
Special Schools	240,278	240,748	35,713	256,880	274,926
Interest on long-term debt	24,826	14,266	4,275	-	-
Amortization of bond issuance costs	5,000	5,000	2,917	-	-
Unallocated depreciation	204,725	119,770	116,801	116,801	116,801
Total governmental activities expenses	<u>42,700,959</u>	<u>43,797,838</u>	<u>41,085,911</u>	<u>40,007,016</u>	<u>42,466,122</u>
Business-type activities:					
Food service	11,753	8,541	9,250	3,650	9,394
Child Care	1,614,057	885,289	776,518	819,065	598,103
Adult school	497,328	310,750	218,770	41,500	45,756
Total business-type activities expense	<u>2,123,138</u>	<u>1,204,580</u>	<u>1,004,538</u>	<u>864,215</u>	<u>653,253</u>
Total district expenses	<u>\$ 44,824,007</u>	<u>\$ 46,002,418</u>	<u>\$ 42,090,449</u>	<u>\$ 40,871,231</u>	<u>\$ 43,119,375</u>
Program Revenues					
Governmental activities:					
Charges for services:					
Instruction (tuition)	\$ 5,018,218	\$ 4,456,916	\$ 3,751,061	\$ 3,844,414	\$ 4,148,294
Pupil transportation	27,541,221	25,932,362	24,469,459	26,355,482	29,702,494
Operating grants and contributions	8,097,051	7,897,206	8,141,944	6,600,733	6,170,580
Total governmental activities program revenues	<u>40,656,490</u>	<u>38,086,484</u>	<u>36,362,464</u>	<u>36,800,629</u>	<u>40,021,368</u>

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
 CHANGES IN NET ASSETS
 FOR THE LAST FIVE FISCAL YEARS ENDED JUNE 30, 2013
 UNAUDITED

J-2

	2009	2010	2011	2012	2013
Business-type activities:					
Charges for services					
Food service	350	182	451	156	935
Child care	1,587,273	889,049	809,733	855,962	813,210
Adult school	341,744	316,751	157,408	41,500	33,679
Operating grants and contributions	8,081	3,984	5,022	1,971	2,351
Total business type activities program revenues	<u>1,937,448</u>	<u>1,209,966</u>	<u>972,614</u>	<u>899,589</u>	<u>850,175</u>
Total district program revenues	<u>\$ 42,593,938</u>	<u>\$ 39,296,450</u>	<u>\$ 37,335,078</u>	<u>\$ 37,700,218</u>	<u>\$ 40,871,543</u>
Net (Expense)/Revenue					
Governmental activities	\$ (2,044,469)	\$ (5,711,354)	\$ (4,723,447)	\$ (3,206,387)	\$ (2,444,754)
Business-type activities	(185,690)	5,386	(31,924)	35,374	196,922
Total district-wide net expense	<u>\$ (2,230,159)</u>	<u>\$ (5,705,968)</u>	<u>\$ (4,755,371)</u>	<u>\$ (3,171,013)</u>	<u>\$ (2,247,832)</u>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
On-behalf and TPAF aid	\$ 882,058	\$ 781,664	\$ 702,469	\$ 741,319	\$ 708,083
Investment earnings	42,009	9,991	4,382	48	-
Miscellaneous income	173,575	2,195,829	1,979,778	2,149,750	1,353,856
Transfers	(4,757)	(1,742)	(4,322)	(1,375)	(5,800)
Total governmental activities	<u>1,092,885</u>	<u>2,985,742</u>	<u>2,682,307</u>	<u>2,889,742</u>	<u>2,056,139</u>
Business-type activities:					
Transfers	4,757	1,742	4,322	1,375	5,800
Total business-type activities	<u>4,757</u>	<u>1,742</u>	<u>4,322</u>	<u>1,375</u>	<u>5,800</u>
Total district-wide	<u>\$ 1,097,642</u>	<u>\$ 2,987,484</u>	<u>\$ 2,686,629</u>	<u>\$ 2,891,117</u>	<u>\$ 2,061,939</u>
Change in Net Assets					
Governmental activities	\$ (951,584)	\$ (2,725,612)	\$ (2,041,140)	\$ (316,645)	\$ (388,615)
Business-type activities	(180,933)	7,128	(27,602)	36,749	202,722
Total district	<u>\$ (1,132,517)</u>	<u>\$ (2,718,484)</u>	<u>\$ (2,068,742)</u>	<u>\$ (279,896)</u>	<u>\$ (185,893)</u>

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MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
 FUND BALANCES - GOVERNMENTAL FUND
 FOR THE LAST FIVE FISCAL YEARS ENDED ENDED JUNE 30, 2013
 UNAUDITED

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Fund					
Reserved	\$ -	\$ 1,253	\$ 1,253	\$ -	\$ -
Unreserved	4,469,620	5,150,938	3,095,051	2,847,027	2,372,380
Total general fund	<u>\$ 4,469,620</u>	<u>\$ 5,152,191</u>	<u>\$ 3,096,304</u>	<u>\$ 2,847,027</u>	<u>\$ 2,372,380</u>
All Other Governmental Funds					
Unreserved, reported in:					
Special revenue fund	\$ -	\$ -	\$ -	\$ -	\$ -
Capital projects fund	87,760	87,760	-	-	-
Total all other governmental funds	<u>\$ 87,760</u>	<u>\$ 87,760</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
 FOR THE LAST TEN FISCAL YEARS ENDED ENDED JUNE 30, 2013
 UNAUDITED

	2004	2005	2006	2007
Revenues				
District charges	\$ 7,689,503	\$ 8,450,340	\$ 8,473,590	\$ 8,113,302
Transportation fees	23,178,516	25,359,605	28,143,647	30,071,664
Tuition charges	5,416,506	4,845,095	5,713,713	4,591,255
Interest earnings	79,753	188,500	295,925	421,143
Miscellaneous	206,930	93,560	351,394	56,629
State sources	615,831	655,898	680,787	1,184,576
Federal sources	-	-	-	-
Total revenue	<u>37,187,039</u>	<u>39,592,998</u>	<u>43,659,056</u>	<u>44,438,569</u>
Expenditures				
Instruction				
Regular Instruction	120,655	120,150	153,800	135,669
Special education instruction	2,526,864	2,327,842	2,295,760	2,155,232
Other special instruction	371,170	372,703	421,625	430,076
Vocational education	-	-	-	-
Nonpublic school programs	2,229,587	2,718,724	2,842,636	2,182,464
Undistributed				
Student & inst. related services	3,129,250	2,622,921	3,680,272	3,163,754
General administration	649,576	699,822	1,089,336	1,458,755
School administrative services	1,678,741	1,879,975	892,373	1,737,022
Admin. information technology	110,546	112,104	-	-
Plant operations and maintenance	750,595	816,727	827,626	841,159
Pupil transportation	22,322,919	24,417,299	27,106,534	28,923,593
Other Support Services	-	-	-	-
Employee benefits	2,448,157	2,841,770	2,873,182	3,528,374
Miscellaneous	-	-	93,548	124,039
Special Schools	240,898	228,017	225,090	227,363
Capital outlay	16,911	30,344	171,831	243,064
Total expenditures	<u>36,595,869</u>	<u>39,188,398</u>	<u>42,673,613</u>	<u>45,150,564</u>
Excess (Deficiency) of revenues over (under) expenditures	591,170	404,600	985,443	(711,995)
Other Financing sources (uses)				
NJ DOE Audit payable	-	-	-	-
Transfers in	2,868	-	172,760	166,642
Transfers out	-	(5,910)	(174,576)	(174,927)
Total other financing sources (uses)	<u>2,868</u>	<u>(5,910)</u>	<u>(1,816)</u>	<u>(8,285)</u>
Net change in fund balances	<u>\$ 594,038</u>	<u>\$ 398,690</u>	<u>\$ 983,627</u>	<u>\$ (720,280)</u>
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%

Source: District records

2008	2009	2010	2011	2012	2013
\$ 8,049,026	\$ 7,950,983	\$ 7,287,371	\$ 7,792,054	\$ 6,476,989	\$ 6,170,580
29,988,779	27,541,221	25,932,362	24,469,459	26,355,482	29,702,494
4,521,773	4,295,663	3,725,724	3,150,024	2,721,739	2,392,961
282,228	42,009	9,991	4,382	48	-
83,533	178,722	5,624,527	1,979,778	2,149,750	1,353,856
1,213,884	993,050	908,664	1,046,555	863,162	708,083
-	29,929	270,382	5,804	1,901	-
<u>44,139,223</u>	<u>41,031,577</u>	<u>43,759,021</u>	<u>38,448,056</u>	<u>38,569,071</u>	<u>40,327,974</u>
2,063	-	-	-	-	-
2,283,498	1,525,979	1,494,579	2,162,380	1,541,239	1,372,184
467,937	1,213,983	1,206,635	1,237,586	495,484	325,296
-	-	-	-	-	-
2,105,777	2,079,700	1,924,139	1,951,117	1,963,777	423,860
3,149,563	3,926,862	4,380,870	3,246,376	2,975,093	4,642,045
1,037,234	1,355,287	2,064,423	1,788,555	1,816,238	1,748,197
1,746,002	640,311	1,526,989	1,539,782	1,003,405	806,783
-	-	-	-	-	-
1,029,272	562,686	650,475	656,064	433,527	414,512
28,854,544	26,645,356	25,126,139	23,523,540	25,396,868	28,572,384
-	-	-	-	-	-
3,664,415	3,084,959	4,269,094	3,517,900	2,992,487	2,384,015
128,482	111,805	9,446	553,453	51	52,519
145,463	180,199	151,906	23,645	170,316	174,444
2,313,765	551,547	310,551	386,983	28,488	41,003
<u>46,928,015</u>	<u>41,878,674</u>	<u>43,115,246</u>	<u>40,587,381</u>	<u>38,816,973</u>	<u>40,957,242</u>
(2,788,792)	(847,097)	643,775	(2,139,325)	(247,902)	(629,268)
-	-	-	-	-	160,421
2,193,078	577,000	40,538	-	-	-
(2,190,414)	(581,757)	(1,742)	(4,322)	(1,375)	(5,800)
<u>2,664</u>	<u>(4,757)</u>	<u>38,796</u>	<u>(4,322)</u>	<u>(1,375)</u>	<u>154,621</u>
<u>\$ (2,786,128)</u>	<u>\$ (851,854)</u>	<u>\$ 682,571</u>	<u>\$ (2,143,647)</u>	<u>\$ (249,277)</u>	<u>\$ (474,647)</u>
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

Fiscal Year Ending June 30,	<u>COBRA Receipts</u>	<u>Prior Year Under- Expenditures</u>	<u>Administrative Fee</u>	<u>Sale of Building and/or Equipment</u>	<u>Rent and Facility Usage Fees</u>
2003	\$ -	\$ 224,919	\$ 36,557	\$ -	\$ -
2004	-	161,077	5,000	-	-
2005	-	43,580	12,502	-	-
2006	-	218,363	3,580	-	-
2007	-	45,802	246	-	-
2008	-	73,497	1,010	-	-
2009	-	61,893	111,682	-	-
2010	33,056	8,611	2,469,803	3,004,570	95,061
2011	6,867	-	1,780,846	598	190,100
2012	43	7,343	1,870,927	454	240,995
2013	-	-	1,064,158	-	241,695

Source: Commission records

<u>Miscellaneous</u>	<u>Total</u>
\$ 46,701	\$ 308,177
671	166,748
-	56,082
-	221,943
-	46,048
-	74,507
-	173,575
973	5,612,074
1,367	1,979,778
29,988	2,149,750
48,003	1,353,856

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
INSURANCE SCHEDULE
JUNE 30, 2013

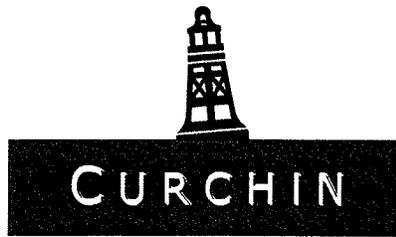
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	Coverage	Deductible
Commercial Package Policy -		
New Jersey School Boards Association		
Insurance Group:		
Property - Blanket real and personal	\$ 9,613,532	\$ 1,000
Electronic data processing	500,000	1,000
Environmental Package	1,000,000	10,000
Extra Expense	50,000,000	1,000
Valuable Papers	10,000,000	1,000
Loss of Rents	1,500,000	1,000
Business Income/Tuition	500,000	1,000
Equipment Breakdown	100,000,000	1,000
Crime coverage	405,000	3,500
Comprehensive general liability	11,000,000	-
Automobile	11,000,000	-
School Leaders' Errors and Omissions -		
New Jersey School Boards Association		
Insurance Group		
Coverage A	6,000,000	5,000
Coverage B	100,000/300,000	5,000
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 8,088,407	
	non-pro 148,933	

Source: Commission records

SINGLE AUDIT SECTION

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

Monmouth-Ocean Educational Services Commission
900 Hope Road
Tinton Falls, NJ 07712

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 governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Monmouth-Ocean Educational Services Commission in the County of Monmouth, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated December 4, 2013.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Monmouth-Ocean Educational Services Commission's internal control over financial reporting 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 Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 over financial reporting 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 significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be significant deficiencies or material weaknesses. However, material weaknesses and significant deficiencies 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's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, and which are described in the accompanying schedule of findings and questioned costs as item.

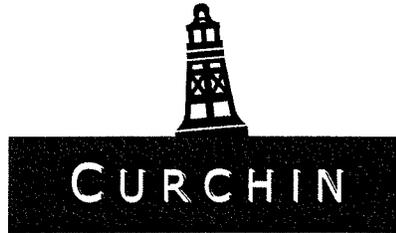
We noted certain matters that we reported to management of the Monmouth-Ocean Educational Services Commission, in a separate letter dated December 4, 2013.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


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

Red Bank, New Jersey
December 4, 2013



**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF STATE
ASSISTANCE IN ACCORDANCE WITH NEW JERSEY OMB CIRCULAR 04-04**

Board of Directors
Monmouth-Ocean Educational Services Commission
900 Hope Road
Tinton Falls, NJ 07712

Compliance

We have audited the compliance of the Monmouth-Ocean Educational Services Commission in the County of Monmouth, State of New Jersey, with the types of compliance requirements described in the "New Jersey State Grant Compliance Supplement" that is applicable to each of its major State programs for the fiscal year ended June 30, 2013. The major State programs of the Monmouth-Ocean Educational Services Commission are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Monmouth-Ocean Educational Services Commission's major 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 State of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; and New Jersey OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Those standards and New Jersey OMB Circular 04-04 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 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 State Program

In our opinion, the Monmouth-Ocean Educational Services Commission, in the County of Monmouth, State of New Jersey, complied in all material respects with the requirements referred to above that are applicable to each of its major State programs for the fiscal year ended June 30, 2013.

Report on Internal Control over Compliance

The management of the Monmouth-Ocean Educational Services Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the Commission's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion of 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 does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal 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 significant deficiencies or material weaknesses. 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.

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 New Jersey OMB Circular 04-04. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by New Jersey OMB Circular 04-04

We have audited the financial statements of the Monmouth-Ocean Educational Services Commission as of and for the year ended June 30, 2013, and have issued our report dated December 4, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of state financial assistance is presented for purposes of additional analysis as required by New Jersey OMB Circular 04-04 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of state assistance is fairly stated in all material respects in relation to the financial statements as a whole.


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

Red Bank, New Jersey
December 4, 2013

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MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - SCHEDULE A
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	<u>Grant Period</u>		Balance at June 30, 2012
				From	To	
U.S. Department of Education						
U.S. Department of Agriculture						
Passed-through State Department of Education						
Enterprise Fund:						
National School Lunch Program	10.555	N/A	1,992	7/1/12	6/30/13	-
National School Lunch Program	10.555	N/A	1,928	7/1/11	6/30/12	<u>(599)</u>
Total Enterprise Fund						<u>(599)</u>
Sub-Total Federal Financial Awards						<u>\$ (599)</u>

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

Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance at June 30, 2013		
					Accounts Receivable	Deferred Revenue	Due to Grantor
-	1,695	1,992	-	-	(297)	-	-
-	599	-	-	-	-	-	-
-	2,294	1,992	-	-	(297)	-	-
<u>\$ -</u>	<u>\$ 2,294</u>	<u>\$ 1,992</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (297)</u>	<u>\$ -</u>	<u>\$ -</u>

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

MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE-SCHEDULE B
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2012	
			From	To	Deferred Revenue (Accts Receivable)	Due to Grantor
State Department of Education						
General Fund:						
On Behalf TPAF Pension Contributions	13-100-034-5095-116	518,205	7/1/12	6/30/13	\$ -	\$ -
Reimbursed TPAF Social Security Contributions	13-495-034-5095-002	189,878	7/1/12	6/30/13	(11,052)	-
Total General Fund					(11,052)	-
Special Revenue Fund:						
Mentor Grant	N/A	341	7/1/07	6/30/08	-	51
High School Completion	12-100-034-5062-027	121,843	7/1/11	6/30/12	(20,538)	-
High School Completion	10-100-034-5062-027	127,000	7/1/09	6/30/10	(1,698)	-
Total Special Revenue Fund					(22,236)	51
State Department of Agriculture						
Enterprise Fund:						
National School Lunch Program (State Share)	13-100-010-3360-067	43	7/1/12	6/30/13	(13)	-
Total Enterprise Fund					(13)	-
Total State Financial Assistance					\$ (33,301)	\$ 51

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

Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments/ Repayment of Prior Years' Balances	Balance at June 30, 2013			MEMO	
				(Accounts Receivable)	Deferred Revenue/ Interfund Payable	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
\$ -	\$ 518,205	\$ 518,205	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 518,205
-	191,018	189,878	-	(9,912)	-	-	(9,912)	189,878
-	709,223	708,083	-	(9,912)	-	-	(9,912)	708,083
-	-	-	-	-	-	51	-	-
-	20,538	-	-	-	-	-	-	-
-	-	-	-	(1,698)	-	-	(1,698)	-
-	20,538	-	-	(1,698)	-	51	(1,698)	-
-	57	52	-	(8)	-	-	(8)	52
-	57	52	-	(8)	-	-	(8)	52
\$ -	\$ 729,818	\$ 708,135	\$ -	\$ (11,618)	\$ -	\$ 51	\$ (11,618)	\$ 708,135

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

**MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
NOTES TO THE SCHEDULES OF AWARDS AND FINANCIAL ASSISTANCE
JUNE 30, 2013**

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the General Fund and Special Revenue Fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the General Fund and Special Revenue Fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year; whereas, for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures are made.

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis for the General Fund is \$0 and the Special Revenue Fund is \$0. See Note 1 (Notes to Required Supplementary Information) for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the General and Special Revenue Funds. Awards and financial assistance revenues are reported in the Commission's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ -	\$ -
Special Revenue Fund	-	-	-
Food Service Fund	<u>1,992</u>	<u>52</u>	<u>2,044</u>
	<u>\$1,992</u>	<u>\$52</u>	<u>\$2,044</u>

*Totals above do not include \$708,083 of TPAF and on behalf of Pension Aid.

**MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
NOTES TO THE SCHEDULES OF AWARDS AND FINANCIAL ASSISTANCE
JUNE 30, 2013**

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

The amount reported as TPAF Pension Contribution represents the amount paid by the State on behalf of the Commission for the year ended June 30, 2013.

TPAF Social Security Contributions represent the amount reimbursed by the State for the employer's share of Social Security contributions for TPAF members for the year ended June 30, 2013.

**MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Part 2 - Schedule of Financial Statement Findings

None Noted.

**MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

NOT APPLICABLE

**MONMOUTH-OCEAN EDUCATIONAL SERVICES COMMISSION
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Status of Prior Year Findings

No prior year audit findings.

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