

CARTERET
BOARD OF EDUCATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

CARTERET, NEW JERSEY

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

of the

Carteret Board of Education

Carteret, New Jersey

For The Fiscal Year Ended June 30, 2017

**Prepared by the
The Business Office**

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INTRODUCTORY SECTION

CARTERET BOARD OF EDUCATION

599 ROOSEVELT AVENUE
CARTERET, NEW JERSEY 07008-2199

Hector Berrios
Business Administrator/Board Secretary



Tel: (732) 541-8960
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September 11, 2017

Honorable President and
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, 2017.

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, 2017, 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, 2017, 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 Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for 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 year 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.

On January 25, 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.

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, 2015	Actual Enrollment October 15, 2016	Projected Enrollment October 15, 2017
Regular Full Time	Pre K – 12	3,366	3,327	3,325
Special Needs Full Time	Pre K – 12	340	357	356
Special Needs Shared Time	Pre K – 12	7	7	7
Out of District Placement, Shared, State Facilities, etc	Pre K – 12	82	76	83
Total Enrollment		3,795	3,767	3,771

* Source Advertised FY2017 Budget

ECONOMIC CONDITIONS AND OUTLOOK

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

The Mayor of the Borough of Carteret, together with Borough Council, is exploring the creation of an economic development authority that would be charged with stimulating growth and encouraging investment. Carteret currently has eighty businesses participating in the New Jersey Urban Enterprise Zone Program. The Mayor has proposed to develop the Borough's waterfront, which would increase the ratables by approximately one billion dollars. 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 FY2017, the Carteret Board of Education has implemented the following to enhance the instructional programs and improvements to infrastructure:

Major Initiatives in Education & Instruction:

- T.H.I.N.K. T.A.N.K.S. (Teaching Hands-on Inquiry Nurtures Knowledge) were created to allow exploration with science, math and technology. The Genius Hour was also implemented.
- Elementary National Honor Society was extended to all three elementary schools
- STEAM & Humanities Curriculum Resource Teachers were hired
- The district expanded its Gifted and Talented Program. Curriculum materials were purchased to enhance instruction.
- The district established the award-winning Varsity Vocals A Cappella Choir on the high school level.
- A Music Theory Class was introduced in the high school.
- 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.
- Empowering Writers program was purchased to improve writing skills Gr K-5 Create writing units to include culminating activities
- ASPIRE HIGH academic mentoring program at the middle and high school level for immigrant students
- Intensive Google classroom training was provided all staff
- Trained additional staff at every elementary building in Orton Gillingham reading intervention program
- The schedule at the Carteret Middle School was revised to incorporate additional remediation periods for language arts and math.
- Fully implemented Tools of the Mind Curriculum program for all preschool classes. Staff training was arranged. Additional furniture and classroom materials were purchased. Piloted Tools of the Mind Curriculum program in one kindergarten classroom in each building.

- Additional Fontas and Pinnell leveling kits were ordered for student assessment
- Staff training in positive behavioral supports.
- Part-time interventionists and Specialists were hired
- The district continued with an aggressive curriculum plan revising a variety of curricula ensuring alignment with common core NJSLs, NGSS, and 21st century standards.
- High School offered PSAT testing to all students
- PSAT testing for all 9th -11th grade students
- 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.
- 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)
- Coding classes were offered at the middle and high school level.
- Robotics, Social Studies Lab, Math Intervention, and Science Lab courses were added to the Middle School curricula.
- Parent workshops, such as the Latino Family Literacy Project and STEM were provided.
- Interventionists were hired to provide services to our struggling students
- A partnership agreement was developed with the Educational Testing Service (ETS) for participation in on-line formative assessment tasks and teacher professional development for ELL students
- AP courses were offered in English, Art, Psychology, Spanish, World History, Statistics, Computer Science Principles and Biology. In addition, AP Spanish, AP French and Mandarin Chinese were offered on-line.
- 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.
- The Middle School continued implementing the PBSIS grant, which offers positive behavioral supports for students and professional development for teachers.
- The Boys and Girls Club hosted afterschool clubs and tutoring services for students. Participants also toured college campuses, and participated in community service and character building activities.
- The Seal of Bi-literacy was offered to students at the high school.

Facilities

- Remodel/Rehab rooms 24 + 26 for special education/self-contained classrooms.
- Remodel/Rehab main entrance Carteret High School.
- Remodel room 128/130 for special education.

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 will be 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. 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, 2017.

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 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 \$2,355,000 as of June 30, 2017.

An additional capital lease was financed in 2000 for various building improvements. The balance of the refunded portion of the lease is \$6,565,000 as of June 30, 2017.

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 \$770,000 as of June 30, 2017.

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,

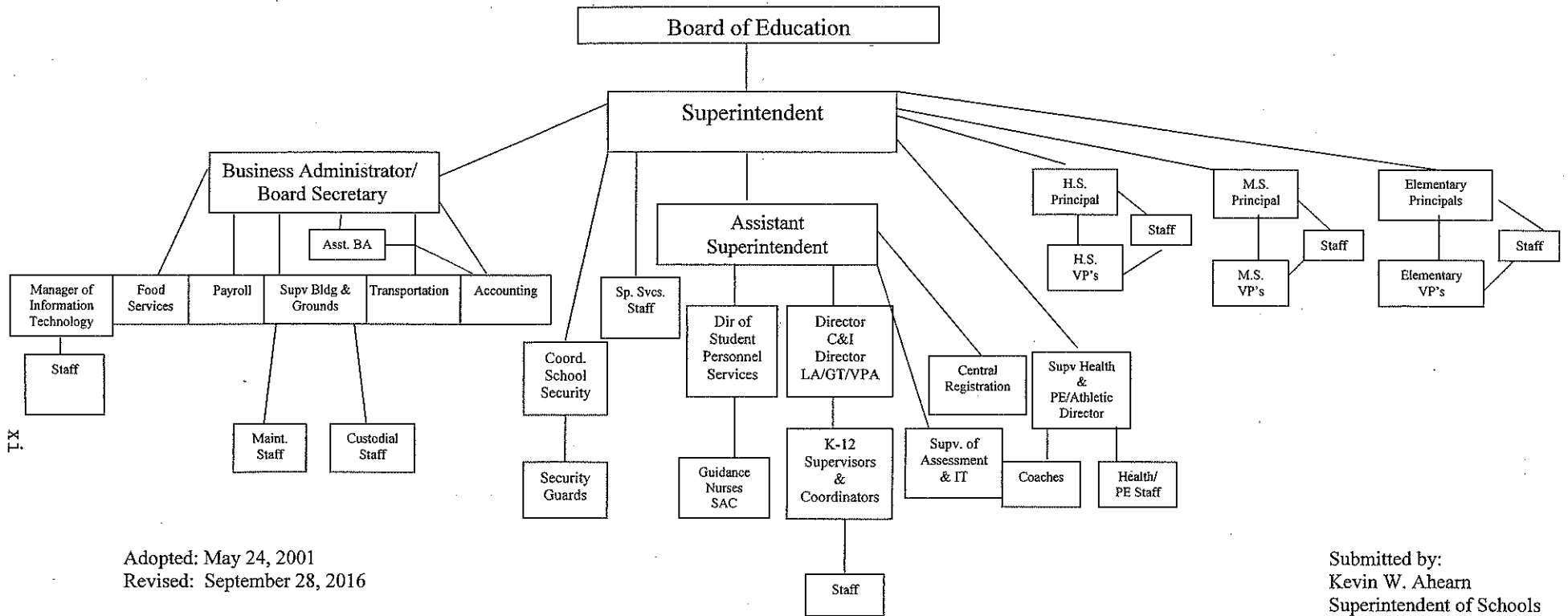


Rosa Diaz
Superintendent of Schools



Hector Berrios
Business Administrator/Board Secretary

**CARTERET PUBLIC SCHOOLS
TABLE OF ORGANIZATION**



T.X.

Adopted: May 24, 2001
Revised: September 28, 2016

Submitted by:
Kevin W. Ahearn
Superintendent of Schools

**CARTERET BOARD OF EDUCATION
ROSTER OF OFFICIALS
AS OF JUNE 30, 2017**

<u>Members of the Board of Education</u>	Term Expires
Martin Murray, President	2019
James Hart, Vice President	2018
Dennis Cherepski	2017
Patricia Golino	2019
Lydia Singura	2019
Jean Bellino	2017
Jasbir Judge	2018
Joseph Gasparro	2018
Greg Setar	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, 2017**

AUDITORS

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

ATTORNEYS

DECOTIIS, FITZPATRICK & COLE LLP
GLENPOINTE CENTRE WEST
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

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. NICOLOSI, CPA, PSA

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, 2017 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting 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, 2017, 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

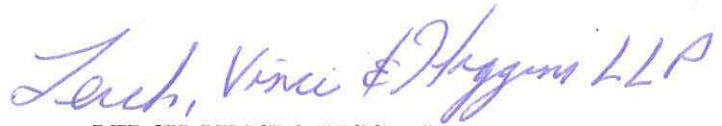
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Carteret Board of Education's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, financial schedules, statistical section, schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations 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.

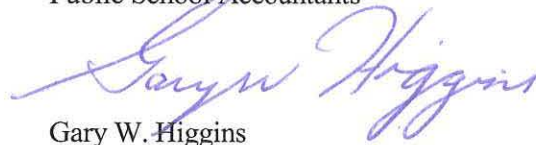
The introductory section, financial schedules and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated September 11, 2017 on our consideration of the Carteret Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Carteret Board of Education's 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 11, 2017

REQUIRED SUPPLEMENTARY INFORMATION – PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS

Carteret Board of Education

Carteret, New Jersey

Management's Discussion and Analysis

Fiscal Year Ended June 30, 2017

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, 2017. 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 (2016-2017) and the prior year (2015-2016) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2016-2017 fiscal years include the following:

- The General Fund fund balance on a GAAP basis at June 30, 2017 was \$417,154 an increase of \$646,289 when compared with the beginning balance at July 1, 2016.
- The General Fund budgetary fund balance at June 30, 2017 was \$3,759,585 which represents an increase of \$659,031 when compared to the ending budgetary fund balance of \$3,100,554 at June 30, 2016. The difference in GAAP basis fund balance to budgetary fund balance is \$3,342,431, which represents the delay of certain State aid payments and the 2016-2017 Extraordinary Aid, which were not realized as revenue in the GAAP basis financial statements.
- The General Fund unassigned (unreserved, undesignated) budgetary fund balance was \$163,198 at June 30, 2017. This represents an increase of \$76,728 when compared to the balance of \$86,470 as of June 30, 2016.

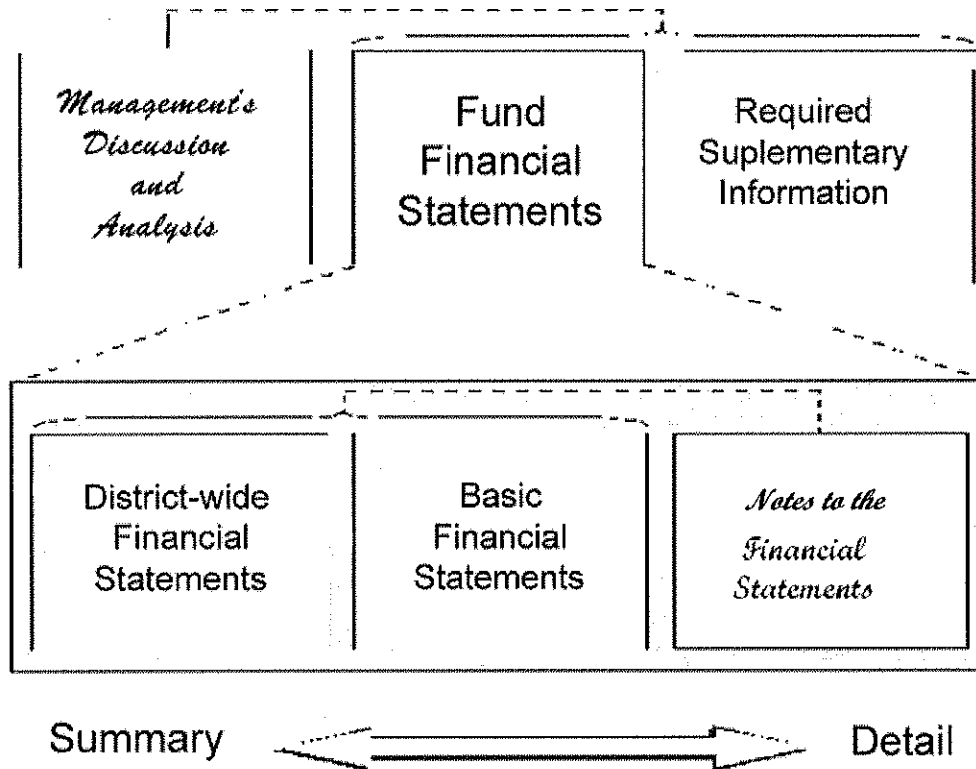
OVERVIEW OF THE FINANCIAL STATEMENTS

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)
Fiscal Year Ended June 30, 2017

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)
Fiscal Year Ended June 30, 2017**

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.

Figure A-2 Major Features of the District-Wide and Financial Statements			
	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance, food service, and community education	Activities the district operates similar to private businesses: Food service fund; Enrichment Academy
Required financial statements	Statements of net 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)
Fiscal Year Ended June 30, 2017**

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 plant operations. 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)
Fiscal Year Ended June 30, 2017

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)
Fiscal Year Ended June 30, 2017**

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 \$(3,539,088) and \$(3,203,718) on June 30, 2017 and 2016, respectively. (See Table A-1)

**Table A-1
Statement of Net Position
As of June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Current and Other Assets	\$ 847,552	\$ 1,444,351
Capital Assets	21,847,527	22,627,498
Total Assets	22,695,079	24,071,849
Deferred Outflows of Resources	5,665,516	2,118,983
Total Deferred Outflows of Resources	5,665,516	2,118,983
Non-Current Liabilities	31,220,622	27,820,673
Other Liabilities	547,004	1,191,979
Total Liabilities	31,767,626	29,012,652
Deferred Inflows of Resources	132,057	381,898
Total Deferred Inflows of Resources	132,057	381,898
Net Position:		
Net Investment in Capital Assets	13,239,302	12,538,900
Restricted	1,400,500	650,501
Unrestricted	(18,178,890)	(16,393,119)
Total Net Position	\$ (3,539,088)	\$ (3,203,718)

Net position from current year operations for the fiscal year ended June 30, 2017 decreased \$335,370.

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

- Program revenues for Governmental Activities were \$24,427,731 for operating grants and contributions.
- Program revenues for business – type activities
 - ✓ Charges for services \$765,459.
 - ✓ Operating grants and contributions \$1,756,723.
- Combined general revenues for Governmental activities and Business-Type activities during the 2016-2017 school year were \$51,509,153.
- Expenditures were \$75,616,159 for Governmental activities and \$3,178,277 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 \$(3,539,088) at June 30, 2017.

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

**Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2017**

**Table A-2
Changes in Net Position
For the Fiscal Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Revenues		
Program revenues		
Charges for services	\$ 765,459	\$ 842,248
Operating grants and contributions	26,184,454	21,102,862
Capital grants and contributions		
General revenues		
Property taxes	26,645,015	26,333,005
Federal and State Aid	24,781,377	24,542,346
Other	82,761	79,411
Total revenues	78,459,066	72,899,872
Expenses		
Instruction		
Regular	32,796,929	29,859,830
Special Education	14,049,462	12,959,900
Other Instruction	2,889,622	2,332,775
School Sponsored Activities and Athletic Support Services	598,697	579,426
Support Services		
Student and Instruction Related Services	8,805,795	7,754,543
General Administration Services	1,236,146	1,113,582
School and Business Administration Services	4,117,025	3,384,585
Plant Operations and Maintenance	6,625,429	5,966,909
Pupil Transportation	2,685,999	2,736,599
Central Services	1,419,864	1,338,402
Interest on Long-Term Debt	391,191	490,930
Food Service	2,543,630	1,729,508
Enrichment Academy	634,647	157,520
Total expenses	78,794,436	70,404,509
Change in net position	(335,370)	2,495,363
Net Position, Beginning of Year	(3,203,718)	(5,699,081)
Net Position, End of Year	\$ (3,539,088)	\$ (3,203,718)

Changes in Net Position. The district's total revenues were \$78,459,066 and \$72,899,872 in 2017 and 2016, respectively. Property taxes of \$26,645,015 and \$26,333,005 represented 34% and 36% of revenues for the years ended June 30, 2017 and 2016, respectively. The District's state and federal aid of \$50,965,831 and \$45,645,208 represented 65% and 63% of revenues for the years ended June 30, 2017 and 2016, respectively. Charges for services of \$765,459 and \$842,248 in 2017 and 2016, 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)
Fiscal Year Ended June 30, 2017**

The smallest component of revenues is "Other Revenue." The largest source of "Other Revenue" is miscellaneous and interest income, with \$82,761 and \$79,411 earned in the fiscal years ended June 30, 2017 and 2016, respectively.

The Board's expenses for governmental activities are predominantly related to instruction and support services. Instruction totaled \$50,334,710 and \$45,731,931 which represented 64% and 67% of total expenditures for the years ended June 30, 2017 and 2016, respectively. Student support services, exclusive of administration, totaled \$8,805,795 and \$7,754,543 (11% and 11%) of total expenditures for the years ended June 30, 2017 and 2016, respectively.

**Table A-3
Total and Net Cost of Services of Governmental Activities
For the Fiscal Years Ended June 30, 2017 and 2016**

<u>Functions/Programs</u>	<u>Source Exhibit</u>	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Governmental Activities					
Instruction					
Regular	A-2	32,796,929	29,859,830	\$ 21,029,665	\$ 20,505,009
Special Education	A-2	14,049,462	12,959,900	7,481,376	7,426,097
Other Instruction	A-2	2,889,622	2,332,775	1,948,544	1,706,720
School Sponsored Activities and Athletics	A-2	598,697	579,426	427,418	453,055
Support Services					
Student and Instruction Related Services	A-2	8,805,795	7,754,543	6,011,285	5,497,944
General Administration Services	A-2	1,236,146	1,113,582	1,125,881	1,033,398
School and Business Administration Services	A-2	4,117,025	3,384,585	2,851,259	2,537,696
Plant Operations and Maintenance	A-2	6,625,429	5,966,909	6,208,866	5,584,265
Pupil Transportation	A-2	2,685,999	2,736,599	2,525,685	2,587,555
Central Services	A-2	1,419,864	1,338,402	1,290,442	1,246,092
Interest on Long-Term Debt	A-2	391,191	490,930	288,007	279,103
Total Governmental Activities		\$ 75,616,159	\$ 68,517,481	\$ 51,188,428	\$ 48,856,934

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

**Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2017**

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, 2017 and 2016 with its governmental funds reporting combined fund balance of \$357,045 and \$(302,225) as of June 30, 2017 and 2016, respectively.

Revenues for the district's governmental funds were \$65,634,928 and \$63,783,529 for the fiscal years ended June 30, 2017 and 2016, respectively. Total expenditures were \$64,975,658 and \$62,874,479 for the fiscal years ended June 30, 2017 and 2016, 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, 2017 and 2016.

**Table A-4
Summary of General Fund Revenues
For the Fiscal Years Ended June 30, 2017 and 2016**

General Fund Revenues	<u>2017</u>	<u>2016</u>
Local Sources:		
Local Tax Levy	\$ 25,230,391	\$ 24,940,515
Interest Income	25,080	13,701
Miscellaneous	57,681	64,746
Total Local Sources	<u>25,313,152</u>	<u>25,018,962</u>
Intergovernmental		
State Sources	34,805,067	33,218,816
Federal Sources	179,517	92,494
Total Intergovernmental Sources	<u>34,984,584</u>	<u>33,311,310</u>
Total Revenues	<u>\$ 60,297,736</u>	<u>\$ 58,330,272</u>

Property taxes and state formula aid accounted for 99 percent of total revenues for both the 2017 and 2016 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, 2017 and 2016.

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

**Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2017**

**Table A-5
Summary of General Fund Expenditures
For the Fiscal Years Ended June 30, 2017 and 2016**

General Fund Expenditures	<u>2017</u>	<u>2016</u>
Current		
Regular Instruction	\$ 25,074,984	\$ 23,772,316
Special Education Instruction	11,381,589	11,118,048
Other Special Instruction	2,317,837	1,981,530
School Sponsored Activities and Athletics	497,152	509,622
Support Services and undistributed Costs:		
Student and Instruction Related Services	6,787,817	6,099,651
School Administration Services	3,309,470	2,899,248
General Administration Services	1,087,078	1,046,138
Plant Operations and Maintenance	5,137,887	4,946,201
Pupil Transportation	2,661,921	2,721,984
Central Services	1,190,380	1,241,408
Principal on Debt	-	923,860
Interest and Other Charges	-	3,627
Capital Outlay	205,332	160,101
Total Expenditures	<u><u>\$ 59,651,447</u></u>	<u><u>\$ 57,423,734</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 \$52,602,625 and \$51,690,510 for the years ended June 30, 2017 and 2016, respectively. Revenues (exclusive of on-behalf revenues) were \$53,261,656 and \$52,636,721 for the fiscal years ended June 30, 2017 and 2016, respectively.

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

**Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2017**

DEBT ADMINISTRATION

The amount of debt service expenditures were \$2,059,525 and \$2,054,041 for the fiscal years ended June 30, 2017 and 2016, respectively. Revenues include \$1,414,624 and \$1,392,490 from the local tax levies, and \$644,900 and \$661,960 coming from state aid for the fiscal years ended June 30, 2017 and 2016, respectively.

BUSINESS-TYPE ENTERPRISE FUNDS

The District's total business-type activities revenues were \$2,522,182 and \$2,284,563 for the years ended June 30, 2017 and 2016, respectively. Charges for services accounted for 30% and 37% of total revenue for the 2017 and 2016 years, respectively. Operating grants and contributions of \$1,756,723 and \$1,442,315 accounted for 70% and 63% of total revenue, for the fiscal years ended June 30, 2017 and 2016, respectively.

The total cost of all business-type activities programs and services was \$3,178,277 and \$1,887,028 for the fiscal years ended June 30, 2017 and 2016, respectively. The District's expenses are related to food service programs provided to all students and faculty and the operation of the program for enrichment academy for before and after school activities.

Total business-type activities expenses exceeded revenues decreasing net position by \$656,095 over the prior year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – Governmental Activities

As of June 30, 2017 and 2016, the district had invested \$39,988,292 and \$39,782,960, 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 fiscal years ended June 30, 2017 and 2016 was \$943,594 and \$994,572, respectively.

**Table A-6
Capital Assets - Governmental Activities
as of June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Land	\$ 71,603	\$ 71,603
Land Improvements	284,135	284,135
Buildings and Building Improvements	37,475,268	37,332,640
Machinery and Equipment	2,157,286	2,094,582
Total	39,988,292	39,782,960
Less: Accumulated Depreciation	18,498,167	17,554,573
Total	\$ 21,490,125	\$ 22,228,387

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

**Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2017**

Capital Assets – Business-type Activities

The District as of June 30, 2017 and 2016 had \$896,292 invested in machinery and equipment for its food service fund. Depreciation was \$41,709 and \$41,709 for the fiscal years ended June 30, 2017 and 2016, respectively.

**Table A-7
Capital Assets - Business-Type Activities
as of June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Machinery and Equipment	\$ 896,292	\$ 896,292
Less: Accumulated Depreciation	538,890	497,181
Total Net	<u>\$ 357,402</u>	<u>\$ 399,111</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 \$770,000 and \$945,000 at June 30, 2017 and 2016, 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 \$8,920,000 and \$10,465,000 at June 30, 2017 and 2016, respectively, in lease purchase agreements for various school improvements. These agreements were by the issuance of certificates of participation ("COPS") which have been refunded as discussed in Note 4 to the basic financial statements.

The District also had \$3,529,728 and \$3,551,899 at June 30, 2017 and 2016, 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 \$18,034,970 and \$12,900,005 at June 30, 2017 and 2016, respectively, in net pension liability regarding the Public Employees Retirement System. The District is not liable to fund this liability.

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)
Fiscal Year Ended June 30, 2017**

**Table A-8
Long Term Debt Liabilities
as of June 30, 2017 and 2016**

Governmental Activities	<u>2017</u>	<u>2016</u>
Bonds Payable	\$ 770,000	\$ 945,000
Lease Purchase Agreements	8,920,000	10,465,000
Net Pension Liability	18,034,970	12,900,005
Compensated Absences	3,529,728	3,551,899
Total	<u>\$ 31,254,698</u>	<u>\$ 27,861,904</u>

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:

Hector Berrios, School Business Administrator/Board Secretary
Telephone: 732-541-8960 ext. 6005
Fax: 732-541-2106
Email: Hberrios@carteretschools.org

BASIC FINANCIAL STATEMENTS

**CARTERET BOARD OF EDUCATION
STATEMENT OF NET POSITION
AS OF JUNE 30, 2017**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 127,201	\$ 23,216	\$ 150,417
Other Receivables		3,833	3,833
Receivable from Other Governments	514,697	137,030	651,727
Due from Other Funds	6,500		6,500
Inventory		35,075	35,075
Capital Assets Not Being Depreciated	71,603		71,603
Capital Assets, Being Depreciated, net	21,418,522	357,402	21,775,924
Total Assets	22,138,523	556,556	22,695,079
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts on Refunding of Debt	277,699		277,699
Deferred Amount on Net Pension Liability	5,387,817	-	5,387,817
Total Deferred Outflows of Resources	5,665,516	-	5,665,516
LIABILITIES			
Accounts Payable and Other Current Liabilities	147,457	23,499	170,956
Cash Overdraft		124,419	124,419
Payable to Other Governments	31,108		31,108
Accrued Interest Payable	107,733		107,733
Unearned Revenue	112,788		112,788
Noncurrent Liabilities			
Due Within One Year	2,112,973		2,112,973
Due Beyond One Year	29,107,649	-	29,107,649
Total Liabilities	31,619,708	147,918	31,767,626
DEFERRED INFLOWS OF RESOURCES			
Deferred Commodities Revenue		10,174	10,174
Deferred Amount on Net Pension Liability	121,883	-	121,883
Total Deferred Inflows of Resources	121,883	10,174	132,057
NET POSITION			
Net Investment in Capital Assets	12,881,900	357,402	13,239,302
Restricted for			
Capital Projects	1,400,000		1,400,000
Debt Service	500		500
Unrestricted	(18,219,952)	41,062	(18,178,890)
Total Net Position	\$ (3,937,552)	\$ 398,464	\$ (3,539,088)

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, 2017**

<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>
Governmental Activities							
Instruction							
Regular	\$ 32,796,929		\$ 11,767,264		\$ (21,029,665)		\$ (21,029,665)
Special Education	14,049,462		6,568,086		(7,481,376)		(7,481,376)
Other Instruction	2,889,622		941,078		(1,948,544)		(1,948,544)
School Sponsored Activities and Athletics	598,697		171,279		(427,418)		(427,418)
Support Services							
Student and Instruction Related Services	8,805,795		2,794,510		(6,011,285)		(6,011,285)
General Administration Services	1,236,146		110,265		(1,125,881)		(1,125,881)
School Administration Services	4,117,025		1,265,766		(2,851,259)		(2,851,259)
Central Services	1,419,864		129,422		(1,290,442)		(1,290,442)
Plant Operations and Maintenance	6,625,429		416,563		(6,208,866)		(6,208,866)
Pupil Transportation	2,685,999		160,314		(2,525,685)		(2,525,685)
Interest on Long-Term Debt	391,191	-	103,184	-	(288,007)	-	(288,007)
Total Governmental Activities	<u>75,616,159</u>	<u>-</u>	<u>24,427,731</u>	<u>-</u>	<u>(51,188,428)</u>	<u>-</u>	<u>(51,188,428)</u>
Business-Type Activities							
Food Service	2,543,630	\$ 486,285	1,756,723			\$ (300,622)	(300,622)
Enrichment Academy	634,647	279,174	-	-	-	(355,473)	(355,473)
Total Business-Type Activities	<u>3,178,277</u>	<u>765,459</u>	<u>1,756,723</u>	<u>-</u>	<u>-</u>	<u>(656,095)</u>	<u>(656,095)</u>
Total Primary Government	<u>\$ 78,794,436</u>	<u>\$ 765,459</u>	<u>\$ 26,184,454</u>	<u>\$ -</u>	<u>(51,188,428)</u>	<u>(656,095)</u>	<u>(51,844,523)</u>

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

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
General Revenues			
Taxes			
Property Taxes Levied for General Purposes	\$ 25,230,391		\$ 25,230,391
Property Taxes Levied for Debt Service	1,414,624		1,414,624
Federal and State Aid -Unrestricted	24,239,661		24,239,661
State/Federal Aid - Restricted	541,716		541,716
Interest Income	25,080		25,080
Miscellaneous Income	57,681	-	57,681
Total General Revenues	51,509,153	-	51,509,153
Change in Net Position	320,725	\$ (656,095)	(335,370)
Net Position, Beginning of Year	(4,258,277)	1,054,559	(3,203,718)
Net Position, End of Year	\$ (3,937,552)	\$ 398,464	\$ (3,539,088)

FUND FINANCIAL STATEMENTS

**CARTERET BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2017**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 107,513		\$ 19,688	\$ 127,201
Due from Other Funds	334,572			334,572
Receivables from Other Governments	105,431	\$ 409,266	-	514,697
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 547,516</u>	<u>\$ 409,266</u>	<u>\$ 19,688</u>	<u>\$ 976,470</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Due to Other Funds		\$ 328,072		328,072
Accounts Payable	\$ 130,362	17,095		147,457
Payable to State Government		11,920	\$ 19,188	31,108
Unearned Revenue	-	112,788	-	112,788
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>130,362</u>	<u>469,875</u>	<u>19,188</u>	<u>619,425</u>
Fund Balances				
Restricted				
Capital Reserve	1,400,000			1,400,000
Debt Service			500	500
Assigned Fund Balance				
Designated for Subsequent Year's				
Expenditures	1,893,228			1,893,228
Year End Encumbrances	303,159			303,159
Unassigned Fund Balance:				
General Fund	(3,179,233)			(3,179,233)
Special Revenue Fund	-	(60,609)	-	(60,609)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>417,154</u>	<u>(60,609)</u>	<u>500</u>	<u>357,045</u>
Total Liabilities and Fund Balances	<u>\$ 547,516</u>	<u>\$ 409,266</u>	<u>\$ 19,688</u>	

Continued

**CARTERET BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2017**

Total Fund Balances - Governmental Funds		\$ 357,045
<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 \$39,988,292 and the accumulated depreciation is \$18,498,167.</p>		21,490,125
<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>		277,699
<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 \$ 5,387,817 Deferred Inflows of Resources <u>(121,883)</u>	5,265,934
<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>(31,328,355)</u>
Net position of governmental activities (Exhibit A-1)		<u>\$ (3,937,552)</u>

CARTERET BOARD OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local Sources				
Local Tax Levy	\$ 25,230,391		\$ 1,414,624	\$ 26,645,015
Interest Income	25,080			25,080
Miscellaneous	57,681	\$ 28,674	-	86,355
Total - Local Sources	<u>25,313,152</u>	<u>28,674</u>	<u>1,414,624</u>	<u>26,756,450</u>
State Sources	34,805,067	1,036,630	644,900	36,486,597
Federal Sources	179,517	2,212,364	-	2,391,881
Total Revenues	<u>60,297,736</u>	<u>3,277,668</u>	<u>2,059,524</u>	<u>65,634,928</u>
EXPENDITURES				
Current				
Instruction:				
Regular Instruction	25,074,984	1,663,847		26,738,831
Special Education Instruction	11,381,589	1,000,486		12,382,075
Other Special Instruction	2,317,837			2,317,837
School-Sponsored Activities and Athletics	497,152			497,152
Support Services and Undistributed Costs:				
Student and Instruction Related Services	6,787,817	594,372		7,382,189
General Administration Services	1,087,078			1,087,078
School Administration Services	3,309,470			3,309,470
Central Services	1,190,380			1,190,380
Plant Operations and Maintenance	5,137,887			5,137,887
Pupil Transportation	2,661,921	5,981		2,667,902
Debt Service:				
Principal			1,720,000	1,720,000
Interest and Other Charges			339,525	339,525
Capital Outlay	205,332	-	-	205,332
Total Expenditures	<u>59,651,447</u>	<u>3,264,686</u>	<u>2,059,525</u>	<u>64,975,658</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>646,289</u>	<u>12,982</u>	<u>(1)</u>	<u>659,270</u>
Net Change in Fund Balances	646,289	12,982	(1)	659,270
Fund Balance (Deficit), Beginning of Year	<u>(229,135)</u>	<u>(73,591)</u>	<u>501</u>	<u>(302,225)</u>
Fund Balance (Deficit), End of Year	<u>\$ 417,154</u>	<u>\$ (60,609)</u>	<u>\$ 500</u>	<u>\$ 357,045</u>

**CARTERET BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE DISTRICT-WIDE STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Total net change in fund balances - governmental funds (Exhibit B-2) \$ 659,270

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlay in the current period. (Note 2) (738,262)

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) 1,720,000

Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. Also, certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (Note 2) (1,320,283)

Change in net position of governmental activities (Exhibit A-2) \$ 320,725

**CARTERET BOARD OF EDUCATION
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 AS OF JUNE 30, 2017**

	<u>Business-Type Activities</u>		<u>Totals</u>
	<u>Food Service</u>	<u>Other Non-Major Enterprise Fund- Enrichment Academy</u>	
ASSETS			
Current Assets			
Cash and Cash Equivalents		\$ 23,216	\$ 23,216
Intergovernmental Receivable			
State	\$ 1,650		1,650
Federal	135,380		135,380
Inventories	35,075		35,075
Other Accounts Receivable	-	3,833	3,833
	<u>172,105</u>	<u>3,833</u>	<u>176,938</u>
Total Current Assets	<u>172,105</u>	<u># 27,049</u>	<u>199,154</u>
Capital Assets			
Equipment	896,292		896,292
Less: Accumulated Depreciation	<u>(538,890)</u>	<u>-</u>	<u>(538,890)</u>
Total Capital Assets, Net	<u>357,402</u>	<u>-</u>	<u>357,402</u>
Total Assets	<u>529,507</u>	<u>27,049</u>	<u>556,556</u>
LIABILITIES			
Current Liabilities			
Cash Overdraft	124,419		124,419
Accounts Payable	<u>290</u>	<u>23,209</u>	<u>23,499</u>
Total Current Liabilities	<u>124,709</u>	<u>23,209</u>	<u>147,918</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Commodities Revenue	<u>10,174</u>	<u>-</u>	<u>10,174</u>
Total Deferred Inflows of Resources	<u>10,174</u>	<u>-</u>	<u>10,174</u>
Total Liabilities and Deferred Inflows of Resources	<u>134,883</u>	<u>23,209</u>	<u>158,092</u>
NET POSITION			
Net Investment in Capital Assets	357,402		357,402
Unrestricted	<u>37,222</u>	<u>3,840</u>	<u>41,062</u>
Total Net Position	<u>\$ 394,624</u>	<u>\$ 3,840</u>	<u>\$ 398,464</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, 2017**

	<u>Business-Type Activities</u>		<u>Totals</u>
	<u>Food Service</u>	<u>Other Non-Major Enterprise Fund- Enrichment Academy</u>	
OPERATING REVENUES			
Charges for Services			
Daily Sales - Reimbursable Program	\$ 214,597		\$ 214,597
Daily Sales - Non-Reimbursable Program	271,688		271,688
Program Fees	-	\$ 279,174	279,174
	<u>486,285</u>	<u>279,174</u>	<u>765,459</u>
Total Operating Revenues			
OPERATING EXPENSES			
Salaries and Employee Benefits	773,110	154,446	927,556
Purchased Professional Services		119,330	119,330
Cost of Sales - Reimbursable Program	957,685		957,685
Cost of Sales - Non-Reimbursable Program	61,224		61,224
Other Purchased Services	625,634		625,634
Insurance	54,256		54,256
Depreciation	41,709		41,709
Supplies and Materials	3,482	360,340	363,822
Miscellaneous	26,530	531	27,061
	<u>2,543,630</u>	<u>634,647</u>	<u>3,178,277</u>
Total Operating Expenses			
Operating Loss	<u>(2,057,345)</u>	<u>(355,473)</u>	<u>(2,412,818)</u>
NONOPERATING REVENUES			
State Sources			
School Lunch Program	22,127		22,127
Federal Sources			
National School Lunch Program	1,270,976		1,270,976
National School Breakfast Program	362,371		362,371
Snack Program	36,638		36,638
Fresh Fruits and Vegetable Program	64,611	-	64,611
	<u>1,756,723</u>	<u>-</u>	<u>1,756,723</u>
Total Nonoperating Revenues			
Net Loss	<u>(300,622)</u>	<u>(355,473)</u>	<u>(656,095)</u>
Change in Net Position	(300,622)	(355,473)	(656,095)
Net Position, Beginning of Year	<u>695,246</u>	<u>359,313</u>	<u>1,054,559</u>
Net Position, End of Year	<u>\$ 394,624</u>	<u>\$ 3,840</u>	<u>\$ 398,464</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, 2017**

	<u>Business-Type Activities</u>		
	<u>Food Service</u>	<u>Other Non-Major Enterprise Fund- Enrichment Academy</u>	<u>Totals</u>
Cash Flows from Operating Activities			
Receipts from Customers	\$ 486,285	\$ 277,991	\$ 764,276
Payments for Employees' Salaries and Benefits	(773,110)	(154,446)	(927,556)
Payments to Suppliers for Goods and Services	<u>(1,705,953)</u>	<u>(457,206)</u>	<u>(2,163,159)</u>
Net Cash Used by Operating Activities	<u>(1,992,778)</u>	<u>(333,661)</u>	<u>(2,326,439)</u>
Cash Flows from Noncapital Financing Activities			
State and Federal Subsidy Reimbursements	<u>1,594,679</u>	<u>-</u>	<u>1,594,679</u>
Net Cash Provided by Noncapital Financing Activities	<u>1,594,679</u>	<u>-</u>	<u>1,594,679</u>
Net Decrease in Cash and Cash Equivalents	(398,099)	(333,661)	(731,760)
Cash and Cash Equivalents, Beginning of Year	<u>273,680</u>	<u>356,877</u>	<u>630,557</u>
Cash and Cash Equivalents, (Cash Overdraft) End of Year	<u>\$ (124,419)</u>	<u>\$ 23,216</u>	<u>\$ (101,203)</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities			
Operating Loss	\$ (2,057,345)	\$ (355,473)	\$ (2,412,818)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities			
Depreciation	41,709		41,709
Non-Cash Federal Assistance - National School Lunch Program (Food Distribution)	122,285		122,285
Change in Assets and Liabilities:			
(Increase)/Decrease in Other Accounts Receivable		(1,183)	(1,183)
(Increase)/Decrease in Inventories	(66)		(66)
Increase/(Decrease) in Accounts Payable	<u>(99,361)</u>	<u>22,995</u>	<u>(76,366)</u>
Total Adjustments	<u>64,567</u>	<u>21,812</u>	<u>86,379</u>
Net Cash Used by Operating Activities	<u>\$ (1,992,778)</u>	<u>\$ (333,661)</u>	<u>\$ (2,326,439)</u>
Non-Cash Financing Activities - National School Lunch (Food Distribution)	\$ 112,616	\$ -	\$ 112,616

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, 2017**

	<u>Unemployment Compensation Trust</u>	<u>Employee Benefits (Flexible Spending) Program Fund</u>	<u>Agency Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 334,888	\$ 21,110	\$ 441,050
Total Assets	<u>334,888</u>	<u>21,110</u>	<u>\$ 441,050</u>
LIABILITIES			
Due to Student Groups			\$ 134,841
Intergovernmental Payable	13,178		
Payroll Deductions and Withholdings			299,709
Due to Other Funds	<u>-</u>	<u>-</u>	<u>6,500</u>
Total Liabilities	<u>13,178</u>	<u>-</u>	<u>\$ 441,050</u>
NET POSITION			
Held in Trust for Unemployment Claims	<u>\$ 321,710</u>		
Held in Trust for Employee Benefits		<u>\$ 21,110</u>	

**CARTERET BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Unemployment Compensation Trust</u>	<u>Employee Benefits (Flexible Spending) Program Fund</u>
ADDITIONS		
Contributions		
Employees	\$ 85,736	\$ 45,187
	<u>85,736</u>	<u>45,187</u>
Total Contributions		
Investment Earnings		
Interest	1,383	264
	<u>1,383</u>	<u>264</u>
Net Investment Earnings		
	<u>87,119</u>	<u>45,451</u>
Total Additions		
DEDUCTIONS		
Benefit Reimbursements		46,008
Transfer to General Fund		50,264
Unemployment Claims and Contributions	107,858	-
	<u>107,858</u>	<u>96,272</u>
Total Deductions		
Change in Net Position	(20,739)	(50,821)
Net Position, Beginning of the Year	<u>342,449</u>	<u>71,931</u>
Net Position, End of the Year	<u>\$ 321,710</u>	<u>\$ 21,110</u>

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, 2017**

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 2017, the District adopted the following GASB statements.

- 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*. 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. 77, *Tax Abatement Disclosures*. 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. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14. *The Financial Reporting Entity, as amended*.

**CARTERET BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

- GASB No. 82, *Pension Issues – An Amendment of GASB Statements No.67, No.68, and No.73*. 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.

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

- 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. 84, *Fiduciary Activities*, will be effective with the fiscal year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments.
- GASB No. 85, *Omnibus 2017*, will be effective with the fiscal year ending June 30, 2018. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other post-employment benefits (OPEB)).
- GASB No. 86, *Certain Debt Extinguishment Issues*, will be effective with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.
- GASB No. 87, *Leases*, will be effective with the fiscal year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

**CARTERET BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, while business-type activities incorporate data from the District's enterprise funds. Fiduciary funds are excluded from the district-wide financial statements.

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 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.

**CARTERET BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (Continued)

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.

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* accounts for 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.

**CARTERET BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 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.

**CARTERET BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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 acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

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

Land and construction in progress are not depreciated. The other property, plant, and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	20
Buildings 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, 2017**

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 both 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 sick leave benefits and severance pay. A long-term liability of accumulated sick leave and severance pay 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. 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, 2017**

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 including the unamortized 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.

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.)

**CARTERET BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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)

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

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 2017/2018 District budget certified for taxes.

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

Unassigned Fund Balance – 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, investment earnings and miscellaneous revenues.

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 1st in the year following the calendar year levy when the same became in arrears, the tax collector of the municipality shall, subject to the provisions of New Jersey Statute, enforce the lien by placing the property on a tax sale. The municipality may institute annual "in rem" tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property.

**CARTERET BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Revenues and Expenditures/Expenses (Continued)

3. *Tuition Expenditures*

Tuition Expenditures - Tuition charges for the fiscal years 2015-2016 and 2016-2017 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 the enrichment academy enterprise fund 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 \$(31,328,355) difference are as follows:

Bonds payable	\$ (770,000)
Certificates of Participation Payable	(8,920,000)
Less: Issuance discount (to be amortized as interest expense)	34,076
Accrued Interest Payable	(107,733)
Compensated Absences	(3,529,728)
Net Pension Liability	<u>(18,034,970)</u>
 Net adjustment to reduce <i>fund balance - total governmental</i> funds to arrive at <i>net position - governmental activities</i>	 <u>\$ (31,328,355)</u>

**CARTERET BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net 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 \$(738,262) difference are as follows:

Capital Outlay	\$205,332
Depreciation expense	<u>(943,594)</u>
Net adjustment to increase net changes in fund balances – Total governmental funds to arrive at changes in net position of governmental activities	<u>\$(738,262)</u>

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 \$1,720,000 difference are as follows:

Principal repayments:	
Bonds Payable	\$ 175,000
Certificates of Participation	<u>1,545,000</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>\$ 1,720,000</u>

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 \$(1,320,283) difference are as follows:

Compensated Absences	\$ 22,171
Accrued Interest	12,961
Amortization of Deferred Amounts on Refunding	(57,472)
Amortization of Bond Discounts	(7,155)
Net Pension Expense	<u>(1,290,788)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of government activities	<u>\$ (1,320,283)</u>

**CARTERET BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 2016/2017. Also, during 2016/2017 the Board increased the original budget by \$1,235,602. The increase was funded by additional state aid appropriated, additional grant awards and the reappropriation of prior year general fund encumbrances.

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.

**CARTERET BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Deficit Fund Equity

The District has an unassigned fund balance deficit of \$3,179,233 in the General Fund and \$60,609 in the Special Revenue Fund as of June 30, 2017 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 2016/2017 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 \$3,179,233 in the General Fund and \$60,609 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, 2017.

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.

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.

**CARTERET BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Capital Reserve (Continued)

The activity of the capital reserve for the fiscal year ended June 30, 2017 is as follows:

Balance, July 1, 2016	<u>\$ 650,000</u>
Increased by	
Deposits Approved by Board Resolution	<u>750,000</u>
Total Increases	<u>750,000</u>
Balance, June 30, 2017	<u>\$ 1,400,000</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), National Credit Union Share Insurance Fund (NCUSIF), 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.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2017, the book value of the Board's deposits were \$823,046 and bank and brokerage firm balances of the Board's deposits amounted to \$3,341,173. 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>\$ 3,341,173</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, 2017 none of the Board's bank balances were exposed to custodial credit risk as follows:

**CARTERET BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash Deposits and Investments (Continued)

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, 2017, 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.

B. Receivables

Receivables as of June 30, 2017 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>Food Service</u>	<u>Enrichment Academy</u>	<u>Total</u>
Receivables:					
Intergovernmental					
Federal		\$ 409,266	\$135,380		\$ 544,646
State	\$ 105,431		1,650		107,081
Accounts	-	-	-	\$ 3,833	3,833
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Gross Receivables	105,431	409,266	137,030	3,833	655,560
Less: Allowance for Uncollectibles	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net Total Receivables	<u>\$ 105,431</u>	<u>\$ 409,266</u>	<u>\$137,030</u>	<u>\$ 3,833</u>	<u>\$ 655,560</u>

**CARTERET BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

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	\$ 41,605
Grant drawdowns reserved for encumbrances	<u>71,183</u>
Total Unearned Revenue for Governmental Funds	<u>\$ 112,788</u>

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

	<u>Balance, July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2017</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 71,603	-	-	\$ 71,603
Total capital assets, not being depreciated	<u>71,603</u>	<u>-</u>	<u>-</u>	<u>71,603</u>
Capital assets, being depreciated:				
Buildings and Building Improvements	37,332,640	\$ 142,628		37,475,268
Land Improvements	284,135			284,135
Machinery and equipment	<u>2,094,582</u>	<u>62,704</u>	-	<u>2,157,286</u>
Total capital assets being depreciated	<u>39,711,357</u>	<u>205,332</u>	<u>-</u>	<u>39,916,689</u>
Less accumulated depreciation for:				
Buildings and Building Improvements	(15,655,598)	(841,846)		(16,497,444)
Land Improvements	(250,196)	(2,082)		(252,278)
Machinery and equipment	<u>(1,648,779)</u>	<u>(99,666)</u>	-	<u>(1,748,445)</u>
Total accumulated depreciation	<u>(17,554,573)</u>	<u>(943,594)</u>	<u>-</u>	<u>(18,498,167)</u>
Total capital assets, being depreciated, net	<u>22,156,784</u>	<u>(738,262)</u>	<u>-</u>	<u>21,418,522</u>
Governmental Activities Capital Assets, Net	<u>\$ 22,228,387</u>	<u>\$ (738,262)</u>	<u>\$ -</u>	<u>\$ 21,490,125</u>

**CARTERET BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

	Balance, July 1, 2016	<u>Increases</u>	<u>Decreases</u>	Balance, June 30, 2017
Business-Type Activities:				
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	(497,181)	\$ (41,709)	-	(538,890)
Total accumulated depreciation	<u>(497,181)</u>	<u>(41,709)</u>	<u>-</u>	<u>(538,890)</u>
Total capital assets, being depreciated, net	<u>399,111</u>	<u>(41,709)</u>	<u>-</u>	<u>357,402</u>
Business-Type Activities Capital Assets, Net	<u>\$ 399,111</u>	<u>\$ (41,709)</u>	<u>\$ -</u>	<u>\$ 357,402</u>

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

Governmental activities:

Instruction	
Regular	\$ 19,973
Total Instruction	<u>19,973</u>

Support Services

Support Services - Student and Instruction Related Services	61,850
Plant Operations and Maintenance	857,640
Pupil Transportation	4,131
Total Support Services	<u>923,621</u>

Total Depreciation Expense - Governmental Activities	<u>\$ 943,594</u>
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Business-Type Activities:

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

**CARTERET BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2017, is as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 328,072
General Fund	Payroll Agency Fund	<u>6,500</u>
		<u>\$ 334,572</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 expenditures paid by one fund on behalf of another fund and/or to cover cash balances which were in an overdraft position.

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

F. Leases

Lease Purchase Agreements

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 April 15, 2019. 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, 2017**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

F. Leases (Continued)

Lease Purchase Agreements (Continued)

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.

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>	
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	480,000	127,012	607,012
2023-2027	2,575,000	465,137	3,040,137
2028-2031	<u>1,720,000</u>	<u>104,250</u>	<u>1,824,250</u>
Total	<u>\$ 8,920,000</u>	<u>\$ 1,456,932</u>	<u>\$ 10,376,932</u>

**CARTERET BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

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, 2017 is comprised of the following issue:

\$1,430,000, 2013 Pension Refunding Bonds, due in annual installments of \$180,000 to \$205,000 through March 15, 2021, interest at 3.50% \$770,000

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

Governmental Activities:

Fiscal Year Ending June 30,	<u>Pension Refunding Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 770,000</u>	<u>\$ 68,775</u>	<u>\$ 838,775</u>

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2017 was as follows:

4% of Equalized Valuation Basis (Municipal)	\$ 90,269,173
Less: Net Debt	<u>-</u>
Remaining Borrowing Power	<u>\$ 90,269,173</u>

**CARTERET BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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, 2017, was as follows:

	Balance, <u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, <u>June 30, 2017</u>	Due Within <u>One Year</u>
Governmental activities:					
Lease-Purchase Agreements ("COPS")	\$ 10,465,000		\$ (1,545,000)	\$ 8,920,000	\$ 1,580,000
Original Issue Discount	(41,231)	-	7,155	(34,076)	-
Lease-Purchase Agreements, net	10,423,769	-	(1,537,845)	8,885,924	1,580,000
Bonds payable	945,000		(175,000)	770,000	180,000
Net Pension Liability	12,900,005	\$ 5,675,936	(540,971)	18,034,970	
Compensated absences	3,551,899	-	(22,171)	3,529,728	352,973
Governmental activity Long-term liabilities	<u>\$ 27,820,673</u>	<u>\$ 5,675,936</u>	<u>\$ (2,275,987)</u>	<u>\$ 31,220,622</u>	<u>\$ 2,112,973</u>

For the governmental activities, the liabilities for compensated absences and not pension liability are generally liquidated by the general fund.

NOTE 5 OTHER INFORMATION

A. Risk Management

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

The District is a member of the New Jersey School'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.

**CARTERET BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

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.

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>
2017		\$ 85,736	\$ 107,858	\$ 321,710
2016		74,259	163,515	342,449
2015		67,622	104,143	431,705

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, 2017, 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, 2017, 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, 2017**

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.

**CARTERET BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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.

Funding Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the aggregate funded ratio for the State administered TPAF and local PERS retirement systems, is 28 percent with an unfunded actuarial accrued liability of \$108.6 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded TPAF system is 22.33 percent and \$79.0 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS is 40.14 percent and \$29.6 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, 2015 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 7.65 percent and (b) projected salary increases applied through the year 2026 of 1.65-5.15 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, 2017**

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 7.06% for PERS, 7.06% 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, 2017 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, 2017, 2016 and 2015 the Board was required to contribute for PERS and DCRP and the State of New Jersey was required to contribute for TPAF, respectively for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Fiscal Year Ended June 30,	<u>PERS</u>	On-behalf <u>TPAF</u>	<u>DCRP</u>
2017	\$ 540,971	\$ 2,786,794	\$ 2,007
2016	494,055	1,772,953	169
2015	481,768	1,205,308	

In addition for fiscal year 2016/2017 the District contributed \$869 for PERS and the State contributed \$7,169 for TPAF for Long Term Disability Insurance Premium (LTDI).

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 \$1,932,826 during the fiscal year ended June 30, 2017 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
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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, 2017, the District reported in the statement of net position (accrual basis) a liability of \$18,034,970 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of 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, 2016, the District's proportionate share was 0.06089 percent, which was an increase of .00342 percent from its proportionate share measured as of June 30, 2015 of 0.05747 percent.

For the fiscal year ended June 30, 2017, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$1,831,759 for PERS. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 335,396	
Changes of Assumptions	3,735,882	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	687,690	
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	<u>628,849</u>	<u>\$ 121,883</u>
Total	<u>\$ 5,387,817</u>	<u>\$ 121,883</u>

**CARTERET BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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)

At June 30, 2017, the 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>		
2018	\$	969,967
2019		969,967
2020		969,967
2021		969,967
2022		1,386,066
Thereafter		<u>-</u>
	<u>\$</u>	<u>5,265,934</u>

Actuarial Assumptions

The District's total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	<u>PERS</u>
Inflation Rate	3.08%
Salary Increases:	
Through 2026	1.65-4.15% Based on Age
Thereafter	2.65-5.15% Based on Age
Investment Rate of Return	7.65%
Mortality Rate Table	RP-2000

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

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

**CARTERET BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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, 2016 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%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate

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

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2017	June 30, 2016	3.98%

**CARTERET BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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, 2034

Municipal Bond Rate * From July 1, 2034
and Thereafter

* The municipal bond return rate used is 2.85% as of the measurement date of June 30, 2016. 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 3.98%, 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 (2.98 percent) or 1-percentage-point higher (4.98 percent) than the current rate:

	1% Decrease (<u>2.98%</u>)	Current Discount Rate (<u>3.98%</u>)	1% Increase (<u>4.98%</u>)
District's Proportionate Share of the PERS Net Pension Liability	<u>\$ 22,415,261</u>	<u>\$ 18,034,970</u>	<u>\$ 14,362,566</u>

The sensitivity analysis was based on the proportionate share of the District's net pension liability at June 30, 2016. 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.

**CARTERET BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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, 2017, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$13,088,750 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, 2017 the State's proportionate share of the net pension liability attributable to the District is \$174,200,588. 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, 2016. At June 30, 2016, the state's share of the net pension liability attributable to the District was 0.22144 percent, which was a decrease of 0.00150 percent from its proportionate share measured as of June 30, 2015 of 0.22294 percent.

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

TPAF

Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.65%

Assumptions for mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational bases based on a 60-year average of Social Security data from 1953 to 2013.

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

**CARTERET BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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, 2016 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%	0.39%
US Government Bonds	1.50%	1.28%
US Credit Bonds	13.00%	2.76%
US Mortgages	2.00%	2.38%
US Inflation-Indexed Bonds	1.50%	1.41%
US High Yield Bonds	2.00%	4.70%
US Equity Market	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.91%
Emerging Markets Equity	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	0.50%	2.87%
Hedge Funds - MultiStrategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%

**CARTERET BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2017	June 30, 2016	3.22%

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, 2029
Municipal Bond Rate *	From July 1, 2029 and Thereafter

* The municipal bond return rate used is 2.85% as of the measurement date of June 30, 2016. 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 3.22%, 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 (2.22 percent) or 1-percentage-point higher (4.22 percent) than the current rate:

	1% Decrease <u>(2.22%)</u>	Current Discount Rate <u>(3.22%)</u>	1% Increase <u>(4.22%)</u>
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	<u>\$ 207,030,887</u>	<u>\$ 174,200,588</u>	<u>\$ 145,915,320</u>

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the District at June 30, 2016. A sensitivity analysis specific to the State's proportionate share of the net pension liability attributable to the District at June 30, 2016 was not provided by the pension system.

**CARTERET BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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.

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 584 state and local participating employers and contributing entities for Fiscal Year 2016.

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.

**CARTERET BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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, 2015, the most recent actuarial valuation date, the State had a \$84.3 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$25.9 billion for state active and retired members and \$41.6 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, 2015, OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included 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, 2017**

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, 2016, there were 110,512 , retirees receiving post-retirement medical benefits and the State contributed \$1.37 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 (ABP) who retired from a board of education or county college with 25 years of service. The State paid \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016.

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, 2017, 2016 and 2015 were \$2,322,033, \$2,111,097 and \$1,913,429, 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.

F. Tax Abatements

As defined by the Governmental Accounting Standards Board (GASB), a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. School districts are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements, and that potential school tax revenue must be disclosed in these financial statements. If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district's local tax revenue because N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district.

For Carteret Board of Education, the District's share of abated taxes resulting from the municipality having entered into a tax abatement agreement is indeterminate.

BUDGETARY COMPARISON SCHEDULES

CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final Budget to Actual
REVENUES					
Local Sources					
Local Tax Levy	\$ 25,230,391		\$ 25,230,391	\$ 25,230,391	
Interest Income				25,080	\$ 25,080
Rents and Royalties	5,000		5,000		(5,000)
Miscellaneous	45,000		45,000	57,681	12,681
State Sources					
Equalization Aid	23,633,042		23,633,042	23,633,042	
Categorical Special Education Aid	2,287,579		2,287,579	2,287,579	
Security Aid	420,092		420,092	420,092	
Extraordinary Aid	350,000	\$ 311,860	661,860	661,860	
Categorical Transportation Aid	137,540		137,540	137,540	
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	
Professional Learning Community Aid	36,610		36,610	36,610	
Additional Nonpublic School Transportation Costs				18,384	18,384
On-behalf TPAF Social Security Payments (Non-Budget)				1,932,826	1,932,826
On-behalf TPAF Post Retirement Medical Contribution (Non-Budget)				2,322,033	2,322,033
On-behalf TPAF Pension System Contribution - Normal (Non-Budget)				2,689,353	2,689,353
On-behalf TPAF Pension System Contribution - NCGI (Non-Budget)				97,441	97,441
On-behalf TPAF Pension System Contribution - LTDI (Non-Budget)				7,169	7,169
Federal Sources					
ARRA- Medical Assistance Program (SEMI)				12,415	12,415
Medical Assistance Program (SEMI)	42,848	-	42,848	167,102	124,254
Total Revenues	52,761,982	311,860	53,073,842	60,310,478	7,236,636
EXPENDITURES					
CURRENT EXPENDITURES					
Instruction - Regular Programs					
Salaries of Teachers					
Preschool	147,504	(36,950)	110,554	109,690	864
Grades 1-5	7,503,304	(268,503)	7,234,801	7,204,161	30,640
Grades 6-8	3,533,466	(136,822)	3,396,644	3,349,817	46,827
Grades 9-12	4,911,668	183,613	5,095,281	5,081,244	14,037
Regular Programs - Home Instruction					
Salaries of Teachers	25,000	15,716	40,716	40,715	1
Purchased Professional-Educational Services	83,300	(53,989)	29,311	16,844	12,467
General Supplies		5,000	5,000	245	4,755
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	153,919	62,900	216,819	215,648	1,171
Purchased Professional-Educational Services	130,000	25,006	155,006	150,006	5,000
Purchased Technical Services		800	800	770	30
Other Purchased Services	2,875	-	2,875	118	2,757
General Supplies	322,818	(10,133)	312,685	267,186	45,499
Textbooks	39,553	(25,749)	13,804	9,936	3,868
Other Objects	645,464	(179,287)	466,177	451,940	14,237
Total Regular Programs	17,498,871	(418,398)	17,080,473	16,898,320	182,153

CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final Budget to Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Special Education					
Learning and/or Language Disabilities					
Salaries of Teachers	\$ 350,433	\$ 10,243	\$ 360,676	\$ 360,676	\$ -
Other Salaries for Instruction	183,865	96	183,961	160,976	22,985
Purchased Professional-Educational Services	25,000	54,302	79,302	79,302	-
General Supplies	-	150	150	150	-
Total Learning and/or Language Disabilities	559,298	64,791	624,089	601,104	22,985
Behavioral Disabilities					
Other Salaries for Instruction	-	-	-	-	-
Purchased Professional-Educational Services	-	25,000	25,000	20,069	4,931
Total Behavioral Disabilities	-	25,000	25,000	20,069	4,931
Multiple Disabilities					
Salaries of Teachers	218,400	6,394	224,794	205,324	19,470
Other Salaries for Instruction	73,946	(1,000)	72,946	72,927	19
Purchased Professional-Educational Services	125,000	(91,750)	33,250	33,250	-
Total Multiple Disabilities	417,346	(86,356)	330,990	311,501	19,489
Resource Room/Resource Center					
Salaries of Teachers	3,245,443	(10,700)	3,234,743	3,161,143	73,600
Other Salaries for Instruction	513,122	(36,486)	476,636	474,972	1,664
Purchased Professional-Educational Services	200,000	(32,992)	167,008	138,702	28,306
Total Resource Room	3,958,565	(80,178)	3,878,387	3,774,817	103,570
Autism					
Other Salaries for Instruction	-	36,973	36,973	36,972	1
Purchased Professional-Educational Services	-	25,000	25,000	11,728	13,272
Total Autism	-	61,973	61,973	48,700	13,273
Preschool Disabilities - Full Time					
Salaries of Teachers	93,776	-	93,776	93,776	-
Other Salaries for Instruction	73,946	1,111	75,057	72,835	2,222
Purchased Professional-Educational Services	25,000	25,000	50,000	38,683	11,317
Total Preschool Disabilities - Full Time	192,722	26,111	218,833	205,294	13,539
Total Special Education	5,127,931	11,341	5,139,272	4,961,485	177,787
Bilingual Education					
Salaries of Teachers	1,377,144	63,500	1,440,644	1,426,146	14,498
Other Salaries for Instruction	36,973	-	36,973	36,972	1
Purchased Professional-Educational Services	25,000	3,755	28,755	28,755	-
Total Bilingual Education	1,439,117	67,255	1,506,372	1,491,873	14,499

CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
School-Sponsored Co/Extra Curricular Activities - Instruction					
Salaries	\$ 58,487	-	\$ 58,487	\$ 49,903	\$ 8,584
Total School-Sponsored Co/Extra Curricular Activities	58,487	-	58,487	49,903	8,584
School Sponsored Athletics - Instruction					
Salaries	208,353	\$ 9,700	218,053	218,047	6
Purchased Services	36,850	(9,700)	27,150	18,273	8,877
Supplies and Materials	103,050	-	103,050	58,892	44,158
Other Objects	20,870	-	20,870	17,297	3,573
Total School Sponsored Athletics	369,123	-	369,123	312,509	56,614
Total Instruction	24,493,529	(339,802)	24,153,727	23,714,090	439,637
Undistributed Expenditures-					
Instruction					
Tuition to Other LEA's Within the State - Regular	75,000	(2,455)	72,545	52,315	20,230
Tuition to Other LEA's Within the State - Special	313,887	(29,311)	284,576	271,962	12,614
Tuition to CSSD & Regional Day Schools	1,650,458	648,889	2,299,347	2,203,334	96,013
Tuition to Private Schools for Disabled - Within State	1,770,880	(257,665)	1,513,215	1,382,357	130,858
Tuition - State Facilities	216,185	13,290	229,475	216,185	13,290
Tuition - Other	95,045	11,825	106,870	48,389	58,481
Total Undistributed Expenditures - Instruction	4,121,455	384,573	4,506,028	4,174,542	331,486
Attendance and Social Work					
Salaries	354,903	(22,510)	332,393	323,888	8,505
Purchased Professional and Technical Services	8,500	10,129	18,629	18,627	2
Supplies and Materials	1,500	772	2,272	1,525	747
Other Objects	100	-	100	-	100
Total Attendance and Social Work	365,003	(11,609)	353,394	344,040	9,354
Health Services					
Salaries	439,482	5,410	444,892	444,868	24
Purchased Professional and Technical Services	18,100	14,705	32,805	30,222	2,583
Supplies and Materials	4,500	(415)	4,085	3,692	393
Other Objects	500	(419)	81	-	81
Total Health Services	462,582	19,281	481,863	478,782	3,081

**CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Speech, OT, PT and Related Svcs.					
Salaries	\$ 418,859	\$ (24,512)	\$ 394,347	\$ 385,938	\$ 8,409
Purchased Professional-Educational Services		13,300	13,300	13,300	
Supplies and Materials	15,000	(3,202)	11,798	9,147	2,651
Total Speech, OT, PT and Related Svcs.	433,859	(14,414)	419,445	408,385	11,060
Guidance					
Salaries of Other Professional Staff	697,296	(35,481)	661,815	642,460	19,355
Salaries of Secretarial and Clerical Assistants	57,735	1	57,736	57,736	-
Purchased Professional-Educational Services	-	26,412	26,412	21,053	5,359
Other Purchased Professional and Technical Services	138,463	35,415	173,878	171,421	2,457
Other Purchased Services	19,700	4,712	24,412	22,289	2,123
Supplies and Materials	149,550	(53,611)	95,939	94,659	1,280
Other Objects	1,250	-	1,250	618	632
Total Guidance	1,063,994	(22,552)	1,041,442	1,010,236	31,206
Child Study Teams					
Salaries of Other Professional Staff	1,129,968	12,047	1,142,015	1,140,975	1,040
Salaries of Secretarial and Clerical Assistants	98,929	375	99,304	99,303	1
Purchased Professional-Educational Services	456,250	(118,895)	337,355	229,339	108,016
Other Purchased Professional and Technical Services	548,094	128,612	676,706	620,225	56,481
Other Purchases Services	4,000	2,550	6,550	6,027	523
Supplies and Materials	1,500	11,977	13,477	13,428	49
Total Child Study Teams	2,238,741	36,666	2,275,407	2,109,297	166,110
Improvement of Instructional Services					
Salaries of Supervisor of Instruction		200	200	-	200
Salaries of Other Professional Staff	5,000	38,500	43,500	43,500	-
Salaries of Secretarial and Clerical Assistants	58,235	1	58,236	58,236	-
Salaries of Facilitators, Math & Literacy Coaches	512,237	(94,910)	417,327	417,327	-
Purchased Professional - Educational Services	33,500	6,274	39,774	10,110	29,664
Other Purchased Services	5,800	(1,075)	4,725	4,053	672
Supplies and Materials	2,000	(130)	1,870	1,855	15
Other Objects	-	-	-	-	-
Total Improvement of Instructional Services	616,772	(51,140)	565,632	535,081	30,551
Educational Media Services/School Library					
Salaries	36,973	-	36,973	36,972	1
Purchased Professional and Technical Services	9,947	-	9,947	7,240	2,707
Supplies and Materials	1,851	295	2,146	1,012	1,134
Total Educational Media Serv./School Library	48,771	295	49,066	45,224	3,842
Instructional Staff Training Services					
Salaries of Other Professional Staff	-	6,700	6,700	6,000	700
Purchased Professional - Educational Services	37,625	(9,200)	28,425	20,978	7,447
Other Objects	-	-	-	-	-
Total Instructional Staff Training Services	37,625	(2,500)	35,125	26,978	8,147

(Continued)

CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Support Services - General Administration					
Salaries	\$ 482,113	\$ 5,002	\$ 487,115	\$ 484,198	\$ 2,917
Legal Services	125,000	-	125,000	106,649	18,351
Audit Fees	45,000	-	45,000	41,300	3,700
Architectural /Engineering Services	75,000	31,000	106,000	4,200	101,800
Other Purchased Professional Services	53,335	6,016	59,351	21,126	38,225
Communications/Telephone	182,598	-	182,598	148,328	34,270
BOE Other Purchased Services	6,700	271	6,971	3,894	3,077
Misc Purchased Services	7,375	20,402	27,777	13,350	14,427
General Supplies	4,000	900	4,900	3,826	1,074
Judgements	25,000	(7,178)	17,822	3,155	14,667
Miscellaneous Expenditures	25,375	(18,595)	6,780	4,677	2,103
BOE Membership Dues and Fees	22,527	-	22,527	21,935	592
Total Support Services - General Administration	1,054,023	37,818	1,091,841	856,638	235,203
Support Services - School Administration					
Salaries of Principal/Asst. Principals	1,827,159	153,070	1,980,229	1,980,182	47
Salaries of Secretarial and Clerical Assistants	213,183	475	213,658	213,657	1
Other Purchased Services	3,550	(45)	3,505	490	3,015
Supplies and Materials	32,956	(640)	32,316	21,137	11,179
Total Support Services - School Administration	2,076,848	152,860	2,229,708	2,215,466	14,242
Central Services					
Salaries	441,912	5,000	446,912	441,320	5,592
Purchased Professional Services	57,795	(6,500)	51,295	36,829	14,466
Purchased Technical Services	40,000	1,160	41,160	11,580	29,580
Supplies and Materials	13,661	13,214	26,875	(3,063)	29,938
Interest on Lease Purchase Agreements	2,413	-	2,413	-	2,413
Other Objects	9,345	3,263	12,608	10,328	2,280
Total Central Services	565,126	16,137	581,263	496,994	84,269
Administrative Information Technology					
Salaries	342,319	(11,725)	330,594	329,972	622
Other Purchased Services	2,150	-	2,150	-	2,150
Total Administrative Information Technology	344,469	(11,725)	332,744	329,972	2,772
Required Maintenance for School Facilities					
Salaries	730,177	9,976	740,153	631,154	108,999
Cleaning, Repair and Maintenance Services	639,328	25,304	664,632	484,068	180,564
General Supplies	145,900	36,306	182,206	180,009	2,197
Other Objects	6,935	1,365	8,300	2,739	5,561
Total Required Maintenance for School Facilities	1,522,340	72,951	1,595,291	1,297,970	297,321

**CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Custodial Services					
Salaries	\$ 1,298,079	\$ 41,936	\$ 1,340,015	\$ 1,323,843	\$ 16,172
Purchased Professional and Technical Services	17,000	-	17,000	16,336	664
Cleaning, Repair and Maintenance Services	24,000	-	24,000	21,732	2,268
Other Purchased Property Services	106,200	(17,000)	89,200	65,168	24,032
Insurance	443,786	-	443,786	351,642	92,144
General Supplies	102,800	-	102,800	78,589	24,211
Energy (Natural Gas)	163,000	-	163,000	82,985	80,015
Energy (Electricity)	480,000	(43,000)	437,000	425,940	11,060
Total Custodial Services	<u>2,634,865</u>	<u>(18,064)</u>	<u>2,616,801</u>	<u>2,366,235</u>	<u>250,566</u>
Care and Upkeep of Grounds					
Salaries	64,507	15,000	79,507	72,984	6,523
General Supplies	25,400	(15,000)	10,400	-	10,400
Other Objects	6,000	-	6,000	-	6,000
Total Care and Upkeep of Grounds	<u>95,907</u>	<u>-</u>	<u>95,907</u>	<u>72,984</u>	<u>22,923</u>
Security					
Salaries	301,780	16,356	318,136	317,236	900
Purchased Professional and Technical Services	28,450	(16,356)	12,094	2,400	9,694
General Supplies	7,300	-	7,300	2,500	4,800
Total Security	<u>337,530</u>	<u>-</u>	<u>337,530</u>	<u>322,136</u>	<u>15,394</u>
Student Transportation Services					
Salaries for Pupil Transportation(Bet Home & Sch) Reg	45,900	6,101	52,001	52,000	1
Management Fee-ESC and CTSA Transportation Prog.	60,000	-	60,000	51,872	8,128
Contracted Services - Aid in Lieu of Payments - Non Public	125,528	(10,580)	114,948	75,670	39,278
Contracted Svcs. (Between Home & School) - Vendors	548,720	(25,001)	523,719	522,324	1,395
Contracted Services (Other than Between Home and School) - Vendors	115,545	30	115,575	85,030	30,545
Contracted Services (Special Ed. Students)- Vendors	221,270	(19,700)	201,570	186,765	14,805
Contracted Services (Regular Students) - ESCs and CTSA	27,500	59,700	87,200	84,518	2,682
Contracted Services (Special Ed. Students)- ESCs and CTSA	1,819,585	(47,750)	1,771,835	1,579,827	192,008
Total Student Transportation Services	<u>2,964,048</u>	<u>(37,200)</u>	<u>2,926,848</u>	<u>2,638,006</u>	<u>288,842</u>

CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Unallocated Benefits - Employee Benefits					
Social Security Contributions	\$ 525,000	\$ -	\$ 525,000	\$ 497,031	\$ 27,969
Other Retirement Contributions - PERS	557,614	(15,774)	541,840	541,840	
Workmen's Compensation	247,350	33,067	280,417	280,417	
Health Benefits	7,209,536	295,413	7,504,949	7,161,905	343,044
Tuition Reimbursement	130,000	(9,146)	120,854	70,871	49,983
Other Employee Benefits	295,200	133,300	428,500	323,861	104,639
	<u>8,964,700</u>	<u>436,860</u>	<u>9,401,560</u>	<u>8,875,925</u>	<u>525,635</u>
Total Unallocated Benefits-Employee Benefits					
On-behalf TPAF Pension System Contribution - Normal (Non-Budget)				2,689,353	(2,689,353)
On-behalf TPAF Pension System Contribution - NCGI (Non-Budget)				97,441	(97,441)
On-behalf TPAF Pension System Contribution - LTDI (Non-Budget)				7,169	(7,169)
On-behalf TPAF Post Retirement Medical Contribution (Non-Budget)				2,322,033	(2,322,033)
On-behalf TPAF Social Security Payments (Non-Budget)	-	-	-	1,932,826	(1,932,826)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,048,822</u>	<u>(7,048,822)</u>
Total On-Behalf TPAF					
Total Undistributed Expenditures	<u>29,948,658</u>	<u>988,237</u>	<u>30,936,895</u>	<u>35,653,713</u>	<u>(4,716,818)</u>
Total Expenditures - Current Expenditures	<u>54,442,187</u>	<u>648,435</u>	<u>55,090,622</u>	<u>59,367,803</u>	<u>(4,277,181)</u>
CAPITAL OUTLAY					
Equipment					
Grade 9-12		22,000	22,000	21,690	310
Undistributed Expenditures					
Admin Info. Tech.		105,882	105,882	105,881	1
Required Maintenance for School Facilities	100,000	(35,600)	64,400	36,615	27,785
Custodial Services	25,000	-	25,000	-	25,000
	<u>125,000</u>	<u>92,282</u>	<u>217,282</u>	<u>164,186</u>	<u>53,096</u>
Total Equipment					
Facilities Acquisition and Construction Services					
Assessment for Debt Service on SDA Funding	348	-	348	348	-
	<u>348</u>	<u>-</u>	<u>348</u>	<u>348</u>	<u>-</u>
Total Facilities Acquisition and Construction Services					
Total Capital Outlay	<u>125,348</u>	<u>92,282</u>	<u>217,630</u>	<u>164,534</u>	<u>53,096</u>

(Continued)

CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
SPECIAL SCHOOLS					
Other Special Schools - Instruction					
Salaries of Teachers	\$ 45,000	1,092	\$ 46,092	\$ 46,092	\$ -
Other Salaries for Instruction	35,000	(8,992)	26,008	15,444	10,564
Total Other Special Schools - Instruction	80,000	(7,900)	72,100	61,536	10,564
Total Special Schools	80,000	(7,900)	72,100	61,536	10,564
Transfer of Funds to Charter Schools	14,554	43,020	57,574	57,574	-
Total Expenditures	54,662,089	\$ 775,837	55,437,926	59,651,447	(4,213,521)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(1,900,107)	(463,977)	(2,364,084)	659,031	3,023,115
Change in Fund Balance	(1,900,107)	(463,977)	(2,364,084)	659,031	3,023,115
Fund Balance, Beginning of Year	3,100,554	-	3,100,554	3,100,554	-
Fund Balance, End of Year	\$ 1,200,447	\$ (463,977)	\$ 736,470	\$ 3,759,585	\$ 3,023,115
Recapitulation Of Fund Balance:					
Restricted Fund Balance:					
Capital Reserve				\$ 1,400,000	
Assigned Fund Balance:					
Designated for Subsequent Year's Expenditures				1,893,228	
Year End Encumbrances				303,159	
Unassigned Fund Balance				163,198	
Reconciliation to Governmental Fund Statement (GAAP)				3,759,585	
State Aid Payments Not Recognized on GAAP Basis					
Extraordinary Aid			\$ 661,860		
Delayed State Aid Payments			2,680,571		
				3,342,431	
Fund Balance Per Governmental Funds (GAAP)				\$ 417,154	

**CARTERET BOARD OF EDUCATION
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

**COMMUNITY DEVELOPMENT BLOCK GRANT
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

**CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
REVENUES					
Intergovernmental					
State	\$ 1,019,158	\$ 27,104	\$ 1,046,262	\$ 1,031,951	\$ (14,311)
Local		32,433	32,433	28,674	(3,759)
Federal	1,920,400	400,228	2,320,628	2,253,212	(67,416)
Total Revenues	<u>2,939,558</u>	<u>459,765</u>	<u>3,399,323</u>	<u>3,313,837</u>	<u>(85,486)</u>
EXPENDITURES					
Instruction					
Salaries of Teachers	1,301,544	(417,792)	883,752	878,446	5,306
Salaries of Supervisors of Instruction		55,740	55,740	53,721	2,019
Other Salaries for Instruction		238,105	238,105	237,501	604
Purch. Prof./Tech. Services	270,478	164,555	435,033	433,233	1,800
Tuition	856,600	7,668	864,268	864,268	-
General Supplies	8,600	31,353	39,953	35,775	4,178
Textbooks	9,600	1,755	11,355	11,355	-
Other Objects	-	2,367	2,367	2,298	69
Total Instruction	<u>2,446,822</u>	<u>83,751</u>	<u>2,530,573</u>	<u>2,516,597</u>	<u>13,976</u>
Support Services					
Salaries of Teachers	183,700	(92,430)	91,270	73,523	17,747
Salaries of Supervisors of Instruction		54,061	54,061	54,061	-
Salaries of Other Professional Staff		15,882	15,882	15,882	-
Purchased Professional/Educational Services	116,865	141,374	258,239	222,920	35,319
Other Purchased Services		60,937	60,937	51,986	8,951
Supplies and Materials	1,994	24,112	26,106	23,812	2,294
Other Objects	-	3,938	3,938	3,938	-
Total Support Services	<u>302,559</u>	<u>207,874</u>	<u>510,433</u>	<u>446,122</u>	<u>64,311</u>
Employee Benefits					
Personal Services - Employee Benefits	190,177	168,140	358,317	351,118	7,199
Total Allocated Benefits	<u>190,177</u>	<u>168,140</u>	<u>358,317</u>	<u>351,118</u>	<u>7,199</u>
Total Expenditures	<u>2,939,558</u>	<u>459,765</u>	<u>3,399,323</u>	<u>3,313,837</u>	<u>85,486</u>
Total Outflows	<u>2,939,558</u>	<u>459,765</u>	<u>3,399,323</u>	<u>3,313,837</u>	<u>85,486</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				\$ (60,609)	
Fund Balance (Deficit) per Governmental Fund Statements (GAAP)				<u>\$ (60,609)</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, 2017**

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.

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue"		
from the budgetary comparison schedules (Exhibits C-1 and C-2)	\$ 60,310,478	\$ 3,313,837
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year, Net		22,032
Current Year		(71,183)
State Aid payments recognized for GAAP purpose not recognized for Budgetary statements (Prior Year), Net	3,329,689	73,591
State Aid payments recognized for budgetary purpose not recognized for GAAP statements (Current Year)	<u>(3,342,431)</u>	<u>(60,609)</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 60,297,736</u>	<u>\$ 3,277,668</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 59,651,447	\$ 3,313,837
Differences - Budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Prior Year, Net		22,032
Current Year	-	(71,183)
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 59,651,447</u>	<u>\$ 3,264,686</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 Four Fiscal Years ***

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0.06089%	0.05747%	0.05844%	0.05775%
District's Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 18,034,970</u>	<u>\$ 12,900,005</u>	<u>\$ 10,941,522</u>	<u>\$ 11,037,440</u>
District's Covered-Employee Payroll	<u>\$ 4,203,373</u>	<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	429%	312%	268%	276%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	40.14%	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 Four Fiscal Years**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 540,971	\$ 494,055	\$ 481,768	\$ 435,433
Contributions in Relation to the Contractually Required Contributions	<u>540,971</u>	<u>494,055</u>	<u>481,768</u>	<u>435,433</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered- Employee Payroll	<u>\$ 4,203,373</u>	<u>\$ 4,136,669</u>	<u>\$ 4,081,927</u>	<u>\$ 3,996,800</u>
Contributions as a Percentage of Covered-Employee Payroll	12.87%	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 Four Fiscal Years ***

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0%	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>174,200,588</u>	<u>140,909,092</u>	<u>122,101,519</u>	<u>121,216,238</u>
Total	<u>\$ 174,200,588</u>	<u>\$ 140,909,092</u>	<u>\$ 122,101,519</u>	<u>\$ 121,216,238</u>
District's Covered-Employee Payroll	<u>\$ 25,807,372</u>	<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%	0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	22.33%	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, 2017**

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, 2017

	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	\$ 43,894	\$ 5,481	\$ 5,981	\$ 14,949	\$ 10,602	\$ 11,221	\$ 628,311	\$ 311,512		\$ 1,031,951
Local								28,674		28,674
Federal	-	-	-	-	-	-	-	1,131,896	\$ 1,121,316	2,253,212
Total Revenues	<u>\$ 43,894</u>	<u>\$ 5,481</u>	<u>\$ 5,981</u>	<u>\$ 14,949</u>	<u>\$ 10,602</u>	<u>\$ 11,221</u>	<u>\$ 628,311</u>	<u>\$ 1,472,082</u>	<u>\$ 1,121,316</u>	<u>\$ 3,313,837</u>
EXPENDITURES										
Instruction										
Salaries of Teachers							\$ 305,508	\$ 526,228	\$ 46,710	\$ 878,446
Salaries of Supervisors of Instruction								53,721		53,721
Other Salaries for Instruction							180,906	55,740	855	237,501
Purch. Prof./Tech. Services								324,168	109,065	433,233
Tuition									864,268	864,268
General Supplies								26,352	9,423	35,775
Textbooks								11,355		11,355
Other Objects	-	-	-	-	-	-	-	1,667	631	2,298
Total Instruction	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>486,414</u>	<u>999,231</u>	<u>1,030,952</u>	<u>2,516,597</u>
Support Services										
Salaries of Teachers								73,523		73,523
Salaries of Supervisors of Instruction								54,061		54,061
Salaries of Other Professional Staff								15,882		15,882
Personal Services - Employee Benefits							123,748	227,370		351,118
Purch. Prof./Tech. Services										-
Purchased Professional										
Educational Services	\$ 43,894	\$ 5,481	\$ 5,981	\$ 14,949	\$ 10,602	\$ 11,221	13,220	54,382	63,190	222,920
Other Purchased Services								29,247	22,739	51,986
Supplies and Materials							4,929	14,448	4,435	23,812
Other Objects	-	-	-	-	-	-	-	3,938	-	3,938
Total Support Services	<u>43,894</u>	<u>5,481</u>	<u>5,981</u>	<u>14,949</u>	<u>10,602</u>	<u>11,221</u>	<u>141,897</u>	<u>472,851</u>	<u>90,364</u>	<u>797,240</u>
Capital Outlay:										
Instructional Equipment	-	-	-	-	-	-	-	-	-	-
Total Expenditures	<u>\$ 43,894</u>	<u>\$ 5,481</u>	<u>\$ 5,981</u>	<u>\$ 14,949</u>	<u>\$ 10,602</u>	<u>\$ 11,221</u>	<u>\$ 628,311</u>	<u>\$ 1,472,082</u>	<u>\$ 1,121,316</u>	<u>\$ 3,313,837</u>

Continued

CARTERET BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Nonpublic Nursing	Nonpublic Textbooks	Nonpublic Technology	NJSBAIG Safety Grant	Nonpublic Security	AT&T JAG Grant	NJ STEM Grant	School Based Youth Services	Title I	Title II A	Page 2 Total
REVENUES											
State	\$ 14,707	\$ 11,355	\$ 5,122		\$ 9,850			\$ 270,478			\$ 311,512
Local				\$ 11,433		\$ 11,252	\$ 5,989				28,674
Federal	-	-	-	-	-	-	-	-	\$ 998,943	\$ 132,953	1,131,896
Total Revenues	\$ 14,707	\$ 11,355	\$ 5,122	\$ 11,433	\$ 9,850	\$ 11,252	\$ 5,989	\$ 270,478	\$ 998,943	\$ 132,953	\$ 1,472,082
EXPENDITURES											
Instruction											
Salaries of Teachers									\$ 526,228		\$ 526,228
Salaries of Supervisors of Instruction									53,721		53,721
Other Salaries for Instruction									55,740		55,740
Purchased Prof./Educational Services											-
Purch. Prof./Tech. Services								\$ 270,478	53,690		324,168
General Supplies			\$ 5,122		\$ 9,850		\$ 5,989		5,391		26,352
Textbooks		\$ 11,355									11,355
Other Objects	-	-	-	-	-	-	-	-	1,667	-	1,667
Total Instruction	-	11,355	5,122	-	9,850	-	5,989	270,478	696,437	-	999,231
Support Services											
Salaries of Teachers										\$ 73,523	73,523
Salaries of Supervisors of Instruction									54,061		54,061
Salaries of Other Professional Staff									15,882		15,882
Personal Services - Employee Benefits									207,446	19,924	227,370
Purchased Professional Educational Services	\$ 14,707								11,000	28,675	54,382
Other Purchased Services						\$ 11,252			7,884	10,111	29,247
Supplies and Materials				\$ 11,433					2,295	720	14,448
Other Objects	-	-	-	-	-	-	-	-	3,938	-	3,938
Total Support Services	14,707	-	-	11,433	-	11,252	-	-	302,506	132,953	472,851
Capital Outlay:											
Instructional Equipment	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	\$ 14,707	\$ 11,355	\$ 5,122	\$ 11,433	\$ 9,850	\$ 11,252	\$ 5,989	\$ 270,478	\$ 998,943	\$ 132,953	\$ 1,472,082

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Continued

**CARTERET BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Title III</u>	<u>I.D.E.A. Basic</u>	<u>I.D.E.A. Preschool</u>	<u>Page 3 Total</u>
REVENUES				
Federal	\$ 112,601	\$ 980,591	\$ 28,124	\$ 1,121,316
Total Revenues	<u>\$ 112,601</u>	<u>\$ 980,591</u>	<u>\$ 28,124</u>	<u>\$ 1,121,316</u>
EXPENDITURES				
Instruction				
Salaries of Teachers	\$ 46,710			\$ 46,710
Other Salaries for Instruction	855			855
Purch. Prof./Tech. Services	11,668	\$ 97,397		109,065
Tuition		836,144	\$ 28,124	864,268
General Supplies	9,423			9,423
Other Objects	631	-	-	631
Total Instruction	<u>69,287</u>	<u>933,541</u>	<u>28,124</u>	<u>1,030,952</u>
Support Services				
Purchased Professional				
Educational Services	28,190	35,000		63,190
Other Purchased Services	10,689	12,050		22,739
Supplies and Materials	4,435	-	-	4,435
Total Support Services	<u>43,314</u>	<u>47,050</u>	<u>-</u>	<u>90,364</u>
Capital Outlay:				
Instructional Equipment	-	-	-	-
Total Expenditures	<u>\$ 112,601</u>	<u>\$ 980,591</u>	<u>\$ 28,124</u>	<u>\$ 1,121,316</u>

**CARTERET BOARD OF EDUCATION
SPECIAL REVENUE FUND
SCHEDULE OF PRESCHOOL EDUCATION AID
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance</u>
Expenditures:			
Instruction:			
Salaries of Teachers	\$ 305,508	\$ 305,508	
Other Salaries of Instruction	182,365	180,906	\$ 1,459
Total Instruction	<u>487,873</u>	<u>486,414</u>	<u>1,459</u>
Support Services:			
Employee Benefits	123,748	123,748	
Purchased Professional Educational Services	14,065	13,220	845
Supplies and Materials	5,094	4,929	165
Total Support Services	<u>142,907</u>	<u>141,897</u>	<u>1,010</u>
Total Expenditures	<u>\$ 630,780</u>	<u>\$ 628,311</u>	<u>\$ 2,469</u>

CALCULATION OF BUDGET & CARRYOVER

Total revised 2016-2017 Preschool Education Aid Allocation	\$ 630,780
Add: Actual PEA Carryover (June 30, 2016)	-
Add: Budgeted Transfer from the General Fund 2016-2017	-
Total Preschool Education Aid Funds Available for 2016-2017 Budget	<u>630,780</u>
Less: 2016-2017 Budgeted Preschool Education Aid (Including Prior Year Budgeted Carryover)	<u>630,780</u>
Available & Unbudgeted Preschool Education Aid Funds as of June 30, 2017	-
Add: June 30, 2017 Unexpended Preschool Education Aid	2,469
Less: 2016-2017 Commissioner-approved Transfer to the General Fund	-
2016-2017 Carryover - Preschool Education Aid	<u>\$ 2,469</u>
2016-2017 Preschool Education Aid Carryover Budgeted for Preschool Programs 2017-2018	<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, 2017**

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, 2017**

NOT APPLICABLE

ENTERPRISE FUND

EXHIBIT G-1

**CARTERET BOARD OF EDUCATION
ENTERPRISE FUND
COMBINING STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

EXHIBIT G-2

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

EXHIBIT G-3

**COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

FIDUCIARY FUNDS

**CARTERET BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AS OF JUNE 30, 2017**

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 134,841	\$ 306,209	\$ 441,050
Total Assets	<u>\$ 134,841</u>	<u>\$ 306,209</u>	<u>\$ 441,050</u>
LIABILITIES			
Due to Student Groups	\$ 134,841		\$ 134,841
Payroll Deductions and Withholdings		\$ 299,709	299,709
Due to Other Funds	<u>-</u>	<u>6,500</u>	<u>6,500</u>
Total Liabilities	<u>\$ 134,841</u>	<u>\$ 306,209</u>	<u>\$ 441,050</u>

**CARTERET BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

THIS STATEMENT IS NOT APPLICABLE

**STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Balance, July 1, 2016</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2017</u>
ELEMENTARY SCHOOLS				
Columbus	\$ 700	\$ 25,055	\$ 23,388	\$ 2,367
Nicholas Minue	11,574	39,010	35,024	15,560
Nathan Hale	<u>2,814</u>	<u>19,299</u>	<u>18,546</u>	<u>3,567</u>
Total Elementary Schools	<u>15,088</u>	<u>83,364</u>	<u>76,958</u>	<u>21,494</u>
JUNIOR HIGH SCHOOL				
Student Activities Fund	<u>2,599</u>	<u>41,446</u>	<u>43,659</u>	<u>386</u>
Total Junior High School	<u>2,599</u>	<u>41,446</u>	<u>43,659</u>	<u>386</u>
SENIOR HIGH SCHOOL				
Carteret Senior High School				
Student Activities Fund	102,635	148,946	142,761	108,820
Athletic Fund	<u>4,456</u>	<u>31,271</u>	<u>31,586</u>	<u>4,141</u>
Total Senior High School	<u>107,091</u>	<u>180,217</u>	<u>174,347</u>	<u>112,961</u>
Total All Schools	<u>\$ 124,778</u>	<u>\$ 305,027</u>	<u>\$ 294,964</u>	<u>\$ 134,841</u>

**CARTERET BOARD OF EDUCATION
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Balance, July 1, 2016</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2017</u>
ASSETS				
Cash	\$ 299,266	\$ 37,924,081	\$ 37,917,138	\$ 306,209
Total Assets	<u>\$ 299,266</u>	<u>\$ 37,924,081</u>	<u>\$ 37,917,138</u>	<u>\$ 306,209</u>
LIABILITIES				
Due to Other Funds	\$ 6,500	\$ 2,114	\$ 2,114	\$ 6,500
Payroll Deductions and Withholdings	292,766	18,659,570	18,652,627	299,709
Accrued Salaries and Wages	<u>-</u>	<u>19,262,397</u>	<u>19,262,397</u>	<u>-</u>
Total Liabilities	<u>\$ 299,266</u>	<u>\$ 37,924,081</u>	<u>\$ 37,917,138</u>	<u>\$ 306,209</u>

LONG-TERM DEBT

CARTERET BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF BONDS PAYABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<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, 2016</u>	<u>Retired Current Year</u>	<u>Balance June 30, 2017</u>
Pension Obligation Refunding Bonds, Series 2013	December 12, 2013	\$ 1,430,000	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%	\$ 945,000	\$ 175,000	\$ 770,000
						\$ 945,000	\$ 175,000	\$ 770,000

**CARTERET BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CERTIFICATES OF PARTICIPATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Interest Rate Payable on Remaining Balance	Amount of Original Issue	Balance, July 1, 2016	Retired Current Year	Balance, June 30, 2017
2010 Refunding (COP)	3.375 - 3.625	\$ 9,375,000	\$ 3,480,000	\$ 1,125,000	\$ 2,355,000
2015 Refunding (COP)	2.00 - 4.00	7,455,000	<u>6,985,000</u>	<u>420,000</u>	<u>6,565,000</u>
			<u>\$ 10,465,000</u>	<u>\$ 1,545,000</u>	<u>\$ 8,920,000</u>

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Note: COP Indicates Certificates of Participation

**CARTERET BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

**CARTERET BOARD OF EDUCATION
LONG-TERM DEBT
DEBT SERVICE FUND BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Local Sources					
Local Tax Levy	\$ 1,433,812		\$ 1,433,812	\$ 1,414,624	\$ (19,188)
State Sources					
State Aid Type II	644,900	-	644,900	644,900	-
Total Revenues	<u>2,078,712</u>	<u>-</u>	<u>2,078,712</u>	<u>2,059,524</u>	<u>(19,188)</u>
EXPENDITURES					
Regular Debt Service					
Principal on Lease Purchase - COPS	1,545,000		1,545,000	1,545,000	
Interest on Lease Purchase - COPS	325,638		325,638	306,450	19,188
Interest on Early Retirement Bonds	33,075		33,075	33,075	
Principal on Early Retirement Bonds	175,000	-	175,000	175,000	-
Total Expenditures	<u>2,078,713</u>	<u>-</u>	<u>2,078,713</u>	<u>2,059,525</u>	<u>19,188</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1)</u>	<u>-</u>	<u>(1)</u>	<u>(1)</u>	<u>-</u>
Net Change in Fund Balance	(1)	-	(1)	(1)	-
Fund Balance, Beginning of Year	501	-	501	501	-
Fund Balance, End of Year	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ -</u>
<u>Recapitulation of Fund Balance:</u>					
Restricted for Debt Service:					
Designated for Subsequent Year's Budgeted Debt Service Expenditures				<u>\$ 500</u>	
Total Fund Balance - Restricted for Debt Service				<u>\$ 500</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)**

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
					(Restated)		(Restated)			
Governmental Activities										
Net Investment in Capital Assets	\$ 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	\$ 12,881,900
Restricted	106,355	1,854	76,563	12,466	967	1	536,241	92	650,501	1,400,500
Unrestricted	(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)	(18,219,952)
Total Governmental Activities Net Position	\$ (1,336,627)	\$ (2,533,054)	\$ 644,360	\$ 673,226	\$ 4,125,517	\$ 5,601,403	\$ (7,821,849)	\$ (6,356,105)	\$ (4,258,277)	\$ (3,937,552)
Business-Type Activities										
Net Investment in Capital Assets	\$ 106,110	\$ 133,478	\$ 147,510	\$ 310,468	\$ 282,944	\$ 480,535	\$ 486,681	\$ 440,820	\$ 399,111	\$ 357,402
Unrestricted	878,792	1,159,077	780,203	397,506	586,128	240,465	254,942	216,204	655,448	41,062
Total Business-Type Activities Net Position	\$ 984,902	\$ 1,292,555	\$ 927,713	\$ 707,974	\$ 869,072	\$ 721,000	\$ 741,623	\$ 657,024	\$ 1,054,559	\$ 398,464
District-Wide										
Net Investment in Capital Assets	\$ 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	\$ 13,239,302
Restricted	106,355	1,854	76,563	12,466	967	1	536,241	92	650,501	1,400,500
Unrestricted	(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)	(18,178,890)
Total District Net Position	\$ (351,725)	\$ (1,240,499)	\$ 1,572,073	\$ 938,751	\$ 4,994,589	\$ 6,322,403	\$ (7,080,226)	\$ (5,699,081)	\$ (3,203,718)	\$ (3,539,088)

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)

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 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	\$ 32,796,929
Special Education	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	14,049,462
Vocational										
Other Instruction	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	2,889,622
School Sponsored Activities And Athletics	639,614	656,317	631,038	275,747	552,312	574,389	496,087	505,909	579,426	598,697
Support Services:										
Student and Instruction Related Services	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	8,805,795
School and Business Administration Services	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	4,117,025
General Administration	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	1,236,146
Central Services	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	1,419,864
Plant Operations And Maintenance	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	6,625,429
Pupil Transportation	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	2,685,999
Other Support Services										
Special Schools										
Interest On Long-Term Debt	1,056,624	1,026,016	940,848	806,968	752,935	700,012	614,574	439,892	490,930	391,191
Total Governmental Activities Expenses	<u>55,165,893</u>	<u>56,697,538</u>	<u>56,757,008</u>	<u>56,119,372</u>	<u>54,741,879</u>	<u>58,712,024</u>	<u>61,184,665</u>	<u>67,342,904</u>	<u>68,517,481</u>	<u>75,616,159</u>
Business-Type Activities:										
Food Service	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	2,543,630
Enrichment Academy	153,750	149,715	646,234	150,578	145,926	312,570	387,487	350,901	157,520	634,647
Total Business-Type Activities Expense	<u>1,464,060</u>	<u>1,501,880</u>	<u>2,256,214</u>	<u>2,073,729</u>	<u>1,829,282</u>	<u>2,295,048</u>	<u>2,196,500</u>	<u>2,259,124</u>	<u>1,887,028</u>	<u>3,178,277</u>
Total District Expenses	<u>\$ 56,629,953</u>	<u>\$ 58,199,418</u>	<u>\$ 59,013,222</u>	<u>\$ 58,193,101</u>	<u>\$ 56,571,161</u>	<u>\$ 61,007,072</u>	<u>\$ 63,381,165</u>	<u>\$ 69,602,028</u>	<u>\$ 70,404,509</u>	<u>\$ 78,794,436</u>
Program Revenues										
Governmental Activities:										
Tuition		\$ 15,301	\$ 1,951							
Grants And Contributions	\$ 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	24,427,731
Total Governmental Activities Program Revenues	<u>15,438,714</u>	<u>8,983,830</u>	<u>15,817,569</u>	<u>9,842,337</u>	<u>10,460,054</u>	<u>11,981,347</u>	<u>11,459,223</u>	<u>17,548,589</u>	<u>19,660,547</u>	<u>24,427,731</u>
Business-Type Activities:										
Charges For Services										
Food Service	482,753	501,050	501,812	502,054	520,251	528,646	515,164	484,155	510,115	486,285
Enrichment Academy	254,054	293,368	217,377	216,708	240,860	329,297	372,423	352,854	332,133	279,174
Operating Grants And Contributions	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	1,756,723
Total Business Type Activities Program Revenues	<u>1,708,476</u>	<u>1,806,142</u>	<u>1,862,437</u>	<u>1,851,578</u>	<u>1,990,112</u>	<u>2,146,976</u>	<u>2,179,433</u>	<u>2,174,525</u>	<u>2,284,563</u>	<u>2,522,182</u>
Total District Program Revenues	<u>\$ 17,147,190</u>	<u>\$ 10,789,972</u>	<u>\$ 17,680,006</u>	<u>\$ 11,693,915</u>	<u>\$ 12,450,166</u>	<u>\$ 14,128,323</u>	<u>\$ 13,638,656</u>	<u>\$ 19,723,114</u>	<u>\$ 21,945,110</u>	<u>\$ 26,949,913</u>
Net (Expense)/Revenue										
Governmental Activities	\$ (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)	\$ (51,188,428)
Business-Type Activities	244,416	304,262	(393,777)	(222,151)	160,830	(148,072)	(17,067)	(84,599)	397,535	(656,095)
Total District-Wide Net Expense	<u>\$ (39,482,763)</u>	<u>\$ (47,409,446)</u>	<u>\$ (41,333,216)</u>	<u>\$ (46,499,186)</u>	<u>\$ (44,120,995)</u>	<u>\$ (46,878,749)</u>	<u>\$ (49,742,509)</u>	<u>\$ (49,050,686)</u>	<u>\$ (48,459,399)</u>	<u>\$ (51,844,523)</u>

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

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Revenues And Other Changes In Net Assets										
Governmental Activities:										
Property Taxes Levied For General Purposes, Net	\$ 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	\$ 25,230,391
Taxes Levied For Debt Service	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	1,414,624
Unrestricted Grants And Contributions	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	24,239,661
State/Federal Aid - Restricted	805,555	802,096	801,932	353,114	458,356	462,246	467,051	464,209	450,133	541,716
Interest Income	209,339	38,099	10,111	12,058	13,000	14,218	6,574	10,340	14,665	25,080
Miscellaneous Income	329,990	146,133	59,606	9,370	44,294	30,030	191,619	40,946	64,746	57,681
Transfers		4,356	-	-	-	-	-	-	-	-
Total Governmental Activities	<u>39,947,581</u>	<u>46,517,281</u>	<u>44,116,853</u>	<u>46,305,901</u>	<u>48,176,555</u>	<u>48,206,563</u>	<u>49,315,465</u>	<u>50,431,831</u>	<u>50,954,762</u>	<u>51,509,153</u>
Business-Type Activities:										
Investment Earnings	22,292	7,747	4,385	2,412	268	-	-	-	-	-
Federal Aid Restricted			24,550							
Transfers		(4,356)	-	-	-	-	-	-	-	-
Total Business-Type Activities	<u>22,292</u>	<u>3,391</u>	<u>28,935</u>	<u>2,412</u>	<u>268</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total District-Wide	<u>\$ 39,969,873</u>	<u>\$ 46,520,672</u>	<u>\$ 44,145,788</u>	<u>\$ 46,308,313</u>	<u>\$ 48,176,823</u>	<u>\$ 48,206,563</u>	<u>\$ 49,315,465</u>	<u>\$ 50,431,831</u>	<u>\$ 50,954,762</u>	<u>\$ 51,509,153</u>
Change In Net Position										
Governmental Activities	\$ 220,402	\$ (1,196,427)	\$ 3,177,414	\$ 28,866	\$ 3,894,730	\$ 1,475,886	\$ (409,977)	\$ 1,465,744	\$ 2,097,828	\$ 320,725
Business-Type Activities	266,708	307,653	(364,842)	(219,739)	161,098	(148,072)	(17,067)	(84,599)	397,535	(656,095)
Total District	<u>\$ 487,110</u>	<u>\$ (888,774)</u>	<u>\$ 2,812,572</u>	<u>\$ (190,873)</u>	<u>\$ 4,055,828</u>	<u>\$ 1,327,814</u>	<u>\$ (427,044)</u>	<u>\$ 1,381,145</u>	<u>\$ 2,495,363</u>	<u>\$ (335,370)</u>

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

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 830,458	\$ 660,302	\$ 1,351,222							
Unreserved	(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	\$ 1,400,000
Assigned				629,847	1,825,000		944,532	950,000	1,900,107	2,196,387
Unassigned				(1,944,674)	(3,245,704)	(3,164,559)	(4,675,878)	(2,443,606)	(3,243,219)	(3,179,233)
Total General Fund	<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>	<u>\$ 417,154</u>
All Other Governmental Funds										
Reserved	\$ 99,678	\$ 27,737								
Unreserved	6,677	(70,174)	\$ 2,878							
Restricted				\$ 12,466	\$ 967	\$ 1	\$ 536,241	\$ 92	\$ 501	\$ 500
Assigned										
Unassigned				(75,405)	(64,346)	(69,659)	(92,514)	(75,694)	(73,591)	(60,609)
Total All Other Governmental Funds	<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>	<u>\$ (60,109)</u>

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

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

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Tax Levy	\$ 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	\$ 26,645,015
Tuition Charges		15,301	1,951							
Interest Income	209,339	38,099	10,111	12,058	13,000	14,218	6,574	10,340	13,701	25,080
Miscellaneous	332,990	151,063	59,606	49,932	73,919	60,162	199,944	72,696	85,827	86,355
State Sources	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	36,486,597
Federal Sources	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	2,391,881
Total Revenue	55,362,532	55,496,755	59,934,422	56,148,238	58,636,609	60,187,910	60,774,688	63,443,778	63,783,529	65,634,928
Expenditures										
Instruction										
Regular Instruction	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	26,738,831
Special Education Instruction	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	12,382,075
Other Special Instruction	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	2,317,837
Other Instruction	642,172	651,430	632,446	275,686	553,960	572,419	498,323	449,509	509,622	497,152
Support Services:										
Student & Inst. Related Services	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	7,382,189
General Administration Services	923,497	1,331,764	1,050,796	1,183,917	1,347,669	1,415,069	1,190,346	1,036,166	1,046,138	1,087,078
School Administration Services	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	3,309,470
Central Services	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	1,190,380
Plant Operations And Maintenance	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	5,137,887
Pupil Transportation	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	2,667,902
Other Support Services										
Special Schools										
Capital Outlay	812,343	2,007,051	325,644	946,155	471,301	2,959,442	1,977,142	1,466,608	160,101	205,332
Debt Service:										
Principal	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	1,720,000
Interest And Other Charges	1,013,064	982,437	934,395	769,394	694,602	646,503	630,872	796,005	327,668	339,525
Total Expenditures	56,418,874	58,694,279	57,826,424	57,201,335	55,841,518	61,937,067	63,951,258	62,839,859	62,874,479	64,975,658
Excess (Deficiency) Of Revenues										
Over (Under) Expenditures	(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	659,270
Other Financing Sources (Uses)										
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)			-
Total Other Financing Sources (Uses)	-	754,356	(400,000)	-	-	-	411,900	1,017,772	964	-
Net Change In Fund Balances	\$ (1,056,342)	\$ (2,443,168)	\$ 1,707,998	\$ (1,053,097)	\$ 2,795,091	\$ (1,749,157)	\$ (2,764,670)	\$ 1,621,691	\$ 910,014	\$ 659,270
Debt Service As A Percentage Of										
Noncapital Expenditures	3.80%	3.86%	4.18%	3.34%	3.83%	3.57%	3.63%	4.00%	4.75%	3.18%

* Noncapital expenditures are total expenditures less capital outlay.

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

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Interest</u>	<u>Miscellaneous</u>	<u>Tuition</u>	<u>Total</u>
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
2017	25,080	57,681		82,761

Source: District Records

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

Fiscal Year Ended June 30,	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate ^a
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
2017 (b)	54,547,300	1,245,829,200	279,228,900	741,107,283	129,192,300	2,449,904,983	2,818,532	2,452,723,515	2,171,901,581	1.113

Source: County Abstract of Ratables

a Tax rates are per \$100

b The Borough undertook a reassessment of real property which was effective in calendar years 2012 and 2017

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>	
2008	\$2.441	\$1.853	\$0.030		\$0.670	\$0.079	\$5.073
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
2017	1.113	1.101	0.030	0.029	0.330	0.027	2.630

Source: The Borough Tax Duplicate

(A) The Borough undertook a reassessment of real property which was effective in calendar years 2012 and 2017

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

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	2017			2008	
	Taxable Assessed Value	% of Total District Net Assessed Value		Taxable Assessed Value	% Total of District Net Assessed Value
GATX/Kinder Morgan	\$ 144,959,100	5.91%	GATX/Kinder Morgan	\$ 57,500,000	5.76%
50 Bryla HPFVIII Urban Renewal	72,551,900	2.96%	KTR Carteret LLC	33,809,900	3.39%
KTR UR REN c/o Prologis	58,981,800	2.40%	Federal Blvd, LLC	14,004,700	1.40%
KTR Carteret c/o Prologis	57,262,683	2.33%	Keystone	12,727,900	1.27%
Federal Blvd LLC	48,792,100	1.99%	Cypres Amax	9,888,700	0.99%
Bristol Tic LLC Etal	44,783,300	1.83%	Carteret Terrace	9,738,200	0.98%
T-C 200 Milik Street LLC	38,296,500	1.56%	Carteret Venture	9,019,200	0.90%
Keystone c/o Prologis Tax	35,488,000	1.45%	JLJ Associates	8,672,800	0.87%
Cypres Amax c/o Freeport	35,347,500	1.44%	Suteret Associates	7,773,400	0.78%
GATX/Kinder Morgan	34,129,200	1.39%	800 Federal Blvd	7,323,600	0.73%
Total	\$ 570,592,083	23.26%		\$ 170,458,400	17.07%

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	
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
2017	26,645,015	26,645,015	100.00%	N/A

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

Fiscal Year Ended June 30,	<u>Governmental Activities</u>						Total District	Population (A)	Per Capita
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
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	
2017	770,000	8,920,000	N/A	N/A	N/A	9,690,000	23,992	404	

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)

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions			
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
2017	770,000		770,000	0.03%	32

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, 2016
(Unaudited)**

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
MUNICIPAL DEBT: (1)			
Borough of Carteret	\$ 103,471,137	\$ 49,714,691	\$ 53,756,446
Carteret Board of Education	<u>11,410,000</u>	<u>11,410,000</u>	<u>-</u>
	<u>\$ 114,881,137</u>	<u>\$ 61,124,691</u>	<u>53,756,446</u>
OVERLAPPING DEBT APPORTIONED TO THE MUNICIPALITY			
Middlesex County			
County of Middlesex (A)			10,912,520
Middlesex County Utilities Authority (B)			<u>4,685,137</u>
			<u>15,597,657</u>
Total Direct and Overlapping Bonded Debt			<u>\$ 69,354,103</u>

SOURCE:

(1) Borough of Carteret 2016 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 2016 equalized value by the total 2016 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 2016

Equalized Valuation Basis						
2016						\$ 2,456,348,557
2015						2,142,466,206
2014						<u>2,171,373,222</u>
	[A]					<u>\$ 6,770,187,985</u>
 Average Equalized Valuation of Taxable Property						
	[A/3]					\$ 2,256,729,328
Debt Limit (4.0% of average equalization value)						90,269,173
Total Net Debt Applicable to Limit						-
Legal debt margin						<u>\$ 90,269,173</u>

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Limit	\$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	\$ 90,269,173
Total Net Debt Applicable to Limit	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	<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>	<u>\$ 90,269,173</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
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	53,467	5.00%
2016	24,170	53,467 (A)	5.40%
2017	23,992	53,467 (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>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>	<u>2017</u>
Instruction										
Regular	272.00	278.20	275.20	242.00	239.00	244.00	244.00	236.00	241.00	250.00
Special education	15.00	15.80	15.80	50.00	49.00	49.00	61.00	81.00	83.00	81.00
Other special education	45.00	47.00	46.00	27.00	14.00	14.00	22.00	25.00	27.00	28.00
Adult/continuing education programs	1.00	1.00								
Support Services:										
Student & instruction related services	48.00	51.00	51.00	54.00	45.00	47.00	22.80	26.00	26.00	21.00
General administration	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
School administrative services	23.00	24.00	25.00	23.00	23.00	21.00	19.20	20.00	20.00	20.00
Other administrative services	-						4.00			
Central services	5.00	6.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Administrative Information Technology	5.00	5.00	5.00	4.00	4.00	5.00	4.00	5.00	5.00	5.00
Plant operations and maintenance	33.00	35.00	35.00	32.00	30.00	30.00	28.00	26.00	27.00	27.00
Total	<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>	<u>441.00</u>

Source: District Personnel Records

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

Fiscal Year	Enrollment ^a	Operating Expenditures ^b	Cost Per Pupil ^c	Percentage Change	Teaching Staff	Pupil/Teacher Ratio			Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	Senior High School				
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%
2017	3,832	62,710,801	16,365	4.33%	306	12.12:1	13.00:1	12.49:1	3,713	3,555	-0.05%	95.74%

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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>District Building</u>										
<u>Elementary</u>										
<u>Columbus School</u>										
Square Feet	51,539	51,539	51,539	51,539	51,539	51,539	51,539	51,539	51,539	51,539
Capacity (students)	526	526	526	526	526	526	526	526	526	526
Enrollment	669	669	658	658	626	681	663	675	680	707
<u>Minue School</u>										
Square Feet	69,705	69,705	69,705	69,705	69,705	69,705	69,705	69,705	69,705	69,705
Capacity (students)	457	457	457	457	457	457	457	457	457	457
Enrollment	677	677	677	676	630	665	677	695	648	665
<u>Nathan Hale School (Reopened Sept. 2001)</u>										
Square Feet	57,858	57,858	57,858	57,858	57,858	57,858	57,858	57,858	57,858	57,858
Capacity (students)	525	525	525	525	525	525	525	525	525	525
Enrollment	560	560	525	525	564	531	523	531	504	518
<u>Middle School</u>										
111	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	869	869	912	912	933	886	865	878	832
<u>High School</u>										
	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	1,112	1,112	1,048	1,048	1,031	1,038	1,041	1,009	1,012
<u>Other</u>										
	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, 2017										
	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 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

		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
*School Facilities	Project # (s)										
Columbus School	N/A	\$ 107,618	\$ 210,510	\$ 187,683	\$ 111,866	\$ 153,972	\$ 264,925	\$ 263,553	\$ 137,279	\$ 109,640	\$ 131,420
Nicholas Minue School	N/A	75,539	171,405	162,875	144,995	74,765	185,927	238,453	149,532	193,243	231,632
Nathan Hale School	N/A	83,843	134,400	71,126	164,972	201,894	137,248	200,802	175,302	200,854	240,755
Middle School	N/A	117,775	190,375	239,413	141,080	155,733	94,504	138,052	269,434	120,657	144,626
High School	N/A	797,713	375,812	468,735	435,297	531,802	241,241	276,103	388,820	339,147	406,520
Total School Facilities		1,182,488	1,082,502	1,129,832	998,210	1,118,166	923,845	1,116,963	1,120,367	963,541	1,154,953
Other Facilities	N/A	318,790	219,633	126,200	114,282	146,696	167,184	138,052	240,902	119,315	143,017
Grand Total		\$ 1,501,278	\$ 1,302,135	\$ 1,256,032	\$ 1,112,492	\$ 1,264,862	\$ 1,091,029	\$ 1,255,015	\$ 1,361,269	\$ 1,082,856	\$ 1,297,970

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Source: District Records

**CARTERET BOARD OF EDUCATION
SCHEDULE OF INSURANCE
JUNE 30, 2017
(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
Property		
Blanket Building and Contents (Per Fund)	\$ 450,000,000	\$ 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
General Liability		
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
Automobile Liability		
Combined Single Limit	11,000,000	
Bodily Personal Injury Protection	250,000	
Workers Compensation & Employers Liability		
E.L. Each Accident	2,000,000	
E.L. Disease - Each Employee	2,000,000	
E.L. Disease - Policy Limit	2,000,000	
Surety Bonds		
Business Administrator	300,000	
School Board Legal Leaders Errors and Omissions		
Legal Liability	11,000,000	10,000

Source: District's records

SINGLE AUDIT SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-1

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

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. NICOLOSI, CPA, PSA

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, 2017 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 11, 2017.

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.

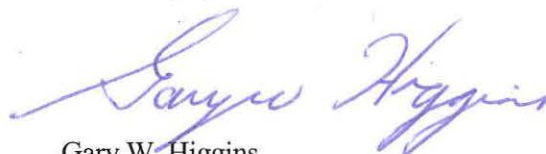
However, we noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Carteret Board of Education in a separate report entitled, "Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance" dated September 11, 2017.

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 11, 2017



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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, 2017. 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 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, 2017.

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, 2017 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 11, 2017, 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 11, 2017

CARTERET BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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, 2016	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustments (A)	Refund of Prior Years' Balances	June 30, 2017			MEMO GAAP Receivable
												Accounts Receivable	Unearned Revenue	Due to Grantor	
U.S. Department of Education															
Passed-through State Department of Education															
Enterprise Fund															
National School Lunch Program	10.555														
Cash Assistance		16161NJ304N1099	N/A	7/1/15-6/30/16	1,080,297	\$ (77,468)		\$ 77,468							
Cash Assistance		171NJ304N1099	N/A	7/1/16-6/30/17	1,148,691			1,063,219	\$ 1,148,691			\$ (85,472)			\$ (85,472)
Non-Cash Assistance (Food Distribution)		16161NJ304N1099	N/A	7/1/15-6/30/16	152,628	19,843			19,843						
Non-Cash Assistance (Food Distribution)		171NJ304N1099	N/A	7/1/16-6/30/17	112,616			112,616	102,442				\$ 10,174		
National School Breakfast Program	10.553	16161NJ304N1099	N/A	7/1/15-6/30/16	136,599	(12,403)		12,403							
National School Breakfast Program	10.553	171NJ304N1099	N/A	7/1/16-6/30/17	362,371			335,405	362,371			(26,966)			(26,966)
Fresh Fruits and Vegetable Program	10.582	16161NJ304L1603	N/A	7/1/15-6/30/16	28,757	(4,179)		4,179							
Fresh Fruits and Vegetable Program	10.582	171NJ304L1603	N/A	7/1/16-6/30/17	64,611			43,683	64,611			(20,928)			(20,928)
After School Snack Program	10.555	16161NJ304N1099	N/A	7/1/15-6/30/16	39,599	(1,679)		1,679							
After School Snack Program	10.555	171NJ304N1099	N/A	7/1/16-6/30/17	36,638			34,624	36,638			(2,014)			(2,014)
Total Child Nutrition Cluster					(75,886)			1,685,276	1,734,596			(135,380)	10,174		(135,380)
Special Revenue Fund															
IDEA Basic	84.027	H027A160100	IDEA-0750-17	7/1/16-6/30/17	896,428		\$ 151,017	621,373	980,591			(275,055)	66,854		(208,201)
IDEA Basic C/O	84.027	H027A150100	IDEA-0750-16	7/1/15-6/30/16	933,078	(218,617)	(151,017)	369,634							
I.D.E.A. Preschool	84.173	H173A160114	IDEA-0750-17	7/1/16-6/30/17	28,124			7,789	28,124			(20,335)			(20,335)
I.D.E.A. Preschool C/O	84.173	H173A150114	IDEA-0750-16	7/1/15-6/30/16	27,621	(20,522)		20,522							
I.D.E.A. Preschool C/O	84.173	H173A130114	IDEA-0750-14	7/1/13-6/30/14	26,562	(13,311)		13,311							
Total Special Education Cluster (IDEA)									1,008,715						
Title I	84.010	S010A160030	NCLB-0750-17	7/1/16-6/30/17	963,848		38,002	787,296	998,943			(176,552)	2,907		(173,645)
Title I C/O	84.010	S010A150030	NCLB-0750-16	7/1/15-6/30/16	975,930	(251,725)	(38,002)	289,727							
Title II A	84.367A	S367A160029	NCLB-0750-17	7/1/16-6/30/17	144,061		13,088	124,942	132,953			(19,119)	24,196		
Title II A C/O	84.367A	S367A150029	NCLB-0750-16	7/1/15-6/30/16	153,691	(23,676)	(13,088)	36,764							
Title III	84.365	S365A160030	NCLB-0750-17	7/1/16-6/30/17	113,630		19,164	86,352	112,601			(27,278)	20,193		(7,085)
Title III C/O	84.365	S365A150030	NCLB-0750-16	7/1/15-6/30/16	122,022	1,288	(19,164)	17,876							
Total Special Revenue Fund					(526,563)			2,375,586	2,253,212			(518,339)	114,150		(409,266)
General Fund															
ARRA - Medical Assistance Program (SEMI)	93.778	1705NJ5MAP	N/A	4/1/09-12/31/09	12,415			12,415	12,415						
Medical Assistance Program (SEMI)	93.778	1705NJ5MAP	N/A	7/1/16-6/30/17	167,102			167,102	167,102						
Total General Fund								179,517	179,517						
Total Federal Awards Subject to Single Audit in accordance with Uniform Guidance					\$ (602,449)	\$ -	\$ -	\$ 4,240,379	\$ 4,167,325	\$ -	\$ -	\$ (653,719)	\$ 124,324	\$ -	\$ (544,646)

(A) Represents cancelled encumbrances.

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, 2017**

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 Title 2 U.S. Code of Federal Regulations Part 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 \$12,742 for the general fund and a decrease of \$36,169 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	\$ 179,517	\$ 34,805,067	\$ 34,984,584
Special Revenue Fund	2,212,364	1,036,630	3,248,994
Debt Service Fund		644,900	644,900
Food Service Fund	<u>1,734,596</u>	<u>22,127</u>	<u>1,756,723</u>
Total Financial Assistance	<u>\$ 4,126,477</u>	<u>\$ 36,508,724</u>	<u>\$ 40,635,201</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, 2017**

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 \$1,932,826 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, 2017. The amount reported as TPAF Pension System Contributions in the amount of \$2,793,963, TPAF Post-Retirement Medical Benefits Contributions in the amount of \$2,322,033 and TPAF Long-Term Disability Insurance in the amount of \$7,169 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2017.

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

On-behalf State Programs for TPAF Pension and Post-Retirement Medical Benefits and Long-Term Disability Insurance Contributions as 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, 2017**

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>H027A160100</u>	<u>IDEA Basic Grant</u>
<u>84.173</u>	<u>H173A160114</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 SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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, 2017**

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, 2017**

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.