

CARTERET
BOARD OF EDUCATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

CARTERET, NEW JERSEY

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

of the

Carteret Board of Education

Carteret, New Jersey

For The Fiscal Year Ended June 30, 2012

**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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October 4, 2012

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 Generally Accepted Accounting Principles (GAAP) in the United States of America 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, 2012.

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, 2012, 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, 2012, 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 auditor's.

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 auditor's 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 adopted a resolution to move the annual school election for school board members to November during the regular general election pursuant to Public Law 2011, Chapter 202. In the first week of January, following the annual school election the Board of Education will be organized. The above legislation provides that if a board of education's annual school election is moved to November, voter approval shall not be required for the board of education's base budget, which is a budget with a proposed tax levy that does not exceed its tax levy cap. This decision shall remain in effect for a minimum of four years pursuant to Section 1 of the said Public Law.

The Board holds 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, 2010	Actual Enrollment October 15, 2011	Projected Enrollment October 15, 2012
Regular Full Time	Pre K – 12	3,427	3,433	3,433
Special Needs Full Time	Pre K – 12	344	310	310
Special Needs Shared Time	Pre K – 12	15	13	13
Out of District Placement, Shared, State Facilities, etc	Pre K – 12	83	82	90
Total Enrollment		3,869	3,838	3,846

** Source Advertised FY2013 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. 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 has constructed a wellness center, which is 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 DFG 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, J. and I The DFG groupings are valuable for comparison of districts with similar profiles for purposes of state aid and assessment information.

MAJOR INITIATIVES

During the FY2012, the Carteret Board of Education has implemented the following to enhance the instructional programs and improvements to infrastructure:

Education & Instruction:

1. A Phenomenal Girl Mentoring Program was implemented at Columbus School, bringing high school female students mentoring fifth grade girls.
2. During the school year, Dr. Solberg presented Autism and Behaviorism Workshops. The workshop effectively trained both Special Education and General Education teachers at Columbus School to work with the autistic population.
3. The Columbus School Discovery Club, sponsored by PES&G, and the United Way, worked with 53 first grade students in an After School Program, targeting Literacy Instruction, Music, Art, and Science Activities. This program also had a parent component.
4. A Safety Ambassador Program, in coordination with Robert Wood Johnson, visited second grade classes at Columbus School to conduct a series of safety workshops for students. The high school nurse facilitated the program, which also involved high school students.
5. Three teachers from each elementary school and Carteret Middle School participated in a TEQ Smart Board Certification Program. These teachers were trained and certified to support teachers and turnkey professional development activities for Smart Board integration in the classroom.
6. All three elementary schools sponsored Read Across America Day, which fostered community involvement, Dare Program and Picnic, Band Concert and Fun Fair.
7. Nathan Hale School sponsored a fifth grade Awards Dinner on June 14, 2012, honoring students who excelled academically.
8. Nathan Hale students participated in several philanthropy projects throughout the school year, namely New Brunswick Women's Shelter – Shoe Box Project, Food Drive, Veterans Show at VFW, Pencil Project for Zambia, Africa and donations to Children's Hospital in New Brunswick.
9. Anti-Bullying Assemblies and workshops were offered at each school to educate students, parents, and staff with regard to the ramifications of bullying and cyber-bullying.
10. Holiday Dinners and Breakfast were offered – over 300 people attended.

11. Parent Workshops such as Family Literacy Nights, Family Math, and Technology Nights were offered in addition to student recognition programs.
12. Barnes and Noble Book Fair was sponsored by Minue School whereby student presents a vocal performance and art exhibits.
13. Red Ribbon Week was celebrated in each school to support drug free lifestyles.
14. Grandparents Day was celebrated at Minue School with a wonderful turnout.
15. September 11th Remembrance was observed at each school.
16. An Earth Day Grocery Bag Project was completed by Minue School students whereby the bags were distributed to patrons of Shop Right.
17. The High School Re-Design Project was in its second year of implementation.
18. The 2012 graduating class earned in excess of \$2,000,000 of college scholarship awards.
19. AP courses were offered in: English, art, U.S. History, Psychology
20. Spanish, Statistics, and Biology.
21. College partnerships were continued with Middlesex County College, Kean University, and Rutgers University (Pre-College Summer Program).
22. The Middle School received the PBSIS grant, which fosters positive behavioral supports..., and a great deal of teacher training and supports.
23. The middle school and high school were recipients of the 21st Century Community Learning Centers Grant in partnership with the Boys and Girls Club and the Arts and Education Center.
24. The School Based Youth Services Grant (Pathways) is housed in Carteret High School and provides services to identified families of high school students.

Technology:

1. The District is installing interactive boards at all schools in phases.
2. The District changed 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).

Facilities:

1. The roof at Columbus school was repalced.
2. The HVAC units (Airedale) were replaced in Columbus, Minus & Middle schools.

3. 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 Carteret High School.

FINANCIAL ACCOUNTING AND REPORTING:

The Carteret Board of Education has updated their Systems 3000, 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 is updated annually. All maintenance and technology work orders are processed utilizing the School Dude software for Maintenance and Technology work-order system. The Special Education Department replaced the Tienet with IEP Direct special needs students' data base software.

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 Generally Accepted Accounting Principles (GAAP) in the United States of America. 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 2012.

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 \$7,690,000 as of June 30, 2012. An additional capital lease was financed in 2000 for various building improvements. This lease was refunded in January 2006. The balance of the the refunded portion of the lease is \$8,155,000 as of June 30, 2012.

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 bonds is \$1,500,000 as of June 30, 2012.

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.

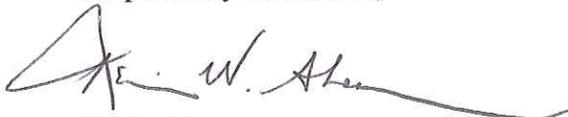
OTHER INFORMATION

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, 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 Amendments of 1996 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 BOARD OF EDUCATION
ROSTER OF OFFICIALS
AS OF JUNE 30, 2012**

Members of the Board of Education

Term Expires
January,

Dennis Cherepski, President

2014

Fred Gerstler, Vice President

2013

William Davis

2013

Andrew Halkovich

2015

Jerome Mitchell

2015

Martin Murray, Sr.

2013

Donna Kenny

2013

Denise SanFilippo

2014

Lydia Singura

2015

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, 2012**

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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, 2012, 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 Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, 2012, and the respective changes in financial position and, where applicable, cash flows, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

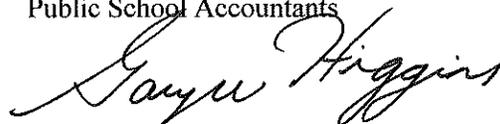
In accordance with Government Auditing Standards, we have also issued our report dated October 4, 2012 on our consideration of the Carteret Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining and individual nonmajor fund financial statements and schedules of expenditures of federal awards and state financial assistance have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules of expenditures of federal awards and state financial assistance are 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

Fair Lawn, New Jersey
October 4, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Carteret Board of Education Carteret, New Jersey

Management's Discussion and Analysis Year Ended June 30, 2012

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, 2012. 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 (2011-2012) and the prior year (2010-2011) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2011-2012 fiscal year include the following:

- The General Fund fund balance on a GAAP basis at June 30, 2012 was \$1,743,276, an increase of \$2,795,531 when compared with the beginning balance at July 1, 2011.
- The General Fund budgetary fund balance at June 30, 2012 was \$5,087,820, which represents an increase of \$2,774,501 when compared to the ending budgetary fund balance of \$2,313,319 at June 30, 2011. The difference in GAAP basis fund balance to budgetary fund balance is \$3,344,544, which represents the delay of certain State aid payments and the 2011-2012 Extraordinary Aid, which were not realized as revenue in the GAAP basis financial statements.
- The General Fund unassigned (unreserved, undesignated) budgetary fund balance was \$98,840 at June 30, 2012. This represents a decrease of \$1,322,060 when compared to the balance of \$1,420,900 as of June 30, 2011.

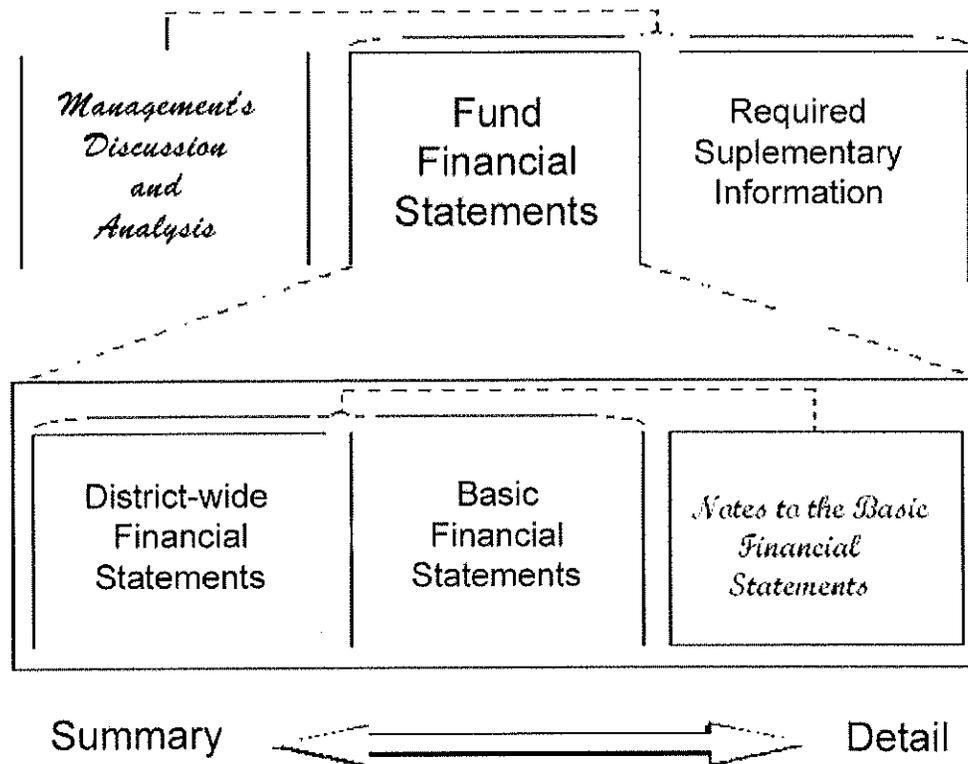
OVERVIEW OF THE FINANCIAL STATEMENTS

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, 2012

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, 2012**

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 there after; 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/out flow 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, 2012**

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, 2012

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, 2012**

FINANCIAL ANALYSIS OF THE CARTERET PUBLIC SCHOOLS AS A WHOLE

Net assets. The District's net assets for governmental and business type activities were \$5,359,411 and \$1,381,200 on June 30, 2012 and 2011, respectively. (See Table A-1)

**Table A-1
Statement of Net Assets
As of June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
	<u>Total</u>	<u>Total</u>
Current and Other Assets	\$ 4,329,226	\$ 1,497,288
Capital Assets	21,950,442	22,402,526
Total Assets	26,279,668	23,899,814
Non-Current Liabilities	18,980,954	20,491,025
Other Liabilities	1,939,303	2,027,589
Total Liabilities	20,920,257	22,518,614
Net Assets:		
Invested In Capital Assets, Net of Related Debt	6,927,334	6,224,184
Restricted	967	12,466
Unrestricted	(1,568,890)	(4,855,450)
Total Net Assets	\$ 5,359,411	\$ 1,381,200

Net assets for the year ended June 30, 2012 increased \$3,978,211 from the balance at June 30, 2011.

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

- Program revenues for Governmental Activities were \$10,460,054 for operating grants and contributions.
- Program revenues for business – type activities
 - ✓ Charges for services \$761,111.
 - ✓ Operating grants and contributions \$1,229,001.
- Combined general revenues for Governmental activities and Business-Type activities during the 2011-2012 school year were \$48,176,823.
- Expenditures were \$54,819,496 for Governmental activities and \$1,829,282 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 \$5,359,411 at June 30, 2012.

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

**Management's Discussion and Analysis (continued)
Year Ended June 30, 2012**

**Table A-2
Changes in Net Assets
For the Fiscal Years Ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Revenues		
Program revenues		
Charges for services	\$ 761,111	\$ 718,762
Operating grants and contributions	11,689,055	10,975,153
General revenues		
Property taxes	24,224,990	24,017,605
Federal and State Aid	23,894,271	22,266,868
Other	57,562	23,840
Total revenues	60,626,989	58,002,228
Expenses		
Instruction		
Regular	23,205,222	22,696,499
Special Education	9,438,977	10,602,262
Other Instruction	1,563,169	1,710,483
School Sponsored Activities and Athletic Support Services	552,312	275,747
Support Services		
Student and Instruction Related Services	5,608,828	5,934,521
General Administration Services	1,422,345	1,252,106
School and Business Administration Services	2,877,577	3,333,887
Plant Operations and Maintenance	5,887,625	5,905,849
Pupil Transportation	2,090,347	2,127,607
Central Services	1,420,159	1,473,443
Interest on Long-Term Debt	752,935	806,968
Food Service	1,683,356	1,923,151
Enrichment Academy	145,926	150,578
Total expenses	56,648,778	58,193,101
Change in net assets	3,978,211	(190,873)
Net Assets, Beginning of Year	1,381,200	1,572,073
Net Assets, End of Year	\$ 5,359,411	\$ 1,381,200

Changes in Net Assets. The district's total revenues were \$60,626,989 and \$58,002,228 in 2012 and 2011, respectively. Property taxes of \$24,224,990 and \$24,017,605 represented 40% and 41% of revenues for the years ended June 30, 2012 and 2011, respectively. The District's state and federal aid of \$35,583,326 and \$33,242,021 represented 59% and 57% of revenues for the years ended June 30, 2012 and 2011, respectively.

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

**Management's Discussion and Analysis (continued)
Year Ended June 30, 2012**

The smallest component of revenues is "Other Revenue." The largest source of "Other Revenue" is miscellaneous and interest income, with \$57,562 and \$23,840 earned in the years ended June 30, 2011 and 2012, respectively.

The Board's expenses for governmental activities are predominantly related to instruction and support services. Instruction totaled \$34,759,680 and \$35,284,991 (61% and 63% of total expenditures for the years ended June 30, 2012 and 2011, respectively). Student support services, exclusive of administration, totaled \$5,608,828 and \$5,934,521 (10% and 11%) of total expenditures for the years ended June 30, 2012 and 2011, 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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Governmental Activities					
Instruction					
Regular	A-2	\$ 23,205,222	\$ 22,696,499	\$ 19,729,077	\$ 19,299,034
Special Education	A-2	9,438,977	10,602,262	4,893,850	6,558,444
Other Instruction	A-2	1,563,169	1,710,483	1,159,359	1,320,403
School Sponsored Activities and Athletics	A-2	552,312	275,747	505,336	256,174
Support Services					
Student and Instruction Related Services	A-2	5,608,828	5,934,521	4,428,455	4,738,998
General Administration Services	A-2	1,422,345	1,252,106	1,338,230	1,177,658
School and Business Administration Services	A-2	2,877,577	3,333,887	2,604,827	3,098,240
Plant Operations and Maintenance	A-2	5,887,625	5,905,849	5,756,987	5,786,219
Pupil Transportation	A-2	2,090,347	2,127,607	2,064,819	2,071,015
Central Services	A-2	1,420,159	1,473,443	1,351,324	1,408,557
Interest on Long-Term Debt	A-2	752,935	806,968	527,178	562,293
Total Governmental Activities		\$ 54,819,496	\$ 56,119,372	\$ 44,359,442	\$ 46,277,035

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

**Management's Discussion and Analysis (continued)
Year Ended June 30, 2012**

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, 2012 and 2011 with its governmental funds reporting combined fund balances (deficit) of \$1,679,897 and \$(1,115,194) as of June 30, 2012 and 2011, respectively.

Revenues for the district's governmental funds were \$58,636,009 and \$56,148,238 for the years ended June 30, 2012 and 2011, respectively. Total expenditures were \$55,841,518 and \$57,201,335 for the years ended June 30, 2012 and 2011.

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, 2012 and 2011.

**Table A-4
Summary of General Fund Revenues
For the Fiscal Years Ended June 30, 2012 and 2011**

General Fund Revenues	<u>2012</u>	<u>2011</u>
Local Sources:		
Local Tax Levy	\$ 22,801,000	\$ 22,801,000
Interest	13,000	12,058
Miscellaneous	44,294	9,370
Total Local Sources	<u>22,858,294</u>	<u>22,822,428</u>
Intergovernmental		
State Sources	29,727,624	28,239,139
Federal Sources	962,466	98,566
Total Intergovernmental Sources	<u>30,690,090</u>	<u>28,337,705</u>
Total Revenues	<u><u>\$ 53,548,384</u></u>	<u><u>\$ 51,160,133</u></u>

Property taxes and state formula aid accounted for 99 percent of total revenues for both the 2012 and 2011 fiscal years. 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, 2012 and 2011.

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

**Management's Discussion and Analysis (continued)
Year Ended June 30, 2012**

**Table A-5
Summary of General Fund Expenditures
For the Fiscal Years Ended June 30, 2012 and 2011**

General Fund Expenditures	<u>2012</u>	<u>2011</u>
Current		
Regular Instruction	\$ 22,067,891	\$ 21,167,819
Special Education	8,671,740	9,938,516
Other Special Instruction	1,297,780	1,439,574
School Sponsored Activities and Athletics	553,960	275,686
Support Services and undistributed Costs:		
Student and Instruction Related Services	4,848,594	5,117,644
School Administration Services	2,888,865	3,332,874
General Administration Services	1,347,669	1,183,917
Plant Operations and Maintenance	5,106,887	5,157,294
Pupil Transportation	2,079,226	2,115,614
Central Services	1,423,942	1,473,137
Capital Outlay	466,299	945,338
Total Governmental Activities	<u>\$ 50,752,853</u>	<u>\$ 52,147,413</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 \$46,865,728 and \$48,819,081 for the years ended June 30, 2012 and 2011, respectively. Revenues (exclusive of on-behalf revenues) were \$49,640,229 and \$47,887,286 for the years ended June 30, 2012 and 2011, respectively.

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

**Management's Discussion and Analysis (continued)
Year Ended June 30, 2012**

DEBT ADMINISTRATION

The amount of debt service expenditures were \$2,119,602 and \$1,879,394 in principal and interest for the years ended June 30, 2012 and 2011, respectively, with \$1,423,990 and \$1,216,605 coming from the local tax levies, and \$684,113 and \$597,789 coming from state aid for the fiscal years ended June 30, 2012 and 2011, respectively.

BUSINESS-TYPE ENTERPRISE FUNDS

The District's total business-type activities revenues were \$1,990,380 and \$1,853,990 for the years ended June 30, 2012 and 2011, respectively. Charges for services accounted for 38% and 39% of total revenue for each year. Operating grants and contributions of \$1,229,001 and \$1,132,816 accounted for 62% and 61% of total revenue, for the years ended June 30, 2012 and 2011, respectively. The balance of the revenues, \$268 and \$2,412 represents federal aid for equipment, interest earnings and miscellaneous income.

The total cost of all business-type activities programs and services was \$1,829,282 and \$2,073,729 for the years ended June 30, 2012 and 2011, 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 revenues exceeded expenses increasing net assets by \$161,098 over the prior year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – Governmental Activities

As of June 30, 2012 and 2011, the district had invested \$36,061,575 and \$35,590,274, respectively, 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, 2012 and 2011 was \$895,861 and \$856,362, respectively.

**Table A-6
Capital Assets - Governmental Activities
as of June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Land	\$ 71,603	\$ 71,603
Buildings and Building Improvements	32,864,092	32,673,461
Improvements other than Buildings	250,700	242,500
Construction in Progress	163,327	
Machinery and Equipment	2,711,853	2,602,710
Total	36,061,575	35,590,274
Less: Accumulated Depreciation	14,394,077	13,498,216
Total	\$ 21,667,498	\$ 22,092,058

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

**Management's Discussion and Analysis (continued)
Year Ended June 30, 2012**

Capital Assets – Business-type Activities

The District had \$584,307 invested in machinery and equipment at both June 30, 2012 and 2011 for its food service fund. Depreciation was \$27,524 and \$21,379 for the years ended June 30, 2012 and 2011, respectively.

**Table A-7
Capital Assets - Business-Type Activities
as of June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Machinery and Equipment	\$ 584,307	\$ 584,307
Less: Accumulated Depreciation	301,363	273,839
Total Net	<u>\$ 282,944</u>	<u>\$ 310,468</u>

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 \$1,500,000 and \$1,625,000 at June 30, 2012 and 2011, 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 \$15,845,000 and \$17,145,000 at June 30, 2012 and 2011, 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 \$2,141,009 and \$2,298,551 in 2012 and 2011, 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-8
Long Term Debt Liabilities
as of June 30, 2012 and 2011**

Governmental Activities	<u>2012</u>	<u>2011</u>
Bonds Payable	\$ 1,500,000	\$ 1,625,000
Lease Purchase Agreements	15,845,000	17,145,000
Compensated Absences	2,141,009	2,298,551
Total	<u>\$ 19,486,009</u>	<u>\$ 21,068,551</u>

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

**Management's Discussion and Analysis (continued)
Year Ended June 30, 2012**

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, 2012**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 2,446,862	\$ 489,811	\$ 2,936,673
Other Receivables	6,500		6,500
Receivable from Other Governments	920,842	79,392	1,000,234
Inventory		20,997	20,997
Deferred Charge	364,822		364,822
Capital Assets Not Being Depreciated	234,930		234,930
Capital Assets, Being Depreciated, net	<u>21,432,568</u>	<u>282,944</u>	<u>21,715,512</u>
Total Assets	<u>25,406,524</u>	<u>873,144</u>	<u>26,279,668</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	1,218,700	1,054	1,219,754
Payable to Other Governments	8,970		8,970
Accrued Interest Payable	240,924		240,924
Unearned Revenue	466,637	3,018	469,655
Noncurrent Liabilities			
Due Within One Year	1,674,101		1,674,101
Due Beyond One Year	<u>17,306,853</u>	<u>-</u>	<u>17,306,853</u>
Total Liabilities	<u>20,916,185</u>	<u>4,072</u>	<u>20,920,257</u>
NET ASSETS			
Invested in Capital Assets, net of related debt	6,644,390	282,944	6,927,334
Restricted for			
Capital Projects	903		903
Debt Service	64		64
Unrestricted	<u>(2,155,018)</u>	<u>586,128</u>	<u>(1,568,890)</u>
Total Net Assets	<u>\$ 4,490,339</u>	<u>\$ 869,072</u>	<u>\$ 5,359,411</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, 2012**

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	\$ 23,205,222		\$ 3,476,145		\$ (19,729,077)	\$	\$ (19,729,077)
Special Education	9,438,977		4,545,127		(4,893,850)		(4,893,850)
Other Instruction	1,563,169		403,810		(1,159,359)		(1,159,359)
School Sponsored Activities and Athletics	552,312		46,976		(505,336)		(505,336)
Support Services							
Student and Instruction Related Services	5,608,828		1,180,373		(4,428,455)		(4,428,455)
General Administration Services	1,422,345		84,115		(1,338,230)		(1,338,230)
School and Business Administration Services	2,877,577		272,750		(2,604,827)		(2,604,827)
Central Services	1,420,159		68,835		(1,351,324)		(1,351,324)
Plant Operations and Maintenance	5,887,625		130,638		(5,756,987)		(5,756,987)
Pupil Transportation	2,090,347		25,528		(2,064,819)		(2,064,819)
Interest on Long-Term Debt	752,935		225,757		(527,178)		(527,178)
Total Governmental Activities	\$ 54,819,496	\$ -	\$ 10,460,054	\$ -	\$ (44,359,442)	\$ -	\$ (44,359,442)
Business-Type Activities							
Food Service	1,683,356	\$ 520,251	1,229,001		\$	\$ 65,896	\$ 65,896
Enrichment Academy	145,926	240,860	-			94,934	94,934
Total Business-Type Activities	1,829,282	761,111	1,229,001			160,830	160,830
Total Primary Government	\$ 56,648,778	\$ 761,111	\$ 11,689,055	\$ -	\$ (44,359,442)	\$ 160,830	\$ (44,198,612)

Continued

**CARTERET BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	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	1,423,990		1,423,990
Federal and State Aid -Unrestricted	23,435,915		23,435,915
State/Federal Aid - Restricted	458,356		458,356
Interest Income	13,000	\$ 268	13,268
Miscellaneous Income	44,294	-	44,294
Total General Revenues	48,176,555	268	48,176,823
Change in Net Assets	3,817,113	161,098	3,978,211
Net Assets, Beginning of Year	673,226	707,974	1,381,200
Net Assets, End of Year	\$ 4,490,339	\$ 869,072	\$ 5,359,411

FUND FINANCIAL STATEMENTS

**CARTERET BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2012**

	<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	\$ 2,445,895		\$ 903	\$ 64	\$ 2,446,862
Due from Other Funds	231,884				231,884
Receivables from Other Governments	193,295	\$ 727,547	-	-	920,842
Total Assets	<u>\$ 2,871,074</u>	<u>\$ 727,547</u>	<u>\$ 903</u>	<u>\$ 64</u>	<u>\$ 3,599,588</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Due to Other Funds		\$ 225,384			\$ 225,384
Accounts Payable	\$ 1,127,798	90,902			1,218,700
Payable to State Government		8,970			8,970
Deferred Revenue	-	466,637	-	-	466,637
Total Liabilities	<u>1,127,798</u>	<u>791,893</u>	<u>-</u>	<u>-</u>	<u>1,919,691</u>
Fund Balances					
Restricted					
Capital Projects			\$ 903		903
Debt Service				\$ 64	64
Committed					
Year End Encumbrances	3,163,980				3,163,980
Assigned Fund Balance					
Designated for Subsequent Year's Expenditures	1,825,000				1,825,000
Year End Encumbrances					-
Unassigned Fund Balance:					
General Fund	(3,245,704)				(3,245,704)
Special Revenue Fund	-	(64,346)	-	-	(64,346)
Total Fund Balances	<u>1,743,276</u>	<u>(64,346)</u>	<u>903</u>	<u>64</u>	<u>1,679,897</u>
Total Liabilities and Fund Balances	<u>\$ 2,871,074</u>	<u>\$ 727,547</u>	<u>\$ 903</u>	<u>\$ 64</u>	

Continued

**CARTERET BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2012**

Total Fund Balances - Governmental Funds	\$ 1,679,897
<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 \$36,061,575 and the accumulated depreciation is \$14,394,077.</p>	21,667,498
<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>(18,857,056)</u>
Net assets of governmental activities (Exhibit A-1)	<u>\$ 4,490,339</u>

CARTERET BOARD OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<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			\$ 1,423,990	\$ 24,224,990
Interest	13,000				13,000
Miscellaneous	44,294	\$ 29,625	-	-	73,919
Total - Local Sources	<u>22,858,294</u>	<u>29,625</u>	<u>-</u>	<u>1,423,990</u>	<u>24,311,909</u>
State Sources	29,727,624	1,005,747		684,113	31,417,484
Federal Sources	962,466	1,944,750	-	-	2,907,216
Total Revenues	<u>53,548,384</u>	<u>2,980,122</u>	<u>-</u>	<u>2,108,103</u>	<u>58,636,609</u>
EXPENDITURES					
Current					
Instruction:					
Regular Instruction	22,067,891	1,175,788			23,243,679
Special Education Instruction	8,671,740	786,434			9,458,174
Other Special Instruction	1,297,780	270,478			1,568,258
School-Sponsored Activities and Athletics	553,960				553,960
Support Services and Undistributed Costs:					
Student and Instruction Related Services	4,848,594	725,307			5,573,901
General Administration Services	1,347,669				1,347,669
School Administration Services	2,888,865				2,888,865
Central Services	1,423,942				1,423,942
Plant Operations and Maintenance	5,106,887				5,106,887
Pupil Transportation	2,079,226	6,054			2,085,280
Debt Service:					
Principal				1,425,000	1,425,000
Interest and Other Charges				694,602	694,602
Capital Outlay	466,299	5,002	-	-	471,301
Total Expenditures	<u>50,752,853</u>	<u>2,969,063</u>	<u>-</u>	<u>2,119,602</u>	<u>55,841,518</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,795,531</u>	<u>11,059</u>	<u>-</u>	<u>(11,499)</u>	<u>2,795,091</u>
Net Change in Fund Balances	2,795,531	11,059	-	(11,499)	2,795,091
Fund Balance (Deficit), Beginning of Year	<u>(1,052,255)</u>	<u>(75,405)</u>	<u>\$ 903</u>	<u>11,563</u>	<u>(1,115,194)</u>
Fund Balance (Deficit), End of Year	<u>\$ 1,743,276</u>	<u>\$ (64,346)</u>	<u>\$ 903</u>	<u>\$ 64</u>	<u>\$ 1,679,897</u>

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

**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, 2012**

Total net change in fund balances - governmental funds (Exhibit B-2)	\$ 2,795,091
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 depreciation expense exceeds capital outlay in the current period. (Note 2)	(424,560)
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)	1,425,000
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)	<u>21,582</u>
Change in net assets of governmental activities (Exhibit A-2)	<u>\$ 3,817,113</u>

**CARTERET BOARD OF EDUCATION
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 AS OF JUNE 30, 2012**

	<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	\$ 310,656	\$ 179,155	\$ 489,811
Intergovernmental Receivable			
State	74,887	2,983	77,870
Federal	1,522		1,522
Inventories	<u>20,997</u>	<u>-</u>	<u>20,997</u>
Total Current Assets	<u>408,062</u>	<u>182,138</u>	<u>590,200</u>
Capital Assets			
Equipment	584,307		584,307
Less: Accumulated Depreciation	<u>(301,363)</u>	<u>-</u>	<u>(301,363)</u>
Total Capital Assets, Net	<u>282,944</u>	<u>-</u>	<u>282,944</u>
Total Assets	<u>691,006</u>	<u>182,138</u>	<u>873,144</u>
LIABILITIES			
Current Liabilities			
Accounts Payable		1,054	1,054
Unearned Revenue	<u>3,018</u>	<u>-</u>	<u>3,018</u>
Total Current Liabilities	<u>3,018</u>	<u>1,054</u>	<u>4,072</u>
NET ASSETS			
Invested in Capital Assets	282,944		282,944
Unrestricted	<u>405,044</u>	<u>181,084</u>	<u>586,128</u>
Total Net Assets	<u>\$ 687,988</u>	<u>\$ 181,084</u>	<u>\$ 869,072</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, 2012**

	<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	\$ 520,251		\$ 520,251
Program Fees	-	\$ 240,860	240,860
	<hr/>	<hr/>	<hr/>
Total Operating Revenues	520,251	240,860	761,111
OPERATING EXPENSES			
Salaries and Employee Benefits	744,550	141,909	886,459
Cost of Sales	810,231		810,231
Other Purchased Services	58,712		58,712
Insurance	42,339		42,339
Depreciation	27,524		27,524
Miscellaneous	-	4,017	4,017
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	1,683,356	145,926	1,829,282
Operating Income/(Loss)	<hr/> (1,163,105)	<hr/> 94,934	<hr/> (1,068,171)
NONOPERATING REVENUES			
State Sources			
School Lunch Program	22,423		22,423
Federal Sources			
National School Lunch Program	939,761		939,761
National School Breakfast Program	104,099		104,099
Snack Program	40,312		40,312
U.S.D.A Commodities	122,406		122,406
Interest and Investment Revenue	268	-	268
	<hr/>	<hr/>	<hr/>
Total Nonoperating Revenues	1,229,269	-	1,229,269
Net Income	<hr/> 66,164	<hr/> 94,934	<hr/> 161,098
Change in Net Assets	66,164	94,934	161,098
Total Net Assets, Beginning of Year	<hr/> 621,824	<hr/> 86,150	<hr/> 707,974
Total Net Assets, End of Year	<u>\$ 687,988</u>	<u>\$ 181,084</u>	<u>\$ 869,072</u>

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, 2012**

	<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	\$ 520,251	\$ 237,877	\$ 758,128
Payments for Employees' Salaries and Benefits	(744,550)	(141,909)	(886,459)
Payments to Suppliers for Goods and Services	(790,960)	(3,019)	(793,979)
Net Cash Provided/(Used) by Operating Activities	<u>(1,015,259)</u>	<u>92,949</u>	<u>(922,310)</u>
Cash Flows from Noncapital Financing Activities			
State and Federal Subsidy Reimbursements	<u>1,115,524</u>	<u>-</u>	<u>1,115,524</u>
Net Cash Provided by Noncapital Financing Activities	<u>1,115,524</u>	<u>-</u>	<u>1,115,524</u>
Cash Flows from Investing Activities			
Interest on Investments	<u>268</u>	<u>-</u>	<u>268</u>
Net Cash Provided by Investing Activities	<u>268</u>	<u>-</u>	<u>268</u>
Net Increase in Cash and Cash Equivalents	100,533	92,949	193,482
Cash and Cash Equivalents, Beginning of Year	<u>210,123</u>	<u>86,206</u>	<u>296,329</u>
Cash and Cash Equivalents, End of Year	<u>\$ 310,656</u>	<u>\$ 179,155</u>	<u>\$ 489,811</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income/(Loss)	<u>\$ (1,163,105)</u>	<u>\$ 94,934</u>	<u>\$ (1,068,171)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided/(Used) by Operating Activities			
Depreciation	27,524		27,524
Non-Cash Federal Assistance - National School Lunch Program (Food Distribution)	122,406		122,406
Change in Assets and Liabilities:			
(Increase)/Decrease in Intergovernmental Receivable		(2,983)	(2,983)
(Increase)/Decrease in Inventories	(1,789)		(1,789)
Increase/(Decrease) in Accounts Payable	<u>(295)</u>	<u>998</u>	<u>703</u>
Total Adjustments	<u>147,846</u>	<u>(1,985)</u>	<u>145,861</u>
Net Cash Provided/(Used) by Operating Activities	<u>\$ (1,015,259)</u>	<u>\$ 92,949</u>	<u>\$ (922,310)</u>
Non-Cash Financing Activities - National School Lunch (Food Distribution)	\$ 123,385	\$ -	\$ 123,385

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, 2012**

	<u>Unemployment Compensation Trust</u>	<u>Employee Benefits (Flexible Spending) Program Fund</u>	<u>Agency Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 284,874	\$ 68,359	\$ 208,887
Total Assets	<u>284,874</u>	<u>68,359</u>	<u>\$ 208,887</u>
LIABILITIES			
Due to Student Groups			\$ 157,341
Accounts Payable	22,203		
Payroll Deductions and Withholdings			45,046
Due to Other Funds	<u>-</u>	<u>-</u>	<u>6,500</u>
Total Liabilities	<u>22,203</u>	<u>-</u>	<u>\$ 208,887</u>
NET ASSETS			
Held in Trust for Unemployment Claims	<u>\$ 262,671</u>		
Held in Trust for Employee Benefits		<u>\$ 68,359</u>	

**CARTERET BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Unemployment Compensation Trust</u>	<u>Employee Benefits (Flexible Spending) Program Fund</u>
ADDITIONS		
Contributions		
Employer	\$ 140,322	
Employees	<u>56,603</u>	\$ <u>57,865</u>
Total Contributions	<u>196,925</u>	<u>57,865</u>
Investment Earnings		
Interest	<u>262</u>	<u>32</u>
Net Investment Earnings	<u>262</u>	<u>32</u>
Total Additions	<u>197,187</u>	<u>57,897</u>
DEDUCTIONS		
Benefit Reimbursements		51,197
Unemployment Claims and Contributions	<u>307,761</u>	<u>-</u>
Total Deductions	<u>307,761</u>	<u>51,197</u>
Change in Net Assets	(110,574)	6,700
Net Assets, Beginning of the Year	<u>373,245</u>	<u>61,659</u>
Net Assets, End of the Year	<u>\$ 262,671</u>	<u>\$ 68,359</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, 2012**

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. While separate district-wide and fund financial statements are presented, they are interrelated. In the district-wide financial statements, the governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the District's enterprise funds.

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Board of Education. All fiduciary activities are reported only in the fund financial statements. 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, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements (Continued)

Separate fund financial statements are provided for governmental, proprietary, and fiduciary activities, even though the latter are excluded from the district-wide financial statements. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. 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 accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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. Entitlements (formula-type grants and aid) are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source. Expenditure-driven grants and similar awards (reimbursement-type grants and awards) are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements imposed by the grantor or provider have been met, and the amount is received during the period or within the availability period for this revenue source. 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 capital facilities and other capital assets.

**CARTERET BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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, 2012**

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 2010-2011 and 2011-2012 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, 2012**

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.

Land and construction in progress are not depreciated. The other property, plant, and equipment of the District 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, 2012**

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

With the implementation of GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions* during fiscal year 2011, fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Fund balance categories are designed to make the nature and extent of the constraints placed on the District's fund balance more transparent. These categories are comprised of a hierarchy based primarily on the extent to which the District 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 Trustees 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 2012/2013 District budget certified for taxes.

Unassigned Fund Balance – Represents fund balance that has not been restricted, committed or assigned to specific purposes within the governmental funds.

**CARTERET BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 may 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 \$(18,857,056) difference are as follows:

Bonds payable	\$ (1,500,000)
Less: Deferred charge for issuance costs on refunding (to be amortized over life of debt)	47,985
Certificates of Participation Payable	(15,845,000)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	316,837
Less: Deferred amount on refunding costs (to be amortized as interest expense)	465,515
Less: Issuance discount (to be amortized as interest expense)	39,540
Accrued Interest Payable	(240,924)
Compensated Absences	<u>(2,141,009)</u>
 Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	 <u><u>\$(18,857,056)</u></u>

**CARTERET BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 \$(424,560) difference are as follows:

Capital Outlay	\$471,301
Depreciation expense	<u>(895,861)</u>
Net adjustment to increase net changes in fund balances – Total governmental funds to arrive at changes in net assets of governmental activities	<u>\$(424,560)</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 \$1,425,000 difference are as follows:

Principal repayments:	
Pension Refunding Bonds	\$ 125,000
Certificates of Participation	<u>1,300,000</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>\$ 1,425,000</u>

**CARTERET BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

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 in the Notes to Required Supplementary Information (RSI). Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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 \$3,245,704 in the General Fund and \$64,346 in the Special Revenue Fund as of June 30, 2012 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 2011/2012 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 deficits in the GAAP (fund) financial statements of \$3,245,704 in the General Fund and \$64,346 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, 2012**

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, 2012, the book value of the Board's deposits was \$3,498,793 and bank balances of the Board's cash and deposits amounted to \$5,479,699. 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>\$ 5,479,699</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, 2012 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, 2012, the Board had no outstanding investments.

B. Receivables

Receivables as of June 30, 2012 for the district's individual major and nonmajor 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>Enrichment Academy</u>	<u>Total</u>
Receivables:					
Intergovernmental	<u>\$ 193,295</u>	<u>\$ 727,547</u>	<u>\$ 76,409</u>	<u>\$ 2,983</u>	<u>\$1,000,234</u>
Gross Receivables	193,295	727,547	76,409	2,983	1,000,234
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 193,295</u>	<u>\$ 727,547</u>	<u>\$ 76,409</u>	<u>\$ 2,983</u>	<u>\$1,000,234</u>

**CARTERET BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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	\$ 335,551
Grant drawdowns reserved for encumbrances	<u>131,086</u>
 Total deferred revenue for governmental funds	 <u>\$ 466,637</u>

C. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Balance, July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2012</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 71,603			\$ 71,603
Construction in Progress	-	\$ 163,327	-	163,327
Total capital assets, not being depreciated	<u>71,603</u>	<u>163,327</u>	<u>-</u>	<u>234,930</u>
 Capital assets, being depreciated:				
Buildings and Building Improvements	32,673,461	190,631		32,864,092
Improvements other than buildings	242,500	8,200		250,700
Machinery and equipment	<u>2,602,710</u>	<u>109,143</u>	<u>-</u>	<u>2,711,853</u>
Total capital assets being depreciated	<u>35,518,671</u>	<u>307,974</u>	<u>-</u>	<u>35,826,645</u>
 Less accumulated depreciation for:				
Buildings and Building Improvements	(11,918,166)	(629,643)		(12,547,809)
Improvements other than buildings	(242,500)	(205)		(242,705)
Machinery and equipment	<u>(1,337,550)</u>	<u>(266,013)</u>	<u>-</u>	<u>(1,603,563)</u>
Total accumulated depreciation	<u>(13,498,216)</u>	<u>(895,861)</u>	<u>-</u>	<u>(14,394,077)</u>
 Total capital assets, being depreciated, net	<u>22,020,455</u>	<u>(587,887)</u>	<u>-</u>	<u>21,432,568</u>
 Governmental Activities Capital Assets, Net	<u>\$ 22,092,058</u>	<u>\$ (424,560)</u>	<u>\$ -</u>	<u>\$ 21,667,498</u>

**CARTERET BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

	Balance, July 1, 2011	Increases	Decreases	Balance, June 30, 2012
Business-Type Activities:				
Capital assets, being depreciated:				
Machinery and equipment	\$ 584,307	-	-	\$ 584,307
Total capital assets being depreciated	<u>584,307</u>	<u>-</u>	<u>-</u>	<u>584,307</u>
Less accumulated depreciation for:				
Machinery and equipment	(273,839)	\$ (27,524)	-	(301,363)
Total accumulated depreciation	<u>(273,839)</u>	<u>(27,524)</u>	<u>-</u>	<u>(301,363)</u>
Total capital assets, being depreciated, net	<u>310,468</u>	<u>(27,524)</u>	<u>-</u>	<u>282,944</u>
Business-Type Activities Capital Assets, Net	<u>\$ 310,468</u>	<u>\$ (27,524)</u>	<u>\$ -</u>	<u>\$ 282,944</u>

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

Governmental activities:

Instruction	
Regular	\$ 47,174
Total Instruction	<u>47,174</u>
Support Services	
Support Services - Students	52,125
Operations and Maintenance of Plant	791,244
Student Transportation	5,318
Total Support Services	<u>848,687</u>
Total Governmental Funds	<u>895,861</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 895,861</u>
Business-Type Activities:	
Food Service Fund	\$ 27,524
Total Depreciation Expense-Business-Type Activities	<u>\$ 27,524</u>

**CARTERET BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

Construction Commitments

The District has the following significant commitments as of June 30, 2012:

<u>Project</u>	<u>Remaining Commitment</u>
Replacement of Unit Ventilators at Columbus, Minue and Middle School	\$ 638,300
Sprinkler System Work	180,250
Heating, Ventilating and A/C Work relating to Unit Ventilators	551,000
Roof Replacement and Repair at Columbus School	603,269
Installation of Structured D-Cable and SC-Graybar	212,236
Installation of New Cisco Systems IP Telephony (IPT) System	354,834
General Construction associated with Vertical Unit Ventilators	<u>199,000</u>
 Total	 <u>\$ 2,738,889</u>

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2012, is as follows:

Due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 225,384
General Fund	Payroll Agency Fund	<u>6,500</u>
		 <u>\$ 231,884</u>

The above balances are the result of revenues earned in one fund which are due to another fund or to cover cash balances which were in an overdraft position.

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

**CARTERET BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

E. Leases

Lease Purchase Agreements

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 National Public Finance Guarantee. 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.

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 National Public Finance Guarantee. Bank of New York Mellon has been appointed to serve as a trustee in the agreement.

**CARTERET BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

E. Leases (Continued)

Lease Purchase Agreements (Continued)

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

Governmental Activities:

Fiscal Year Ending <u>June 30,</u>	<u>Certificates of Participation</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
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	1,495,000	405,540	1,900,540
2018-2022	4,435,000	1,338,704	5,773,704
2023-2027	2,545,000	752,407	3,297,407
2028-2030	<u>1,810,000</u>	<u>165,375</u>	<u>1,975,375</u>
	<u>\$ 15,845,000</u>	<u>\$ 4,686,574</u>	<u>\$ 20,531,574</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, 2012 are comprised of the following issues:

\$2,450,000, 2003 Bonds, due in annual installments of \$130,000 to \$210,000 through March 15, 2021, interest at 4.90% to 5.65%	<u>\$1,500,000</u>
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**CARTERET BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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:

Fiscal Year Ending June 30,	<u>Pension Refunding Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
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	165,000	52,035	217,035
2018-2021	<u>765,000</u>	<u>111,043</u>	<u>876,043</u>
	<u>\$ 1,500,000</u>	<u>\$ 447,873</u>	<u>\$ 1,947,873</u>

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2012 was as follows:

4% of Equalized Valuation Basis (Municipal)	\$ 101,822,057
Less: Net Debt	<u>-</u>
Remaining Borrowing Power	<u>\$ 101,822,057</u>

**CARTERET BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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, 2012, was as follows:

	<u>Balance,</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance,</u> <u>June 30, 2012</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Governmental activities:					
Lease-Purchase Agreements ("COPS")	\$ 17,145,000		\$ (1,300,000)	\$ 15,845,000	\$ 1,330,000
Original Issue Discount	(45,277)		5,737	(39,540)	
Deferred Amount on Refunding	(532,249)	-	66,734	(465,515)	-
Lease-Purchase Agreements, net	16,567,474	-	(1,227,529)	15,339,945	1,330,000
Bonds payable	1,625,000		(125,000)	1,500,000	130,000
Compensated absences	2,298,551	-	(157,542)	2,141,009	214,101
Governmental activity Long-term liabilities	<u>\$ 20,491,025</u>	<u>\$ -</u>	<u>\$ (1,510,071)</u>	<u>\$ 18,980,954</u>	<u>\$ 1,674,101</u>

For the governmental activities, the liabilities for 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.

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.

**CARTERET BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 5 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

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</u> <u>June 30,</u>	<u>District</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2012	\$ 140,322	\$ 56,603	\$ 307,761	\$ 262,671
2011	300,000	58,196	307,624	373,245
2010	94,224	63,624	279,503	321,854

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.

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, 2012, 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.

C. 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, 2012, the District has not estimated its arbitrage earnings due to the IRS, if any.

**CARTERET BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 5 OTHER INFORMATION (Continued)

D. 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.

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.

**CARTERET BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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.

Significant Legislation

P.L. 2011, c.78, effective June 28, 2011, made various changes to the manner in which TPAF and PERS operate and to the benefit provisions of those systems.

This new legislation's provisions impacting employee pension and health benefits include:

- New members of TPAF and PERS hired on or after June 28, 2011 (Tier 5 members), will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ to 1 percent for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the TPAF and PERS is increased from age 62 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60 percent instead of 65 percent of the member's final compensation plus 1 percent for each year of creditable service over 25 years but not to exceed 30 years.
- Active member contribution rates will increase. TPAF and PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years. For Fiscal Year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contributions for TPAF and PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.

In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Funding Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems including TPAF and PERS, is 70.5 percent with an unfunded actuarial accrued liability of \$36.3 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 65.2 percent and \$25.6 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and Police and Firemen's Retirement System ("PFRS") is 78.5 percent and \$10.7 billion.

**CARTERET BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Funding Status and Funding Progress (Continued)

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.

Actuarial Methods and Assumptions

In the June 30, 2010 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 5.91 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, 2012 for TPAF, which is a cost sharing plan with special funding situations, the 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, 2012, 2011 and 2010 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:

Fiscal Year Ended <u>June 30,</u>	<u>PERS</u>	On-behalf <u>TPAF</u>
2012	\$ 498,435	\$ 746,223
2011	509,529	71,221
2010	409,797	79,841

**CARTERET BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Annual Pension Costs (APC) (Continued)

During the previous two fiscal years, the State of New Jersey did not contribute to the TPAF for normal cost and accrued liability. The State contributed \$746,223 during 2011/2012 for normal cost pension, accrued liability and the NCGI premium. For fiscal years 2010/2011 and 2009/2010, the State contributed \$71,221 and \$79,841, 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 \$1,640,799 during the year ended June 30, 2012 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.

E. 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 547 state and local participating employers and contributing entities for Fiscal Year 2011.

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.

**CARTERET BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

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. 2011, c.78, effective October 2011, sets new employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to this new legislation's effective date with a minimum contribution required to be at least 1.5% of salary.

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, 2010, the most recent actuarial valuation date, the State had a \$59.3 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$21.1 billion for state active and retired members and \$38.2 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 July 1, 2010, 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.

**CARTERET BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 5 OTHER INFORMATION (Continued)

G. Post-Retirement Medical Benefits (Continued)

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, 2011, there were 93,323 retirees receiving post-retirement medical benefits and the State contributed \$935.5 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 \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in fiscal year 2011.

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, 2012, 2011 and 2010 were \$1,500,103, \$1,512,727 and \$1,449,523, 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, 2012

	<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	
Income on Investments	40,000	\$ (5,000)	35,000	13,000	\$ (22,000)
Rental of Facilities	15,000	5,000	20,000	5,330	(14,670)
Miscellaneous				38,964	38,964
State Sources					
Equalization Aid	22,288,108	355,947	22,644,055	22,644,055	
Categorical Special Education Aid	2,124,794		2,124,794	2,124,794	
Security Aid		144,940	144,940	144,940	
Extraordinary Aid	487,982	398,224	886,206	886,206	
Additional Nonpublic School Transportation Costs				19,474	19,474
On-behalf TPAF Social Security Payments (Non-Budget)				1,640,799	1,640,799
On-behalf TPAF Post Retirement Medical Contribution (Non-Budget)				1,500,103	1,500,103
On-behalf TPAF Pension System Contribution - Normal (Non-Budget)				673,904	673,904
On-behalf TPAF Pension System Contribution - NCGI (Non-Budget)				72,319	72,319
Federal Sources					
Medicaid Reimbursement	72,837	-	72,837	59,678	(13,159)
Education Jobs Fund	875,365	27,423	902,788	902,788	-
Total Revenues	48,705,086	926,534	49,631,620	53,527,354	3,895,734
EXPENDITURES					
CURRENT EXPENDITURES					
Instruction - Regular Programs					
Salaries of Teachers					
Grades 1-5	6,389,385	(89,215)	6,300,170	6,265,875	34,295
Grades 6-8	2,631,745	474,372	3,106,117	3,074,653	31,464
Grades 9-12	3,761,440	565,140	4,326,580	4,275,524	51,056
Regular Programs - Home Instruction					
Salaries of Teachers	15,000	6,423	21,423	20,719	704
Purchased Professional-Educational Services	65,000	(31,423)	33,577	31,541	2,036
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	163,604	807,700	971,304	936,925	34,379
Purchased Professional-Educational Services	340,000	(68,290)	271,710	242,754	28,956
General Supplies	318,865	10,847	329,712	292,012	37,700
Textbooks	73,500	(51,508)	21,992	19,983	2,009
Other Objects	502,485	(198,978)	303,507	233,386	70,121
Total Regular Programs	14,261,024	1,425,068	15,686,092	15,393,372	292,720

(Continued)

CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<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	\$ 134,335		\$ 134,335	\$ 130,104	\$ 4,231
Other Salaries for Instruction	230,840	\$ (230,011)	829	326	503
General Supplies	-	150	150	148	2
Total Learning and/or Language Disabilities	<u>365,175</u>	<u>(229,861)</u>	<u>135,314</u>	<u>130,578</u>	<u>4,736</u>
Visual Impairments					
Other Salaries for Instruction	<u>33,868</u>	<u>(32,091)</u>	<u>1,777</u>	<u>-</u>	<u>1,777</u>
Total Visual Impairments	<u>33,868</u>	<u>(32,091)</u>	<u>1,777</u>	<u>-</u>	<u>1,777</u>
Behavioral Disabilities					
Other Salaries for Instruction	<u>67,236</u>	<u>(64,682)</u>	<u>2,554</u>	<u>-</u>	<u>2,554</u>
Total Behavioral Disabilities	<u>67,236</u>	<u>(64,682)</u>	<u>2,554</u>	<u>-</u>	<u>2,554</u>
Multiple Disabilities					
Salaries of Teachers	214,024	-	214,024	210,136	3,888
Other Salaries for Instruction	<u>168,840</u>	<u>(168,773)</u>	<u>67</u>	<u>-</u>	<u>67</u>
Total Multiple Disabilities	<u>382,864</u>	<u>(168,773)</u>	<u>214,091</u>	<u>210,136</u>	<u>3,955</u>
Resource Room/Resource Center					
Salaries of Teachers	2,761,476	57,000	2,818,476	2,812,080	6,396
Other Salaries for Instruction	<u>303,312</u>	<u>(270,538)</u>	<u>32,774</u>	<u>32,592</u>	<u>182</u>
Total Resource Room	<u>3,064,788</u>	<u>(213,538)</u>	<u>2,851,250</u>	<u>2,844,672</u>	<u>6,578</u>
Autism					
Other Salaries for Instruction	<u>34,368</u>	<u>(33,091)</u>	<u>1,277</u>	<u>-</u>	<u>1,277</u>
Total Autism	<u>34,368</u>	<u>(33,091)</u>	<u>1,277</u>	<u>-</u>	<u>1,277</u>
Preschool Disabilities - Part Time					
Salaries of Teachers	<u>85,111</u>	<u>-</u>	<u>85,111</u>	<u>81,845</u>	<u>3,266</u>
Total Preschool Disabilities - Full Time	<u>85,111</u>	<u>-</u>	<u>85,111</u>	<u>81,845</u>	<u>3,266</u>
Total Special Education	<u>4,033,410</u>	<u>(742,036)</u>	<u>3,291,374</u>	<u>3,267,231</u>	<u>24,143</u>
Bilingual Education					
Salaries of Teachers	803,082	(7,000)	796,082	795,958	124
Other Salaries for Instruction	129,650	(129,636)	14	-	14
Purchased Professional-Educational Services	-	41,500	41,500	41,007	493
Total Bilingual Education	<u>932,732</u>	<u>(95,136)</u>	<u>837,596</u>	<u>836,965</u>	<u>631</u>

(Continued)

CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<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	\$ 58,487	\$ (6,790)	\$ 51,697	\$ 50,731	\$ 966
Purchased Services	5,000	(5,000)			
Other Objects	-	5,000	5,000	-	5,000
Total School-Sponsored Co/Extra Curricular Activities	<u>63,487</u>	<u>(6,790)</u>	<u>56,697</u>	<u>50,731</u>	<u>5,966</u>
School Sponsored Athletics - Instruction					
Salaries	217,905	11,990	229,895	229,711	184
Purchased Services	36,490	(5,200)	31,290	10,140	21,150
Supplies and Materials	64,000	71,797	135,797	115,524	20,273
Other Objects	29,660	-	29,660	23,625	6,035
Total School Sponsored Athletics	<u>348,055</u>	<u>78,587</u>	<u>426,642</u>	<u>379,000</u>	<u>47,642</u>
Total Instruction	<u>19,638,708</u>	<u>659,693</u>	<u>20,298,401</u>	<u>19,927,299</u>	<u>371,102</u>
Undistributed Expenditures					
Instruction					
Tuition to Other LEA's Within the State - Regular	179,500	(104,182)	75,318	66,516	8,802
Tuition to Other LEA's Within the State - Special	179,789	(65,189)	114,600	105,541	9,059
Tuition to CSSD & Regional Day Schools	1,537,393	(8,261)	1,529,132	1,502,574	26,558
Tuition to Private Schools for Disabled - Within State	2,364,218	(293,379)	2,070,839	2,060,676	10,163
Tuition to Private Schools for Disabled & Other LEAs-Spl,O/S St:	122,640	(112,600)	10,040	9,600	440
Tuition - State Facilities	161,732		161,732	161,732	
Tuition - Other	91,092	23,400	114,492	113,861	631
Total Undistributed Expenditures - Instruction	<u>4,636,364</u>	<u>(560,211)</u>	<u>4,076,153</u>	<u>4,020,500</u>	<u>55,653</u>
Attendance and Social Work					
Salaries	111,884	226,644	338,528	318,526	20,002
Purchased Professional and Technical Services	10,200	(450)	9,750	7,504	2,246
Supplies and Materials	1,000	50	1,050	1,040	10
Other Objects	250	400	650	555	95
Total Attendance and Social Work	<u>123,334</u>	<u>226,644</u>	<u>349,978</u>	<u>327,625</u>	<u>22,353</u>
Health Services					
Salaries	374,454		374,454	355,701	18,753
Purchased Professional and Technical Services	18,100		18,100	13,600	4,500
Supplies and Materials	6,200		6,200	3,683	2,517
Other Objects	750	-	750	330	420
Total Health Services	<u>399,504</u>	<u>-</u>	<u>399,504</u>	<u>373,314</u>	<u>26,190</u>

**CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<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)					
Speech, OT, PT and Related Svcs.					
Salaries	\$ 347,649	\$ (96,000)	\$ 251,649	\$ 251,577	\$ 72
Purchased Professional-Educational Services	2,600	(500)	2,100		2,100
Supplies and Materials		581	581	580	1
Other Objects	1,000	-	1,000	-	1,000
	<u>351,249</u>	<u>(95,919)</u>	<u>255,330</u>	<u>252,157</u>	<u>3,173</u>
 Guidance					
Salaries of Other Professional Staff	899,601	(87,000)	812,601	800,504	12,097
Salaries of Secretarial and Clerical Assistants	55,032	-	55,032	51,972	3,060
Purchased Professional-Educational Services	2,000	1,000	3,000	750	2,250
Other Purchased Professional and Technical Services	88,000	-	88,000	85,080	2,920
Other Purchased Services	16,800	-	16,800	4,498	12,302
Supplies and Materials	200,300	(74,020)	126,280	61,946	64,334
Other Objects	15,850	-	15,850	891	14,959
	<u>1,277,583</u>	<u>(160,020)</u>	<u>1,117,563</u>	<u>1,005,641</u>	<u>111,922</u>
 Child Study Teams					
Salaries of Other Professional Staff	1,188,541	(573,140)	615,401	615,400	1
Salaries of Secretarial and Clerical Assistants	108,564	(69)	108,495	106,367	2,128
Purchased Professional-Educational Services	185,000	(101,991)	83,009	72,775	10,234
Other Purchased Professional and Technical Services	16,850	329,700	346,550	301,036	45,514
Supplies and Materials	800	792	1,592	979	613
Other Objects	2,200	2,300	4,500	3,407	1,093
	<u>1,501,955</u>	<u>(342,408)</u>	<u>1,159,547</u>	<u>1,099,964</u>	<u>59,583</u>
 Improvement of Instructional Services					
Salaries of Other Professional Staff	339,070	3,285	342,355	342,352	3
Salaries of Secretarial and Clerical Assistants	54,032	(600)	53,432	51,972	1,460
Purchased Professional - Educational Services	24,350	(720)	23,630	10,200	13,430
Supplies and Materials	18,100	(1,805)	16,295	1,612	14,683
Other Objects	20,700	340	21,040	5,660	15,380
	<u>456,252</u>	<u>500</u>	<u>456,752</u>	<u>411,796</u>	<u>44,956</u>
 Educational Media Services/School Library					
Salaries	168,840	(97,148)	71,692	32,591	39,101
Purchased Professional and Technical Services	23,003	(118)	22,885	21,319	1,566
Supplies and Materials	15,100	-	15,100	6,490	8,610
Other Objects	-	118	118	118	-
	<u>206,943</u>	<u>(97,148)</u>	<u>109,795</u>	<u>60,518</u>	<u>49,277</u>

(Continued)

CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Support Services - General Administration					
Salaries	\$ 502,406	\$ (200)	\$ 502,206	\$ 502,151	\$ 55
Legal Services	150,000	(42,984)	107,016	93,419	13,597
Audit Fees	40,000		40,000	39,000	1,000
Architectural /Engineering Services	15,000	211,097	226,097	196,048	30,049
Other Purchased Professional Services	34,200	45,187	79,387	75,456	3,931
Communications/Telephone	331,000	(160,730)	170,270	162,434	7,836
BOE Other Purchased Services	4,500	(409)	4,091	1,743	2,348
Misc Purchased Services	11,450	(1,705)	9,745	8,827	918
General Supplies	22,000	(10,965)	11,035	8,034	3,001
Miscellaneous Expenditures	23,150	(2,200)	20,950	16,182	4,768
BOE Membership Dues and Fees	22,527	(591)	21,936	21,935	1
Total Support Services - General Administration	1,156,233	36,500	1,192,733	1,125,229	67,504
Support Services - School Administration					
Salaries of Principal/Asst. Principals	1,276,022	352,240	1,628,262	1,628,258	4
Salaries of Secretarial and Clerical Assistants	627,641	(277,144)	350,497	292,429	58,068
Other Salaries		1,000	1,000	403	597
Purchased Professional - Educational Services		49,500	49,500	32,474	17,026
Other Purchased Services	3,000	(3,000)			
Supplies and Materials	73,435	(6,040)	67,395	55,056	12,339
Total Support Services - School Administration	1,980,098	116,556	2,096,654	2,008,620	88,034
Central Services					
Salaries	433,368		433,368	410,924	22,444
Purchased Professional Services	49,166	(500)	48,666	38,542	10,124
Purchased Technical Services	423,775		423,775	423,775	
Supplies and Materials	8,200		8,200	4,436	3,764
Other Objects	8,490	500	8,990	3,621	5,369
Total Central Services	922,999	-	922,999	881,298	41,701
Administrative Information Technology					
Salaries	236,274		236,274	232,970	3,304
Other Objects	3,500	(500)	3,000	1,174	1,826
Total Administrative Information Technology	239,774	(500)	239,274	234,144	5,130
Required Maintenance for School Facilities					
Salaries	558,627	(34,210)	524,417	524,404	13
Cleaning, Repair and Maintenance Services	433,800	318,863	752,663	590,287	162,376
General Supplies	114,800	35,260	150,060	149,501	559
Other Objects	7,100	(5,130)	1,970	670	1,300
Total Required Maintenance for School Facilities	1,114,327	314,783	1,429,110	1,264,862	164,248

(Continued)

CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Custodial Services					
Salaries	\$ 1,338,868	\$ (135,216)	\$ 1,203,652	\$ 1,202,234	\$ 1,418
Purchased Professional and Technical Services	91,880	(62,810)	29,070	14,169	14,901
Cleaning, Repair and Maintenance Services	183,156		183,156	183,156	
Other Purchased Property Services	116,500		116,500	112,198	4,302
Insurance	345,132	14,216	359,348	357,546	1,802
General Supplies	85,800	4,000	89,800	88,527	1,273
Energy (Natural Gas)	122,000	(12,000)	110,000	109,946	54
Energy (Electricity)	616,000	(65,400)	550,600	496,181	54,419
Other Objects	12,000	-	12,000	4,054	7,946
Total Custodial Services	2,911,336	(257,210)	2,654,126	2,568,011	86,115
Care and Upkeep of Grounds					
Salaries	65,119	2,000	67,119	61,469	5,650
General Supplies	25,400	(2,000)	23,400		23,400
Other Objects	15,000	-	15,000	400	14,600
Total Care and Upkeep of Grounds	105,519	-	105,519	61,869	43,650
Security					
Purchased Professional and Technical Services	467,772	(247,000)	220,772	212,195	8,577
Cleaning, Repair and Maintenance Services	10,500	(4,300)	6,200		6,200
General Supplies	25,000	4,300	29,300	29,255	45
Total Security	503,272	(247,000)	256,272	241,450	14,822
Student Transportation Services					
Salaries for Pupil Transportation(Bet Home & Sch) Reg		40,557	40,557	37,364	3,193
Salaries for Pupil Transportation(Bet Home & Sch) Sp Ed		7,355	7,355	5,414	1,941
Management Fee-ESC and CTSA Transportation Prog.	35,000		35,000		35,000
Other Purchased Professional and Technical Services	4,500		4,500		4,500
Contracted Svcs. (Between Home & School) - Vendors	508,782	(63,912)	444,870	365,020	79,850
Contracted Services (Other than Between Home and School) - Vendors	135,780	(22,200)	113,580	79,123	34,457
Contracted Services (Special Ed. Students)- Vendors	373,587	(215,341)	158,246	157,956	290
Contracted Services (Regular Students) - ESCs and CTSA	55,000	11,270	66,270	63,270	3,000
Contracted Services (Special Ed. Students)- ESCs and CTSA	1,239,014	175	1,239,189	1,239,185	4
Contracted Services - Aid in Lieu of Payments - Non Public	75,140	18,741	93,881	83,671	10,210
Other Objects	25,000	-	25,000	25,000	-
Total Student Transportation Services	2,451,803	(223,355)	2,228,448	2,056,003	172,445

(Continued)

CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<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	\$ 525,000	\$ (56,926)	\$ 468,074	\$ 466,061	\$ 2,013
Other Retirement Contributions - PERS	583,206	(84,000)	499,206	498,435	771
Unemployment Compensation	140,322	-	140,322	140,322	-
Workmen's Compensation	263,725	(12,000)	251,725	236,275	15,450
Health Benefits	7,014,988	(97,150)	6,917,838	6,916,798	1,040
Tuition Reimbursement	151,500	(92,295)	59,205	58,631	574
Other Employee Benefits	291,601	(199,000)	92,601	92,461	140
	<u>8,970,342</u>	<u>(541,371)</u>	<u>8,428,971</u>	<u>8,408,983</u>	<u>19,988</u>
On-behalf TPAF Pension System Contribution - Normal (Non-Budget)				673,904	(673,904)
On-behalf TPAF Pension System Contribution - NCGI (Non-Budget)				72,319	(72,319)
On-behalf TPAF Post Retirement Medical Contribution (Non-Budget)				1,500,103	(1,500,103)
On-behalf TPAF Social Security Payments (Non-Budget)	-	-	-	1,640,799	(1,640,799)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,887,125</u>	<u>(3,887,125)</u>
Total On-Behalf TPAF					
	<u>29,308,887</u>	<u>(1,830,159)</u>	<u>27,478,728</u>	<u>30,289,109</u>	<u>(2,810,381)</u>
Total Undistributed Expenditures					
	<u>48,947,595</u>	<u>(1,170,466)</u>	<u>47,777,129</u>	<u>50,216,408</u>	<u>(2,439,279)</u>
Total Expenditures - Current Expenditures					
CAPITAL OUTLAY					
Equipment					
Undistributed Expenditures					
Administrative Information Technology		588,800	588,800		588,800
Required Maintenance for School Facilities		2,250,700	2,250,700	275,668	1,975,032
Care and Upkeep of Grounds		180,500	180,500		180,500
Security	-	191,475	191,475	190,631	844
	<u>-</u>	<u>3,211,475</u>	<u>3,211,475</u>	<u>466,299</u>	<u>2,745,176</u>
Total Equipment					
	<u>-</u>	<u>3,211,475</u>	<u>3,211,475</u>	<u>466,299</u>	<u>2,745,176</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, 2012

	<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	\$ 66,896	\$ 6,104
Other Salaries for Instruction	1,400	-	1,400	750	650
Total Other Special Schools-Instruction	74,400	-	74,400	67,646	6,754
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	70,146	12,345
Total Expenditures	49,030,086	\$ 2,041,009	51,071,095	50,752,853	318,242
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(325,000)	(1,114,475)	(1,439,475)	2,774,501	4,213,976
Change in Fund Balance	(325,000)	(1,114,475)	(1,439,475)	2,774,501	4,213,976
Fund Balance, Beginning of Year	2,313,319	-	2,313,319	2,313,319	-
Fund Balance, End of Year	\$ 1,988,319	\$ (1,114,475)	\$ 873,844	\$ 5,087,820	\$ 4,213,976
Recapitulation Of Fund Balance:					
Committed Fund Balance:					
Year End Encumbrances				\$ 3,163,980	
Assigned Fund Balance:					
Designated for Subsequent Year's Expenditures				1,825,000	
Unassigned Fund Balance				98,840	
Reconciliation to Governmental Fund Statement (GAAP)				5,087,820	
State Aid Payments Not Recognized on GAAP Basis					
Extraordinary Aid			\$ 886,206		
Delayed State Aid Payments			2,458,338		
				3,344,544	
Fund Balance Per Governmental Funds (GAAP)				\$ 1,743,276	

**CARTERET BOARD OF EDUCATION
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOT APPLICABLE

**CARTERET BOARD OF EDUCATION
EDUCATION JOBS FUND-
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Federal Sources					
Education Jobs Fund	\$ 875,365	\$ 27,423	\$ 902,788	\$ 902,788	-
Total Revenues	<u>875,365</u>	<u>27,423</u>	<u>902,788</u>	<u>902,788</u>	<u>-</u>
EXPENDITURES					
CURRENT EXPENDITURES					
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	811,210	27,423	838,633	838,633	-
Total Regular Programs	<u>811,210</u>	<u>27,423</u>	<u>838,633</u>	<u>838,633</u>	<u>-</u>
Undistributed Expenditures					
Unallocated Benefits - Employee Benefits					
Social Security Contributions	64,155	-	64,155	64,155	-
Total Unallocated Benefits-Employee Benefits	<u>64,155</u>	<u>-</u>	<u>64,155</u>	<u>64,155</u>	<u>-</u>
Total Undistributed Expenditures	<u>875,365</u>	<u>27,423</u>	<u>902,788</u>	<u>902,788</u>	<u>-</u>
Total Expenditures - Current Expenditures	<u>875,365</u>	<u>27,423</u>	<u>902,788</u>	<u>902,788</u>	<u>-</u>
Total Expenditures	<u>875,365</u>	<u>27,423</u>	<u>902,788</u>	<u>902,788</u>	<u>-</u>
Excess (Deficiency) of Revenues					
Over/(Under) Expenditures	-	-	-	-	-
Change in Fund Balance	-	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-	-
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<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	\$ 814,456	\$ 232,344	\$ 1,046,800	\$ 997,081	\$ (49,719)
Local		29,630	29,630	29,625	(5)
Federal	2,545,000	(184,113)	2,360,887	2,028,559	(332,328)
Total Revenues	<u>3,359,456</u>	<u>77,861</u>	<u>3,437,317</u>	<u>3,055,265</u>	<u>(382,052)</u>
EXPENDITURES					
Instruction					
Salaries of Teachers	1,199,009	(406,248)	792,761	721,979	70,782
Other Salaries for Instruction	222,072	(28,933)	193,139	173,043	20,096
Purch. Prof./Tech. Services	262,000	8,478	270,478	270,478	-
Purchased Prof. Educational Services	144,651	45,991	190,642	168,314	22,328
Tuition	600,000	233,730	833,730	771,053	62,677
General Supplies	14,257	41,319	55,576	33,241	22,335
Textbooks	12,000	(1,931)	10,069	10,069	-
Other Objects	-	2,199	2,199	199	2,000
Total Instruction	<u>2,453,989</u>	<u>(105,395)</u>	<u>2,348,594</u>	<u>2,148,376</u>	<u>200,218</u>
Support Services					
Salaries of Teachers	20,347	113,135	133,482	82,088	51,394
Salaries of Other Professional Staff		-		-	-
Salaries of Secretarial and Clerical Assistants		10,236	10,236	7,827	2,409
Purch. Prof./Tech. Services		-		-	-
Purchased Professional/Educational Services	674,527	(167,617)	506,910	450,633	56,277
Travel		-		-	-
Other Purchased Services	3,000	26,379	29,379	16,593	12,786
Supplies and Materials	1,650	25,005	26,655	9,176	17,479
Contracted Services - Transportation	-	-	-	-	-
Total Support Services	<u>699,524</u>	<u>7,138</u>	<u>706,662</u>	<u>566,317</u>	<u>140,345</u>
Employee Benefits					
Personal Services - Employee Benefits	205,943	171,116	377,059	335,570	41,489
Total Allocated Benefits	<u>205,943</u>	<u>171,116</u>	<u>377,059</u>	<u>335,570</u>	<u>41,489</u>
Capital Outlay:					
Instructional Equipment	-	5,002	5,002	5,002	-
Total Expenditures	<u>3,359,456</u>	<u>77,861</u>	<u>3,437,317</u>	<u>3,055,265</u>	<u>382,052</u>
Total Outflows	<u>3,359,456</u>	<u>77,861</u>	<u>3,437,317</u>	<u>3,055,265</u>	<u>382,052</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				\$ (64,346)	
Fund Balance (Deficit) per Governmental Fund Statements (GAAP)				<u>\$ (64,346)</u>	

**CARTERET BOARD OF EDUCATION
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
BUDGET TO GAAP RECONCILIATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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)	\$ 53,527,354	\$ 3,055,265
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		44,884
(Current Year)		(131,086)
State Aid payments recognized for GAAP purpose not recognized for Budgetary statements (Prior Year), Net	3,365,574	75,405
State Aid payments recognized for budgetary purpose not recognized for GAAP statements (Current Year)	<u>(3,344,544)</u>	<u>(64,346)</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 53,548,384</u>	<u>\$ 2,980,122</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 50,752,853	\$ 3,055,265
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		44,884
(Current Year)	<u>-</u>	<u>(131,086)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 50,752,853</u>	<u>\$ 2,969,063</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, 2012

	Chapter 192		Chapter 193		Preschool Education Aid	Subtotal Page 2	Subtotal Page 3	Total
	Compensatory Education	ESL	Exam & Class	Corrective Speech				
REVENUES								
State	\$ 33,812	\$ 6,724	\$ 10,946	\$ 15,710	\$ 621,890	\$ 294,930	\$	\$ 997,081
Local	-	-	-	-	-	29,625	-	29,625
Federal	-	-	-	-	-	891,394	\$ 1,137,165	2,028,559
Total Revenues	\$ 33,812	\$ 6,724	\$ 10,946	\$ 15,710	\$ 621,890	\$ 1,215,949	\$ 1,137,165	\$ 3,055,265
EXPENDITURES								
Instruction								
Salaries of Teachers			\$ 305,046	\$	\$	405,740	\$ 11,193	\$ 721,979
Other Salaries for Instruction			139,804			20,100	13,139	173,043
Purch. Prof./Tech. Services						270,478	-	270,478
Purch. Prof. Educational Services						131,366	36,948	168,314
Tuition					6,514	8,765	771,053	771,053
General Supplies						17,962	33,241	33,241
Textbooks						10,069	-	10,069
Other Objects						-	199	199
Total Instruction					451,364	846,518	850,494	2,148,376
Support Services								
Salaries of Teachers						82,088	-	82,088
Salaries of Other Professional Staff						7,827	-	7,827
Salaries of Secretarial/Clerical Assistants						165,645	2,399	335,570
Personal Services - Employee Benefits					167,526	-	-	-
Purch. Prof./Tech. Services						98,312	269,060	450,633
Purchased Professional Educational Services					3,000	12,088	4,505	16,593
Other Purchased Services						3,471	5,705	9,176
Supplies and Materials						-	-	-
Contracted Services - Transportation						-	-	-
Total Support Services	\$ 33,812	\$ 6,724	\$ 10,946	\$ 15,710	\$ 170,526	\$ 369,431	\$ 281,669	\$ 901,887
Capital Outlay:								
Instructional Equipment							5,002	5,002
Total Expenditures	\$ 33,812	\$ 6,724	\$ 10,946	\$ 15,710	\$ 621,890	\$ 1,215,949	\$ 1,137,165	\$ 3,055,265

CARTERET BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Nonpublic Nursing	Nonpublic Textbooks	NJSBAIG Safety Grant	School Based Youth Services	Title I	Title II.A	Page 2 Total
REVENUES							
State	\$ 14,383	\$ 10,069	\$ -	\$ 270,478	\$ -	\$ -	\$ 294,930
Local	-	-	29,625	-	685,194	206,200	29,625
Federal	-	-	-	-	-	-	891,394
Total Revenues	\$ 14,383	\$ 10,069	\$ 29,625	\$ 270,478	\$ 685,194	\$ 206,200	\$ 1,215,949
EXPENDITURES							
Instruction							
Salaries of Teachers					\$ 319,905	\$ 85,835	\$ 405,740
Other Salaries for Instruction					20,100		20,100
Purchased Prof./Educational Services					131,366		131,366
Purch. Prof./Tech. Services				\$ 270,478			270,478
General Supplies					8,765		8,765
Textbooks		\$ 10,069					10,069
Other Objects							
Total Instruction	-	10,069	-	270,478	480,136	85,835	846,518
Support Services							
Salaries of Teachers					21,956	60,132	82,088
Salaries of Other Professional Staff					4,910	2,917	7,827
Salaries of Secretarial and Clerical Assis					138,875	26,770	165,645
Personal Services - Employee Benefits					35,399	18,905	98,312
Purchased Professional					810	11,278	12,088
Educational Services	\$ 14,383	\$ -	\$ 29,625				
Other Purchased Services					3,108	363	3,471
Supplies and Materials							
Total Support Services	14,383	-	29,625	-	205,058	120,365	369,431
Capital Outlay:							
Instructional Equipment							
Total Expenditures	\$ 14,383	\$ 10,069	\$ 29,625	\$ 270,478	\$ 685,194	\$ 206,200	\$ 1,215,949

**CARTERET BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Title III</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	\$ 52,807	\$ 993,661	\$ 67,281	\$ 23,416	\$ 1,137,165
Total Revenues	<u>\$ 52,807</u>	<u>\$ 993,661</u>	<u>\$ 67,281</u>	<u>\$ 23,416</u>	<u>\$ 1,137,165</u>
EXPENDITURES					
Instruction					
Salaries of Teachers	\$ 11,193			\$	\$ 11,193
Other Salaries for Instruction	13,139				13,139
Purch. Prof./Tech. Services	3,930	\$ 33,018			36,948
Purch. Prof. Educational Services		680,356	\$ 67,281	\$ 23,416	771,053
Tuition	11,297	6,665			17,962
General Supplies	199				199
Other Objects					
Total Instruction	<u>39,758</u>	<u>720,039</u>	<u>67,281</u>	<u>23,416</u>	<u>850,494</u>
Support Services					
Salaries of Teachers					-
Personal Services - Employee Benefits	2,399				2,399
Purch. Prof./Tech. Services					-
Purchased Professional					
Educational Services	2,534	266,526			269,060
Travel					
Other Purchased Services	2,761	1,744			4,505
Contracted Services - Transportation					
Supplies and Materials	353	5,352			5,705
Total Support Services	<u>8,047</u>	<u>273,622</u>	<u>-</u>	<u>-</u>	<u>281,669</u>
Capital Outlay:					
Instructional Equipment	5,002				5,002
Total Expenditures	<u>\$ 52,807</u>	<u>\$ 993,661</u>	<u>\$ 67,281</u>	<u>\$ 23,416</u>	<u>\$ 1,137,165</u>

CAPITAL PROJECTS FUND

EXHIBIT F-1

CARTERET BOARD OF EDUCATION
 CAPITAL PROJECTS FUND
 SUMMARY SCHEDULE OF PROJECT EXPENDITURES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<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, 2012</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	749,603	-	397
		<u>\$ 10,685,000</u>	<u>\$ 781,008</u>	<u>\$ 11,466,008</u>	<u>\$ 11,465,105</u>	<u>\$ -</u>	<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, 2012

Fund Balance, Beginning of Year	\$ <u>903</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, 2012**

	<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	 10,716,008	 -	 10,716,008	 10,743,050
EXPENDITURES AND OTHER FINANCING SOURCES				
Unallocated	10,715,502	-	10,715,502	10,743,050
 Total Expenditures and other Financing Sources	 10,715,502	 -	 10,715,502	 10,743,050
 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, 2012**

	<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	11,500		11,500	15,000
Construction Services	738,103	-	738,103	735,000
 Total Expenditures and other Financing Sources	<u>749,603</u>	<u>-</u>	<u>749,603</u>	<u>750,000</u>
 Excess of Revenues over Expenditures	<u>\$ 397</u>	<u>\$ -</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, 2012**

**Enrichment
Academy**

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 179,155
Intergovernmental Receivable	
State	<u>2,983</u>
Total Current Assets	<u>182,138</u>

LIABILITIES

Current Liabilities	
Accounts Payable	<u>1,054</u>
Total Current Liabilities	<u>1,054</u>

NET ASSETS

Unrestricted	<u>181,084</u>
Total Net Assets	<u>\$ 181,084</u>

**CARTERET BOARD OF EDUCATION
 ENTERPRISE FUNDS - NONMAJOR
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN NET ASSETS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Enrichment Academy</u>
OPERATING REVENUES	
Charges for Services	
Program Fees	\$ 240,860
Total Operating Revenues	<u>240,860</u>
 OPERATING EXPENSES	
Salaries and Employee Benefits	141,909
Miscellaneous	<u>4,017</u>
Total Operating Expenses	<u>145,926</u>
Operating Income	<u>94,934</u>
Net Income	<u>94,934</u>
Change in Net Assets	94,934
Total Net Assets, Beginning of Year	<u>86,150</u>
Total Net Assets, End of Year	<u>\$ 181,084</u>

**CARTERET BOARD OF EDUCATION
 ENTERPRISE FUNDS - NONMAJOR
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Enrichment Academy</u>
Cash Flows from Operating Activities	
Receipts from Customers	\$ 237,877
Payments for Employees' Salaries and Benefits	(141,909)
Payments for Miscellaneous Expenses	<u>(3,019)</u>
Net Cash Provided by Operating Activities	<u>92,949</u>
Net Increase in Cash and Cash Equivalents	92,949
Cash and Cash Equivalents, Beginning of Year	<u>86,206</u>
Cash and Cash Equivalents, End of Year	<u>\$ 179,155</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ <u>94,934</u>
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Change in Assets and Liabilities	
(Increase)/Decrease in Intergovernmental Receivable	(2,983)
Increase/(Decrease) in Accounts Payable	<u>998</u>
Total Adjustments	<u>(1,985)</u>
Net Cash Provided by Operating Activities	<u>\$ 92,949</u>

FIDUCIARY FUNDS

**CARTERET BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2012**

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 157,341	\$ 51,546	\$ 208,887
Total Assets	<u>\$ 157,341</u>	<u>\$ 51,546</u>	<u>\$ 208,887</u>
LIABILITIES			
Due to Student Groups	\$ 157,341		\$ 157,341
Payroll Deductions and Withholdings		\$ 45,046	45,046
Due to Other Funds	<u>-</u>	<u>6,500</u>	<u>6,500</u>
Total Liabilities	<u>\$ 157,341</u>	<u>\$ 51,546</u>	<u>\$ 208,887</u>

**CARTERET BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

THIS STATEMENT IS NOT APPLICABLE

**STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Balance, July 1, 2011</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2012</u>
ELEMENTARY SCHOOLS				
Columbus	\$ 11,671	\$ 26,117	\$ 26,910	\$ 10,878
Nicholas Minue	10,319	29,132	31,595	7,856
Nathan Hale	<u>11,605</u>	<u>19,187</u>	<u>22,243</u>	<u>8,549</u>
Total Elementary Schools	<u>33,595</u>	<u>74,436</u>	<u>80,748</u>	<u>27,283</u>
JUNIOR HIGH SCHOOL				
Student Activities Fund	<u>31,835</u>	<u>44,658</u>	<u>59,267</u>	<u>17,226</u>
Total Junior High School	<u>31,835</u>	<u>44,658</u>	<u>59,267</u>	<u>17,226</u>
SENIOR HIGH SCHOOL				
Carteret Senior High School				
Student Activities Fund	107,104	159,939	161,350	105,693
Athletic Fund	<u>5,046</u>	<u>31,608</u>	<u>29,515</u>	<u>7,139</u>
Total Senior High School	<u>112,150</u>	<u>191,547</u>	<u>190,865</u>	<u>112,832</u>
Total All Schools	<u>\$ 177,580</u>	<u>\$ 310,641</u>	<u>\$ 330,880</u>	<u>\$ 157,341</u>

**CARTERET BOARD OF EDUCATION
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Balance, July 1, <u>2011</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance, June 30, <u>2012</u>
ASSETS				
Cash	\$ 258,894	\$ 31,189,439	\$ 31,396,787	\$ 51,546
Total Assets	<u>\$ 258,894</u>	<u>\$ 31,189,439</u>	<u>\$ 31,396,787</u>	<u>\$ 51,546</u>
LIABILITIES				
Due to Other Funds	\$ 6,399	\$ 101		\$ 6,500
Payroll Deductions and Withholdings	252,495	14,346,655	\$ 14,554,104	45,046
Accrued Salaries and Wages	<u>-</u>	<u>16,842,683</u>	<u>16,842,683</u>	<u>-</u>
Total Liabilities	<u>\$ 258,894</u>	<u>\$ 31,189,439</u>	<u>\$ 31,396,787</u>	<u>\$ 51,546</u>

LONG-TERM DEBT

**CARTERET BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF BONDS PAYABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<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, 2011</u>	<u>Paid</u>	<u>Balance June 30, 2012</u>
Pension Obligation Refunding Bonds, Series 2003	March 15, 2003	\$ 2,450,000	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>\$ 1,625,000</u>	<u>\$ 125,000</u>	<u>\$ 1,500,000</u>
						<u>\$ 1,625,000</u>	<u>\$ 125,000</u>	<u>\$ 1,500,000</u>

CARTERET BOARD OF EDUCATION
 LONG-TERM DEBT
 SCHEDULE OF OBLIGATIONS UNDER CERTIFICATES OF PARTICIPATION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Interest Rate <u>Payable</u>	Amount of Original <u>Issue</u>	Balance, <u>July 1, 2011</u>	Retired <u>Current Year</u>	Balance, <u>June 30, 2012</u>
2006 Refunding (COP)	3.50 - 4.25	\$ 8,985,000	\$ 8,465,000	\$ 310,000	\$ 8,155,000
2010 Refunding (COP)	2.00-3.625	9,375,000	<u>8,680,000</u>	<u>990,000</u>	<u>7,690,000</u>
			<u>\$ 17,145,000</u>	<u>\$ 1,300,000</u>	<u>\$ 15,845,000</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, 2012**

	<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	\$ 1,423,990		\$ 1,423,990	\$ 1,423,990	
State Sources					
State Aid Type II	<u>684,113</u>	<u>-</u>	<u>684,113</u>	<u>684,113</u>	<u>-</u>
Total Revenues	<u>2,108,103</u>	<u>-</u>	<u>2,108,103</u>	<u>2,108,103</u>	<u>-</u>
EXPENDITURES					
Regular Debt Service					
Principal on Lease Purchase - COPS	1,300,000		1,300,000	1,300,000	
Interest on Lease Purchase - COPS	607,278		607,278	607,277	\$ 1
Interest on Early Retirement Bonds	87,325		87,325	87,325	
Principal on Early Retirement Bonds	<u>125,000</u>	<u>-</u>	<u>125,000</u>	<u>125,000</u>	<u>-</u>
Total Expenditures	<u>2,119,603</u>	<u>-</u>	<u>2,119,603</u>	<u>2,119,602</u>	<u>1</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(11,500)</u>	<u>-</u>	<u>(11,500)</u>	<u>(11,499)</u>	<u>1</u>
Net Change in Fund Balance	<u>(11,500)</u>	<u>-</u>	<u>(11,500)</u>	<u>(11,499)</u>	<u>1</u>
Fund Balance, Beginning of Year	<u>11,563</u>	<u>-</u>	<u>11,563</u>	<u>11,563</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 63</u>	<u>\$ -</u>	<u>\$ 63</u>	<u>\$ 64</u>	<u>\$ 1</u>
<u>Recapitulation of Fund Balance:</u>					
Restricted for Debt Service:					
Designated for Subsequent Year's Budgeted Debt Service Expenditures			\$ 63	\$ 63	
Available for Future Debt Service Expenditures			<u>1</u>	<u>1</u>	
Total Fund Balance - Restricted for Debt Service			<u>\$ 64</u>	<u>\$ 64</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 TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 6,644,390
Restricted	401,492	(4,726,169)	385,425	431,982	427,011	106,355	1,854	76,563	12,466	967
Unrestricted	(4,399,611)	\$ (4,353,356)	(3,258,241)	(4,630,810)	(3,256,688)	(3,700,241)	(6,319,492)	(4,393,323)	(5,252,956)	(2,155,018)
Total Governmental Activities Net Assets	\$ (8,886,608)	\$ (4,353,356)	\$ (2,848,208)	\$ (3,485,434)	\$ (1,557,029)	\$ (1,336,627)	\$ (2,533,054)	\$ 644,360	\$ 673,226	\$ 4,490,359
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	\$ 282,944
Unrestricted	\$ 155,301	179,411	218,634	389,039	635,506	878,792	1,159,077	780,203	397,506	586,128
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	\$ 869,072
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	\$ 6,927,334
Restricted	401,492	372,813	385,425	431,982	427,011	106,355	1,854	76,563	12,466	967
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)	(1,568,890)
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	\$ 5,359,411

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

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 18,117,422	\$ 18,253,165	\$ 21,339,071	\$ 22,267,133	\$ 21,963,038	\$ 23,823,202	\$ 23,542,356	\$ 22,977,099	\$ 22,696,499	\$ 23,203,222
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	9,438,977
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	1,563,169
School Sponsored Activities And Athletics	538,879	538,078	654,200	605,869	555,642	639,614	656,317	631,038	275,747	552,312
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	5,608,828
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	2,877,577
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	1,422,345
Central Services			575,443	835,785	800,140	989,814	1,026,018	1,489,599	1,473,443	1,420,159
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	5,887,625
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	2,090,347
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	752,935
Total Governmental Activities Expenses	41,149,285	43,563,209	46,143,414	50,536,443	50,990,048	55,165,893	56,697,538	56,757,008	56,119,372	54,819,496
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	1,683,556
Enrichment Academy					171,176	153,750	149,715	646,234	150,578	145,926
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	1,829,282
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	\$ 56,648,778
Program Revenues										
Governmental Activities:										
Tuition								\$ 15,301	\$ 1,951	
Grants And Contributions	\$ 10,956,382	\$ 12,367,208	\$ 12,139,240	\$ 13,369,276	\$ 14,537,087	\$ 15,438,714	\$ 8,968,529	\$ 15,815,618	\$ 9,842,337	\$ 10,460,054
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	10,460,054
Business-Type Activities:										
Charges For Service										
Food Service	320,925	394,540	433,210	423,646	437,701	482,753	501,050	501,812	502,054	520,251
Enrichment Academy				231,357	253,412	254,054	293,368	217,377	216,708	240,860
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	1,229,001
Total Business Type Activities Program Revenues	841,503	1,029,997	1,136,663	1,448,198	1,505,519	1,708,476	1,806,142	1,862,437	1,851,578	1,990,112
Total District Program Revenues	\$ 11,797,885	\$ 13,397,205	\$ 13,275,903	\$ 14,817,474	\$ 16,042,606	\$ 17,147,190	\$ 10,789,972	\$ 17,680,006	\$ 11,693,915	\$ 12,450,166
Net (Expense)/Revenue										
Governmental Activities	\$ (30,192,903)	\$ (31,196,001)	\$ (34,004,174)	\$ (37,167,167)	\$ (36,452,961)	\$ (39,727,179)	\$ (47,713,708)	\$ (40,939,459)	\$ (46,277,035)	\$ (44,359,442)
Business-Type Activities	17,500	9,786	25,716	148,047	233,975	244,416	304,262	(393,777)	(222,151)	160,830
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)	\$ (44,198,612)

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

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 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	1,423,990
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	23,435,915
State/Federal Aid - Restricted	690,198	818,247	819,566	821,940	788,002	805,535	802,096	801,952	353,114	458,356
Investment Earnings	75,460	40,932	144,274	194,790	296,645	209,339	38,099	10,111	12,058	13,000
Miscellaneous Income	211,176	81,365	226,432	88,501	358,132	329,990	146,133	59,606	9,370	44,294
Transfers	-	-	-	(32,566)	-	4,356	-	-	-	-
Total Governmental Activities	30,619,868	31,418,929	35,509,022	36,530,241	38,381,366	39,947,381	46,517,281	44,116,853	46,305,901	48,176,555
Business-Type Activities:										
Investment Earnings	1,444	1,580	764	2,667	9,600	22,292	7,747	4,385	2,412	268
Federal Aid Restricted	-	-	-	-	-	-	(4,356)	-	-	-
Transfers	1,444	1,580	764	32,566	32,566	22,292	3,391	28,935	2,412	268
Total Business-Type Activities	3,332	3,160	1,528	35,233	32,166	44,584	6,832	33,320	4,824	276
Total District-Wide	30,623,200	31,422,089	35,510,550	36,565,474	38,390,966	39,969,873	46,524,113	44,150,173	46,310,725	48,179,321
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	\$ 3,817,113
Business-Type Activities	18,944	11,366	26,480	183,280	243,575	266,708	307,653	(364,842)	(219,739)	161,098
Total District	445,909	234,294	1,531,328	(453,646)	2,171,980	487,110	(888,774)	2,812,572	(190,873)	3,978,211

CARTERET BOARD OF EDUCATION
 FUND BALANCES - GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS

(Unaudited)
 (modified accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	\$ 1,138,738	\$ 593,050	\$ 1,382,966	\$ 322,751	\$ 673,292	\$ 830,458	\$ 660,302	\$ 1,351,222	\$ 262,572	\$ 3,163,980
Unreserved	10,011	400,378	467,381	222,253	629,112	(263,740)	(2,387,960)	(1,416,197)	629,847	1,825,000
Committed									(1,944,674)	(3,245,704)
Assigned										
Unassigned										
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>	<u>\$ 1,743,276</u>
All Other Governmental Funds										
Reserved	\$ 392,529	\$ 358,331	\$ 370,943	\$ 390,933	\$ 425,043	\$ 99,678	\$ 27,737	\$ 2,878	\$ 12,466	\$ 967
Unreserved	1,499	14,482	14,482	41,049	1,968	6,677	(70,174)			
Restricted										
Assigned										
Unassigned										
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>\$ (64,346)</u>

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 TEN FISCAL YEARS
(Unaudited)
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 24,224,990
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	13,000
Miscellaneous	213,522	87,739	226,432	88,501	187,293	332,990	151,063	59,606	49,932	73,919
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	31,417,484
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	2,907,216
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	58,636,609
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	23,243,679
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	9,458,174
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	1,568,258
Vocational Education	114,711									
Other Instruction	533,598	538,414	657,291	603,414	562,384	642,172	651,430	632,446	275,686	553,960
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	5,573,901
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	1,347,669
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	2,888,865
Central Services			578,255	831,465	811,019	994,256	1,017,364	1,492,129	1,473,137	1,423,942
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	5,106,887
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	2,085,280
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	471,301
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	1,425,000
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	694,602
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	55,841,518
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)	2,795,091
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)	\$ 2,795,091
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%	3.83%

* Noncapital expenditures are total expenditures less capital outlay.

**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>
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	9,370		21,428
2012	13,000	44,294		57,294

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
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
2012 (b)	39,038,800	1,064,039,900	232,518,000	454,569,400	90,049,100	1,880,215,200	3,395,429	1,883,610,629	1,883,610,629	1.287

Source: County Abstract of Ratables

^a Tax rates are per \$100

^b The Borough undertook a revaluation of real property which was effective in calendar year 2012.

**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>	
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
2012 (A)	1.287	1.122	0.030	0.040	0.360	0.033	2.872

Source: The Borough Tax Duplicate

(A) The Borough undertook a revaluation of real property which was effective in calendar year 2012

**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	
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
2012	24,224,990	24,224,990	100.00%	N/A

**CARTERET BOARD OF EDUCATION
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST EIGHT 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	22,870	821	
2012	1,500,000	15,845,000	N/A	N/A	N/A	17,345,000	22,970 (A)	755	

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 eight 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 EIGHT 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%	71
2012	1,500,000		1,500,000	0.15%	66

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 eight 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, 2011
(Unaudited)**

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
MUNICIPAL DEBT: (1)			
Borough of Carteret	\$ 80,894,663	\$ 56,902,637	\$ 23,992,026
Carteret Board of Education	<u>1,625,000</u>	<u>1,625,000</u>	<u>-</u>
	<u>\$ 82,519,663</u>	<u>\$ 58,527,637</u>	<u>23,992,026</u>
OVERLAPPING DEBT APPORTIONED TO THE MUNICIPALITY			
Middlesex County			
County of Middlesex (A)			16,733,750
Middlesex County Utilities Authority (A)			<u>7,738,730</u>
			<u>24,472,480</u>
Total Direct and Overlapping Bonded Debt			<u>\$ 48,464,506</u>

SOURCE:

(1) Borough of Carteret 2011 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 2011 equalized value by the total 2011 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 EIGHT FISCAL YEARS
(Unaudited)**

Legal Debt Margin Calculation for Fiscal Year 2012

Equalized Valuation Basis		
2011		\$ 2,304,122,147
2010		2,608,561,296
2009		2,723,970,853
	[A]	<u>\$ 7,636,654,296</u>
 Average Equalized Valuation of Taxable Property	 [A/3]	 \$ 2,545,551,432
Debt Limit (4.0% of average equalization value)	[B]	101,822,057
Total Net Debt Applicable to Limit	[C]	-
Legal debt margin	[B-C]	<u>\$ 101,822,057</u>

	Fiscal Year							
	2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit	\$ 58,425,701	\$ 68,592,381	\$ 80,484,933	\$ 91,130,091	\$ 99,658,291	\$ 104,338,196	\$ 106,504,603	\$ 101,822,057
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>	<u>\$ 101,822,057</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%	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
2003	21,328	\$ 38,745	7.00%
2004	21,303	39,659	5.90%
2005	21,243	40,826	8.20%
2006	21,173	44,204	8.30%
2007	21,964	46,991	7.30%
2008	22,473	49,464	9.70%
2009	23,242	46,912	14.80%
2010	23,776	48,256	14.80%
2011	22,870	Not Available	14.40%
2012	22,970 (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>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>	<u>2012</u>
Instruction										
Regular	229.13	238.13	253.00	271.95	237.00	272.00	278.20	275.20	242.00	239.00
Special education	51.87	52.87	55.00	58.05	47.00	15.00	15.80	15.80	50.00	49.00
Other special education	25.00	24.00	21.00	22.00	36.00	45.00	47.00	46.00	27.00	14.00
Adult/continuing education programs	1.00	1.00	1.00	1.00	1.00	1.00	1.00			
Support Services:										
Student & instruction related services	49.80	49.80	49.00	47.00	43.00	48.00	51.00	51.00	54.00	45.00
General administration	4.00	4.00	5.00	4.00	2.00	4.00	4.00	4.00	4.00	4.00
School administrative services	25.00	25.00	25.00	28.00	28.00	23.00	24.00	25.00	23.00	23.00
Other administrative services	3.20	3.20	3.00	5.00	2.00	-				
Central services	6.00	6.00	6.00	5.00	5.00	5.00	6.00	5.00	5.00	5.00
Administrative Information Technology	1.00	1.00	2.00	3.00	3.00	5.00	5.00	5.00	4.00	4.00
Plant operations and maintenance	32.00	32.00	33.00	36.00	33.00	33.00	35.00	35.00	32.00	30.00
Total	428.00	437.00	453.00	481.00	437.00	451.00	467.00	462.00	441.00	413.00

Source: District Personnel Records

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

Fiscal Year	Pupil/Teacher Ratio											
	Enrollment ^a	Operating Expenditures ^b	Cost Per Pupil ^c	Percentage Change	Teaching Staff	Elementary	Middle School	Senior High School	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
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	14:01	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	17:01	13:01	12:01	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%	325	8.78:1	10.2:1	10.35:1	3,822	3,621	0.45%	94.74%
2010	3,869	55,096,486	14,240	3.42%	321	8.69:1	10.2:1	10.35:1	3,824	3,653	0.05%	95.53%
2011	3,838	54,375,786	14,168	-0.51%	322	8.78:1	10.2:1	10.35:1	3,794	3,612	-0.78%	95.20%
2012	3,861	53,250,615	13,792	-3.15%	310	11.7:1	14.1:1	11.5:1	3,767	3,617	-1.49%	96.02%

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<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	719	714	690	676	701	669	669	658	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	674	681	653	654	650	677	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	523	567	578	587	574	560	560	525	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	891	929	969	887	854	869	869	912	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	957	964	1,030	1,086	1,081	1,112	1,112	1,048	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, 2012										
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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
*School Facilities										
Columbus School	\$ 104,929	\$ 68,763	\$ 80,647	\$ 76,875	\$ 145,403	\$ 107,618	\$ 210,510	\$ 187,683	\$ 111,866	\$ 153,972
Nicholas Minue School	86,405	43,121	70,528	85,132	102,061	75,539	171,405	162,875	144,995	74,765
Nathan Hale School	67,129	17,149	99,325	80,555	113,281	83,843	134,400	71,126	164,972	201,894
Middle School	89,880	45,194	146,871	142,046	159,127	117,775	190,375	239,413	141,080	155,733
High School	246,945	565,085	374,947	470,417	352,309	797,713	375,812	468,735	435,297	531,802
Total School Facilities	595,288	739,312	772,318	855,025	872,181	1,182,488	1,082,502	1,129,832	998,210	1,118,166
Other Facilities	131,336	100,261	83,343	123,317	217,614	318,790	219,633	126,200	114,282	146,696
Grand Total	\$ 726,624	\$ 839,573	\$ 855,661	\$ 978,342	\$ 1,089,795	\$ 1,501,278	\$ 1,302,135	\$ 1,256,032	\$ 1,112,492	\$ 1,264,862

**CARTERET BOARD OF EDUCATION
SCHEDULE OF INSURANCE
JUNE 30, 2012
(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	
Automobile Liability		
Combined Single Limit	11,000,000	
Persona Injury Protection	250,000	
Surety Bonds	1,000,000	
UNCSL	1,000,000	
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	

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, 2012, which collectively comprise the Carteret Board of Education's basic financial statements and have issued our report thereon dated October 4, 2012. 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 Office of School Finance, 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.

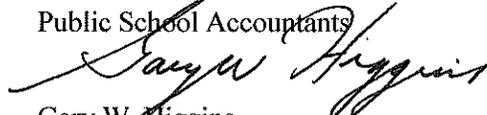
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination 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 Office of School Finance, Department of Education, State of New Jersey.

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
October 4, 2012

LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-2

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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RALPH M. PICONE, CPA, RMA, PSA
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, 2012. 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 Office of School Finance, 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, 2012.

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.

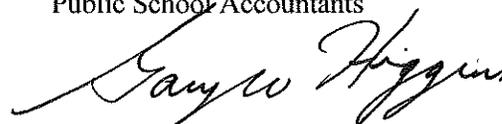
A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal or 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.

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
 October 4, 2012

CARTERET BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance July 1, 2011	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustments Receivables- Carryover	Refund of Prior Years' Balances	June 30, 2012		MEMO GAAP Receivable
										Accounts Receivable	Deferred Revenue	
U.S. Department of Education												
Passed-through State Department of Education												
Enterprise Fund												
10.555	N/A	7/1/10-6/30/11	880,281	(70,326)		\$ 70,326						
		7/1/11-6/30/12	939,761			874,799	\$ 939,761			\$ (64,962)		\$ (64,962)
		7/1/10-6/30/11	81,150	2,039			2,039					
		7/1/11-6/30/12	123,385	(7,862)		123,385	120,367			\$ 3,018		(8,286)
10.553	N/A	7/1/10-6/30/11	89,435			7,862						
		7/1/11-6/30/12	104,099	(1,608)		95,813	104,099			(8,286)		(8,286)
10.553	N/A	7/1/10-6/30/11	34,152			1,608						
		7/1/11-6/30/12	40,312	(3,801)		38,673	40,312			(1,639)		(1,639)
10.555	N/A	7/1/10-6/30/11	27,333			3,801						
10.582	N/A	7/1/10-6/30/11										
				(81,558)		1,216,267	1,206,578			(74,887)	3,018	(74,887)
Total Enterprise Fund												
Special Revenue Fund												
84.010A	NCLB-0750-12	9/01/11-8/31/12	679,257		\$ (77,958)	464,863	542,483	\$ 459		(225,304)	70,185	(225,304)
84.010A	NCLB-0750-11	9/01/10-8/31/11	615,255	(280,522)	77,958	345,275	142,711					
84.389	NCLB-0750-10	9/01/09-8/31/11	367,229	(2,503)		2,509					6	
84.377A	NCLB-0750-08	9/01/07-8/31/08	1,760	2,160							2,160	
84.367A	NCLB-0750-12	9/01/11-8/31/12	173,914		(49,010)	152,817	102,047			(70,107)	71,867	(70,107)
84.367A	NCLB-0750-11	9/01/10-8/31/11	190,356	(36,021)	49,010	91,164	104,153					
84.318X	NCLB-0750-11	9/01/10-8/31/11	1,472	(2,455)		2,446				(9)		(9)
84.365A	NCLB-0750-12	9/01/11-8/31/12	55,042		(12,338)	17,868	16,856			(49,172)	38,186	(49,172)
84.365A	NCLB-0750-11	9/01/10-8/31/11	60,151	(951)	(4,752)	41,654	35,951	340				
84.365A	NCLB-0750-11	9/01/10-8/31/11	25,069	(17,090)	17,090							
84.186A	NCLB-0750-10	9/01/09-8/31/10	12,402	(5)						(5)		(5)

Continued

CARTERET BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Federal/Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance July 1, 2011	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustments Receivables- Carryovers	Refund of Prior Years' Balances	June 30, 2012			MEMO GAAP Receivable
											Accounts Receivable	Deferred Revenue	Due to Grantor	
Special Revenue Fund (Cont.)														
IDEA Basic	84.027	IDEA-0750-12	9/01/11-8/31/12	\$ 893,537	\$ (147,473)	\$ (86,283)	\$ 630,694	\$ 819,321			\$ (349,170)	\$ 74,260		\$ (349,170)
IDEA Basic C/O	84.027	IDEA-0750-11	9/01/10-8/31/11	891,843		86,283	235,532	174,340						
IDEA Part B - ARRA	84.391	IDEA-0750-10	9/01/09-8/31/11	1,079,930	(54,885)		122,506	67,281	2,500			2,840		
I.D.E.A. Preschool	84.173	IDEA-0750-12	9/01/11-8/31/12	28,837			23,344	23,344			(10,896)	10,896		(10,896)
I.D.E.A. Preschool C/O	84.173	IDEA-0750-11	9/01/10-8/31/11	29,164	(26,626)		26,698	72						
Reading First	84.357A	EO01-0750-10	7/1/09-6/30/10	176,808	(22,884)						(22,884)			(22,884)
Total Special Revenue Fund					(589,237)		2,157,370	2,028,559	3,299		(727,547)	270,400		(727,547)
General Fund														
Medicaid Reimbursement	93.778	N/A	7/1/11-6/30/12	72,837			59,678	59,678						
Education Jobs Fund	84.410	N/A	7/1/11-6/30/12	902,788			810,745	902,788			(92,043)			(92,043)
Total General Fund							870,423	962,466			(92,043)			(92,043)
Total					(670,815)		4,244,060	4,197,603	3,299		(894,477)	273,418		(894,477)

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, 2012

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, July 1, 2011		Due to Grantor	Cash Received	Budgetary Expenditures	Refund of Prior Years' Balances	June 30, 2012		Cumulative Total Expenditures
				(Accounts Receivable)	Deferred Revenue					Accounts Receivable	Deferred Revenue	
General Fund												
State Department of Education												
Equalization Aid	11-495-034-5120-078	7/1/10-6/30/11	\$ 21,287,221	\$ (2,123,447)		\$	2,123,447	\$ 21,644,055				\$ 22,644,055
Equalization Aid	12-495-034-5120-078	7/1/11-6/30/12	22,644,055				20,409,680					
Equalization Aid	11-100-034-5120-473	7/1/10-6/30/11	1,035,038	(1,035,038)			1,035,038					886,206
Equalization Aid	12-100-034-5120-473	7/1/11-6/30/12	886,206				207,089					
Special Education Categorical Aid	11-495-034-5120-089	7/1/10-6/30/11	2,124,794	(207,089)			1,913,135	2,124,794				2,124,794
Special Education Categorical Aid	12-495-034-5120-089	7/1/11-6/30/12	2,124,794				130,638					144,940
Special Education Categorical Aid	12-495-034-5120-089	7/1/11-6/30/12	144,940				311					
TPAF Wage Freeze Grant	N/A	7/1/10-6/30/11	621	(311)								
TPAF Post Retirement Medical Contribution	12-495-034-5095-001	7/1/11-6/30/12	1,500,103				1,500,103	1,500,103				1,500,103
TPAF Pension Contribution - Normal	12-495-034-5095-006	7/1/11-6/30/12	673,904				673,904	673,904				673,904
TPAF Pension Contribution - NCGI	12-495-034-5095-007	7/1/11-6/30/12	72,319				72,319	72,319				72,319
Reimbursed TPAF Social Security Contr.	11-495-034-5095-002	7/1/10-6/30/11	1,744,384	(84,960)			84,960					
Reimbursed TPAF Social Security Contr.	12-495-034-5095-002	7/1/11-6/30/12	1,640,799				1,559,021	1,640,799				1,640,799
Add'l Nonpublic School Transportation Costs	N/A	7/1/10-6/30/11	18,618	(18,618)			18,618					
Add'l Nonpublic School Transportation Costs	N/A	7/1/11-6/30/12	19,474					19,474				19,474
Total General Fund				(3,469,463)			29,730,261	29,706,594		(3,443,796)		29,706,594
Special Revenue Fund												
Character Education	06-495-034-5120-053	7/1/05-6/30/06	10,078	\$	561							19,432
Preschool Education Aid	11-495-034-5120-086	7/1/10-6/30/11	754,059	(75,405)			75,405	19,432		\$	561	602,458
Preschool Education Aid	12-495-034-5120-086	7/1/11-6/30/12	643,456				579,110	602,458		40,998		270,478
School Based Youth Services (DYFS)	SB10026	7/1/09-6/30/10	270,478		1,817		270,478					
School Based Youth Services (DYFS)	SB10036	7/1/11-6/30/12	270,478				1,569					
Anti-Bullying Bill of Rights Act	N/A	7/1/11-6/30/12	1,389									
N.J. Nonpublic Aid:												
Textbook Aid	12-100-034-5120-064	7/1/11-6/30/12	10,069				10,069	10,069				10,069
Nursing	12-100-034-5120-070	7/1/11-6/30/12	14,383				14,383	14,383				14,383
Auxiliary Services:												
Compensatory Education	12-100-034-5120-087	7/1/11-6/30/12	36,349				36,349	33,812				33,812
English as a Second Language	12-100-034-5120-087	7/1/11-6/30/12	6,724				6,724	6,724				6,724
Transportation	12-100-034-5120-068	7/1/11-6/30/12	6,054				6,054	6,054				6,054
Handicapped Services												
Supplementary Instruction	11-100-034-5120-066	7/1/10-6/30/11	7,373									7,015
Supplementary Instruction	12-100-034-5120-066	7/1/11-6/30/12	7,717				7,717	7,015				7,015
Examination and Classification	11-100-034-5120-066	7/1/10-6/30/11	17,855		950		950	10,946				10,946
Examination and Classification	12-100-034-5120-066	7/1/11-6/30/12	12,403				12,403	10,946				10,946
Corrective Speech	11-100-034-5120-066	7/1/10-6/30/11	19,538		2,346		2,346					15,710
Corrective Speech	12-100-034-5120-066	7/1/11-6/30/12	18,167				18,167	15,710				15,710
Total Special Revenue Fund				(75,405)	19,993	5,118	1,038,428	997,081	3,301	(64,346)	43,128	997,081
Debt Service Fund												
School Construction Debt Service Aid	12-495-034-5120-075	7/1/11-6/30/12	684,113				684,113	684,113				684,113
Enterprise Fund												
National School Lunch Prog (State Share)	11-100-010-3350-023	7/1/10-6/30/11	20,465	(1,741)			1,741	22,423				22,423
National School Lunch Prog (State Share)	12-100-010-3350-023	7/1/11-6/30/12	22,423				20,901					
Total Enterprise Fund				(1,741)			22,642	22,423		(1,522)		22,423
Total State Assistance				(3,546,609)	19,993	5,118	31,475,444	31,410,211	3,301	(3,511,664)	43,128	31,410,211
Less Amounts Not Subject to Single Audit:												
TPAF Post Retirement Medical Contribution	12-495-034-5095-001	7/1/11-6/30/12	1,500,103					1,500,103				1,500,103
TPAF Pension Contribution - Normal	12-485-034-5095-006	7/1/11-6/30/12	673,904					673,904				673,904
TPAF Pension Contribution - NCGI	12-485-034-5095-007	7/1/11-6/30/12	72,319					72,319				72,319
Total State Assistance Subject to Single Audit								29,163,885				29,163,885

See Accompanying Notes to the Schedules 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, 2012**

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 \$21,030 for the general fund and \$75,143 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	\$ 962,466	\$ 29,727,624	\$ 30,690,090
Special Revenue Fund	1,944,750	1,005,747	2,950,497
Debt Service Fund		684,113	684,113
Food Service Fund	<u>1,206,578</u>	<u>22,423</u>	<u>1,229,001</u>
Total Financial Assistance	<u>\$ 4,113,794</u>	<u>\$ 31,439,907</u>	<u>\$ 35,553,701</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, 2012**

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 \$1,640,799 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, 2012. The amount reported as TPAF Pension System Contributions in the amount of \$746,223 and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$1,500,103 represents the amount paid by the State on behalf of the District for the year ended June 30, 2012.

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, 2012**

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 Cluste</u>
<u>84.410</u>	<u>Education Jobs Fund</u>
<u>84.027</u>	<u>IDEA Basic</u>
<u>84.173</u>	<u>IDEA Preschool</u>
<u>84.391</u>	<u>ARRA - IDEA Basic</u>
<u>10.555</u>	<u>National School Lunch Program</u>
<u> </u>	<u> </u>

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

Auditee qualified as low-risk auditee? X yes no

**CARTERET BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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, 2012**

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.

CURRENT YEAR STATE AWARDS

There are none.

**CARTERET BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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.

Status

Corrective action has been taken.

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.

Status

Corrective action has been taken.