

CARTERET
BOARD OF EDUCATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

CARTERET, NEW JERSEY

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

of the

Carteret Board of Education

Carteret, New Jersey

For The Fiscal Year Ended June 30, 2011

**Prepared by the
The Business Office**

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INTRODUCTORY SECTION

Carteret Board of Education

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Business Administrator/Board Secretary

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September 20, 2011

Honorable President Mr. Dennis Cherepski
Members of the Carteret Board of Education
599 Roosevelt Ave.
Carteret, NJ 07008

Dear President and Members of the Board of Education:

State Department of Education statutes require all school districts to prepare a complete set of financial statements presented in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report (CAFR) of the Carteret Board of Education for the fiscal year ended June 30, 2011.

This report consists of management's representations concerning the finances of the Carteret Board of Education. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, the Carteret Board of Education has established a comprehensive internal control framework that are designed both to protect the school district's assets from loss, theft, or misuses and to compile sufficient reliable information for the preparation of the Carteret Board of Education's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Carteret Board of Education's comprehensive framework of internal controls are designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Lerch, Vinci & Higgins, LLP, a firm of licensed certified public accountants and public school accountants, have audited the Carteret Board of Education's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Carteret Board of Education for the fiscal year ended June 30, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing

the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Carteret Board of Education's financial statements, for the fiscal year ended June 30, 2011, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Carteret Board of Education was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards and state financial assistance. These reports are available in the Single Audit Section of the Carteret Board of Education's CAFR.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Carteret Board of Education's MD&A can be found immediately following the report of the independent auditors.

REPORT FORMAT

The Comprehensive Annual Financial Report is presented in four sections: Introductory, Financial, Statistical and Single Audit. The purpose of each section of the CAFR is as follows:

- **Introductory Section** – This section includes this transmittal letter, the District's organization chart and a list of principal officials. This section is intended to familiarize the reader with the organizational structure of the District, the nature and scope of the services it provides, and the specifics of its legal operating environment. It is primarily designed for the taxpayer.
- **Financial Section** – This includes the independent auditors' report, the Management's Discussion and Analysis (MD&A), basic financial statements, supplemental information, and the combining and individual fund schedules. It is primarily designed for oversight and legislative bodies.

Generally, Accepted Accounting Principles in the United States of America, (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial

statements in the form of Management's Discussion and Analysis (MD&A). The MD&A of the Carteret Public Schools can be found immediately following the report of the independent auditor.

- **Statistical Section** -- This section includes selected financial and demographic information, generally presented on a multi-year basis. This section is intended to provide CAFR users with a broader and complete understanding of the school district and its financial affairs than are possible from the financial statements and supporting schedules included in the Financial Section. It is primarily designed for investors and creditors (similar to information contained in an Official Statement).
- **Single Audit Section** -- The District is required to undergo an annual single audit in conformity with the provisions Federal Single Audit Act amendments of 1996 and the US Office of Management and Budget circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the New Jersey OMB's Circular 04-04, "*Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*".

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, is included in the Single Audit Section of this report.

This section includes independent auditor's reports on compliance and internal control, schedules of expenditure for federal awards and state financial assistance, notes to the schedules of expenditures of federal awards and state financial assistance, schedule of findings and questioned costs, and a summary schedule of prior audit findings. OMB Circular A-133 and New Jersey OMB Circular 04-04 require this information

REPORTING ENTITY AND ITS SERVICES

The Carteret Board of Education is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by Statement No. 14. All funds of the District are included in this report. The Board of Education and all its schools constitute the District's reporting entity.

Organization of the Board of Education

The Board of Education is a Type II school district whose boundaries are coterminous with the Borough of Carteret in Middlesex County, New Jersey.

The Board of Education has nine (9) members that are elected for three (3) year overlapping terms. The members of the Board are residents of the Borough of Carteret and vote on all matters before the Board of Education. The Board of Education is

annually organized on any day of the first or second week following the annual school election.

The Board normally holds an Agenda Meeting once a month, and a Regular Meeting once a month, with certain exceptions. These meetings dates are adopted at the Annual Reorganization Meeting.

The general mandatory powers and duties of the Board of Education are:

1. To adopt an official seal;
2. To enforce the rules of the State Board of Education
3. To make, amend and repeal rules, not inconsistent with applicable laws or with the rules of the State Board, for its own governance and the transaction of its business and for the governance and management of the public schools and public school property, and for the employment, regulations of conduct and discharge of its employees, subject where applicable to the provisions of Article 14, Civil Services of the Revised Statutes.
4. To perform all acts and do all things consistent with law and the rules of the State Board of Education necessary for the lawful and proper conduct, equipment and maintenance of the public schools.

The Board of Education provides a full range of educational services appropriate to grade levels Pre-K through 12 for residents of the Borough of Carteret. These include regular, vocational, as well as special education for handicapped youngsters. The District also provides programs for the children requiring academic remediation and for children with limited English language proficiency.

Enrollment as Per ASSA

School	Grade Configuration	Actual Enrollment October 15, 2009	Actual Enrollment October 15, 2010	Projected Enrollment October 15, 2011
Elementary	Pre K - 5	1,818	1,846	1,805
Middle School	Grade 6-8	894	910	907
High School	Grade 9-12	1,139	1,084	1,082
Out of District Placement, Shared, State Facilities, etc	Pre K - 12	100	83	73
Total Enrollment		3,951	3,923	3,867

** Source Advertised FY2011 Budget*

ECONOMIC CONDITIONS AND OUTLOOK

The financial condition of the District is linked to the status of the taxable ratables of the Borough of Carteret. The tax base is relatively stable. Elected municipal officials and the members of the Board of Education have both expressed strong concern for increased economic vitality within the Borough of Carteret, and development of budgets that reflect stability with preferably no increase in the local tax levy. The high tax burden and the need to attract tax ratables remain a challenge to the local elected officials.

The Mayor of the Borough of Carteret, together with Borough Council, is exploring the creation of an economic development authority that would be charged with stimulating growth and encouraging investment. Beginning FY2011, Carteret currently has eighty businesses participating in the New Jersey Urban Enterprise Zone Program. The Mayor has proposed to develop the Borough's waterfront, which would increase the ratables by approximately one billion dollars. Due to current economic condition, the project is not likely to move forward. The Borough of Carteret is constructing a wellness center, which will be managed by Robert Wood Johnson Hospital. An investment in the community is required to improve the quality of life for the citizenry. Quality of life factors include an improved life style, recreation, employment opportunities, commercial and industrial growth, and well-planned full municipal services to address the needs of its constituency.

Strengths of Carteret include a diverse population, abundant and eager workforce, and an accessible highway system. Carteret can serve as a spur to surrounding hub municipalities like Woodbridge, Elizabeth, Edison, and airport and seaport access within five (5) miles. A key factor involves the restoration of usable land for development.

The Borough of Carteret is designated an Urban Enterprise Zone that carries a reduced New Jersey sales tax rate as an incentive to economic growth. The New Jersey sales tax in an Urban Enterprise zone was and remains three and a half (3.5%) percent, as compared with a seven (7%) percent sales tax in other areas of the State.

The low tax base and the high local tax rate in the Borough of Carteret classifies the school district as a "B" district in the New Jersey Department of Education's district factor groupings (DFG). In 1980, the school district was given the ranking of "C." In 1990, the school ranking was given the ranking of "B." The School District Factor Grouping (DFG) is a system of ranking schools by socio-economic status. The group designations are based on information from census data and include the following community data:

- * Income;
- * Poverty;
- * Unemployment;
- * Percent with no high school diploma;
- * Percent with some college;
- * Occupations; and
- * Population density;

There are eight DFG groupings: A designates the lowest socio-economic level and includes B, CD, DE, FG, GH, I and J. The DFG groupings are valuable for comparison of districts with similar profiles for purposes of state aid and assessment information.

MAJOR INITIATIVES

During the FY2011, the Carteret Board of Education has implemented the following to enhance the instructional programs and improvements to infrastructure:

Education & Instruction:

1. The board agreed to continue its curricula for the 2011-2012 school year, as adapted and modified, at the May 12, 2011 Board of Education meeting.
2. All curricula that were identified in the five-year Curriculum Renewal plan were revised. Language Arts and Mathematics curricula were amended to address the new Core Curriculum Standards.
3. An Academic Enrichment Program was fully implemented for designated Title I students in grades 1-5, in Columbus and Nathan Hale Schools.
4. Summer Programs were offered to students who participated in the Title I and LEP Programs during the school year. An Extended School Year Program was offered to Special Education students whose IEP designated the educational need for this support. A Jump Start to Kindergarten Program (Title I) was offered in August to identified incoming Kindergarten students to enhance their readiness skills.
5. Increased professional development opportunities were provided for staff on an ongoing basis: twenty hours of in-district staff development, workshops were offered throughout the school year through the After-School Professional Development Academy; teachers and administrators were afforded the opportunity to attend out-of-district conferences/workshops dealing with improving student achievement.
6. The Preschool Program teachers and paraprofessionals continued to work with an early childhood consultant throughout the 2010-2011 school year to plan and implement an effective Preschool Program.
7. Three administrators participated in The Academy for Education Leaders, an eight-session program focusing "Leading with Accountability".
8. The Carteret High School administration and instructional staff worked with consultants all year in planning a High School Redesign model; year one of this five-year phase-in period will be in effect during the 2011-2012 school year.
9. The 21st Century After-School Program operated in its fourth year of the program at Carteret Middle School. The high school was also a recipient of the 21st Century Program, collaborating with the Boys and Girls Club.

10. Ongoing Transition Meetings were held between Pre-K and Kindergarten teachers, Kindergarten and first grade teachers; fifth and sixth grade teachers; and eighth and ninth grade teachers. The purpose of the transition meetings was to discuss student progress, instructional goals and strategies, and to confer on curricula issues.
11. A Summer Reading Program was conducted with an evaluative tool at all grade levels. The program was coordinated with the town library.
12. Students and staff were assessed with regard to their understanding and use of technology in the learning process.
13. A two-day Administrative Retreat was held in June 2011 and an iPad training for administrators was held in August.
14. The district offered sustained an ongoing professional development for instructional staff, offering 20 hours of in-district training, workshops throughout the year in the After School Professional Development Academy, and attendance at out-of-district workshops/conferences.
15. Parent Involvement at each school was increased due to a myriad of parent program offerings and enhanced communication.
16. Teachers complete their lesson plans online and have the capability of sharing instructional strategies with one another. This module enhances the capability of Special Education, ESL and Academic Enrichment teachers to modify classroom instruction for their students.
17. The district website was redone and operational in September, 2010. The website is utilized to enhance communication, staff resource page (internal postings, lesson plan template), Teacher Pages, Curriculum and Board Policies, capability of conducting surveys, and links to the NJDOE and online references.

Technology:

1. The District is installing interactive boards at all schools in phases.
2. The District changes the internet service provider from Verizon to Comcast and was able to upgrade bandwidth between schools from 100 Megabytes to one (1) Gigabyte. Simultaneously all the switches in the District were upgraded from 100 megabytes to one (1) gigabyte cisco switches.
3. The District has continued to upgrade security cameras, with additional storage space to hold video, at all locations from the grant awarded by ERIC North (New Jersey School Board Insurance Association Group). These new digital security cameras have

Facilities:

1. The fire alarm & security system at Carteret middle School was replaced.

2. The sidewalk was increased in width, which made it safer for students and staff to walk in the front of the school, which is on the major roadway, and made it easier for the students at the Nathan Hale School.
3. The maintenance and technology Work Order System was upgraded to the School Dude software to ensure the processing of the work orders more accurately.
4. All heating systems have been upgraded to more efficient levels of comfort.

FINANCIAL ACCOUNTING AND REPORTING:

The Carteret Board of Education has updated their administrative software for financial accounting, payroll, and personnel effective July 1, 2005. The district has implemented point of sales (POS) system for the food service. Since the implementation of the POS System, the district has realized an increase in revenue. The fixed assets inventory was completed end of June 2007. During the year, computerized maintenance work-order system was implemented. In FY2006, computerized technology work-order system was implemented. In FY2008, the district implemented the Maintenance Work Order System that was mandated by the State to be implemented by July 1, 2009.

INTERNAL ACCOUNTING CONTROLS:

The Administrators are responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District 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 Accounting Principles Generally Accepted in the United States of America (GAAP). The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of controls should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

The District receives federal and state financial assistance, and 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 the management of the school district. The District has established policies and procedures to effectively implement and maintain an internal accounting control structure that safeguards the District's financial integrity. These policies and procedures are evaluated and revised on an on-going basis.

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

BUDGETARY CONTROLS:

In addition to internal accounting controls, the District 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 voters of the municipality. Annual appropriated budgets are adopted for the General, the Special Revenue, and the Debt Service Funds. 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 either are 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 June 30, 2011.

The New Jersey Department of Education has prescribed forms and formats for the presentation of the annual school budget. The Board of Education adheres to Department of Education requirements for budget development, presentation, and adoption.

PROPRIETARY FUND

The Enterprise Food Service Fund accounts for the operation of food service in all schools within the school district. The Enrichment Academy Fund accounts for the Before and After School program offered to the students of Carteret Public Schools.

DEBT ADMINISTRATION

The Carteret Public Schools is authorized to issue debt based on the action of voters at authorized elections where a referendum is approved. Once the voters approve the referendum, the district is authorized to issue debt, with the payment of principal and interest becoming a part of the annual budget. The School Funding Reform Act of 2008 (SFRA) provides state aid to assist in the support of the district's debt obligation.

In prior fiscal years, the District completed capital construction programs financed through a lease-purchase transaction; which was refinanced in March 1999. This lease was refunded in February 2010. The balance of the refunded lease is \$8,680,000 as of June 30, 2011. An additional capital lease was financed in 2000 for various building improvements. This lease was refunded in January 2006. The balance of the original lease is \$220,000, the refunded lease was repaid during FY 2010, and the refunded portion of the lease is \$8,465,000 as of June 30, 2011.

During the FY2003, the District issued \$2,450,000 of pension obligation refunding bonds to finance the unfunded pension liability pertaining to the District's participation in the State's Early Retirement Incentive Program. The balance of the lease is \$1,625,000 as of June 30, 2011.

CASH MANAGEMENT

The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements." The District 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 a 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.

RISK MANAGEMENT

The Board of Education utilizes an insurance consultant to assist in the review and evaluation of its third party commercial insurances. The Board 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 and fidelity bonds. The statistical section of the CAFR includes a schedule that outlines the types and amounts of coverage.

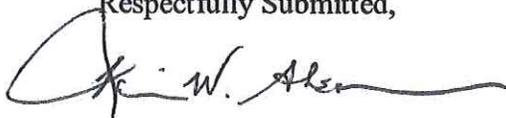
OTHER INFORMATION

Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Board selected the accounting firm of Lerch, Vinci & Higgins, and LLP CPA's. 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 1984 and the related OMB Circular A-133 and State Treasury Circular OMB 04-04. The auditor's report on the basic financial statements and combining an 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 Carteret School Board for their concern in providing fiscal accountability to the citizens and taxpayers of Carteret and thereby contributing their full support to the development and maintenance of our financial operation. We also acknowledge the efforts of the Business Office staff without which this report could not have been completed.

Respectfully Submitted,

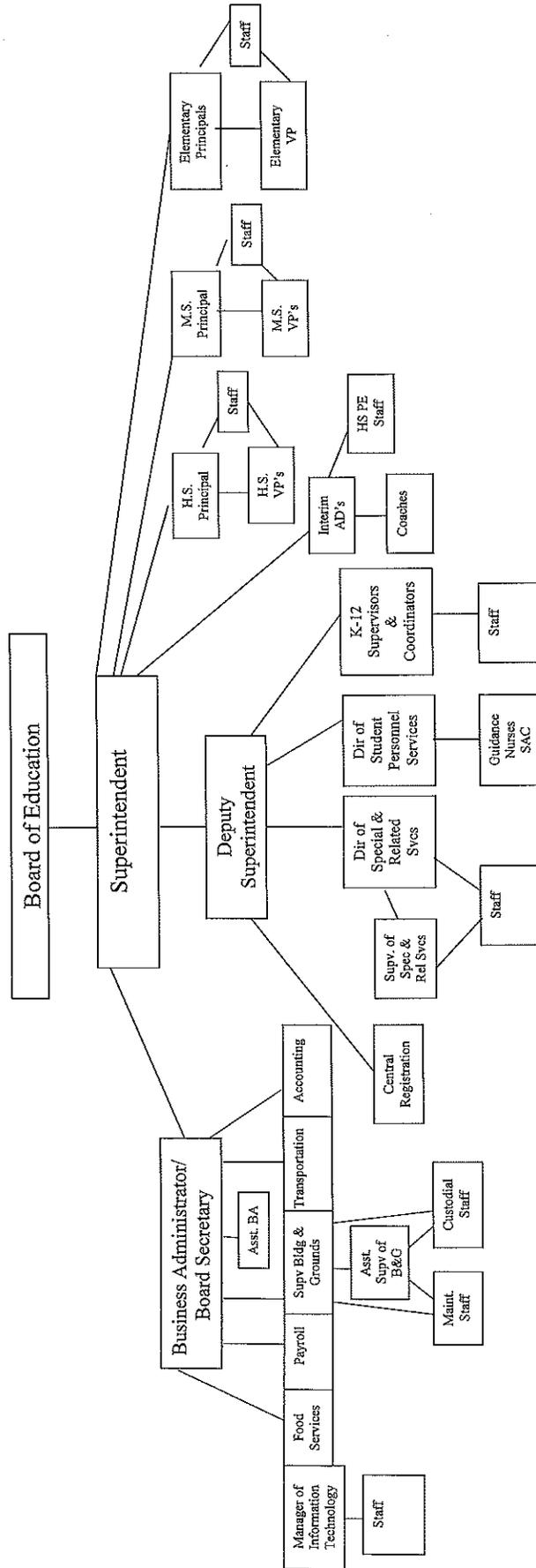


Kevin Ahearn
Superintendent of Schools



Nilkanth Patel
Business Administrator/Board Secretary

**CARTERET PUBLIC SCHOOLS
TABLE OF ORGANIZATION**



Submitted by:
Kevin W. Ahearn
Superintendent of Schools

Adopted: May 24, 2001
Revised: September 22, 2010

**CARTERET BOARD OF EDUCATION
ROSTER OF OFFICIALS
AS OF JUNE 30, 2011**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Dennis Cherepski, President	2013
Fred Gerstler, Vice President	2012
William Davis	2012
Andrew Halkovich	2014
Jerome Mitchell	2014
Martin Murray, Sr.	2012
Donna Kenny	2012
Denise SanFilippo	2013
Lydia Singura	2014

Other Officials

Kevin Ahearn, Superintendent of Schools
Nilkanth Patel, Business Administrator/Board Secretary
Patrick DeBlasio, Treasurer of School Monies

**CARTERET BOARD OF EDUCATION
CONSULTANTS AND ADVISORS
AS OF JUNE 30, 2011**

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ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
RALPH M. PICONE, CPA, RMA, PSA
EDWARD N. KERE, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
Carteret Board of Education
Carteret, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Carteret Board of Education, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Carteret Board of Education's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

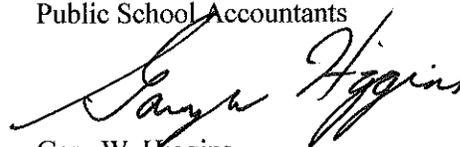
In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Carteret Board of Education as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 20, 2011 on our consideration of the Carteret Board of Education'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 Carteret Board of Education's basic financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, financial schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, 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 also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section, financial schedules and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants


Gary W. Higgins
Public School Accountant
PSA Number CS00814

MANAGEMENT'S DISCUSSION AND ANALYSIS

Carteret Board of Education Carteret, New Jersey

Management's Discussion and Analysis Year Ended June 30, 2011

This section of Carteret Board of Education annual financial report presents our discussion and analysis of the Board's financial performance during the fiscal year that ended on June 30, 2011. Please read it in conjunction with the transmittal letter at the front of this report and the Board's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34- Basic Financial Statements- and Management's Discussion and Analysis – for State and Local Governments. Certain comparative information between the current year (2010-11) and the prior year (2009-10) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2010-11 fiscal year include the following:

- The General Fund fund balance on a GAAP basis at June 30, 2011 was in a deficit of \$1,052,255, a decrease of \$987,280 when compared with the beginning balance at July 1, 2010.
- The General Fund budgetary fund balance at June 30, 2011 was \$2,313,319, which represents a decrease of \$931,795 when compared to the ending budgetary fund balance of \$3,245,114 at June 30, 2010. The difference in GAAP basis fund balance to budgetary fund balance is \$3,365,574, which represents the delay of certain State aid payments and the 2010-11 Extraordinary Aid, which were not realized as revenue in the GAAP basis financial statements.
- The General Fund unassigned (unreserved, undesignated) budgetary fund balance was \$1,420,900 at June 30, 2011. This represents an increase of \$725,558 when compared to the balance of \$695,342 as of June 30, 2010.

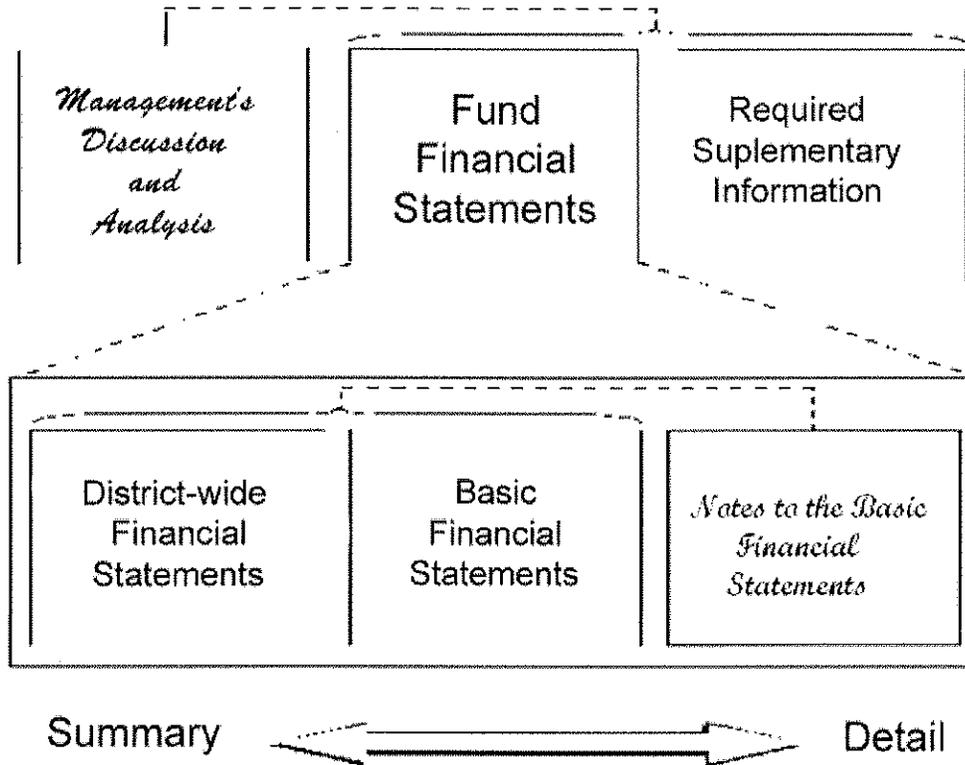
OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information that includes the management's discussion and analysis (this section), the basic financial statements, and notes to the basic financial statements. The basic financial statements include two kinds of statements that present different views of the Carteret Board of Education.

Carteret Board of Education
Carteret, New Jersey

Management's Discussion and Analysis (continued)
Year Ended June 30, 2011

Figure A-1. Required Components of the Board's Annual Financial Report



- The first two statements are district-wide financial statements that provide both short-term and long-term information about the Carteret Board of Education's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Carteret Board of Education, reporting the Carteret Board of Education's operation in more detail than the district-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in short term as well as what remains for future spending.
- Proprietary funds statements offer short- and long-term financial information about the activities the Carteret Board of Education operates like businesses.

**Carteret Board of Education
Carteret, New Jersey**

**Management's Discussion and Analysis (continued)
Year Ended June 30, 2011**

The financial statements also include notes that explain some of the information in the statements and provide data that are more detailed. Figure A-2 summarizes the major features of the Carteret Board of Education's financial statements, including the portion of the Carteret Board of Education's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the District-Wide and Financial Statements			
	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance, food service, and community education	Activities the district operates similar to private businesses: Food service fund; Enrichment Academy
Required financial statements	Statements of net assets Statement of activities	Balance sheet Statement of revenue expenditures and changes in fund balances	Statement of net assets Statement of revenues, expenses, and changes in fund net assets Statement of cash flows
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

District-wide Statements

The district-wide statements report information about the Carteret Board of Education as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the district's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

**Carteret Board of Education
Carteret, New Jersey**

**Management's Discussion and Analysis (continued)
Year Ended June 30, 2011**

District-wide Statements (Continued)

The two district-wide statements report the Carteret Board of Education's net assets and how they have changed. Net assets – the difference between the district's assets and liabilities – are one way to measure the Board's financial health or position.

- Over time, increase or decreases in the district's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the district you need to consider additional non-financial factors such as changes in the district's property tax base and the condition of school building and other facilities.

In the district-wide financial statements, the district's activities are shown in two categories:

- *Governmental activities*- Most of the district's basic services are included here, such as regular and special education, transportation, administration and community education. Property taxes and state aids finance most of these activities.
- *Business-type activities*- The Board charges fees to customers to help it cover the costs of certain services it provides. The Board's Food Service Fund and Enrichment Academy is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the district's funds – focusing on its most significant or “major” funds – not the district as a whole. Funds are accounting devices the district uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The district uses other funds, established in accordance with the State of New Jersey Uniform Chart of Accounts, to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal funds).

**Carteret Board of Education
Carteret, New Jersey**

**Management's Discussion and Analysis (continued)
Year Ended June 30, 2011**

Fund Financial Statements (Continued)

The district has three types of funds:

- *Governmental funds*- Most of the Board's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Board's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary funds*- Services for which the Board charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide business-type statements.
- *Fiduciary funds*- The Board is the trustee, or *fiduciary*, for assets that belong to others such as unemployment funds, payroll and payroll agency funds, and student activity funds. The Board is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Board's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the Board's government-wide financial statements because the Board cannot use these assets to finance its operations.

**Carteret Board of Education
Carteret, New Jersey**

**Management's Discussion and Analysis (continued)
Year Ended June 30, 2011**

FINANCIAL ANALYSIS OF THE CARTERET PUBLIC SCHOOLS AS A WHOLE

Net assets. The District's net assets for governmental and business type activities were \$1,381,200 and \$1,572,073 on June 30, 2011 and 2010, respectively. (See Table A-1)

**Table A-1
Statement of Net Assets
As of June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
	<u>Total</u>	<u>Total</u>
Current and Other Assets	\$ 1,497,288	\$ 2,787,221
Capital Assets	<u>22,402,526</u>	<u>22,149,775</u>
Total Assets	<u>23,899,814</u>	<u>24,936,996</u>
Non-Current Liabilities	20,491,025	21,520,769
Other Liabilities	<u>2,027,589</u>	<u>1,844,154</u>
Total Liabilities	<u>22,518,614</u>	<u>23,364,923</u>
Net Assets:		
Invested In Capital Assets, Net of Related Debt	6,224,184	5,108,630
Restricted	12,466	76,563
Unrestricted	<u>(4,855,450)</u>	<u>(3,613,120)</u>
Total Net Assets	<u>\$ 1,381,200</u>	<u>\$ 1,572,073</u>

Net assets for the year ended June 30, 2011 decreased \$190,873 from the balance at June 30, 2010.

The District's financial position is the product of these factors:

- Program revenues for Governmental Activities were \$9,842,337 for operating grants and contributions.
- Program revenues for business – type activities
 - ✓ Charges for services \$718,762.
 - ✓ Operating grants and contributions \$1,132,816.
- Combined general revenues for Governmental activities and Business-Type activities during the 2010-11 school year were \$46,308,313.
- Expenditures were \$56,119,372 for Governmental activities and \$2,073,729 for business type activities.
- On the Statement of Activities, general revenues and beginning net assets are adjusted by expenses net of program revenues to arrive at net assets of \$1,381,200 at June 30, 2011.

**Carteret Board of Education
Carteret, New Jersey**

**Management's Discussion and Analysis (continued)
Year Ended June 30, 2011**

**Table A-2
Changes in Net Assets
For the Fiscal Years Ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Revenues		
Program revenues		
Charges for services	\$ 718,762	\$ 721,140
Operating grants and contributions	10,975,153	16,958,866
General revenues		
Property taxes	24,017,605	23,656,566
Federal and State Aid	22,266,868	20,415,120
Other	23,840	74,102
Total revenues	58,002,228	61,825,794
Expenses		
Instruction		
Regular	22,696,499	22,977,099
Special Education	10,602,262	10,839,812
Other Instruction	1,710,483	1,665,603
School Sponsored Activities and Athletic Support Services	275,747	631,038
Support Services		
Student and Instruction Related Services	5,934,521	6,356,437
General Administration Services	1,252,106	1,072,492
School and Business Administrative Services	3,333,887	2,708,937
Plant Operations and Maintenance	5,905,849	5,801,293
Pupil Transportation	2,127,607	2,273,850
Central Services	1,473,443	1,489,599
Interest on Long-Term Debt	806,968	940,848
Food Service	1,923,151	1,609,980
Enrichment Academy	150,578	646,234
Total expenses	58,193,101	59,013,222
Change in net assets	(190,873)	2,812,572
Net Assets, Beginning of Year	1,572,073	(1,240,499)
Net Assets, End of Year	\$ 1,381,200	\$ 1,572,073

Changes in Net Assets. The district's total revenues were \$58,002,228 and \$61,825,794 in 2011 and 2010, respectively. Property taxes of \$24,017,605 and \$23,656,566 represented 41% and 38% of revenues for the years ended June 30, 2011 and 2010, respectively. The District's state and federal aid of \$33,242,021 and \$37,373,986 represented 57% and 60% of revenues for the years ended June 30, 2011 and 2010, respectively.

**Carteret Board of Education
Carteret, New Jersey**

**Management's Discussion and Analysis (continued)
Year Ended June 30, 2011**

The smallest component of revenues is "Other Revenue." The largest source of "Other Revenue" is miscellaneous and interest income, with \$23,840 and \$69,717 earned in 2010-11 and 2009-10, respectively.

The Board's expenses for governmental activities are predominantly related to instruction and support services. Instruction totaled \$35,284,991 and \$36,113,552 (63% and 64% of total expenditures for the years ended June 30, 2011 and 2010, respectively). Student support services, exclusive of administration, totaled \$5,934,521 and \$6,356,437 (11% and 11%) of total expenditures for the years ended June 30, 2011 and 2010, respectively.

**Table A-3
Total and Net Cost of Services of Governmental Activities
For the Fiscal Years Ended June 30, 2011 and 2010**

<u>Functions/Programs</u>	<u>Source Exhibit</u>	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
		<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Governmental Activities					
Instruction					
Regular	A-2	\$ 22,696,499	\$ 22,977,099	\$ 19,299,034	\$ 16,721,956
Special Education	A-2	10,602,262	10,839,812	6,558,444	5,236,203
Other Instruction	A-2	1,710,483	1,665,603	1,320,403	1,086,021
School Sponsored Activities and Athletics	A-2	275,747	631,038	256,174	577,815
Support Services					
Student and Instruction Related Services	A-2	5,934,521	6,356,437	4,738,998	3,758,753
General Administration Services	A-2	1,252,106	1,072,492	1,177,658	1,004,317
School and Business Administration Services	A-2	3,333,887	2,708,937	3,098,240	2,488,805
Plant Operations and Maintenance	A-2	5,905,849	5,801,293	5,786,219	5,448,955
Pupil Transportation	A-2	2,127,607	2,273,850	2,071,015	2,186,167
Central Services	A-2	1,473,443	1,489,599	1,408,557	1,489,599
Interest on Long-Term Debt	A-2	806,968	940,848	562,293	940,848
Total Governmental Activities		\$ 56,119,372	\$ 56,757,008	\$ 46,277,035	\$ 40,939,439

**Carteret Board of Education
Carteret, New Jersey**

**Management's Discussion and Analysis (continued)
Year Ended June 30, 2011**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the Carteret Board of Education is reflected in its governmental funds as well. The district completed the fiscal years ended June 30, 2011 and 2010 with its governmental funds reporting combined fund balances of \$(1,115,194) and \$(62,097) respectively.

Revenues for the district's governmental funds were \$56,148,238 and \$59,934,422 for the years ended June 30, 2011 and 2010, respectively. Total expenditures were \$57,201,335 and \$58,178,075 for the years ended June 30, 2011 and 2010.

GENERAL FUND

The General Fund includes the primary operations of the district in providing educational services to students from pre-kindergarten through grade 12 including pupil transportation activities and capital outlay projects.

The following schedule presents a summary of General Fund revenues for the fiscal years ended June 30, 2011 and 2010.

**Table A-4
Summary of General Fund Revenues
For the Fiscal Years Ended June 30, 2011 and 2010**

General Fund Revenues	<u>2011</u>	<u>2010</u>
Local Sources:		
Local Tax Levy	\$ 22,801,000	\$ 22,190,278
Tuition		1,951
Interest	12,058	10,111
Miscellaneous	9,370	59,606
Total Local Sources	<u>22,822,428</u>	<u>22,261,946</u>
Intergovernmental		
State Sources	28,239,139	26,915,114
Federal Sources	98,566	4,206,363
Total Intergovernmental Sources	<u>28,337,705</u>	<u>31,121,477</u>
Total Revenues	<u>\$ 51,160,133</u>	<u>\$ 53,383,423</u>

Property taxes and state formula aid accounted for 99 percent of total revenues for both 2011 and 2010. Interest and miscellaneous accounted for 1 percent of total revenues.

The following schedule presents a summary of General Fund expenditures for the fiscal years ended June 30, 2011 and 2010.

**Carteret Board of Education
Carteret, New Jersey**

**Management's Discussion and Analysis (continued)
Year Ended June 30, 2011**

**Table A-5
Summary of General Fund Expenditures
For the Fiscal Years Ended June 30, 2011 and 2010**

General Fund Expenditures	<u>2011</u>	<u>2010</u>
Current		
Regular Instruction	\$ 21,167,819	\$ 21,309,534
Special Education	9,938,516	9,426,697
Other Special Instruction	1,439,574	1,400,398
School Sponsored Activities and Athletics	275,686	632,446
Support Services and undistributed Costs:		
Student and Instruction Related Services	5,117,644	5,424,587
School Administration Services	3,332,874	2,715,824
General Administration Services	1,183,917	1,050,796
Plant Operations and Maintenance	5,157,294	5,098,166
Student Transportation	2,115,614	2,260,205
Central Services	1,473,137	1,492,129
Capital Outlay	945,338	299,175
Debt Principal		609,133
Debt Interest		1,650
Total Governmental Activities	<u>\$ 52,147,413</u>	<u>\$ 51,720,740</u>

General Fund Budgetary Highlights

The District's budget is prepared according to New Jersey Department of Education guidelines, and is based on accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The most significant budgetary fund is the General Fund.

Over the course of both years, the Board revised the annual operating budgets several times. These budget amendments were related to:

- ✓ Reserved for Encumbrance— The roll over of prior year reserved for encumbrances increased the district-operating budget.

Actual expenditures (exclusive of on-behalf expenditures) were \$48,819,081 and \$48,313,279 for the years ended June 30, 2011 and 2010, respectively. Revenues (exclusive of on-behalf revenues) were \$47,887,286 and \$49,384,202 for the years ended June 30, 2011 and 2010, respectively.

**Carteret Board of Education
Carteret, New Jersey**

**Management's Discussion and Analysis (continued)
Year Ended June 30, 2011**

DEBT ADMINISTRATION

The amount of debt service expenditures were \$1,879,394 and \$1,793,511 in principal and interest for the years ended June 30, 2011 and 2010, respectively, with \$1,216,605 and \$1,466,288 coming from the local tax levies, and \$597,789 and \$801,932 coming from state aid for the fiscal years ended June 30, 2011 and 2010, respectively.

BUSINESS-TYPE ENTERPRISE FUNDS

The District's total business-type activities revenues were \$1,853,990 and \$1,891,372 for the years ended June 30, 2011 and 2010, respectively. Charges for services accounted for 39% and 38% of total revenue for each year. Operating grants and contributions of \$1,132,816 and \$1,143,248 accounted for 61% and 60% of total revenue. The balance of the revenues, \$2,412 and \$28,935 represents federal aid for equipment, interest earnings and miscellaneous income.

The total cost of all business-type activities programs and services was \$2,073,729 and \$2,256,214 for the years ended June 30, 2011 and 2010, respectively. The District's expenses are related to food service programs provided to all students and faculty and the operation of the program for enrichment academy for before and after school activities.

Total business-type activities expenses exceeded revenues decreasing net assets by \$219,739 over the prior year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of the 2010/2011 fiscal year, the district had invested \$35,590,274 in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices. (See Table A-6) (More detailed information about capital assets can be found in Note 4 to the basic financial statements.) Total depreciation expense for the years ended June 30, 2011 and 2010 was \$856,362 and \$800,563, respectively.

**Table A-6
Capital Assets - Governmental Activities
as of June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Land	\$ 71,603	\$ 71,603
Buildings and Building Improvements	32,673,461	32,488,572
Improvements other than Buildings	242,500	242,500
Machinery and Equipment	2,602,710	1,841,444
Total	35,590,274	34,644,119
Less: Accumulated Depreciation	13,498,216	12,641,854
Total	\$ 22,092,058	\$ 22,002,265

Carteret Board of Education
Carteret, New Jersey

Management's Discussion and Analysis (continued)
Year Ended June 30, 2011

Construction Planning

The Carteret Board of Education entered into an agreement to lease the High School stadium to the Borough of Carteret for a period of ninety-nine (99) years. In exchange, the Borough has offered a parcel of land to construct a school building. The State of New Jersey, Department of Education (DOE) has approved the Long Range Facilities Plan on May 16, 2008.

Long-term Liabilities

At year-end, the District had \$1,625,000 and \$1,745,000 in 2011 and 2010, respectively, in general obligation bonds which refunded the unfunded pension liabilities previously outstanding. This refunding substantially reduced the District's interest expense for the pension liability.

In addition, the District had \$17,145,000 and \$18,135,000 in 2011 and 2010, respectively, in lease purchase agreements for various school improvements. These agreements were by the issuance of certificates of participation ("COPS") which have been refunded as discussed in Note 4 to the basic financial statements.

The District also had \$2,298,551 and \$2,286,253 in 2011 and 2010, respectively, as a liability for compensated absences. This liability represents the district's contractual obligation to compensate employees for accumulated unused sick leave entitlements upon retirement.

More detailed information about the district's long-term liabilities is presented in Note 4 to the basic financial statements.

Table A-7
Long Term Debt Liabilities
as of June 30, 2011 and 2010

Governmental Activities	<u>2011</u>	<u>2010</u>
Bonds Payable	\$ 1,625,000	\$ 1,745,000
Lease Purchase Agreements	17,145,000	18,135,000
Compensated Absences	2,298,551	2,286,253
Total	<u>\$ 21,068,551</u>	<u>\$ 22,166,253</u>

**Carteret Board of Education
Carteret, New Jersey**

**Management's Discussion and Analysis (continued)
Year Ended June 30, 2011**

FACTORS BEARING ON THE DISTRICT'S FUTURE

State Aid—The State Legislature replaced Comprehensive Education Improvement Finance Act (CEIFA) with School Finance Reform Act (SFRA). Because of this, the Carteret Board of Education's State Aid will increase significantly and thereby, there could be a significant reduction in local property school taxes. However, the District received a massive reduction in the State Aid instead of receiving an increase.

No Child Left Behind (NCLB)—The integration of the requirements of this federal legislation needs to be integrated into in a way that eliminates duplications. The challenge before the State of New Jersey is development of a single, seamless process of assessment, planning, implementation, and evaluation that satisfies both State and federal authorities. The district will address AYP (Adequate Yearly Progress), HQT (Highly Qualified Teachers), and professional development activities as part of NCLB.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Carteret Board of Education, 599 Roosevelt Avenue, Carteret, New Jersey 07008.

Contact:

Nilkanth Patel, School Business Administrator/Board Secretary
Telephone: 732-541-8960 ext. 6005
Fax: 732-541-2106
Email: npatel@carteretschools.org

BASIC FINANCIAL STATEMENTS

**CARTERET BOARD OF EDUCATION
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents		\$ 296,329	\$ 296,329
Other Receivables	\$ 6,399		6,399
Receivable from Other Governments	648,544	85,338	733,882
Inventory		18,229	18,229
Deferred Charge	442,449		442,449
Capital Assets Not Being Depreciated	71,603		71,603
Capital Assets, Being Depreciated, net	<u>22,020,455</u>	<u>310,468</u>	<u>22,330,923</u>
Total Assets	<u>23,189,450</u>	<u>710,364</u>	<u>23,899,814</u>
LIABILITIES			
Cash Overdraft	895,057		895,057
Accounts Payable and Other Current Liabilities	824,903	351	825,254
Payable to Other Governments	5,118		5,118
Accrued Interest Payable	255,062		255,062
Unearned Revenue	45,059	2,039	47,098
Noncurrent Liabilities			
Due Within One Year	1,654,855		1,654,855
Due Beyond One Year	<u>18,836,170</u>	<u>-</u>	<u>18,836,170</u>
Total Liabilities	<u>22,516,224</u>	<u>2,390</u>	<u>22,518,614</u>
NET ASSETS			
Invested in Capital Assets, net of related debt	5,913,716	310,468	6,224,184
Restricted for			
Capital Projects	903		903
Debt Service	11,563		11,563
Unrestricted	<u>(5,252,956)</u>	<u>397,506</u>	<u>(4,855,450)</u>
Total Net Assets	<u>\$ 673,226</u>	<u>\$ 707,974</u>	<u>\$ 1,381,200</u>

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

**CARTERET BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction							
Regular	\$ 22,696,499		\$ 3,397,465		\$ (19,299,034)		\$ (19,299,034)
Special Education	10,602,262		4,043,818		(6,558,444)		(6,558,444)
Other Instruction	1,710,483		390,080		(1,320,403)		(1,320,403)
School Sponsored Activities and Athletics	275,747		19,573		(256,174)		(256,174)
Support Services							
Student and Instruction Related Services	5,934,521		1,195,523		(4,738,998)		(4,738,998)
General Administration Services	1,252,106		74,448		(1,177,658)		(1,177,658)
School and Business Administration Services	3,333,887		235,647		(3,098,240)		(3,098,240)
Central Services	1,473,443		64,886		(1,408,557)		(1,408,557)
Plant Operations and Maintenance	5,905,849		119,630		(5,786,219)		(5,786,219)
Pupil Transportation	2,127,607		56,592		(2,071,015)		(2,071,015)
Interest on Long-Term Debt	806,968		244,675		(562,293)		(562,293)
Total Governmental Activities	56,119,372	-	9,842,337	-	(46,277,035)	-	(46,277,035)
Business-Type Activities							
Food Service	1,923,151	\$ 502,054	1,132,816			\$ (288,281)	(288,281)
Enrichment Academy	150,578	216,708	-			66,130	66,130
Total Business-Type Activities	2,073,729	718,762	1,132,816			(222,151)	(222,151)
Total Primary Government	\$ 58,193,101	\$ 718,762	\$ 10,975,153	\$	(46,277,035)	(222,151)	(46,499,186)

Continued

The accompanying Notes to the Basic Financial Statements are an Integral Part of this Statement

**CARTERET BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-Type Activities	Total
General Revenues			
Taxes			
Property Taxes Levied for General Purposes	\$ 22,801,000		\$ 22,801,000
Property Taxes Levied for Debt Service	1,216,605		1,216,605
Federal and State Aid - Unrestricted	21,913,754		21,913,754
State/Federal Aid - Restricted	353,114		353,114
Interest Income	12,058	2,412	14,470
Miscellaneous Income	9,370	-	9,370
	46,305,901	2,412	46,308,313
Total General Revenues			
Change in Net Assets	28,866	(219,739)	(190,873)
Net Assets, Beginning of Year	644,360	927,713	1,572,073
Net Assets, End of Year	\$ 673,226	\$ 707,974	\$ 1,381,200

The accompanying Notes to the Basic Financial Statements are an Integral Part of this Statement

FUND FINANCIAL STATEMENTS

**CARTERET BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2011**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents			\$ 903	\$ 11,563	\$ 12,466
Due from Other Funds	\$ 6,399				6,399
Receivables from Other Governments	104,432	\$ 544,112	-	-	648,544
Total Assets	<u>\$ 110,831</u>	<u>\$ 544,112</u>	<u>\$ 903</u>	<u>\$ 11,563</u>	<u>\$ 667,409</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Cash Overdraft	\$ 400,522	\$ 507,001			907,523
Accounts Payable	762,564	62,339			824,903
Payable to State Government		5,118			5,118
Deferred Revenue	-	45,059	-	-	45,059
Total Liabilities	<u>1,163,086</u>	<u>619,517</u>	<u>-</u>	<u>-</u>	<u>1,782,603</u>
Fund Balances					
Restricted					
Capital Projects			903		903
Debt Service				11,563	11,563
Committed					
Year End Encumbrances	262,572				262,572
Assigned Fund Balance					
Designated for Subsequent Year's					
Expenditures	325,000				325,000
Year End Encumbrances	304,847				304,847
Unassigned Fund Balance:					
General Fund	(1,944,674)				(1,944,674)
Special Revenue Fund	-	(75,405)	-	-	(75,405)
Total Fund Balances	<u>(1,052,255)</u>	<u>(75,405)</u>	<u>903</u>	<u>11,563</u>	<u>(1,115,194)</u>
Total Liabilities and Fund Balances	<u>\$ 110,831</u>	<u>\$ 544,112</u>	<u>\$ 903</u>	<u>\$ 11,563</u>	

Continued

**CARTERET BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2011**

Total Fund Balances - Governmental Funds	\$ (1,115,194)
<p>Amounts reported for <i>governmental activities</i> in the statement of net assets (A-1) are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$35,590,274 and the accumulated depreciation is \$13,498,216.</p>	22,092,058
<p>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. (Note 2)</p>	<u>(20,303,638)</u>
Net assets of governmental activities (Exhibit A-1)	<u>\$ 673,226</u>

**CARTERET BOARD OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local Sources					
Local Tax Levy	\$ 22,801,000			\$ 1,216,605	\$ 24,017,605
Interest	12,058				12,058
Miscellaneous	9,370	\$ 40,562	-	-	49,932
Total - Local Sources	<u>22,822,428</u>	<u>40,562</u>	<u>-</u>	<u>1,216,605</u>	<u>24,079,595</u>
State Sources	28,239,139	1,164,704		597,789	30,001,632
Federal Sources	98,566	1,968,445	-	-	2,067,011
Total Revenues	<u>51,160,133</u>	<u>3,173,711</u>	<u>-</u>	<u>1,814,394</u>	<u>56,148,238</u>
EXPENDITURES					
Current					
Instruction:					
Regular Instruction	21,167,819	1,480,515			22,648,334
Special Education Instruction	9,938,516	661,934			10,600,450
Other Special Instruction	1,439,574	270,478			1,710,052
School-Sponsored Activities and Athletics	275,686				275,686
Support Services and Undistributed Costs:					
Student and Instruction Related Services	5,117,644	755,297			5,872,941
General Administration Services	1,183,917				1,183,917
School Administration Services	3,332,874				3,332,874
Central Services	1,473,137				1,473,137
Plant Operations and Maintenance	5,157,294				5,157,294
Pupil Transportation	2,115,614	5,487			2,121,101
Debt Service:					
Principal				1,110,000	1,110,000
Interest and Other Charges				769,394	769,394
Capital Outlay	945,338	-	\$ 817	-	946,155
Total Expenditures	<u>52,147,413</u>	<u>3,173,711</u>	<u>817</u>	<u>1,879,394</u>	<u>57,201,335</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(987,280)</u>	<u>-</u>	<u>(817)</u>	<u>(65,000)</u>	<u>(1,053,097)</u>
Net Change in Fund Balances	(987,280)	-	(817)	(65,000)	(1,053,097)
Fund Balance (Deficit), Beginning of Year	<u>(64,975)</u>	<u>(75,405)</u>	<u>1,720</u>	<u>76,563</u>	<u>(62,097)</u>
Fund Balance (Deficit), End of Year	<u>\$ (1,052,255)</u>	<u>\$ (75,405)</u>	<u>\$ 903</u>	<u>\$ 11,563</u>	<u>\$ (1,115,194)</u>

**CARTERET BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE DISTRICT-WIDE STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Total net change in fund balances - governmental funds (Exhibit B-2) \$ (1,053,097)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense in the current period. (Note 2) 89,793

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. (Note 2) 1,110,000

Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. Also, certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (Note 2) (117,830)

Change in net assets of governmental activities (Exhibit A-2) \$ 28,866

**CARTERET BOARD OF EDUCATION
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 AS OF JUNE 30, 2011**

	<u>Business-Type Activities</u>		<u>Totals</u>
	<u>Food Service</u>	<u>Other Non-Major Enterprise Fund</u>	
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 210,123	\$ 86,206	\$ 296,329
Intergovernmental Receivable			
State	1,741		1,741
Federal	83,597		83,597
Inventories	<u>18,229</u>	<u>-</u>	<u>18,229</u>
 Total Current Assets	 <u>313,690</u>	 <u>86,206</u>	 <u>399,896</u>
Capital Assets			
Equipment	584,307		584,307
Less: Accumulated Depreciation	<u>(273,839)</u>	<u>-</u>	<u>(273,839)</u>
 Total Capital Assets, Net	 <u>310,468</u>	 <u>-</u>	 <u>310,468</u>
 Total Assets	 <u>624,158</u>	 <u>86,206</u>	 <u>710,364</u>
 LIABILITIES			
Current Liabilities			
Accounts Payable	295	56	351
Unearned Revenue	<u>2,039</u>	<u>-</u>	<u>2,039</u>
 Total Current Liabilities	 <u>2,334</u>	 <u>56</u>	 <u>2,390</u>
 NET ASSETS			
Invested in Capital Assets	310,468		310,468
Unrestricted	<u>311,356</u>	<u>86,150</u>	<u>397,506</u>
 Total Net Assets	 <u>\$ 621,824</u>	 <u>\$ 86,150</u>	 <u>\$ 707,974</u>

The accompanying Notes to the Basic Financial Statements are an Integral Part of this Statement

**CARTERET BOARD OF EDUCATION
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Business-Type Activities</u>		<u>Totals</u>
	<u>Food Service</u>	<u>Other Non-Major Enterprise Fund</u>	
OPERATING REVENUES			
Charges for Services			
Daily Sales	\$ 502,054		\$ 502,054
Program Fees	-	\$ 216,708	216,708
	<hr/>	<hr/>	<hr/>
Total Operating Revenues	502,054	216,708	718,762
	<hr/>	<hr/>	<hr/>
OPERATING EXPENSES			
Salaries and Employee Benefits	1,051,369	148,774	1,200,143
Cost of Sales	763,242		763,242
Other Purchased Services	48,707		48,707
Insurance	38,454		38,454
Depreciation	21,379		21,379
Miscellaneous	-	1,804	1,804
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	1,923,151	150,578	2,073,729
	<hr/>	<hr/>	<hr/>
Operating Income/(Loss)	(1,421,097)	66,130	(1,354,967)
	<hr/>	<hr/>	<hr/>
NONOPERATING REVENUES			
State Sources			
School Lunch Program	20,465		20,465
Federal Sources			
National School Lunch Program	880,281		880,281
National School Breakfast Program	89,435		89,435
Fresh Fruits and Vegetable Program	27,333		27,333
Snack Program	34,152		34,152
U.S.D.A Commodities	81,150		81,150
Interest and Investment Revenue	2,223	189	2,412
	<hr/>	<hr/>	<hr/>
Total Nonoperating Revenues	1,135,039	189	1,135,228
	<hr/>	<hr/>	<hr/>
Net Income/(Loss)	(286,058)	66,319	(219,739)
	<hr/>	<hr/>	<hr/>
Change in Net Assets	(286,058)	66,319	(219,739)
	<hr/>	<hr/>	<hr/>
Total Net Assets, Beginning of Year	907,882	19,831	927,713
	<hr/>	<hr/>	<hr/>
Total Net Assets, End of Year	\$ 621,824	\$ 86,150	\$ 707,974
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying Notes to the Basic Financial Statements are an Integral Part of this Statement

**CARTERET BOARD OF EDUCATION
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Business-Type Activities</u>		<u>Totals</u>
	<u>Food Service</u>	<u>Other Non-Major Enterprise Fund</u>	
Cash Flows from Operating Activities			
Receipts from Customers	\$ 502,054	\$ 216,708	\$ 718,762
Payments for Employees' Salaries and Benefits	(1,051,369)	(148,774)	(1,200,143)
Payments to Suppliers for Goods and Services	(773,838)	(1,748)	(775,586)
Net Cash Provided/(Used) by Operating Activities	<u>(1,323,153)</u>	<u>66,186</u>	<u>(1,256,967)</u>
Cash Flows from Noncapital Financing Activities			
State and Federal Subsidy Reimbursements	<u>1,064,395</u>	<u>-</u>	<u>1,064,395</u>
Net Cash Provided by Noncapital Financing Activities	<u>1,064,395</u>	<u>-</u>	<u>1,064,395</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	<u>(184,337)</u>	<u>-</u>	<u>(184,337)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(184,337)</u>	<u>-</u>	<u>(184,337)</u>
Cash Flows from Investing Activities			
Interest on Investments	<u>2,223</u>	<u>189</u>	<u>2,412</u>
Net Cash Provided by Investing Activities	<u>2,223</u>	<u>189</u>	<u>2,412</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(440,872)	66,375	(374,497)
Cash and Cash Equivalents, Beginning of Year	<u>650,995</u>	<u>19,831</u>	<u>670,826</u>
Cash and Cash Equivalents, End of Year	<u>\$ 210,123</u>	<u>\$ 86,206</u>	<u>\$ 296,329</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities			
Operating Income/(Loss)	\$ (1,421,097)	\$ 66,130	\$ (1,354,967)
Adjustments to Reconcile Operating Loss to Net Cash Provided/(Used) by Operating Activities			
Depreciation	21,379		21,379
Non-Cash Federal Assistance - National School Lunch Program (Food Distribution)	81,150		81,150
Change in Assets and Liabilities:			
(Increase)/Decrease in Inventories	6,931		6,931
Increase/(Decrease) in Accounts Payable	238	56	294
(Decrease) in Unearned Revenue	(11,754)	-	(11,754)
Total Adjustments	<u>97,944</u>	<u>56</u>	<u>98,000</u>
Net Cash Provided/(Used) by Operating Activities	<u>\$ (1,323,153)</u>	<u>\$ 66,186</u>	<u>\$ (1,256,967)</u>
Non-Cash Financing Activities - National School Lunch (Food Distribution)	\$ 81,150	\$ -	\$ 81,150

The accompanying Notes to the Basic Financial Statements are an Integral Part of this Statement

**CARTERET BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
AS OF JUNE 30, 2011**

	<u>Unemployment Compensation Trust</u>	<u>Employee Benefits (Flexible Spending) Program Fund</u>	<u>Agency Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 401,302	\$ 61,659	\$ 436,474
Total Assets	<u>401,302</u>	<u>61,659</u>	<u>\$ 436,474</u>
LIABILITIES			
Due to Student Groups			\$ 177,580
Accounts Payable	28,057		
Payroll Deductions and Withholdings			252,495
Due to Other Funds	<u>-</u>	<u>-</u>	<u>6,399</u>
Total Liabilities	<u>28,057</u>	<u>-</u>	<u>\$ 436,474</u>
NET ASSETS			
Held in Trust for Unemployment Claims	<u>\$ 373,245</u>		
Held in Trust for Employee Benefits		<u>\$ 61,659</u>	

**CARTERET BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Unemployment Compensation Trust</u>	<u>Employee Benefits (Flexible Spending) Program Fund</u>
ADDITIONS		
Contributions		
Employer	\$ 300,000	
Employees	<u>58,196</u>	<u>\$ 72,211</u>
Total Contributions	<u>358,196</u>	<u>72,211</u>
Investment Earnings		
Interest	<u>819</u>	<u>104</u>
Net Investment Earnings	<u>819</u>	<u>104</u>
Total Additions	<u>359,015</u>	<u>72,315</u>
DEDUCTIONS		
Benefit Reimbursements		74,148
Unemployment Claims and Contributions	<u>307,624</u>	<u>-</u>
Total Deductions	<u>307,624</u>	<u>74,148</u>
Change in Net Assets	51,391	(1,833)
Net Assets, Beginning of the Year	<u>321,854</u>	<u>63,492</u>
Net Assets, End of the Year	<u>\$ 373,245</u>	<u>\$ 61,659</u>

The accompanying Notes to the Basic Financial Statements are an Integral Part of this Statement

NOTES TO THE BASIC FINANCIAL STATEMENTS

**CARTERET BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Carteret Board of Education (the "Board" or the "District") is an instrumentality of the State of New Jersey, established to function as an education institution. The Board consists of nine elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District. Under existing statutes, the Board's duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

The Board also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the Carteret Board of Education this includes general operations, food service, enrichment academy and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the District has no component units. Furthermore, the District is not includable in any other reporting entity as a component unit.

B. Basic Financial Statements

The basic financial statements include both district-wide financial statements (based on the District as a whole) and fund financial statements. Both the district-wide and fund financial statements categorize activities as either governmental activities or business-type activities.

The district-wide financial statements report information on all of the nonfiduciary activities of the Board of Education. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In the statement of net assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) reflect on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or other governmental entities, including other school districts, who purchase, use, or directly benefit from goods or services provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes, unrestricted state aid, and other items not properly included among program revenues are reported instead as general revenues.

**CARTERET BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The District considers all of its governmental funds and the food service enterprise fund to be major funds.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements with the exception of the agency fund which does not have a measurement focus. All assets and all liabilities associated with these operations (with the exception of the fiduciary funds) are included on the Statement of Net Assets. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e. when they are both measurable and available). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days after year-end. Expenditures are recorded when a liability is incurred, as under accrual basis of accounting, with the exception of debt service expenditures as well as expenditures related to compensated absences and claims and judgments which are recorded only when payment is due.

Property taxes, tuition, unrestricted state aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The *general fund* is the School District's primary operating fund. It accounts for all financial resources of the District, except those to be accounted for in another fund.

The *special revenue fund* accounts for the proceeds of specific revenue sources legally restricted to expenditures for specified purposes. This fund accounts for federal and state financial programs, with the exception of grants for major capital projects and the child nutrition programs.

The *capital projects fund* accounts for the proceeds from the sale of bonds, lease purchases and other revenues used for the acquisition or construction of major capital facilities and other capital assets.

The *debt service fund* accounts for the accumulation of resources for and the payment of principal and interest on long-term general obligation debt of governmental funds.

**CARTERET BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The District reports the following major proprietary fund which is organized to be self-supporting through user charges:

The *food service fund* accounts for the activities of the school cafeteria, which provides food service to students as well as a la carte and catering services for teachers and special events.

Additionally, the District reports the following non-major proprietary fund which is organized to be self-supporting through user charges:

The *enrichment academy fund* accounts for the activities of the District's after school activities which provides extracurricular activities for students as well as child care.

Additionally, the government reports the following fund types:

The *fiduciary trust fund* is used to account for resources legally held in trust for the state unemployment insurance claims, employment benefits program, payroll related activities and student related activities which are supported and controlled by student organizations and clubs. All resources of the fund, including any earnings on invested resources, may be used to support the intended purpose. There is no requirement that any portion of these resources be preserved as capital.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the district-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Board has elected not to follow private-sector guidance issued subsequent to December 1, 1989.

As a general rule the effect of interfund activity has been eliminated from the district-wide financial statements. Exceptions to this general rule are charges between the Board's proprietary and fiduciary funds since elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues in the district-wide statement of activities include 1) charges to customers or applicants for goods or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes, investment earnings and miscellaneous revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the food service enterprise fund and of the enrichment academy are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Federal and State subsidies for the food service operation are considered nonoperating revenues.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**CARTERET BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value and are limited by N.J.S.A. 18A:20-37.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the district-wide financial statements as "internal balances".

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Tuition Expenditures - Tuition charges for the fiscal years 2009-2010 and 2010-2011 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

Property taxes are levied pursuant to law and are collected by the municipality and are transferred to the District as requested. Property tax revenue is recognized in the year they are levied and become available. Property taxes collected in advance of the year-end for which they are levied and transferred to the District are reported as deferred revenues. The tax bills are mailed annually in June by the municipal tax collector and are levied and due in four quarterly installments on August 1, November 1, February 1 and May 1 of the fiscal year. When unpaid, taxes or any other municipal lien, or part thereof, on real property, remains in arrears on April 1st in the year following the calendar year levy when the same became in arrears, the tax collector of the municipality shall, subject to the provisions of New Jersey Statute, enforce the lien by placing the property on a tax sale. The municipality may institute annual "in rem" tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property.

3. Inventories

The cost of inventories of the governmental fund types are recorded as expenditures at the time individual inventory items are purchased.

Food Service Fund inventories, exclusive of the federal commodities, are valued at cost, using the first-in first-out (FIFO) method. The United States Department of Agriculture (USDA) commodity portion of the Food Service Fund inventory consists of food donated by the USDA. It is valued at estimated market prices by the USDA. The amount of unused commodities at year-end is reported as unearned revenue.

**CARTERET BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

4. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years. The District was able to estimate the historical cost for the initial reporting of these capital assets through back trending. As the District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	20
Buildings	45
Building Improvements	45
Machinery and Equipment	5-20

5. Compensated Absences

It is the District's policy to permit employees to accumulate (with certain restrictions) earned but unused personal and sick leave benefits. A long-term liability of accumulated personal and sick leave and salary related payments has been recorded in the governmental activities in the district-wide financial statements, representing the Board's commitment to fund such costs from future operations. Proprietary Funds accrue accumulated personal and sick leave and salary related payments in the period that they are earned. A liability is reported in the governmental funds only to the amount actually due at year end as a result of employee resignations and retirements.

6. Long-term obligations

In the district-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Gains and losses resulting from debt refundings are also deferred and amortized over the life of the refunded bonds or new bonds whichever is less using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and refunding gains or losses. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

**CARTERET BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

6. *Long-term obligations (Continued)*

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. *Fund Equity*

Beginning with fiscal year 2011, the District implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions". The Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. This statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Restricted Fund Balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Capital Projects – Represents fund balance restricted specifically for capital acquisitions and improvements in the Capital Projects Fund.

Debt Service – Represents fund balance restricted specifically for the repayment of long-term debt principal and interest in the Debt Service Fund.

Committed Fund Balance – Amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Year-End Encumbrances – Represents outstanding purchase orders at year end for contracts awarded by formal action of the Board of Trustee's for specific purposes from available resources of the current year for which the goods and materials ordered and contracts awarded for which the goods and materials have not yet been received or the services have not yet been rendered at June 30.

Assigned Fund Balance – Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Designated for Subsequent Year's Expenditures – This designation was created to dedicate the portion of fund balance appropriated in the adopted 2011/2012 District budget certified for taxes.

Year-End Encumbrances – Represent outstanding purchase orders for goods or services approved by management for specific purposes from available resources of the current year for which the goods and materials have not yet been received or the services have not yet been rendered at June 30.

Unassigned Fund Balance – Amounts that are available for any purpose.

**CARTERET BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

8. *Reclassifications*

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the district-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the district-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$20,303,638 difference are as follows:

Bonds payable	\$ (1,625,000)
Less: Deferred charge for issuance costs on refunding (to be amortized over life of debt)	53,317
Certificates of Participation Payable	(17,145,000)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	389,132
Less: Deferred charge for issuance costs (to be amortized as interest expense)	532,249
Less: Issuance discount (to be amortized as interest expense)	45,277
Accrued Interest Payable	(255,062)
Compensated Absences	<u>(2,298,551)</u>
 Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	 <u>\$(20,303,638)</u>

**CARTERET BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the district-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the district-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense”. The details of this \$89,793 difference are as follows:

Capital Outlay	\$946,155
Depreciation expense	<u>(856,362)</u>
Net adjustment to increase net changes in fund balances – Total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 89,793</u>

C. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the district-wide statement of activities

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$1,110,000 difference are as follows:

Principal repayments:	
Pension Refunding Bonds	\$ 120,000
Certificates of Participation	<u>990,000</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at changes in net assets of <i>governmental activities</i>	<u>\$ 1,110,000</u>

**CARTERET BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

Encumbrance accounting is employed in the governmental funds. 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 committed and/or assigned 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 which are reappropriated and honored during the subsequent fiscal year.

B. Deficit Fund Equity

The District has an unassigned deficit fund balance of \$1,944,674 in the General Fund and \$75,405 in the Special Revenue Fund as of June 30, 2011 as reported in the fund financial statements (modified accrual basis). NJSA 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, districts must record these delayed state aid payments as revenue, for budget purposes only, in the current school budget year. The statute provides legal authority for school districts to recognize this revenue in the current budget year. GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions", requires that intergovernmental transactions (revenue, expenditure, asset, liability) should be recognized in symmetry (i.e., if one government recognizes an asset, the other government recognizes a liability). Since the State of New Jersey is recording certain 2010/2011 budgeted state aid payments in the subsequent fiscal year, the school district cannot recognize such payments on the GAAP (fund) financial statements until the year the State records the payable. Due to the timing difference of recording these delayed state aid payments, the General and Special Revenue Fund balance deficit does not alone indicate that the District is facing financial difficulties; however, unless the State of New Jersey budgets the delayed payments in future years, the District may also report fund balance deficits in the future.

Pursuant to NJSA 18A:22-44.2, any negative unreserved, undesignated (i.e., unassigned) general fund balance that is reported as a direct result of a delay in the payment of state aid until the following fiscal year, is not considered as a violation of New Jersey Statute or regulation and is not considered an item in need of corrective action. The District deficit(s) in the GAAP (fund) financial statements of \$1,944,674 in the General Fund and \$75,405 in the Special Revenue Fund are equal to or less than the delayed state aid payments.

NOTE 4 DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

The Board's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Board is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

**CARTERET BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Deposits(Continued)

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2011, the book value of the Board's deposits was \$300,707 and bank balances of the Board's cash and deposits amounted to \$3,725,510. The Board's deposits which are displayed on the balance sheets and statement of net assets as "cash and cash equivalents" are categorized as:

Depository Account

Insured	<u>\$ 3,725,510</u>
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Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Board does not have a policy for custodial credit risk. As of June 30, 2011 none of the Board's bank balance was exposed to custodial credit risk.

Investments

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

As of June 30, 2011, the Board had no outstanding investments.

B. Receivables

Receivables as of June 30, 2011 for the district's individual major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Food Service</u>	<u>Total</u>
Receivables:				
Intergovernmental	<u>\$ 104,432</u>	<u>\$ 544,112</u>	<u>\$ 85,338</u>	<u>\$ 733,882</u>
Gross Receivables	104,432	544,112	85,338	733,882
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 104,432</u>	<u>\$ 544,112</u>	<u>\$ 85,338</u>	<u>\$ 733,882</u>

**CARTERET BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables (Continued)

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unearned</u>
Special Revenue Fund	
Unencumbered grant draw downs	\$ 44,181
Grant drawdowns reserved for encumbrances	<u>878</u>
 Total deferred revenue for governmental funds	 <u>\$ 45,059</u>

C. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Balance, July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2011</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 71,603	-	-	\$ 71,603
Total capital assets, not being depreciated	<u>71,603</u>	<u>-</u>	<u>-</u>	<u>71,603</u>
 Capital assets, being depreciated:				
Buildings and Building Improvements	32,488,572	\$ 184,889		32,673,461
Improvements other than buildings	242,500			242,500
Machinery and equipment	1,841,444	761,266	-	2,602,710
Total capital assets being depreciated	<u>34,572,516</u>	<u>946,155</u>	<u>-</u>	<u>35,518,671</u>
 Less accumulated depreciation for:				
Buildings and Building Improvements	(11,273,281)	(644,885)		(11,918,166)
Improvements other than buildings	(242,500)			(242,500)
Machinery and equipment	(1,126,073)	(211,477)	-	(1,337,550)
Total accumulated depreciation	<u>(12,641,854)</u>	<u>(856,362)</u>	<u>-</u>	<u>(13,498,216)</u>
 Total capital assets, being depreciated, net	 <u>21,930,662</u>	 <u>89,793</u>	 <u>-</u>	 <u>22,020,455</u>
 Governmental Activities Capital Assets, Net	 <u>\$ 22,002,265</u>	 <u>\$ 89,793</u>	 <u>\$ -</u>	 <u>\$ 22,092,058</u>

**CARTERET BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

	Balance, <u>July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	Balance, <u>June 30, 2011</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Machinery and equipment	\$ 399,970	\$ 184,337	-	\$ 584,307
Total capital assets being depreciated	<u>399,970</u>	<u>184,337</u>	<u>-</u>	<u>584,307</u>
Less accumulated depreciation for:				
Machinery and equipment	(252,460)	(21,379)	-	(273,839)
Total accumulated depreciation	<u>(252,460)</u>	<u>(21,379)</u>	<u>-</u>	<u>(273,839)</u>
Total capital assets, being depreciated, net	<u>147,510</u>	<u>162,958</u>	<u>-</u>	<u>310,468</u>
Business-Type Activities Capital Assets, Net	<u>\$ 147,510</u>	<u>\$ 162,958</u>	<u>\$ -</u>	<u>\$ 310,468</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Instruction	
Regular	\$ 42,101
Total Instruction	<u>42,101</u>
Support Services	
Support Services - Students	60,133
Operations and Maintenance of Plant	747,622
Student Transportation	6,506
Total Support Services	<u>814,261</u>
Total Governmental Funds	<u>856,362</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 856,362</u>
Business-Type Activities:	
Food Service Fund	\$ 21,379
Total Depreciation Expense-Business-Type Activities	<u>\$ 21,379</u>

**CARTERET BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2011, is as follows:

Due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Payroll Agency Fund	\$ <u>6,399</u>

The above balances are the result of revenues earned in one fund which are due to another fund.

The District expects all interfund balances to be liquidated within one year.

E. Leases

Lease Purchase Agreements

The District has entered into lease purchase agreements and issued certificates of participation ("COPS") which were refunded in 2006 for various school improvements as follows:

<u>Series</u>	<u>Date of Issuance</u>	<u>Certificates Issued</u>	<u>Interest Rate</u>	<u>Lessor</u>	<u>Agent</u>
2000	3/15/2000	\$9,935,000	4.20%-6.00%	FFL Services Corp.	JP Morgan Chase

The proceeds from the sale of the certificates were allocated as follows:

Construction	\$9,456,392
Costs of Issuance	153,959
Accrued Interest	122,000
Underwriter's Discount	186,649
Reserve Deposit	<u>16,000</u>
	<u>\$9,935,000</u>

Refunding Certificates of 1999

The Board of Education adopted a resolution on April 8, 1999, for the purpose of issuing Refunding Certificates of Participation (the Refunding Certificates) in order to advance refund all the outstanding Certificates of Participation dated September 15, 1994, (the Prior Certificate) which were issued to finance building improvements.

**CARTERET BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

E. Leases (Continued)

Lease Purchase Agreements (Continued)

Refunding Certificates of 1999 (Continued)

On April 8, 1999 the Board of Education issued \$15,080,000 Refunding Certificates and the proceeds of the Refunding Certificates were deposited into an escrow fund, and together with other available funds, were used to pay all principal and interest on the Prior Certificates.

Under the Refunding Certificates, the Board is required to pay Basic Rent due on each April 1 and October 1 commencing October 1, 1999. Basic Rent is composed of an interest component and a principal component. The Refunding Certificates carry interest rates in the range of 3.1% to 4.75%; and mature on April 15, 2019. Payments of the principal of and interest on the Refunding Certificates is insured by MBIA Insurance Corporation. JP Morgan Chase has been appointed to serve as a trustee in the agreement.

Refunding Certificates of 2006

The Board of Education adopted a resolution on June 29, 2005, for the purpose of issuing Refunding Certificates of Participation (the Refunding Certificates) in order to advance refund certain principal maturities and certain interest payments of outstanding Certificates of Participation dated March 15, 2000 (the Prior Certificate) which were issued to finance building improvements.

On January 15, 2006 the Board of Education issued \$8,985,000 Refunding Certificates and the proceeds of the Refunding Certificates were deposited into an escrow fund, and together with other available funds, will be used to pay all principal and interest on the Prior Certificates, and to fund a reserve fund and to pay certain issuance costs associated with the issuance of the Refunding Certificates.

Under the Refunding Certificates, the Board is required to pay Basic Rent due on each January 15 commencing January 15, 2007. Basic Rent is composed of an interest component and a principal component. The Refunding Certificates carry interest rates in the range of 3.5% to 4.25%; and mature on January 15, 2030. Payments of the principal of and interest on the Refunding Certificates is insured by MBIA Insurance Corporation. JP Morgan Chase has been appointed to serve as a trustee in the agreement.

Refunding Certificates of 2010

The Board of Education adopted a resolution on April 26, 2009 for the purpose of issuing Refunding Certificates of Participation (the Refunding Certificates) in order to advance refund all of the outstanding Certificates of Participation dated April 8, 1999, (the Prior Certificate) which were issued to finance building improvements.

On February 25, 2010 the Board of Education issued \$9,375,000 Refunding Certificates and the proceeds of the Refunding Certificates were deposited into an escrow fund, and together with other available funds, will be used to pay all principal and interest on the Prior Certificates.

**CARTERET BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

E. Leases (Continued)

Lease Purchase Agreements (Continued)

Refunding Certificates of 2010 (Continued)

Under the Refunding Certificates, the Board is required to pay Basic Rent due on each April 15 and October 15 commencing October 15, 2010. Basic Rent is composed of an interest component and a principal component. The Refunding Certificates carry interest rates in the range of 2.0% to 3.625%; and mature on January 15, 2030. Payments of the principal of and interest on the Refunding Certificates is insured by MBIA Insurance Corporation. Bank of New York Mellon has been appointed to serve as a trustee in the agreement.

Lease Purchase Agreements

The maturity schedule of the remaining lease payments for principal and interest is as follows:

Governmental Activities:

Year Ended <u>June 30,</u>	<u>Certificates of Participation</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2012	\$ 1,300,000	\$ 607,277	\$ 1,907,277
2013	1,330,000	565,177	1,895,177
2014	1,365,000	522,128	1,887,128
2015	1,415,000	488,228	1,903,228
2016	1,450,000	449,015	1,899,015
2017-2021	5,480,000	1,534,624	7,014,624
2022-2026	2,440,000	855,602	3,295,602
2027-2030	2,365,000	271,800	2,636,800
	<u>\$ 17,145,000</u>	<u>\$ 5,293,851</u>	<u>\$ 22,438,851</u>

F. Long-Term Debt

General Obligation Bonds

The Board issued general obligation refunding bonds to provide funds for the refunding of the District's early retirement pension obligations. The full faith and credit of the Board are irrevocably pledged for the payment of the principal of the bonds and the interest thereon.

Bonds payable at June 30, 2011 are comprised of the following issues:

\$2,450,000, 2003 Bonds, due in annual installments of \$125,000 to \$210,000 through March 15, 2021, interest at 4.80% to 5.65%	<u>\$1,625,000</u>
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**CARTERET BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-Term Debt (Continued)

The Board's schedule of principal and interest for long-term debt issued and outstanding is as follows:

Governmental Activities:

Year Ending <u>June 30,</u>	<u>Pension Refunding Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2012	\$ 125,000	\$ 87,325	\$ 212,325
2013	130,000	81,325	211,325
2014	140,000	74,955	214,955
2015	145,000	67,955	212,955
2016	155,000	60,560	215,560
2017-2021	<u>930,000</u>	<u>163,078</u>	<u>1,093,078</u>
	<u>\$ 1,625,000</u>	<u>\$ 535,198</u>	<u>\$ 2,160,198</u>

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2011 was as follows:

4% of Equalized Valuation Basis (Municipal)	\$ 106,504,603
Less: Net Debt	<u>-</u>
Remaining Borrowing Power	<u>\$ 106,504,603</u>

**CARTERET BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-Term Debt (Continued)

Changes in long-term liabilities

Long-term liability activity for the fiscal year ended June 30, 2011, was as follows:

	Balance, <u>July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance, <u>June 30, 2011</u>	Due Within <u>One Year</u>
Governmental activities:					
Lease-Purchase Agreements ("COPS")	\$ 18,135,000		\$ (990,000)	\$ 17,145,000	\$ 1,300,000
Original Issue Discount	(50,847)		5,570	(45,277)	
Deferred Amount on Refunding	<u>(594,637)</u>	<u>-</u>	<u>62,388</u>	<u>(532,249)</u>	<u>-</u>
Lease-Purchase Agreements, net	17,489,516	-	(922,042)	16,567,474	1,300,000
Bonds payable	1,745,000		(120,000)	1,625,000	125,000
Compensated absences	<u>2,286,253</u>	<u>\$ 12,298</u>	<u>-</u>	<u>2,298,551</u>	<u>229,855</u>
Governmental activity					
Long-term liabilities	<u>\$ 21,520,769</u>	<u>\$ 12,298</u>	<u>\$ (1,042,042)</u>	<u>\$ 20,491,025</u>	<u>\$ 1,654,855</u>

For the governmental activities, compensated absences are generally liquidated by the general fund.

NOTE 5 OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to property, general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; student accident; termination of employees and natural disasters. The Board has obtained commercial insurance coverage to guard against these events to minimize the exposure to the District should they occur. A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report.

**CARTERET BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 5 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

The District is a member of the New Jersey School Boards Association Insurance Group (NJSBAIG) . The Group is a risk sharing public entity pool, established for the purpose of insuring against worker's compensation claims.

The relationship between the Board and the insurance fund is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Board is contractually obligated to make all annual and supplementary contributions to the fund, to report claims on a timely basis, cooperate with the management of the fund, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the fund. Members have a contractual obligation to fund any deficit of the fund attributable to a membership year during which they were a member.

NJSBAIG provides its members with risk management services, including the defense of and settlement of claims and to establish reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the insurance fund is on file with the School's Business Administrator.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage's in any of the prior three years.

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

<u>Year Ended June 30,</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2011	\$ 300,000	\$ 58,196	\$ 307,624	\$ 373,245
2010	94,224	63,624	279,503	321,854
2009	165,000	68,343	118,675	442,191

B. Contingent Liabilities

The District is a party defendant in some lawsuits, none of a kind unusual for a school district of its size and scope of operation. In the opinion of the Board's Attorney the potential claims against the District not covered by insurance policies would not materially affect the financial condition of the District.

**CARTERET BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 5 OTHER INFORMATION (Continued)

D. Contingent Liabilities (Continued)

Federal and State Awards – The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2011, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

E. Federal Arbitrage Regulations

The District is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2011, the District has not estimated its arbitrage earnings due to the IRS, if any.

F. Employee Retirement Systems and Pension Plans

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all eligible Board employees:

Public Employees' Retirement System (PERS) – 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 for pension benefits and 25 years for post-retirement health care coverage.

Teachers' Pension and Annuity Fund (TPAF) – 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 certified teachers or professional staff of the public school systems in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Board employees who are eligible for pension coverage.

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership.

**CARTERET BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 5 OTHER INFORMATION (Continued)

F. Employee Retirement Systems and Pension Plans (Continued)

Other Pension Funds

The State established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local government employers do not appropriate funds to SACT.

The cost of living increase for PERS and TPAF, are funded directly by each of the respective systems and are considered in the annual actuarial calculation of the required State contribution for the system.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

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 of each of the above systems. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

Basis of Accounting

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits or refunds are recognized when due and payable in accordance with the terms of the retirement systems.

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. The financial reports may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

**CARTERET BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 5 OTHER INFORMATION (Continued)

F. Employee Retirement Systems and Pension Plans (Continued)

Significant Legislation

P.L. 2010, c. 1, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, and employer contributions to the retirement system.

This new legislation changed the membership eligibility criteria for new members of TPAF and PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of TPAF and PERS to 1/60 from 1/55, and it provided that new members of TPAF and PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of TPAF and PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. This law also closed the prosecutor's part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time five years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined as 1/7th of the required amount, beginning in Fiscal Year 2012.

P.L. 2010, c.3, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the TPAF and PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Funding Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems including TPAF and PERS, is 66.0 percent with an unfunded actuarial accrued liability of \$45.8 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 62.0 percent and \$30.7 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and Police and Firemen's Retirement System ("PFRS") is 72.1 percent and \$15.1 billion.

The funded status and funding progress of the retirement systems is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financing reporting purposes does not explicitly incorporate the potential effects of legal or contractual limitations on the pattern of cost sharing between the employer and members in the future.

**CARTERET BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 5 OTHER INFORMATION (Continued)

F. Employee Retirement Systems and Pension Plans (Continued)

Actuarial Methods and Assumptions

In the June 30, 2009 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (1) 8.25 percent for investment rate of return for the retirement systems and (2) 5.45 percent for projected salary increases for the PERS and 5.74 percent for TPAF.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 5.5% for PERS, 5.5% for TPAF and 5.50% for DCRP of the employee's annual compensation.

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2011 for TPAF, which is a cost sharing plan with special funding situations, annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended June 30, 2011, 2010 and 2009 the Board was required to contribute for PERS and the State of New Jersey was required to contribute for TPAF for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

<u>Year Ended</u> <u>June 30,</u>	<u>PERS</u>	<u>On-behalf</u> <u>TPAF</u>
2011	\$ 509,529	\$ 71,221
2010	409,797	79,841
2009	343,163	74,137

During the last three fiscal years the State of New Jersey did not contribute to the TPAF for normal cost and accrued liability. The State contributed \$71,221, \$79,841 and \$74,137 during 2010/2011, 2009/2010 and 2008/2009, respectively, for the NCGI premium only.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$1,744,384 during the year ended June 30, 2011 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount, along with the on-behalf TPAF pension contribution, has been included in the district-wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

**CARTERET BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 5 OTHER INFORMATION (Continued)

G. Post-Retirement Medical Benefits

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for school districts. The Plans are cost sharing multiple employer defined benefit plans.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF are combined and reported as Health Benefits Program Fund –Local Government classified as a cost-sharing multiple-employer plan in the State's CAFR. The post-retirement benefit programs had a total of 514 state and local participating employers and contributing entities for Fiscal Year 2010.

The State of New Jersey sponsors and administers the following health benefit programs covering certain state and local government employees, including those Board employees and retirees eligible for coverage.

Health Benefits Program Fund (HBPF) – Local Education (including Prescription Drug Program Fund) – The State of New Jersey provides free coverage to members of the Teachers' Pension and Annuity Fund who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of P.L. 1992, c.126, the State also provides free coverage to members of the Public Employees' Retirement System and Alternate Benefits Program who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare parts A and B by paying the cost of the insurance for themselves and their covered dependents. Also, education employees are eligible for the PDP coverage after 60 days of employment.

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 of the above Fund. The financial reports may be accessed via the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

Basis of Accounting

The financial statements of the health benefit programs are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the health benefit programs. Benefits or refunds are recognized when due and payable in accordance with the terms of the health benefit programs.

Significant Legislation

P.L. 2010, c.2 effective May 21, 2010, makes changes to the SHBP-State/Local Government/Local Education concerning eligibility, cost sharing, choice of a plan, the application of benefit changes, the waiver of coverage, and multiple coverage under such plans. It also requires contributions toward the cost of health care benefits coverage by public employees and certain retirees.

**CARTERET BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 5 OTHER INFORMATION (Continued)

G. Post-Retirement Medical Benefits (Continued)

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the State had a \$56.8 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$20.5 billion for state active and retired members and \$36.3 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

The funded status and funding progress of the OPEB is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events in the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the June 30, 2009, actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included 4.50 percent for investment rate of return for the OPEB.

Post-Retirement Medical Benefits Contributions

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2010, there were 87,288 retirees receiving post-retirement medical benefits and the State contributed \$883.8 million on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education with 25 years of service. The State paid \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in fiscal year 2010.

**CARTERET BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 5 OTHER INFORMATION (Continued)

G. Post-Retirement Medical Benefits (Continued)

Post-Retirement Medical Benefits Contributions (Continued)

The State sets the contribution rate based on a pay as you go basis and not on the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the years ended June 30, 2011, 2010 and 2009 were \$1,512,727, \$1,449,523 and \$1,414,356, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

BUDGETARY COMPARISON SCHEDULES

**CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Local Sources					
Local Tax Levy	\$ 22,801,000		\$ 22,801,000	\$ 22,801,000	
Interest on Investments	35,000		35,000	12,058	\$ (22,942)
Rental of Facilities	20,000		20,000	4,906	(15,094)
Miscellaneous				4,464	4,464
State Sources					
Equalization Aid	22,644,055	\$ (856,834)	21,787,221	21,787,221	-
Categorical Special Education Aid	1,267,960	856,834	2,124,794	2,124,794	-
Extraordinary Aid	487,982		487,982	1,035,038	547,056
Additional Nonpublic School Transportation Costs				18,618	18,618
TPAF Wage Freeze Grant				621	621
On-behalf TPAF Social Security Payments (Non-Budget)				1,744,384	1,744,384
On-behalf TPAF Post Retirement Medical Contribution (Non-Budget)				1,512,727	1,512,727
On-behalf TPAF Pension System Contribution - NCGI (Non-Budget)				71,221	71,221
Federal Sources					
Medicaid Reimbursement	73,022	-	73,022	84,100	11,078
FEMA Reimbursement - Snowstorm	-	-	-	14,466	14,466
Total Revenues	<u>47,329,019</u>	<u>-</u>	<u>47,329,019</u>	<u>51,215,618</u>	<u>3,886,599</u>
EXPENDITURES					
CURRENT EXPENDITURES					
Instruction - Regular Programs					
Salaries of Teachers					
Grades 1-5	6,476,467	(130,501)	6,345,966	6,335,074	10,892
Grades 6-8	2,855,774	77,299	2,933,073	2,905,122	27,951
Grades 9-12	4,134,823	137,813	4,272,636	4,263,151	9,485
Regular Programs - Home Instruction					
Salaries of Teachers	15,000	(15,000)			-
Purchased Professional-Educational Services	65,000	(53,231)	11,769	11,768	1
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	129,864	25,126	154,990	154,988	2
Purchased Professional-Educational Services		672,765	672,765	672,761	4
General Supplies	306,674	77,708	384,382	366,489	17,893
Textbooks	63,579	23,903	87,482	59,927	27,555
Other Objects	406,129	288,293	694,422	647,618	46,804
Total Regular Programs	<u>14,453,310</u>	<u>1,104,175</u>	<u>15,557,485</u>	<u>15,416,898</u>	<u>140,587</u>

CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Special Education					
Learning and/or Language Disabilities					
Salaries of Teachers	\$ 202,672	\$ (78,860)	\$ 123,812	\$ 123,811	\$ 1
Other Salaries for Instruction	228,637	(8,112)	220,525	220,524	1
Total Learning and/or Language Disabilities	431,309	(86,972)	344,337	344,335	2
Visual Impairments					
Other Salaries for Instruction	32,091	500	32,591	32,591	-
Total Visual Impairments	32,091	500	32,591	32,591	-
Behavioral Disabilities					
Other Salaries for Instruction	64,682	259	64,941	64,941	-
Total Behavioral Disabilities	64,682	259	64,941	64,941	-
Multiple Disabilities					
Salaries of Teachers	323,820	(110,634)	213,186	213,186	
Other Salaries for Instruction	162,955	1,123	164,078	164,077	1
Total Multiple Disabilities	486,775	(109,511)	377,264	377,263	1
Resource Room/Resource Center					
Salaries of Teachers	2,782,322	29,292	2,811,614	2,811,613	1
Other Salaries for Instruction	324,410	14,975	339,385	339,384	1
Total Resource Room	3,106,732	44,267	3,150,999	3,150,997	2
Autism					
Other Salaries for Instruction	33,091	500	33,591	33,591	-
Total Autism	33,091	500	33,591	33,591	-
Preschool Disabilities - Full Time					
Salaries of Teachers	81,845	(6,884)	74,961	74,960	1
Other Salaries for Instruction	32,591	(30,961)	1,630	1,630	-
Total Preschool Disabilities - Full Time	114,436	(37,845)	76,591	76,590	1
Total Special Education	4,269,116	(188,802)	4,080,314	4,080,308	6
Bilingual Education					
Salaries of Teachers	794,590	42,756	837,346	837,346	
Other Salaries for Instruction	99,273	28,645	127,918	127,918	-
Total Bilingual Education	893,863	71,401	965,264	965,264	-

CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
School-Sponsored Co/Extra Curricular Activities - Instruction					
Salaries	\$ 4,710	\$ 613	\$ 5,323	\$ 5,322	\$ 1
Purchased Services	15,000	(15,000)	-	-	-
Other Objects	-	-	-	-	-
Total School-Sponsored Co/Extra Curricular Activities	<u>19,710</u>	<u>(14,387)</u>	<u>5,323</u>	<u>5,322</u>	<u>1</u>
School Sponsored Athletics - Instruction					
Salaries	98,547	34,022	132,569	132,549	20
Purchased Services	20,195	(10,063)	10,132	10,132	-
Supplies and Materials	99,275	(5,743)	93,532	57,433	36,099
Other Objects	60,950	(19,817)	41,133	14,030	27,103
Total School Sponsored Athletics	<u>278,967</u>	<u>(1,601)</u>	<u>277,366</u>	<u>214,144</u>	<u>63,222</u>
Other Instructional Programs - Instruction					
Salaries	-	5,156	5,156	5,155	1
Total Other Instructional Programs - Instruction	<u>-</u>	<u>5,156</u>	<u>5,156</u>	<u>5,155</u>	<u>1</u>
Total Instruction	<u>19,914,966</u>	<u>975,942</u>	<u>20,890,908</u>	<u>20,687,091</u>	<u>203,817</u>
Undistributed Expenditures					
Instruction					
Tuition to Other LEA's Within the State - Regular	179,500	(65,279)	114,221	111,952	2,269
Tuition to Other LEA's Within the State - Special	163,381	(115,861)	47,520	47,520	-
Tuition to CSSD & Regional Day Schools	1,612,557	(240,222)	1,372,335	1,367,459	4,876
Tuition to Private Schools for Disabled - Within State	2,021,550	350,776	2,372,326	2,367,704	4,622
Tuition to Private Schools for Disabled & Other LEAs-Spl,O/S St	118,392	(21,112)	97,280	87,680	9,600
Tuition - State Facilities	132,545	-	132,545	132,545	-
Tuition - Other	90,578	37,928	128,506	117,181	11,325
Total Undistributed Expenditures - Instruction	<u>4,318,503</u>	<u>(53,770)</u>	<u>4,264,733</u>	<u>4,232,041</u>	<u>32,692</u>
Attendance and Social Work					
Salaries	104,176	4,870	109,046	106,547	2,499
Purchased Professional and Technical Services	11,500	(1,361)	10,139	8,775	1,364
Supplies and Materials	1,500	224	1,724	1,458	266
Total Attendance and Social Work	<u>117,176</u>	<u>3,733</u>	<u>120,909</u>	<u>116,780</u>	<u>4,129</u>
Health Services					
Salaries	345,725	16,361	362,086	362,086	-
Purchased Professional and Technical Services	17,100	-	17,100	14,692	2,408
Supplies and Materials	4,820	327	5,147	3,556	1,591
Other Objects	1,300	(327)	973	-	973
Total Health Services	<u>368,945</u>	<u>16,361</u>	<u>385,306</u>	<u>380,334</u>	<u>4,972</u>

CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Speech, OT, PT and Related Svcs.					
Salaries	\$ 334,423	\$ (2,309)	\$ 332,114	\$ 332,114	
Purchased Professional-Educational Services	2,600		2,600		\$ 2,600
Other Objects	1,000	-	1,000	-	1,000
Total Speech, OT, PT and Related Svcs.	338,023	(2,309)	335,714	332,114	3,600
Guidance					
Salaries of Other Professional Staff	939,639	(157,509)	782,130	780,489	1,641
Salaries of Secretarial and Clerical Assistants	49,511	3,462	52,973	51,972	1,001
Purchased Professional-Educational Services		4,000	4,000	3,915	85
Other Purchased Professional and Technical Services	83,000	390	83,390	83,390	
Other Purchased Services	12,800	(1,864)	10,936	8,182	2,754
Supplies and Materials	179,100	(111,108)	67,992	66,932	1,060
Other Objects	8,550	(640)	7,910	5,474	2,436
Total Guidance	1,272,600	(263,269)	1,009,331	1,000,354	8,977
Child Study Teams					
Salaries of Other Professional Staff	1,190,189	(167,201)	1,022,988	1,022,987	1
Salaries of Secretarial and Clerical Assistants	98,984	8,761	107,745	106,745	1,000
Purchased Professional-Educational Services	144,000	(36,121)	107,879	107,879	
Other Purchased Professional and Technical Services	12,000	(10,875)	1,125	1,124	1
Supplies and Materials	550	832	1,382	589	793
Other Objects	2,200	550	2,750	2,725	25
Total Child Study Teams	1,447,923	(204,054)	1,243,869	1,242,049	1,820
Improvement of Instructional Services					
Salaries of Other Professional Staff	241,178	39,403	280,581	279,980	601
Salaries of Secretarial and Clerical Assistants	103,946	(51,273)	52,673	52,672	1
Purchased Professional - Educational Services	18,200	(12,050)	6,150	6,150	
Supplies and Materials	17,300	(14,825)	2,475	975	1,500
Other Objects	12,225	-	12,225	5,613	6,612
Total Improvement of Instructional Services	392,849	(38,745)	354,104	345,390	8,714
Educational Media Services/School Library					
Salaries	130,364	33,791	164,155	164,155	
Purchased Professional and Technical Services	28,072	(1,650)	26,422	20,840	5,582
Supplies and Materials	16,050	158,994	175,044	172,639	2,405
Other Objects	280	-	280	-	280
Total Educational Media Serv./School Library	174,766	191,135	365,901	357,634	8,267

CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Support Services - General Administration					
Salaries	\$ 493,409	\$ 26,639	\$ 520,048	\$ 520,047	\$ 1
Legal Services	175,000	(16,879)	158,121	107,405	50,716
Audit Fees	40,000	2,000	42,000	42,000	
Expenditure & Internal Control Audit Fees		2,496	2,496	1,990	506
Architectural /Engineering Services	15,000	39,000	54,000	48,978	5,022
Other Purchased Professional Services	36,700	9,390	46,090	14,803	31,287
Communications/Telephone	321,895	(152,540)	169,355	169,353	2
BOE Other Purchased Services	9,500	(9,404)	96	96	
Misc Purchased Services	31,225	(2,948)	28,277	17,662	10,615
General Supplies	19,200	4,452	23,652	23,650	2
Miscellaneous Expenditures	1,984	4,062	6,046	3,938	2,108
BOE Membership Dues and Fees	22,527	-	22,527	21,936	591
Total Support Services - General Administration	<u>1,166,440</u>	<u>(93,732)</u>	<u>1,072,708</u>	<u>971,858</u>	<u>100,850</u>
Support Services - School Administration					
Salaries of Principal/Asst. Principals	1,403,812	256,132	1,659,944	1,659,943	1
Salaries of Secretarial and Clerical Assistants	512,853	108,530	621,383	621,383	
Other Purchased Services	3,000		3,000	219	2,781
Supplies and Materials	60,580	9,408	69,988	66,392	3,596
Other Objects	-	1,089	1,089	797	292
Total Support Services - School Administration	<u>1,980,245</u>	<u>375,159</u>	<u>2,355,404</u>	<u>2,348,734</u>	<u>6,670</u>
Central Services					
Salaries	422,048	35,026	457,074	457,074	
Purchased Professional Services	43,700	6,615	50,315	50,315	
Purchased Technical Services	423,775		423,775	423,775	
Miscellaneous Purchased Services	11,980	(4,065)	7,915	3,899	4,016
Supplies and Materials	8,200	(3,360)	4,840	4,343	497
Other Objects	10,000	(8,167)	1,833	1,164	669
Total Central Services	<u>919,703</u>	<u>26,049</u>	<u>945,752</u>	<u>940,570</u>	<u>5,182</u>
Administrative Information Technology					
Salaries	251,089	(15,024)	236,065	231,064	5,001
Purchased Professional Services	3,500		3,500		3,500
Other Objects	3,500	-	3,500	864	2,636
Total Administrative Information Technology	<u>258,089</u>	<u>(15,024)</u>	<u>243,065</u>	<u>231,928</u>	<u>11,137</u>
Required Maintenance for School Facilities					
Salaries	670,826	(144,149)	526,677	526,676	1
Cleaning, Repair and Maintenance Services	371,550	326,913	698,463	445,265	253,198
General Supplies	123,083	16,000	139,083	137,840	1,243
Other Objects	6,000	533	6,533	2,711	3,822
Total Required Maintenance for School Facilities	<u>1,171,459</u>	<u>199,297</u>	<u>1,370,756</u>	<u>1,112,492</u>	<u>258,264</u>

(Continued)

**CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Custodial Services					
Salaries	\$ 1,203,444	\$ 65,474	\$ 1,268,918	\$ 1,265,526	\$ 3,392
Purchased Professional and Technical Services	17,000	38,434	55,434	44,971	10,463
Cleaning, Repair and Maintenance Services	192,456	(319)	192,137	184,789	7,348
Other Purchased Property Services	121,400	(8,000)	113,400	113,227	173
Insurance	356,376	(48,645)	307,731	305,133	2,598
General Supplies	69,400	(3,200)	66,200	61,568	4,632
Energy (Natural Gas)	284,000	(104,533)	179,467	179,467	
Energy (Electricity)	560,000	(35,530)	524,470	524,469	1
Other Objects	24,000	(2,569)	21,431	15,679	5,752
Total Custodial Services	<u>2,828,076</u>	<u>(98,888)</u>	<u>2,729,188</u>	<u>2,694,829</u>	<u>34,359</u>
Care and Upkeep of Grounds					
Salaries	69,969	(7,599)	62,370	62,369	1
Purchased Professional and Technical Services	80		80		80
General Supplies	18,400	(18,400)			
Other Objects	5,000	-	5,000	-	5,000
Total Care and Upkeep of Grounds	<u>93,449</u>	<u>(25,999)</u>	<u>67,450</u>	<u>62,369</u>	<u>5,081</u>
Security					
Purchased Professional and Technical Services	313,883	(12,020)	301,863	247,940	53,923
Cleaning, Repair and Maintenance Services	10,500	(10,500)			
General Supplies	25,000	(25,000)			
Total Security	<u>349,383</u>	<u>(47,520)</u>	<u>301,863</u>	<u>247,940</u>	<u>53,923</u>
Student Transportation Services					
Salaries for Pupil Transportation(Bet Home & Sch)Sp Ed		5,000	5,000		5,000
Management Fee-ESC and CTSA Transportation Prog.	35,000	(1,999)	33,001	32,588	413
Other Purchased Professional and Technical Services	2,750	2,000	4,750	2,750	2,000
Contracted Svcs. (Between Home & School) - Vendors	481,266	(7,000)	474,266	473,376	890
Contracted Services (Other than Between Home and School) - Vendors	80,900	17,176	98,076	70,333	27,743
Contracted Services (Special Ed. Students)- Vendors	327,046		327,046	327,046	
Contracted Services (Regular Students) - ESCs and CTSA	40,000	2,587	42,587	42,587	
Contracted Services (Special Ed. Students)- ESCs and CTSA	1,242,901	(140,764)	1,102,137	1,102,137	
Contracted Services - Aid in Lieu of Payments - Non Public	61,880	4,652	66,532	64,797	1,735
Total Student Transportation Services	<u>2,271,743</u>	<u>(118,348)</u>	<u>2,153,395</u>	<u>2,115,614</u>	<u>37,781</u>

(Continued)

**CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Unallocated Benefits - Employee Benefits					
Social Security Contributions	\$ 500,000	\$ (36,887)	\$ 463,113	\$ 463,112	\$ 1
Other Retirement Contributions - PERS	429,473	80,056	509,529	509,529	
Unemployment Compensation	75,000	225,000	300,000	300,000	
Workmen's Compensation	331,713	(141,876)	189,837	189,836	1
Health Benefits	7,111,187	(417,881)	6,693,306	6,664,106	29,200
Tuition Reimbursement	146,500	(90,425)	56,075	56,075	
Other Employee Benefits	218,317	-	218,317	208,609	9,708
	<u>8,812,190</u>	<u>(382,013)</u>	<u>8,430,177</u>	<u>8,391,267</u>	<u>38,910</u>
On-behalf TPAF Pension System Contribution - NCGI (Non-Budget)					
				71,221	(71,221)
On-behalf TPAF Post Retirement Medical Contribution (Non-Budget)					
				1,512,727	(1,512,727)
On-behalf TPAF Social Security Payments (Non-Budget)					
	-	-	-	1,744,384	(1,744,384)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,328,332</u>	<u>(3,328,332)</u>
Total On-Behalf TPAF					
	<u>28,281,562</u>	<u>(531,937)</u>	<u>27,749,625</u>	<u>30,452,629</u>	<u>(2,703,004)</u>
Total Undistributed Expenditures					
	<u>48,196,528</u>	<u>444,005</u>	<u>48,640,533</u>	<u>51,139,720</u>	<u>(2,499,187)</u>
Total Expenditures - Current Expenditures					
CAPITAL OUTLAY					
Equipment					
Undistributed Expenditures					
Administrative Information Technology		7,313	7,313	7,313	
Custodial Services		541,429	541,429	503,953	37,476
Security	-	169,475	169,475	-	169,475
	<u>-</u>	<u>718,217</u>	<u>718,217</u>	<u>511,266</u>	<u>206,951</u>
Total Equipment					
Facilities Acquisition and Construction Services					
Architectural/Engineering Services	250,000	189,000	439,000	434,072	4,928
	<u>250,000</u>	<u>189,000</u>	<u>439,000</u>	<u>434,072</u>	<u>4,928</u>
Total Facilities Acquisition and Construction Services					
	<u>250,000</u>	<u>907,217</u>	<u>1,157,217</u>	<u>945,338</u>	<u>211,879</u>
Total Capital Outlay					
SPECIAL SCHOOLS					
Summer School - Instruction					
Salaries of Teachers	3,000	-	3,000	2,500	500
	<u>3,000</u>	<u>-</u>	<u>3,000</u>	<u>2,500</u>	<u>500</u>
Total Summer School - Instruction					

CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
SPECIAL SCHOOLS (Continued)					
Other Special Schools - Instruction					
Salaries of Teachers	\$ 73,000		\$ 73,000	\$ 59,855	\$ 13,145
Other Salaries for Instruction	1,400	-	1,400	-	1,400
Total Other Special Schools-Instruction	74,400	-	74,400	59,855	14,545
Evening School for Foreign Born-Local-Instr.					
Salaries of Teachers	3,800		3,800		3,800
General Supplies	1,000		1,000		1,000
Other Objects	291	-	291	-	291
Total Evening School for Foreign Born- Local-Instr.	5,091	-	5,091	-	5,091
Total Special Schools	82,491	-	82,491	62,355	20,136
Total Expenditures	48,529,019	\$ 1,351,222	49,880,241	52,147,413	(2,267,172)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(1,200,000)	(1,351,222)	(2,551,222)	(931,795)	1,619,427
Change in Fund Balance	(1,200,000)	(1,351,222)	(2,551,222)	(931,795)	1,619,427
Fund Balance, Beginning of Year	3,245,114	-	3,245,114	3,245,114	-
Fund Balance, End of Year	\$ 2,045,114	\$ (1,351,222)	\$ 693,892	\$ 2,313,319	\$ 1,619,427
Recapitulation Of Fund Balance:					
Committed Fund Balance:					
Year End Encumbrances				\$ 262,572	
Assigned Fund Balance:					
Designated for Subsequent Year's Expenditures				325,000	
Year End Encumbrances				304,847	
Unassigned Fund Balance				<u>1,420,900</u>	
Reconciliation to Governmental Fund Statement (GAAP)				2,313,319	
State Aid Payments Not Recognized on GAAP Basis					
Extraordinary Aid			\$ 1,035,038		
Delayed State Aid Payments			<u>2,330,536</u>		
				<u>3,365,574</u>	
Fund Balance Per Governmental Funds (GAAP)				\$ (1,052,255)	

**CARTERET BOARD OF EDUCATION
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOT APPLICABLE

**CARTERET BOARD OF EDUCATION
EDUCATION JOBS FUND -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOT APPLICABLE

**CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Intergovernmental					
State	\$ 924,550	\$ 240,100	\$ 1,164,650	\$ 1,138,787	\$ (25,863)
Local		40,567	40,567	40,562	(5)
Federal	2,430,000	40,453	2,470,453	1,945,716	(524,737)
Total Revenues	<u>3,354,550</u>	<u>321,120</u>	<u>3,675,670</u>	<u>3,125,065</u>	<u>(550,605)</u>
EXPENDITURES					
Instruction					
Salaries of Teachers	1,194,127	(242,820)	951,307	855,572	95,735
Other Salaries for Instruction	187,000	2,545	189,545	189,304	241
Purch. Prof./Tech. Services		223,117	223,117	169,307	53,810
Purchased Prof. Educational Services		272,402	272,402	272,397	5
Tuition	990,000	(313,691)	676,309	570,489	105,820
General Supplies		132,305	132,305	96,293	36,012
Textbooks	12,000	(632)	11,368	11,368	-
Other Objects	-	3,858	3,858	1,759	2,099
Total Instruction	<u>2,383,127</u>	<u>77,084</u>	<u>2,460,211</u>	<u>2,166,489</u>	<u>293,722</u>
Support Services					
Salaries of Teachers		105,173	105,173	35,194	69,979
Salaries of Other Professional Staff		35,416	35,416	35,416	-
Salaries of Secretarial and Clerical Assistants		10,034	10,034	7,929	2,105
Purch. Prof./Tech. Services		58,192	58,192	14,146	44,046
Purchased Professional/Educational Services	745,000	(184,637)	560,363	489,597	70,766
Travel		3,550	3,550		3,550
Other Purchased Services		35,345	35,345	21,990	13,355
Supplies and Materials	8,500	25,145	33,645	23,228	10,417
Contracted Services - Transportation	-	4,072	4,072	710	3,362
Total Support Services	<u>753,500</u>	<u>92,290</u>	<u>845,790</u>	<u>628,210</u>	<u>217,580</u>
Employee Benefits					
Personal Services - Employee Benefits	217,923	151,746	369,669	330,366	39,303
Total Allocated Benefits	<u>217,923</u>	<u>151,746</u>	<u>369,669</u>	<u>330,366</u>	<u>39,303</u>
Total Expenditures	<u>3,354,550</u>	<u>321,120</u>	<u>3,675,670</u>	<u>3,125,065</u>	<u>550,605</u>
Total Outflows	<u>3,354,550</u>	<u>321,120</u>	<u>3,675,670</u>	<u>3,125,065</u>	<u>550,605</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	-	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-	-
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Recapitulation:					
Fund Balance Budgetary Basis					
Reconciliation to Governmental Fund Statements (GAAP)					
Less: State Aid Payments Not Recognized on GAAP Basis				<u>\$ (75,405)</u>	
Fund Balance (Deficit) per Governmental Fund Statements (GAAP)				<u>\$ (75,405)</u>	

**CARTERET BOARD OF EDUCATION
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
BUDGET TO GAAP RECONCILIATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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 accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the treatment of encumbrances in the special revenue fund as described below. Encumbrance accounting is also employed as an extension of formal budgetary integration of the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the Special Revenue Funds are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The following presents a reconciliation of the General and Special Revenue Funds from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - General Fund and Special Revenue Fund to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule (Exhibits C-1 and C-2)	\$ 51,215,618	\$ 3,125,065
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
(Prior Year), Net		96,829
(Current Year)		(48,183)
State Aid payments recognized for GAAP purpose not recognized for Budgetary statements (Prior Year), Net	3,310,089	75,405
State Aid payments recognized for budgetary purpose not recognized for GAAP statements (Current Year)	<u>(3,365,574)</u>	<u>(75,405)</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 51,160,133</u>	<u>\$ 3,173,711</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 52,147,413	\$ 3,125,065
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.		
(Prior Year), Net		96,829
(Current Year)	<u>-</u>	<u>(48,183)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 52,147,413</u>	<u>\$ 3,173,711</u>

SCHOOL LEVEL SCHEDULES

NOT APPLICABLE

SPECIAL REVENUE FUND

CARTERET BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Chapter 192		Exam & Class.	Chapter 193		Preschool Education Aid	Reading First Grant	Subtotal Page 2	Subtotal Page 3	Total
	Compensatory Education	ESL		Transportation	Corrective Speech					
REVENUES	\$ 54,925	\$ 5,123	\$ 5,487	\$ 16,905	\$ 17,212	\$ 7,568	\$ 66,821	\$ 295,316	\$ 998,237	\$ 1,138,787
State								40,562		40,562
Local								880,658		1,945,716
Federal										
Total Revenues	\$ 54,925	\$ 5,123	\$ 5,487	\$ 16,905	\$ 17,212	\$ 7,568	\$ 66,821	\$ 1,216,536	\$ 998,237	\$ 3,125,065
EXPENDITURES										
Instruction										
Salaries of Teachers						\$ 319,589	\$ 13,190	\$ 451,153	\$ 71,640	\$ 855,572
Other Salaries for Instruction						189,304				189,304
Purch. Prof./Tech. Services								117,557	51,750	169,307
Purch. Prof. Educational Services								272,397		272,397
Tuition						5,467	18,215	15,973	570,489	570,489
General Supplies								11,368	56,638	68,006
Textbooks										11,368
Other Objects								478	1,281	1,759
Total Instruction						\$ 514,360	\$ 31,405	\$ 868,926	\$ 751,798	\$ 2,166,489
Support Services										
Salaries of Teachers								34,295	899	35,194
Salaries of Other Professional Staff							35,416			35,416
Salaries of Secretarial/Clerical Assistants								7,529		7,529
Personal Services - Employee Benefits								116,431	1,542	330,366
Purch. Prof/Tech. Services						212,393			14,146	14,146
Purchased Professional Educational Services										
Other Purchased Services	\$ 54,925	\$ 5,123	\$ 5,487	\$ 16,905	\$ 17,212	\$ 7,568		160,668	212,211	489,597
Supplies and Materials								15,218	6,772	21,990
Contracted Services - Transportation								13,069	10,159	23,228
Total Support Services	\$ 54,925	\$ 5,123	\$ 5,487	\$ 16,905	\$ 17,212	\$ 7,568	\$ 35,416	\$ 347,610	\$ 246,439	\$ 958,576
Capital Outlay:										
Instructional Equipment										
Total Expenditures	\$ 54,925	\$ 5,123	\$ 5,487	\$ 16,905	\$ 17,212	\$ 7,568	\$ 66,821	\$ 1,216,536	\$ 998,237	\$ 3,125,065

Continued

**CARTERET BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Nonpublic Nursing	Nonpublic Textbooks	NJSBAIG Safety Grant	NJAET Technology Mini-Grant	School Based Youth Services	Title I ARRA	Title II A	Page 2 Total
REVENUES								
State	\$ 13,470	\$ 11,368	\$ 38,643	\$ 1,919	\$ 270,478	\$ 64,495	\$ 163,961	\$ 295,316
Local	-	-	-	-	-	-	-	40,562
Federal	-	-	-	-	-	\$ 652,202	\$ 163,961	880,658
Total Revenues	\$ 13,470	\$ 11,368	\$ 38,643	\$ 1,919	\$ 270,478	\$ 64,495	\$ 163,961	\$ 1,216,536
EXPENDITURES								
Instruction								
Salaries of Teachers						\$ 346,718	\$ 62,731	\$ 451,153
Other Salaries for Instruction								-
Purchased Prof./Educational Services				\$ 1,919	\$ 270,478			272,397
Purch. Prof./Tech. Services						117,557		117,557
General Supplies						13,993	1,980	15,973
Textbooks		\$ 11,368						11,368
Other Objects						478		478
Total Instruction		11,368		1,919	270,478	478,746	62,731	868,926
Support Services								
Salaries of Teachers						13,500	20,795	34,295
Salaries of Other Professional Staff						5,012	2,917	7,929
Salaries of Secretarial and Clerical Assis						104,681	8,291	116,431
Personal Services - Employee Benefits							3,459	
Purchased Professional						42,378	17,352	48,825
Educational Services	\$ 13,470	\$ 38,643				2,608	12,610	160,668
Other Purchased Services						5,277	7,792	15,218
Supplies and Materials								13,069
Total Support Services	13,470	38,643	38,643	1,919	173,456	20,811	101,230	347,610
Capital Outlay:								
Instructional Equipment								
Total Expenditures	\$ 13,470	\$ 11,368	\$ 38,643	\$ 1,919	\$ 270,478	\$ 652,202	\$ 163,961	\$ 1,216,536

**CARTERET BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Title II D</u>	<u>Title III</u>	<u>Title III Immigrant</u>	<u>Title IV</u>	<u>I.D.E.A. Basic</u>	<u>I.D.E.A. Basic- ARRA</u>	<u>I.D.E.A. Preschool</u>	<u>Page 3 Total</u>
REVENUES								
Federal	\$ 3,706	\$ 55,047	\$ 17,090	\$ 4,763	\$ 810,307	\$ 78,232	\$ 29,092	\$ 998,237
Total Revenues	\$ 3,706	\$ 55,047	\$ 17,090	\$ 4,763	\$ 810,307	\$ 78,232	\$ 29,092	\$ 998,237
EXPENDITURES								
Instruction								
Salaries of Teachers	\$	16,398	\$ 3,067			\$ 52,175	\$	71,640
Other Salaries for Instruction		2,070			\$ 49,680			51,750
Purch. Prof./Tech. Services								-
Purch. Prof. Educational Services						17,347	\$ 25,446	570,489
Tuition		29,133	3,523	\$ 4,763	527,696			56,638
General Supplies		1,281			19,219			1,281
Other Objects								
Total Instruction		48,882	6,590	4,763	596,595	69,522	25,446	751,798
Support Services								
Salaries of Teachers	\$ 899							899
Personal Services - Employee Benefits	361	1,181						1,542
Purch. Prof./Tech. Services			10,500				3,646	14,146
Purchased Professional Educational Services					204,211	8,000		212,211
Travel								
Other Purchased Services	2,446	4,326						6,772
Contracted Services - Transportation						710		710
Supplies and Materials		658			9,501			10,159
Total Support Services	3,706	6,165	10,500		213,712	8,710	3,646	246,439
Total Expenditures	\$ 3,706	\$ 55,047	\$ 17,090	\$ 4,763	\$ 810,307	\$ 78,232	\$ 29,092	\$ 998,237

**CARTERET BOARD OF EDUCATION
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID
SCHEDULE OF EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance</u>
Expenditures:			
Instruction:			
Salaries of Teachers	\$ 332,670	\$ 319,589	\$ 13,081
Other Salaries of Instruction	190,712	189,304	1,408
General Supplies	<u>9,053</u>	<u>5,467</u>	<u>3,586</u>
Total Instruction	<u>532,435</u>	<u>514,360</u>	<u>18,075</u>
Support Services:			
Purchased Professional Educational Services	10,845	9,498	1,347
Employee Benefits	<u>212,403</u>	<u>212,393</u>	<u>10</u>
Total Support Services	<u>223,248</u>	<u>221,891</u>	<u>1,357</u>
Total Expenditures	<u>\$ 755,683</u>	<u>\$ 736,251</u>	<u>\$ 19,432</u>

CALCULATION OF BUDGET & CARRYOVER

Total revised 2010-2011 Preschool Education Aid Allocation	\$ 754,050
Add: Actual PEA Carryover (June 30, 2010)	1,633
Add: Budgeted Transfer from the General Fund 2010-2011	<u>-</u>
Total Preschool Education Aid Funds Available for 2010-2011 Budget	755,683
Less: 2010-2011 Budgeted Preschool Education Aid (Prior Year Budgeted Carryover)	<u>755,683</u>
Available & Unbudgeted Preschool Education Aid Funds as of June 30, 2011	-
Add: June 30, 2011 Unexpended Preschool Education Aid	<u>19,432</u>
2010-2011 Carryover - Preschool Education Aid	<u>\$ 19,432</u>
2010-2011 Preschool Education Aid Carryover Budgeted for Preschool Programs 2011-2012	<u>\$ -</u>

CAPITAL PROJECTS FUND

CARTERET BOARD OF EDUCATION
 CAPITAL PROJECTS FUND
 SUMMARY SCHEDULE OF PROJECT EXPENDITURES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<u>Original Date</u>	<u>Issue Project Title</u>	<u>Original Appropriation</u>	<u>Transfer from Project Account</u>	<u>Modified Appropriation</u>	<u>Expended Prior Years</u>	<u>Expended Current Year</u>	<u>Balance, June 30, 2011</u>
3/9/2000	Various Improvements	\$ 9,935,000	\$ 781,008	\$ 10,716,008	\$ 10,715,502	\$	\$ 506
8/27/2008	Various Improvements	750,000	-	750,000	748,786	\$ 817	397
		<u>\$ 10,685,000</u>	<u>\$ 781,008</u>	<u>\$ 11,466,008</u>	<u>\$ 11,464,288</u>	<u>\$ 817</u>	<u>\$ 903</u>

Recapitulation of Fund Balance

Restricted for Capital Projects: Year End Encumbrances	\$ 903
Total Fund Balance - Restricted for Capital Projects	<u>\$ 903</u>

**CARTERET BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

EXPENDITURES AND OTHER FINANCING USES	
Purchased Professional and Technical Services	\$ <u>817</u>
Total Expenditures and other Financing Uses	<u>817</u>
Excess of Revenues over Expenditures	(817)
Fund Balance, Beginning of Year	<u>1,720</u>
Fund Balance - End of Year	<u>\$ 903</u>

**CARTERET BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES AND PROJECT STATUS -
BUDGETARY BASIS
VARIOUS IMPROVEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
Certificates of Participation (COPS)	\$ 9,935,000		\$ 9,935,000	\$ 9,935,000
Interest Earnings	781,008	-	781,008	808,050
Total Revenues	<u>10,716,008</u>	<u>-</u>	<u>10,716,008</u>	<u>10,743,050</u>
EXPENDITURES AND OTHER FINANCING SOURCES				
Unallocated	10,715,502	-	10,715,502	10,743,050
Total Expenditures and other Financing Sources	<u>10,715,502</u>	<u>-</u>	<u>10,715,502</u>	<u>10,743,050</u>
Excess of Revenues over Expenditures	<u>\$ 506</u>	<u>\$ -</u>	<u>\$ 506</u>	<u>\$ -</u>

Additional Project Information:

Project Number	N/A
Grant Date	N/A
COPS Authorization Date	3/15/2000
COPS Authorized	\$ 9,935,000
COPS Issued	9,935,000
Loans Authorized	
Loans Issued	
Original Authorized Cost	9,935,000
Additional Authorized Cost	781,008
Revised Authorized Cost	10,716,008
Percentage Increase over Original Authorized Cost	3.30%
Percentage Completion	100%
Original Target Completion Date	July, 2001
Revised Target Completion Date	September, 2001

**CARTERET BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES AND PROJECT STATUS -
BUDGETARY BASIS
VARIOUS IMPROVEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
Lease Purchase Proceeds	\$ 750,000	-	\$ 750,000	\$ 750,000
 Total Revenues	 <u>750,000</u>	 <u>-</u>	 <u>750,000</u>	 <u>750,000</u>
EXPENDITURES AND OTHER FINANCING SOURCES				
Purchased Professional and Technical Services	10,683	\$ 817	11,500	15,000
Construction Services	738,103	-	738,103	735,000
 Total Expenditures and other Financing Sources	 <u>748,786</u>	 <u>817</u>	 <u>749,603</u>	 <u>750,000</u>
 Excess of Revenues over Expenditures	 <u>\$ 1,214</u>	 <u>\$ (817)</u>	 <u>\$ 397</u>	 <u>\$ -</u>

Additional Project Information:

Project Number	N/A
Grant Date	N/A
Bonds Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	750,000
Additional Authorized Cost	-
Revised Authorized Cost	750,000
 Percentage Increase over Original Authorized Cost	 0.00%
Percentage Completion	100%
Original Target Completion Date	June 30, 2009
Revised Target Completion Date	June 30, 2009

ENTERPRISE FUND

**CARTERET BOARD OF EDUCATION
ENTERPRISE FUNDS - NON MAJOR
STATEMENT OF NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Enrichment Academy</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ <u>86,206</u>
Total Current Assets	<u>86,206</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	<u>56</u>
Total Current Liabilities	<u>56</u>
NET ASSETS	
Unrestricted	<u>86,150</u>
Total Net Assets	<u><u>\$ 86,150</u></u>

**CARTERET BOARD OF EDUCATION
 ENTERPRISE FUNDS - NONMAJOR
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN NET ASSETS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Enrichment Academy</u>
OPERATING REVENUES	
Charges for Services	
Program Fees	\$ 216,708
 Total Operating Revenues	 <u>216,708</u>
OPERATING EXPENSES	
Salaries and Employee Benefits	148,774
Miscellaneous	<u>1,804</u>
 Total Operating Expenses	 <u>150,578</u>
 Operating Income	 <u>66,130</u>
NONOPERATING REVENUES	
Interest and Investment Revenue	<u>189</u>
 Total Nonoperating Revenues	 <u>189</u>
 Net Income	 <u>66,319</u>
 Change in Net Assets	 66,319
 Total Net Assets, Beginning of Year	 <u>19,831</u>
 Total Net Assets, End of Year	 <u>\$ 86,150</u>

**CARTERET BOARD OF EDUCATION
ENTERPRISE FUNDS - NONMAJOR
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Enrichment Academy
Cash Flows from Operating Activities	
Receipts from Customers	\$ 216,708
Payments for Employees' Salaries and Benefits	(148,774)
Payments for Miscellaneous Expenses	<u>(1,748)</u>
Net Cash Provided by Operating Activities	<u>66,186</u>
Cash Flows from Investing Activities	
Interest on Investments	<u>189</u>
Net Cash Provided by Investing Activities	<u>189</u>
Net Increase in Cash and Cash Equivalents	66,375
Cash and Cash Equivalents, Beginning of Year	<u>19,831</u>
Cash and Cash Equivalents, End of Year	<u>\$ 86,206</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ <u>66,130</u>
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Change in Assets and Liabilities	
Increase/(Decrease) in Accounts Payable	<u>56</u>
Total Adjustments	<u>56</u>
Net Cash Provided by Operating Activities	<u>\$ 66,186</u>

FIDUCIARY FUNDS

**CARTERET BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011**

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 177,580	\$ 258,894	\$ 436,474
Total Assets	<u>\$ 177,580</u>	<u>\$ 258,894</u>	<u>\$ 436,474</u>
LIABILITIES			
Due to Student Groups	\$ 177,580		\$ 177,580
Payroll Deductions and Withholdings		\$ 252,495	252,495
Due to Other Funds	<u>-</u>	<u>6,399</u>	<u>6,399</u>
Total Liabilities	<u>\$ 177,580</u>	<u>\$ 258,894</u>	<u>\$ 436,474</u>

**CARTERET BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

THIS STATEMENT IS NOT APPLICABLE

**STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Balance, July 1, 2010</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2011</u>
ELEMENTARY SCHOOLS				
Columbus	\$ 6,862	\$ 19,362	\$ 14,553	\$ 11,671
Nicholas Minue	10,390	23,863	23,934	10,319
Nathan Hale	9,521	16,578	14,494	11,605
	<u>26,773</u>	<u>59,803</u>	<u>52,981</u>	<u>33,595</u>
TOTAL Elementary Schools				
	<u>26,773</u>	<u>59,803</u>	<u>52,981</u>	<u>33,595</u>
JUNIOR HIGH SCHOOL				
Student Activities Fund	30,291	49,205	47,661	31,835
	<u>30,291</u>	<u>49,205</u>	<u>47,661</u>	<u>31,835</u>
TOTAL Junior High School				
	<u>30,291</u>	<u>49,205</u>	<u>47,661</u>	<u>31,835</u>
SENIOR HIGH SCHOOL				
Carteret Senior High School				
Student Activities Fund	86,809	163,912	143,617	107,104
Athletic Fund	4,505	24,007	23,466	5,046
	<u>91,314</u>	<u>187,919</u>	<u>167,083</u>	<u>112,150</u>
TOTAL Senior High School				
	<u>91,314</u>	<u>187,919</u>	<u>167,083</u>	<u>112,150</u>
TOTAL All Schools				
	<u>\$ 148,378</u>	<u>\$ 296,927</u>	<u>\$ 267,725</u>	<u>\$ 177,580</u>

**CARTERET BOARD OF EDUCATION
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Balance, July 1, <u>2010</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance, June 30, <u>2011</u>
ASSETS				
Cash	\$ 16,304	\$ 31,000,537	\$ 30,757,947	\$ 258,894
Total Assets	<u>\$ 16,304</u>	<u>\$ 31,000,537</u>	<u>\$ 30,757,947</u>	<u>\$ 258,894</u>
LIABILITIES				
Due to Other Funds	\$ 5,865	\$ 534		\$ 6,399
Payroll Deductions and Withholdings	10,439	14,896,842	\$ 14,654,786	252,495
Accrued Salaries and Wages	<u>-</u>	<u>16,103,161</u>	<u>16,103,161</u>	<u>-</u>
Total Liabilities	<u>\$ 16,304</u>	<u>\$ 31,000,537</u>	<u>\$ 30,757,947</u>	<u>\$ 258,894</u>

LONG-TERM DEBT

CARTERET BOARD OF EDUCATION
 LONG-TERM DEBT
 SCHEDULE OF BONDS PAYABLE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Balance July 1, 2010</u>	<u>Paid</u>	<u>Balance June 30, 2011</u>
Pension Obligation Refunding Bonds, Series 2003	March 15, 2003	\$ 2,450,000	3/15/2012	\$ 125,000	4.80%			
			3/15/2013	130,000	4.90%			
			3/15/2014	140,000	5.00%			
			3/15/2015	145,000	5.10%			
			3/15/2016	155,000	5.50%			
			3/15/2017	165,000	5.50%			
			3/15/2018	175,000	5.50%			
			3/15/2019	185,000	5.65%			
			3/15/2020	195,000	5.65%			
			3/15/2021	210,000	5.65%			
						<u>\$ 1,745,000</u>	<u>\$ 120,000</u>	<u>\$ 1,625,000</u>
						<u>\$ 1,745,000</u>	<u>\$ 120,000</u>	<u>\$ 1,625,000</u>

CARTERET BOARD OF EDUCATION
 LONG-TERM DEBT
 SCHEDULE OF OBLIGATIONS UNDER CERTIFICATES OF PARTICIPATION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Interest Rate Payable</u>	<u>Amount of Original Issue</u>	<u>Balance, July 1, 2010</u>	<u>Retired Current Year</u>	<u>Balance, June 30, 2011</u>
2006 Refunding (COP)	3.50 - 4.25	\$ 8,985,000	\$ 8,760,000	\$ 295,000	\$ 8,465,000
2010 Refunding (COP)	2.00-3.625	9,375,000	9,375,000	695,000	8,680,000
			<u>\$ 18,135,000</u>	<u>\$ 990,000</u>	<u>\$ 17,145,000</u>

Note: COP Indicates Certificates of Participation

**CARTERET BOARD OF EDUCATION
LONG-TERM DEBT
DEBT SERVICE FUND BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Local Sources					
Local Tax Levy	\$ 1,216,605		\$ 1,216,605	\$ 1,216,605	
State Sources					
State Aid Type II	<u>597,789</u>	<u>-</u>	<u>597,789</u>	<u>597,789</u>	<u>-</u>
Total Revenues	<u>1,814,394</u>	<u>-</u>	<u>1,814,394</u>	<u>1,814,394</u>	<u>-</u>
EXPENDITURES					
Regular Debt Service					
Principal on Lease Purchase - COPS	990,000		990,000	990,000	
Interest on Lease Purchase - COPS	676,609		676,609	676,609	
Interest on Early Retirement Bonds	92,785		92,785	92,785	
Principal on Early Retirement Bonds	<u>120,000</u>	<u>-</u>	<u>120,000</u>	<u>120,000</u>	<u>-</u>
Total Expenditures	<u>1,879,394</u>	<u>-</u>	<u>1,879,394</u>	<u>1,879,394</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(65,000)</u>	<u>-</u>	<u>(65,000)</u>	<u>(65,000)</u>	<u>-</u>
Net Change in Fund Balance	<u>(65,000)</u>	<u>-</u>	<u>(65,000)</u>	<u>(65,000)</u>	<u>-</u>
Fund Balance, Beginning of Year	<u>76,563</u>	<u>-</u>	<u>76,563</u>	<u>76,563</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 11,563</u>	<u>\$ -</u>	<u>\$ 11,563</u>	<u>\$ 11,563</u>	<u>\$ -</u>
Recapitulation of Fund Balance:					
Restricted for Debt Service:					
Designated for Subsequent Year's Budgeted Debt Service Expenditures				\$ 11,500	
Available for Future Debt Service Expenditures				<u>63</u>	
Total Fund Balance - Restricted for Debt Service				<u>\$ 11,563</u>	

STATISTICAL SECTION

This part of the Carteret Board of Education's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents

Exhibits

Financial Trends

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

J-1 to J-5

Revenue Capacity

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

J-6 to J-9

Debt Capacity

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

J-10 to J-13

Demographic and Economic Information

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

J-14 and J-15

Operating Information

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

J-16 to J-20

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

CARTERET BOARD OF EDUCATION
NET ASSETS BY COMPONENT
LAST NINE FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ending June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities									
Invested In Capital Assets, Net Of Related Debt	\$ (4,888,489)	\$ 372,813	\$ 24,308	\$ 713,394	\$ 1,272,628	\$ 2,257,259	\$ 3,784,584	\$ 4,961,120	\$ 5,913,716
Restricted	401,492	(4,726,169)	385,425	431,982	427,011	106,355	1,854	76,563	12,466
Unrestricted	(4,399,611)	\$ (4,353,356)	(3,258,241)	(4,630,810)	(3,256,668)	(3,700,241)	(6,319,492)	(4,393,323)	(5,252,956)
Total Governmental Activities Net Assets	\$ (8,886,608)	\$ (4,353,356)	\$ (2,848,508)	\$ (3,485,434)	\$ (1,557,029)	\$ (1,336,627)	\$ (2,533,054)	\$ 644,360	\$ 673,226
Business-Type Activities									
Invested In Capital Assets, Net Of Related Debt	\$ 155,301	\$ 85,448	\$ 72,705	\$ 85,580	\$ 82,688	\$ 106,110	\$ 133,478	\$ 147,510	\$ 310,468
Unrestricted	\$ 155,301	179,411	218,634	389,039	635,506	878,792	1,159,077	780,203	397,506
Total Business-Type Activities Net Assets	\$ 155,301	\$ 264,859	\$ 291,339	\$ 474,619	\$ 718,194	\$ 984,902	\$ 1,292,555	\$ 927,713	\$ 707,974
District-Wide									
Invested In Capital Assets, Net Of Related Debt	\$ (4,888,489)	\$ 85,448	\$ 97,013	\$ 798,974	\$ 1,355,316	\$ 2,363,369	\$ 3,918,062	\$ 5,108,630	\$ 6,224,184
Restricted	401,492	372,813	385,425	431,982	427,011	106,355	1,854	76,563	12,466
Unrestricted	(4,244,310)	(4,546,758)	(3,039,607)	(4,241,771)	(2,621,162)	(2,821,449)	(5,160,415)	(3,613,120)	(4,855,450)
Total District Net Assets	\$ (8,731,307)	\$ (4,088,497)	\$ (2,557,169)	\$ (3,010,815)	\$ (838,835)	\$ (351,725)	\$ (1,240,499)	\$ 1,572,073	\$ 1,381,200

Note:
GASB requires that ten years of statistical data be presented. However, since the District implemented the new reporting model contained in GASB No. 34 in fiscal year 2003 only nine years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

**CARTERET BOARD OF EDUCATION
CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS
(Unaudited)
(accrual basis of accounting)**

	Fiscal Year Ending June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses									
Governmental Activities									
Instruction									
Regular	\$ 18,117,422	\$ 18,253,165	\$ 21,339,071	\$ 22,267,153	\$ 21,963,038	\$ 23,823,202	\$ 23,542,356	\$ 22,977,099	\$ 22,696,499
Special Education	5,554,696	7,138,685	7,376,104	8,023,377	8,669,086	9,329,931	10,106,671	10,839,812	10,602,262
Vocational	114,711								
Other Instruction	686,763	999,298	941,492	1,353,305	1,582,073	1,942,509	1,571,068	1,665,603	1,710,483
School Sponsored Activities And Athletics	538,879	538,078	654,200	605,869	555,642	639,614	656,317	631,038	275,747
Support Services:									
Student and Instruction Related Services	5,151,072	5,129,043	4,756,399	5,339,369	5,189,669	5,687,423	6,779,653	6,356,437	5,934,521
School Administration Services	2,307,293	2,875,798	2,275,462	3,078,750	2,894,799	2,628,127	2,767,331	2,708,937	3,333,887
General Administration	1,133,064	873,497	848,918	1,179,072	1,177,961	945,754	1,361,538	1,072,492	1,252,106
Central Services			575,443	835,785	800,140	989,814	1,026,018	1,489,599	1,473,443
Plant Operations And Maintenance	3,527,409	3,946,783	4,066,426	4,678,150	4,769,201	5,826,639	5,586,167	5,801,293	5,905,849
Pupil Transportation	2,051,840	2,097,584	2,063,305	2,235,950	2,285,937	2,296,256	2,274,403	2,273,850	2,127,607
Other Support Services	479,972	406,086							
Special Schools	83,567								
Interest On Long-Term Debt	1,402,597	1,305,192	1,246,594	939,663	1,102,502	1,056,624	1,026,016	940,848	806,968
Total Governmental Activities Expenses	41,149,283	43,563,209	46,143,414	50,536,443	50,990,048	55,163,893	56,697,538	56,757,008	56,119,372
Business-Type Activities:									
Food Service	824,003	1,020,211	1,112,947	1,128,975	1,110,433	1,310,310	1,352,165	1,609,980	1,923,151
Enrichment Academy				171,176	161,111	153,750	149,715	646,234	150,578
Total Business-Type Activities Expense	824,003	1,020,211	1,112,947	1,300,151	1,271,544	1,464,060	1,501,880	2,256,214	2,073,729
Total District Expenses	\$ 41,973,288	\$ 44,583,420	\$ 47,256,361	\$ 51,836,594	\$ 52,261,592	\$ 56,629,953	\$ 58,199,418	\$ 59,013,222	\$ 58,193,101
Program Revenues									
Governmental Activities:									
Tuition	\$ 10,956,382	\$ 12,367,208	\$ 12,139,240	\$ 13,369,276	\$ 14,537,087	\$ 15,438,714	\$ 15,301	\$ 1,951	\$ 9,842,337
Grants And Contributions									
Total Governmental Activities Program Revenues	10,956,382	12,367,208	12,139,240	13,369,276	14,537,087	15,438,714	8,983,830	15,817,569	9,842,337
Business-Type Activities:									
Charges For Services									
Food Service	320,925	394,540	435,210	425,646	437,701	482,753	501,050	501,812	502,054
Enrichment Academy				231,357	253,412	254,054	293,368	217,377	216,708
Operating Grants And Contributions	520,578	635,457	703,453	791,195	814,406	971,669	1,011,724	1,143,248	1,132,816
Total Business Type Activities Program Revenues	841,503	1,029,997	1,138,663	1,448,198	1,505,519	1,708,476	1,806,142	1,862,437	1,851,578
Total District Program Revenues	\$ 11,797,885	\$ 13,397,205	\$ 13,277,903	\$ 14,817,474	\$ 16,042,606	\$ 17,147,190	\$ 10,789,972	\$ 17,680,006	\$ 11,693,915
Net (Expense)/Revenue									
Governmental Activities	\$ (30,192,903)	\$ (31,196,001)	\$ (34,004,174)	\$ (37,167,167)	\$ (36,452,961)	\$ (39,727,179)	\$ (47,173,708)	\$ (40,939,439)	\$ (46,277,035)
Business-Type Activities	17,500	9,786	25,716	148,047	233,975	244,416	304,262	(393,777)	(222,151)
Total District-Wide Net Expense	\$ (30,175,403)	\$ (31,186,215)	\$ (33,978,458)	\$ (37,019,120)	\$ (36,218,986)	\$ (39,482,763)	\$ (47,409,446)	\$ (41,333,216)	\$ (46,499,186)

CARTERET BOARD OF EDUCATION
CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ending June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Revenues And Other Changes In Net Assets									
Governmental Activities:									
Property Taxes Levied For General Purposes, Net	\$ 18,414,697	\$ 18,239,301	\$ 20,120,574	\$ 21,207,333	\$ 22,650,864	\$ 23,195,523	\$ 22,923,344	\$ 22,190,278	\$ 22,801,000
Taxes Levied For Debt Service	945,408	1,120,804	1,331,183	1,319,780	1,288,340	1,314,183	1,298,805	1,466,288	1,216,605
Unrestricted Grants And Contributions	10,282,929	11,118,280	12,866,993	12,930,463	12,999,383	14,092,991	21,304,448	19,588,638	21,913,754
State/Federal Aid - Restricted	690,198	818,247	819,566	821,940	788,002	805,555	802,096	801,932	353,114
Investment Earnings	75,460	40,932	144,274	194,790	296,645	209,339	38,099	10,111	12,058
Miscellaneous Income	211,176	81,365	226,432	88,501	358,132	329,990	146,133	59,606	9,370
Transfers	-	-	-	(32,566)	-	-	4,356	-	-
Total Governmental Activities	<u>\$ 30,619,868</u>	<u>\$ 31,418,929</u>	<u>\$ 35,509,022</u>	<u>\$ 36,530,241</u>	<u>\$ 38,381,366</u>	<u>\$ 39,947,581</u>	<u>\$ 46,517,281</u>	<u>\$ 44,116,855</u>	<u>\$ 46,305,901</u>
Business-Type Activities:									
Investment Earnings	1,444	1,580	764	2,667	9,600	22,292	7,747	4,385	2,412
Federal Aid Restricted	-	-	-	32,566	-	-	(4,356)	-	-
Transfers	1,444	1,580	764	32,566	9,600	22,292	3,391	28,935	2,412
Total Business-Type Activities	<u>\$ 30,621,312</u>	<u>\$ 31,420,509</u>	<u>\$ 35,509,786</u>	<u>\$ 36,565,474</u>	<u>\$ 38,390,966</u>	<u>\$ 39,969,873</u>	<u>\$ 46,520,672</u>	<u>\$ 44,145,788</u>	<u>\$ 46,308,313</u>
Change In Net Assets									
Governmental Activities	\$ 426,965	\$ 222,928	\$ 1,504,848	\$ (636,926)	\$ 1,928,405	\$ 220,402	\$ (1,196,427)	\$ 3,177,414	\$ 28,866
Business-Type Activities	18,944	11,366	26,480	183,280	243,575	266,708	307,653	(364,842)	(219,739)
Total District	<u>\$ 445,909</u>	<u>\$ 234,294</u>	<u>\$ 1,531,328</u>	<u>\$ (453,646)</u>	<u>\$ 2,171,980</u>	<u>\$ 487,110</u>	<u>\$ (888,774)</u>	<u>\$ 2,812,572</u>	<u>\$ (190,873)</u>

Note:
GASB requires that ten years of statistical data be presented. However, since the District implemented the new reporting model contained in GASB No. 34 in fiscal year 2003 only nine years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

**CARTERET BOARD OF EDUCATION
FUND BALANCES - GOVERNMENTAL FUNDS
LAST NINE FISCAL YEARS**
(Unaudited)
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund									
Reserved	\$ 1,138,738	\$ 593,050	\$ 1,382,966	\$ 322,751	\$ 673,292	\$ 830,458	\$ 660,302	\$ 1,351,222	
Unreserved	10,011	400,378	467,381	222,253	629,112	(263,740)	(2,387,960)	(1,416,197)	
Committed									\$ 262,572
Assigned									629,847
Unassigned									(1,944,674)
Total General Fund	<u>\$ 1,148,749</u>	<u>\$ 993,428</u>	<u>\$ 1,850,347</u>	<u>\$ 545,004</u>	<u>\$ 1,302,404</u>	<u>\$ 566,718</u>	<u>\$ (1,727,658)</u>	<u>\$ (64,975)</u>	<u>\$ (1,052,255)</u>
All Other Governmental Funds									
Reserved	\$ 392,529	\$ 358,331	\$ 370,943	\$ 390,933	\$ 425,043	\$ 99,678	\$ 27,737		
Unreserved	1,499	14,482	14,482	41,049	1,968	6,677	(70,174)	\$ 2,878	
Restricted									
Assigned									
Unassigned									\$ 12,466
Total All Other Governmental Funds	<u>\$ 394,028</u>	<u>\$ 372,813</u>	<u>\$ 385,425</u>	<u>\$ 431,982</u>	<u>\$ 427,011</u>	<u>\$ 106,355</u>	<u>\$ (42,437)</u>	<u>\$ 2,878</u>	<u>(75,405)</u>
									<u>\$ (75,405)</u>

Note: GASB requires that ten years of statistical data be presented. However, since the District implemented the new reporting model contained in GASB No. 34 in fiscal year 2003 only nine years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

Beginning with Fiscal Year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". The Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. This Statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Reclassification of prior year fund balance amounts to comply with Statement No. 54 is not required.

CARTERET BOARD OF EDUCATION
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST NINE FISCAL YEARS
(Unaudited)
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues									
Tax Levy	\$ 19,360,105	\$ 19,360,105	\$ 21,451,757	\$ 22,527,113	\$ 23,939,204	\$ 24,509,706	\$ 24,222,149	\$ 23,656,566	\$ 24,017,605
Tuition Charges							15,301	1,951	
Interest Earnings	75,460	40,932	144,274	194,790	296,645	209,339	38,099	10,111	12,058
Miscellaneous	213,522	87,739	226,432	88,501	187,293	332,990	151,063	59,606	49,932
State Sources	20,448,530	22,725,432	23,664,794	24,542,957	26,096,658	28,006,561	28,979,665	28,833,509	30,001,632
Federal Sources	1,473,517	1,571,929	2,161,005	2,578,722	2,227,814	2,303,936	2,090,478	7,372,679	2,067,011
Total Revenue	41,571,134	43,786,137	47,648,262	49,932,083	52,747,614	55,362,532	55,496,755	59,934,422	56,148,238
Expenditures									
Instruction									
Regular Instruction	18,238,090	19,203,417	21,343,704	22,133,037	22,178,555	23,879,526	23,320,699	22,997,596	22,648,334
Special Education Instruction	5,514,535	7,141,834	7,401,844	7,993,088	8,748,117	9,359,385	10,052,646	10,855,343	10,600,450
Other Special Instruction	678,310	949,280	947,614	1,346,049	1,596,398	1,948,182	1,559,805	1,669,060	1,710,052
Vocational Education	114,711								
Other Instruction	533,598	538,414	657,291	603,414	562,384	642,172	651,430	632,446	275,686
Support Services:									
Student & Inst. Related Services	5,101,228	4,141,596	4,669,003	5,271,956	5,194,801	5,652,124	6,681,110	6,315,716	5,872,941
General Administration	1,126,330	868,408	845,714	1,165,585	1,173,022	923,497	1,331,764	1,050,796	1,183,917
School Administration Services	2,393,735	2,883,915	2,290,204	3,058,834	2,937,710	2,640,974	2,742,441	2,715,824	3,332,874
Central Services			578,255	831,465	811,019	994,256	1,017,364	1,492,129	1,473,137
Plant Operations And Maintenance	3,264,679	3,523,203	3,444,799	4,013,727	4,169,346	5,169,665	4,874,332	5,098,166	5,157,294
Pupil Transportation	2,037,136	2,081,693	2,047,414	2,221,043	2,232,340	2,283,686	2,268,099	2,269,410	2,121,101
Other Support Services	475,594	406,394							
Special Schools	82,525	50,784	114,364	9,026					
Capital Outlay	237,700	31,100	36,039	185,390	240,093	812,343	2,007,051	325,644	946,155
Debt Service:									
Principal	460,000	875,000	1,129,848	1,138,671	1,070,556	1,100,000	1,205,101	1,469,899	1,110,000
Interest And Other Charges	1,175,606	1,267,635	1,272,638	1,952,926	1,080,844	1,013,064	982,437	934,395	769,394
Total Expenditures	41,433,777	43,962,673	46,778,731	51,924,211	51,995,185	56,418,874	58,694,279	57,826,424	57,201,335
Excess (Deficiency) Of Revenues									
Over (Under) Expenditures	137,357	(176,536)	869,531	(1,992,128)	752,429	(1,056,342)	(3,197,524)	2,107,998	(1,053,097)
Other Financing Sources (Uses)									
Proceeds From Borrowing	(2,440,187)								
Capital Leases (Non-Budgeted)	68,078								
Lease Purchase Proceeds							750,000		
Proceeds From Refunding	2,455,116			8,925,908				9,375,000	
Payments To Escrow Agent				(8,160,000)				(9,415,000)	
Costs of Issuance								(271,207)	
Advance to Escrow Agent								(80,444)	
Discount of Issuance of Refunding Bonds								(8,349)	
Transfers In	7,737	251,962					4,356		
Transfers Out	(7,737)	(251,962)		(32,566)					
Total Other Financing Sources (Uses)	83,007	-	-	733,342	-	-	754,356	(400,000)	-
Net Change In Fund Balances	\$ 220,364	\$ (176,536)	\$ 869,531	\$ (1,258,786)	\$ 752,429	\$ (1,056,342)	\$ (2,443,168)	\$ 1,707,998	\$ (1,053,097)
Debt Service As A Percentage Of									
Noncapital Expenditures	3.97%	4.88%	5.14%	5.98%	4.16%	3.80%	3.86%	4.18%	3.34%

* Noncapital expenditures are total expenditures less capital outlay.

Note:

GASB requires that ten years of statistical data be presented. However, since the District implemented the new reporting model contained in GASB No. 34 in fiscal year 2003 only nine years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

**CARTERET BOARD OF EDUCATION
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
(Unaudited)**

<u>Fiscal Year Ended June 30,</u>	<u>Interest</u>	<u>Miscellaneous</u>	<u>Tuition</u>	<u>Total</u>
2002	\$ 49,715	\$ 150,803		\$ 200,518
2003	64,266	202,213		266,479
2004	34,153	81,365		115,518
2005	131,662	226,432		358,094
2006	174,800	88,501		263,301
2007	262,535	187,293		449,828
2008	181,791	69,008		250,799
2009	37,593	146,133	\$ 15,301	199,027
2010	10,111	59,606	1,951	71,668
2011	12,058	49,932		61,990

Source: District Records

CARTERET BOARD OF EDUCATION
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN YEARS
 (Unaudited)

Fiscal Year Ended June 30,	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate ^a
2002	\$ 21,370,800	\$ 594,421,300	\$ 114,983,300	\$ 200,192,500	\$ 15,446,500	\$ 946,414,400	\$ 3,027,727	\$ 949,442,127	\$ 1,146,955,383	\$ 1.923
2003	21,819,600	597,331,500	114,375,700	212,071,300	15,446,500	961,044,600	2,973,923	964,018,523	1,303,872,886	2.009
2004	21,561,800	600,940,300	114,999,600	217,499,700	15,819,900	970,821,300	2,362,794	973,184,094	1,529,566,342	2.097
2005	21,955,400	603,317,100	114,400,500	220,093,000	15,630,300	975,396,300	2,098,046	977,494,346	1,659,019,596	2.251
2006	22,168,900	605,320,400	113,561,500	221,273,300	15,817,400	978,141,500	1,726,647	979,868,147	2,024,939,340	2.374
2007	22,441,250	607,248,124	109,199,400	216,767,200	21,308,700	976,964,674	1,406,309	978,370,983	2,373,534,650	2.476
2008	25,150,284	610,980,074	94,168,400	243,790,100	22,981,200	997,070,058	1,442,234	998,512,292	2,564,232,902	2.441
2009	26,879,984	612,201,449	83,727,730	251,598,400	38,364,800	1,012,772,363	1,403,830	1,014,176,193	2,700,868,690	2.361
2010	24,380,384	613,251,449	109,754,030	230,831,700	50,077,300	1,028,294,863	1,364,342	1,029,659,205	2,765,720,450	2.315
2011	33,703,784	613,319,324	113,732,600	214,466,430	44,021,500	1,019,243,638	1,330,124	1,020,573,762	2,589,228,214	2.363

Source: County Abstract of Rates

^a Tax rates are per \$100

CARTERET BOARD OF EDUCATION
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
(Unaudited)
(rate per \$100 of assessed value)

Assessment Year	Total Direct School Tax Rate	Overlapping Rates					Total Direct and Overlapping Tax Rate
		<u>Carteret Municipality</u>	<u>Municipal Open Space</u>	<u>Municipal Library</u>	<u>County</u>	<u>Open Space</u>	
2002	\$1.923	\$1.307			\$0.45	\$0.037	\$3.72
2003	2.009	1.439			0.480	0.042	3.97
2004	2.097	1.431			0.524	0.048	4.10
2005	2.251	1.590	\$0.03		0.496	0.053	4.39
2006	2.374	1.590	0.030		0.561	0.065	4.62
2007	2.476	1.756	0.030		0.633	0.075	4.97
2008	2.441	1.853	0.030		0.670	0.079	5.07
2009	2.361	1.949	0.029		0.740	0.084	5.163
2010	2.315	1.987	0.030		0.760	0.055	5.147
2011	2.363	1.984	0.030	\$ 0.085	0.798	0.079	5.339

Source: The Borough Tax Duplicate

CARTERET BOARD OF EDUCATION
 PRINCIPAL PROPERTY TAXPAYERS,
 CURRENT YEAR AND NINE YEARS AGO
 (Unaudited)

		2011			2002		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	
GATX/Kinder Morgan	\$ 57,500,000	1	5.63%	\$ 57,500,000	1	6.06%	
KTR Carteret LLC	31,000,000	2	3.04%	33,809,900	2	3.56%	
Federal Blvd LLC	25,584,700	3	2.51%	14,004,700	3	1.48%	
Carteret Investors-Bristol Station	15,373,800	4	1.51%	12,727,900	4	1.34%	
Keystone	12,727,900	5	1.25%	9,888,700	5	1.04%	
Meridian II LLC	12,494,000	6	1.22%	9,738,200	6	1.03%	
Verizon	9,105,200	7	0.89%	9,019,200	7	0.95%	
2 Germak Dr LLC	9,019,200	8	0.88%	8,672,800	8	0.91%	
Cyprus Amax	8,815,300	9	0.86%	7,773,400	9	0.82%	
Riveroak/Cofinance-Carteret, LLC	7,773,400	10	0.76%	7,323,600	10	0.77%	
Carteret Terrace	7,337,200	11	0.72%	6,308,400	11	0.66%	
AMB US Logistics Fund LP	7,323,600	12	0.72%	5,900,800	12	0.62%	
Cyprus Amax c/o G S Paper	6,399,400	13	0.63%	5,892,200	13	0.62%	
JLJ Associates	6,100,000	14	0.60%	5,553,600	14	0.58%	
BP Products North America	5,408,000	15	0.53%	5,408,000	15	0.57%	
Titan-PDC	4,896,600	16	0.48%	4,885,500	16	0.51%	
60 Minue Association	4,885,500	17	0.48%	4,588,200	17	0.48%	
New Carsun Hills	4,855,200	18	0.48%	4,473,000	18	0.47%	
Woodbridge Roosevelt Corp	4,473,000	19	0.44%	4,468,700	19	0.47%	
E Duie Pyle Inc	4,468,700	20	0.44%	4,300,000	20	0.45%	
Total	\$ 245,540,700		24.06%	\$ 222,236,800		23.41%	

Source: Municipal Tax Assessor

**CARTERET BOARD OF EDUCATION
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2002	\$ 17,148,823	\$ 17,148,823	100.00%	N/A
2003	19,360,105	19,360,105	100.00%	N/A
2004	19,360,105	19,360,105	100.00%	N/A
2005	21,451,757	21,451,757	100.00%	N/A
2006	22,527,113	22,527,113	100.00%	N/A
2007	23,939,204	23,939,204	100.00%	N/A
2008	24,509,706	24,509,706	100.00%	N/A
2009	24,222,149	24,222,149	100.00%	N/A
2010	23,656,566	23,656,566	100.00%	N/A
2011	24,017,605	24,017,605	100.00%	N/A

**CARTERET BOARD OF EDUCATION
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST SEVEN FISCAL YEARS
(Unaudited)**

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities			Population	Per Capita
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District			
2005	\$ 2,265,000	\$ 21,845,000	\$ 219,227	N/A	N/A	\$ 24,329,227	21,243	\$ 1,145	
2006	2,170,000	21,810,000	35,556	N/A	N/A	24,015,556	21,173	1,134	
2007	2,070,000	20,875,000	N/A	N/A	N/A	22,945,000	21,964	1,045	
2008	1,965,000	19,880,000	N/A	N/A	N/A	21,845,000	22,473	972	
2009	1,860,000	18,850,000	679,899	N/A	N/A	21,389,899	23,242	920	
2010	1,745,000	18,135,000	N/A	N/A	N/A	19,880,000	23,776	836	
2011	1,625,000	17,145,000	N/A	N/A	N/A	18,770,000	23,776 (A)	789	

Source: District records
N/A : Not Applicable

(A) -Estimated

Note:

GASB requires that ten years of statistical data be presented. As a result of the implementation of GASB No. 44 in fiscal year 2005 only seven years of information is available. Each year thereafter, an additional year's data will be included until ten years of data is present.

CARTERET BOARD OF EDUCATION
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST SEVEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions			
2005	\$ 2,265,000		\$ 2,265,000	0.23%	\$ 107
2006	2,170,000		2,170,000	0.22%	102
2007	2,070,000		2,070,000	0.21%	94
2008	1,965,000		1,965,000	0.20%	87
2009	1,860,000		1,860,000	0.18%	80
2010	1,745,000		1,745,000	0.17%	73
2011	1,625,000		1,625,000	0.16%	68

Source: District records

Notes:

a See Exhibit J-6 for property tax data.

b See Exhibit J-14 for population data.

Note:

GASB requires that ten years of statistical data be presented. As a result of the implementation of GASB No. 44 in fiscal year 2005 only seven years of information is available. Each year thereafter, an additional year's data will be included until ten years of data is present.

**CARTERET BOARD OF EDUCATION
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
FOR YEAR ENDED DECEMBER 31, 2010
(Unaudited)**

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
MUNICIPAL DEBT: (1)			
Borough of Carteret	\$ 31,687,106	\$ 5,405,000	\$ 26,282,106
Carteret Board of Education	<u>1,745,000</u>	<u>1,745,000</u>	<u>-</u>
	<u>\$ 33,432,106</u>	<u>\$ 7,150,000</u>	<u>26,282,106</u>
OVERLAPPING DEBT APPORTIONED TO THE MUNICIPALITY			
Middlesex County			
County of Middlesex (A)			16,294,920
Middlesex County Utilities Authority (A)			<u>7,738,730</u>
			<u>24,033,650</u>
Total Direct and Overlapping Bonded Debt			<u>\$ 50,315,756</u>

SOURCE:

(1) Borough of Carteret 2010 Annual Debt Statement

(A) The debt information for this entity was obtained from the Middlesex County Treasurer's office and was apportioned to the Borough of Carteret by dividing the municipality's 2010 equalized value by the total 2010 equalized value for Middlesex County.

Source: Borough of Carteret Chief Financial Officer and Middlesex County Treasurer's Office.

**CARTERET BOARD OF EDUCATION
LEGAL DEBT MARGIN INFORMATION
LAST SEVEN FISCAL YEARS
(Unaudited)**

Legal Debt Margin Calculation for Fiscal Year 2011

Equalized Valuation Basis		
2010		\$ 2,608,561,296
2009		2,723,970,853
2008		<u>2,655,313,071</u>
	[A]	<u>\$ 7,987,845,220</u>
 Average Equalized Valuation of Taxable Property	 [A/3]	 \$ 2,662,615,073
Debt Limit (4.0% of average equalization value)	[B]	106,504,603
Total Net Debt Applicable to Limit	[C]	-
Legal debt margin	[B-C]	<u>\$ 106,504,603</u>

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Fiscal Year 2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt Limit	\$ 58,425,701	\$ 68,592,381	\$ 80,484,933	\$ 91,130,091	\$ 99,658,291	\$ 104,338,196	\$ 106,504,603
Total Net Debt Applicable to Limit	-	-	-	-	-	-	-
Legal Debt Margin	<u>\$ 58,425,701</u>	<u>\$ 68,592,381</u>	<u>\$ 80,484,933</u>	<u>\$ 91,130,091</u>	<u>\$ 99,658,291</u>	<u>\$ 104,338,196</u>	<u>\$ 106,504,603</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Annual Debt Statements

Note:
GASB requires that ten years of statistical data be presented. As a result of the implementation of GASB No. 44 in fiscal year 2005 only seven years of information is available. Each year thereafter, an additional year's data will be included until ten years of data is present.

**CARTERET BOARD OF EDUCATION
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)**

Year	Population	County Per Capita Personal Income	Unemployment Rate
2002	21,306	\$ 38,572	7.10%
2003	21,328	39,039	7.00%
2004	21,303	40,048	5.90%
2005	21,243	41,308	8.20%
2006	21,173	44,823	8.30%
2007	21,964	47,540	7.30%
2008	22,473	49,076	9.70%
2009	23,242	47,392	14.80%
2010	23,776	Not Available	14.80%
2011	23,776 (A)	Not Available	Not Available

(A) - Estimated

Source: New Jersey State Department of Education

CARTERET BOARD OF EDUCATION
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(Unaudited)

<u>Function/Program</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Instruction										
Regular	228.00	229.13	238.13	253.00	271.95	237.00	272.00	278.20	275.20	242.00
Special education	54.00	51.87	52.87	55.00	58.05	47.00	15.00	15.80	15.80	50.00
Other special education	23.00	25.00	24.00	21.00	22.00	36.00	45.00	47.00	46.00	27.00
Adult/continuing education programs	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00		
Support Services:										
Student & instruction related services	49.00	49.80	49.80	49.00	47.00	43.00	48.00	51.00	51.00	54.00
General administration	4.00	4.00	4.00	5.00	4.00	2.00	4.00	4.00	4.00	4.00
School administrative services	24.00	25.00	25.00	25.00	28.00	28.00	23.00	24.00	25.00	23.00
Other administrative services	3.00	3.20	3.20	3.00	5.00	2.00	-			
Central services	6.00	6.00	6.00	6.00	5.00	5.00	5.00	6.00	5.00	5.00
Administrative Information Technology	1.00	1.00	1.00	2.00	3.00	3.00	5.00	5.00	5.00	4.00
Plant operations and maintenance	31.00	32.00	32.00	33.00	36.00	33.00	33.00	35.00	35.00	32.00
Total	424.00	428.00	437.00	453.00	481.00	437.00	451.00	467.00	462.00	441.00

Source: District Personnel Records

CARTERET BOARD OF EDUCATION
OPERATING STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Enrollment ^a	Operating Expenditures ^b	Cost Per Pupil ^c	Percentage Change	Teaching Staff	Pupil/Teacher Ratio				Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	Senior High School					
2002	3,637	\$ 36,882,416	\$ 10,141	-4.67%	323	15.0:1	12.8:1	13.3:1	3,637	3,395	7.51%	93.35%	
2003	3,747	39,638,381	10,579	4.32%	336	13.68:1	12.3:1	11.25:1	3,746	3,495	3.00%	93.30%	
2004	3,925	41,787,056	10,646	0.64%	343	14.0:1	12.4:1	11.2:1	3,939	3,738	5.15%	94.90%	
2005	3,892	44,591,943	11,457	7.62%	342	17.0:1	13.0:1	12.0:1	3,892	3,630	-1.19%	93.27%	
2006	4,000	48,647,224	12,162	6.15%	368	12.2:1	12.9:1	11.8:1	3,821	3,536	-1.82%	92.54%	
2007	3,944	49,879,762	12,647	3.99%	321	10.7:1	11.2:1	11.4:1	3,925	3,615	2.72%	92.10%	
2008	3,959	53,493,467	13,512	6.84%	330	11.6:1	11.9:1	12.1:1	3,805	3,544	-3.06%	93.14%	
2009	3,958	54,499,690	13,770	1.91%	323	8.78:1	10.2:1	10.35:1	3,822	3,621	0.45%	94.74%	
2010	3,985	55,056,486	13,826	0.41%	321	8.69:1	10.2:1	10.35:1	3,824	3,653	0.05%	95.53%	
2011	3,902	54,375,786	13,935	0.79%	322	8.78:1	10.2:1	10.35:1	3,794	3,612	-0.78%	95.20%	

Sources: District records

- Note: a Enrollment based on annual October district count.
 b Operating expenditures equal total expenditures less debt service and capital outlay.
 c Cost per pupil represents operating expenditures divided by enrollment.

CARTERET BOARD OF EDUCATION
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<u>District Building</u>										
<u>Elementary</u>										
<u>Columbus School</u>										
Square Feet	51,539	51,539	51,539	51,539	51,539	51,539	51,539	51,539	51,539	51,539
Capacity (students)	526	526	526	526	526	526	526	526	526	526
Enrollment	704	719	714	690	676	701	669	669	658	658
<u>Minue School</u>										
Square Feet	69,705	69,705	69,705	69,705	69,705	69,705	69,705	69,705	69,705	69,705
Capacity (students)	457	457	457	457	457	457	457	457	457	457
Enrollment	641	674	681	653	654	650	677	677	677	677
<u>Nathan Hale School (Reopened Sept. 2001)</u>										
Square Feet	57,858	57,858	57,858	57,858	57,858	57,858	57,858	57,858	57,858	57,858
Capacity (students)	525	525	525	525	525	525	525	525	525	525
Enrollment	474	523	567	578	587	574	560	560	525	525
<u>Middle School</u>										
Square Feet	78,595	78,595	78,595	78,595	78,595	78,595	78,595	78,595	78,595	78,595
Capacity (students)	544	544	544	544	544	544	544	544	544	544
Enrollment	803	891	929	969	887	854	869	869	912	912
<u>High School</u>										
Square Feet	157,745	157,745	157,745	157,745	157,745	157,745	157,745	157,745	157,745	157,745
Capacity (students)	765	765	765	765	765	765	765	765	765	765
Enrollment	912	957	964	1,030	1,086	1,081	1,112	1,112	1,048	1,048
<u>Other</u>										
Square Feet - Stadium	10,104	10,104	10,104	10,104	10,104	10,104	10,104	10,104	10,104	10,104
Square Feet - Administration Building	17,248	17,248	17,248	17,248	17,248	17,248	17,248	17,248	17,248	17,248
Number of Schools at June 30, 2011										
Elementary =	3									
Middle School =	1									
Senior High School =	1									
Other =	0									

Source: District Facilities Office
Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of and additions. Enrollment is based on the annual October district count.

CARTERET BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN YEARS
(Unaudited)

UNDISTRIBUTED EXPENDITURES -
REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
11-000-261-XXX

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
*School Facilities										
Columbus School	\$ 145,084	\$ 104,929	\$ 68,763	\$ 80,647	\$ 76,875	\$ 145,403	\$ 107,618	\$ 210,510	\$ 187,683	\$ 111,866
Nicholas Minnie School	79,491	86,405	43,121	70,528	85,132	102,061	75,539	171,405	162,875	144,995
Nathan Hale School	74,028	67,129	17,149	99,325	80,555	113,281	83,843	134,400	71,126	164,972
Middle School	106,922	89,880	45,194	146,871	142,046	159,127	117,775	190,375	239,413	141,080
High School	326,900	246,945	565,085	374,947	470,417	352,309	797,713	375,812	468,735	435,297
Total School Facilities	732,425	595,288	739,312	772,318	855,025	872,181	1,182,488	1,082,502	1,129,832	998,210
Other Facilities	35,743	131,336	100,261	83,343	123,317	217,614	318,790	219,633	126,200	114,282
Grand Total	\$ 768,168	\$ 726,624	\$ 839,573	\$ 855,661	\$ 978,342	\$ 1,089,795	\$ 1,501,278	\$ 1,302,135	\$ 1,256,032	\$ 1,112,492

Source: District Records

**CARTERET BOARD OF EDUCATION
SCHEDULE OF INSURANCE
JUNE 30, 2011
(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
Property		
Blanket Building and Contents	\$ 85,391,011	\$ 5,000
Electronic Data Processing Equipment	2,000,000	1,000
Equipment Breakdown/Boiler & Machinery	100,000,000	5,000
General Liability		
Each Occurrence	11,000,000	
Medical Expense (Any one person)	10,000	
Personal & ADV injury	11,000,000	
Products - Comp/op Agg	11,000,000	
Vehicle Liability (Any Auto)		
Combined Single Limit	11,000,000	
Persona Injury PROT	250,000	
Surety Bonds	1,000,000	
UNCSL	1,000,000	
Vehicle Physical Damage		
Collision		1,000
Other Than Collision		1,000
Workers Compensation & Employers Liability		
E.L. Each Accident	2,000,000	
E.L. Disease - Each Employee	2,000,000	
E.L. Disease - Policy Limit	2,000,000	
Surety Bonds		
Business Administrator	300,000	
Treasurer of School Monies	300,000	
School Board Legal (Crime Coverage Included)		
Legal Liability	11,000,000	5,000

Source: District's records

SINGLE AUDIT SECTION

LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-1

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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EDWARD N. KERE, CPA

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

Honorable President and Members
of the Board of Trustees
Carteret Board of Education
Carteret, New Jersey

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Carteret Board of Education as of and for the fiscal year ended June 30, 2011, which collectively comprise the Carteret Board of Education's basic financial statements and have issued our report thereon dated September 20, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

Management of the Carteret Board of Education is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Carteret Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Carteret Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Carteret Board of Education'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 Carteret Board of Education's financial statements will not be prevented, or detected and corrected on a timely basis.

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 over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

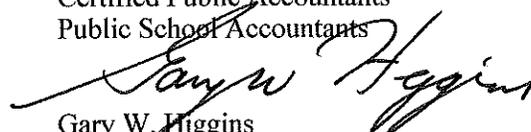
As part of obtaining reasonable assurance about whether the Carteret Board of Education’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct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

We noted certain matters that we have reported to management of the Carteret Board of Education in a separate report entitled, “Auditors’ Management Report on Administrative Findings – Financial, Compliance and Performance” dated September 20, 2011.

This report is intended solely for the information and use of management, the Board of Trustees, others within the District, the New Jersey State Department of Education and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants



Gary W. Higgins
Public School Accountant
PSA Number CS00814

Fair Lawn, New Jersey
September 20, 2011

LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-2

CERTIFIED PUBLIC ACCOUNTANTS
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EDWARD N. KERE, CPA

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04

Independent Auditor's Report

Honorable President and Members
of the Board of Trustees
Carteret Board of Education
Carteret, New Jersey

Compliance

We have audited the Carteret Board of Education's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the New Jersey OMB Circular 04-04 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of Carteret Board of Education's major federal and state programs for the fiscal year ended June 30, 2011. Carteret Board of Education's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirement of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Carteret Board of Education's management. Our responsibility is to express an opinion on Carteret Board of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards and circulars require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about Carteret Board of Education's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Carteret Board of Education's compliance with those requirements.

In our opinion, Carteret Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04 and which are described in the accompanying schedule of findings and questioned costs as items 2011-1 and 2011-2.

Internal Control Over Compliance

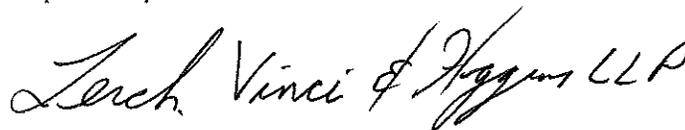
Management of Carteret Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered Carteret Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board'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 federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected on a timely basis.

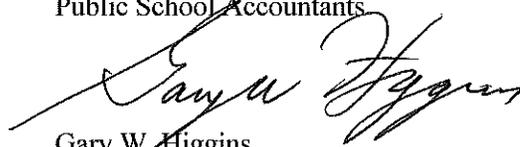
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did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

The Board of Education's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Board of Education's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Board of Trustees, others within the District, the New Jersey State Department of Education and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



LERCH, VINCI & HIGGINS, LLP
 Certified Public Accountants
 Public School Accountants



Gary W. Higgins
 Public School Accountant
 PSA Number CS00814

Fair Lawn, New Jersey
 September 20, 2011

CARTERET BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance July 1, 2010	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustments Receivables- Carryovers	Refund of Prior Years' Balances	June 30, 2011		MEMO GAAP Receivable
											Accounts Receivable	Deferred Revenue	
U.S. Department of Education Passed-through State Department of Education													
Enterprise Fund													
National School Lunch Program	10.555	N/A	7/1/09-6/30/10	\$ 870,650	\$ (76,204)		\$ 76,204						\$ (70,326)
Cash Assistance		N/A	7/1/10-6/30/11	880,281		809,955	\$ 880,281						
Non-Cash Assistance (Food Distribution)		N/A	7/1/09-6/30/10	87,731	13,793		13,793						
Non-Cash Assistance (Food Distribution)		N/A	7/1/10-6/30/11	81,150		81,150	79,111		\$ 2,039				
National School Breakfast Program	10.553	N/A	7/1/09-6/30/10	74,489	(7,108)		7,108						(7,862)
National School Breakfast Program	10.553	N/A	7/1/10-6/30/11	89,435		81,573	89,435		(7,862)				
After School Snack Program	10.555	N/A	7/1/09-6/30/10	26,816	(1,801)		1,801						(1,608)
After School Snack Program	10.555	N/A	7/1/10-6/30/11	34,152		34,152	34,152		(1,608)				
Fresh Fruits and Vegetable Program	10.582	N/A	7/1/09-6/30/10	42,931	(9,391)		9,391						(3,801)
Fresh Fruits and Vegetable Program	10.582	N/A	7/1/10-6/30/11	27,333		23,532	27,333		(3,801)				
Total U.S. Department of Agriculture				(80,711)		1,123,258	1,124,105		(83,597)		2,039		(83,597)
Special Revenue Fund													
Title I	84.010A	NCLB-0750-11	9/01/10-8/31/11	615,255		86,188	223,532	559,192	\$ (31,070)			142,251	(279,338)
Title I C/O	84.010A	NCLB-0750-10	9/01/09-8/31/10	588,194	(260,282)	(86,188)	408,410	93,010	51,070				
Title I Part A - ARRA	84.389	NCLB-0750-10	9/01/09-8/31/11	367,229	(57,414)		119,406	64,495				6	(2,503)
Title I - School Improvements C/O	84.377A	NCLB-0750-08	9/01/07-8/31/08	1,760	2,160							2,160	
Title II A	84.367A	NCLB-0750-11	9/01/10-8/31/11	190,356		38,183	64,412	124,386	(14,230)			104,153	(32,842)
Title II A C/O	84.367A	NCLB-0750-10	9/01/09-8/31/10	186,400	(61,009)	(38,183)	124,537	39,575	14,230				
Title II D	84.318X	NCLB-0750-11	9/01/10-8/31/11	1,472		974	353	2,446	(1,336)				(2,455)
Title II D C/O	84.318X	NCLB-0750-10	9/01/09-8/31/10	5,953	(1,139)	(974)	2,037	1,260	1,336				
Title III	84.365A	NCLB-0750-11	9/01/10-8/31/11	60,151		6,062	38,626	38,581	(7,058)			27,632	
Title III C/O	84.365A	NCLB-0750-10	9/01/09-8/31/10	45,207	(8,065)	(6,062)	23,535	16,466	7,058				
Title III - Immigrant	84.365A	NCLB-0750-11	9/01/10-8/31/11	25,069			17,090					7,979	(14,680)
Title IV C/O	84.186A	NCLB-0750-10	9/01/09-8/31/10	12,402	(6,488)		11,246	4,763	(5)				(5)

Continued

CARTERET BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance July 1, 2010	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustments Receivables- Carryovers	Refund of Prior Years' Balances	Accounts Receivable	June 30, 2011		MEMO GAAP Receivable
											Deferred Revenue	Due to Grantor	
	Special Revenue Fund (Cont.)												
84.027	IDEA-0750-11	9/01/10-8/31/11	\$ 891,843	\$	\$ 92,848	\$ 712,120	\$ 810,307	\$ (142,136)		\$ (321,859)	\$ 174,384	\$	\$ (110,395)
84.027	IDEA-0750-10	9/01/09-8/31/10	877,196	(228,341)	(92,848)	179,053		142,136					
84.391	IDEA-0750-10	9/01/09-8/31/11	1,079,930	(188,223)		211,570	78,232			(122,507)	67,622		(52,384)
84.173	I.D.E.A. - Preschool	9/01/10-8/31/11	29,164		5,403	7,869	29,092	(10,806)		(32,101)	5,475		(26,626)
84.173	I.D.E.A. - Preschool C/O	9/01/09-8/31/10	27,495	(27,495)	(5,403)	22,092		10,806					
84.392	I.D.E.A. - Preschool - ARRA	9/01/09-8/31/10	38,834	(6,391)		6,391							
84.357A	Reading First	7/1/09-6/30/10	176,808	(35,349)		66,289	53,824			(22,884)			(22,884)
84.357A	Reading First	7/1/08-6/30/09	298,688	(18,960)		31,937	12,997						
	Total U.S. Department of Education			(896,996)		2,253,455	1,945,716			(1,120,919)	\$ 531,662		(544,112)
	General Fund												
93.778	Medicaid Reimbursement	7/1/10-6/30/11	84,100			84,100	84,100						
97.036	FEMA Reimbursement	N/A	14,466			14,466	14,466						
	Total General Fund					98,566	98,566						
	Total			(977,707)		\$ 3,475,279	\$ 3,168,387			\$ (1,204,516)	\$ 533,701		\$ (627,709)

See Accompanying Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance

CARTERET BOARD OF EDUCATION
SCHEDULE OF EXPENDITURE OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, July 1, 2010		June 30, 2011		MEMO							
				(Accounts Receivable)	Deferred Revenue	Due to Grantor	Cash Received	Budgetary Expenditures	Refund of Prior Years' Balances	Accounts Receivable	Deferred Revenue	Due to Grantor	GAAP Receivable	Cumulative Total Expenditures	
General Fund															
State Department of Education															
Equalization Aid	10-495-034-5120-078	7/1/09-6/30/10	\$ 18,577,912	\$ (2,235,514)		\$	2,235,514								
Equalization Aid	11-495-034-5120-078	7/1/10-6/30/11	21,787,221			19,463,774	\$ (2,123,447)	21,787,221						\$ 21,787,221	
Transportation Aid	10-495-034-5120-014	7/1/09-6/30/10	328,338	(32,487)		32,487									
Transportation Aid	11-100-034-5120-014	7/1/09-6/30/11	712,982	(712,982)		712,982									
Extraordinary Aid	11-100-034-5120-473	7/1/10-6/30/11	1,035,038	(209,476)		209,476		1,035,038						1,035,038	
Special Education - Categorical Aid	10-495-034-5120-089	7/1/09-6/30/10	2,124,794			1,917,705	(207,089)	2,124,794						2,124,794	
Special Education - Categorical Aid	11-495-034-5120-089	7/1/10-6/30/11	1,211,277	(119,450)		119,450									
Security Aid	10-495-034-5120-084	7/1/09-6/30/10	621			310		621						621	
TPAF Wage Freeze Grant	N/A	7/1/10-6/30/11	1,512,727			1,512,727	(311)							1,512,727	
TPAF Post Retirement Medical Contribution	11-495-034-5095-001	7/1/10-6/30/11	71,221			71,221								71,221	
TPAF Pension Contribution - NCGI	11-495-034-5095-007	7/1/10-6/30/11	1,828,097	(84,915)		84,915									
Reimbursed TPAF Social Security Contr.	10-495-034-5095-002	7/1/09-6/30/10	1,744,384			1,659,424	(84,960)	1,744,384						1,744,384	
Reimbursed TPAF Social Security Contr.	11-495-034-5095-002	7/1/10-6/30/11	13,812	(13,812)		13,812									
Add'l Nonpublic School Transportation Costs	N/A	7/1/10-6/30/11	18,618				(18,618)	18,618						18,618	
Add'l Nonpublic School Transportation Costs	N/A	7/1/09-6/30/10													
Total General Fund				(3,408,816)		28,233,977	(3,469,463)	28,294,624						28,294,624	
Special Revenue Fund															
Charter Education	06-495-034-5120-063	7/1/05-6/30/06	10,078												
Charter Education	10-495-034-5120-063	7/1/09-6/30/10	754,460	(75,405)	\$ 561	75,405	\$ 561	1,633						1,633	
Preschool Education Aid	11-495-034-5120-086	7/1/10-6/30/11	754,050		1,633	678,845	(75,405)	734,618						734,618	
School Based Youth Services (DYFS)	SB10036	7/1/09-6/30/10	270,478		\$ 1,817	270,478									
School Based Youth Services (DYFS)	SB10036	7/1/10-6/30/11	270,478			270,478		270,478						270,478	
N.J. Nonpublic Aid:															
Textbook Aid	11-100-034-5120-064	7/1/10-6/30/11	11,368			11,368		11,368						11,368	
Nursing	11-100-034-5120-070	7/1/10-6/30/11	13,470			13,470		13,470						13,470	
Auxiliary Services:															
Compensatory Education	11-100-034-5120-067	7/1/10-6/30/11	54,925			54,925		54,925						54,925	
English as a Second Language	11-100-034-5120-067	7/1/10-6/30/11	5,123			5,123		5,123						5,123	
Transportation	11-100-034-5120-068	7/1/10-6/30/11	5,487			5,487		5,487						5,487	
Handicapped Services															
Supplementary Instruction	11-100-034-5120-066	7/1/10-6/30/11	7,573			7,573		7,573						7,573	
Examination and Classification	11-100-034-5120-066	7/1/10-6/30/11	17,855			17,855		16,905						16,905	
Corrective Speech	11-100-034-5120-066	7/1/10-6/30/11	19,558			19,558		17,212						17,212	
Total Special Revenue Fund				(75,405)	2,194	1,159,887	(75,405)	1,138,787						1,138,787	
Debt Service Fund															
Debt Service - Type II Aid	11-495-034-5120-017	7/1/10-6/30/11	597,789			597,789		597,789						597,789	
Enterprise Fund															
National School Breakfast Program (State)	10-100-0105-330-021	7/1/09-6/30/10	4,856	(455)		455									
National School Lunch Prog (State Share)	10-100-0105-330-023	7/1/09-6/30/10	33,725	(3,106)		18,724									
National School Lunch Prog (State Share)	11-100-0105-330-023	7/1/10-6/30/11	30,465			30,465	(1,741)	30,465						30,465	
Total Enterprise Fund				(3,563)		22,287	(1,741)	20,465						20,465	
Total State Assistance				(3,487,784)	2,194	30,013,940	(3,546,609)	30,051,665						30,051,665	
Less Amounts Not Subject to Single Audit:															
TPAF Post Retirement Medical Contribution	11-495-034-5095-001	7/1/10-6/30/11	1,512,727					1,512,727							
TPAF Pension Contribution - NCGI	11-495-034-5095-007	7/1/10-6/30/11	71,221					71,221							
Total State Assistance Subject to Single Audit								28,467,717						28,467,717	

See Accompanying Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance

**CARTERET BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 GENERAL

The accompanying schedules present the activity of all federal and state financial assistance programs of the Carteret Board of Education. The Board of Education is defined in Note 1(A) to the Board's basic financial statements. All federal financial assistance received directly from federal agencies, as well as federal awards and state 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 are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Notes 1(C) to the Board'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 have been made.

The general fund is presented in the accompanying schedules on a modified accrual basis with the exception of the revenue recognition of the delayed state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2.. For GAAP purposes, those payments are not recognized until the subsequent year due to the state deferral and recording of certain state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, which may include the delayed state aid payments, whereas the GAAP basis does not. The special revenue fund also recognizes the delayed state aid payments in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is a reduction of \$55,485 for the general fund and an increase of \$48,646 for the special revenue fund. See the 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 Board's basic financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 98,566	\$ 28,239,139	\$ 28,337,705
Special Revenue Fund	1,968,445	1,164,704	3,133,149
Debt Service Fund		597,789	597,789
Food Service Fund	<u>1,112,351</u>	<u>20,465</u>	<u>1,132,816</u>
Total Financial Assistance	<u>\$ 3,179,362</u>	<u>\$ 30,022,097</u>	<u>\$ 33,201,459</u>

**CARTERET BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the District's fiscal year and grant program years.

NOTE 5 OTHER INFORMATION

Revenues and expenditures reported under the National School Lunch Program as non-cash assistance represent current year value received and current year distributions, respectively of the Federal Food Distribution Program. TPAF Social Security contributions in the amount of \$1,744,384 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2011. The amount reported as TPAF Pension System Contributions in the amount of \$71,221 and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$1,512,727 represents the amount paid by the State on behalf of the District for the year ended June 30, 2011.

NOTE 6 ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

On-behalf State Programs for TPAF Pension and Post-Retirement Medical Benefits Contributions payments are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the District's basic financial statements and the amount subject to State single audit and major program determination.

CARTERET BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Part I - Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued on financial statements Unqualified

Internal control over financial reporting:

1) Material weakness(es) identified? yes X no

2) Were significant deficiencies identified that were not considered to be material weaknesses? yes X none reported

Noncompliance material to the basic financial statements noted? yes X no

Federal Awards Section

Internal Control over compliance:

(1) Material weakness(es) identified? yes X no

(2) Were significant deficiencies identified that were not considered to be material weaknesses? yes X none reported

Type of auditor's report issued on compliance for major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of Circular A-133? yes X no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>10.555</u>	<u>National School Lunch Program</u>
<u>84.027</u>	<u>IDEA Basic</u>
<u>84.389</u>	<u>Title I Part - ARRA</u>
<u>84.391</u>	<u>IDEA Basic ARRA</u>
<u>84.173</u>	<u>IDEA Preschool</u>
<u>84.010A</u>	<u>Title I Part A</u>

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? yes X no

**CARTERET BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Part 2 – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

There are none.

**CARTERET BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04.

CURRENT YEAR FEDERAL AWARDS

There are none.

**CARTERET BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04.

CURRENT YEAR STATE AWARDS

Finding 2011-01

The salaries of the Athletic, Special Services and Guidance Directors were misbudgeted and mischarged to Instructional and Other Support Service Functions rather than the School Administration function. The expenditures and related appropriations were reclassified to Support Services General Administration for financial statement presentation purposes.

State program information:

Equalization Aid	495-034-5120-078
Special Education Categorical Aid	495-034-5120-089

Criteria or specific requirement:

State Aid – Public Grant Compliance Supplement (Special Tests and Provisions)

Condition:

The entire salaries of the Athletic, Special Services and Guidance Directors were allocated to Regular Instruction, Child Study Team and Guidance, respectively. However, regulations require any allocation of administrative salaries to other functions be properly supported.

Questioned Costs:

None. Adjustments were made to reclassify budget and expenditure accounts to the proper budget line accounts.

Context:

\$367,343 of administrative salaries were not budgeted and charged to the proper budget line.

Effect:

The District's budget reports may not accurately reflect expenditure classifications in accordance with the Uniform Minimum Chart of Accounts.

Cause:

Certain salary expenditures were not properly budgeted and charged to the proper budget line item accounts in accordance with The Uniform Minimum Chart of Accounts for New Jersey Public Schools.

**CARTERET BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04.

CURRENT YEAR STATE AWARDS (Continued)

Finding 2011-01 (Continued)

Recommendation:

The District should properly budget and charge administrative salaries pursuant to budget guidelines.

Management's Response:

Management has reviewed this finding and has indicated appropriate corrective action will be implemented.

**CARTERET BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04.

CURRENT YEAR STATE AWARDS

Finding 2011-02

The results of our examination indicated payments to a certain vendor for student transportation services, in excess of the statutory threshold, were awarded by solicitation of quotes rather than publicly advertising for bids in accordance with NJSA 18A:18A-4 and 18A:39-3.

State program information:

Equalization Aid	495-034-5120-078
Special Education Categorical Aid	495-034-5120-089

Criteria or specific requirement:

State Aid – Public Grant Compliance Supplement (Special Tests and Provisions)
Public School Contracts Law 18A:18A

Condition:

Payments to a certain vendor for student transportation services which exceeded the bid threshold for transportation contracts of \$17,200 were not publicly advertised for bids.

Questioned Costs:

Undeterminable.

Context:

Payments totaling \$40,523 to a vendor for student transportation services which exceeded the bid threshold for which public bids were not advertised.

Effect:

Noncompliance with Public School Contracts Law.

Cause:

See Finding 2011-02.

Recommendation:

The District seek publicly advertised bids for transportation services when the aggregate costs are in excess of the statutory threshold in accordance with the provisions of NJSA 18A:18A-4 and 18A:39-3.

Management's Response:

Management has reviewed this finding and has indicated appropriate corrective action will be implemented.

**CARTERET BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB Circular A-133 (section .315(a)(b) and New Jersey OMB's Circular 04-04.

STATUS OF PRIOR YEAR FINDINGS

There were none.