

**CARTERET**  
**BOARD OF EDUCATION**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**CARTERET, NEW JERSEY**

**COMPREHENSIVE ANNUAL**

**FINANCIAL REPORT**

**of the**

**Carteret Board of Education**

**Carteret, New Jersey**

**For The Fiscal Year Ended June 30, 2016**

**Prepared by the  
The Business Office**

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## **INTRODUCTORY SECTION**

**CARTERET BOARD OF EDUCATION**  
599 ROOSEVELT AVENUE  
CARTERET, NEW JERSEY 07008-2199

**NILKANTH PATEL**  
Business Administrator/Board Secretary



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September 15, 2016

Honorable President Mr. Martin Murray  
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, 2016.

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, 2016, 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 unmodified opinion that the Carteret Board of Education's financial statements, for the fiscal year ended June 30, 2016, are

fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

## **REPORT FORMAT**

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

- **Introductory Section** – This section includes this transmittal letter, the District's organization chart and a list of principal officials. This section is intended to familiarize the reader with the organizational structure of the District, the nature and scope of the services it provides, and the specifics of its legal operating environment. It is primarily designed for the taxpayer.
- **Financial Section** – This includes the independent 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance) and the New Jersey OMB’s Circular 15-08, “*Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*”.

Information related to this single audit, including the auditor’s report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, 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. Uniform Guidance and New Jersey OMB Circular 15-08 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.

In January 2012, 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 may adopt a resolution in January 2016 to continue the annual school election for school board members to November during the regular general election pursuant to Public Law 2011, Chapter 202.

In August 2016, the Board of Education adopted a resolution to put a question to the voters that the Carteret School District be recognized from Type II School District to a Type I School District.

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, 2014	Actual Enrollment October 15, 2015	Projected Enrollment October 15, 2016
Regular Full Time	Pre K – 12	3,394	3,394	3,366
Special Needs Full Time	Pre K – 12	329	329	340
Special Needs Shared Time	Pre K – 12	14	4	7
Out of District Placement, Shared,	Pre K – 12	89	87	78
State Facilities	Pre K – 12	11	4	11
Charter School	Pre K – 12	2	2	1
<b>Total Enrollment</b>		<b>3,828</b>	<b>3,820</b>	<b>3803</b>

\* Source Advertised FY2016 Budget

## ECONOMIC CONDITIONS AND OUTLOOK

The financial condition of the District is linked to the status of the taxable ratable 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 ratable 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 ratable by approximately one billion dollars. 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.

The Borough of Carteret has approved and has commenced work on various developments to revitalize the local economy. The following future economic developments projects are planned:

- Ferry Service to NYC
- Marina for 200 boats
- Performing Arts Center and Concert Hall
- Spray Park in Chrome Park
- Waterfront Park Concession Stand, Bathrooms and Lighthouse
- West Carteret Façade Project
- Medical Arts Center
- Blazing Star Cultural Arts Center
- Marriot Hotel in West Carteret
- Rita's Italian Ice
- Tim Hortins

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 FY2016, the Carteret Board of Education has implemented the following to enhance the instructional programs and improvements to infrastructure:

### **Major Initiatives in Education & Instruction:**

1. Trained additional staff at every elementary building in Orton Gillingham reading intervention program
2. The schedule at the Carteret Middle School was revised to incorporate additional remediation periods for language arts and math. Study Skills classes were also offered to classified students.
3. Fully implemented Tools of the Mind Curriculum program for all preschool classes. Staff training was arranged. Additional furniture and classroom materials were purchased.
4. Elementary National Honor Society pilot established at one elementary building
5. Empowering Writers program was purchased to improve writing skills Gr K-5
6. STEAM & Humanities Curriculum Resource Teachers were hired
7. The district purchased a significant amount of Chromebooks for our one-one device initiative at the high school. A Google cohort was created to build and sustain the technology effort.
8. Intensive Google classroom training was provided all staff
9. Purchased additional Fontas and Pinnell leveling kits
10. Staff training in positive behavioral supports
11. The district continued with an aggressive curriculum plan revising a variety of curricula ensuring alignment with common core, NGSS, and 21st century standards.
12. PSAT testing for all 9<sup>th</sup> -11<sup>th</sup> grade students
13. Implemented a uniform dress code policy at the high school level
14. ASPIRE HIGH academic mentoring program at the middle and high school level for immigrant students
15. Quality professional development on the latest trends in education was afforded to staff from renowned presenters and consultants. After School PD Academy: Google Classroom, Common Core, Technology, Reading Strategies, PARCC, Classroom Management, Tiered Learning Centers, and Mathematics.

16. A cohort of teachers attended training at Rutgers and Mercer County College. These teachers are leading the transition to the alignment with the Next Generation Science Standards. (NGSS)
17. Coding classes were offered at the middle and high school level.
18. Robotics, Social Studies Lab, and Science Lab courses were added to the Middle School curricula.
19. Parent workshops, such as the Latino Family Literacy Project and STEM were provided.
20. Additional Math Specialist was added
21. Interventionists were hired to provide services to our struggling students
22. The district received a \$20,000 grant from Verizon which was used to fund an afterschool program for Gifted and Talented students at Nathan Hale School.
23. A partnership agreement was developed with the Educational Testing Service (ETS) for participation in on-line formative assessment tasks and teacher professional development for both Algebra I and Pre-Algebra.
24. AP courses were offered in English, Art, Psychology, Spanish, World History, Statistics and Biology. In addition, AP Art, AP French, and AP Psychology were offered on-line.
25. The Bridge to College Program was offered to HS Seniors through Middlesex County College. College partnerships were continued with Middlesex County College, Kean University, and Rutgers University.
26. The Middle School continued implementing the PBSIS grant, which offers positive behavioral supports for students and professional development for teachers.
27. The Boys and Girls Club hosted afterschool clubs and tutoring services for students. Participants also toured college campuses, and partook in community service and character building activities.
28. Seal of Bi-literacy was offered to students at the high school.
29. The district established the award-winning Varsity Vocals - A Cappella Choir on the high school level.

#### **Technology:**

1. Purchased 1000 Chrome Books and 32 carts for student use in all schools
2. The District installed 150 Chrome boxes for Computer Labs and Media Centers and 150 Dell computers for teachers.
3. The District email was moved to Gmail to integrate with the Google domain. The emails are stored offsite.
4. The District servers were moved to central office and were virtualized using Cisco hyperflex.

#### **Facilities:**

1. Completed electrical sub panel upgrade to install new window air-conditioner units in High School.
2. A large pre-k classroom was converted into two classrooms, and new floors, walls, ceilings, new furniture, lights, and HVAC units were installed.
3. Installed three half ton units in the Nathan Hale School Cafeteria for air-conditioning.

## **FINANCIAL ACCOUNTING AND REPORTING:**

The Carteret Board of Education continues to utilize the Systems 3000 software for financial accounting, payroll, and personnel since July 1, 2005. Beginning FY2015, the parents have been able to input the lunch applications on-line. 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 utilizes IEP Direct special needs students' data base software. The Student Database software provider was changed from PowerSchool to Realtime.

## **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, 2016.

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. The balance of the refunded lease is \$3,480,000 as of June 30, 2016.

An additional capital lease was financed in 2000 for various building improvements. The balance of the refunded portion of the lease is \$6,985,000 as of June 30, 2016.

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 \$945,000 as of June 30, 2016.

### **CASH MANAGEMENT**

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

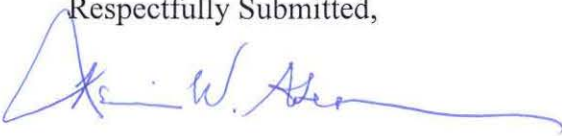
**OTHER INFORMATION**

**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 Uniform Guidance and State Treasury Circular OMB 15-08. The auditor's report on the basic financial statements and combining an individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

**ACKNOWLEDGMENTS:**

We would like to express our appreciation to the members of the Carteret School Board for their concern in providing fiscal accountability to the citizens and taxpayers of Carteret and thereby contributing their full support to the development and maintenance of our financial operation. We also acknowledge the efforts of the Business Office staff without which this report could not have been completed.

Respectfully Submitted,



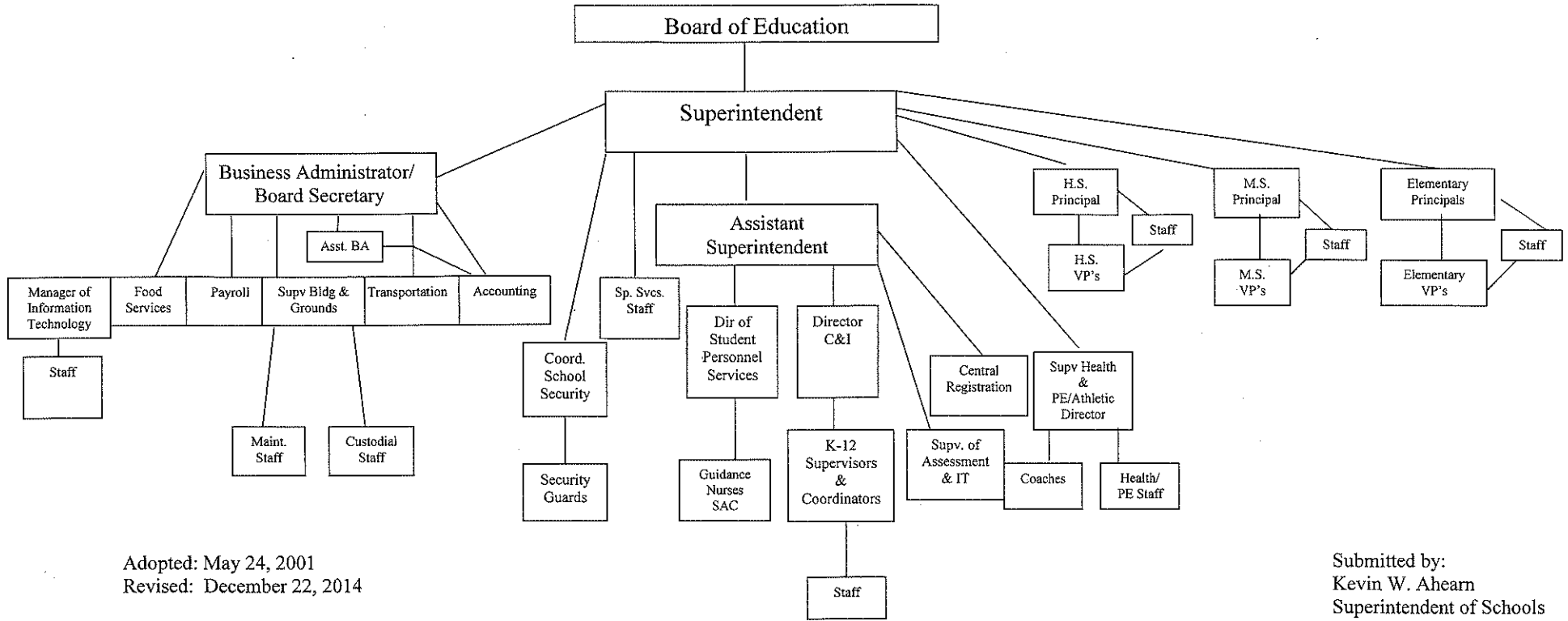
Kevin Ahearn  
Superintendent of Schools



Nilkanth Patel  
Business Administrator/Board Secretary



**CARTERET PUBLIC SCHOOLS  
TABLE OF ORGANIZATION**



Adopted: May 24, 2001  
Revised: December 22, 2014

Submitted by:  
Kevin W. Ahearn  
Superintendent of Schools

**CARTERET BOARD OF EDUCATION  
ROSTER OF OFFICIALS  
AS OF JUNE 30, 2016**

<u>Members of the Board of Education</u>	Term Expires
Martin Murray, President	2017
James Hart, Vice President	2020
Dennis Cherepski	2018
Patricia Golino	2017
Debra Weaver	2017
Jean Bellino	2018
Jasbir Judge	2020
Joseph Gasparro	2020
Hardyal Singh Johal	2017

Other Officials

Kevin Ahearn, Superintendent of Schools

Nilkanth Patel, Business Administrator/Board Secretary

**CARTERET BOARD OF EDUCATION  
CONSULTANTS AND ADVISORS  
AS OF JUNE 30, 2016**

**AUDITORS**

LERCH, VINCI & HIGGINS, LLP  
17-17 ROUTE 208  
FAIR LAWN, NEW JERSEY 07410

**ATTORNEYS**

DECOTIIS, FITZPATRICK & COLE LLP  
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500 FRANK W. BURR BOULEVARD, SUITE 31  
TEANECK, NJ 07666

**OFFICIAL DEPOSITORY**

INVESTORS BANK  
101 WOOD AVENUE SOUTH  
ISELIN, NJ 08830

**FINANCIAL SECTION**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA  
GARY J. VINCI, CPA, RMA, PSA  
GARY W. HIGGINS, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
PAUL J. LERCH, CPA, RMA, PSA  
DONNA L. JAPHET, CPA, PSA  
JULIUS B. CONSONI, CPA, PSA  
ANDREW D. PARENTE, CPA, RMA, PSA

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RALPH M. PICONE, CPA, RMA, PSA  
DEBRA GOLLE, CPA  
CINDY JANACEK, CPA, RMA  
MARK SACO, CPA  
SHERYL M. NICOLosi, CPA  
ROBERT AMPONSAH, CPA

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Carteret Board of Education, as of and for the fiscal year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Carteret Board of Education as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension 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.

### *Other Information*

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. The introductory section, combining and individual nonmajor fund financial statements, financial schedules, statistical section, schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Carteret Board of Education.

The combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, 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.

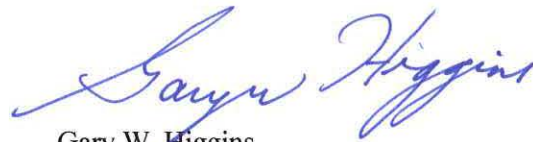
The introductory section, financial schedules and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated September 15, 2016 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Carteret Board of Education's internal control over financial reporting and compliance.



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



Gary W. Higgins  
Public School Accountant  
PSA Number CS00814

Fair Lawn, New Jersey  
September 15, 2016

**REQUIRED SUPPLEMENTARY INFORMATION – PART I**



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

## **Management's Discussion and Analysis Year Ended June 30, 2016**

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, 2016. 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 (2015-2016) and the prior year (2014-2015) is required to be presented in the MD&A.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2015-2016 fiscal year include the following:

- The General Fund fund balance (deficit) on a GAAP basis at June 30, 2016 was \$(229,135) a increase of \$907,502 when compared with the beginning balance at July 1, 2015.
- The General Fund budgetary fund balance at June 30, 2016 was \$3,100,554, which represents an increase of \$947,175 when compared to the ending budgetary fund balance of \$2,153,379 at June 30, 2015. The difference in GAAP basis fund balance to budgetary fund balance (deficit) is \$3,329,689, which represents the delay of certain State aid payments and the 2015-2016 Extraordinary Aid, which were not realized as revenue in the GAAP basis financial statements.
- The General Fund unassigned (unreserved, undesignated) budgetary fund balance was \$86,470 at June 30, 2016. This represents a decrease of \$759,940 when compared to the balance of \$846,410 as of June 30, 2015.

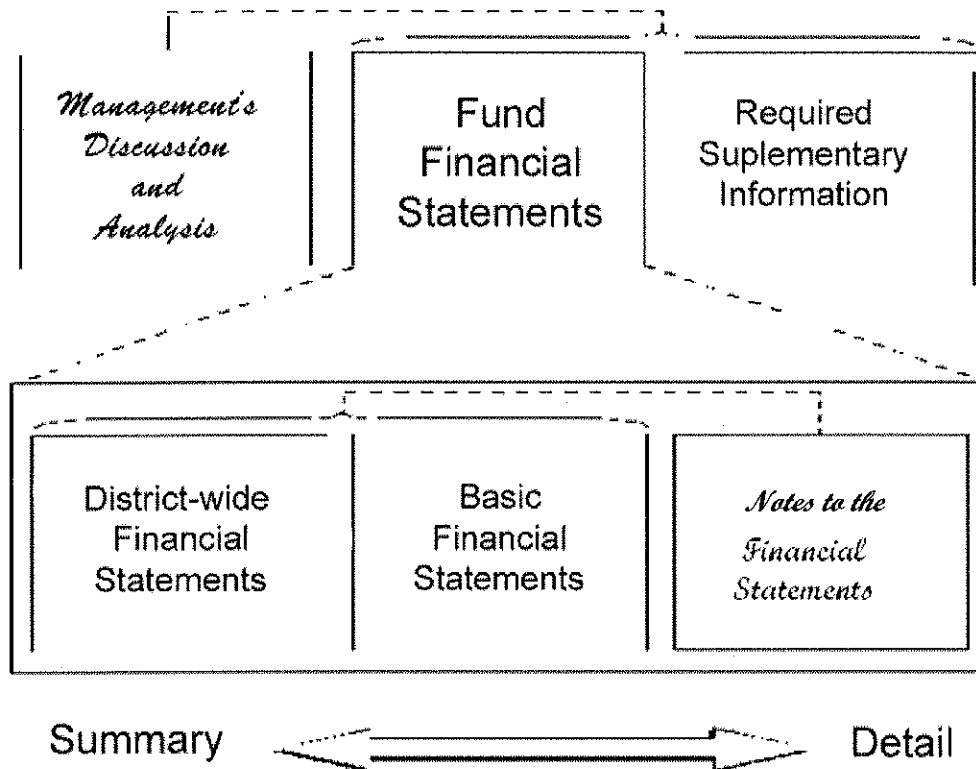
### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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 including the notes to the 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, 2016

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, 2016**

The basic financial statements include the 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.

<b>Figure A-2 Major Features of the District-Wide and Financial Statements</b>			
	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 position	Balance sheet	Statement of net position
	Statement of activities	Statement of revenue expenditures and changes in fund balances	Statement of revenues, expenses, and changes in fund net position
			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, liabilities, deferred inflows/outflows of resources, and 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/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

**District-wide Statements**

The district-wide statements report information about the Carteret Board of Education as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the district's assets, deferred outflows of resources, liabilities and deferred inflows of resources. 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, 2016**

**District-wide Statements (Continued)**

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

- Over time, increase or decreases in the district's net position 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, 2016**

**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 district-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, 2016**

**FINANCIAL ANALYSIS OF THE CARTERET BOARD OF EDUCATION AS A WHOLE**

**Net Position.** The District's net position for governmental and business type activities were \$(3,203,718) and \$(5,699,081) on June 30, 2016 and 2015, respectively. (See Table A-1)

**Table A-1  
Statement of Net Position  
As of June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Current and Other Assets	\$ 1,444,351	\$ 2,988,251
Capital Assets	22,627,498	23,503,678
<b>Total Assets</b>	<b>24,071,849</b>	<b>26,491,929</b>
Deferred Outflows of Resources	2,118,983	869,980
<b>Total Deferred Outflows of Resources</b>	<b>2,118,983</b>	<b>869,980</b>
Non-Current Liabilities	27,820,673	28,375,754
Other Liabilities	1,191,979	4,030,379
<b>Total Liabilities</b>	<b>29,012,652</b>	<b>32,406,133</b>
Deferred Inflows of Resources	381,898	654,857
<b>Total Deferred Inflows of Resources</b>	<b>381,898</b>	<b>654,857</b>
Net Position:		
Net Investment in Capital Assets	12,538,900	11,022,683
Restricted	650,501	92
Unrestricted	(16,393,119)	(16,721,856)
<b>Total Net Position</b>	<b>\$ (3,203,718)</b>	<b>\$ (5,699,081)</b>

Net position from current year operations for the year ended June 30, 2016 increased \$2,495,363.

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

- Program revenues for Governmental Activities were \$19,660,547 for operating grants and contributions.
- Program revenues for business – type activities
  - ✓ Charges for services \$842,248.
  - ✓ Operating grants and contributions \$1,442,315.
- Combined general revenues for Governmental activities and Business-Type activities during the 2015-2016 school year were \$50,954,762.
- Expenditures were \$68,517,481 for Governmental activities and \$1,887,028 for business type activities.
- On the Statement of Activities, general revenues and beginning net position are adjusted by expenses net of program revenues to arrive at net position of \$(3,203,718) at June 30, 2016.

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

**Management's Discussion and Analysis (continued)  
Year Ended June 30, 2016**

**Table A-2  
Changes in Net Position  
For the Fiscal Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 842,248	\$ 837,009
Operating grants and contributions	21,102,862	18,886,105
Capital grants and contributions		828,258
General revenues		
Property taxes	26,333,005	25,865,558
Federal and State Aid	24,542,346	24,514,987
Other	79,411	51,286
<b>Total revenues</b>	<b>72,899,872</b>	<b>70,983,203</b>
<b>Expenses</b>		
Instruction		
Regular	29,859,830	29,302,793
Special Education	12,959,900	12,989,652
Other Instruction	2,332,775	2,343,564
School Sponsored Activities and Athletic Support Services	579,426	505,909
Support Services		
Student and Instruction Related Services	7,754,543	7,025,149
General Administration Services	1,113,582	1,257,571
School and Business Administration Services	3,384,585	3,127,633
Plant Operations and Maintenance	5,966,909	6,310,838
Pupil Transportation	2,736,599	2,788,611
Central Services	1,338,402	1,251,322
Interest on Long-Term Debt	490,930	439,892
Food Service	1,729,508	1,908,223
Enrichment Academy	157,520	350,901
<b>Total expenses</b>	<b>70,404,509</b>	<b>69,602,058</b>
<b>Change in net position</b>	<u>2,495,363</u>	<u>1,381,145</u>
Net Position, Beginning of Year	(5,699,081)	(7,080,226)
<b>Net Position, End of Year</b>	<b>\$ (3,203,718)</b>	<b>\$ (5,699,081)</b>

**Changes in Net Position.** The district's total revenues were \$72,899,872 and \$70,983,203 in 2016 and 2015, respectively. Property taxes of \$26,333,005 and \$25,865,558 represented 36% and 36% of revenues for the years ended June 30, 2016 and 2015, respectively. The District's state and federal aid of \$45,616,451 and \$44,229,350 represented 63% and 62% of revenues for the years ended June 30, 2016 and 2015, respectively. Charges for services of \$842,248 and \$837,009 in 2016 and 2015, respectively, relate to the District's business type activities and represent approximately 1% of revenues for both years.



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

**Management's Discussion and Analysis (continued)  
Year Ended June 30, 2016**

The smallest component of revenues is "Other Revenue." The largest source of "Other Revenue" is miscellaneous and interest income, with \$79,411 and \$51,286 earned in the years ended June 30, 2016 and 2015, respectively.

The Board's expenses for governmental activities are predominantly related to instruction and support services. Instruction totaled \$45,731,931 and \$45,141,918 which represented 67% and 67% of total expenditures for the years ended June 30, 2016 and 2015, respectively. Student support services, exclusive of administration, totaled \$7,754,543 and \$7,025,149 (11% and 10%) of total expenditures for the years ended June 30, 2016 and 2015, respectively.

**Table A-3  
Total and Net Cost of Services of Governmental Activities  
For the Fiscal Years Ended June 30, 2016 and 2015**

<u>Functions/Programs</u>	<u>Source Exhibit</u>	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
		<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Governmental Activities</b>					
Instruction					
Regular	A-2	29,859,830	29,302,793	\$ 20,505,009	\$ 21,241,921
Special Education	A-2	12,959,900	12,989,652	7,426,097	7,598,185
Other Instruction	A-2	2,332,775	2,343,564	1,706,720	1,797,571
School Sponsored Activities and Athletics	A-2	579,426	505,909	453,055	415,153
<b>Support Services</b>					
Student and Instruction Related Services	A-2	7,754,543	7,025,149	5,497,944	5,143,797
General Administration Services	A-2	1,113,582	1,257,571	1,033,398	1,179,785
School and Business Administration Services	A-2	3,384,585	3,127,633	2,537,696	2,458,721
Plant Operations and Maintenance	A-2	5,966,909	6,310,838	5,584,265	5,100,478
Pupil Transportation	A-2	2,736,599	2,788,611	2,587,555	2,635,188
Central Services	A-2	1,338,402	1,251,322	1,246,092	1,173,848
Interest on Long-Term Debt	A-2	490,930	439,892	279,103	221,440
<b>Total Governmental Activities</b>		<b>\$ 68,517,481</b>	<b>\$ 67,342,934</b>	<b>\$ 48,856,934</b>	<b>\$ 48,966,087</b>

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

**Management's Discussion and Analysis (continued)  
Year Ended June 30, 2016**

**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, 2016 and 2015 with its governmental funds reporting combined fund balance deficits of \$302,225 and \$1,212,239 as of June 30, 2016 and 2015, respectively.

Revenues for the district's governmental funds were \$63,783,529 and \$63,443,778 for the years ended June 30, 2016 and 2015, respectively. Total expenditures were \$62,874,479 and \$62,839,859 for the years ended June 30, 2016 and 2015, respectively.

**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, 2016 and 2015.

**Table A-4  
Summary of General Fund Revenues  
For the Fiscal Years Ended June 30, 2016 and 2015**

<b>General Fund Revenues</b>	<b><u>2016</u></b>	<b><u>2015</u></b>
<b>Local Sources:</b>		
Local Tax Levy	\$ 24,940,515	\$ 24,451,486
Interest Income	13,701	10,340
Miscellaneous	64,746	40,946
Total Local Sources	<u>25,018,962</u>	<u>24,502,772</u>
<b>Intergovernmental</b>		
State Sources	33,218,816	32,506,008
Federal Sources	92,494	158,367
Total Intergovernmental Sources	<u>33,311,310</u>	<u>32,664,375</u>
<b>Total Revenues</b>	<u><u>\$ 58,330,272</u></u>	<u><u>\$ 57,167,147</u></u>

Property taxes and state formula aid accounted for 99 percent of total revenues for both the 2016 and 2015 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, 2016 and 2015.

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

**Management's Discussion and Analysis (continued)  
Year Ended June 30, 2016**

**Table A-5  
Summary of General Fund Expenditures  
For the Fiscal Years Ended June 30, 2016 and 2015**

<b>General Fund Expenditures</b>	<u><b>2016</b></u>	<u><b>2015</b></u>
<b>Current</b>		
Regular Instruction	\$ 23,772,316	\$ 23,584,514
Special Education Instruction	11,118,048	11,112,371
Other Special Instruction	1,981,530	1,999,567
School Sponsored Activities and Athletics	509,622	449,509
<b>Support Services and undistributed Costs:</b>		
Student and Instruction Related Services	6,099,651	5,537,038
School Administration Services	2,899,248	2,696,264
General Administration Services	1,046,138	1,036,166
Plant Operations and Maintenance	4,946,201	5,121,306
Pupil Transportation	2,721,984	2,773,835
Central Services	1,241,408	1,165,728
Principal on Debt	923,860	84,169
Interest and Other Charges	3,627	1,510
Capital Outlay	160,101	220,279
<b>Total Expenditures</b>	<u><u><b>\$ 57,423,734</b></u></u>	<u><u><b>\$ 55,782,256</b></u></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 \$51,690,510 and \$50,717,100 for the years ended June 30, 2016 and 2015, respectively. Revenues (exclusive of on-behalf revenues) were \$52,636,721 and \$52,146,535 for the years ended June 30, 2016 and 2015, respectively.

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

**Management's Discussion and Analysis (continued)  
Year Ended June 30, 2016**

**DEBT ADMINISTRATION**

The amount of debt service expenditures, net of bond issuance and related costs, were \$2,054,041 and \$2,107,852 for the years ended June 30, 2016 and 2015, respectively. Revenues include \$1,392,490 and \$1,414,072 from the local tax levies, and \$661,960 and \$682,661 coming from state aid for the fiscal years ended June 30, 2016 and 2015, respectively.

**BUSINESS-TYPE ENTERPRISE FUNDS**

The District's total business-type activities revenues were \$2,284,563 and \$2,174,525 for the years ended June 30, 2016 and 2015, respectively. Charges for services accounted for 37% and 39% of total revenue for the 2016 and 2015 years, respectively. Operating grants and contributions of \$1,442,315 and \$1,337,516 accounted for 63% and 61% of total revenue, for the years ended June 30, 2016 and 2015, respectively.

The total cost of all business-type activities programs and services was \$1,887,028 and \$2,259,124 for the years ended June 30, 2016 and 2015, 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 position by \$397,535 over the prior year.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets – Governmental Activities**

As of June 30, 2016 and 2015, the district had invested \$39,782,960 and \$39,622,859, 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 of the basic financial statements.) Total depreciation expense for the years ended June 30, 2016 and 2015 was \$994,572 and \$1,035,021, respectively.

**Table A-6  
Capital Assets - Governmental Activities  
as of June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Land	\$ 71,603	\$ 71,603
Land Improvements	284,135	284,135
Buildings and Building Improvements	37,332,640	37,273,739
Machinery and Equipment	2,094,582	1,993,382
<b>Total</b>	<b>39,782,960</b>	<b>39,622,859</b>
Less: Accumulated Depreciation	17,554,573	16,560,001
<b>Total</b>	<b>\$ 22,228,387</b>	<b>\$ 23,062,858</b>

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

**Management's Discussion and Analysis (continued)  
Year Ended June 30, 2016**

**Capital Assets – Business-type Activities**

The District as of June 30, 2016 and 2015 had \$896,292, invested in machinery and equipment for its food service fund. Depreciation was \$41,709 and \$43,719 for the years ended June 30, 2016 and 2015, respectively.

**Table A-7  
Capital Assets - Business-Type Activities  
as of June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Machinery and Equipment	\$ 896,292	\$ 896,292
Less: Accumulated Depreciation	497,181	455,472
<b>Total Net</b>	<u>\$ 399,111</u>	<u>\$ 440,820</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 \$945,000 and \$1,115,000 at June 30, 2016 and 2015, 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 \$10,465,000 and \$12,025,000 at June 30, 2016 and 2015, 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 had \$-0- and \$923,860 at June 30, 2016 and 2015, respectively, in capital leases payable for the purchase of computer equipment.

The District also had \$3,551,899 and \$3,423,449 at June 30, 2016 and 2015, respectively, as a liability for compensated absences. This liability represents the district's contractual obligation to compensate employees for accumulated unused personal and sick leave entitlements upon retirement.

The District had \$12,900,005 and \$10,941,522 at June 30, 2016 and 2015, respectively, in net pension liability regarding the Public Employees Retirement System.

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

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

**Management's Discussion and Analysis (continued)  
Year Ended June 30, 2016**

**Table A-8  
Long Term Debt Liabilities  
as of June 30, 2016 and 2015**

<b>Governmental Activities</b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Bonds Payable	\$ 945,000	\$ 1,115,000
Lease Purchase Agreements	10,465,000	12,025,000
Capital Leases Payable		923,860
Net Pension Liability	12,900,005	10,941,522
Compensated Absences	3,551,899	3,423,449
<b>Total</b>	<b><u>\$ 27,861,904</u></b>	<b><u>\$ 28,428,831</u></b>

### **FACTORS BEARING ON THE DISTRICT'S FUTURE**

**State Aid**—The District still has not recovered from the reduction in State Aid in 2010.

**No Child Left Behind (NCLB) & Individual with Disability Education Act (IDEA)** - Due to Federal sequestration the District's funding will be reduced by \$250,000 for the federal programs in FY2016 and beyond. From IDEA entitlement, the District is required to set aside \$150,000 for Co-ordinated Early Intervening Services (CEIS). This reduction has a major impact as the expenditures funded from these funds will have to be absorbed in General Fund.

#### **New Construction**

The Borough of Carteret is developing new housing and a parking garage (for ferry to Manhattan, New York) on Industrial Road, that will impact the enrollment in the School District. As it is, the District's schools are overcrowded and these new developments will stretch the District's scarce resources.

### **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 POSITION  
AS OF JUNE 30, 2016**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and Cash Equivalents		\$ 630,557	\$ 630,557
Other Receivables	\$ 3,014	2,650	5,664
Receivable from Other Governments	659,681	97,271	756,952
Due from Other Funds	6,500		6,500
Inventory		44,678	44,678
Capital Assets Not Being Depreciated	71,603		71,603
Capital Assets, Being Depreciated, net	<u>22,156,784</u>	<u>399,111</u>	<u>22,555,895</u>
Total Assets	<u>22,897,582</u>	<u>1,174,267</u>	<u>24,071,849</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Amounts on Refunding	335,171		335,171
Deferred Amount on Net Pension Liability	<u>1,783,812</u>	<u>-</u>	<u>1,783,812</u>
Total Deferred Outflows of Resources	<u>2,118,983</u>	<u>-</u>	<u>2,118,983</u>
<b>LIABILITIES</b>			
Accounts Payable and Other Current Liabilities	383,227	99,865	483,092
Cash Overdraft	488,667		488,667
Payable to Other Governments	42,878		42,878
Accrued Interest Payable	120,694		120,694
Unearned Revenue	56,648		56,648
Noncurrent Liabilities			
Due Within One Year	2,075,190		2,075,190
Due Beyond One Year	<u>25,745,483</u>	<u>-</u>	<u>25,745,483</u>
Total Liabilities	<u>28,912,787</u>	<u>99,865</u>	<u>29,012,652</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
USDA Commodities		19,843	19,843
Deferred Amount on Net Pension Liability	<u>362,055</u>	<u>-</u>	<u>362,055</u>
Total Deferred Inflows of Resources	<u>362,055</u>	<u>19,843</u>	<u>381,898</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	12,139,789	399,111	12,538,900
Restricted for			
Capital Projects	650,000		650,000
Debt Service	501		501
Unrestricted	<u>(17,048,567)</u>	<u>655,448</u>	<u>(16,393,119)</u>
Total Net Position	<u>\$ (4,258,277)</u>	<u>\$ 1,054,559</u>	<u>\$ (3,203,718)</u>

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



**CARTERET BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Governmental Activities</b>							
Instruction							
Regular	\$ 29,859,830		\$ 9,354,821		\$ (20,505,009)		\$ (20,505,009)
Special Education	12,959,900		5,533,803		(7,426,097)		(7,426,097)
Other Instruction	2,332,775		626,055		(1,706,720)		(1,706,720)
School Sponsored Activities and Athletics	579,426		126,371		(453,055)		(453,055)
Support Services							
Student and Instruction Related Services	7,754,543		2,256,599		(5,497,944)		(5,497,944)
General Administration Services	1,113,582		80,184		(1,033,398)		(1,033,398)
School Administration Services	3,384,585		846,889		(2,537,696)		(2,537,696)
Central Services	1,338,402		92,310		(1,246,092)		(1,246,092)
Plant Operations and Maintenance	5,966,909		382,644		(5,584,265)		(5,584,265)
Pupil Transportation	2,736,599		149,044		(2,587,555)		(2,587,555)
Interest on Long-Term Debt	490,930	-	211,827	-	(279,103)	-	(279,103)
Total Governmental Activities	<u>68,517,481</u>	<u>-</u>	<u>19,660,547</u>	<u>-</u>	<u>(48,856,934)</u>	<u>-</u>	<u>(48,856,934)</u>
<b>Business-Type Activities</b>							
Food Service	1,729,508	\$ 510,115	1,442,315			\$ 222,922	222,922
Enrichment Academy	157,520	332,133	-	-	-	174,613	174,613
Total Business-Type Activities	<u>1,887,028</u>	<u>842,248</u>	<u>1,442,315</u>	<u>-</u>	<u>-</u>	<u>397,535</u>	<u>397,535</u>
Total Primary Government	<u>\$ 70,404,509</u>	<u>\$ 842,248</u>	<u>\$ 21,102,862</u>	<u>\$ -</u>	<u>(48,856,934)</u>	<u>397,535</u>	<u>(48,459,399)</u>

**CARTERET BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<b>Net (Expense) Revenue and Changes in Net Position</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>General Revenues</b>			
Taxes			
Property Taxes Levied for General Purposes	\$ 24,940,515		\$ 24,940,515
Property Taxes Levied for Debt Service	1,392,490		1,392,490
Federal and State Aid -Unrestricted	24,092,213		24,092,213
State/Federal Aid - Restricted	450,133		450,133
Interest Income	14,665		14,665
Miscellaneous Income	64,746	-	64,746
Total General Revenues	50,954,762	-	50,954,762
Change in Net Position	2,097,828	\$ 397,535	2,495,363
Net Position, Beginning of Year	(6,356,105)	657,024	(5,699,081)
Net Position, End of Year	\$ (4,258,277)	\$ 1,054,559	\$ (3,203,718)

**FUND FINANCIAL STATEMENTS**

**CARTERET BOARD OF EDUCATION  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
AS OF JUNE 30, 2016**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and Cash Equivalents				\$ 501	\$ 501
Due from Other Funds	\$ 513,924				513,924
Receivables from Other Governments	112,642	\$ 527,851		19,188	659,681
Other Accounts Receivable	-	3,014	-	-	3,014
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 626,566</u>	<u>\$ 530,865</u>	<u>\$ -</u>	<u>\$ 19,689</u>	<u>\$ 1,177,120</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Cash Overdraft	\$ 489,168				\$ 489,168
Due to Other Funds		\$ 507,424			507,424
Accounts Payable	366,533	16,694			383,227
Payable to State Government		23,690		\$ 19,188	42,878
Unearned Revenue	-	56,648	-	-	56,648
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities	<u>855,701</u>	<u>604,456</u>	<u>-</u>	<u>19,188</u>	<u>1,479,345</u>
Fund Balances					
Restricted					
Capital Reserve	650,000				650,000
Debt Service				\$ 501	501
Committed					
Year End Encumbrances	463,977				463,977
Assigned Fund Balance					
Designated for Subsequent Year's Expenditures	1,900,107				1,900,107
Unassigned Fund Balance:					
General Fund	(3,243,219)				(3,243,219)
Special Revenue Fund	-	(73,591)	-	-	(73,591)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Fund Balances	<u>(229,135)</u>	<u>(73,591)</u>	<u>-</u>	<u>501</u>	<u>(302,225)</u>
Total Liabilities and Fund Balances	<u>\$ 626,566</u>	<u>\$ 530,865</u>	<u>\$ -</u>	<u>\$ 19,689</u>	

Continued

**CARTERET BOARD OF EDUCATION  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
AS OF JUNE 30, 2016**

Total Fund Balances - Governmental Funds		\$ (302,225)
<p>Amounts reported for <i>governmental activities</i> in the statement of net position (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 \$39,782,960 and the accumulated depreciation is \$17,554,573.</p>		22,228,387
<p>Amounts resulting from the refunding of debt are reported as deferred outflows of resources on the statement of net position and amortized over the life of the debt.</p>		335,171
<p>Certain amounts resulting from the measurement of the net pension liability are reported as either deferred inflows of resources or deferred outflows of resources on the statement of net position and deferred over future years.</p>		
	Deferred Outflows of Resources	\$ 1,783,812
	Deferred Inflows of Resources	<u>(362,055)</u>
		1,421,757
<p>Long-term liabilities, including bonds and certificates of participation payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. (Note 2)</p>		<u>(27,941,367)</u>
<b>Net position of governmental activities (Exhibit A-1)</b>		<b><u>\$ (4,258,277)</u></b>

**CARTERET BOARD OF EDUCATION  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Local Sources					
Local Tax Levy	\$ 24,940,515			\$ 1,392,490	\$ 26,333,005
Interest Income	13,701				13,701
Miscellaneous	64,746	\$ 21,081	-	-	85,827
<b>Total - Local Sources</b>	<u>25,018,962</u>	<u>21,081</u>	<u>-</u>	<u>1,392,490</u>	<u>26,432,533</u>
State Sources	33,218,816	1,136,398		661,960	35,017,174
Federal Sources	92,494	2,241,328	-	-	2,333,822
<b>Total Revenues</b>	<u>58,330,272</u>	<u>3,398,807</u>	<u>-</u>	<u>2,054,450</u>	<u>63,783,529</u>
<b>EXPENDITURES</b>					
Current					
Instruction:					
Regular Instruction	23,772,316	1,858,643			25,630,959
Special Education Instruction	11,118,048	795,762			11,913,810
Other Special Instruction	1,981,530				1,981,530
School-Sponsored Activities and Athletics	509,622				509,622
Support Services and Undistributed Costs:					
Student and Instruction Related Services	6,099,651	735,332			6,834,983
General Administration Services	1,046,138				1,046,138
School Administration Services	2,899,248				2,899,248
Central Services	1,241,408				1,241,408
Plant Operations and Maintenance	4,946,201				4,946,201
Pupil Transportation	2,721,984	6,967			2,728,951
Debt Service:					
Principal	923,860			1,730,000	2,653,860
Interest and Other Charges	3,627			324,041	327,668
Capital Outlay	160,101	-	-	-	160,101
<b>Total Expenditures</b>	<u>57,423,734</u>	<u>3,396,704</u>	<u>-</u>	<u>2,054,041</u>	<u>62,874,479</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>906,538</u>	<u>2,103</u>	<u>-</u>	<u>409</u>	<u>909,050</u>
Other Financing Sources (Uses)					
Transfers In	964	-	-	-	964
<b>Total Other Financing Sources (Uses)</b>	<u>964</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>964</u>
<b>Net Change in Fund Balances</b>	<u>907,502</u>	<u>2,103</u>	<u>-</u>	<u>409</u>	<u>910,014</u>
Fund Balance (Deficit), Beginning of Year	<u>(1,136,637)</u>	<u>(75,694)</u>	<u>-</u>	<u>92</u>	<u>(1,212,239)</u>
<b>Fund Balance (Deficit), End of Year</b>	<u>\$ (229,135)</u>	<u>\$ (73,591)</u>	<u>\$ -</u>	<u>\$ 501</u>	<u>\$ (302,225)</u>

The accompanying Notes to the 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, 2016**

**Total net change in fund balances - governmental funds (Exhibit B-2)** \$ 910,014

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense in the current period. (Note 2) (834,471)

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 position. (Note 2) 2,653,860

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) (631,575)

**Change in net position of governmental activities (Exhibit A-2)** \$ 2,097,828

**CARTERET BOARD OF EDUCATION  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 AS OF JUNE 30, 2016**

	<u>Business-Type Activities</u>		
	<u>Food</u>	<u>Other Non-Major</u>	
	<u>Service</u>	<u>Enterprise</u>	<u>Totals</u>
		<u>Fund</u>	
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents	\$ 273,680	\$ 356,877	\$ 630,557
Intergovernmental Receivable			
State	1,542		1,542
Federal	95,729		95,729
Inventories	44,678		44,678
Other Accounts Receivable	-	2,650	2,650
	<u>415,629</u>	<u>359,527</u>	<u>775,156</u>
Total Current Assets			
Capital Assets			
Equipment	896,292		896,292
Less: Accumulated Depreciation	<u>(497,181)</u>	<u>-</u>	<u>(497,181)</u>
Total Capital Assets, Net	<u>399,111</u>	<u>-</u>	<u>399,111</u>
Total Assets	<u>814,740</u>	<u>359,527</u>	<u>1,174,267</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	<u>99,651</u>	<u>214</u>	<u>99,865</u>
Total Current Liabilities	<u>99,651</u>	<u>214</u>	<u>99,865</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
U.S.D.A Commodities	<u>19,843</u>	<u>-</u>	<u>19,843</u>
Total Deferred Inflows of Resources	<u>19,843</u>	<u>-</u>	<u>19,843</u>
Total Liabilities and Deferred Inflows of Resources	<u>119,494</u>	<u>214</u>	<u>119,708</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	399,111		399,111
Unrestricted	<u>296,135</u>	<u>359,313</u>	<u>655,448</u>
Total Net Position	<u>\$ 695,246</u>	<u>\$ 359,313</u>	<u>\$ 1,054,559</u>

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



**CARTERET BOARD OF EDUCATION  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN NET POSITION  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Business-Type Activities</u>		<u>Totals</u>
	<u>Food Service</u>	<u>Other Non-Major Enterprise Fund</u>	
<b>OPERATING REVENUES</b>			
Charges for Services			
Daily Sales - Reimbursable Program	\$ 216,400		\$ 216,400
Daily Sales - Non-Reimbursable Program	293,715		293,715
Program Fees	-	\$ 332,133	332,133
	<u>510,115</u>	<u>332,133</u>	<u>842,248</u>
<b>OPERATING EXPENSES</b>			
Salaries and Employee Benefits	692,286	156,057	848,343
Cost of Sales - Reimbursable Program	772,027		772,027
Cost of Sales - Non-Reimbursable Program	77,648		77,648
Other Purchased Services	57,621		57,621
Insurance	48,039		48,039
Depreciation	41,709		41,709
Supplies and Materials	2,986	45	3,031
Miscellaneous	37,192	1,418	38,610
	<u>1,729,508</u>	<u>157,520</u>	<u>1,887,028</u>
Operating Income (Loss)	<u>(1,219,393)</u>	<u>174,613</u>	<u>(1,044,780)</u>
<b>NONOPERATING REVENUES</b>			
State Sources			
School Lunch Program	21,476		21,476
Federal Sources			
National School Lunch Program	1,215,884		1,215,884
National School Breakfast Program	136,599		136,599
Snack Program	39,599		39,599
Fresh Fruits and Vegetable Program	28,757	-	28,757
	<u>1,442,315</u>	<u>-</u>	<u>1,442,315</u>
Net Income (Loss)	<u>222,922</u>	<u>174,613</u>	<u>397,535</u>
Change in Net Position	222,922	174,613	397,535
Net Position, Beginning of Year	<u>472,324</u>	<u>184,700</u>	<u>657,024</u>
Net Position, End of Year	<u>\$ 695,246</u>	<u>\$ 359,313</u>	<u>\$ 1,054,559</u>

The accompanying Notes to the 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, 2016**

	<u>Business-Type Activities</u>		<u>Totals</u>
	<u>Food Service</u>	<u>Other Non-Major Enterprise Fund</u>	
<b>Cash Flows from Operating Activities</b>			
Receipts from Customers	\$ 510,115	\$ 330,352	\$ 840,467
Payments for Employees' Salaries and Benefits	(692,286)	(156,057)	(848,343)
Payments to Suppliers for Goods and Services	(765,864)	(1,249)	(767,113)
Net Cash Provided (Used) by Operating Activities	(948,035)	173,046	(774,989)
<b>Cash Flows from Noncapital Financing Activities</b>			
State and Federal Subsidy Reimbursements	1,282,085	-	1,282,085
Net Cash Provided by Noncapital Financing Activities	1,282,085	-	1,282,085
Net Increase in Cash and Cash Equivalents	334,050	173,046	507,096
Cash and Cash Equivalents, (Cash Overdraft) Beginning of	(60,370)	183,831	123,461
Cash and Cash Equivalents, End of Year	<u>\$ 273,680</u>	<u>\$ 356,877</u>	<u>\$ 630,557</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Operating Income (Loss)	\$ (1,219,393)	\$ 174,613	\$ (1,044,780)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Depreciation	41,709		41,709
Non-Cash Federal Assistance - National School Lunch Program (Food Distribution)	135,587		135,587
Change in Assets and Liabilities:			
(Increase)/Decrease in Other Accounts Receivable		(1,781)	(1,781)
(Increase)/Decrease in Inventories	(5,589)		(5,589)
Increase/(Decrease) in Accounts Payable	99,651	214	99,865
Total Adjustments	271,358	(1,567)	269,791
Net Cash Provided (Used) by Operating Activities	<u>\$ (948,035)</u>	<u>\$ 173,046</u>	<u>\$ (774,989)</u>
Non-Cash Financing Activities - National School Lunch (Food Distribution)	\$ 152,628	\$ -	\$ 152,628

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

**CARTERET BOARD OF EDUCATION  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
AS OF JUNE 30, 2016**

	<u>Unemployment Compensation Trust</u>	<u>Employee Benefits (Flexible Spending) Program Fund</u>	<u>Agency Fund</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 348,597	\$ 71,931	\$ 424,044
Total Assets	<u>348,597</u>	<u>71,931</u>	<u>\$ 424,044</u>
<b>LIABILITIES</b>			
Due to Student Groups			\$ 124,778
Accounts Payable	6,148		
Payroll Deductions and Withholdings			292,766
Due to Other Funds	<u>-</u>	<u>-</u>	<u>6,500</u>
Total Liabilities	<u>6,148</u>	<u>-</u>	<u>\$ 424,044</u>
<b>NET POSITION</b>			
Held in Trust for Unemployment Claims	<u>\$ 342,449</u>		
Held in Trust for Employee Benefits		<u>\$ 71,931</u>	

**CARTERET BOARD OF EDUCATION  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Unemployment Compensation Trust</u>	<u>Employee Benefits (Flexible Spending) Program Fund</u>
<b>ADDITIONS</b>		
Contributions		
Employees	\$ 74,259	\$ 58,968
	<hr/>	<hr/>
Total Contributions	74,259	58,968
	<hr/>	<hr/>
Investment Earnings		
Interest	964	-
	<hr/>	<hr/>
Net Investment Earnings	964	-
	<hr/>	<hr/>
Total Additions	75,223	58,968
	<hr/>	<hr/>
<b>DEDUCTIONS</b>		
Benefit Reimbursements		57,560
Transfer to General Fund	964	
Unemployment Claims and Contributions	163,515	-
	<hr/>	<hr/>
Total Deductions	164,479	57,560
	<hr/>	<hr/>
Change in Net Position	(89,256)	1,408
Net Position, Beginning of the Year	431,705	70,523
	<hr/>	<hr/>
Net Position, End of the Year	\$ 342,449	\$ 71,931
	<hr/>	<hr/>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**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. New Accounting Standards**

During fiscal year 2016, the District adopted the following GASB statements as required:

- GASB No. 72, *Fair Value Measurement and Application*, June 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement applies to donated capital assets, donated works of art, donated historical treasures, and also to similar assets and capital assets received in a service concession arrangement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.
- GASB No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, will be effective beginning with the fiscal year ending June 30, 2016. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. New Accounting Standards (Continued)**

Other accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements include:

- GASB No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, will be effective beginning with the fiscal year ending June 30, 2017. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.
- GASB No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, will be effective beginning with the fiscal year ending June 30, 2017. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.
- GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective beginning with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.
- GASB No. 77, *Tax Abatement Disclosures*, will be effective beginning with the fiscal year ending June 30, 2017. The requirements of this Statement will improve financial reporting by providing disclosure of information about the nature and magnitude of tax abatements that will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.
- GASB No. 82, *Pension Issues – An Amendment of GASB Statements No.67, No.68, and No.73*, will be effective beginning with the fiscal year ending June 30, 2017. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pension*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

**C. Basis of Presentation - Financial Statements**

The financial statements include both district-wide financial statements (based on the District as a whole) and fund financial statements (based on specific District activities or objectives). 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 and internal service funds, while business-type activities incorporate data from the District's enterprise funds. Fiduciary funds are excluded from the district-wide financial statements.

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation - Financial Statements (Continued)**

**District-Wide Financial Statements**

The district-wide financial statements (i.e., the statement of net position 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 position, 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, federal and state grants for school-based budgeting and other items not properly included among program revenues are reported instead as general revenues.

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.

**Fund Financial Statements**

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.

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, state and local 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, other than those financed by the proprietary funds.

The *debt service fund* accounts for the accumulation of resources that are restricted, committed or assigned for the payment of principal and interest on long-term general obligation debt of governmental funds.



**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation - Financial Statements (Continued)**

**Fund Financial Statements (Continued)**

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

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

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 extra-curricular 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, for private donations for scholarship awards, 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.

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".

**Reclassifications**

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

**D. Measurement Focus and Basis of Accounting**

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, all liabilities and all deferred outflows/inflows of resources associated with these operations (with the exception of the fiduciary funds) are included on the Statement of Net Position. 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.

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting (Continued)**

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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, tuition, transportation fees, 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.

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

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

**1. *Cash, Cash Equivalents 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***

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

**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 and consist of food and expendable supplies. The cost of such inventories is recorded as expenses when consumed rather than when purchased. 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 deferred inflows of resources.

**CARTERET BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (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, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	20
Buildings and Building Improvements	20-50
Machinery and Equipment	5-20

**5. *Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Board has two items which arise only under the accrual basis of accounting that qualify for reporting in this category. One item is the deferred amounts on refunding of debt which results from the loss on a debt refunding reported in the district-wide statement of net position. Deferred amounts on debt refunding result from the loss on the transaction when the debt's reacquisition price is greater than the carrying value of the refunded debt. These amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; (4) changes in proportion and differences between employer contributions and proportionate share of contributions; and (5) contributions made subsequent to the measurement date. These amounts are deferred and amortized over future years.

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

***5. Deferred Outflows/Inflows of Resources (Continued)***

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Board has two types which arise only under the accrual basis of accounting that qualify for reporting in this category. One item that qualifies for reporting in this category is the deferred commodities revenue reported in the district-wide and the proprietary funds statements of net position. The deferred commodities revenue represents the estimated market value of the donated and unused Federal commodities at year end. This amount is deferred and recognized as an inflow of resources in the period the commodities are consumed. The other item that qualifies for reporting in this category are the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized over future years.

***6. 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.

***7. Pensions***

In the district-wide financial statements, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the retirement systems sponsored and administered by the State of New Jersey and additions to/deductions from these retirement systems' fiduciary net position have been determined on the same basis as they are reported by the retirement systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In the governmental fund financial statements, net pension liabilities represent amounts normally expected to be liquidated with expendable available financial resources for required pension contributions that are due and payable at year end. Pension expenditures are recognized based on contractual pension contributions that are required to be made to the pension plan during the fiscal year.

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

***8. 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 position. Losses resulting from debt refundings are reported as deferred outflows of resources. Bond discounts are deferred and amortized over the life of the bonds using the effective interest method. 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 discount. Bond issuance costs (other than for prepaid insurance) are treated as an expense.

In the fund financial statements, governmental fund types recognize bond discounts during the current period. The face amount of debt issued is reported as other financing sources. 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.

***9. Net Position/Fund Balance***

**District-Wide Statements**

In the district-wide statements, there are three classes of net position:

- **Net Investment in Capital Assets** – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or related debt also should be included.
- **Restricted Net Position** – reports net position when constraints placed on the residual amount of noncapital assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – any portion of net position not already classified as either net investment in capital assets or net position – restricted is classified as net position – unrestricted.

**Governmental Fund Statements**

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.

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

**9. *Net Position/Fund Balance (Continued)***

**Governmental Fund Statements (Continued)**

**Restricted Fund Balance (Continued)**

*Capital Reserve* – This restriction was created by the District in accordance with NJAC 6A:23A-14.1 to fund future capital expenditures (See Note 3.)

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

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

*Year-End Encumbrances* – Represents outstanding purchase orders at year end for contracts awarded by formal action of the Board of Trustee's for specific purposes from available resources of the current year for which the goods and materials 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 2016/2017 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.

**F. Revenues and Expenditures/Expenses**

**1. *Program Revenues***

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, unrestricted state aid, federal and state grants for school-based budgeting investment earnings and miscellaneous revenues.

**CARTERET BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Revenues and Expenditures/Expenses (Continued)**

**2. *Property Taxes***

Property taxes are levied pursuant to law and are collected by the municipality and are transferred to the District as requested. Property tax revenues are 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 inflows of resources. 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 1<sup>st</sup> 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. *Tuition Expenditures***

*Tuition Expenditures* - Tuition charges for the fiscal years 2014-2015 and 2015-2016 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.

**4. *Proprietary Funds, Operating and Nonoperating Revenues and Expenses***

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.

**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 position**

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position– governmental activities as reported in the district-wide statement of net position. 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 \$(27,941,367) difference are as follows:

Bonds payable	\$ (945,000)
Certificates of Participation Payable	(10,465,000)
Less: Issuance discount (to be amortized as interest expense)	41,231
Accrued Interest Payable	(120,694)
Compensated Absences	(3,551,899)
Net Pension Liability	<u>(12,900,005)</u>
 Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	 <u>\$ (27,941,367)</u>

**CARTERET BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

**A. Explanation of certain differences between the governmental fund balance sheet and the district-wide statement of net position (Continued)**

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 position 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 \$(834,471) difference are as follows:

Capital Outlay	\$160,101
Depreciation expense	<u>(994,572)</u>
Net adjustment to increase net changes in fund balances – Total governmental funds to arrive at changes in net position of governmental activities	<u>\$(834,471)</u>

**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**

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 position. Also, governmental funds report the effect of 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 \$2,653,860 difference are as follows:

Principal repayments:	
Bonds Payable	\$ 170,000
Certificates of Participation	1,560,000
Capital Leases Payable	<u>923,860</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at changes in net position of <i>governmental</i> activities	<u>\$ 2,653,860</u>



**CARTERET BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**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 (Continued)**

Another element of that reconciliation states that “Some 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”. The details of this \$(631,575) difference are as follows:

Compensated Absences	\$ (128,450)
Accrued Interest	(71,799)
Amortization of Deferred Amounts on Refunding	(79,617)
Amortization of Bond Discounts	(11,846)
Net Pension Expense	<u>(339,863)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of government activities	<u>\$ (631,575)</u>

**NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

In accordance with the requirements of the New Jersey Department of Education (“the Department”), the District annually prepares its operating budget for the forthcoming year. The budget, except for the general fund and special revenue fund, which is more fully explained below and in the notes to the required supplementary information, is prepared in accordance with accounting principles generally accepted in the United States of America and serves as a formal plan for expenditures and the proposed means for financing them. Capital lease transactions are accounted for on the GAAP basis.

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent for review and approval prior to adoption. Prior to the 2012/2013 budget year, the annual budget was required to be voted upon at the annual school election held on the third Tuesday in April. On January 17, 2012, Chapter 202 of the Laws of P.L. 2011 was approved which established procedures for moving the date of a school district’s annual school election from April to the general election in November. Under the new law, districts that have their school board members elected in November no longer have to submit their budgets that meet levy cap requirements for voter approval beginning with the 2012/2013 budget year. Only a school board decision to exceed the tax levy cap would require voter approval for the additional amount on the November ballot. On January 25, 2012, the Board adopted a resolution to move its annual election to the date of the general elections in accordance with the law; therefore voter approval of the annual budget is not required.

Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2015/2016. Also, during 2015/2016 the Board increased the original budget by \$1,157,774. The increase was funded by additional surplus appropriated, grant awards and the reappropriation of prior year general fund encumbrances.

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**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 fund balance deficit of \$3,243,219 in the General Fund and \$73,591 in the Special Revenue Fund as of June 30, 2016 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 2015/2016 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 deficits do 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 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 \$3,243,219 in the General Fund and \$73,591 in the Special Revenue Fund are equal to or less than the delayed state aid payments and state aid advance payment balance at June 30, 2016.

**C. Capital Reserve**

A capital reserve account was established by the District. The accumulation of funds will be used for capital outlay expenditures in subsequent fiscal years. The capital reserve is maintained in the general fund and its activity is included in the general fund annual budget.

**CARTERET BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**C. Capital Reserve (Continued)**

Funds placed in the capital reserve are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the Department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line-item appropriation amounts or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-14.1(g), the balance in the reserve cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the fiscal year ended June 30, 2016 is as follows:

Balance, July 1, 2015	\$ <u>          </u>
Increased by	
Deposits Approved by Board Resolution	\$ 650,000
Total Increases	<u>650,000</u>
 Balance, June 30, 2016	 \$ <u>650,000</u>

**NOTE 4 DETAILED NOTES ON ALL FUNDS**

**A. Cash Deposits and Investments**

**Cash 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 the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)**

**A. Cash Deposits and Investments (Continued)**

**Cash 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, 2016, the book value of the Board's deposits were \$986,462 and bank and brokerage firm balances of the Board's deposits amounted to \$3,972,452. The Board's deposits which are displayed on the various fund balance sheets as "cash and cash equivalents" are categorized as:

**Depository Account**

Insured	\$ <u>3,972,452</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, 2016 none of the Board's bank balances were 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, 2016, the Board had no outstanding investments.

Interest Rate Risk – The Board does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law limits investments as noted above (N.J.S.A. 18A:20-37). The District does not have an investment policy that would further limit its investment choices.

Concentration of Credit Risk – The Board places no limit in the amount the District may invest in any one issuer.

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)**

**B. Receivables**

Receivables as of June 30, 2016 for the district's individual major funds and nonmajor fund in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Food Service</u>	<u>Enrichment Academy</u>	<u>Total</u>
Receivables:						
Intergovernmental						
Federal		\$ 527,851		\$ 95,729		\$ 623,580
State	\$ 112,642			1,542		114,184
Property Taxes			\$ 19,188			19,188
Accounts	-	3,014	-	-	\$ 2,650	5,664
	-----	-----	-----	-----	-----	-----
Gross Receivables	112,642	530,865	19,188	97,271	2,650	762,616
Less: Allowance for Uncollectibles	-	-	-	-	-	-
	-----	-----	-----	-----	-----	-----
Net Total Receivables	<u>\$ 112,642</u>	<u>\$ 530,865</u>	<u>\$ 19,188</u>	<u>\$ 97,271</u>	<u>\$ 2,650</u>	<u>\$ 762,616</u>

**C. Unearned Revenue**

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue reported in the governmental funds were as follows:

	<u>Unearned</u>
Special Revenue Fund	
Unencumbered grant draw downs	\$ 34,068
Grant drawdowns reserved for encumbrances	22,580
	-----
Total Unearned Revenue for Governmental Funds	<u>\$ 56,648</u>

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)**

**D. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

	<u>Balance, July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2016</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 71,603	-	-	\$ 71,603
Total capital assets, not being depreciated	<u>71,603</u>	<u>-</u>	<u>-</u>	<u>71,603</u>
Capital assets, being depreciated:				
Buildings and Building Improvements	37,273,739	\$ 58,901		37,332,640
Land Improvements	284,135			284,135
Machinery and equipment	<u>1,993,382</u>	<u>101,200</u>	-	<u>2,094,582</u>
Total capital assets being depreciated	<u>39,551,256</u>	<u>160,101</u>	<u>-</u>	<u>39,711,357</u>
Less accumulated depreciation for:				
Buildings and Building Improvements	(14,814,060)	(841,538)		(15,655,598)
Land Improvements	(248,114)	(2,082)		(250,196)
Machinery and equipment	<u>(1,497,827)</u>	<u>(150,952)</u>	-	<u>(1,648,779)</u>
Total accumulated depreciation	<u>(16,560,001)</u>	<u>(994,572)</u>	<u>-</u>	<u>(17,554,573)</u>
Total capital assets, being depreciated, net	<u>22,991,255</u>	<u>(834,471)</u>	<u>-</u>	<u>22,156,784</u>
Governmental Activities Capital Assets, Net	<u>\$ 23,062,858</u>	<u>\$ (834,471)</u>	<u>\$ -</u>	<u>\$ 22,228,387</u>
	<u>Balance, July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2016</u>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Machinery and equipment	\$ 896,292	-	-	\$ 896,292
Total capital assets being depreciated	<u>896,292</u>	<u>-</u>	<u>-</u>	<u>896,292</u>
Less accumulated depreciation for:				
Machinery and equipment	(455,472)	\$ (41,709)	-	(497,181)
Total accumulated depreciation	<u>(455,472)</u>	<u>(41,709)</u>	<u>-</u>	<u>(497,181)</u>
Total capital assets, being depreciated, net	<u>440,820</u>	<u>(41,709)</u>	<u>-</u>	<u>399,111</u>
Business-Type Activities Capital Assets, Net	<u>\$ 440,820</u>	<u>\$ (41,709)</u>	<u>\$ -</u>	<u>\$ 399,111</u>

**CARTERET BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)**

**D. Capital Assets (Continued)**

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

**Governmental activities:**

Instruction	
Regular	\$ 72,133
Total Instruction	<u>72,133</u>
Support Services	
Support Services - Student and Instruction Related Services	62,931
Plant Operations and Maintenance	855,377
Pupil Transportation	<u>4,131</u>
Total Support Services	<u>922,439</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 994,572</u>

**Business-Type Activities:**

Food Service Fund	\$ 41,709
Total Depreciation Expense-Business-Type Activities	<u>\$ 41,709</u>

**Other Significant Commitments**

The District has the following active construction projects as of June 30, 2016:

<u>Purposes</u>	<u>Remaining Commitment</u>
Purchase of computers and equipment	<u>\$ 249,647</u>
Total	<u>\$ 249,647</u>

**CARTERET BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)**

**E. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2016, is as follows:

**Due to/from Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 507,424
General Fund	Payroll Agency Fund	<u>6,500</u>
		<u>\$ 513,924</u>

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

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

**Interfund transfers**

	<u>Transfer In</u>	
	<u>General Fund</u>	<u>Total</u>
<u>Transfer Out:</u>		
Unemployment Compensation Trust	\$ 964	\$ 964
Total Transfers Out	<u>\$ 964</u>	<u>\$ 964</u>

The above transfers are the result of revenues earned in one fund to finance expenditures in another fund.

**F. 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.



**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)**

**F. Leases (Continued)**

**Lease Purchase Agreements (Continued)**

**Refunding Certificates of 2006 (Continued)**

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 4.50%; 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.

On April 30, 2015 the Board of Education issued \$7,455,000 refunding certificates to refund all of the outstanding refunding certificates of 2006.

**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 and interest on the Refunding Certificates are insured by National Public Finance Guarantee. Bank of New York Mellon has been appointed to serve as a trustee in the agreement.

**Refunding Certificates of 2015**

The Board of Education adopted a resolution on August 27, 2014 for the purpose of issuing Refunding Certificates of Participation (the Refunding Certificates) in order to currently refund all of the outstanding Certificates of Participation dated January 15, 2006 (the Prior Certificate) which were issued to finance building improvements.

On April 30, 2015 the Board of Education issued \$7,455,000 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 January 15 commencing January 15, 2016. Basic Rent is composed of an interest component and a principal component. The Refunding Certificates carry interest rates in the range of 1.25% to 4.00%; and mature on January 15, 2030. Payments of the principal and interest on the Refunding Certificates are 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 FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)**

**F. 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>	
2017	\$ 1,545,000	\$ 306,450	\$ 1,851,450
2018	1,580,000	262,894	1,842,894
2019	1,640,000	211,163	1,851,163
2020	455,000	150,063	605,063
2021	470,000	136,413	606,413
2022-2026	2,515,000	524,349	3,039,349
2027-2030	<u>2,260,000</u>	<u>172,050</u>	<u>2,432,050</u>
Total	<u>\$ 10,465,000</u>	<u>\$ 1,763,382</u>	<u>\$ 12,228,382</u>

**G. Long-Term Debt**

**General Obligation Bonds**

The Board issued general obligation bonds to refund certain 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, 2016 are comprised of the following issues:

\$1,430,000, 2013 Pension Refunding Bonds, due in annual installments of \$175,000 to \$205,000 through March 15, 2021, interest at 3.50% \$945,000

**CARTERET BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)**

**G. 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,	Pension Refunding Bonds		Total
	Principal	Interest	
2017	\$ 175,000	\$ 33,075	\$ 208,075
2018	180,000	26,950	206,950
2019	190,000	20,650	210,650
2020	195,000	14,000	209,000
2021	<u>205,000</u>	<u>7,175</u>	<u>212,175</u>
Total	<u>\$ 945,000</u>	<u>\$ 101,850</u>	<u>\$ 1,046,850</u>

**Statutory Borrowing Power**

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2016 was as follows:

4% of Equalized Valuation Basis (Municipal)	\$ 83,178,360
Less: Net Debt	<u>-</u>
Remaining Borrowing Power	<u>\$ 83,178,360</u>

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)**

**H. Other Long-Term Liabilities**

**Changes in Long-Term Liabilities**

Long-term liability activity for the fiscal year ended June 30, 2016, was as follows:

	Balance, July 1, 2015	<u>Additions</u>	<u>Reductions</u>	Balance, June 30, 2016	Due Within One Year
<b>Governmental activities:</b>					
Lease-Purchase Agreements ("COPS")	\$ 12,025,000		\$ (1,560,000)	\$ 10,465,000	\$ 1,545,000
Original Issue Discount	(53,077)	-	11,846	(41,231)	-
Lease-Purchase Agreements, net	11,971,923	-	(1,548,154)	10,423,769	1,545,000
Bonds payable	1,115,000		(170,000)	945,000	175,000
Capital Leases Payable	923,860		(923,860)		
Net Pension Liability	10,941,522	\$ 1,958,483		12,900,005	
Compensated absences	3,423,449	128,450	-	3,551,899	355,190
Governmental activity Long-term liabilities	<u>\$ 28,375,754</u>	<u>\$ 2,086,933</u>	<u>\$ (2,642,014)</u>	<u>\$ 27,820,673</u>	<u>\$ 2,075,190</u>

For the governmental activities, the liabilities for compensated absences and net pension liability are generally liquidated by the general fund.

**I. Short-Term Debt**

The Board's short-term activity for the fiscal year ended June 30, 2016 was as follows:

**State Aid Anticipation Notes**

The Board issues State Aid Anticipation Notes ("Notes") to temporarily finance the delayed state aid payment received subsequent to the fiscal year end. The Board's short-term debt activity for the fiscal year ended June 30, 2016 was as follows:

<u>Purpose</u>	<u>Rate %</u>	<u>Maturity Date</u>	<u>Balance July 1, 2015</u>	<u>Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance June 30, 2016</u>
State School Aid Anticipation Note	0.50%	7/9/15	\$ 2,600,000	\$ -	2,600,000	\$ -
			<u>\$ 2,600,000</u>	<u>\$ -</u>	<u>\$ 2,600,000</u>	<u>\$ -</u>

**CARTERET BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)**

**I. Short-Term Debt (Continued)**

**Grant Anticipation Notes**

The Board issues Grant Anticipation Notes to interim finance capital projects funded by the State Development Authority's Facility construction grants. The Board's short-term debt activity for the fiscal year ended June 30, 2016 was as follows:

<u>Purpose</u>	<u>Rate</u>	<u>Maturity Date</u>	<u>Balance July 1, 2015</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance June 30, 2016</u>
Middle School Window Replacement	1.00%	8/24/15	916,636	\$ -	916,636	\$ -
			<u>\$ 916,636</u>	<u>\$ -</u>	<u>\$ 916,636</u>	<u>\$ -</u>

**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's Insurance Group (NJSIG). The Group is a risk sharing public entity pool, established for the purpose of insuring against various risks.

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.

NJSIG 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 are 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.

**CARTERET BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 5 OTHER INFORMATION (Continued)**

**A. Risk Management (Continued)**

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>
2016		\$ 74,259	\$ 163,515	\$ 342,449
2015		67,622	104,143	431,705
2014		63,779	43,551	467,092

**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, 2016, 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, 2016, the District has not estimated its arbitrage earnings due to the IRS, if any.

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**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 10 years of service for pension benefits and 25 years for post-retirement health care coverage. PERS is a cost sharing multi-employer defined benefit pension plan.

**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. TPAF is a cost sharing plan with special funding situations.

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, certain appointed officials, and certain Board employees not eligible for enrollment in PERS or TPAF. Effective July 1, 2007 membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

**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 but are currently suspended as a result of reform legislation.

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](http://www.state.nj.us/treasury/pensions).

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 5 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

**Basis of Accounting**

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

**Investment Valuation**

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

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. 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 or at [www.state.nj/treasury/doinvest](http://www.state.nj/treasury/doinvest).

**Funding Status and Funding Progress**

As of July 1, 2014, the most recent actuarial valuation date, the aggregate funded ratio for the State administered TPAF and local PERS retirement systems, is 35 percent with an unfunded actuarial accrued liability of \$86 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded TPAF system is 28.71 percent and \$63.6 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS is 47.9 percent and \$22.4 billion, respectively.

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 funding limitations on the pattern of cost sharing between the employer and members in the future.

**Actuarial Methods and Assumptions**

In the July 1, 2014 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 (a) an investment rate of return for the retirement systems of 7.90 percent and (b) projected salary increases of 2.60-9.48 percent based on age for the PERS and varying percentages based on experience for TPAF.



**CARTERET BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 5 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

**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 6.92% for PERS, 6.92% 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 *Accounting for Pensions by State and Local Government Employees*, for the fiscal year ended June 30, 2016 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 fiscal years ended June 30, 2016, 2015 and 2014 the Board was required to contribute for PERS and DCRP 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>	<u>DCRP</u>
2016	\$ 494,055	\$ 1,772,953	\$ 169
2015	481,768	1,205,308	
2014	435,433	966,456	

For fiscal years 2015/2016 and 2014/2015, the state contributed \$1,772,953 and \$1,205,308, respectively for normal cost pension, accrued liability and the NCGI premium. For fiscal year 2013/2014 the State did not contribute to the TPAF for accrued liability but did contribute \$966,456 for normal cost pension and NCGI premium.

The PERS contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure. The on-behalf TPAF contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 24. The DCRP contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure, as well as, the district-wide financial statements (accrual basis) as an expense.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$1,849,174 during the fiscal year ended June 30, 2016 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been recognized in the district-wide financial statements (accrual basis) and the governmental fund financial statements (modified accrual basis) as a revenue and expense/expenditure in accordance with GASB No. 24.

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 5 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

**Public Employees Retirement System (PERS)**

At June 30, 2016, the District reported in the statement of net position (accrual basis) a liability of \$12,900,005 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2015, the District's proportionate share was 0.05747 percent, which was a decrease of .00097 percent from its proportionate share measured as of June 30, 2014 of .05844 percent.

For the fiscal year ended June 30, 2016, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$833,918 for PERS. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	<u>2015</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 307,749	
Changes of Assumptions	1,385,358	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		\$ 207,407
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>90,705</u>	<u>154,648</u>
Total	<u>\$ 1,783,812</u>	<u>\$ 362,055</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

Fiscal Year Ending <u>June 30,</u>	
2017	\$ 256,309
2018	256,309
2019	256,309
2020	419,322
2021	<u>233,508</u>
	<u>\$ 1,421,757</u>

**CARTERET BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 5 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources  
 Related to Pensions (Continued)**

**Public Employees Retirement System (PERS) (Continued)**

*Actuarial Assumptions*

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	<u>PERS</u>
Inflation Rate	3.04%
Salary Increases:	
2012-2021	2.15-4.40%
Thereafter	Based on Age 3.15-5.40%
Investment Rate of Return	Based on Age 7.90%
Mortality Rate Table	RP-2000
Period of Actuarial Experience Study Upon Which Actuarial Assumptions were Based	July 1, 2008 - June 30, 2011

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 5 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources  
Related to Pensions (Continued)**

**Public Employees Retirement System (PERS) (Continued)**

***Long-Term Expected Rate of Return***

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%

***Discount Rate***

The discount rate used to measure the total pension liabilities of the PERS plan was as follows:

<u>Plan</u>	<u>Discount Rate</u>
PERS	4.90%

**CARTERET BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 5 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources  
 Related to Pensions (Continued)**

**Public Employees Retirement System (PERS) (Continued)**

***Discount Rate (Continued)***

The following table represents the crossover period, if applicable, for the PERS defined benefit plan:

Period of Projected Benefit Payments for which the Following Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2033
Municipal Bond Rate *	From July 1, 2033 and Thereafter

\* The municipal bond return rate used is 3.80%. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

***Sensitivity of Net Pension Liability***

The following presents the District's proportionate share of the PERS net pension liability calculated using the discount rate of 4.90%, as well as what the District's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.90 percent) or 1-percentage-point higher (5.90 percent) than the current rate:

	<b>1% Decrease <u>(3.90%)</u></b>	<b>Current Discount Rate <u>(4.90%)</u></b>	<b>1% Increase <u>(5.90%)</u></b>
District's Proportionate Share of the PERS Net Pension Liability	<u>\$ 16,033,128</u>	<u>\$ 12,900,005</u>	<u>\$ 10,273,217</u>

The sensitivity analysis was based on the proportionate share of the District's net pension liability at June 30, 2015. A sensitivity analysis specific to the District's net pension liability was not provided by the pension system.

***Pension Plan Fiduciary Net Position***

Detailed information about the PERS pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**CARTERET BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 5 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

**Teachers Pension and Annuity Fund (TPAF)**

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District is not required to recognize a net pension liability for TPAF. The State of New Jersey is the only entity that has a legal obligation to make employer contributions to TPAF on behalf of the District. Accordingly, the District's proportionate share percentage determined under Statement No. 68 is zero percent and the State's proportionate share is 100% of the net pension liability attributable to the District for TPAF. Therefore, in addition, the District does not recognize any portion of the TPAF collective deferred outflows of resources and deferred inflows of resources.

For the fiscal year ended June 30, 2016, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$8,603,769 for TPAF. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 24.

At June 30, 2016 the State's proportionate share of the net pension liability attributable to the District is \$140,909,092. The nonemployer allocation percentages are based on the ratio of the State's contributions made as an employer and nonemployer towards the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the year ended June 30, 2015. At June 30, 2015, the state's share of the net pension liability attributable to the District was 0.22294 percent, which was a decrease of 0.00551 percent from its proportionate share measured as of June 30, 2014 of 0.22845 percent.

**Actuarial Assumptions**

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

	<u><b>TPAF</b></u>
Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.90%
Mortality Rate Table	RP-2000
Period of Actuarial Experience Study Upon Which Actuarial Assumptions were Based	July 1, 2009 - June 30, 2012

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 5 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources  
Related to Pensions (Continued)**

**Teachers Pension and Annuity Fund (TPAF) (Continued)**

**Long-Term Expected Rate of Return**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Cash	5.00%	0.53%
US Government Bonds	1.75%	1.39%
US Credit Bonds	13.50%	2.72%
US Mortgages	2.10%	2.54%
US Inflation-Indexed Bonds	1.50%	1.47%
US High Yield Bonds	2.00%	4.57%
US Equity Market	27.25%	5.63%
Foreign-Developed Equity	12.00%	6.22%
Emerging Markets Equity	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private Equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge Funds - MultiStrategy	4.00%	4.59%
Hedge Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%

**CARTERET BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 5 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

**Teachers Pension and Annuity Fund (TPAF) (Continued)**

***Discount Rate***

The discount rate used to measure the total pension liabilities of the TPAF plan was as follows:

<u>Plan</u>	<u>Discount Rate</u>
TPAF	4.13%

The following table represents the crossover period, if applicable, for the TPAF defined benefit plan:

Period of Projected Benefit Payments for which the Following Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2027
Municipal Bond Rate *	From July 1, 2027 and Thereafter

\* The municipal bond return rate used is 3.80%. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

***Sensitivity of Net Pension Liability***

The following presents the State's proportionate share of the TPAF net pension liability attributable to the District calculated using the discount rate of 4.13%, as well as what the State's proportionate share of the TPAF net pension liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (3.13 percent) or 1-percentage-point higher (5.13 percent) than the current rate:

	<b>1% Decrease (3.13%)</b>	<b>Current Discount Rate (4.13%)</b>	<b>1% Increase (5.13%)</b>
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	<u>\$ 167,465,189</u>	<u>\$ 140,909,092</u>	<u>\$ 118,029,425</u>

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the District at June 30, 2015. A sensitivity analysis specific to the State's proportionate share of the net pension liability attributable to the District at June 30, 2015 was not provided by the pension system.



**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 5 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

**Teachers Pension and Annuity Fund (TPAF) (Continued)**

***Pension Plan Fiduciary Net Position***

Detailed information about the TPAF pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**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 classified as either single employer plans or cost sharing multiple employer defined benefit plans depending on the plan the eligible employee is covered under.

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, 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-Local 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 590 state and local participating employers and contributing entities for Fiscal Year 2015.

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 paid 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 paid 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 state 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](http://www.state.nj.us/treasury/pensions).

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**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 July 1, 2014, the most recent actuarial valuation date, the State had a \$65.0 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$24.4 billion for state active and retired members and \$40.6 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 includes 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 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 or 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, 2014, OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 5 OTHER INFORMATION (Continued)**

**E. 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, 2015, there were 107,314, retirees receiving post-retirement medical benefits and the State contributed \$1.25 billion 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 employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at: <http://www.nj.gov/treasury/pensions/pdf/financial/2015divisioncombined.pdf>.

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 fiscal years ended June 30, 2016, 2015 and 2014 were \$2,111,097, \$1,913,429 and \$1,589,626, 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, 2016**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
<b>REVENUES</b>					
Local Sources					
Local Tax Levy	\$ 24,940,515		\$ 24,940,515	\$ 24,940,515	
Interest Income				13,701	\$ 13,701
Rents and Royalties	5,000		5,000	3,010	(1,990)
Miscellaneous	45,000		45,000	61,736	16,736
State Sources					
Equalization Aid	23,509,312		23,509,312	23,509,312	
Categorical Special Education Aid	2,257,589		2,257,589	2,257,589	
Security Aid	382,501		382,501	382,501	
Extraordinary Aid	350,000	\$ 309,952	659,952	659,952	
Categorical Transportation Aid	120,856		120,856	120,856	
Under Adequacy Aid	500,000		500,000	500,000	
PARCC Readiness Aid	36,940		36,940	36,940	
Per Pupil Growth Aid	36,940		36,940	36,940	
Additional Nonpublic School Transportation Costs		21,175	21,175	21,175	
On-behalf TPAF Social Security Payments (Non-Budget)				1,849,174	1,849,174
On-behalf TPAF Post Retirement Medical Contribution (Non-Budget)				2,111,097	2,111,097
On-behalf TPAF Pension System Contribution - Normal (Non-Budget)				1,688,826	1,688,826
On-behalf TPAF Pension System Contribution - NCGI (Non-Budget)				84,127	84,127
Federal Sources					
Medical Assistance Program (SEMI)	80,515	-	80,515	92,494	11,979
<b>Total Revenues</b>	<u>52,265,168</u>	<u>331,127</u>	<u>52,596,295</u>	<u>58,369,945</u>	<u>5,773,650</u>
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES</b>					
Instruction - Regular Programs					
Salaries of Teachers					
Preschool	123,099	(123,099)			
Grades 1-5	7,306,517	24,846	7,331,363	7,287,336	44,027
Grades 6-8	3,427,267	39,704	3,466,971	3,465,255	1,716
Grades 9-12	4,948,104	(73,440)	4,874,664	4,849,384	25,280
Regular Programs - Home Instruction					
Salaries of Teachers		52,710	52,710	52,710	
Purchased Professional-Educational Services	109,000	(93,900)	15,100	14,935	165
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	116,054	103,597	219,651	219,651	
Purchased Professional-Educational Services	103,319	(71,537)	31,782	27,782	4,000
Other Purchased Services	3,424	-	3,424	372	3,052
General Supplies	305,355	119,169	424,524	384,089	40,435
Textbooks	67,969	18,075	86,044	80,623	5,421
Other Objects	716,168	562,427	1,278,595	1,239,658	38,937
<b>Total Regular Programs</b>	<u>17,226,276</u>	<u>558,552</u>	<u>17,784,828</u>	<u>17,621,795</u>	<u>163,033</u>

CARTERET BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
Special Education					
Learning and/or Language Disabilities					
Salaries of Teachers	\$ 285,389	\$ 54,500	\$ 339,889	\$ 339,844	\$ 45
Other Salaries for Instruction	107,331	73,100	180,431	180,045	386
Purchased Professional-Educational Services	23,900	900	24,800	23,887	913
General Supplies	-	300	300	150	150
Total Learning and/or Language Disabilities	<u>416,620</u>	<u>128,800</u>	<u>545,420</u>	<u>543,926</u>	<u>1,494</u>
Multiple Disabilities					
Salaries of Teachers	143,796	67,400	211,196	211,166	30
Other Salaries for Instruction	180,885	(108,300)	72,585	72,554	31
Purchased Professional-Educational Services	100,000	22,500	122,500	91,537	30,963
Total Multiple Disabilities	<u>424,681</u>	<u>(18,400)</u>	<u>406,281</u>	<u>375,257</u>	<u>31,024</u>
Resource Room/Resource Center					
Salaries of Teachers	3,210,531	(137,100)	3,073,431	3,068,812	4,619
Other Salaries for Instruction	465,601	-	465,601	465,101	500
Purchased Professional-Educational Services	118,200	236,006	354,206	354,206	-
Total Resource Room	<u>3,794,332</u>	<u>98,906</u>	<u>3,893,238</u>	<u>3,888,119</u>	<u>5,119</u>
Autism					
Other Salaries for Instruction	-	36,350	36,350	36,277	73
Total Autism	<u>-</u>	<u>36,350</u>	<u>36,350</u>	<u>36,277</u>	<u>73</u>
Preschool Disabilities - Full Time					
Salaries of Teachers	91,996	-	91,996	91,996	
Other Salaries for Instruction	72,554	-	72,554	72,554	
Purchased Professional-Educational Services	19,700	4,800	24,500	20,011	4,489
Total Preschool Disabilities - Full Time	<u>184,250</u>	<u>4,800</u>	<u>189,050</u>	<u>184,561</u>	<u>4,489</u>
Total Special Education	<u>4,819,883</u>	<u>250,456</u>	<u>5,070,339</u>	<u>5,028,140</u>	<u>42,199</u>
Bilingual Education					
Salaries of Teachers	1,266,071	-	1,266,071	1,263,064	3,007
Other Salaries for Instruction	72,054	(26,800)	45,254	36,277	8,977
Purchased Professional-Educational Services	89,612	(89,000)	612	-	612
Total Bilingual Education	<u>1,427,737</u>	<u>(115,800)</u>	<u>1,311,937</u>	<u>1,299,341</u>	<u>12,596</u>

CARTERET BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
School-Sponsored Co/Extra Curricular Activities - Instruction					
Salaries	\$ 58,487	-	\$ 58,487	\$ 46,106	\$ 12,381
Total School-Sponsored Co/Extra Curricular Activities	58,487	-	58,487	46,106	12,381
School Sponsored Athletics - Instruction					
Salaries	210,353	\$ 7,550	217,903	217,874	29
Purchased Services	36,050	(12,740)	23,310	21,864	1,446
Supplies and Materials	88,350	13,165	101,515	88,801	12,714
Other Objects	20,720	-	20,720	19,151	1,569
Total School Sponsored Athletics	355,473	7,975	363,448	347,690	15,758
Total Instruction	23,887,856	701,183	24,589,039	24,343,072	245,967
Undistributed Expenditures					
Instruction					
Tuition to Other LEA's Within the State - Regular	196,000	(167,517)	28,483	23,686	4,797
Tuition to Other LEA's Within the State - Special	164,027	114,235	278,262	237,005	41,257
Tuition to CSSD & Regional Day Schools	2,124,582	224,703	2,349,285	2,067,221	282,064
Tuition to Private Schools for Disabled - Within State	2,040,169	(485,036)	1,555,133	1,546,129	9,004
Tuition to Private Schools for Disabled & Other LEAs-Spl,O/S State	-	6,045	6,045	5,743	302
Tuition - State Facilities	79,930	-	79,930	79,930	-
Tuition - Other	240,956	(64,000)	176,956	162,417	14,539
Total Undistributed Expenditures - Instruction	4,845,664	(371,570)	4,474,094	4,122,131	351,963
Attendance and Social Work					
Salaries	326,865	12,935	339,800	339,765	35
Purchased Professional and Technical Services	15,501	6,125	21,626	21,625	1
Supplies and Materials	2,000	440	2,440	1,580	860
Other Objects	350	300	650	650	-
Total Attendance and Social Work	344,716	19,800	364,516	363,620	896
Health Services					
Salaries	380,184	35,000	415,184	415,012	172
Purchased Professional and Technical Services	55,185	(49,875)	5,310	5,225	85
Supplies and Materials	5,000	(754)	4,246	4,104	142
Other Objects	500	(500)	-	-	-
Total Health Services	440,869	(16,129)	424,740	424,341	399

**CARTERET BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
Undistributed Expenditures (Continued)					
Speech, OT, PT and Related Svcs.					
Salaries	\$ 405,869	\$ 3,854	\$ 409,723	\$ 409,723	
Purchased Professional-Educational Services		13,300	13,300	13,300	
Supplies and Materials	15,000	(1,560)	13,440	13,411	\$ 29
Total Speech, OT, PT and Related Svcs.	420,869	15,594	436,463	436,434	29
Guidance					
Salaries of Other Professional Staff	769,951	(125,845)	644,106	644,106	
Salaries of Secretarial and Clerical Assistants	56,613	1	56,614	56,613	1
Purchased Professional-Educational Services		7,261	7,261	3,665	3,596
Other Purchased Professional and Technical Services	113,498	244,148	357,646	353,429	4,217
Other Purchased Services	24,200	10,363	34,563	27,220	7,343
Supplies and Materials	140,735	(32,205)	108,530	108,087	443
Other Objects	4,400	(3,000)	1,400	1,159	241
Total Guidance	1,109,397	100,723	1,210,120	1,194,279	15,841
Child Study Teams					
Salaries of Other Professional Staff	774,177	159,862	934,039	934,038	1
Salaries of Secretarial and Clerical Assistants	95,074	-	95,074	95,073	1
Purchased Professional-Educational Services	280,390	(56,670)	223,720	214,008	9,712
Other Purchased Professional and Technical Services	239,545	133,965	373,510	334,406	39,104
Other Purchases Services	3,000	3,740	6,740	6,258	482
Supplies and Materials	9,000	4,293	13,293	8,863	4,430
Total Child Study Teams	1,401,186	245,190	1,646,376	1,592,646	53,730
Improvement of Instructional Services					
Salaries of Other Professional Staff		652	652	652	
Salaries of Secretarial and Clerical Assistants	57,113	1	57,114	57,113	1
Salaries of Facilitators, Math & Literacy Coaches	499,560	(101,430)	398,130	398,130	
Purchased Professional - Educational Services	41,500	2,000	43,500	41,474	2,026
Other Purchased Services	9,700	(3,813)	5,887	3,641	2,246
Supplies and Materials	3,500	44,004	47,504	47,254	250
Other Objects	250	(250)	-	-	-
Total Improvement of Instructional Services	611,623	(58,836)	552,787	548,264	4,523
Educational Media Services/School Library					
Salaries	36,277	-	36,277	36,277	
Purchased Professional and Technical Services	19,970	(8,857)	11,113	9,006	2,107
Supplies and Materials	1,001	296	1,297	963	334
Total Educational Media Serv./School Library	57,248	(8,561)	48,687	46,246	2,441
Instructional Staff Training Services					
Salaries of Other Professional Staff	-	135	135	135	
Purchased Professional - Educational Services	28,500	(1,835)	26,665	7,590	19,075
Other Objects	-	153	153	99	54
Total Instructional Staff Training Services	28,500	(1,547)	26,953	7,824	19,129



CARTERET BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
Undistributed Expenditures (Continued)					
Support Services - General Administration					
Salaries	\$ 477,844	\$ 9,157	\$ 487,001	\$ 463,844	\$ 23,157
Legal Services	125,000	-	125,000	70,130	54,870
Audit Fees	42,000	-	42,000	41,200	800
Architectural /Engineering Services	75,845	-	75,845	4,301	71,544
Other Purchased Professional Services	88,535	(37,882)	50,653	24,007	26,646
Communications/Telephone	233,997	2,791	236,788	174,791	61,997
BOE Other Purchased Services	8,200	-	8,200	3,170	5,030
Misc Purchased Services	9,625	26,494	36,119	23,322	12,797
General Supplies	3,000	2,354	5,354	3,603	1,751
Judgements		25,000	25,000	8,000	17,000
Miscellaneous Expenditures	51,250	(45,351)	5,899	3,897	2,002
BOE Membership Dues and Fees	22,527	-	22,527	21,936	591
<b>Total Support Services - General Administration</b>	<b>1,137,823</b>	<b>(17,437)</b>	<b>1,120,386</b>	<b>842,201</b>	<b>278,185</b>
Support Services - School Administration					
Salaries of Principal/Asst. Principals	1,780,620	(11,518)	1,769,102	1,769,102	
Salaries of Secretarial and Clerical Assistants	228,252	(3,200)	225,052	224,415	637
Other Purchased Services	1,550	3,120	4,670	1,416	3,254
Supplies and Materials	39,200	(7,722)	31,478	29,573	1,905
<b>Total Support Services - School Administration</b>	<b>2,049,622</b>	<b>(19,320)</b>	<b>2,030,302</b>	<b>2,024,506</b>	<b>5,796</b>
Central Services					
Salaries	420,571	64,899	485,470	463,229	22,241
Purchased Professional Services	56,313	-	56,313	54,802	1,511
Purchased Technical Services	40,000	(2,639)	37,361	16,890	20,471
Supplies and Materials	13,661	23,182	36,843	30,063	6,780
Interest on Lease Purchase Agreements	2,413	2,419	4,832	4,826	6
Interest on Bond Anticipation Notes	9,141	-	9,141	9,141	
Other Objects	9,345	826	10,171	3,611	6,560
<b>Total Central Services</b>	<b>551,444</b>	<b>88,687</b>	<b>640,131</b>	<b>582,562</b>	<b>57,569</b>
Administrative Information Technology					
Salaries	318,624	-	318,624	318,464	160
Other Purchased Services	2,150	-	2,150	902	1,248
<b>Total Administrative Information Technology</b>	<b>320,774</b>	<b>-</b>	<b>320,774</b>	<b>319,366</b>	<b>1,408</b>
Required Maintenance for School Facilities					
Salaries	517,307	(54,430)	462,877	411,072	51,805
Cleaning, Repair and Maintenance Services	587,968	61,543	649,511	505,645	143,866
General Supplies	130,900	44,705	175,605	163,470	12,135
Other Objects	5,635	1,000	6,635	2,669	3,966
<b>Total Required Maintenance for School Facilities</b>	<b>1,241,810</b>	<b>52,818</b>	<b>1,294,628</b>	<b>1,082,856</b>	<b>211,772</b>

**CARTERET BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
Undistributed Expenditures (Continued)					
Custodial Services					
Salaries	\$ 1,381,545	\$ 50,000	\$ 1,431,545	\$ 1,320,097	\$ 111,448
Purchased Professional and Technical Services	17,000	-	17,000	9,685	7,315
Cleaning, Repair and Maintenance Services	24,000	-	24,000	21,732	2,268
Other Purchased Property Services	89,200	-	89,200	77,084	12,116
Insurance	393,852	125,000	518,852	416,618	102,234
General Supplies	125,800	(76,263)	49,537	45,718	3,819
Energy (Natural Gas)	163,000	-	163,000	84,082	78,918
Energy (Electricity)	465,000	-	465,000	429,570	35,430
<b>Total Custodial Services</b>	<u>2,659,397</u>	<u>98,737</u>	<u>2,758,134</u>	<u>2,404,586</u>	<u>353,548</u>
Care and Upkeep of Grounds					
Salaries	63,335	12,500	75,835	74,734	1,101
General Supplies	25,400	(12,500)	12,900	-	12,900
Other Objects	9,000	-	9,000	565	8,435
<b>Total Care and Upkeep of Grounds</b>	<u>97,735</u>	<u>-</u>	<u>97,735</u>	<u>75,299</u>	<u>22,436</u>
Security					
Salaries	250,000	60,386	310,386	310,386	-
Purchased Professional and Technical Services	61,450	(57,250)	4,200	1,470	2,730
General Supplies	25,000	-	25,000	15,500	9,500
<b>Total Security</b>	<u>336,450</u>	<u>3,136</u>	<u>339,586</u>	<u>327,356</u>	<u>12,230</u>
Student Transportation Services					
Salaries for Pupil Transportation(Bet Home & Sch) Reg	40,000	5,000	45,000	45,000	-
Management Fee-ESC and CTSA Transportation Prog.	60,000	-	60,000	50,724	9,276
Contracted Services - Aid in Lieu of Payments - Non Public	125,528	(9,173)	116,355	87,496	28,859
Contracted Svcs. (Between Home & School) - Vendors	456,432	51,034	507,466	507,466	-
Contracted Services (Other than Between Home and School) - Vendors	111,600	2,406	114,006	74,295	39,711
Contracted Services (Special Ed. Students)- Vendors	179,615	(17,000)	162,615	162,000	615
Contracted Services (Special Ed. Students)-Joint Agreements	-	-	-	-	-
Contracted Services (Regular Students) - ESCs and CTSA	27,500	60,280	87,780	75,901	11,879
Contracted Services (Special Ed. Students)- ESCs and CTSA	1,711,829	(12,480)	1,699,349	1,699,348	1
<b>Total Student Transportation Services</b>	<u>2,712,504</u>	<u>80,067</u>	<u>2,792,571</u>	<u>2,702,230</u>	<u>90,341</u>

CARTERET BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
Undistributed Expenditures (Continued)					
Unallocated Benefits - Employee Benefits					
Social Security Contributions	\$ 540,000	\$ (29,425)	\$ 510,575	\$ 510,574	\$ 1
Other Retirement Contributions - PERS	546,320	(52,096)	494,224	494,224	
Workmen's Compensation	267,196	(36,027)	231,169	231,169	
Health Benefits	6,959,840	(174,054)	6,785,786	6,467,753	318,033
Tuition Reimbursement	130,000	(6)	129,994	78,197	51,797
Other Employee Benefits	293,700	(187,315)	106,385	96,060	10,325
	<u>8,737,056</u>	<u>(478,923)</u>	<u>8,258,133</u>	<u>7,877,977</u>	<u>380,156</u>
On-behalf TPAF Pension System Contribution - Normal (Non-Budget)				1,688,826	(1,688,826)
On-behalf TPAF Pension System Contribution - NCGI (Non-Budget)				84,127	(84,127)
On-behalf TPAF Post Retirement Medical Contribution (Non-Budget)				2,111,097	(2,111,097)
On-behalf TPAF Social Security Payments (Non-Budget)	-	-	-	1,849,174	(1,849,174)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,733,224</u>	<u>(5,733,224)</u>
Total On-Behalf TPAF					
Total Undistributed Expenditures	<u>29,104,687</u>	<u>(267,571)</u>	<u>28,837,116</u>	<u>32,707,948</u>	<u>(3,870,832)</u>
Total Expenditures - Current Expenditures	<u>52,992,543</u>	<u>433,612</u>	<u>53,426,155</u>	<u>57,051,020</u>	<u>(3,624,865)</u>
<b>CAPITAL OUTLAY</b>					
Equipment					
Grade 9-12		26,370	26,370	26,370	
Undistributed Expenditures					
Admin Info. Tech.		92,283	92,283		92,283
Required Maintenance for School Facilities	100,000	21,381	121,381	121,381	
Custodial Services	25,000	114,444	139,444	139,444	-
	<u>125,000</u>	<u>254,478</u>	<u>379,478</u>	<u>287,195</u>	<u>92,283</u>
Total Equipment					
Facilities Acquisition and Construction Services					
Assessment for Debt Service on SDA Funding	348	6	354	354	-
	<u>348</u>	<u>6</u>	<u>354</u>	<u>354</u>	<u>-</u>
Total Facilities Acquisition and Construction Services					
Total Capital Outlay	<u>125,348</u>	<u>254,484</u>	<u>379,832</u>	<u>287,549</u>	<u>92,283</u>

CARTERET BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
<b>SPECIAL SCHOOLS</b>					
Other Special Schools - Instruction					
Salaries of Teachers	\$ 55,000	-	\$ 55,000	\$ 44,727	\$ 10,273
Other Salaries for Instruction	35,000	-	35,000	33,161	1,839
Total Other Special Schools - Instruction	90,000	-	90,000	77,888	12,112
Total Special Schools	90,000	-	90,000	77,888	12,112
Transfer of Funds to Charter Schools	7,277	-	7,277	7,277	-
Total Expenditures	53,215,168	\$ 688,096	53,903,264	57,423,734	(3,520,470)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(950,000)	(356,969)	(1,306,969)	946,211	2,253,180
Other Financing Sources/Uses					
Operating Transfers In	-	-	-	964	964
Total Other Financing Sources	-	-	-	964	964
Excess (Deficiency) of Revenues Over/(Under) Expenditures and Other Sources	(950,000)	(356,969)	(1,306,969)	947,175	2,254,144
Change in Fund Balance	(950,000)	(356,969)	(1,306,969)	947,175	2,254,144
Fund Balance (Deficit), Beginning of Year	2,153,379	-	2,153,379	2,153,379	-
Fund Balance, End of Year	\$ 1,203,379	\$ (356,969)	\$ 846,410	\$ 3,100,554	\$ 2,254,144
<b>Recapitulation Of Fund Balance:</b>					
Restricted Fund Balance:					
Capital Reserve				\$ 650,000	
Committed Fund Balance:					
Year End Encumbrances				463,977	
Assigned Fund Balance:					
Designated for Subsequent Year's Expenditures				1,900,107	
Unassigned Fund Balance				86,470	
Reconciliation to Governmental Fund Statement (GAAP)				3,100,554	
State Aid Payments Not Recognized on GAAP Basis					
Extraordinary Aid			\$ 659,952		
Delayed State Aid Payments			2,669,737		
				3,329,689	
Fund Balance (Deficit) Per Governmental Funds (GAAP)				\$ (229,135)	

**CARTERET BOARD OF EDUCATION  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOT APPLICABLE**

**COMMUNITY DEVELOPMENT BLOCK GRANT  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOT APPLICABLE**

**CARTERET BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
<b>REVENUES</b>					
Intergovernmental					
State	\$ 1,157,943	\$ 12,953	\$ 1,170,896	\$ 1,134,295	\$ (36,601)
Local	-	21,211	21,211	21,081	(130)
Federal	1,967,000	435,514	2,402,514	2,263,908	(138,606)
Total Revenues	<u>3,124,943</u>	<u>469,678</u>	<u>3,594,621</u>	<u>3,419,284</u>	<u>(175,337)</u>
<b>EXPENDITURES</b>					
Instruction					
Salaries of Teachers	1,500,648	(375,695)	1,124,953	1,107,964	16,989
Other Salaries for Instruction	215,162	(34,672)	180,490	180,490	-
Purch. Prof./Tech. Services	270,478	84,150	354,628	353,078	1,550
Tuition	747,405	68,942	816,347	816,347	-
General Supplies	6,000	95,673	101,673	67,757	33,916
Textbooks	11,000	249	11,249	11,249	-
Other Objects	-	10,513	10,513	9,448	1,065
Total Instruction	<u>2,750,693</u>	<u>(150,840)</u>	<u>2,599,853</u>	<u>2,546,333</u>	<u>53,520</u>
Support Services					
Salaries of Teachers	56,595	98,919	155,514	143,357	12,157
Salaries of Secretarial and Clerical Assistants		1,300	1,300	1,275	25
Salaries of Community Parent Involvement		360	360	360	-
Purchased Professional/Educational Services	97,000	368,563	465,563	389,179	76,384
Other Purchased Services		17,220	17,220	12,515	4,705
Supplies and Materials	25,745	933	26,678	22,405	4,273
Other Objects	-	3,571	3,571	3,545	26
Total Support Services	<u>179,340</u>	<u>490,866</u>	<u>670,206</u>	<u>572,636</u>	<u>97,570</u>
Employee Benefits					
Personal Services - Employee Benefits	194,910	129,652	324,562	300,315	24,247
Total Allocated Benefits	<u>194,910</u>	<u>129,652</u>	<u>324,562</u>	<u>300,315</u>	<u>24,247</u>
Total Expenditures	<u>3,124,943</u>	<u>469,678</u>	<u>3,594,621</u>	<u>3,419,284</u>	<u>175,337</u>
Total Outflows	<u>3,124,943</u>	<u>469,678</u>	<u>3,594,621</u>	<u>3,419,284</u>	<u>175,337</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				\$ (73,591)	
Fund Balance (Deficit) per Governmental Fund Statements (GAAP)				<u>\$ (73,591)</u>	

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART II**

**CARTERET BOARD OF EDUCATION  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
BUDGET TO GAAP RECONCILIATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

The following presents a reconciliation of the General and Special Revenue Funds from the budgetary basis of accounting as presented in the Budgetary Comparison Schedules - 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.

	<b>General Fund</b>	<b>Special Revenue Fund</b>
<b>Sources/inflows of resources</b>		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedules (Exhibits C-1 and C-2)	\$ 58,369,945	\$ 3,419,284
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Current Year		(22,580)
State Aid payments recognized for GAAP purpose not recognized for Budgetary statements (Prior Year), Net	3,290,016	75,694
State Aid payments recognized for budgetary purpose not recognized for GAAP statements (Current Year)	<u>(3,329,689)</u>	<u>(73,591)</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 58,330,272</u>	<u>\$ 3,398,807</u>
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 57,423,734	\$ 3,419,284
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.		
Current Year	<u>-</u>	<u>(22,580)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 57,423,734</u>	<u>\$ 3,396,704</u>



**REQUIRED SUPPLEMENTARY INFORMATION - PART III**

**CARTERET BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY**

**PUBLIC EMPLOYEES RETIREMENT SYSTEM  
Last Three Fiscal Years \***

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0.05747%	0.05844%	0.05775%
District's Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 12,900,005</u>	<u>\$ 10,941,522</u>	<u>\$ 11,037,440</u>
District's Covered-Employee Payroll	<u>\$ 4,136,669</u>	<u>\$ 4,081,927</u>	<u>\$ 3,996,800</u>
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	312%	268%	276%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.92%	52.08%	48.72%

\* The amounts presented for each fiscal year were determined as of the previous fiscal year end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**CARTERET BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS**

**PUBLIC EMPLOYEES RETIREMENT SYSTEM  
Last Three Fiscal Years**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 494,055	\$ 481,768	\$ 435,433
Contributions in Relation to the Contractually Required Contributions	<u>494,055</u>	<u>481,768</u>	<u>435,433</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered- Employee Payroll	<u>\$ 4,136,669</u>	<u>\$ 4,081,927</u>	<u>\$ 3,996,800</u>
Contributions as a Percentage of Covered-Employee Payroll	11.94%	11.80%	10.89%

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**CARTERET BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY**

**TEACHERS PENSION AND ANNUITY FUND  
Last Three Fiscal Years \***

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0%	0%	0%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ -	\$ -	\$ -
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>140,909,092</u>	<u>122,101,519</u>	<u>121,216,238</u>
Total	<u>\$ 140,909,092</u>	<u>\$ 122,101,519</u>	<u>\$ 121,216,238</u>
District's Covered-Employee Payroll	<u>\$ 25,029,848</u>	<u>\$ 22,245,908</u>	<u>\$ 22,319,992</u>
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	0%	0%	0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	28.71%	33.64%	33.76%

\* The amounts presented for each fiscal year were determined as of the previous fiscal year end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**CARTERET BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY  
AND SCHEDULE OF DISTRICT CONTRIBUTIONS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Change of Benefit Terms:**                   None.

**Change of Assumptions:**               Assumptions used in calculating the net pension liability and statutorily required employer contribution are presented in Note 5.

**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, 2016

	Chapter 192			Chapter 193			Preschool	Subtotal	Subtotal	Total
	Compensatory Education	ESL	Transportation	Exam & Class.	Corrective Speech	Supplementary Instruction	Education Aid	Page 2	Page 3	
REVENUES										
State	\$ 44,499	\$ 863	\$ 6,967	\$ 13,297	\$ 10,033	\$ 10,172	\$ 735,910	\$ 312,554		\$ 1,134,295
Local								21,081		21,081
Federal	-	-	-	-	-	-	-	1,180,165	\$ 1,083,743	2,263,908
Total Revenues	\$ 44,499	\$ 863	\$ 6,967	\$ 13,297	\$ 10,033	\$ 10,172	\$ 735,910	\$ 1,513,800	\$ 1,083,743	\$ 3,419,284
EXPENDITURES										
Instruction										
Salaries of Teachers							\$ 425,623	\$ 643,236	\$ 39,105	\$ 1,107,964
Other Salaries for Instruction							179,635	-	855	180,490
Purch. Prof./Tech. Services								339,400	13,678	353,078
Purch. Prof. Educational Services								-	-	-
Tuition									816,347	816,347
General Supplies								48,982	18,775	67,757
Textbooks								11,249		11,249
Other Objects	-	-	-	-	-	-	-	9,448	-	9,448
Total Instruction	-	-	-	-	-	-	605,258	1,052,315	888,760	2,546,333
Support Services										
Salaries of Teachers								142,142	1,215	143,357
Salaries of Supervisors of Instruction								-	-	-
Salaries of Other Professional Staff								-	-	-
Salaries of Secretarial/Clerical Assistants								1,275		1,275
Salaries of Community Parent Involvement							360	-		360
Salaries of Master Teachers								-		-
Personal Services - Employee Benefits							92,507	207,808	-	300,315
Purch. Prof./Tech. Services								-	-	-
Purchased Professional										
Educational Services	\$ 44,499	\$ 863	\$ 6,967	\$ 13,297	\$ 10,033	\$ 10,172	22,300	94,689	186,359	389,179
Other Purchased Services								8,104	4,411	12,515
Supplies and Materials							15,485	3,922	2,998	22,405
Other Objects	-	-	-	-	-	-	-	3,545	-	3,545
Total Support Services	44,499	863	6,967	13,297	10,033	10,172	130,652	461,485	194,983	872,951
Capital Outlay:										
Instructional Equipment	-	-	-	-	-	-	-	-	-	-
Total Expenditures	\$ 44,499	\$ 863	\$ 6,967	\$ 13,297	\$ 10,033	\$ 10,172	\$ 735,910	\$ 1,513,800	\$ 1,083,743	\$ 3,419,284

Continued



**CARTERET BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Nonpublic Nursing</u>	<u>Nonpublic Textbooks</u>	<u>Nonpublic Technology</u>	<u>NJSBAIG Safety Grant</u>	<u>Nonpublic Security</u>	<u>Verizon Grant</u>	<u>School Based Youth Services</u>	<u>Title I</u>	<u>Title II A</u>	<u>Page 2 Total</u>
<b>REVENUES</b>										
State	\$ 17,730	\$ 11,249	\$ 5,122		\$ 4,925		\$ 273,528			\$ 312,554
Local				\$ 1,211		\$ 19,870				21,081
Federal	-	-	-	-	-	-	-	\$ 1,016,481	\$ 163,684	1,180,165
<b>Total Revenues</b>	<u>\$ 17,730</u>	<u>\$ 11,249</u>	<u>\$ 5,122</u>	<u>\$ 1,211</u>	<u>\$ 4,925</u>	<u>\$ 19,870</u>	<u>\$ 273,528</u>	<u>\$ 1,016,481</u>	<u>\$ 163,684</u>	<u>\$ 1,513,800</u>
<b>EXPENDITURES</b>										
<b>Instruction</b>										
Salaries of Teachers						\$ 4,320		\$ 638,916		\$ 643,236
Other Salaries for Instruction										-
Purch. Prof./Tech. Services							\$ 273,528	65,872		339,400
General Supplies			\$ 5,122		\$ 4,925	15,550		23,385		48,982
Textbooks		\$ 11,249								11,249
Other Objects	-	-	-	-	-	-	-	9,448	-	9,448
<b>Total Instruction</b>	<u>-</u>	<u>11,249</u>	<u>5,122</u>	<u>-</u>	<u>4,925</u>	<u>19,870</u>	<u>273,528</u>	<u>737,621</u>	<u>-</u>	<u>1,052,315</u>
<b>Support Services</b>										
Salaries of Teachers								71,030	\$ 71,112	142,142
Salaries of Secretarial and Clerical Assts								1,275		1,275
Personal Services - Employee Benefits								189,522	18,286	207,808
Purchased Professional										
Educational Services	\$ 17,730			\$ 1,211				10,000	65,748	94,689
Other Purchased Services								-	8,104	8,104
Supplies and Materials								3,488	434	3,922
Other Objects	-	-	-	-	-	-	-	3,545	-	3,545
<b>Total Support Services</b>	<u>17,730</u>	<u>-</u>	<u>-</u>	<u>1,211</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>278,860</u>	<u>163,684</u>	<u>461,485</u>
<b>Capital Outlay:</b>										
Instructional Equipment	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>\$ 17,730</u>	<u>\$ 11,249</u>	<u>\$ 5,122</u>	<u>\$ 1,211</u>	<u>\$ 4,925</u>	<u>\$ 19,870</u>	<u>\$ 273,528</u>	<u>\$ 1,016,481</u>	<u>\$ 163,684</u>	<u>\$ 1,513,800</u>

**CARTERET BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Title III</u>	<u>I.D.E.A. Basic</u>	<u>I.D.E.A. Preschool</u>	<u>Page 3 Total</u>
<b>REVENUES</b>				
Federal	\$ 114,812	\$ 935,108	\$ 33,823	\$ 1,083,743
Total Revenues	<u>\$ 114,812</u>	<u>\$ 935,108</u>	<u>\$ 33,823</u>	<u>\$ 1,083,743</u>
<b>EXPENDITURES</b>				
Instruction				
Salaries of Teachers	\$ 39,105			\$ 39,105
Other Salaries for Instruction	855			855
Purch. Prof./Tech. Services	13,678			13,678
Tuition		\$ 786,311	\$ 30,036	816,347
General Supplies	18,775			18,775
Other Objects	-	-	-	-
Total Instruction	<u>72,413</u>	<u>786,311</u>	<u>30,036</u>	<u>888,760</u>
Support Services				
Salaries of Teachers	1,215			1,215
Personal Services - Employee Benefits				-
Purch. Prof./Tech. Services				-
Purchased Professional				
Educational Services	33,775	148,797	3,787	186,359
Other Purchased Services	4,411			4,411
Other Objects				-
Supplies and Materials	2,998	-	-	2,998
Total Support Services	<u>42,399</u>	<u>148,797</u>	<u>3,787</u>	<u>194,983</u>
Capital Outlay:				
Instructional Equipment	-	-	-	-
Total Expenditures	<u>\$ 114,812</u>	<u>\$ 935,108</u>	<u>\$ 33,823</u>	<u>\$ 1,083,743</u>

**CARTERET BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
SCHEDULE OF PRESCHOOL EDUCATION AID  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance</u>
Expenditures:			
Instruction:			
Salaries of Teachers	\$ 425,623	\$ 425,623	
Other Salaries of Instruction	<u>179,635</u>	<u>179,635</u>	-
Total Instruction	<u>605,258</u>	<u>605,258</u>	-
Support Services:			
Salaries of Community Parent Involvement Spec.	360	360	
Employee Benefits	92,507	92,507	
Purchased Professional Educational Services	22,300	22,300	
Supplies and Materials	<u>15,485</u>	<u>15,485</u>	-
Total Support Services	<u>130,652</u>	<u>130,652</u>	-
Total Expenditures	<u>\$ 735,910</u>	<u>\$ 735,910</u>	<u>\$ -</u>

**CALCULATION OF BUDGET & CARRYOVER**

Total revised 2015-2016 Preschool Education Aid Allocation	\$ 735,910
Add: Actual PEA Carryover (June 30, 2015)	-
Add: Budgeted Transfer from the General Fund 2015-2016	<u>-</u>
Total Preschool Education Aid Funds Available for 2015-2016 Budget	735,910
Less: 2015-2016 Budgeted Preschool Education Aid (Including Prior Year Budgeted Carryover)	<u>735,910</u>
Available & Unbudgeted Preschool Education Aid Funds as of June 30, 2016	-
Add: June 30, 2016 Unexpended Preschool Education Aid	-
Less: 2015-2016 Commissioner-approved Transfer to the General Fund	<u>-</u>
2015-2016 Carryover - Preschool Education Aid	<u>\$ -</u>
2015-2016 Preschool Education Aid Carryover Budgeted for Preschool Programs 2016-2017	<u>\$ -</u>

**CAPITAL PROJECTS FUND**

**CARTERET BOARD OF EDUCATION  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF PROJECT EXPENDITURES  
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOT APPLICABLE**

**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, 2016**

**NOT APPLICABLE**

**ENTERPRISE FUND**

**CARTERET BOARD OF EDUCATION  
 ENTERPRISE FUNDS - NON MAJOR  
 STATEMENT OF NET POSITION  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<b><u>Enrichment Academy</u></b>
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 356,877
Other Accounts Receivable	<u>2,650</u>
Total Current Assets	<u>359,527</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	<u>214</u>
Total Current Liabilities	<u>214</u>
<b>NET POSITION</b>	
Unrestricted	<u>359,313</u>
Total Net Position	<u><u>\$ 359,313</u></u>



**CARTERET BOARD OF EDUCATION  
 ENTERPRISE FUNDS - NONMAJOR  
 STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN NET POSITION  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<b><u>Enrichment Academy</u></b>
<b>OPERATING REVENUES</b>	
Charges for Services	
Program Fees	\$ <u>332,133</u>
 Total Operating Revenues	 <u>332,133</u>
<b>OPERATING EXPENSES</b>	
Salaries and Employee Benefits	156,057
Supplies and Materials	45
Miscellaneous	<u>1,418</u>
 Total Operating Expenses	 <u>157,520</u>
 Operating Income	 <u>174,613</u>
 Net Income	 <u>174,613</u>
 Change in Net Position	 174,613
 Total Net Position, Beginning of Year	 <u>184,700</u>
 Total Net Position, End of Year	 <u>\$ <u>359,313</u></u>

**CARTERET BOARD OF EDUCATION  
ENTERPRISE FUNDS - NONMAJOR  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<b>Enrichment Academy</b>
<b>Cash Flows from Operating Activities</b>	
Receipts from Customers	\$ 330,352
Payments for Employees' Salaries and Benefits	(156,057)
Payments to Suppliers for Goods and Services	<u>(1,249)</u>
Net Cash Provided by Operating Activities	<u>173,046</u>
Net Increase in Cash and Cash Equivalents	173,046
Cash and Cash Equivalents, Beginning of Year	<u>183,831</u>
Cash and Cash Equivalents, End of Year	<u>\$ 356,877</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$ <u>174,613</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Change in Assets and Liabilities	
(Increase)/Decrease in Other Accounts Receivable	(1,781)
Increase/(Decrease) in Accounts Payable	<u>214</u>
Total Adjustments	<u>(1,567)</u>
Net Cash Provided by Operating Activities	<u>\$ 173,046</u>

**FIDUCIARY FUNDS**

**CARTERET BOARD OF EDUCATION  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF ASSETS AND LIABILITIES  
AS OF JUNE 30, 2016**

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 124,778	\$ 299,266	\$ 424,044
Total Assets	<u>\$ 124,778</u>	<u>\$ 299,266</u>	<u>\$ 424,044</u>
<b>LIABILITIES</b>			
Due to Student Groups	\$ 124,778		\$ 124,778
Payroll Deductions and Withholdings		\$ 292,766	292,766
Due to Other Funds	<u>-</u>	<u>6,500</u>	<u>6,500</u>
Total Liabilities	<u>\$ 124,778</u>	<u>\$ 299,266</u>	<u>\$ 424,044</u>

**CARTERET BOARD OF EDUCATION  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**THIS STATEMENT IS NOT APPLICABLE**

**STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Balance, July 1, 2015</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2016</u>
<b>ELEMENTARY SCHOOLS</b>				
Columbus	\$ 3,598	\$ 17,705	\$ 20,603	\$ 700
Nicholas Minue	10,595	29,482	28,503	11,574
Nathan Hale	2,941	19,121	19,248	2,814
	<u>17,134</u>	<u>66,308</u>	<u>68,354</u>	<u>15,088</u>
<b>TOTAL Elementary Schools</b>				
<b>JUNIOR HIGH SCHOOL</b>				
Student Activities Fund	(70)	50,006	47,337	2,599
	<u>(70)</u>	<u>50,006</u>	<u>47,337</u>	<u>2,599</u>
<b>TOTAL Junior High School</b>				
<b>SENIOR HIGH SCHOOL</b>				
Carteret Senior High School				
Student Activities Fund	85,666	158,527	141,558	102,635
Athletic Fund	3,104	31,433	30,081	4,456
	<u>88,770</u>	<u>189,960</u>	<u>171,639</u>	<u>107,091</u>
<b>TOTAL Senior High School</b>				
<b>Total All Schools</b>	<u>\$ 105,834</u>	<u>\$ 306,274</u>	<u>\$ 287,330</u>	<u>\$ 124,778</u>

**CARTERET BOARD OF EDUCATION  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<b>Balance, July 1, <u>2015</u></b>	<b>Cash <u>Receipts</u></b>	<b>Cash <u>Disbursements</u></b>	<b>Balance, June 30, <u>2016</u></b>
<b>ASSETS</b>				
Cash	\$ 291,077	\$ 35,892,932	\$ 35,884,743	\$ 299,266
Total Assets	<u>\$ 291,077</u>	<u>\$ 35,892,932</u>	<u>\$ 35,884,743</u>	<u>\$ 299,266</u>
<b>LIABILITIES</b>				
Due to Other Funds	\$ 6,500			\$ 6,500
Payroll Deductions and Withholdings	284,577	\$ 17,545,539	\$ 17,537,350	292,766
Accrued Salaries and Wages	<u>-</u>	<u>18,347,393</u>	<u>18,347,393</u>	<u>-</u>
Total Liabilities	<u>\$ 291,077</u>	<u>\$ 35,892,932</u>	<u>\$ 35,884,743</u>	<u>\$ 299,266</u>

**LONG-TERM DEBT**

**CARTERET BOARD OF EDUCATION  
LONG-TERM DEBT  
SCHEDULE OF BONDS PAYABLE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<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, 2015</u>	<u>Refunded/ Retired</u>	<u>Balance June 30, 2016</u>
Pension Obligation Refunding Bonds, Series 2013	December 12, 2013	\$ 1,430,000	3/15/2017	\$ 175,000	3.50%			
			3/15/2018	180,000	3.50%			
			3/15/2019	190,000	3.50%			
			3/15/2020	195,000	3.50%			
			3/15/2021	205,000	3.50%	\$ 1,115,000	\$ 170,000	\$ 945,000
						<u>\$ 1,115,000</u>	<u>\$ 170,000</u>	<u>\$ 945,000</u>



**CARTERET BOARD OF EDUCATION  
LONG-TERM DEBT  
SCHEDULE OF OBLIGATIONS UNDER CERTIFICATES OF PARTICIPATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Interest Rate Payable</u>	<u>Amount of Original Issue</u>	<u>Balance, July 1, 2015</u>	<u>Retired Current Year</u>	<u>Balance, June 30, 2016</u>
2010 Refunding (COP)	3.125 - 3.625	\$ 9,375,000	\$ 4,570,000	\$ 1,090,000	\$ 3,480,000
2015 Refunding (COP)	2.00 - 4.00	7,455,000	<u>7,455,000</u>	<u>470,000</u>	<u>6,985,000</u>
			<u>\$ 12,025,000</u>	<u>\$ 1,560,000</u>	<u>\$ 10,465,000</u>

Note: COP Indicates Certificates of Participation

**CARTERET BOARD OF EDUCATION  
LONG-TERM DEBT  
SCHEDULE OF CAPITAL LEASES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Interest Rate Payable</u>	<u>Amount of Original Issue</u>	<u>Balance, July 1, 2015</u>	<u>Issued Current Year</u>	<u>Retired Current Year</u>	<u>Balance, June 30, 2016</u>
Chrome Books	1.43%	\$ 351,900	\$ 167,731		\$ 167,731	
Chrome Books	3.00%	756,129	<u>756,129</u>	-	<u>756,129</u>	-
			<u>\$ 923,860</u>	<u>\$ -</u>	<u>\$ 923,860</u>	<u>\$ -</u>

**CARTERET BOARD OF EDUCATION  
LONG-TERM DEBT  
DEBT SERVICE FUND BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES</b>					
Local Sources					
Local Tax Levy	\$ 1,373,302		\$ 1,373,302	\$ 1,392,490	\$ 19,188
State Sources					
State Aid Type II	<u>681,148</u>	<u>-</u>	<u>681,148</u>	<u>661,960</u>	<u>(19,188)</u>
Total Revenues	<u>2,054,450</u>	<u>-</u>	<u>2,054,450</u>	<u>2,054,450</u>	<u>-</u>
<b>EXPENDITURES</b>					
Regular Debt Service					
Principal on Lease Purchase - COPS	1,560,000		1,560,000	1,560,000	
Interest on Lease Purchase - COPS	285,516		285,516	285,016	500
Interest on Early Retirement Bonds	39,025		39,025	39,025	
Principal on Early Retirement Bonds	<u>170,000</u>	<u>-</u>	<u>170,000</u>	<u>170,000</u>	<u>-</u>
Total Expenditures	<u>2,054,541</u>	<u>-</u>	<u>2,054,541</u>	<u>2,054,041</u>	<u>500</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(91)</u>	<u>-</u>	<u>(91)</u>	<u>409</u>	<u>500</u>
Net Change in Fund Balance	(91)	-	(91)	409	500
Fund Balance, Beginning of Year	<u>92</u>	<u>-</u>	<u>92</u>	<u>92</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 501</u>	<u>\$ 500</u>
<u>Recapitulation of Fund Balance:</u>					
Restricted for Debt Service:					
Available for Expenditures				\$ 500	
Designated for Subsequent Year's Budgeted Debt Service Expenditures				<u>1</u>	
Total Fund Balance - Restricted for Debt Service				<u>\$ 501</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 POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
(Unaudited)  
*(accrual basis of accounting)*

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
						(Restated)		(Restated)		
<b>Governmental Activities</b>										
Net Investment in Capital Assets	\$ 1,272,628	\$ 2,257,259	\$ 3,784,584	\$ 4,961,120	\$ 5,913,716	\$ 6,644,390	\$ 9,597,816	\$ 9,641,524	\$ 10,581,863	\$ 12,139,789
Restricted	427,011	106,355	1,854	76,563	12,466	967	1	536,241	92	650,501
Unrestricted	(3,256,668)	(3,700,241)	(6,319,492)	(4,393,323)	(5,252,956)	(2,519,840)	(3,996,414)	(17,999,614)	(16,938,060)	(17,048,567)
<b>Total Governmental Activities Net Position</b>	<u>\$ (1,557,029)</u>	<u>\$ (1,336,627)</u>	<u>\$ (2,533,054)</u>	<u>\$ 644,360</u>	<u>\$ 673,226</u>	<u>\$ 4,125,517</u>	<u>\$ 5,601,403</u>	<u>\$ (7,821,849)</u>	<u>\$ (6,356,105)</u>	<u>\$ (4,258,277)</u>
<b>Business-Type Activities</b>										
Net Investment in Capital Assets	\$ 82,688	\$ 106,110	\$ 133,478	\$ 147,510	\$ 310,468	\$ 282,944	\$ 480,535	\$ 486,681	\$ 440,820	\$ 399,111
Unrestricted	635,506	878,792	1,159,077	780,203	397,506	586,128	240,465	254,942	216,204	655,448
<b>Total Business-Type Activities Net Position</b>	<u>\$ 718,194</u>	<u>\$ 984,902</u>	<u>\$ 1,292,555</u>	<u>\$ 927,713</u>	<u>\$ 707,974</u>	<u>\$ 869,072</u>	<u>\$ 721,000</u>	<u>\$ 741,623</u>	<u>\$ 657,024</u>	<u>\$ 1,054,559</u>
<b>District-Wide</b>										
Net Investment in Capital Assets	\$ 1,355,316	\$ 2,363,369	\$ 3,918,062	\$ 5,108,630	\$ 5,781,735	\$ 6,927,334	\$ 10,078,351	\$ 10,128,205	\$ 11,022,683	\$ 12,538,900
Restricted	427,011	106,355	1,854	76,563	12,466	967	1	536,241	92	650,501
Unrestricted	(2,621,162)	(2,821,449)	(5,160,415)	(3,613,120)	(4,855,450)	(1,933,712)	(3,755,949)	(17,744,672)	(16,721,856)	(16,393,119)
<b>Total District Net Position</b>	<u>\$ (838,835)</u>	<u>\$ (351,725)</u>	<u>\$ (1,240,499)</u>	<u>\$ 1,572,073</u>	<u>\$ 938,751</u>	<u>\$ 4,994,589</u>	<u>\$ 6,322,403</u>	<u>\$ (7,080,226)</u>	<u>\$ (5,699,081)</u>	<u>\$ (3,203,718)</u>

Note 1 - Net Position at June 30, 2011 is restated to reflect the implementation of GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position" and GASB Statement No. 65, "Items Previously Reported in Assets and Liabilities".

Note 2 - Net Position at June 30, 2014 is restated to reflect the implementation of GASB No. 68, "Accounting and Financial Reporting for Pensions".

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses</b>										
<b>Governmental Activities</b>										
Instruction										
Regular	\$ 21,963,038	\$ 23,823,202	\$ 23,542,356	\$ 22,977,099	\$ 22,696,499	\$ 23,205,222	\$ 23,512,475	\$ 25,505,673	\$ 29,302,793	\$ 29,859,830
Special Education	8,669,086	9,329,931	10,106,671	10,839,812	10,602,262	9,438,977	11,409,327	12,326,119	12,989,622	12,959,900
Vocational										
Other Instruction	1,582,073	1,942,509	1,571,068	1,665,603	1,710,483	1,563,169	1,930,214	2,000,581	2,343,564	2,332,775
School Sponsored Activities And Athletics	555,642	639,614	656,317	631,038	275,747	552,312	574,389	496,087	505,909	579,426
Support Services:										
Student and Instruction Related Services	5,189,669	5,687,423	6,779,653	6,356,437	5,934,521	5,608,828	6,259,949	6,310,943	7,025,149	7,754,543
School and Business Administration Services	2,894,799	2,628,127	2,767,331	2,708,937	3,333,887	2,877,577	3,219,576	3,033,128	3,127,633	3,384,585
General Administration	1,177,961	945,754	1,361,538	1,072,492	1,252,106	1,344,718	1,418,556	1,222,049	1,257,571	1,113,582
Central Services	800,140	989,814	1,026,018	1,489,599	1,473,443	1,420,169	1,640,519	1,027,621	1,251,322	1,338,402
Plant Operations And Maintenance	4,769,201	5,826,639	5,586,167	5,801,293	5,905,849	5,887,625	5,733,510	6,064,394	6,310,838	5,966,909
Pupil Transportation	2,285,937	2,296,256	2,274,403	2,273,850	2,127,607	2,090,347	2,313,497	2,583,496	2,788,611	2,736,599
Other Support Services										
Special Schools										
Interest On Long-Term Debt	1,102,502	1,056,624	1,026,016	940,848	806,968	752,935	700,012	614,574	439,892	490,930
<b>Total Governmental Activities Expenses</b>	<b>50,990,048</b>	<b>55,165,893</b>	<b>56,697,538</b>	<b>56,757,008</b>	<b>56,119,372</b>	<b>54,741,879</b>	<b>58,712,024</b>	<b>61,184,665</b>	<b>67,342,904</b>	<b>68,517,481</b>
<b>Business-Type Activities:</b>										
Food Service	1,110,433	1,310,310	1,352,165	1,609,980	1,923,151	1,683,356	1,982,478	1,809,013	1,908,223	1,729,508
Enrichment Academy	161,111	153,750	149,715	646,234	150,578	145,926	312,570	387,487	350,901	157,520
<b>Total Business-Type Activities Expense</b>	<b>1,271,544</b>	<b>1,464,060</b>	<b>1,501,880</b>	<b>2,256,214</b>	<b>2,073,729</b>	<b>1,829,282</b>	<b>2,295,048</b>	<b>2,196,500</b>	<b>2,259,124</b>	<b>1,887,028</b>
<b>Total District Expenses</b>	<b>\$ 52,261,592</b>	<b>\$ 56,629,953</b>	<b>\$ 58,199,418</b>	<b>\$ 59,013,222</b>	<b>\$ 58,193,101</b>	<b>\$ 56,571,161</b>	<b>\$ 61,007,072</b>	<b>\$ 63,381,165</b>	<b>\$ 69,602,028</b>	<b>\$ 70,404,509</b>
<b>Program Revenues</b>										
<b>Governmental Activities:</b>										
Tuition			\$ 15,301	\$ 1,951						
Grants And Contributions	\$ 14,537,087	\$ 15,438,714	8,968,529	15,815,618	\$ 9,842,337	\$ 10,460,054	\$ 11,981,347	\$ 11,459,223	\$ 17,548,589	\$ 19,660,547
<b>Total Governmental Activities Program Revenues</b>	<b>14,537,087</b>	<b>15,438,714</b>	<b>8,983,830</b>	<b>15,817,569</b>	<b>9,842,337</b>	<b>10,460,054</b>	<b>11,981,347</b>	<b>11,459,223</b>	<b>17,548,589</b>	<b>19,660,547</b>
<b>Business-Type Activities:</b>										
Charges For Services										
Food Service	437,701	482,753	501,050	501,812	502,054	520,251	528,646	515,164	484,155	510,115
Enrichment Academy	253,412	254,054	293,368	217,377	216,708	240,860	329,297	372,423	352,854	332,133
Operating Grants And Contributions	814,406	971,669	1,011,724	1,143,248	1,132,816	1,229,001	1,289,033	1,291,846	1,337,516	1,442,315
<b>Total Business Type Activities Program Revenues</b>	<b>1,505,519</b>	<b>1,708,476</b>	<b>1,806,142</b>	<b>1,862,437</b>	<b>1,851,578</b>	<b>1,990,112</b>	<b>2,146,976</b>	<b>2,179,433</b>	<b>2,174,525</b>	<b>2,284,563</b>
<b>Total District Program Revenues</b>	<b>\$ 16,042,606</b>	<b>\$ 17,147,190</b>	<b>\$ 10,789,972</b>	<b>\$ 17,680,006</b>	<b>\$ 11,693,915</b>	<b>\$ 12,450,166</b>	<b>\$ 14,128,323</b>	<b>\$ 13,638,656</b>	<b>\$ 19,723,114</b>	<b>\$ 21,945,110</b>
<b>Net (Expense)/Revenue</b>										
Governmental Activities	\$ (36,452,961)	\$ (39,727,179)	\$ (47,713,708)	\$ (40,939,439)	\$ (46,277,035)	\$ (44,281,825)	\$ (46,730,677)	\$ (49,725,442)	\$ (48,966,087)	\$ (48,856,934)
Business-Type Activities	233,975	244,416	304,262	(393,777)	(222,151)	160,830	(148,072)	(17,067)	(84,599)	397,535
<b>Total District-Wide Net Expense</b>	<b>\$ (36,218,986)</b>	<b>\$ (39,482,763)</b>	<b>\$ (47,409,446)</b>	<b>\$ (41,333,216)</b>	<b>\$ (46,499,186)</b>	<b>\$ (44,120,995)</b>	<b>\$ (46,878,749)</b>	<b>\$ (49,742,509)</b>	<b>\$ (49,050,686)</b>	<b>\$ (48,459,399)</b>

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>General Revenues And Other Changes In Net Assets</b>										
Governmental Activities:										
Property Taxes Levied For General Purposes, Net	\$ 22,650,864	\$ 23,195,523	\$ 22,923,344	\$ 22,190,278	\$ 22,801,000	\$ 22,801,000	\$ 22,801,000	\$ 23,257,020	\$ 24,451,486	\$ 24,940,515
Taxes Levied For Debt Service	1,288,340	1,314,183	1,298,805	1,466,288	1,216,605	1,423,990	1,426,667	1,425,197	1,414,072	1,392,490
Unrestricted Grants And Contributions	12,999,383	14,092,991	21,304,448	19,588,638	21,913,754	23,435,915	23,472,402	23,968,004	24,050,778	24,092,213
State/Federal Aid - Restricted	788,002	805,555	802,096	801,932	353,114	458,356	462,246	467,051	464,209	450,133
Interest Income	296,645	209,339	38,099	10,111	12,058	13,000	14,218	6,574	10,340	14,665
Miscellaneous Income	358,132	329,990	146,133	59,606	9,370	44,294	30,030	191,619	40,946	64,746
Transfers			4,356	-	-	-	-	-	-	-
<b>Total Governmental Activities</b>	<b>38,381,366</b>	<b>39,947,581</b>	<b>46,517,281</b>	<b>44,116,853</b>	<b>46,305,901</b>	<b>48,176,555</b>	<b>48,206,563</b>	<b>49,315,465</b>	<b>50,431,831</b>	<b>50,954,762</b>
Business-Type Activities:										
Investment Earnings	9,600	22,292	7,747	4,385	2,412	268	-	-	-	-
Federal Aid Restricted				24,550						
Transfers			(4,356)	-	-	-	-	-	-	-
<b>Total Business-Type Activities</b>	<b>9,600</b>	<b>22,292</b>	<b>3,391</b>	<b>28,935</b>	<b>2,412</b>	<b>268</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total District-Wide</b>	<b>\$ 38,390,966</b>	<b>\$ 39,969,873</b>	<b>\$ 46,520,672</b>	<b>\$ 44,145,788</b>	<b>\$ 46,308,313</b>	<b>\$ 48,176,823</b>	<b>\$ 48,206,563</b>	<b>\$ 49,315,465</b>	<b>\$ 50,431,831</b>	<b>\$ 50,954,762</b>
<b>Change In Net Position</b>										
Governmental Activities	\$ 1,928,405	\$ 220,402	\$ (1,196,427)	\$ 3,177,414	\$ 28,866	\$ 3,894,730	\$ 1,475,886	\$ (409,977)	\$ 1,465,744	\$ 2,097,828
Business-Type Activities	243,575	266,708	307,653	(364,842)	(219,739)	161,098	(148,072)	(17,067)	(84,599)	397,535
<b>Total District</b>	<b>\$ 2,171,980</b>	<b>\$ 487,110</b>	<b>\$ (888,774)</b>	<b>\$ 2,812,572</b>	<b>\$ (190,873)</b>	<b>\$ 4,055,828</b>	<b>\$ 1,327,814</b>	<b>\$ (427,044)</b>	<b>\$ 1,381,145</b>	<b>\$ 2,495,363</b>

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>General Fund</b>										
Reserved	\$ 673,292	\$ 830,458	\$ 660,302	\$ 1,351,222						
Unreserved	629,112	(263,740)	(2,387,960)	(1,416,197)						
Committed					\$ 262,572	\$ 3,163,980	\$ 3,164,957	\$ 453,689	\$ 356,969	\$ 463,977
Restricted										650,000
Assigned					629,847	1,825,000		944,532	950,000	1,900,107
Unassigned					(1,944,674)	(3,245,704)	(3,164,559)	(4,675,878)	(2,443,606)	(3,243,219)
<b>Total General Fund</b>	<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>	<u>\$ 398</u>	<u>\$ (3,277,657)</u>	<u>\$ (1,136,637)</u>	<u>\$ (229,135)</u>
<b>All Other Governmental Funds</b>										
Reserved	\$ 425,043	\$ 99,678	\$ 27,737							
Unreserved	1,968	6,677	(70,174)	\$ 2,878						
Restricted					\$ 12,466	\$ 967	\$ 1	\$ 536,241	\$ 92	\$ 501
Assigned										
Unassigned					(75,405)	(64,346)	(69,659)	(92,514)	(75,694)	(73,591)
<b>Total All Other Governmental Funds</b>	<u>\$ 427,011</u>	<u>\$ 106,355</u>	<u>\$ (42,437)</u>	<u>\$ 2,878</u>	<u>\$ (62,939)</u>	<u>\$ (63,379)</u>	<u>\$ (69,658)</u>	<u>\$ 443,727</u>	<u>\$ (75,602)</u>	<u>\$ (73,090)</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)*

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
Tax Levy	\$ 23,939,204	\$ 24,509,706	\$ 24,222,149	\$ 23,656,566	\$ 24,017,605	\$ 24,224,990	\$ 24,227,667	\$ 24,682,217	\$ 25,865,558	\$ 26,333,005
Tuition Charges			15,301	1,951						
Interest Income	296,645	209,339	38,099	10,111	12,058	13,000	14,218	6,574	10,340	13,701
Miscellaneous	187,293	332,990	151,063	59,606	49,932	73,919	60,162	199,944	72,696	85,827
State Sources	26,096,658	28,006,561	28,979,665	28,833,509	30,001,632	31,417,484	33,777,765	33,790,602	35,228,250	35,017,174
Federal Sources	2,227,814	2,303,936	2,090,478	7,372,679	2,067,011	2,907,216	2,108,098	2,095,351	2,266,934	2,333,822
<b>Total Revenue</b>	<b>52,747,614</b>	<b>55,362,532</b>	<b>55,496,755</b>	<b>59,934,422</b>	<b>56,148,238</b>	<b>58,636,609</b>	<b>60,187,910</b>	<b>60,774,688</b>	<b>63,443,778</b>	<b>63,783,529</b>
<b>Expenditures</b>										
<b>Instruction</b>										
Regular Instruction	22,178,555	23,879,526	23,320,699	22,997,596	22,648,334	23,243,679	23,370,415	25,581,772	25,393,741	25,630,959
Special Education Instruction	8,748,117	9,359,385	10,052,646	10,855,343	10,600,450	9,458,174	11,382,245	12,356,939	12,038,045	11,913,810
Other Special Instruction	1,596,398	1,948,182	1,559,805	1,669,060	1,710,052	1,568,258	1,923,128	2,010,114	1,999,567	1,981,530
Other Instruction	562,384	642,172	651,430	632,446	275,686	553,960	572,419	498,323	449,509	509,622
<b>Support Services:</b>										
Student & Inst. Related Services	5,194,801	5,652,124	6,681,110	6,315,716	5,872,941	5,573,901	6,176,495	6,238,127	6,129,023	6,834,983
General Administration Services	1,173,022	923,497	1,331,764	1,050,796	1,347,669	1,183,917	1,415,069	1,190,346	1,036,166	1,046,138
School Administration Services	2,937,710	2,640,974	2,742,441	2,715,824	3,332,874	2,888,865	3,205,584	3,048,932	2,696,264	2,899,248
Central Services	811,019	994,256	1,017,364	1,492,129	1,473,137	1,423,942	1,636,073	1,032,552	1,165,728	1,241,408
Plant Operations And Maintenance	4,169,346	5,169,665	4,874,332	5,098,166	5,157,294	5,106,887	4,880,657	5,186,359	5,228,265	4,946,201
Pupil Transportation	2,232,340	2,283,686	2,268,099	2,269,410	2,121,101	2,085,280	2,309,037	2,579,780	2,781,769	2,728,951
Other Support Services										
Special Schools										
Capital Outlay	240,093	812,343	2,007,051	325,644	946,155	471,301	2,959,442	1,977,142	1,466,608	160,101
<b>Debt Service:</b>										
Principal	1,070,556	1,100,000	1,205,101	1,469,899	1,110,000	1,425,000	1,460,000	1,620,000	1,659,169	2,653,860
Interest And Other Charges	1,080,844	1,013,064	982,437	934,395	769,394	694,602	646,503	630,872	796,005	327,668
<b>Total Expenditures</b>	<b>51,995,185</b>	<b>56,418,874</b>	<b>58,694,279</b>	<b>57,826,424</b>	<b>57,201,335</b>	<b>55,841,518</b>	<b>61,937,067</b>	<b>63,951,258</b>	<b>62,839,859</b>	<b>62,874,479</b>
<b>Excess (Deficiency) Of Revenues</b>										
Over (Under) Expenditures	752,429	(1,056,342)	(3,197,524)	2,107,998	(1,053,097)	2,795,091	(1,749,157)	(3,176,570)	603,919	909,050
<b>Other Financing Sources (Uses)</b>										
Capital Leases (Non-Budgeted)			750,000					351,900	756,129	-
Proceeds From Refunding				9,375,000				1,430,000	7,455,000	-
Payments To Escrow Agent				(9,415,000)				(1,370,000)	(7,165,000)	-
Costs of Issuance				(271,207)						-
Advance to Escrow Agent				(80,444)						-
Discount of Issuance of Refunding Bonds				(8,349)					(28,357)	-
Transfers In			4,356					555,364	-	964
Transfers Out								(555,364)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>754,356</b>	<b>(400,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>411,900</b>	<b>1,017,772</b>	<b>964</b>
<b>Net Change In Fund Balances</b>	<b>\$ 752,429</b>	<b>\$ (1,056,342)</b>	<b>\$ (2,443,168)</b>	<b>\$ 1,707,998</b>	<b>\$ (1,053,097)</b>	<b>\$ 2,795,091</b>	<b>\$ (1,749,157)</b>	<b>\$ (2,764,670)</b>	<b>\$ 1,621,691</b>	<b>\$ 910,014</b>
<b>Debt Service As A Percentage Of</b>										
Noncapital Expenditures	4.16%	3.80%	3.86%	4.18%	3.34%	3.83%	3.57%	3.63%	4.00%	4.75%

\* Noncapital expenditures are total expenditures less capital outlay.

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

<b><u>Fiscal Year Ended June 30,</u></b>	<b><u>Interest</u></b>	<b><u>Miscellaneous</u></b>	<b><u>Tuition</u></b>	<b><u>Total</u></b>
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
2013	14,218	30,030		44,248
2014	6,574	191,619		198,193
2015	10,340	40,946		51,286
2016	13,701	64,746		78,447

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 <sup>a</sup>
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	612,201,549	83,727,730	251,598,400	38,364,800	1,012,772,463	1,403,830	1,014,176,293	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
2013	50,431,500	1,064,182,600	202,584,900	476,104,400	90,049,100	1,883,352,500	2,628,950	1,885,981,450	2,073,387,003	1.297
2014	42,044,200	1,065,493,007	220,603,200	469,660,300	86,082,700	1,883,883,407	2,830,695	1,886,714,102	1,927,910,817	1.340
2015	49,410,800	1,066,310,457	225,843,500	458,755,983	92,762,400	1,893,083,140	2,444,838	1,895,527,978	2,181,976,879	1.376
2016	40,092,400	1,066,429,882	209,102,500	489,878,983	92,762,400	1,898,266,165	2,494,459	1,900,760,624	2,151,155,075	1.394

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)*

<u>Assessment Year</u>	<u>Total Direct School Tax Rate</u>	<u>Overlapping Rates</u>					<u>Total Direct and Overlapping Tax Rate</u>
		<u>Carteret Municipality</u>	<u>Municipal Open Space</u>	<u>Municipal Library</u>	<u>County</u>	<u>Open Space</u>	
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
2013	1.297	1.165	0.030	0.035	0.382	0.033	2.942
2014	1.340	1.175	0.030	0.034	0.375	0.031	2.985
2015	1.376	1.222	0.030	0.038	0.420	0.035	3.121
2016	1.394	1.258	0.030	0.037	0.413	0.035	3.167

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  
PRINCIPAL PROPERTY TAXPAYERS,  
CURRENT YEAR AND NINE YEARS AGO  
(Unaudited)**

	2016			2007		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% Total of District Net Assessed Value
GATX/Kinder Morgan	\$ 109,810,000		5.78%	GATX/Kinder Morgan	\$ 44,415,700	4.54%
KTR Carteret LLC	62,458,083		3.29%	Cypruss Amax	24,106,100	2.46%
Federal Blvd LLC	37,818,600		1.99%	Cyprus Amax c/o White Rose	19,592,500	2.00%
Bristol Tic LLC Etal	29,963,300		1.58%	Federal Blvd, LLC	12,790,300	1.31%
Cypres Amax c/o Freeport	26,989,500		1.42%	Keystone	11,009,500	1.13%
Keystone c/o Prologis Tax	24,879,900		1.31%	Carteret Terrace, LLC	9,738,200	1.00%
AJ Richard & Sons Inc	21,547,500		1.13%	Schultz c/o Carteret Venture	8,951,700	0.91%
Centerpoint Roosevelt LLC	19,960,500		1.05%	JLJ Associates	8,672,800	0.89%
200 Middlesex LLC c/o Sutherland	19,776,200		1.04%	Engelhard-Clal, LP	7,911,500	0.81%
T-C 200 Milik Street LLC	18,651,300		0.98%	Suteret Associates	7,773,400	0.79%
<b>Total</b>	<b>\$ 371,854,883</b>		<b>19.56%</b>		<b>\$ 154,961,700</b>	<b>15.84%</b>

Source: Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
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
2013	24,227,667	24,227,667	100.00%	N/A
2014	24,682,217	24,682,217	100.00%	N/A
2015	25,865,558	25,865,558	100.00%	N/A
2016	26,333,005	26,333,005	100.00%	N/A

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

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Population (A)	Per Capita
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District		
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	22,874	821
2012	1,500,000	15,845,000	N/A	N/A	N/A	17,345,000	23,663	733
2013	1,370,000	14,515,000	N/A	N/A	N/A	15,885,000	23,870	665
2014	1,275,000	13,150,000	251,900	1,800,000	N/A	16,476,900	23,983	687
2015	1,115,000	12,025,000	923,860	3,516,636	N/A	17,580,496	24,124	729
2016	945,000	10,465,000	N/A	N/A	N/A	11,410,000	24,170	472

Source: District records

N/A : Not Applicable

(A) -Estimated

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

<u>General Bonded Debt Outstanding</u>					
Fiscal Year Ended June 30,	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
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	0.08%	63
2013	1,370,000		1,370,000	0.07%	57
2014	1,275,000		1,275,000	0.07%	53
2015	1,115,000		1,115,000	0.06%	46
2016	945,000		945,000	0.05%	39

Source: District records

Notes:

a See Exhibit J-6 for property tax data.

b See Exhibit J-14 for population data.



**CARTERET BOARD OF EDUCATION  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
FOR YEAR ENDED DECEMBER 31, 2015  
(Unaudited)**

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
MUNICIPAL DEBT: (1)			
Borough of Carteret	\$ 92,865,970	\$ 52,496,883	\$ 40,369,087
Carteret Board of Education	<u>13,140,000</u>	<u>13,140,000</u>	<u>-</u>
	<u>\$ 106,005,970</u>	<u>\$ 65,636,883</u>	<u>40,369,087</u>
OVERLAPPING DEBT APPORTIONED TO THE MUNICIPALITY			
Middlesex County			
County of Middlesex (A)			10,847,963
Middlesex County Utilities Authority (B)			<u>4,768,123</u>
			<u>15,616,086</u>
Total Direct and Overlapping Bonded Debt			<u>\$ 55,985,173</u>

## SOURCE:

(1) Borough of Carteret 2015 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 2015 equalized value by the total 2015 equalized value for Middlesex County.

(B) Overlapping debt was computed based upon municipal flow to the Authority.

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

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

**Legal Debt Margin Calculation for Fiscal Year 2015**

Equalized Valuation Basis			
2015			\$ 2,142,466,206
2014			2,171,373,222
2013			<u>1,924,537,605</u>
	[A]		<u>\$ 6,238,377,033</u>
 Average Equalized Valuation of Taxable Property		[A/3]	 \$ 2,079,459,011
Debt Limit (4.0% of average equalization value)		[B]	83,178,360
Total Net Debt Applicable to Limit		[C]	<u>-</u>
Legal debt margin		[B-C]	<u>\$ 83,178,360</u>

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Debt Limit	\$ 80,484,933	\$ 91,130,091	\$ 99,658,291	\$ 104,338,196	\$ 106,504,603	\$ 101,822,057	\$ 106,960,253	\$ 97,839,937	\$ 83,475,544	\$ 83,178,360
Total Net Debt Applicable to Limit	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	<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>	<u>\$ 106,960,253</u>	<u>\$ 97,839,937</u>	<u>\$ 83,475,544</u>	<u>\$ 83,178,360</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%	0.00%	0.00%

Source: Annual Debt Statements

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

Year	Population	(A)	County Per Capita Personal Income	Unemployment Rate
2007	21,964		\$ 46,519	7.30%
2008	22,473		48,248	9.70%
2009	23,242		45,829	14.80%
2010	23,776		46,572	14.80%
2011	22,874		48,883	14.40%
2012	23,663		50,261	14.60%
2013	23,870		50,267	12.70%
2014	23,983		52,486	7.30%
2015	24,124		52,486 (A)	5.00%
2016	24,170		52,486 (A)	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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Instruction										
Regular	237.00	272.00	278.20	275.20	242.00	239.00	244.00	244.00	236.00	241.00
Special education	47.00	15.00	15.80	15.80	50.00	49.00	49.00	61.00	81.00	83.00
Other special education	36.00	45.00	47.00	46.00	27.00	14.00	14.00	22.00	25.00	27.00
Adult/continuing education programs	1.00	1.00	1.00							
Support Services:										
Student & instruction related services	43.00	48.00	51.00	51.00	54.00	45.00	47.00	22.80	26.00	26.00
General administration	2.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
School administrative services	28.00	23.00	24.00	25.00	23.00	23.00	21.00	19.20	20.00	20.00
Other administrative services	2.00	-						4.00		
Central services	5.00	5.00	6.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Administrative Information Technology	3.00	5.00	5.00	5.00	4.00	4.00	5.00	4.00	5.00	5.00
Plant operations and maintenance	33.00	33.00	35.00	35.00	32.00	30.00	30.00	28.00	26.00	27.00
Total	<u>437.00</u>	<u>451.00</u>	<u>467.00</u>	<u>462.00</u>	<u>441.00</u>	<u>413.00</u>	<u>419.00</u>	<u>414.00</u>	<u>428.00</u>	<u>438.00</u>

Source: District Personnel Records

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

Fiscal Year	Enrollment <sup>a</sup>	Operating Expenditures <sup>b</sup>	Cost Per Pupil <sup>c</sup>	Percentage Change	Pupil/Teacher Ratio				Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
					Teaching Staff	Elementary	Middle School	Senior High School				
2007	3,944	\$ 49,879,762	\$ 12,647	3.99%	321	10.70:1	11.20:1	11.40:1	3,925	3,615	2.72%	92.10%
2008	3,959	53,493,467	13,512	6.84%	330	11.60:1	11.90:1	12.10:1	3,805	3,544	-3.06%	93.14%
2009	3,958	54,499,690	13,770	1.91%	325	8.78:1	10.20:1	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	10.20:1	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	10.20:1	10.35:1	3,794	3,612	-0.78%	95.20%
2012	3,896	53,250,615	13,668	-3.52%	310	11.70:1	14.10:1	11.50:1	3,767	3,617	-0.71%	96.02%
2013	3,896	56,871,122	14,597	6.80%	307	12.61:1	13.84:1	11.80:1	3,886	3,696	3.16%	95.11%
2014	3,864	59,723,244	15,456	5.89%	307	12.14:1	13.52:1	11.83:1	3,837	3,531	-1.26%	92.03%
2015	3,828	58,811,118	15,363	-0.59%	305	12.29:1	13.00:1	11.09:1	3,724	3,550	-2.95%	95.33%
2016	3,808	59,732,850	15,686	2.11%	312	11.70:1	12.13:1	11.27:1	3,715	3,542	-0.24%	95.34%

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  
(Unaudited)**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b><u>District Building</u></b>										
<b><u>Elementary</u></b>										
<b><u>Columbus School</u></b>										
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	701	669	669	658	658	626	681	663	675	680
<b><u>Minue School</u></b>										
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	650	677	677	677	676	630	665	677	695	648
<b><u>Nathan Hale School (Reopened Sept. 2001)</u></b>										
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	574	560	560	525	525	564	531	523	531	504
<b><u>Middle School</u></b>										
116	Square Feet	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
	Enrollment	854	869	869	912	912	933	886	865	878
<b><u>High School</u></b>										
	Square Feet	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
	Enrollment	1,081	1,112	1,112	1,048	1,048	1,031	1,038	1,041	1,009
<b><u>Other</u></b>										
	Square Feet - Stadium	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
Number of Schools at June 30, 2016										
	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**

		<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>*School Facilities</b>	<b>Project # (s)</b>										
Columbus School	N/A	\$ 145,403	\$ 107,618	\$ 210,510	\$ 187,683	\$ 111,866	\$ 153,972	\$ 264,925	\$ 263,553	\$ 137,279	\$ 109,640
Nicholas Minue School	N/A	102,061	75,539	171,405	162,875	144,995	74,765	185,927	238,453	149,532	193,243
Nathan Hale School	N/A	113,281	83,843	134,400	71,126	164,972	201,894	137,248	200,802	175,302	200,854
Middle School	N/A	159,127	117,775	190,375	239,413	141,080	155,733	94,504	138,052	269,434	120,657
High School	N/A	<u>352,309</u>	<u>797,713</u>	<u>375,812</u>	<u>468,735</u>	<u>435,297</u>	<u>531,802</u>	<u>241,241</u>	<u>276,103</u>	<u>388,820</u>	<u>339,147</u>
Total School Facilities		872,181	1,182,488	1,082,502	1,129,832	998,210	1,118,166	923,845	1,116,963	1,120,367	963,541
Other Facilities	N/A	<u>217,614</u>	<u>318,790</u>	<u>219,633</u>	<u>126,200</u>	<u>114,282</u>	<u>146,696</u>	<u>167,184</u>	<u>138,052</u>	<u>240,902</u>	<u>119,315</u>
Grand Total		<u>\$ 1,089,795</u>	<u>\$ 1,501,278</u>	<u>\$ 1,302,135</u>	<u>\$ 1,256,032</u>	<u>\$ 1,112,492</u>	<u>\$ 1,264,862</u>	<u>\$ 1,091,029</u>	<u>\$ 1,255,015</u>	<u>\$ 1,361,269</u>	<u>\$ 1,082,856</u>

Source: District Records



**CARTERET BOARD OF EDUCATION  
SCHEDULE OF INSURANCE  
JUNE 30, 2016  
(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
<b>Property</b>		
Blanket Building and Contents (Per Fund)	\$ 400,000,000	\$ 5,000
Electronic Data Processing Equipment	2,000,000	1,000
Equipment Breakdown/Boiler & Machinery	100,000,000	5,000
Crime	250,000	1,000
<b>General Liability</b>		
Each Occurrence	11,000,000	
Medical Expense (Any one person)	10,000	
Personal & Advertising Injury	11,000,000	
Employee Benefits Liability	11,000,000	1,000
<b>Automobile Liability</b>		
Combined Single Limit	11,000,000	
Bodily Personal Injury Protection	250,000	
<b>Workers Compensation &amp; Employers Liability</b>		
E.L. Each Accident	2,000,000	
E.L. Disease - Each Employee	2,000,000	
E.L. Disease - Policy Limit	2,000,000	
<b>Surety Bonds</b>		
Business Administrator	300,000	
<b>School Board Legal Leaders Errors and Omissions</b>		
Legal Liability	11,000,000	10,000

Source: District's records

**SINGLE AUDIT SECTION**



CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the 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 prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, 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, 2016 and the related notes to the financial statements, which collectively comprise the Carteret Board of Education's basic financial statements and have issued our report thereon dated September 15, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Carteret Board of Education's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Carteret Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Carteret Board of Education's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

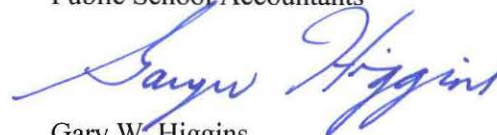
As part of obtaining reasonable assurance about whether the Carteret Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a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

### **Purpose of this Report**

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



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



Gary W. Higgins  
Public School Accountant  
PSA Number CS00814

Fair Lawn, New Jersey  
September 15, 2016





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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT  
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE  
U.S. UNIFORM GUIDANCE AND SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE AS  
REQUIRED BY NEW JERSEY OMB CIRCULAR 15-08**

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on Compliance for Each Major Federal and State Program**

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) Compliance Supplement and the New Jersey OMB Circular 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the Carteret Board of Education's major federal and state programs for the fiscal year ended June 30, 2016. The 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of federal and state statutes, regulations, and the terms and conditions of its federal awards and state financial assistance applicable to its federal and state programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Carteret Board of Education's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, U.S. Uniform Guidance and New Jersey Circular 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 the 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 on compliance for each major federal and state program. However, our audit does not provide a legal determination of the Carteret Board of Education's compliance.

### ***Opinion on Each Major Federal and State Program***

In our opinion, the Carteret Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2016.

### **Report on Internal Control Over Compliance**

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

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

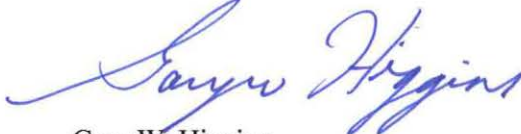
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the U.S. Uniform Guidance and New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the U.S. Uniform Guidance and Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 15-08**

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, 2016 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements. We issued our report thereon dated September 15, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards as required by the U.S. Uniform Guidance and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08 are presented for purposes of additional analysis and are 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 information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

  
Gary W. Higgins  
Public School Accountant  
PSA Number CS00814

Fair Lawn, New Jersey  
September 15, 2016



CARTERET BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Federal/Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal FAIN Number	Grant or State Project Number	Grant Period	Award Amount	Balance July 1, 2015	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustments (A)	Refund of Prior Years' Balances	June 30, 2016			MEMO GAAP Receivable
												Accounts Receivable	Unearned Revenue	Due to Grantor	
U.S. Department of Education Passed-through State Department of Education															
<b>Enterprise Fund</b>															
National School Lunch Program	10.555														
Cash Assistance			N/A	7/1/14-6/30/15	1,013,232	\$ (60,980)		\$ 60,980							
Cash Assistance		16161NJ304N1099	N/A	7/1/15-6/30/16	1,080,297			1,002,829	\$ 1,080,297			\$ (77,468)			\$ (77,468)
Non-Cash Assistance (Food Distribution)			N/A	7/1/14-6/30/15	136,206	2,802			2,802						
Non-Cash Assistance (Food Distribution)		16161NJ304N1099	N/A	7/1/15-6/30/16	152,628			152,628	132,785			\$ 19,843			
National School Breakfast Program	10.553		N/A	7/1/14-6/30/15	119,261	(8,856)		8,856							
National School Breakfast Program	10.553	16161NJ304N1099	N/A	7/1/15-6/30/16	136,599			124,196	136,599			(12,403)			(12,403)
Fresh Fruits and Vegetable Program	10.582	16161NJ304L1603	N/A	7/1/15-6/30/16	28,757			24,578	28,757			(4,179)			(4,179)
After School Snack Program	10.555		N/A	7/1/14-6/30/15	47,391	(1,550)		1,550							
After School Snack Program	10.555	16161NJ304N1099	N/A	7/1/15-6/30/16	39,599			37,920	39,599			(1,679)			(1,679)
Total Child Nutrition Cluster						(68,584)		1,413,537	1,420,839			(95,729)	19,843		(95,729)
<b>Special Revenue Fund</b>															
IDEA Basic	84.027	H027A150100	IDEA-0750-16	7/1/15-6/30/16	933,078		\$ 46,182	670,309	935,108			(262,769)	44,152		(218,617)
IDEA Basic C/O	84.027		IDEA-0750-15	7/1/14-6/30/15	898,412	(99,015)	(46,182)	145,197							
I.D.E.A. Preschool	84.173	H173A150114	IDEA-0750-16	7/1/15-6/30/16	27,621		11,605	1,696	33,823			(25,925)	5,403		(20,522)
I.D.E.A. Preschool C/O	84.173		IDEA-0750-15	7/1/14-6/30/15	26,506	(14,901)	(11,605)	26,506							
I.D.E.A. Preschool C/O	84.173		IDEA-0750-14	7/1/13-6/30/14	26,562	(13,311)						(13,311)			(13,311)
Total Special Education Cluster (IDEA)									968,931						
Title I	84.010A	S010A150030	NCLB-0750-16	7/1/15-6/30/16	975,930		89,604	675,152	1,016,481			(300,778)	49,053		(251,725)
Title I C/O	84.010A		NCLB-0750-15	7/1/14-6/30/15	982,792	74,617	(89,604)	14,987							
Title II A	84.367A	S367A150029	NCLB-0750-16	7/1/15-6/30/16	153,691		20,806	119,202	163,684			(34,489)	10,813		(23,676)
Title II A C/O	84.367A		NCLB-0750-15	7/1/14-6/30/15	160,670	(9,404)	(20,806)	30,210							
Title III	84.365A	S365A150030	NCLB-0750-16	7/1/15-6/30/16	122,022		17,916	98,184	114,812			(23,838)	25,126		
Title III C/O	84.365A		NCLB-0750-15	7/1/14-6/30/15	95,702	(1,546)	(17,916)	19,462							
Total Special Revenue Fund						(63,560)		1,800,905	2,263,908			(661,110)	134,547		(527,851)
<b>General Fund</b>															
Medical Assistance Program (SEMI)	93.778	1605NJ5MAP	N/A	7/1/15-6/30/16	92,494			92,494	92,494						
Total General Fund								92,494	92,494						
Total						\$ (132,144)	\$ -	\$ 3,306,936	\$ 3,777,241	\$ -	\$ -	\$ (756,839)	\$ 154,390	\$ -	\$ (623,580)

(A) Represents cancelled encumbrances.

Total Federal Awards Subject to Single Audit in accordance with Uniform Guidance.

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



CARTERTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURE OF STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balances, Jan. 1, 2015		Due to Grantor	Cash Received	Budgetary Expenditures	Adjustments (A)	Refund of Prior Years' Balances	June 30, 2016		Cumulative Total Expenditures
				(Accounts Receivable)	Deferred Revenue						Accounts Receivable	Unearned Revenue	
<b>State Department of Education</b>													
Equalization Aid	15-495-034-5120-078	7/1/14-6/30/15	23,509,312	\$ (2,346,883)			\$ 2,346,883					\$	23,509,312
Equalization Aid	16-495-034-5120-078	7/1/15-6/30/16	23,509,312	(610,224)		610,224							659,952
Equalization Aid	15-100-034-5120-473	7/1/14-6/30/15	659,952	(223,570)		223,570							2,237,589
Equalization Aid	16-100-034-5120-473	7/1/15-6/30/16	659,952	(49,914)		49,914							500,000
Special Education Categorical Aid	15-495-034-5120-089	7/1/14-6/30/15	2,237,589	(38,184)		38,184							382,501
Special Education Categorical Aid	16-495-034-5120-089	7/1/15-6/30/16	2,237,589	(3,688)		3,688							36,940
Under Adequacy Aid	15-100-034-5120-096	7/1/14-6/30/15	500,000	(3,688)		3,688							36,940
Under Adequacy Aid	16-495-034-5120-096	7/1/15-6/30/16	500,000										36,940
Security Aid	15-495-034-5120-084	7/1/14-6/30/15	382,501										120,856
Security Aid	16-495-034-5120-084	7/1/15-6/30/16	382,501										120,856
Per Pupil Growth Aid	15-495-034-5120-097	7/1/14-6/30/15	36,940										120,856
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15-6/30/16	36,940										120,856
PARCC Readiness	15-495-034-5120-098	7/1/14-6/30/15	36,940										120,856
PARCC Readiness	16-495-034-5120-098	7/1/15-6/30/16	36,940										120,856
Total State Aid Public Charter			120,856	(12,065)		108,837							120,856
Transportation Aid	15-495-034-5120-014	7/1/14-6/30/15	120,856										2,111,097
Transportation Aid	16-495-034-5120-014	7/1/15-6/30/16	120,856										1,688,826
TPAF Post Retirement Medical Contribution	16-495-034-5094-091	7/1/15-6/30/16	2,111,097										84,127
TPAF Pension Contribution - Normal	16-495-034-5094-002	7/1/15-6/30/16	1,688,826										1,849,174
TPAF Pension Contribution - NCOI	16-495-034-5094-004	7/1/15-6/30/16	84,127										5,733,224
Reimbursed TPAF Social Security Contr.	15-495-034-5094-003	7/1/14-6/30/15	1,946,419	(90,046)		90,046							21,175
Reimbursed TPAF Social Security Contr.	16-495-034-5094-003	7/1/15-6/30/16	1,849,174										33,238,489
Total On-Behalf TPAF Contribution Cluster			5,733,224	(24,759)		24,759							21,175
Add'l Nonpublic School Transportation Costs	N/A	7/1/14-6/30/15	24,759										21,175
Add'l Nonpublic School Transportation Costs	N/A	7/1/15-6/30/16	21,175	(3,404,821)		33,220,979							33,238,489
Total General Fund			21,175	(3,404,821)		33,220,979							21,175
<b>Special Revenue Fund</b>													
Preschool Education Aid	15-100-034-5120-086	7/1/14-6/30/15	756,936	(75,694)		75,694							756,936
Preschool Education Aid	16-100-034-5120-086	7/1/15-6/30/16	756,936			662,319							1,688,826
School Based Youth Services (SYFS)	16-ADMF	7/1/15-6/30/16	273,528			273,528							84,127
N.J. Nonpublic Aid:													
Textbook Aid	15-100-034-5120-064	7/1/14-6/30/15	13,810			11,249							11,249
Textbook Aid	16-100-034-5120-064	7/1/15-6/30/16	11,249			11,249							17,750
Nursing	15-100-034-5120-070	7/1/14-6/30/15	20,993			17,750							5,122
Nursing	16-100-034-5120-070	7/1/15-6/30/16	17,750			17,750							4,925
Technology	15-100-034-5120-573	7/1/14-6/30/15	6,880			5,122							3,024
Technology	16-100-034-5120-573	7/1/15-6/30/16	5,122			5,122							1,827
Security	16-100-034-5120-589	7/1/15-6/30/16	4,925			4,925							1,827
Auxiliary Services:													
Compensatory Education	15-100-034-5120-087	7/1/14-6/30/15	42,103			44,500							863
Compensatory Education	16-100-034-5120-087	7/1/15-6/30/16	44,500			7,765							6,967
English as a Second Language	15-100-034-5120-087	7/1/14-6/30/15	3,481			6,967							32,329
English as a Second Language	16-100-034-5120-087	7/1/15-6/30/16	7,765			6,967							1,569
Transportation	16-100-034-5120-068	7/1/15-6/30/16	6,967			32,329							1,569
Total Nonpublic Auxiliary Services Aid (Chap 192) Cluster			103,641	(18,264)		85,377							10,173
Handicapped Services	15-100-034-5120-066	7/1/14-6/30/15	10,988			10,173							3,780
Handicapped Services	16-100-034-5120-066	7/1/15-6/30/16	10,173			19,257							2,650
Supplementary Instruction	15-100-034-5120-066	7/1/14-6/30/15	16,209			13,297							10,033
Supplementary Instruction	16-100-034-5120-066	7/1/15-6/30/16	19,257			13,297							33,500
Examination and Classification	16-100-034-5120-066	7/1/15-6/30/16	19,257			13,297							1,134,295
Examination and Classification	15-100-034-5120-066	7/1/14-6/30/15	13,253			13,377							7,482
Examination and Classification	16-100-034-5120-066	7/1/15-6/30/16	13,377			13,377							12,015
Corrective Speech	16-100-034-5120-086	7/1/15-6/30/16	13,377			33,500							23,690
Total Nonpublic Handicapped Services Aid (Chap 193) Cluster			85,377	(18,264)		85,377							661,960
Total Special Revenue Fund			85,377	(18,264)		85,377							661,960
<b>Capital Projects Fund</b>													
Middle School Window Replacement	0750-055-14-1001-C04	7/1/13-6/30/14	916,636	(878,324)		878,324							19,188
Rebt Service Fund	16-495-034-5120-075	7/1/15-6/30/16	661,960			681,148							21,476
<b>Enterprise Fund</b>													
National School Lunch Prog (State Share)	15-100-010-3356-023	7/1/14-6/30/15	21,184	(1,242)		19,942							21,476
National School Lunch Prog (State Share)	16-100-010-3356-023	7/1/15-6/30/16	21,476			19,942							35,934,233
Total Enterprise Fund			42,660	(1,242)		39,884							42,660
Total State Assistance			42,660	(1,242)		39,884							42,660
Less Amounts Not Subject to Single Audit:													
TPAF Post Retirement Medical Contribution	16-495-034-5094-001	7/1/15-6/30/16	2,111,097			2,111,097							1,688,826
TPAF Pension Contribution - Normal	16-495-034-5094-002	7/1/15-6/30/16	1,688,826			1,688,826							84,127
TPAF Pension Contribution - NCOI	16-495-034-5094-004	7/1/15-6/30/16	84,127			84,127							21,175
Total State Financial Assistance Subject to Single Audit in accordance with NJ ONGB 15-08			3,964,636	(44,366)		3,920,270							3,964,636
See Accompanying Notes to the Schedules of Expenditures of Federal, Awards and State Financial Assistance													

**CARTERET BOARD OF EDUCATION  
NOTES TO THE SCHEDULES OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**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 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 prepared and 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 basis of accounting are described in Notes 1(C) to the Board's financial statements. The information in these schedules is presented in accordance with the requirements of 2 CFR 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (U.S. Uniform Guidance) and New Jersey OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Therefore, some amounts presented in these schedules may differ from the amounts presented in, or used in the preparation of, the financial statements.

**NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS**

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is a decrease of \$39,673 for the general fund and a decrease of \$20,477 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 financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 92,494	\$ 33,218,816	\$ 33,311,310
Special Revenue Fund	2,241,328	1,136,398	3,377,726
Debt Service Fund		661,960	661,960
Food Service Fund	<u>1,420,839</u>	<u>21,476</u>	<u>1,442,315</u>
Total Financial Assistance	<u>\$ 3,754,661</u>	<u>\$ 35,038,650</u>	<u>\$ 38,793,311</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, 2016**

**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 Food Distribution Program as non-cash assistance represent current year value received and current year distributions, respectively. TPAF Social Security contributions in the amount of \$1,849,174 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2016. The amount reported as TPAF Pension System Contributions in the amount of \$1,772,953 and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$2,111,097 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2016.

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

On-behalf State Programs for TPAF Pension and Post-Retirement Medical Benefits Contributions 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 financial statements and the amount subject to State single audit and major program determination.

**NOTE 7 DE MINIMIS INDIRECT COST RATE**

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

**CARTERET BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

*Part I – Summary of Auditor's Results*

**Financial Statement Section**

Type of auditor's report issued on financial statements Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified?              X   no

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

Noncompliance material to the basic financial statements noted?              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 Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?            yes   X   no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>FAIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027</u>	<u>H027A150100</u>	<u>IDEA Basic Grant</u>
<u>84.173</u>	<u>H173A150114</u>	<u>IDEA Preschool</u>
<u>          </u>	<u>          </u>	<u>          </u>
<u>          </u>	<u>          </u>	<u>          </u>
<u>          </u>	<u>          </u>	<u>          </u>
<u>          </u>	<u>          </u>	<u>          </u>

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee?   X   yes            no

**CARTERET BOARD OF EDUCATION  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

*Part I – Summary of Auditor's Results*

**State Awards Section**

Internal Control over compliance:

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

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

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

Any audit findings disclosed that are required to be reported in accordance with N.J. Circular Letter 15-08       yes       no

Identification of major state programs:

GMIS Number(s)	Name of State Program
<u>16-495-034-5120-089</u>	<u>Special Education Categorical Aid</u>
<u>16-495-034-5120-078</u>	<u>Equalization Aid</u>
<u>16-495-034-5120-084</u>	<u>Security Aid</u>
<u>16-495-034-5120-096</u>	<u>Under Adequacy Aid</u>
<u>16-495-034-5120-097</u>	<u>Per Pupil Growth Aid</u>
<u>16-495-034-5120-098</u>	<u>PARCC Readiness Aid</u>
<u>16-495-034-5094-003</u>	<u>Reimbursed TPAF Social Security Contribution</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>

Dollar threshold used to distinguish between Type A and Type B programs:      \$ 935,765

Auditee qualified as low-risk auditee?       yes       no

**CARTERET SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

*Part 2 – Schedule of Financial Statement Findings*

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements in accordance with Government Auditing Standards.

There are none.

**CARTERET BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

*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 U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

**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, 2016**

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. Uniform Guidance and New Jersey OMB's Circular 15-08.

**STATUS OF PRIOR YEAR FINDINGS**

There were none.