

CARTERET
BOARD OF EDUCATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CARTERET, NEW JERSEY

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

of the

Carteret Board of Education

Carteret, New Jersey

For The Fiscal Year Ended June 30, 2018

**Prepared by the
The Business Office**

**CARTERET BOARD OF EDUCATION
TABLE OF CONTENTS**

Page

INTRODUCTORY SECTION

Letter of Transmittal	1-10
Organizational Chart	11
Roster of Officials	12
Consultants and Advisors	13

FINANCIAL SECTION

Independent Auditor's Report	14-16
------------------------------	-------

REQUIRED SUPPLEMENTARY INFORMATION- PART I

Management's Discussion and Analysis	17-29
--------------------------------------	-------

Basic Financial Statements

A. District-wide Financial Statements

A-1 Statement of Net Position	30
A-2 Statement of Activities	31-32

B. Fund Financial Statements

Governmental Funds

B-1 Balance Sheet	35
B-3 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances with the District-Wide Statements	36

Proprietary Funds

B-4 Statement of Net Position	37
B-5 Statement of Revenues, Expenses, and Changes in Net Position	38
B-6 Statement of Cash Flows	39

Fiduciary Funds

B-7 Statement of Fiduciary Net Position	40
B-8 Statement of Changes in Fiduciary Net Position	41

Notes to the Basic Financial Statements	42-83
--	-------

REQUIRED SUPPLEMENTARY INFORMATION – PART II

C. Budgetary Comparison Schedules

C-1 Budgetary Comparison Schedule – General Fund	84-91
C-1a Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Not Applicable	92
C-1b Community Development Block Grant – Budget and Actual	92
C-2 Budgetary Comparison Schedule – Special Revenue Fund	93

**CARTERET BOARD OF EDUCATION
TABLE OF CONTENTS**

	<u>Page</u>
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION – PART II	
C-3 Notes to the Required Supplementary Information – Budget to GAAP Reconciliation	94
REQUIRED SUPPLEMENTARY INFORMATION – PART III	
L. Schedules Related to Accounting and Reporting for Pensions and OPEB (GASB 68 and 75)	
L-1 Required Supplementary Information – Schedule of the District’s Proportionate Share of the Net Pension Liability – Public Employees Retirement System	95
L-2 Required Supplementary Information – Schedule of District Contributions – Public Employees Retirement System	96
L-3 Required Supplementary Information – Schedule of the District’s Proportionate Share of the Net Pension Liability – Teachers Pension and Annuity Fund	97
L-4 Notes to Required Supplementary Information – Net Pension Liability	98
L-5 Required Supplementary Information – Schedule of Changes in District’s Proportionate Share of the Total OPEB Liability	99
L-6 Notes to Required Supplementary Information – OPEB Liability	100
OTHER SUPPLEMENTARY INFORMATION	
D. School Level Schedules – Not Applicable	
E. Special Revenue Fund	
E-1 Combining Schedule of Program Revenues and Expenditures Special Revenue Fund – Budgetary Basis	101-103
E-2 Preschool Education Aid Schedule of Expenditures – Budgetary Basis	104
F. Capital Projects Fund	
F-1 Summary Schedule of Project Expenditures	105
F-2 Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis	106
G. Enterprise Fund	
G-1 Statement of Net Position – Not Applicable	107
G-2 Statement of Revenues, Expenses and Changes in Net Position – Not Applicable	107
G-3 Statement of Cash Flows – Not Applicable	107
H. Fiduciary Funds	
H-1 Combining Statement of Assets and Liabilities	108
H-2 Combining Statement of Changes in Net Position – Not Applicable	109
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	109
H-4 Payroll Agency Fund Schedule of Receipts and Disbursements	110
I. Long-Term Debt	
I-1 Schedule of Bonds Payable	111
I-2 Schedule of Obligations Under Certificates of Participation	112
I-3 Schedule of Capital Leases	113
I-4 Debt Service Fund Budgetary Comparison Schedule	114

**CARTERET BOARD OF EDUCATION
TABLE OF CONTENTS**

Page

J. STATISTICAL SECTION (Unaudited)

Introduction to the Statistical Section

Financial Trends

J-1	Net Position by Component	115
J-2	Changes in Net Position	116-117
J-3	Fund Balances – Governmental Funds	118
J-4	Changes in Fund Balances – Governmental Funds	119
J-5	General Fund Other Local Revenue by Source	120

Revenue Capacity

J-6	Assessed Value and Actual Value of Taxable Property	121
J-7	Direct and Overlapping Property Tax Rates	122
J-8	Principal Property Taxpayers	123
J-9	Property Tax Levies and Collections	124

Debt Capacity

J-10	Ratios of Outstanding Debt by Type	125
J-11	Ratios of Net General Bonded Debt Outstanding	126
J-12	Direct and Overlapping Government Activities Debt	127
J-13	Legal Debt Margin Information	128

Demographic and Economic Information

J-14	Demographic and Economic Statistics	129
J-15	Principal Employers	130

Operating Information

J-16	Full Time Equivalent District Employees by Function/Program	131
J-17	Operating Statistics	132
J-18	School Building Information	133
J-19	Schedule of Required Maintenance for School Facilities	134
J-20	Schedule of Insurance	135

SINGLE AUDIT SECTION

K-1	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	136-137
K-2	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 Uniform Guidance and Schedule of Expenditures of State Financial Assistance as Required by New Jersey OMB Circular 15-08 – Independent Auditor’s Report	138-140
K-3	Schedule of Expenditures of Federal Awards	141
K-4	Schedule of Expenditures of State Financial Assistance	142
K-5	Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	143-144
K-6	Schedule of Findings and Questioned Costs – Part 1 – Summary of Auditor’s Results	145-146
K-7	Schedule of Findings and Questioned Costs – Part 2 – Schedule of Financial Statement Findings	147
K-7	Schedule of Findings and Questioned Costs – Part 3 – Schedule of Federal and State Award Findings and Questioned Costs	148-153
K-8	Summary Schedule of Prior Year Audit Findings	154

INTRODUCTORY SECTION

CARTERET BOARD OF EDUCATION

599 ROOSEVELT AVENUE
CARTERET, NEW JERSEY 07008-2199

Hector Berrios
Business Administrator/Board Secretary



Tel: (732) 541-8960
Fax: (732) 541-2106

January 25, 2019

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, 2018.

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, 2018, 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, 2018, 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 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, 2017	Actual Enrollment October 15, 2018	Projected Enrollment October 15, 2019
Regular Full Time	Pre K – 12	3,327	3405	3,320
Special Needs Full Time	Pre K – 12	357	436	412
Special Needs Shared Time	Pre K – 12	7	4.5	4
Out of District Placement, Shared, State Facilities, etc	Pre K – 12	76	67	96
		3,767	3,913	3,832

* Source Advertised FY2018 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
- West Carteret Façade Project
- Blazing Star Cultural Arts Center
- Marriot Hotel in West Carteret
- Rita's Italian Ice
- Tim Horton's

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 FY2018, 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 and expanded to 6th grade
- Director of STEM was hired
- The district expanded its Gifted and Talented Program. Curriculum materials were purchased to enhance instruction.
- The district continues to implement the award-winning Varsity Vocals A Cappella Choir on the high school level.
- The following classes were introduced in the high school:
 - Global Logistics and Supply Management
 - Tomorrow's Teachers
 - Freshman Seminar
 - Fashion Design
 - Career Experience
- The district purchased chromebooks for the freshman class as part of a 1:1 initiative
- Reader's Workshop Training/Targeted Instruction for elementary school teachers
- Implemented i-Ready ELA for increase the district's ability to provide targeted, differentiated instruction
- Continue to implement LinkIt benchmark assessments
- Implemented Fingertip files, from LinkIt, to allow teachers access to student achievement data
- Implemented a new math program. Ready Math, for students in grade K-6
- Math Instruction training for K-6, math intervention, and Algebra Enrichment teachers
- Project Based Learning training for DLT/High school cohort
- RTI training for admin and cohort of district staff
- ASPIRE HIGH academic mentoring program at the middle and high school level for immigrant students
- Trained ESL and Special education teachers in Orton Gillingham reading intervention program

- Expanded preschool program to full day
- Expanded preschool to include 8 classes on site and 7 at Acelero
- Implemented a preschool Master Teacher
- Expanded Tools of the Mind Curriculum program for all preschool classes. Staff training was arranged. Additional furniture and classroom materials were purchased
- Expanded Tools of the Mind Kindergarten implementation
- Implemented GOLD in Kindergarten
- Additional Fountas and Pinnell leveling kits were ordered for student assessment
- Staff training in positive behavioral supports.
- 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 9th -12th students
- Implemented Naviance at the high school
- Partnered with Lincoln Tech to allow students to enroll in Diesel Mechanics, Medical Assistant, and Computer Networking programs
- Quality professional development on the latest trends in education was afforded to staff from renowned presenters and consultants. After School PD Academy.
- Apple Coding classes were offered at the middle school.
- Parent workshops, such as the Latino Family Literacy Project and STEM were provided.
- Interventionists were hired to provide services to our struggling students
- AP courses were offered in English, Art, Psychology, Spanish, World History, Statistics, Computer Science Principles, Java, and Biology. In addition, online AOP classes are being offered
- 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 Seal of Bi-literacy was offered to students at the high school.
- The district transitioned to a new website
- The district partnered with Effective School Solutions to implement a school based program
- The district began to develop a cohesive RTI toolkit for high school interventions

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 in Fiscal Year 2015, the parents were 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, 2018.

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 \$1,200,000 as of June 30, 2018.

An additional capital lease was financed in 2000 for various building improvements. The balance of the refunded portion of the lease is \$6,140,000 as of June 30, 2018.

During the FY2003, the District issued \$1,430,000 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 \$590,000 as of June 30, 2018.

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 U. S. 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.

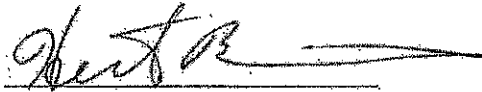
ACKNOWLEDGMENTS:

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,

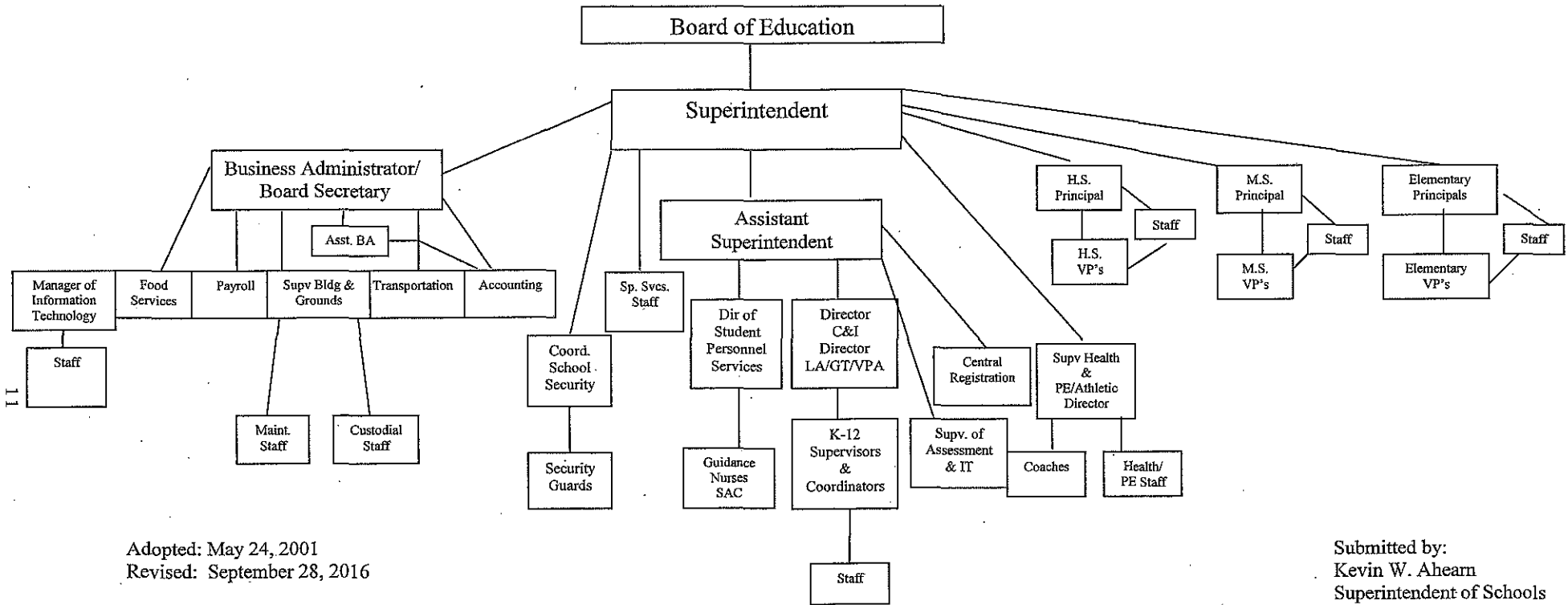


Rosa Diaz
Superintendent of Schools



Hector Berrios
Business Administrator/Board Secretary

**CARTERET PUBLIC SCHOOLS
TABLE OF ORGANIZATION**



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, 2018**

Members of the Board of Education

Term Expires

Martin Murray, President

2019

James P. Hart III, Vice President

2018

Dennis Cherepski

2020

Patricia Golino

2019

Lydia Singura

2019

Jean Bellino

2020

Jasbir Judge

2018

Joseph Gasparro

2018

Debra A. Weaver

2020

Other Officials

Rosa Diaz, Superintendent of Schools

Hector Berrios, Business Administrator/Board Secretary

**CARTERET BOARD OF EDUCATION
CONSULTANTS AND ADVISORS
AS OF JUNE 30, 2018**

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. LEIDIG, CPA, PSA
ROBERT LERCH, CPA
ADWOA BOACHIE, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Carteret Board of Education, as of and for the fiscal year ended June 30, 2018 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, 2018, 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.

Emphasis of Matter

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, in the fiscal year ended June 30, 2018 the Carteret Board of Education adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinion is not modified with respect to this matter.

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, pension information and other postemployment benefits 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 January 25, 2019 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
January 25, 2019

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, 2018

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, 2018. 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 (2017-2018) and the prior year (2016-2017) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2017-2018 fiscal years include the following:

- The General Fund fund balance on a GAAP basis at June 30, 2018 was \$585,373 an increase of \$168,219 when compared with the beginning balance at July 1, 2017.
- The General Fund budgetary fund balance at June 30, 2018 was \$4,057,000 which represents an increase of \$297,415 when compared to the ending budgetary fund balance of \$3,759,585 at June 30, 2017. The difference in GAAP basis fund balance to budgetary fund balance is \$3,471,627, which represents the delay of certain State aid payments and the 2017-2018 Extraordinary Aid, which were not realized as revenue in the GAAP basis financial statements.
- The General Fund unassigned (unreserved, undesignated) budgetary fund balance was \$1,232,601 at June 30, 2018. This represents an increase of \$1,069,403 when compared to the balance of \$163,198 as of June 30, 2017.

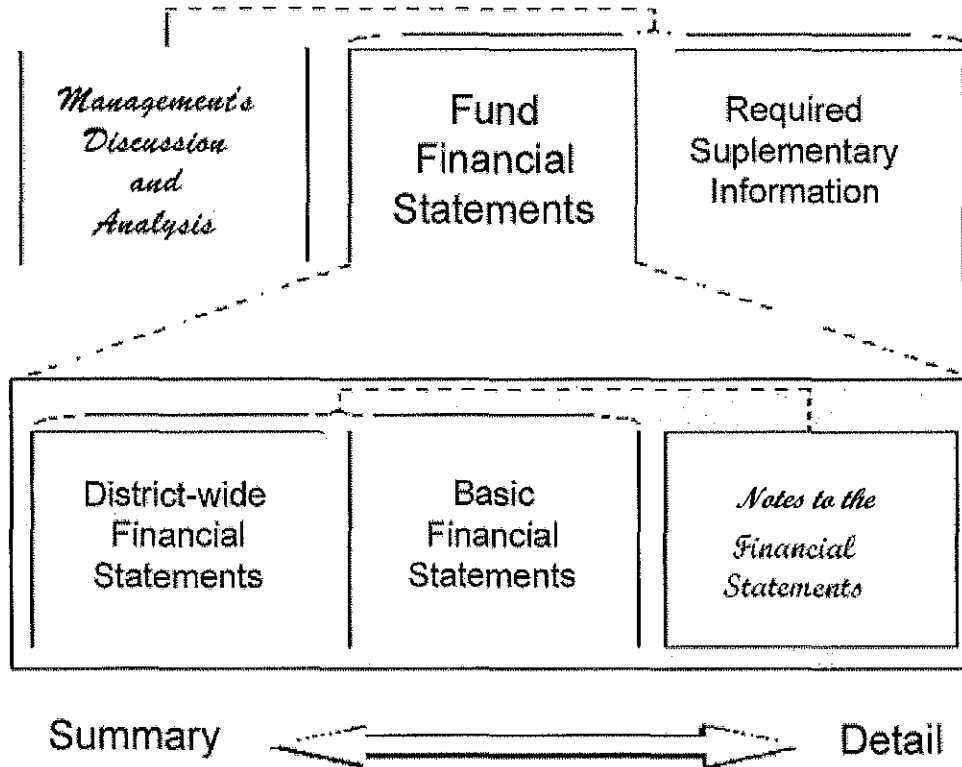
OVERVIEW OF THE FINANCIAL STATEMENTS

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, 2018

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, 2018**

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, 2018**

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, 2018**

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, 2018**

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 \$(2,958,510) and \$(3,539,088) on June 30, 2018 and 2017, respectively. (See Table A-1).

**Table A-1
Statement of Net Position
As of June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Current and Other Assets	\$ 1,982,489	\$ 847,552
Capital Assets	20,836,293	21,847,527
Total Assets	<u>22,818,782</u>	<u>22,695,079</u>
Deferred Outflows of Resources	3,799,648	5,665,516
Total Deferred Outflows of Resources	<u>3,799,648</u>	<u>5,665,516</u>
Non-Current Liabilities	25,404,918	31,220,622
Other Liabilities	1,145,696	547,004
Total Liabilities	<u>26,550,614</u>	<u>31,767,626</u>
Deferred Inflows of Resources	3,026,326	132,057
Total Deferred Inflows of Resources	<u>3,026,326</u>	<u>132,057</u>
Net Position:		
Net Investment in Capital Assets	13,569,430	13,239,302
Restricted	519,188	1,400,500
Unrestricted	(17,047,128)	(18,178,890)
Total Net Position	<u>\$ (2,958,510)</u>	<u>\$ (3,539,088)</u>

Net position from current year operations for the fiscal year ended June 30, 2018 increased \$580,578.

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

- Program revenues for Governmental Activities were \$27,668,511 for operating grants and contributions.
- Program revenues for business – type activities
 - ✓ Charges for services \$839,517.
 - ✓ Operating grants and contributions \$1,918,844.
- Combined general revenues for Governmental activities and Business-Type activities during the 2017-2018 school year were \$53,600,702.
- Expenditures were \$80,914,429 for Governmental activities and \$2,532,567 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 \$(2,958,510) at June 30, 2018.

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

**Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2018**

**Table A-2
Changes in Net Position
For the Fiscal Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Revenues		
Program revenues		
Charges for services	\$ 839,517	\$ 765,459
Operating grants and contributions	29,587,355	26,184,454
General revenues		
Property taxes	27,915,568	26,645,015
Federal and State Aid	25,466,680	24,781,377
Other	218,454	82,761
Total revenues	84,027,574	78,459,066
Expenses		
Instruction		
Regular	35,287,441	32,796,929
Special Education	15,684,751	14,049,462
Other Instruction	3,287,124	2,889,622
School Sponsored Activities and Athletic Support Services	662,544	598,697
Support Services		
Student and Instruction Related Services	8,173,073	8,805,795
General Administration Services	1,350,446	1,236,146
School and Business Administration Services	4,072,383	4,117,025
Plant Operations and Maintenance	7,577,581	6,625,429
Pupil Transportation	2,948,428	2,685,999
Central Services	1,357,978	1,419,864
Interest on Long-Term Debt	512,680	391,191
Food Service	2,354,336	2,543,630
Enrichment Academy	178,231	634,647
Total expenses	83,446,996	78,794,436
Change in net position	580,578	(335,370)
Net Position, Beginning of Year	(3,539,088)	(3,203,718)
Net Position, End of Year	\$ (2,958,510)	\$ (3,539,088)

Changes in Net Position. The district's total revenues were \$84,027,574 and \$78,459,066 in 2018 and 2017, respectively. Property taxes of \$27,915,568 and \$26,645,015 represented 33% and 34% of revenues for the years ended June 30, 2018 and 2017, respectively. The District's state and federal aid of \$55,054,035 and \$50,965,831 represented 66% and 65% of revenues for the years ended June 30, 2018 and 2017, respectively. Charges for services of \$839,517 and \$765,459 in 2018 and 2017, 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, 2018**

The smallest component of revenues is "Other Revenue." The largest source of "Other Revenue" is miscellaneous and interest income, with \$218,454 and \$82,761 earned in the fiscal years ended June 30, 2018 and 2017, respectively.

The Board's expenses for governmental activities are predominantly related to instruction and support services. Instruction totaled \$54,921,860 and \$50,334,710 which represented 68% and 67% of total governmental expenditures for the years ended June 30, 2018 and 2017, respectively. Student support services, exclusive of administration, totaled \$8,173,073 and \$8,805,795 (10% and 12%) of total expenditures for the years ended June 30, 2018 and 2017, respectively.

**Table A-3
Total and Net Cost of Services of Governmental Activities
For the Fiscal Years Ended June 30, 2018 and 2017**

<u>Functions/Programs</u>	<u>Source Exhibit</u>	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
		<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Governmental Activities					
Instruction					
Regular	A-2	35,287,441	32,796,929	21,595,344	\$ 21,029,665
Special Education	A-2	15,684,751	14,049,462	8,679,245	7,481,376
Other Instruction	A-2	3,287,124	2,889,622	2,193,526	1,948,544
School Sponsored Activities and Athletics	A-2	662,544	598,697	451,999	427,418
Support Services					
Student and Instruction Related Services	A-2	8,173,073	8,805,795	5,271,589	6,011,285
General Administration Services	A-2	1,350,446	1,236,146	1,189,563	1,125,881
School and Business Administration Services	A-2	4,072,383	4,117,025	2,691,165	2,851,259
Plant Operations and Maintenance	A-2	7,577,581	6,625,429	6,866,053	6,208,866
Pupil Transportation	A-2	2,948,428	2,685,999	2,724,939	2,525,685
Central Services	A-2	1,357,978	1,419,864	1,162,358	1,290,442
Interest on Long-Term Debt	A-2	512,680	391,191	420,137	288,007
Total Governmental Activities		\$ 80,914,429	\$ 75,616,159	\$ 53,245,918	\$ 51,188,428

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

**Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2018**

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, 2018 and 2017 with its governmental funds reporting combined fund balance (GAAP Basis) of \$604,561 and \$357,045 as of June 30, 2018 and 2017, respectively.

Revenues for the district's governmental funds were \$69,054,253 and \$65,634,928 for the fiscal years ended June 30, 2018 and 2017, respectively. Total expenditures were \$68,806,737 and \$64,975,658 for the fiscal years ended June 30, 2018 and 2017, 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, 2018 and 2017.

**Table A-4
Summary of General Fund Revenues
For the Fiscal Years Ended June 30, 2018 and 2017**

General Fund Revenues	<u>2018</u>	<u>2017</u>
Local Sources:		
Local Tax Levy	\$ 26,527,244	\$ 25,230,391
Interest Income	67,298	25,080
Miscellaneous	131,968	57,681
Total Local Sources	<u>26,726,510</u>	<u>25,313,152</u>
Intergovernmental		
State Sources	36,661,809	34,805,067
Federal Sources	131,078	179,517
Total Intergovernmental Sources	<u>36,792,887</u>	<u>34,984,584</u>
Total Revenues	<u>\$ 63,519,397</u>	<u>\$ 60,297,736</u>

Property taxes and state formula aid accounted for 99 percent of total revenues for both the 2018 and 2017 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, 2018 and 2017.

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

**Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2018**

**Table A-5
Summary of General Fund Expenditures
For the Fiscal Years Ended June 30, 2018 and 2017**

General Fund Expenditures	<u>2018</u>	<u>2017</u>
Current		
Regular Instruction	\$ 26,492,103	\$ 25,074,984
Special Education Instruction	12,913,167	11,381,589
Other Special Instruction	2,644,168	2,317,837
School Sponsored Activities and Athletics	540,071	497,152
Support Services and undistributed Costs:		
Student and Instruction Related Services	6,121,282	6,787,817
School Administration Services	3,230,729	3,309,470
General Administration Services	1,215,174	1,087,078
Plant Operations and Maintenance	6,099,968	5,137,887
Pupil Transportation	2,891,260	2,661,921
Central Services	1,143,774	1,190,380
Capital Outlay	59,482	205,332
Total Expenditures	<u>\$ 63,351,178</u>	<u>\$ 59,651,447</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 \$55,125,012 and \$52,602,625 for the years ended June 30, 2018 and 2017, respectively. Revenues (exclusive of on-behalf revenues) were \$55,293,231 and \$53,261,656 for the fiscal years ended June 30, 2018 and 2017, respectively.

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

**Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2018**

DEBT ADMINISTRATION

The amount of debt service expenditures were \$2,049,844 and \$2,059,525 for the fiscal years ended June 30, 2018 and 2017, respectively. Revenues include \$1,407,512 and \$1,414,624 from the local tax levies and miscellaneous revenue, and \$661,020 and \$644,900 coming from state aid for the fiscal years ended June 30, 2018 and 2017, respectively.

BUSINESS-TYPE ENTERPRISE FUNDS

The District's total business-type activities revenues were \$2,758,361 and \$2,522,182 for the years ended June 30, 2018 and 2017, respectively. Charges for services accounted for 30% of total revenue for the 2018 and 2017 years. Operating grants and contributions of \$1,918,844 and \$1,756,723 accounted for 70% of total revenue, for the fiscal years ended June 30, 2018 and 2017.

The total cost of all business-type activities programs and services was \$2,532,567 and \$3,178,277 for the fiscal years ended June 30, 2018 and 2017, respectively. The District's expenses are related to food service programs provided to all students and faculty and the operation of the program for enrichment academy for before and after school activities.

Total business-type activities revenues exceeded expenses increasing net position by \$225,794 over the prior year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – Governmental Activities

As of June 30, 2018 and 2017, the district had invested \$40,047,774 and \$39,988,292, 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, 2018 and 2017 was \$1,029,006 and \$943,594, respectively.

**Table A-6
Capital Assets - Governmental Activities
as of June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Land	\$ 71,603	\$ 71,603
Land Improvements	339,635	284,135
Buildings and Building Improvements	37,360,940	37,475,268
Machinery and Equipment	2,275,596	2,157,286
Total	40,047,774	39,988,292
Less: Accumulated Depreciation	19,527,173	18,498,167
Total	\$ 20,520,601	\$ 21,490,125

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

**Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2018**

Capital Assets – Business-type Activities

The District as of June 30, 2018 and 2017 had \$896,292 invested in machinery and equipment for its food service fund. Depreciation was \$41,710 and \$41,709 for the fiscal years ended June 30, 2018 and 2017, respectively.

**Table A-7
Capital Assets - Business-Type Activities
as of June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Machinery and Equipment	\$ 896,292	\$ 896,292
Less: Accumulated Depreciation	580,600	538,890
Total Net	<u>\$ 315,692</u>	<u>\$ 357,402</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 \$590,000 and \$770,000 at June 30, 2018 and 2017, 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 \$7,340,000 and \$8,920,000 at June 30, 2018 and 2017, 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 \$3,449,342 and \$3,529,728 at June 30, 2018 and 2017, respectively, as a liability for compensated absences. This liability represents the district's contractual obligation to compensate employees for accumulated unused sick leave and severance pay upon retirement.

The District had \$14,040,040 and \$18,034,970 at June 30, 2018 and 2017, 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, 2018**

**Table A-8
Long Term Debt Liabilities
as of June 30, 2018 and 2017**

Governmental Activities	<u>2018</u>	<u>2017</u>
Bonds Payable	\$ 590,000	\$ 770,000
Lease Purchase Agreements	7,340,000	8,920,000
Net Pension Liability	14,040,040	18,034,970
Compensated Absences	3,449,342	3,529,728
Total	<u>\$ 25,419,382</u>	<u>\$ 31,254,698</u>

FOR THE FUTURE

The Carteret Board of Education is in sound financial condition presently. The District is proud of its community support of the public schools. A major concern is the continued enrollment growth of the District and the increased reliance on property taxes.

In conclusion, the District has committed itself to continue its system of financial planning, budgeting and internal financial controls to meet the challenge of the future.

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, 2018**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents		\$ 130,046	\$ 130,046
Other Receivables		30,476	30,476
Receivable from Other Governments	\$ 1,651,553	124,717	1,776,270
Due from Other Funds	6,500		6,500
Inventory		39,197	39,197
Capital Assets Not Being Depreciated	71,603		71,603
Capital Assets, Being Depreciated, net	<u>20,448,998</u>	<u>315,692</u>	<u>20,764,690</u>
Total Assets	<u>22,178,654</u>	<u>640,128</u>	<u>22,818,782</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts on Refunding of Debt	58,673		58,673
Deferred Amount on Net Pension Liability	<u>3,740,975</u>	<u>-</u>	<u>3,740,975</u>
Total Deferred Outflows of Resources	<u>3,799,648</u>	<u>-</u>	<u>3,799,648</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	385,099	273	385,372
Cash Overdraft	487,539		487,539
Payable to Other Governments	7,960		7,960
Accrued Interest Payable	91,931		91,931
Unearned Revenue	172,894		172,894
Noncurrent Liabilities			
Due Within One Year	2,174,934		2,174,934
Due Beyond One Year	<u>23,229,984</u>	<u>-</u>	<u>23,229,984</u>
Total Liabilities	<u>26,550,341</u>	<u>273</u>	<u>26,550,614</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Commodities Revenue		15,597	15,597
Deferred Amount on Net Pension Liability	<u>3,010,729</u>	<u>-</u>	<u>3,010,729</u>
Total Deferred Inflows of Resources	<u>3,010,729</u>	<u>15,597</u>	<u>3,026,326</u>
NET POSITION			
Net Investment in Capital Assets	13,253,738	315,692	13,569,430
Restricted for			
Capital Projects	500,000		500,000
Debt Service	19,188		19,188
Unrestricted	<u>(17,355,694)</u>	<u>308,566</u>	<u>(17,047,128)</u>
Total Net Position	<u>\$ (3,582,768)</u>	<u>\$ 624,258</u>	<u>\$ (2,958,510)</u>

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

**CARTERET BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<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	\$ 35,287,441		\$ 13,692,097		\$ (21,595,344)		\$ (21,595,344)
Special Education	15,684,751		7,005,506		(8,679,245)		(8,679,245)
Other Instruction	3,287,124		1,093,598		(2,193,526)		(2,193,526)
School Sponsored Activities and Athletics	662,544		210,545		(451,999)		(451,999)
Support Services							
Student and Instruction Related Services	8,173,073		2,901,484		(5,271,589)		(5,271,589)
General Administration Services	1,350,446		160,883		(1,189,563)		(1,189,563)
School Administration Services	4,072,383		1,381,218		(2,691,165)		(2,691,165)
Central Services	1,357,978		195,620		(1,162,358)		(1,162,358)
Plant Operations and Maintenance	7,577,581		711,528		(6,866,053)		(6,866,053)
Pupil Transportation	2,948,428		223,489		(2,724,939)		(2,724,939)
Interest on Long-Term Debt	512,680	-	92,543	-	(420,137)	-	(420,137)
Total Governmental Activities	<u>80,914,429</u>	<u>-</u>	<u>27,668,511</u>	<u>-</u>	<u>(53,245,918)</u>	<u>-</u>	<u>(53,245,918)</u>
Business-Type Activities							
Food Service	2,354,336	\$ 485,618	1,918,844			\$ 50,126	50,126
Enrichment Academy	178,231	353,899	-			175,668	175,668
Total Business-Type Activities	<u>2,532,567</u>	<u>839,517</u>	<u>1,918,844</u>	<u>-</u>	<u>-</u>	<u>225,794</u>	<u>225,794</u>
Total Primary Government	<u>\$ 83,446,996</u>	<u>\$ 839,517</u>	<u>\$ 29,587,355</u>	<u>\$ -</u>	<u>(53,245,918)</u>	<u>225,794</u>	<u>(53,020,124)</u>

31

Continued

**CARTERET BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
General Revenues			
Taxes			
Property Taxes Levied for General Purposes	\$ 26,527,244		\$ 26,527,244
Property Taxes Levied for Debt Service	1,388,324		1,388,324
Federal and State Aid -Unrestricted	24,898,203		24,898,203
State/Federal Aid - Restricted	568,477		568,477
Miscellaneous Income	218,454	-	218,454
 Total General Revenues	 53,600,702	 -	 53,600,702
 Change in Net Position	 354,784	 \$ 225,794	 580,578
Net Position, Beginning of Year	(3,937,552)	398,464	(3,539,088)
Net Position, End of Year	\$ (3,582,768)	\$ 624,258	\$ (2,958,510)

FUND FINANCIAL STATEMENTS

**CARTERET BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2018**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents			\$ 19,188	\$ 19,188
Due from Other Funds	\$ 1,167,968			1,167,968
Receivables from Other Governments	128,671	\$ 1,522,882	-	1,651,553
	<u>1,296,639</u>	<u>1,522,882</u>	<u>19,188</u>	<u>2,838,709</u>
Total Assets	<u>\$ 1,296,639</u>	<u>\$ 1,522,882</u>	<u>\$ 19,188</u>	<u>\$ 2,838,709</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Cash Overdraft	\$ 506,727			\$ 506,727
Due to Other Funds		\$ 1,161,468		1,161,468
Accounts Payable	204,539	180,560		385,099
Payable to State Government		7,960		7,960
Unearned Revenue	-	172,894	-	172,894
	<u>711,266</u>	<u>1,522,882</u>	<u>-</u>	<u>2,234,148</u>
Total Liabilities	<u>711,266</u>	<u>1,522,882</u>	<u>-</u>	<u>2,234,148</u>
Fund Balances				
Restricted				
Capital Reserve	500,000			500,000
Excess Surplus	107,411			107,411
Debt Service			\$ 19,188	19,188
Assigned Fund Balance				
Designated for Subsequent Year's Expenditures				
	745,995			745,995
Year End Encumbrances	1,470,993			1,470,993
Unassigned Fund Balance:				
General Fund	<u>(2,239,026)</u>	<u>-</u>	<u>-</u>	<u>(2,239,026)</u>
Total Fund Balances	<u>585,373</u>	<u>-</u>	<u>19,188</u>	<u>604,561</u>
Total Liabilities and Fund Balances	<u>\$ 1,296,639</u>	<u>\$ 1,522,882</u>	<u>\$ 19,188</u>	<u>\$ 2,838,709</u>

Continued

**CARTERET BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2018**

Total Fund Balances - Governmental Funds		\$ 604,561
Amounts reported for <i>governmental activities</i> in the statement of net position (A-1) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$40,047,774 and the accumulated depreciation is \$19,527,173.		20,520,601
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.		58,673
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.		
	Deferred Outflows of Resources	\$ 3,740,975
	Deferred Inflows of Resources	<u>(3,010,729)</u>
		730,246
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)		<u>(25,496,849)</u>
Net position of governmental activities (Exhibit A-1)		<u>\$ (3,582,768)</u>

CARTERET BOARD OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<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	\$ 26,527,244		\$ 1,388,324	\$ 27,915,568
Miscellaneous	199,266	\$ 325	19,188	218,779
Total - Local Sources	<u>26,726,510</u>	<u>325</u>	<u>1,407,512</u>	<u>28,134,347</u>
State Sources	36,661,809	1,495,706	661,020	38,818,535
Federal Sources	131,078	1,970,293	-	2,101,371
Total Revenues	<u>63,519,397</u>	<u>3,466,324</u>	<u>2,068,532</u>	<u>69,054,253</u>
EXPENDITURES				
Current				
Instruction:				
Regular Instruction	26,492,103	1,927,082		28,419,185
Special Education Instruction	12,913,167	841,012		13,754,179
Other Special Instruction	2,644,168			2,644,168
School-Sponsored Activities and Athletics	540,071			540,071
Support Services and Undistributed Costs:				
Student and Instruction Related Services	6,121,282	585,574		6,706,856
General Administration Services	1,215,174			1,215,174
School Administration Services	3,230,729			3,230,729
Central Services	1,143,774			1,143,774
Plant Operations and Maintenance	6,099,968			6,099,968
Pupil Transportation	2,891,260	52,047		2,943,307
Debt Service:				
Principal			1,760,000	1,760,000
Interest and Other Charges			289,844	289,844
Capital Outlay	59,482	-	-	59,482
Total Expenditures	<u>63,351,178</u>	<u>3,405,715</u>	<u>2,049,844</u>	<u>68,806,737</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>168,219</u>	<u>60,609</u>	<u>18,688</u>	<u>247,516</u>
Net Change in Fund Balances	168,219	60,609	18,688	247,516
Fund Balance (Deficit), Beginning of Year	<u>417,154</u>	<u>(60,609)</u>	<u>500</u>	<u>357,045</u>
Fund Balance, End of Year	<u>\$ 585,373</u>	<u>\$ -</u>	<u>\$ 19,188</u>	<u>\$ 604,561</u>

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

**CARTERET BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE DISTRICT-WIDE STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Total net change in fund balances - governmental funds (Exhibit B-2) \$ 247,516

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) (969,524)

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) 1,760,000

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) (683,208)

Change in net position of governmental activities (Exhibit A-2) \$ 354,784

**CARTERET BOARD OF EDUCATION
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 AS OF JUNE 30, 2018**

	<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		\$ 176,032	\$ 176,032
Intergovernmental Receivable			
State	\$ 1,714		1,714
Federal	123,003		123,003
Inventories	39,197		39,197
Other Accounts Receivable	27,000	3,476	30,476
 Total Current Assets	 <u>190,914</u>	 <u>179,508</u>	 <u>370,422</u>
Capital Assets			
Equipment	896,292		896,292
Less: Accumulated Depreciation	<u>(580,600)</u>	<u>-</u>	<u>(580,600)</u>
 Total Capital Assets, Net	 <u>315,692</u>	 <u>-</u>	 <u>315,692</u>
 Total Assets	 <u>506,606</u>	 <u>179,508</u>	 <u>686,114</u>
LIABILITIES			
Current Liabilities			
Cash Overdraft	45,986		45,986
Accounts Payable	<u>273</u>	<u>-</u>	<u>273</u>
 Total Current Liabilities	 <u>46,259</u>	 <u>-</u>	 <u>46,259</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Commodities Revenue	<u>15,597</u>	<u>-</u>	<u>15,597</u>
 Total Deferred Inflows of Resources	 <u>15,597</u>	 <u>-</u>	 <u>15,597</u>
 Total Liabilities and Deferred Inflows of Resources	 <u>61,856</u>	 <u>-</u>	 <u>61,856</u>
NET POSITION			
Net Investment in Capital Assets	315,692		315,692
Unrestricted	<u>129,058</u>	<u>179,508</u>	<u>308,566</u>
 Total Net Position	 <u>\$ 444,750</u>	 <u>\$ 179,508</u>	 <u>\$ 624,258</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, 2018**

	<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	\$ 198,388		\$ 198,388
Daily Sales - Non-Reimbursable Program	287,230		287,230
Program Fees		\$ 331,220	331,220
Miscellaneous	-	22,679	22,679
	<u>485,618</u>	<u>353,899</u>	<u>839,517</u>
OPERATING EXPENSES			
Salaries and Employee Benefits	1,080,065	176,593	1,256,658
Purchased Professional Services			-
Cost of Sales - Reimbursable Program	960,908		960,908
Cost of Sales - Non-Reimbursable Program	112,527		112,527
Other Purchased Services	40,000		40,000
Insurance	57,299		57,299
Depreciation	41,710		41,710
Supplies and Materials	36,076	304	36,380
Miscellaneous	25,751	1,334	27,085
	<u>2,354,336</u>	<u>178,231</u>	<u>2,532,567</u>
Operating Income (Loss)	<u>(1,868,718)</u>	<u>175,668</u>	<u>(1,693,050)</u>
NONOPERATING REVENUES			
State Sources			
School Lunch Program	22,985		22,985
Federal Sources			
National School Lunch Program	1,202,413		1,202,413
National School Breakfast Program	498,501		498,501
Snack Program	34,382		34,382
Fresh Fruits and Vegetable Program	10,295		10,295
Food Distribution Program	150,268	-	150,268
	<u>1,918,844</u>	<u>-</u>	<u>1,918,844</u>
Net Income	<u>50,126</u>	<u>175,668</u>	<u>225,794</u>
Change in Net Position	50,126	175,668	225,794
Net Position, Beginning of Year	<u>394,624</u>	<u>3,840</u>	<u>398,464</u>
Net Position, End of Year	<u>\$ 444,750</u>	<u>\$ 179,508</u>	<u>\$ 624,258</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, 2018**

	<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	\$ 458,618	\$ 354,256	\$ 812,874
Payments for Employees' Salaries and Benefits	(1,080,065)	(176,593)	(1,256,658)
Payments to Suppliers for Goods and Services	(1,081,009)	(24,847)	(1,105,856)
Net Cash Provided by (Used for) Operating Activities	<u>(1,702,456)</u>	<u>152,816</u>	<u>(1,549,640)</u>
Cash Flows from Noncapital Financing Activities			
State and Federal Subsidy Reimbursements	1,780,889	-	1,780,889
Net Cash Provided by Noncapital Financing Activities	<u>1,780,889</u>	<u>-</u>	<u>1,780,889</u>
Net Increase in Cash and Cash Equivalents	78,433	152,816	231,249
Cash and Cash Equivalents (Cash Overdraft), Beginning of Year	(124,419)	23,216	(101,203)
Cash and Cash Equivalents, (Cash Overdraft) End of Year	<u>\$ (45,986)</u>	<u>\$ 176,032</u>	<u>\$ 130,046</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
Operating Income (Loss)	<u>\$ (1,868,718)</u>	<u>\$ 175,668</u>	<u>\$ (1,693,050)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
Depreciation	41,710		41,710
Non-Cash Federal Assistance - National School Lunch Program (Food Distribution)	150,268		150,268
Change in Assets and Liabilities:			
(Increase)/Decrease in Other Accounts Receivable	(27,000)	357	(26,643)
(Increase)/Decrease in Inventories	1,301		1,301
Increase/(Decrease) in Accounts Payable	(17)	(23,209)	(23,226)
Total Adjustments	<u>166,262</u>	<u>(22,852)</u>	<u>143,410</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (1,702,456)</u>	<u>\$ 152,816</u>	<u>\$ (1,549,640)</u>
Non-Cash Financing Activities - National School Lunch (Food Distribution)	\$ 155,691		

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, 2018**

	<u>Unemployment Compensation Trust</u>	<u>Employee Benefits (Flexible Spending) Program Fund</u>	<u>Agency Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 317,304	\$ 21,144	\$ 479,121
Total Assets	<u>317,304</u>	<u>21,144</u>	<u>\$ 479,121</u>
LIABILITIES			
Due to Student Groups			\$ 173,899
Intergovernmental Payable	17,322		
Payroll Deductions and Withholdings			298,722
Due to Other Funds	<u>-</u>	<u>-</u>	<u>6,500</u>
Total Liabilities	<u>17,322</u>	<u>-</u>	<u>\$ 479,121</u>
NET POSITION			
Held in Trust for Unemployment Claims	<u>\$ 299,982</u>		
Held in Trust for Employee Benefits		<u>\$ 21,144</u>	

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

**CARTERET BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Unemployment Compensation Trust</u>	<u>Employee Benefits (Flexible Spending) Program Fund</u>
ADDITIONS		
Contributions		
Employees	\$ 82,338	\$ 60,259
	<hr/>	<hr/>
Total Contributions	82,338	60,259
	<hr/>	<hr/>
Investment Earnings		
Interest	3,643	171
	<hr/>	<hr/>
Net Investment Earnings	3,643	171
	<hr/>	<hr/>
Total Additions	85,981	60,430
	<hr/>	<hr/>
DEDUCTIONS		
Benefit Reimbursements		60,225
Transfer to General Fund		171
Unemployment Claims and Contributions	107,709	-
	<hr/>	<hr/>
Total Deductions	107,709	60,396
	<hr/>	<hr/>
Change in Net Position	(21,728)	34
	<hr/>	<hr/>
Net Position, Beginning of the Year	321,710	21,110
	<hr/>	<hr/>
Net Position, End of the Year	\$ 299,982	\$ 21,144
	<hr/>	<hr/>

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

NOTES TO THE FINANCIAL STATEMENTS

**CARTERET BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 2018, the District adopted the following GASB statements as required:

- GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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. 85, *Omnibus 2017*. 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*. 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.

**CARTERET BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

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

- GASB No. 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. 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.
- GASB No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, will be effective beginning with the year ending June 30, 2019. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistency provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms association with debt will be disclosed.
- GASB No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*, will be effective beginning with the year ending June 30, 2020. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

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.

**CARTERET BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

District-Wide Financial Statements (Continued)

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

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.

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 *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 activities of the District's after school activities, which provides extra-curricular activities for students as well as child care.

**CARTERET BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (Continued)

Additionally, the government reports the following fund types:

The *fiduciary trust funds* are used to account for resources legally held in trust for state unemployment insurance claims and for employee benefits flexible spending transactions. All resources of the funds, 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.

The *fiduciary agency funds* account for assets held by the District as an agent for student activities and for payroll deductions and withholdings. The funds for the student activities fund are solely for noninstructional student activities that are supported and controlled by student organizations and clubs for which school administration does not have management involvement. The payroll funds are held to remit employee withholdings to respective state, federal and other agencies.

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

Reclassifications

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

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

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.

**CARTERET BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Property taxes, unrestricted state aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements (formula-type grants and aid) are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source. Expenditure-driven grants and similar awards (reimbursement-type grants and awards) are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements imposed by the grantor or provider have been met, and the amount is received during the period or within the availability period for this revenue source. All other revenue items are considered to be measurable and available only when cash is received by the District.

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

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

1. *Cash, Cash Equivalents and Investments*

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

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

2. *Receivables*

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

3. *Inventories*

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

Food Service Fund inventories, exclusive of the federal commodities, are valued at cost, using the first-in first-out (FIFO) method and consist of food and expendable supplies. The cost of such inventories is recorded as expenses when consumed rather than when purchased. The United States Department of Agriculture (USDA) commodity portion of the Food Service Fund inventory consists of food donated by the USDA. It is valued at estimated market prices by the USDA. The amount of unused commodities inventory 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.

**CARTERET BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. *Capital Assets (Continued)*

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 amount 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.

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 inventory 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.

**CARTERET BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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, 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.

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 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 with 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, as well as bond issuance costs, 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.

**CARTERET BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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*

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).

Excess Surplus – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2018 audited excess surplus that is required to be appropriated in the 2019/2020 original budget certified for taxes.

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 2018/2019 District budget certified for taxes.

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

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

In the general operating fund and other governmental funds (capital projects and debt service fund types), it is the District's policy to consider restricted resources to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted (i.e., committed, assigned or unassigned) fund balances are available, followed by committed and then assigned fund balances. Unassigned amounts are used only after the other resources have been used.

**CARTERET BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. *Fund Balance Policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Board has authorized the School Business Administrator/Board Secretary to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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.

3. *Tuition Revenues and Expenditures*

Tuition Expenditures - Tuition charges for the fiscal years 2016-2017 and 2017-2018 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.

**CARTERET BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 \$(25,496,849) difference are as follows:

Bonds payable	\$ (590,000)
Certificates of Participation Payable	(7,340,000)
Less: Issuance discount (to be amortized as interest expense)	14,464
Accrued Interest Payable	(91,931)
Compensated Absences	(3,449,342)
Net Pension Liability	<u>(14,040,040)</u>
 Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	 <u>\$ (25,496,849)</u>

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

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 \$(969,524) difference are as follows:

Capital Outlay	\$59,482
Depreciation Expense	<u>(1,029,006)</u>
 Net Adjustment to Increase Net Changes in Fund Balances – Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	 <u>\$ (969,524)</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 \$1,760,000 difference are as follows:

Principal repayments:	
Bonds Payable	\$ 180,000
Certificates of Participation	<u>1,580,000</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 activities</i>	 <u>\$ 1,760,000</u>

**CARTERET BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds”. The details of this \$(683,208) difference are as follows:

Compensated Absences	\$ 80,386
Accrued Interest	15,802
Amortization of Deferred Amounts on Refunding	(219,026)
Amortization of Bond Discounts	(19,612)
Net Pension Expense	<u>(540,758)</u>
 Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of government activities	 <u>\$ (683,208)</u>

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The 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.

**CARTERET BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

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 2017/2018. Also, during 2017/2018 the Board increased the original budget by \$2,605,787. The increase was funded by additional grant awards, appropriation of capital reserve funds of \$1,400,000 for stadium improvements with the Borough of Carteret, 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.

B. Deficit Fund Equity

The District has an unassigned fund deficit of \$2,239,026 in the General Fund as of June 30, 2018 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 2017/2018 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 Fund deficit does not alone indicate that the District is facing financial difficulties; however, unless the State of New Jersey budgets the delayed payments in future years, the District may also report fund deficits in the future.

**CARTERET BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Deficit Fund Equity (Continued)

Pursuant to NJSA 18A:22-44.2, any negative unreserved, undesignated (i.e., unassigned) general fund balance that is reported as a direct result of a delay in the payment of state aid until the following fiscal year, is not considered as a violation of New Jersey Statute or regulation and is not considered an item in need of corrective action. The District deficit in the GAAP (fund) financial statements of \$2,239,026 in the General Fund is less than the delayed state aid payments and state aid advance payment balance at June 30, 2018.

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.

The activity of the capital reserve for the fiscal year ended June 30, 2018 is as follows:

Balance, July 1, 2017	\$ 1,400,000
Increased by	
Deposits Approved by Board Resolution	<u>500,000</u>
Total Increases	<u>500,000</u>
	<u>1,900,000</u>
Withdrawals	
Approved by Board Resolution	<u>1,400,000</u>
Total Withdrawals	<u>1,400,000</u>
Balance, June 30, 2018	<u>\$ 500,000</u>

The withdrawals from the capital reserve were for use in a department approved facilities project, consistent with the district's Long Range Facilities Plan.

**CARTERET BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

D. Transfers to Capital Outlay

During the 2017/2018 school year, the district transferred \$1,400,000 to the non-equipment capital outlay accounts. The transfer was made from the capital reserve account to supplement a shared service agreement for improvements in the Carteret High School Stadium with the Borough of Carteret.

E. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance in excess of 2% of budget expenditures at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2018 is \$107,411. This amount will be designated and appropriated in the 2019/2020 original budget certified for taxes.

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 and NCUSIF.

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, 2018, the book value of the Board's deposits were \$460,076 and bank and brokerage firm balances of the Board's deposits amounted to \$3,075,892. 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>\$ 3,075,892</u>
---------	---------------------

**CARTERET BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash Deposits and Investments (Continued)

Cash Deposits (Continued)

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, 2018 none of the Board’s bank balances were exposed to custodial credit risk.

Investments

The Board is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America; Government Money Market Mutual Funds; any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor; 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; Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the “Local Authorities Fiscal Control Law,” (C.40A:5A-1 et seq.); Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by school districts; Local Government investment pools; deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); and agreements for the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

As of June 30, 2018, 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, 2018 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		\$ 1,518,882	\$123,003		\$ 1,641,885
State	\$ 128,671	4,000	1,714		134,385
Accounts	-	-	-	\$ 3,476	3,476
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Gross Receivables	128,671	1,522,882	124,717	3,476	1,779,746
Less: Allowance for Uncollectibles	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net Total Receivables	<u>\$ 128,671</u>	<u>\$ 1,522,882</u>	<u>\$124,717</u>	<u>\$ 3,476</u>	<u>\$ 1,779,746</u>

**CARTERET BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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	\$ 87,998
Grant drawdowns reserved for encumbrances	<u>84,896</u>
Total Unearned Revenue for Governmental Funds	<u>\$ 172,894</u>

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	Balance, July 1, 2017	Increases	Decreases	Transfers	Balance, June 30, 2018
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>-</u>	<u>71,603</u>
Capital assets, being depreciated:					
Buildings and Building Improvements	37,475,268	\$ 15,950		\$ (130,278)	37,360,940
Land Improvements	284,135			55,500	339,635
Machinery and equipment	2,157,286	43,532	-	74,778	2,275,596
Total capital assets being depreciated	<u>39,916,689</u>	<u>59,482</u>	<u>-</u>	<u>-</u>	<u>39,976,171</u>
Less accumulated depreciation for:					
Buildings and Building Improvements	(16,497,444)	(848,135)			(17,345,579)
Land Improvements	(252,278)	(9,019)			(261,297)
Machinery and equipment	(1,748,445)	(171,852)	-	-	(1,920,297)
Total accumulated depreciation	<u>(18,498,167)</u>	<u>(1,029,006)</u>	<u>-</u>	<u>-</u>	<u>(19,527,173)</u>
Total capital assets, being depreciated, net	<u>21,418,522</u>	<u>(969,524)</u>	<u>-</u>	<u>-</u>	<u>20,448,998</u>
Governmental Activities Capital Assets, Net	<u>\$ 21,490,125</u>	<u>\$ (969,524)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,520,601</u>

**CARTERET BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

	Balance, July 1, 2017	Increases	Decreases	Balance, June 30, 2018
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	(538,890)	\$ (41,710)	-	(580,600)
Total accumulated depreciation	<u>(538,890)</u>	<u>(41,710)</u>	<u>-</u>	<u>(580,600)</u>
Total capital assets, being depreciated, net	<u>357,402</u>	<u>(41,710)</u>	<u>-</u>	<u>315,692</u>
Business-Type Activities Capital Assets, Net	<u>\$ 357,402</u>	<u>\$ (41,710)</u>	<u>\$ -</u>	<u>\$ 315,692</u>

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

Governmental activities:	
Instruction	
Regular	\$ 12,420
Total Instruction	<u>12,420</u>
Support Services	
Support Services - Student and Instruction Related Services	82,079
Plant Operations and Maintenance	932,442
Pupil Transportation	2,065
Total Support Services	<u>1,016,586</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,029,006</u>
Business-Type Activities:	
Food Service Fund	\$ 41,710
Total Depreciation Expense-Business-Type Activities	<u>\$ 41,710</u>

**CARTERET BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2018, is as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 1,161,468
General Fund	Payroll Agency Fund	<u>6,500</u>
		<u>\$ 1,167,968</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, 2018**

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 June 30,	<u>Certificates of Participation</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
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	495,000	116,812	611,812
2024-2028	2,635,000	399,925	3,034,925
2029-2031	<u>1,165,000</u>	<u>52,650</u>	<u>1,217,650</u>
Total	<u>\$ 7,340,000</u>	<u>\$ 1,194,038</u>	<u>\$ 8,534,038</u>

**CARTERET BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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, 2018 is comprised of the following issue:

\$1,430,000, 2013 Pension Refunding Bonds, due in annual installments of \$190,000 to \$205,000 through March 15, 2021, interest at 3.50% \$590,000

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

Governmental Activities:

Fiscal Year Ending <u>June 30,</u>	<u>Pension Refunding Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
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>\$ 590,000</u>	<u>\$ 41,825</u>	<u>\$ 631,825</u>

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2018 was as follows:

4% of Equalized Valuation Basis (Municipal)	\$ 91,740,739
Less: Net Debt	<u>-</u>
Remaining Borrowing Power	<u>\$ 91,740,739</u>

**CARTERET BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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, 2018, was as follows:

	<u>Balance, July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, June 30, 2018</u>	<u>Due Within One Year</u>
Governmental activities:					
Lease-Purchase Agreements ("COPS")	\$ 8,920,000		\$ (1,580,000)	\$ 7,340,000	\$ 1,640,000
Original Issue Discount	(34,076)	-	19,612	(14,464)	-
Lease-Purchase Agreements, net	8,885,924	-	(1,560,388)	7,325,536	1,640,000
Bonds payable	770,000		(180,000)	590,000	190,000
Net Pension Liability	18,034,970		(3,994,930)	14,040,040	
Compensated absences	3,529,728	-	(80,386)	3,449,342	344,934
Governmental activity Long-term liabilities	<u>\$ 31,220,622</u>	<u>\$ -</u>	<u>\$ (5,815,704)</u>	<u>\$ 25,404,918</u>	<u>\$ 2,174,934</u>

For the governmental activities, the liabilities for compensated absences and net 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, 2018**

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>
2018	\$-0-	\$ 82,338	\$ 107,709	\$ 299,982
2017	\$-0-	85,736	107,858	321,710
2016	\$-0-	74,259	163,515	342,449

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, 2018, 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, 2018, 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, 2018**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans

Plan Descriptions and Benefits Provided

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. PERS is a cost sharing multiple employer defined benefit pension plan.

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death, and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reached age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, tier 3 and 4 members with 25 or more years of service credit before age 62, and tier 5 members with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least ten years of service credit and have not reached the service retirement age for the respective tier.

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. TPAF is a cost sharing multiple employer defined benefit pension plan with a special funding situation, by which the State is responsible to fund 100% of local employer contributions, excluding any local employer early retirement incentive (ERI) contributions.

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death, and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

**CARTERET BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

The following represent the membership tiers for TPAF:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reached age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, tier 3 and 4 members with 25 or more years of service credit before age 62, and tier 5 members with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement for his/her respective tier. Deferred retirement is available to members who have at least ten years of service credit and have not reached the service retirement age for the respective tier.

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 (“Division”), 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, 2018**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Plan Amendments

The authority to amend the provisions of the above plans rests with new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for TPAF and PERS, once a Target Funded Ratio (TFR) is met. The Pension Plan Design Committees will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation of final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committees will also have the authority to reactivate the cost of living adjustment (COLA) on pensions. However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a 30-year projection period.

Measurement Focus and Basis of Accounting

The financial statements of the retirement systems are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the pension trust funds. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

Investment Valuation

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of the retirement systems. Investments are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The 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.us/treasury/doinvest.

Funding Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the aggregate funded ratio for the State administered TPAF and local PERS retirement systems, is 33 percent with an unfunded actuarial accrued liability of 90.90 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded TPAF system is 25.41 percent and \$67.6 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS is 48.10 percent and \$23.3 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.

**CARTERET BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Funding Status and Funding Progress (Continued)

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, 2016 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 7.00 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.

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 7.34% for PERS, 7.34% for TPAF and 5.50% for DCRP of the employee's annual compensation for fiscal year 2018.

Annual Pension Costs (APC)

For the fiscal year ended June 30, 2018 for TPAF, which is a cost sharing multiple employer defined benefit pension plan with a special funding situation, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multiple 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, 2018, 2017 and 2016 the Board was required to contribute for PERS and DCRP and the State of New Jersey, as a nonemployer contributing entity, 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 <u>June 30,</u>	<u>PERS</u>	On-behalf <u>TPAF</u>	<u>DCRP</u>
2018	\$ 558,741	\$ 3,805,323	\$ 722
2017	540,971	2,786,794	2,007
2016	494,055	1,772,953	169

**CARTERET BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Annual Pension Costs (APC) (Continued)

In addition for fiscal years 2017/2018 and 2016/2017 the District contributed \$2,240 and \$869, respectively for PERS and the State contributed \$6,387 and \$7,169, respectively 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 Statement No. 85, *Omnibus 2017* (GASB No. 85). 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 \$1,956,679 during the fiscal year ended June 30, 2018 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 85.

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

Public Employees Retirement System (PERS)

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, (GASB No. 68) requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the fiscal year ended June 30, 2017. Employer allocation percentages have been rounded for presentation purposes.

Although the NJ Division of Pensions and Benefits ("Division") administers one cost-sharing multiple employer defined benefit pension plan, separate actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the State and local groups of the plan.

To facilitate the separate actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages are presented for each group. The allocation percentages for each group as of June 30, 2017 are based on the ratio of each employer's contribution to total employer contributions of the group for the fiscal year ended June 30, 2017.

At June 30, 2018, the District reported in the statement of net position (accrual basis) a liability of \$14,040,040 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2017 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, 2017, the District's proportionate share was 0.06031 percent, which was a decrease of 0.00058 percent from its proportionate share measured as of June 30, 2016 of 0.06089 percent.

**CARTERET BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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)

For the fiscal year ended June 30, 2018, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$1,099,499 for PERS. The pension contribution made by the District during the current 2017/2018 fiscal year is the contribution that is applied to the net pension liability reported at the end of the current fiscal year of June 30, 2018 with a measurement date of the prior fiscal year end of June 30, 2017. Since the State of New Jersey applies the current year pension contribution towards the calculation of the net pension liability reported at the end of the current fiscal year, which has a measurement date of the preceding fiscal year end, there is no deferred outflows of resources reported as of June 30, 2018 for contributions made subsequent to the current fiscal year end. At June 30, 2018, 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	\$ 330,594	
Changes of Assumptions	2,828,584	\$ 2,818,214
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	95,603	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>486,194</u>	<u>192,515</u>
Total	<u>\$ 3,740,975</u>	<u>\$ 3,010,729</u>

At June 30, 2018, 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:

Year Ending <u>June 30,</u>	<u>Total</u>
2019	\$ 469,357
2020	469,354
2021	441,344
2022	(341,052)
2023	(308,757)
Thereafter	<u>-</u>
	<u>\$ 730,246</u>

**CARTERET BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The District's total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	<u>PERS</u>
Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65-4.15% Based on Age
Thereafter	2.65-5.15% Based on Age
Investment Rate of Return	7.00%
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, 2016 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, 2018**

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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
US Equities	30.00%	8.19%
Non-US Developed Markets Equity	11.50%	9.00%
Emerging Market Equities	6.50%	11.64%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Estate	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate

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

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2017	5.00%
2017	June 30, 2016	3.98%

**CARTERET BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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, 2040
Municipal Bond Rate *	From July 1, 2040 and Thereafter

* The municipal bond return rate used is 3.58% as of the measurement date of June 30, 2017. 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 5.00%, 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 (4.00 percent) or 1-percentage-point higher (6.00 percent) than the current rate:

	1% Decrease <u>(4.00%)</u>	Current Discount Rate <u>(5.00%)</u>	1% Increase <u>(6.00%)</u>
District's Proportionate Share of the PERS Net Pension Liability	\$ <u>17,417,622</u>	\$ <u>14,040,040</u>	\$ <u>11,226,095</u>

The sensitivity analysis was based on the proportionate share of the District's net pension liability at June 30, 2017. 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, 2018**

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)

GASB No. 68, requires participating employers in TPAF to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The non-employer allocation percentages presented are based on the ratio of the State's contributions made as a non-employer toward the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the fiscal year ended June 30, 2017. Non-employer allocation percentages have been rounded for presentation purposes.

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and non-employer contributions by the State. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. For the fiscal year ended June 30, 2017, the State's pension contribution was less than the actuarial determined amount.

In accordance with GASB No. 68, the District is not required to recognize a net pension liability for TPAF. The State of New Jersey, as a nonemployer contributing entity, 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, 2018, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$11,572,215 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. 85.

At June 30, 2018 the State's proportionate share of the net pension liability attributable to the District is \$167,047,650. 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, 2017. At June 30, 2017, the state's share of the net pension liability attributable to the District was 0.24776 percent, which was an increase of 0.02632 percent from its proportionate share measured as of June 30, 2016 of 0.22144 percent.

**CARTERET BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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)

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

	<u>TPAF</u>
Inflation Rate	2.25%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.00%

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, 2016 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, 2018**

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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Estate	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

**CARTERET BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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:

Fiscal Year	Measurement Date	Discount Rate
2018	June 30, 2017	4.25%
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, 2036
Municipal Bond Rate *	From July 1, 2036 and Thereafter

* The municipal bond return rate used is 3.58% as of the measurement date of June 30, 2017. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the State's proportionate share of the TPAF net pension liability attributable to the District calculated using the discount rate of 4.25%, as well as what the State's proportionate share of the TPAF net pension liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (3.25 percent) or 1-percentage-point higher (5.25 percent) than the current rate:

	1% Decrease (3.25%)	Current Discount Rate (4.25%)	1% Increase (5.25%)
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	<u>\$ 198,457,848</u>	<u>\$ 167,047,650</u>	<u>\$ 141,171,792</u>

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the District at June 30, 2017. A sensitivity analysis specific to the State's proportionate share of the net pension liability attributable to the District at June 30, 2017 was not provided by the pension system.

**CARTERET BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 plan for school districts

As a result of implementing GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, the post-retirement health benefit program plan is reported in an Agency Fund in the New Jersey Comprehensive Annual Financial Report effective for the fiscal year ended June 30, 2017. Therefore, the plan has no assets accumulated in a trust. In accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension* (GASB No. 75), the plan is classified as a single employer defined benefit OPEB plan with a special funding situation that is not administered through a trust that meets the criteria in paragraph 4 of GASB No. 75.

Plan Description and Benefits Provided

The State of New Jersey sponsors and administers the following post-retirement health benefit program plan covering certain local school district employees, including those Board employees and retirees eligible for coverage.

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) – N.J.S.A. 52:14-17.32f provides medical coverage and prescription drug benefits to qualified retired education participants. The State of New Jersey provides employer-paid coverage to members of the TPAF who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of Chapter 126, P.L. 1992, the State also provides employer-paid coverage to members of the PERS and Alternate Benefits Program (ABP) who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare Parts A and B by paying the cost of the insurance for themselves and their covered dependents.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

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, 2018**

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Plan Membership

Membership of the defined benefit OPEB plan consisted of the following at June 30, 2016:

Active Plan Members	223,747
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	142,331
Inactive Plan Members Entitled to but not yet Receiving Benefits	<u> -</u>
Total	<u>366,078</u>

Measurement Focus and Basis of Accounting

The financial statements of the post-employment health benefit plans are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the post-employment health benefit plans. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the State had a \$69.3 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$25.5 billion for state active and retired members and \$43.8 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.

**CARTERET BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Funded Status and Funding Progress (Continued)

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, 2016, 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.

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, 2017, there were 112,966, retirees receiving post-retirement medical benefits and the State contributed \$1.39 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 \$238.9 million toward Chapter 126 benefits for 20,913 eligible retired members in Fiscal Year 2017.

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, as a nonemployer contributing entity, to the State Health Benefits Program Fund – Local Education Retired for retirees' post-retirement benefits on behalf of the School District for the fiscal years ended June 30, 2018, 2017 and 2016 were \$2,457,777, \$2,322,033 and \$2,111,099, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund – Local Education Retired for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey. The on-behalf OPEB contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 85.

**CARTERET BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

GASB Statement No. 75 requires participating employers in the State Health Benefit Program Fund – Local Education Retired to recognize their proportionate share of the collective OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense excluding that attributable to retiree-paid member contributions. The nonemployer allocation percentages presented are based on the ratio of the State’s contributions made as a nonemployer toward the actuarially determined contribution amount to total contributions to the plan during the fiscal year ended June 30, 2017. Nonemployer allocation percentages have been rounded for presentation purposes.

In accordance with GASB No. 75, the District is not required to recognize an OPEB liability for the post-employment health benefit plan. The State of New Jersey, as a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to the plan on behalf of the District. Accordingly, the District’s proportionate share percentage determined under Statement No. 75 is zero percent and the State’s proportionate share is 100% of the OPEB liability attributable to the District. Therefore, in addition, the District does not recognize any portion of the collective deferred outflows of resources and deferred inflows of resources related to the plan.

For the fiscal year ended June 30, 2018, the District recognized in the district-wide statement of activities (accrual basis) OPEB expense of \$6,905,845. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 85.

At June 30, 2018 the State’s proportionate share of the OPEB liability attributable to the District is \$113,236,629. The nonemployer allocation percentages are based on the ratio of the State’s proportionate share of the OPEB liability attributable to the District at June 30, 2017 to the total OPEB liability of the State Health Benefit Program Fund – Local Education Retired Employees Plan at June 30, 2017. At June 30, 2017, the state’s share of the OPEB liability attributable to the District was .21111 percent, which was a decrease of .0005 percent from its proportionate share measured as of June 30, 2016 of .21161 percent.

Actuarial Assumptions

The OPEB liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases *	
Initial Fiscal Year Applied Through	2026
Rate	1.55% to 4.55%
Rate Thereafter	2.00% to 5.45%
Mortality	RP-2014 Headcount-Weighted Healthy Employee, Healthy Annuitant and Disabled Male/Female Mortality Table with Fully Generational Mortality Improvement Projections from the Central Year Using Scale MP-2017
Long-Term Rate of Return	1.00%

*Salary increases are based on the defined benefit plan that the individual is enrolled in and his or her year of service for TPAF or his or her age for PERS.

**CARTERET BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Actuarial Assumptions (Continued)

Healthcare cost trend rates for pre-Medicare Preferred Provider Organization (PPO) medical benefits, this amount initially is 5.9 percent and decreases to a 5.0 percent long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5 percent. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9 percent and decreases to a 5.0 percent long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5 percent and decreases to a 5.0 percent long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0 percent. This reflects the known underlying cost of the Part B premium. The Medicare Advantage trend rate is 4.5 percent and will continue in all future years.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the TPAF and PERS actuarial experience studies for the period July 1, 2012 to June 30, 2015 and July 1, 2011 to June 30, 2014, respectively.

Long-Term Expected Rate of Return

As the OPEB plan only invests in the State of New Jersey Cash Management Fund, the long-term expected rate of return on OPEB investments was based off the best-estimate ranges of future real rates of return (expected returns, net of OPEB plan investment expense and inflation) for cash equivalents, which is 1.00% as of June 30, 2017.

Discount Rate

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

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2017	3.58%
2017	June 30, 2016	2.85%

The discount rate represents the municipal bond return rate as chosen by the Division. 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

**CARTERET BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Changes in the Total OPEB Liability

The change in the State's proportionate share of the OPEB liability attributable to the District for the fiscal year ended June 30, 2018 (measurement date June 30, 2017) is as follows:

	Liability (State Share 100%)
Balance, June 30, 2016 Measurement Date	\$ <u>122,378,319</u>
Changes Recognized for the Fiscal Year:	
Service Cost	\$ 4,877,797
Interest on the Total OPEB Liability	3,596,203
Changes of Assumptions	(14,960,197)
Gross Benefit Payments	(2,757,013)
Contributions from the Member	<u>101,520</u>
Net Changes	\$ <u>(9,141,690)</u>
Balance, June 30, 2017 Measurement Date	\$ <u>113,236,629</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.85 percent in 2016 to 3.58 percent in 2017.

The change in the total OPEB liability was based on the State's proportionate share of the OPEB liability attributable to the District at June 30, 2017. A change in the total OPEB liability specific to the State's proportionate share of the OPEB liability attributable to the District for the fiscal year ended June 30, 2017 was not provided by the pension system.

Sensitivity of OPEB Liability

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the State's proportionate share of the OPEB liability attributable to the District calculated using the discount rate of 3.58%, as well as what the State's proportionate share of the OPEB liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current rate:

	1% Decrease <u>(2.58%)</u>	Current Discount Rate <u>(3.58%)</u>	1% Increase <u>(4.58%)</u>
State's Proportionate Share of the OPEB Liability Attributable to the District	\$ <u>134,420,048</u>	\$ <u>113,236,629</u>	\$ <u>96,433,740</u>

**CARTERET BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Sensitivity of OPEB Liability (Continued)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the State’s proportionate share of the OPEB liability attributable to the District calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1%</u> <u>Decrease</u>	<u>Healthcare</u> <u>Cost Trend</u> <u>Rates</u>	<u>1%</u> <u>Increase</u>
Total OPEB Liability (School Retirees)	\$ <u>93,126,181</u>	\$ <u>113,236,629</u>	\$ <u>139,943,068</u>

The sensitivity analyses were based on the State’s proportionate share of the OPEB liability attributable to the District at June 30, 2017. Sensitivity analyses specific to the State’s proportionate share of the OPEB liability attributable to the District at June 30, 2017 were not provided by the pension system.

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

REQUIRED SUPPLEMENTARY INFORMATION - PART III

**CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
REVENUES					
Local Sources					
Local Tax Levy	\$ 26,527,244		\$ 26,527,244	\$ 26,527,244	
Interest Earned on Capital Reserve Funds	1,625		1,625		\$ (1,625)
Rents and Royalties	5,000		5,000		(5,000)
Miscellaneous	43,375		43,375	199,266	155,891
State Sources					
Equalization Aid	23,633,042	\$ 745,995	24,379,037	24,379,037	-
Categorical Special Education Aid	2,287,579		2,287,579	2,287,579	-
Security Aid	420,092		420,092	420,092	-
Extraordinary Aid	600,000		600,000	697,738	97,738
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				32,363	32,363
Reimb TPAF Social Security Payments (Non-Budget)				1,956,679	1,956,679
On-behalf TPAF Post Retirement Medical Contribution (Non-Budget)				2,457,777	2,457,777
On-behalf TPAF Pension System Contribution - Normal (Non-Budget)				3,715,165	3,715,165
On-behalf TPAF Pension System Contribution - NCGI (Non-Budget)				90,158	90,158
On-behalf TPAF Pension System Contribution - LTDI (Non-Budget)				6,387	6,387
Federal Sources					
Medical Assistance Program (SEMI)	73,014	-	73,014	131,078	58,064
Total Revenues	<u>54,339,001</u>	<u>745,995</u>	<u>55,084,996</u>	<u>63,648,593</u>	<u>8,563,597</u>
EXPENDITURES					
CURRENT EXPENDITURES					
Instruction - Regular Programs					
Salaries of Teachers					
Preschool	251,396	(73,000)	178,396	99,746	78,650
Grades 1-5	7,621,598	(121,854)	7,499,744	7,486,706	13,038
Grades 6-8	3,399,238	(108,196)	3,291,042	3,280,501	10,541
Grades 9-12	4,893,260	255,210	5,148,470	5,148,470	-
Regular Programs - Home Instruction					
Salaries of Teachers	55,000	1,715	56,715	56,715	-
Purchased Professional-Educational Services	80,000	(56,660)	23,340	11,585	11,755
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	207,543	57,034	264,577	262,277	2,300
Purchased Professional-Educational Services	187,021	42,992	230,013	219,659	10,354
Other Purchased Services	3,455	-	3,455	1,043	2,412
General Supplies	304,222	480,584	784,806	357,498	427,308
Textbooks	50,194	(37,378)	12,816	12,588	228
Other Objects	505,570	83,926	589,496	462,371	127,125
Total Regular Programs	<u>17,558,497</u>	<u>524,373</u>	<u>18,082,870</u>	<u>17,399,159</u>	<u>683,711</u>

(Continued)

CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	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	\$ 380,733	\$ -	\$ 380,733	\$ 380,733	\$ -
Other Salaries for Instruction	174,724	(16,607)	158,117	147,958	10,159
Purchased Professional-Educational Services	100,000	(47,344)	52,656	52,656	-
General Supplies	-	150	150	150	-
Total Learning and/or Language Disabilities	655,457	(63,801)	591,656	581,497	10,159
Behavioral Disabilities					
Salaries of Teachers	60,000	(38,784)	21,216	20,951	265
Purchased Professional-Educational Services	665,790	(22,691)	643,099	640,099	3,000
Total Behavioral Disabilities	725,790	(61,475)	664,315	661,050	3,265
Multiple Disabilities					
Salaries of Teachers	296,202	-	296,202	293,322	2,880
Other Salaries for Instruction	75,362	-	75,362	62,550	12,812
Purchased Professional-Educational Services	125,000	(76,283)	48,717	27,189	21,528
Total Multiple Disabilities	496,564	(76,283)	420,281	383,061	37,220
Resource Room/Resource Center					
Salaries of Teachers	3,117,209	199,711	3,316,920	3,314,569	2,351
Other Salaries for Instruction	486,353	(59,000)	427,353	426,863	490
Purchased Professional-Educational Services	200,000	97,100	297,100	282,631	14,469
Total Resource Room	3,803,562	237,811	4,041,373	4,024,063	17,310
Autism					
Salaries of Teachers	60,000	(60,000)	-	-	-
Other Salaries for Instruction	37,681	-	37,681	37,681	-
Purchased Professional-Educational Services	27,500	(25,000)	2,500	931	1,569
Total Autism	125,181	(85,000)	40,181	38,612	1,569
Preschool Disabilities - Full Time					
Salaries of Teachers	95,591	41	95,632	95,591	41
Other Salaries for Instruction	75,362	-	75,362	75,362	-
Purchased Professional-Educational Services	50,000	3,308	53,308	53,308	-
Total Preschool Disabilities - Full Time	220,953	3,349	224,302	224,261	41
Total Special Education	6,027,507	(45,399)	5,982,108	5,912,544	69,564
Bilingual Education					
Salaries of Teachers	1,513,788	(782)	1,513,006	1,499,145	13,861
Other Salaries for Instruction	37,681	-	37,681	37,681	-
Purchased Professional-Educational Services	25,000	150,571	175,571	175,571	-
Total Bilingual Education	1,576,469	149,789	1,726,258	1,712,397	13,861

(Continued)

CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<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	\$ 66,161	\$ 9,700	\$ 75,861	\$ 75,803	\$ 58
Total School-Sponsored Co/Extra Curricular Activities	66,161	9,700	75,861	75,803	58
School Sponsored Athletics - Instruction					
Salaries	208,353	5,871	214,224	214,224	-
Purchased Services	39,100	-	39,100	15,269	23,831
Supplies and Materials	87,500	(4,050)	83,450	55,634	27,816
Other Objects	21,500	4,050	25,550	20,466	5,084
Total School Sponsored Athletics	356,453	5,871	362,324	305,593	56,731
Total Instruction	25,585,087	644,334	26,229,421	25,405,496	823,925
Undistributed Expenditures					
Instruction					
Tuition to Other LEA's Within the State - Regular	76,000	(21,942)	54,058	54,057	1
Tuition to Other LEA's Within the State - Special	213,312	164,685	377,997	364,522	13,475
Tuition to CSSD & Regional Day Schools	2,122,676	(133,377)	1,989,299	1,961,200	28,099
Tuition to Private Schools for Disabled - Within State	1,633,943	327,769	1,961,712	1,954,066	7,646
Tuition - State Facilities	82,793	13,400	96,193	96,166	27
Tuition - Other	-	7,205	7,205	7,205	-
Total Undistributed Expenditures - Instruction	4,128,724	357,740	4,486,464	4,437,216	49,248
Attendance and Social Work					
Salaries	337,591	(33,414)	304,177	304,177	-
Purchased Professional and Technical Services	16,400	1,850	18,250	18,202	48
Supplies and Materials	1,500	1,317	2,817	1,878	939
Total Attendance and Social Work	355,491	(30,247)	325,244	324,257	987
Health Services					
Salaries	453,213	(50,651)	402,562	402,561	1
Purchased Professional and Technical Services	15,100	8,500	23,600	20,341	3,259
Supplies and Materials	4,250	1,363	5,613	4,451	1,162
Other Objects	500	-	500	-	500
Total Health Services	473,063	(40,788)	432,275	427,353	4,922

(Continued)

**CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<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	\$ 390,248	\$ (71,264)	\$ 318,984	\$ 315,877	\$ 3,107
Purchased Professional-Educational Services		6,650	6,650	6,650	
Supplies and Materials	15,000	10,978	25,978	20,062	5,916
Total Speech, OT, PT and Related Svcs.	<u>405,248</u>	<u>(53,636)</u>	<u>351,612</u>	<u>342,589</u>	<u>9,023</u>
Guidance					
Salaries of Other Professional Staff	580,503	5,225	585,728	585,727	1
Salaries of Secretarial and Clerical Assistants	58,880	-	58,880	51,994	6,886
Purchased Professional-Educational Services		6,309	6,309	818	5,491
Other Purchased Professional and Technical Services	178,290	5,832	184,122	128,945	55,177
Other Purchased Services	10,750	(1,200)	9,550	4,301	5,249
Supplies and Materials	92,250	(1,566)	90,684	83,244	7,440
Other Objects	1,350	-	1,350	1,306	44
Total Guidance	<u>922,023</u>	<u>14,600</u>	<u>936,623</u>	<u>856,335</u>	<u>80,288</u>
Child Study Teams					
Salaries of Other Professional Staff	1,191,750	(89,624)	1,102,126	1,102,125	1
Salaries of Secretarial and Clerical Assistants	103,234	-	103,234	103,234	-
Purchased Professional-Educational Services	278,880	(1,359)	277,521	231,117	46,404
Other Purchased Professional and Technical Services	339,050	57,161	396,211	383,309	12,902
Other Purchases Services	5,000	1,259	6,259	2,625	3,634
Supplies and Materials	7,500	-	7,500	3,683	3,817
Total Child Study Teams	<u>1,925,414</u>	<u>(32,563)</u>	<u>1,892,851</u>	<u>1,826,093</u>	<u>66,758</u>
Improvement of Instructional Services					
Salaries of Supervisor of Instruction	15,000	(15,000)			-
Salaries of Other Professional Staff	25,000	(12,325)	12,675	12,675	-
Salaries of Secretarial and Clerical Assistants	59,380	(2,000)	57,380	49,275	8,105
Salaries of Facilitators, Math & Literacy Coaches	392,374	(2,220)	390,154	389,779	375
Purchased Professional - Educational Services	1,000	2,900	3,900	3,707	193
Other Purchased Services	6,800	-	6,800	2,175	4,625
Supplies and Materials	2,000	5	2,005	1,277	728
Total Improvement of Instructional Services	<u>501,554</u>	<u>(28,640)</u>	<u>472,914</u>	<u>458,888</u>	<u>14,026</u>
Educational Media Services/School Library					
Salaries	37,681	-	37,681	37,681	-
Purchased Professional and Technical Services	10,102	48	10,150	7,051	3,099
Supplies and Materials	2,001	242	2,243	622	1,621
Total Educational Media Serv./School Library	<u>49,784</u>	<u>290</u>	<u>50,074</u>	<u>45,354</u>	<u>4,720</u>
Instructional Staff Training Services					
Salaries of Other Professional Staff	5,000	15,000	20,000		20,000
Purchased Professional - Educational Services	48,200	(34,491)	13,709	13,709	-
Other Purchased Professional and Technical Services	5,000	(2,884)	2,116	1,750	366
Total Instructional Staff Training Services	<u>58,200</u>	<u>(22,375)</u>	<u>35,825</u>	<u>15,459</u>	<u>20,366</u>

(Continued)

CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<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	\$ 487,439	\$ (65,000)	\$ 422,439	\$ 407,523	\$ 14,916
Legal Services	125,000	103,622	228,622	228,622	-
Audit Fees	45,000	-	45,000	39,083	5,917
Architectural /Engineering Services	75,000	(50,000)	25,000	3,000	22,000
Other Purchased Professional Services	45,560	(9,174)	36,386	8,531	27,855
Communications/Telephone	197,636	(37,794)	159,842	98,969	60,873
BOE Other Purchased Services	4,700	4,199	8,899	7,597	1,302
Misc Purchased Services	28,250	617	28,867	13,367	15,500
General Supplies	4,000	2,697	6,697	6,049	648
Judgements	10,000	151,154	161,154	161,154	-
Miscellaneous Expenditures	4,500	6,393	10,893	8,034	2,859
BOE Membership Dues and Fees	22,500	-	22,500	21,935	565
Total Support Services - General Administration	1,049,585	106,714	1,156,299	1,003,864	152,435
Support Services - School Administration					
Salaries of Principal/Asst. Principals	1,999,368	(121,060)	1,878,308	1,861,749	16,559
Salaries of Secretarial and Clerical Assistants	184,354	26,911	211,265	211,265	-
Other Purchased Services	2,900	-	2,900	1,080	1,820
Supplies and Materials	35,859	900	36,759	33,472	3,287
Total Support Services - School Administration	2,222,481	(93,249)	2,129,232	2,107,566	21,666
Central Services					
Salaries	391,905	-	391,905	374,401	17,504
Purchased Professional Services	57,845	(19,255)	38,590	38,265	325
Purchased Technical Services	40,000	(30,558)	9,442	9,442	-
Supplies and Materials	13,661	375	14,036	11,785	2,251
Miscellaneous Expenditures	7,430	-	7,430	3,500	3,930
Total Central Services	510,841	(49,438)	461,403	437,393	24,010
Administrative Information Technology					
Salaries	350,607	-	350,607	342,859	7,748
Other Purchased Services	2,675	-	2,675	-	2,675
Total Administrative Information Technology	353,282	-	353,282	342,859	10,423
Required Maintenance for School Facilities					
Salaries	818,397	(276,543)	541,854	539,089	2,765
Cleaning, Repair and Maintenance Services	690,228	(139,698)	550,530	328,419	222,111
General Supplies	156,400	52,197	208,597	124,982	83,615
Other Objects	6,935	585	7,520	935	6,585
Total Required Maintenance for School Facilities	1,671,960	(363,459)	1,308,501	993,425	315,076

(Continued)

**CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<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	\$ 1,188,508	\$ 30,462	\$ 1,218,970	\$ 1,195,310	\$ 23,660
Purchased Professional and Technical Services	17,000	-	17,000	6,668	10,332
Cleaning, Repair and Maintenance Services	24,000	-	24,000	20,239	3,761
Other Purchased Property Services	124,040	(9,631)	114,409	68,826	45,583
Insurance	456,166	(10,272)	445,894	419,230	26,664
General Supplies	97,800	(28,293)	69,507	20,581	48,926
Energy (Natural Gas)	100,000	15,759	115,759	115,759	-
Energy (Electricity)	400,000	56,488	456,488	456,488	-
Total Custodial Services	<u>2,407,514</u>	<u>54,513</u>	<u>2,462,027</u>	<u>2,303,101</u>	<u>158,926</u>
Care and Upkeep of Grounds					
Salaries	65,701	8,669	74,370	70,648	3,722
General Supplies	25,400	(8,646)	16,754	-	16,754
Other Objects	6,000	-	6,000	-	6,000
Total Care and Upkeep of Grounds	<u>97,101</u>	<u>23</u>	<u>97,124</u>	<u>70,648</u>	<u>26,476</u>
Security					
Salaries	310,410	(548)	309,862	271,252	38,610
Purchased Professional and Technical Services	33,500	3,113	36,613	31,680	4,933
General Supplies	11,300	81,964	93,264	1,955	91,309
Total Security	<u>355,210</u>	<u>84,529</u>	<u>439,739</u>	<u>304,887</u>	<u>134,852</u>
Student Transportation Services					
Salaries for Pupil Transportation(Bet Home & Sch) Reg	53,040	(2,000)	51,040	11,647	39,393
Management Fee-ESC and CTSA Transportation Prog.	60,000	-	60,000	45,275	14,725
Contracted Services - Aid in Lieu of Payments - Non Public	125,528	(10,933)	114,595	90,884	23,711
Contracted Svcs. (Between Home & School) - Vendors	544,383	(25,780)	518,603	469,650	48,953
Contracted Services (Other than Between Home and School) - Vendors	116,800	12,179	128,979	95,043	33,936
Contracted Services (Special Ed. Students)- Vendors	266,330	(46,343)	219,987	174,251	45,736
Contracted Services (Regular Students) - ESCs and CTSA	27,500	91,749	119,249	119,249	-
Contracted Services (Special Ed. Students)- ESCs and CTSA	1,722,170	203,839	1,926,009	1,879,494	46,515
Total Student Transportation Services	<u>2,915,751</u>	<u>222,711</u>	<u>3,138,462</u>	<u>2,885,493</u>	<u>252,969</u>

(Continued)

CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<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	\$ 545,000	\$ -	\$ 545,000	\$ 520,035	\$ 24,965
Other Retirement Contributions - PERS	606,991	(45,971)	561,020	560,981	39
Workmen's Compensation	300,000	10,100	310,100	310,073	27
Health Benefits	8,166,542	(434,670)	7,731,872	7,188,141	543,731
Tuition Reimbursement	125,000	(64,000)	61,000	58,097	2,903
Other Employee Benefits	272,060	25,999	298,059	288,862	9,197
Total Unallocated Benefits-Employee Benefits	<u>10,015,593</u>	<u>(508,542)</u>	<u>9,507,051</u>	<u>8,926,189</u>	<u>580,862</u>
On-behalf TPAF Pension System Contribution - Normal (Non-Budget)				3,715,165	(3,715,165)
On-behalf TPAF Pension System Contribution - NCGI (Non-Budget)				90,158	(90,158)
On-behalf TPAF Pension System Contribution - LTDI (Non-Budget)				6,387	(6,387)
On-behalf TPAF Post Retirement Medical Contribution (Non-Budget)				2,457,777	(2,457,777)
Reimb TPAF Social Security Payments (Non-Budget)	-	-	-	1,956,679	(1,956,679)
Total On-Behalf TPAF	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,226,166</u>	<u>(8,226,166)</u>
Total Undistributed Expenditures	<u>30,418,819</u>	<u>(381,817)</u>	<u>30,037,002</u>	<u>36,335,135</u>	<u>(6,298,133)</u>
Total Expenditures - Current Expenditures	<u>56,003,906</u>	<u>262,517</u>	<u>56,266,423</u>	<u>61,740,631</u>	<u>(5,474,208)</u>
CAPITAL OUTLAY					
Equipment					
Grade 9-12		15,138	15,138		15,138
Undistributed Expenditures					
Required Maintenance for School Facilities	100,000	1,535	101,535	59,880	41,655
Total Equipment	<u>100,000</u>	<u>16,673</u>	<u>116,673</u>	<u>59,880</u>	<u>56,793</u>
Facilities Acquisition and Construction Services					
Construction Services		1,400,000	1,400,000	1,400,000	-
Assessment for Debt Service on SDA Funding	348	-	348	348	-
Total Facilities Acquisition and Construction Services	<u>348</u>	<u>1,400,000</u>	<u>1,400,348</u>	<u>1,400,348</u>	<u>-</u>
Interest Deposit to Capital Reserve	1,625	-	1,625	-	1,625
Total Capital Outlay	<u>101,973</u>	<u>1,416,673</u>	<u>1,518,646</u>	<u>1,460,228</u>	<u>58,418</u>

(Continued)

CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<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					
Summer School - Instruction					
Salaries of Teachers	\$ 46,000	\$ 25,912	\$ 71,912	\$ 71,912	-
Other Salaries for Instruction	34,000	(12,986)	21,014	21,014	-
Total Summer School - Instruction	80,000	12,926	92,926	92,926	-
Total Special Schools	80,000	12,926	92,926	92,926	-
Transfer of Funds to Charter Schools	46,350	11,043	57,393	57,393	-
Total Expenditures	56,232,229	\$ 1,703,159	57,935,388	63,351,178	\$ (5,415,790)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(1,893,228)	(957,164)	(2,850,392)	297,415	3,147,807
Change in Fund Balance	(1,893,228)	(957,164)	(2,850,392)	297,415	3,147,807
Fund Balance, Beginning of Year	3,759,585	-	3,759,585	3,759,585	-
Fund Balance, End of Year	\$ 1,866,357	\$ (957,164)	\$ 909,193	\$ 4,057,000	\$ 3,147,807
Recapitulation Of Fund Balance:					
Restricted Fund Balance:					
Capital Reserve				\$ 500,000	
Excess Surplus				107,411	
Assigned Fund Balance:					
Designated for Subsequent Year's Expenditures				745,995	
Year End Encumbrances				1,470,993	
Unassigned Fund Balance				<u>1,232,601</u>	
Reconciliation to Governmental Fund Statement (GAAP)				4,057,000	
State Aid Payments Not Recognized on GAAP Basis					
Extraordinary Aid			\$ 697,738		
Delayed State Aid Payments			<u>2,773,889</u>		
				3,471,627	
Fund Balance Per Governmental Funds (GAAP)				<u>\$ 585,373</u>	

**CARTERET BOARD OF EDUCATION
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOT APPLICABLE

**COMMUNITY DEVELOPMENT BLOCK GRANT
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOT APPLICABLE

**CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<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	\$ 1,057,910	\$ 575,299	\$ 1,633,209	\$ 1,454,578	\$ (178,631)
Local		41,913	41,913	14,665	(27,248)
Federal	<u>1,900,000</u>	<u>285,416</u>	<u>2,185,416</u>	<u>1,964,309</u>	<u>(221,107)</u>
Total Revenues	<u>2,957,910</u>	<u>902,628</u>	<u>3,860,538</u>	<u>3,433,552</u>	<u>(426,986)</u>
EXPENDITURES					
Instruction					
Salaries of Teachers	1,213,112	(283,840)	929,272	801,638	127,634
Other Salaries for Instruction		173,495	173,495	172,298	1,197
Purch. Prof./Tech. Services	276,508	240,340	516,848	475,134	41,714
Tuition	870,000	(116,208)	753,792	728,945	24,847
General Supplies	18,302	93,924	112,226	65,192	47,034
Textbooks	9,700	1,296	10,996	10,573	423
Other Objects	-	11,014	11,014	-	11,014
Total Instruction	<u>2,387,622</u>	<u>120,021</u>	<u>2,507,643</u>	<u>2,253,780</u>	<u>253,863</u>
Support Services					
Salaries of Teachers	187,721	(18,309)	169,412	138,969	30,443
Salaries of Supervisors of Instruction		5,000	5,000	5,000	-
Salaries of Community Parent Involvement		2,925	2,925	2,925	-
Purch. Prof./Tech. Services		360,000	360,000	324,000	36,000
Purchased Professional Educational Services	193,638	48,844	242,482	174,911	67,571
Other Purchased Professional Educational Svcs		26,875	26,875	13,640	13,235
Other Purchased Services		101,531	101,531	98,482	3,049
Supplies and Materials		26,401	26,401	23,407	2,994
Other Objects	2,000	14,444	16,444	4,450	11,994
Total Support Services	<u>383,359</u>	<u>567,711</u>	<u>951,070</u>	<u>785,784</u>	<u>165,286</u>
Employee Benefits					
Personal Services - Employee Benefits	<u>186,929</u>	<u>207,396</u>	<u>394,325</u>	<u>392,956</u>	<u>1,369</u>
Total Allocated Benefits	<u>186,929</u>	<u>207,396</u>	<u>394,325</u>	<u>392,956</u>	<u>1,369</u>
Capital Outlay:					
Instructional Equipment		5,000	5,000	-	5,000
Non-Instructional Equipment	-	2,500	2,500	1,032	1,468
Total Capital Outlay	<u>-</u>	<u>7,500</u>	<u>7,500</u>	<u>1,032</u>	<u>6,468</u>
Total Expenditures	<u>2,957,910</u>	<u>902,628</u>	<u>3,860,538</u>	<u>3,433,552</u>	<u>426,986</u>
Total Outflows	<u>2,957,910</u>	<u>902,628</u>	<u>3,860,538</u>	<u>3,433,552</u>	<u>426,986</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>

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, 2018**

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.

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedules (Exhibits C-1 and C-2)	\$ 63,648,593	\$ 3,433,552
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		57,059
Current Year		(84,896)
State Aid payments recognized for GAAP purpose not recognized for Budgetary statements (Prior Year), Net	3,342,431	60,609
State Aid payments recognized for budgetary purpose not recognized for GAAP statements (Current Year)	<u>(3,471,627)</u>	<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 63,519,397</u>	<u>\$ 3,466,324</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 63,351,178	\$ 3,433,552
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		57,059
Current Year	<u>-</u>	<u>(84,896)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 63,351,178</u>	<u>\$ 3,405,715</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART III

PENSION INFORMATION

AND

OTHER POST-EMPLOYMENT BENEFITS INFORMATION

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0.06031%	0.06089%	0.05747%	0.05844%	0.05775%
District's Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 14,040,040</u>	<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>\$ 4,299,920</u>	<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	327%	429%	312%	268%	276%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.10%	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 Five Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 558,741	\$ 540,971	\$ 494,055	\$ 481,768	\$ 435,433
Contributions in Relation to the Contractually Required Contributions	<u>558,741</u>	<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>	<u>\$ -</u>
District's Covered- Employee Payroll	<u>\$ 4,299,920</u>	<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	12.99%	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 Five Fiscal Years ***

	<u>2018</u>	<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%	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>167,047,650</u>	<u>174,200,588</u>	<u>140,909,092</u>	<u>122,101,519</u>	<u>121,216,238</u>
Total	<u>\$ 167,047,650</u>	<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>\$ 27,224,857</u>	<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%	0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	25.41%	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, 2018**

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.

**CARTERET BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S PROPORTIONATE SHARE OF
TOTAL OPEB LIABILITY**

POSTEMPLOYMENT HEALTH BENEFIT PLAN

Last Fiscal Year*

	2018
Total OPEB Liability	
Service Cost	\$ 4,877,797
Interest on the Total OPEB Liability	3,596,203
Changes of Assumptions	(14,960,197)
Gross Benefit Payments	(2,757,013)
Contribution from the Member	101,520
Net Change in Total OPEB Liability	(9,141,690)
Total OPEB Liability - Beginning	122,378,319
Total OPEB Liability - Ending	\$ 113,236,629
District's Proportionate Share	\$0
State's Proportionate Share	\$ 113,236,629
Total OPEB Liability - Ending	\$ 113,236,629
Covered-Employee Payroll	\$ 31,524,777
Total OPEB Liability as a Percentage of Covered-Employee Payroll:	359.20%

Note: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

*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. 75. 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 CHANGES IN THE DISTRICT'S PROPORTIONATE SHARE OF THE OPEB LIABILITY
AND SCHEDULE OF DISTRICT PROPORTIONATE SHARE OF THE OPEB LIABILITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Changes in Benefit Terms:

None.

Changes of Assumptions

Assumptions used in calculating the OPEB liability are presented in Note 5E.

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, 2018

	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	\$ 53,150	\$ 2,710	\$ 6,547	\$ 14,198	\$ 11,606	\$ 12,687	\$ 1,032,312	\$ 321,368		\$ 1,454,578
Local								14,665		14,665
Federal	-	-	-	-	-	-	-	996,665	\$ 967,644	1,964,309
Total Revenues	\$ 53,150	\$ 2,710	\$ 6,547	\$ 14,198	\$ 11,606	\$ 12,687	\$ 1,032,312	\$ 1,332,698	\$ 967,644	\$ 3,433,552
EXPENDITURES										
Instruction										
Salaries of Teachers							\$ 298,174	\$ 462,424	\$ 41,040	\$ 801,638
Other Salaries for Instruction							171,488	-	810	172,298
Purch. Prof./Tech. Services								365,388	109,746	475,134
Tuition									728,945	728,945
General Supplies							20,499	29,781	14,912	65,192
Textbooks								10,573		10,573
Other Objects	-	-	-	-	-	-	-	-	-	-
Total Instruction	-	-	-	-	-	-	490,161	868,166	895,453	2,253,780
Support Services										
Salaries of Teachers								138,849	120	138,969
Salaries of Supervisors of Instruction							5,000	-		5,000
Salaries of Community Parent Involvement							2,925	-		2,925
Personal Services - Employee Benefits							182,464	206,616	3,876	392,956
Purchased Professional Educational Svs	\$ 53,150	\$ 2,710	\$ 6,547	\$ 14,198	\$ 11,606	\$ 12,687		59,437	14,576	174,911
Purchased Educational Services - Head Start							324,000			324,000
Other Purchased Professional Educational Services							13,640			13,640
Other Purchased Professional Services							7,200	39,730	51,552	98,482
Supplies and Materials							5,814	15,526	2,067	23,407
Other Objects	-	-	-	-	-	-	76	4,374	-	4,450
Total Support Services	53,150	2,710	6,547	14,198	11,606	12,687	541,119	464,532	72,191	1,178,740
Capital Outlay:										
Instructional Equipment										-
Non-Instructional Equipment	-	-	-	-	-	-	1,032	-	-	1,032
Total Expenditures	\$ 53,150	\$ 2,710	\$ 6,547	\$ 14,198	\$ 11,606	\$ 12,687	\$ 1,032,312	\$ 1,332,698	\$ 967,644	\$ 3,433,552

101

Continued

**CARTERET BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Nonpublic Nursing</u>	<u>Nonpublic Textbooks</u>	<u>Nonpublic Technology</u>	<u>Nonpublic Security</u>	<u>NJSBAIG Safety Grant</u>	<u>Apple Grant</u>	<u>School Based Youth Services</u>	<u>Title I</u>	<u>Title I SIA</u>	<u>Title II A</u>	<u>Page 2 Total</u>
REVENUES											
State	\$ 18,721	\$ 10,573	\$ 7,121	\$ 14,475			\$ 270,478				\$ 321,368
Local					\$ 14,340	\$ 325					14,665
Federal	-	-	-	-	-	-	-	\$ 830,432	\$ 22,000	\$ 144,233	996,665
Total Revenues	<u>\$ 18,721</u>	<u>\$ 10,573</u>	<u>\$ 7,121</u>	<u>\$ 14,475</u>	<u>\$ 14,340</u>	<u>\$ 325</u>	<u>\$ 270,478</u>	<u>\$ 830,432</u>	<u>\$ 22,000</u>	<u>\$ 144,233</u>	<u>\$ 1,332,698</u>
EXPENDITURES											
Instruction											
Salaries of Teachers								\$ 462,424			\$ 462,424
Purch. Prof./Tech. Services							\$ 270,478	94,910			365,388
General Supplies			\$ 7,121	\$ 14,475				8,185			29,781
Textbooks		\$ 10,573									10,573
Other Objects	-	-	-	-	-	-	-	-	-	-	-
Total Instruction	<u>-</u>	<u>10,573</u>	<u>7,121</u>	<u>14,475</u>	<u>-</u>	<u>-</u>	<u>270,478</u>	<u>565,519</u>	<u>-</u>	<u>-</u>	<u>868,166</u>
Support Services											
Salaries of Teachers								63,342		\$ 75,507	138,849
Personal Services - Employee Benefits								185,381		21,235	206,616
Purchased Professional											
Educational Services	\$ 18,721							4,675	\$ 22,000	14,041	59,437
Other Purchased Services						\$ 325		5,955		33,450	39,730
Supplies and Materials					\$ 14,340			1,186			15,526
Other Objects	-	-	-	-	-	-	-	4,374	-	-	4,374
Total Support Services	<u>18,721</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,340</u>	<u>325</u>	<u>-</u>	<u>264,913</u>	<u>22,000</u>	<u>144,233</u>	<u>464,532</u>
Capital Outlay:											
Instructional Equipment	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	<u>\$ 18,721</u>	<u>\$ 10,573</u>	<u>\$ 7,121</u>	<u>\$ 14,475</u>	<u>\$ 14,340</u>	<u>\$ 325</u>	<u>\$ 270,478</u>	<u>\$ 830,432</u>	<u>\$ 22,000</u>	<u>\$ 144,233</u>	<u>\$ 1,332,698</u>

102

Continued

**CARTERET BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Title III</u>	<u>Title IV</u>	<u>I.D.E.A. Basic</u>	<u>I.D.E.A. Preschool</u>	<u>Temporary Emergency Impact Aid</u>	<u>Page 3 Total</u>
REVENUES						
Federal	\$ 79,608	\$ 5,057	\$ 809,509	\$ 27,970	\$ 45,500	\$ 967,644
Total Revenues	<u>\$ 79,608</u>	<u>\$ 5,057</u>	<u>\$ 809,509</u>	<u>\$ 27,970</u>	<u>\$ 45,500</u>	<u>\$ 967,644</u>
EXPENDITURES						
Instruction						
Salaries of Teachers	\$ 41,040					\$ 41,040
Other Salaries for Instruction	810					810
Purch. Prof./Tech. Services	1,212		\$ 108,534			109,746
Tuition			700,975	\$ 27,970		728,945
General Supplies	9,855	\$ 5,057				14,912
Other Objects	-	-	-	-	-	-
Total Instruction	<u>52,917</u>	<u>5,057</u>	<u>809,509</u>	<u>27,970</u>	<u>-</u>	<u>895,453</u>
Support Services						
Salaries of Teachers	120					120
Personal Services - Employee Benefits	3,876					3,876
Purchased Professional						
Educational Services	14,576					14,576
Other Purchased Services	6,052				\$ 45,500	51,552
Supplies and Materials	2,067	-	-	-	-	2,067
Total Support Services	<u>26,691</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,500</u>	<u>72,191</u>
Capital Outlay:						
Instructional Equipment	-	-	-	-	-	-
Total Expenditures	<u>\$ 79,608</u>	<u>\$ 5,057</u>	<u>\$ 809,509</u>	<u>\$ 27,970</u>	<u>\$ 45,500</u>	<u>\$ 967,644</u>

**CARTERET BOARD OF EDUCATION
SPECIAL REVENUE FUND
SCHEDULE OF PRESCHOOL EDUCATION AID
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance</u>
Expenditures:			
Instruction:			
Salaries of Teachers	\$ 355,628	\$ 298,174	\$ 57,454
Other Salaries of Instruction	174,099	171,488	2,611
General Supplies	<u>22,000</u>	<u>20,499</u>	<u>1,501</u>
 Total Instruction	 <u>551,727</u>	 <u>490,161</u>	 <u>61,566</u>
Support Services:			
Salaries of Supervisors of Instruction	5,000	5,000	-
Salaries of Secretaries and Clerical Assistants	2,500		2,500
Salaries of Community Parent Involvement Spec.	2,925	2,925	-
Salaries of Master Teachers	2,500		2,500
Employee Benefits	182,464	182,464	-
Purchased Educational Services - Head Start	360,000	324,000	36,000
Other Purchased Professional Educational Services	27,720	13,640	14,080
Other Purchased Professional Services	49,000	7,200	41,800
Supplies and Materials	17,056	5,814	11,242
Other Objects	<u>1,000</u>	<u>76</u>	<u>924</u>
 Total Support Services	 <u>650,165</u>	 <u>541,119</u>	 <u>109,046</u>
Capital Outlay:			
Instructional Equipment	5,000		5,000
Noninstructional Equipment	<u>2,500</u>	<u>1,032</u>	<u>1,468</u>
 Total Capital Outlay	 <u>7,500</u>	 <u>1,032</u>	 <u>6,468</u>
 Total Expenditures	 <u>\$ 1,209,392</u>	 <u>\$ 1,032,312</u>	 <u>\$ 177,080</u>

CALCULATION OF BUDGET & CARRYOVER

Total revised 2017-2018 Preschool Education Aid Allocation	\$ 1,206,923
Add: Actual PEA Carryover (June 30, 2017)	2,469
Add: Budgeted Transfer from the General Fund 2017-2018	<u>-</u>
Total Preschool Education Aid Funds Available for 2017-2018 Budget	1,209,392
Less: 2017-2018 Budgeted Preschool Education Aid (Including Prior Year Budgeted Carryover)	<u>1,209,392</u>
Available & Unbudgeted Preschool Education Aid Funds as of June 30, 2018	-
Add: June 30, 2018 Unexpended Preschool Education Aid	177,080
Less: 2017-2018 Commissioner-approved Transfer to the General Fund	<u>-</u>
 2017-2018 Carryover - Preschool Education Aid	 <u>\$ 177,080</u>
 2017-2018 Preschool Education Aid Carryover Budgeted for Preschool Programs 2018-2019	 <u>\$ 2,469</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, 2018**

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, 2018**

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, 2018**

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, 2018**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

EXHIBIT G-3

**COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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, 2018**

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 173,899	\$ 305,222	\$ 479,121
Total Assets	<u>\$ 173,899</u>	<u>\$ 305,222</u>	<u>\$ 479,121</u>
LIABILITIES			
Due to Student Groups	\$ 173,899		\$ 173,899
Payroll Deductions and Withholdings		\$ 298,722	298,722
Due to Other Funds	<u>-</u>	<u>6,500</u>	<u>6,500</u>
Total Liabilities	<u>\$ 173,899</u>	<u>\$ 305,222</u>	<u>\$ 479,121</u>

**CARTERET BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

THIS STATEMENT IS NOT APPLICABLE

**STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Balance, July 1, 2017</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2018</u>
ELEMENTARY SCHOOLS				
Columbus	\$ 2,367	\$ 19,638	\$ 18,567	\$ 3,438
Nicholas Minue	15,560	35,813	32,095	19,278
Nathan Hale	<u>3,567</u>	<u>23,599</u>	<u>17,746</u>	<u>9,420</u>
Total Elementary Schools	<u>21,494</u>	<u>79,050</u>	<u>68,408</u>	<u>32,136</u>
JUNIOR HIGH SCHOOL				
Student Activities Fund	<u>386</u>	<u>54,160</u>	<u>41,861</u>	<u>12,685</u>
Total Junior High School	<u>386</u>	<u>54,160</u>	<u>41,861</u>	<u>12,685</u>
SENIOR HIGH SCHOOL				
Carteret Senior High School				
Student Activities Fund	108,820	206,917	189,993	125,744
Athletic Fund	<u>4,141</u>	<u>30,014</u>	<u>30,821</u>	<u>3,334</u>
Total Senior High School	<u>112,961</u>	<u>236,931</u>	<u>220,814</u>	<u>129,078</u>
Total All Schools	<u>\$ 134,841</u>	<u>\$ 370,141</u>	<u>\$ 331,083</u>	<u>\$ 173,899</u>

**CARTERET BOARD OF EDUCATION
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Balance, July 1, <u>2017</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance, June 30, <u>2018</u>
ASSETS				
Cash	\$ 306,209	\$ 37,612,965	\$ 37,613,952	\$ 305,222
Total Assets	<u>\$ 306,209</u>	<u>\$ 37,612,965</u>	<u>\$ 37,613,952</u>	<u>\$ 305,222</u>
LIABILITIES				
Due to Other Funds	\$ 6,500	\$ 5,790	\$ 5,790	\$ 6,500
Payroll Deductions and Withholdings	299,709	17,463,114	17,464,101	298,722
Accrued Salaries and Wages	<u>-</u>	<u>20,144,061</u>	<u>20,144,061</u>	<u>-</u>
Total Liabilities	<u>\$ 306,209</u>	<u>\$ 37,612,965</u>	<u>\$ 37,613,952</u>	<u>\$ 305,222</u>

LONG-TERM DEBT

**CARTERET BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF BONDS PAYABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance July 1, 2017</u>	<u>Retired Current Year</u>	<u>Balance June 30, 2018</u>
Pension Obligation Refunding Bonds, Series 2013	December 12, 2013	\$ 1,430,000	3/15/2019	\$ 190,000	3.50%			
			3/15/2020	195,000	3.50%			
			3/15/2021	205,000	3.50%	<u>\$ 770,000</u>	<u>\$ 180,000</u>	<u>\$ 590,000</u>
						<u>\$ 770,000</u>	<u>\$ 180,000</u>	<u>\$ 590,000</u>

**CARTERET BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CERTIFICATES OF PARTICIPATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Interest Rate	Amount of Original Issue	Balance, July 1, 2017	Retired Current Year	Balance, June 30, 2018
	Payable on Remaining Balance				
2010 Refunding (COP)	3.625	\$ 9,375,000	\$ 2,355,000	\$ 1,155,000	\$ 1,200,000
2015 Refunding (COP)	2.00 - 4.00	7,455,000	<u>6,565,000</u>	<u>425,000</u>	<u>6,140,000</u>
			<u>\$ 8,920,000</u>	<u>\$ 1,580,000</u>	<u>\$ 7,340,000</u>

Note: COP Indicates Certificates of Participation

**CARTERET BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOT APPLICABLE

**CARTERET BOARD OF EDUCATION
LONG-TERM DEBT
DEBT SERVICE FUND BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<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	\$ 1,388,324		\$ 1,388,324	\$ 1,388,324	
State Sources					
State Aid Type II	661,020		661,020	661,020	
Miscellaneous	-	-	-	19,188	\$ 19,188
	<u>2,049,344</u>	<u>-</u>	<u>2,049,344</u>	<u>2,068,532</u>	<u>19,188</u>
Total Revenues					
EXPENDITURES					
Regular Debt Service					
Principal on Lease Purchase - COPS	1,580,000		1,580,000	1,580,000	
Interest on Lease Purchase - COPS	262,894		262,894	262,894	
Interest on Early Retirement Bonds	26,950		26,950	26,950	
Principal on Early Retirement Bonds	180,000	-	180,000	180,000	-
	<u>2,049,844</u>	<u>-</u>	<u>2,049,844</u>	<u>2,049,844</u>	<u>-</u>
Total Expenditures					
Excess (Deficiency) of Revenues Over (Under) Expenditures	(500)	-	(500)	18,688	19,188
Net Change in Fund Balance	(500)	-	(500)	18,688	19,188
Fund Balance, Beginning of Year	500	-	500	500	-
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,188</u>	<u>\$ 19,188</u>
Recapitulation of Fund Balance:					
Restricted for Debt Service:					
Available for Expenditures				\$ 19,188	
Total Fund Balance - Restricted for Debt Service				<u>\$ 19,188</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)**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
				(Restated)		(Restated)				
Governmental Activities										
Net Investment in Capital Assets	\$ 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	\$ 13,253,738
Restricted	1,854	76,563	12,466	967	1	536,241	92	650,501	1,400,500	519,188
Unrestricted	(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)	(17,355,694)
Total Governmental Activities Net Position	\$ (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)	\$ (3,582,768)
Business-Type Activities										
Net Investment in Capital Assets	\$ 133,478	\$ 147,510	\$ 310,468	\$ 282,944	\$ 480,535	\$ 486,681	\$ 440,820	\$ 399,111	\$ 357,402	\$ 315,692
Unrestricted	1,159,077	780,203	397,506	586,128	240,465	254,942	216,204	655,448	41,062	308,566
Total Business-Type Activities Net Position	\$ 1,292,555	\$ 927,713	\$ 707,974	\$ 869,072	\$ 721,000	\$ 741,623	\$ 657,024	\$ 1,054,559	\$ 398,464	\$ 624,258
District-Wide										
Net Investment in Capital Assets	\$ 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	\$ 13,569,430
Restricted	1,854	76,563	12,466	967	1	536,241	92	650,501	1,400,500	519,188
Unrestricted	(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)	(17,047,128)
Total District Net Position	\$ (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)	\$ (2,958,510)

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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 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	\$ 35,287,441
Special Education	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	15,684,751
Vocational										
Other Instruction	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	3,287,124
School Sponsored Activities And Athletics	656,317	631,038	275,747	552,312	574,389	496,087	505,909	579,426	598,697	662,544
Support Services:										
Student and Instruction Related Services	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	8,173,073
School and Business Administration Services	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	4,072,383
General Administration	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	1,350,446
Central Services	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	1,357,978
Plant Operations And Maintenance	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	7,577,581
Pupil Transportation	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	2,948,428
Other Support Services										
Special Schools										
Interest On Long-Term Debt	1,026,016	940,848	806,968	752,935	700,012	614,574	439,892	490,930	391,191	512,680
Total Governmental Activities Expenses	56,697,538	56,757,008	56,119,372	54,741,879	58,712,024	61,184,665	67,342,904	68,517,481	75,616,159	80,914,429
Business-Type Activities:										
Food Service	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	2,354,336
Enrichment Academy	149,715	646,234	150,578	145,926	312,570	387,487	350,901	157,520	634,647	178,231
Total Business-Type Activities Expense	1,501,880	2,256,214	2,073,729	1,829,282	2,295,048	2,196,500	2,259,124	1,887,028	3,178,277	2,532,567
Total District Expenses	\$ 58,199,418	\$ 59,013,222	\$ 58,193,101	\$ 56,571,161	\$ 61,007,072	\$ 63,381,165	\$ 69,602,028	\$ 70,404,509	\$ 78,794,436	\$ 83,446,996
Program Revenues										
Governmental Activities:										
Tuition	\$ 15,301	\$ 1,951								
Grants And Contributions	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	27,668,511
Total Governmental Activities Program Revenues	8,983,830	15,817,569	9,842,337	10,460,054	11,981,347	11,459,223	17,548,589	19,660,547	24,427,731	27,668,511
Business-Type Activities:										
Charges For Services										
Food Service	501,050	501,812	502,054	520,251	528,646	515,164	484,155	510,115	486,285	485,618
Enrichment Academy	293,368	217,377	216,708	240,860	329,297	372,423	352,854	332,133	279,174	353,899
Operating Grants And Contributions	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	1,918,844
Total Business Type Activities Program Revenues	1,806,142	1,862,437	1,851,578	1,990,112	2,146,976	2,179,433	2,174,525	2,284,563	2,522,182	2,758,361
Total District Program Revenues	\$ 10,789,972	\$ 17,680,006	\$ 11,693,915	\$ 12,450,166	\$ 14,128,323	\$ 13,638,656	\$ 19,723,114	\$ 21,945,110	\$ 26,949,913	\$ 30,426,872
Net (Expense)/Revenue										
Governmental Activities	\$ (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)	\$ (53,245,918)
Business-Type Activities	304,262	(393,777)	(222,151)	160,830	(148,072)	(17,067)	(84,599)	397,535	(656,095)	225,794
Total District-Wide Net Expense	\$ (47,409,446)	\$ (41,333,216)	\$ (46,499,186)	\$ (44,120,995)	\$ (46,878,749)	\$ (49,742,509)	\$ (49,050,686)	\$ (48,459,399)	\$ (51,844,523)	\$ (53,020,124)

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues And Other Changes In Net Assets										
Governmental Activities:										
Property Taxes Levied For General Purposes, Net	\$ 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	\$ 26,527,244
Taxes Levied For Debt Service	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	1,388,324
Unrestricted Grants And Contributions	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	24,898,203
State/Federal Aid - Restricted	802,096	801,932	353,114	458,356	462,246	467,051	464,209	450,133	541,716	568,477
Interest Income	38,099	10,111	12,058	13,000	14,218	6,574	10,340	14,665	25,080	-
Miscellaneous Income	146,133	59,606	9,370	44,294	30,030	191,619	40,946	64,746	57,681	218,454
Transfers	4,356	-	-	-	-	-	-	-	-	-
Total Governmental Activities	46,517,281	44,116,853	46,305,901	48,176,555	48,206,563	49,315,465	50,431,831	50,954,762	51,509,153	53,600,702
Business-Type Activities:										
Investment Earnings	7,747	4,385	2,412	268	-	-	-	-	-	-
Federal Aid Restricted	-	24,550	-	-	-	-	-	-	-	-
Transfers	(4,356)	-	-	-	-	-	-	-	-	-
Total Business-Type Activities	3,391	28,935	2,412	268	-	-	-	-	-	-
Total District-Wide	\$ 46,520,672	\$ 44,145,788	\$ 46,308,313	\$ 48,176,823	\$ 48,206,563	\$ 49,315,465	\$ 50,431,831	\$ 50,954,762	\$ 51,509,153	\$ 53,600,702
Change In Net Position										
Governmental Activities	\$ (1,196,427)	\$ 3,177,414	\$ 28,866	\$ 3,894,730	\$ 1,475,886	\$ (409,977)	\$ 1,465,744	\$ 2,097,828	\$ 320,725	\$ 354,784
Business-Type Activities	307,653	(364,842)	(219,739)	161,098	(148,072)	(17,067)	(84,599)	397,535	(656,095)	225,794
Total District	\$ (888,774)	\$ 2,812,572	\$ (190,873)	\$ 4,055,828	\$ 1,327,814	\$ (427,044)	\$ 1,381,145	\$ 2,495,363	\$ (335,370)	\$ 580,578

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 660,302	\$ 1,351,222								
Unreserved	(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	\$ 607,411
Assigned			629,847	1,825,000		944,532	950,000	1,900,107	2,196,387	2,216,988
Unassigned			(1,944,674)	(3,245,704)	(3,164,559)	(4,675,878)	(2,443,606)	(3,243,219)	(3,179,233)	(2,239,026)
Total General Fund	<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>	<u>\$ 585,373</u>
All Other Governmental Funds										
Reserved	\$ 27,737									
Unreserved	(70,174)	\$ 2,878								
Restricted			\$ 12,466	\$ 967	\$ 1	\$ 536,241	\$ 92	\$ 501	\$ 500	\$ 19,188
Assigned										
Unassigned			(75,405)	(64,346)	(69,659)	(92,514)	(75,694)	(73,591)	(60,609)	-
Total All Other Governmental Funds	<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>	<u>\$ 19,188</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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Tax Levy	\$ 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	\$ 27,915,568
Tuition Charges	15,301	1,951								
Interest Income	38,099	10,111	12,058	13,000	14,218	6,574	10,340	13,701	25,080	-
Miscellaneous	151,063	59,606	49,932	73,919	60,162	199,944	72,696	85,827	86,355	218,779
State Sources	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	38,818,535
Federal Sources	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	2,101,371
Total Revenue	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	69,054,253
Expenditures										
Instruction										
Regular Instruction	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	28,419,185
Special Education Instruction	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	13,754,179
Other Special Instruction	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	2,644,168
Other Instruction	651,430	632,446	275,686	553,960	572,419	498,323	449,509	509,622	497,152	540,071
Support Services:										
Student & Inst. Related Services	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	6,706,856
General Administration Services	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	1,215,174
School Administration Services	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	3,230,729
Central Services	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	1,143,774
Plant Operations And Maintenance	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	6,099,968
Pupil Transportation	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	2,943,307
Other Support Services										
Special Schools										
Capital Outlay	2,007,051	325,644	946,155	471,301	2,959,442	1,977,142	1,466,608	160,101	205,332	59,482
Debt Service:										
Principal	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	1,760,000
Interest And Other Charges	982,437	934,395	769,394	694,602	646,503	630,872	796,005	327,668	339,525	289,844
Total Expenditures	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	68,806,737
Excess (Deficiency) Of Revenues										
Over (Under) Expenditures	(3,197,524)	2,107,998	(1,053,097)	2,795,091	(1,749,157)	(3,176,570)	603,919	909,050	659,270	247,516
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	\$ (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	\$ 247,516
Debt Service As A Percentage Of										
Noncapital Expenditures	3.86%	4.18%	3.34%	3.83%	3.57%	3.63%	4.00%	4.75%	3.18%	2.98%

* 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>
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
2018	67,298	131,968		199,266

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
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
2018	50,741,800	1,243,002,320	274,207,900	729,064,683	125,749,800	2,422,766,503	2,965,620	2,425,732,123	2,289,561,570	1.162

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>County Open Space</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>		
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 (A)	1.113	1.101	0.030	0.029	0.330	0.027	2.630
2018	1.162	1.134	0.030	0.031	0.342	0.028	2.727

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)**

	2018			2009	
	Taxable Assessed Value	% of Total District Net Assessed Value		Taxable Assessed Value	% Total of District Net Assessed Value
GATX/Kinder Morgan	\$ 132,000,000	5.44%	GATX/Kinder Morgan	\$ 57,500,000	5.67%
50 Bryla HPFVIII Urban Renewal	72,551,900	2.99%	KTR Carteret LLC	33,809,900	3.33%
KTR UR REN c/o Prologis	58,981,800	2.43%	Federal Blvd, LLC	14,004,700	1.38%
KTR Carteret c/o Prologis	57,262,683	2.36%	Keystone	12,727,900	1.25%
Federal Blvd LLC	47,319,600	1.95%	Cypres Amax	9,888,700	0.98%
Bristol Tic LLC Etal	41,748,000	1.72%	Carteret Terrace	9,738,200	0.96%
T-C 200 Milik Street LLC	38,296,500	1.58%	Carteret Venture	9,019,200	0.89%
Keystone c/o Prologis Tax	35,488,000	1.46%	JLJ Associates	8,672,800	0.86%
Cypres Amax c/o Freeport	35,347,500	1.46%	Suteret Associates	7,773,400	0.77%
GATX/Kinder Morgan	34,129,200	1.41%	800 Federal Blvd	7,323,600	0.72%
Total	<u>\$ 553,125,183</u>	<u>22.80%</u>		<u>\$ 170,458,400</u>	<u>16.81%</u>

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	
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
2018	27,915,568	27,915,568	100.00%	N/A

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

Fiscal Year Ended June 30,	Governmental Activities					Capital Leases	Total District	Population (A)	Per Capita
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)					
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	23,666	733	
2013	1,370,000	14,515,000	N/A	N/A	N/A	15,885,000	23,874	665	
2014	1,275,000	13,150,000	251,900	1,800,000	N/A	16,476,900	23,951	688	
2015	1,115,000	12,025,000	923,860	3,516,636	N/A	17,580,496	24,065	731	
2016	945,000	10,465,000	N/A	N/A	N/A	11,410,000	24,094	474	
2017	770,000	8,920,000	N/A	N/A	N/A	9,690,000	24,072	403	
2018	590,000	7,340,000	N/A	N/A	N/A	7,930,000	24,084	329	

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,	<u>General Bonded Debt Outstanding</u>		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions			
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
2018	590,000		590,000	0.02%	24

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, 2017
(Unaudited)**

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
MUNICIPAL DEBT: (1)			
Borough of Carteret	\$ 102,178,659	\$ 46,765,205	\$ 55,413,454
Carteret Board of Education	<u>9,690,000</u>	<u>9,690,000</u>	<u>-</u>
	<u>\$ 111,868,659</u>	<u>\$ 56,455,205</u>	<u>55,413,454</u>
OVERLAPPING DEBT APPORTIONED TO THE MUNICIPALITY			
Middlesex County			
County of Middlesex (A)			12,292,520
Middlesex County Utilities Authority (B)			<u>4,078,263</u>
			<u>16,370,783</u>
Total Direct and Overlapping Bonded Debt			<u>\$ 71,784,237</u>

SOURCE:

(1) Borough of Carteret 2017 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 2017 equalized value by the total 2017 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 2017

Equalized Valuation Basis		
2017		\$ 2,281,740,694
2016		2,456,348,557
2015		<u>2,142,466,206</u>
	[A]	<u>\$ 6,880,555,457</u>
 Average Equalized Valuation of Taxable Property	 [A/3]	 \$ 2,293,518,486
Debt Limit (4.0% of average equalization value)	[B]	91,740,739
Total Net Debt Applicable to Limit	[C]	<u>-</u>
Legal debt margin	[B-C]	<u>\$ 91,740,739</u>

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt Limit	\$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	\$ 91,740,739
Total Net Debt Applicable to Limit	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	<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>	<u>\$ 91,740,739</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)**

<u>Year</u>	<u>Population</u> (A)	<u>County Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2009	23,242	\$ 46,018	14.80%
2010	23,776	47,250	14.80%
2011	22,874	50,553	14.40%
2012	23,666	52,949	14.60%
2013	23,874	50,777	12.70%
2014	23,951	52,071	7.30%
2015	24,065	54,097	5.00%
2016	24,094	55,980	5.40%
2017	24,072	55,980 (A)	5.30%
2018	24,084	55,980 (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>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>	<u>2018</u>
Instruction										
Regular	278.20	275.20	242.00	239.00	244.00	244.00	236.00	241.00	250.00	264.00
Special education	15.80	15.80	50.00	49.00	49.00	61.00	81.00	83.00	81.00	62.00
Other special education	47.00	46.00	27.00	14.00	14.00	22.00	25.00	27.00	28.00	35.00
Adult/continuing education programs	1.00									
Support Services:										
Student & instruction related services	51.00	51.00	54.00	45.00	47.00	22.80	26.00	26.00	21.00	24.00
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	24.00	25.00	23.00	23.00	21.00	19.20	20.00	20.00	20.00	20.00
Other administrative services						4.00				
Central services	6.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Administrative Information Technology	5.00	5.00	4.00	4.00	5.00	4.00	5.00	5.00	5.00	5.00
Plant operations and maintenance	35.00	35.00	32.00	30.00	30.00	28.00	26.00	27.00	27.00	24.00
Total	<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>	<u>443.00</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	Pupil/Teacher Ratio				Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
					Teaching Staff	Elementary	Middle School	Senior High School				
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%
2018	3,840	66,697,411	17,369	10.73%	318	13.16:1	13.85:1	13.12:1	3,701	3,700	-0.38%	99.97%

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)**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<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	658	658	626	681	663	675	680	707	728
<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	676	630	665	677	695	648	665	680
<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	525	525	564	531	523	531	504	518	498
<u>Middle School</u>										
Square Feet	78,595	78,595	78,595	78,595	78,595	78,595	78,595	78,595	78,595	78,595
Capacity (students)	544	544	544	544	544	544	544	544	544	544
Enrollment	869	912	912	933	886	865	864	878	832	861
<u>High School</u>										
Square Feet	157,745	157,745	157,745	157,745	157,745	157,745	157,745	157,745	157,745	157,745
Capacity (students)	765	765	765	765	765	765	765	765	765	765
Enrollment	1,112	1,048	1,048	1,031	1,038	1,041	1,009	1,012	1,020	997
<u>Other</u>										
Square Feet - Stadium	10,104	10,104	10,104	10,104	10,104	10,104	10,104	10,104	10,104	10,104
Square Feet - Administration Building	17,248	17,248	17,248	17,248	17,248	17,248	17,248	17,248	17,248	17,248
Number of Schools at June 30, 2018										
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

		<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>	<u>2018</u>
*School Facilities	Project # (s)										
Columbus School	N/A	\$ 210,510	\$ 187,683	\$ 111,866	\$ 153,972	\$ 264,925	\$ 263,553	\$ 137,279	\$ 109,640	\$ 131,420	\$ 100,585
Nicholas Minue School	N/A	171,405	162,875	144,995	74,765	185,927	238,453	149,532	193,243	231,632	177,284
Nathan Hale School	N/A	134,400	71,126	164,972	201,894	137,248	200,802	175,302	200,854	240,755	184,266
Middle School	N/A	190,375	239,413	141,080	155,733	94,504	138,052	269,434	120,657	144,626	110,692
High School	N/A	<u>375,812</u>	<u>468,735</u>	<u>435,297</u>	<u>531,802</u>	<u>241,241</u>	<u>276,103</u>	<u>388,820</u>	<u>339,147</u>	<u>406,520</u>	<u>311,137</u>
Total School Facilities		1,082,502	1,129,832	998,210	1,118,166	923,845	1,116,963	1,120,367	963,541	1,154,953	883,964
Other Facilities	N/A	<u>219,633</u>	<u>126,200</u>	<u>114,282</u>	<u>146,696</u>	<u>167,184</u>	<u>138,052</u>	<u>240,902</u>	<u>119,315</u>	<u>143,017</u>	<u>109,461</u>
Grand Total		<u>\$ 1,302,135</u>	<u>\$ 1,256,032</u>	<u>\$ 1,112,492</u>	<u>\$ 1,264,862</u>	<u>\$ 1,091,029</u>	<u>\$ 1,255,015</u>	<u>\$ 1,361,269</u>	<u>\$ 1,082,856</u>	<u>\$ 1,297,970</u>	<u>\$ 993,425</u>

Source: District Records

**CARTERET BOARD OF EDUCATION
SCHEDULE OF INSURANCE
JUNE 30, 2018
(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
Property		
Blanket Building and Contents (Per Fund)	\$ 500,000,000	\$ 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	310,000	
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. LEIDIG, CPA, PSA
ROBERT LERCH, CPA

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

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, 2018 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 January 25, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Carteret 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a significant deficiency.

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 an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey and which is described in the accompanying schedule of findings and questioned costs as item 2018-001.

We also 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 January 25, 2019.

Carteret Board of Education's Responses to Findings

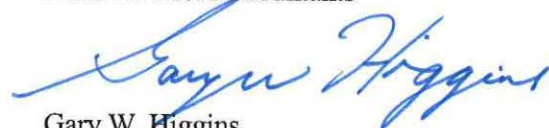
The Carteret Board of Education's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned cost. The Carteret Board of Education's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
January 25, 2019



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-2

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. JAPHEI, 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. LEDIG, CPA, PSA
ROBERT LERCH, CPA

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND 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**

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 Carteret Board of Education's major federal and state programs for the fiscal year ended June 30, 2018. 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, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the U.S. Uniform Guidance and New Jersey OMB Circular 15-08 and which are described in the accompanying schedule of findings and questioned costs as items 2018-002 and 2018-004. Our opinion on each major federal and state program is not modified with respect to these matters.

The Carteret Board of Education's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Carteret Board of Education's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2018-002 and 2018-004 that we consider to be significant deficiencies.

The Carteret Board of Education's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Carteret Board of Education's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

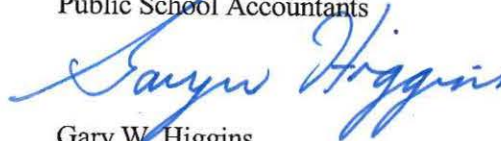
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of U.S. Uniform Guidance and New Jersey OMB Circular 15-08. Accordingly, this report is not suitable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

Report on Schedules 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, 2018 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 January 25, 2019, 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
January 25, 2019

CARTERET BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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, 2017	Unearned Revenue Carryover	Cash Received	Budgetary Expenditures	Accounts Receivable Adjustments	Unearned Revenue Adjustments	June 30, 2018			MEMO GAAP Receivable	
												Adjustments (A)	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		171N304N1099	N/A	7/1/16-6/30/17	1,148,691	\$ (85,472)		\$ 85,472								
Cash Assistance		181N304N1099	N/A	7/1/17-6/30/18	1,202,413			1,112,621	\$ 1,202,413			\$ (89,792)			\$ (89,792)	
Non-Cash Assistance (Food Distribution)		171N304N1099	N/A	7/1/16-6/30/17	112,616	10,174			10,174							
Non-Cash Assistance (Food Distribution)		181N304N1099	N/A	7/1/17-6/30/18	155,691			155,691	140,094				\$ 15,597			
National School Breakfast Program	10.553	171N304N1099	N/A	7/1/16-6/30/17	362,371	(26,966)		26,966								
National School Breakfast Program	10.553	181N304N1099	N/A	7/1/17-6/30/18	498,501			468,016	498,501			(30,485)			(30,485)	
Fresh Fruits and Vegetable Program	10.582	171N304L1603	N/A	7/1/16-6/30/17	64,611	(20,928)		20,928								
Fresh Fruits and Vegetable Program	10.582	181N304L1603	N/A	7/1/17-6/30/18	10,295			9,501	10,295			(794)			(794)	
After School Snack Program	10.555	171N304N1099	N/A	7/1/16-6/30/17	36,638	(2,014)		2,014								
After School Snack Program	10.555	181N304N1099	N/A	7/1/17-6/30/18	34,382			32,450	34,382			(1,932)			(1,932)	
Total Child Nutrition Cluster						(125,206)		1,913,639	1,895,859				(123,003)	15,597		(123,003)
Special Revenue Fund																
IDEA Basic	84.027	H027A170100	IDEA-0750-18	7/1/17-6/30/18	889,296		\$ 60,667	337,465	809,509				(551,831)	140,454		(411,377)
IDEA Basic C/O	84.027	H027A160100	IDEA-0750-17	7/1/16-6/30/17	896,428	(208,201)	(60,667)	57,318		\$ 213,036	\$ (6,187)	\$ 4,701				
I.D.E.A. Preschool	84.173	H173A170114	IDEA-0750-18	7/1/17-6/30/18	27,970				27,970				(27,970)			(27,970)
I.D.E.A. Preschool C/O	84.173	H173A160114	IDEA-0750-17	7/1/16-6/30/17	28,124	(20,335)		31		20,304						
Total Special Education Cluster (IDEA)									837,479							
Temporary Emergency Impact Aid	84.938C	S938C18005	N/A	7/1/17-6/30/18	45,500				45,500				(45,500)			(45,500)
Title I-A	84.010	S010A170030	ESEA-0750-18	7/1/17-6/30/18	954,478		2,907		830,432				(954,478)	126,953		(827,525)
Title I-A C/O	84.010	S010A160030	NCLB-0750-17	7/1/16-6/30/17	963,848	(173,645)	(2,907)	248,257		(72,777)		1,072				
Title I SIA Part A	84.010	S010A170030	ESEA-0750-18	7/1/17-6/30/18	68,686				22,000				(68,686)	46,686		(22,000)
Title II A	84.367A	S367A170029	ESEA-0750-18	7/1/17-6/30/18	134,199		24,196		144,233				(134,199)	14,162		(120,037)
Title II A C/O	84.367A	S367A160029	NCLB-0750-17	7/1/16-6/30/17	144,061	5,077	(24,196)	6,311		12,641		167				
Title III	84.365	S365A170030	ESEA-0750-18	7/1/17-6/30/18	93,805		20,192		79,608				(93,805)	34,389		(59,416)
Title III C/O	84.365	S365A160030	NCLB-0750-17	7/1/16-6/30/17	113,630	(7,085)	(20,192)	13,048		14,192		37				
Title IV Part A	84.424	S424A170031	ESEA-0750-18	7/1/17-6/30/18	12,977				5,057				(12,977)	7,920		(5,057)
Total Special Revenue Fund						(404,189)		662,430	1,964,309	187,396	(6,187)	5,977	(1,889,446)	370,564		(1,518,882)
General Fund																
Medical Assistance Program (SEMI)	93.778	1805N15MAP	N/A	7/1/17-6/30/18	131,078			131,078	131,078							
Total General Fund								131,078	131,078							
Total Federal Awards Subject to Single Audit in accordance with Uniform Guidance						\$ (529,395)	\$ -	\$ 2,707,167	\$ 3,991,246	\$ 187,396	\$ (6,187)	\$ 5,977	\$ (2,012,449)	\$ 386,161	\$ -	\$ (1,641,885)

(A) Represents cancelled encumbrances.

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

CARTERET BOARD OF EDUCATION
SCHEDULE OF EXPENDITURE OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, July 1, 2017			Cash Received	Budgetary Expenditures	Adjustments (A)	Refund of Prior Years' Balances	June 30, 2018			MEMO	
				(Accounts Receivable)	Deferred Revenue	Due to Grantor					Accounts Receivable	Unearned Revenue	Due to Grantor	GAAP Receivable	Cumulative Total Expenditures
General Fund															
State Department of Education															
Equalization Aid	17-495-034-5120-078	7/1/16-6/30/17	\$ 23,633,042	\$ (2,338,612)			\$ 2,338,612								
Equalization Aid	18-495-034-5120-078	7/1/17-6/30/18	24,379,037				21,949,528	\$ 24,379,037		\$ (2,429,509)				\$ 24,379,037	
Special Education Categorical Aid	17-495-034-5120-089	7/1/16-6/30/17	2,287,579	(226,368)			226,368								
Special Education Categorical Aid	18-495-034-5120-089	7/1/17-6/30/18	2,287,579				2,059,609	2,287,579		(227,970)				2,287,579	
Under Adequacy Aid	17-495-034-5120-096	7/1/16-6/30/17	500,000	(49,478)			49,478								
Under Adequacy Aid	18-495-034-5120-096	7/1/17-6/30/18	500,000				450,172	500,000		(49,828)				500,000	
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	420,092	(41,570)			41,570								
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	420,092				378,227	420,092		(41,865)				420,092	
Professional Learning Comm Aid	17-495-034-5120-101	7/1/16-6/30/17	36,610	(3,623)			3,623								
Professional Learning Comm Aid	18-495-034-5120-101	7/1/17-6/30/18	36,610				32,962	36,610		(3,648)				36,610	
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	36,940	(3,655)			3,655								
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	36,940				33,259	36,940		(3,681)				36,940	
PARCC Readiness	17-495-034-5120-098	7/1/16-6/30/17	36,940	(3,655)			3,655								
PARCC Readiness	18-495-034-5120-098	7/1/17-6/30/18	36,940				33,259	36,940		(3,681)				36,940	
Total State Aid Public Cluster							27,697,198								
Extraordinary Aid	17-100-034-5120-044	7/1/16-6/30/17	661,860	(661,860)			661,860								
Extraordinary Aid	18-100-034-5120-044	7/1/17-6/30/18	697,738				697,738			(697,738)				697,738	
Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	137,540	(13,610)			13,610								
Transportation Aid	18-495-034-5120-014	7/1/17-6/30/18	137,540				123,833	137,540		(13,707)				137,540	
TPAF Post Retirement Medical Contribution	18-495-034-5094-001	7/1/17-6/30/18	2,457,777				2,457,777	2,457,777						2,457,777	
TPAF Pension Contribution - Normal	18-495-034-5094-002	7/1/17-6/30/18	3,715,165				3,715,165	3,715,165						3,715,165	
TPAF Pension Contribution - NCCI	18-495-034-5094-004	7/1/17-6/30/18	90,158				90,158	90,158						90,158	
TPAF Pension Contribution - LTDI	18-495-034-5094-004	7/1/17-6/30/18	6,387				6,387	6,387						6,387	
Reimbursed TPAF Social Security Contr.	17-495-034-5094-003	7/1/16-6/30/17	1,956,679	(87,047)			87,047								
Reimbursed TPAF Social Security Contr.	18-495-034-5094-003	7/1/17-6/30/18	1,956,679				1,860,371	1,956,679		(96,308)			\$ (96,308)	1,956,679	
Total On-Behalf TPAF Contribution Cluster							8,226,166								
Add Nonpublic School Transportation Costs	17-495-034-5120-014	7/1/16-6/30/17	18,384	(18,384)			18,384								
Add Nonpublic School Transportation Costs	18-495-034-5120-014	7/1/17-6/30/18	32,363				-	32,363		(32,363)				32,363	
Total General Fund				(3,447,862)			36,638,569	36,791,005		(3,600,298)				(128,671)	36,791,005
Special Revenue Fund															
Preschool Education Aid															
Preschool Education Aid	17-495-034-5120-086	7/1/16-6/30/17	630,780	(63,078)	\$ 2,469		63,078	2,469						2,469	
Preschool Education Aid	18-495-034-5120-086	7/1/17-6/30/18	1,206,923				1,056,231	1,029,843	\$ 363	(120,692)	\$ 177,443			1,029,843	
School Based Youth Services (DYFS)	18-ARMP	7/1/17-6/30/18	274,478				270,478			(4,000)	4,000		(4,000)	270,478	
N.J. Nonpublic Aid:															
Textbook Aid	18-100-034-5120-064	7/1/17-6/30/18	10,573				10,573	10,573						10,573	
Nursing	17-100-034-5120-070	7/1/16-6/30/17	17,730		\$ 3,023				\$ 3,023						
Nursing	18-100-034-5120-070	7/1/17-6/30/18	18,721				18,721	18,721						18,721	
Technology	18-100-034-5120-073	7/1/17-6/30/18	7,141				7,141	7,141				\$ 20		7,121	
Security	18-100-034-5120-509	7/1/17-6/30/18	14,475				14,475	14,475						14,475	
Auxiliary Services:															
Compensatory Education	18-100-034-5120-067	7/1/17-6/30/18	53,150				53,150	53,150						53,150	
English as a Second Language	17-100-034-5120-067	7/1/16-6/30/17	5,481						2,740			2,740			
English as a Second Language	18-100-034-5120-067	7/1/17-6/30/18	2,710				2,710	2,710						2,710	
Transportation	17-100-034-5120-068	7/1/16-6/30/17	5,981						599			599			
Transportation	18-100-034-5120-068	7/1/17-6/30/18	6,547				6,547	6,547						6,547	
Total Nonpublic Auxiliary Service Aid (Chap 152) Cluster							62,407								
Handicapped Services															
Supplementary Instruction	17-100-034-5120-066	7/1/16-6/30/17	11,299						78						
Supplementary Instruction	18-100-034-5120-066	7/1/17-6/30/18	12,687				12,687	12,687						12,687	
Examination and Classification	17-100-034-5120-066	7/1/16-6/30/17	23,768						8,819			184			
Examination and Classification	18-100-034-5120-066	7/1/17-6/30/18	14,198				14,198	14,198						14,198	
Corrective Speech	17-100-034-5120-066	7/1/16-6/30/17	10,602						4,417			4,417			
Corrective Speech	18-100-034-5120-066	7/1/17-6/30/18	11,606				11,606	11,606						11,606	
Total Nonpublic Handicapped Service Aid (Chap 153) Cluster							38,491								
Total Special Revenue Fund				(63,078)	2,469	11,920	1,571,595	1,454,578	8,303	11,920	(124,692)	181,443	7,960	(4,000)	1,454,578
Debt Service Fund															
School Construction Debt Service Aid	16-495-034-5120-075	7/1/16-6/30/16	661,020						(19,188)						
School Construction Debt Service Aid	18-495-034-5120-075	7/1/17-6/30/18	661,020				661,020	661,020						661,020	
Total Debt Service Fund							661,020	661,020	(19,188)					661,020	
Enterprise Fund															
National School Lunch Prog (State Share)	17-100-010-3350-023	7/1/16-6/30/17	22,127	(1,650)			1,650								
National School Lunch Prog (State Share)	18-100-010-3350-023	7/1/17-6/30/18	22,985				21,271	22,985				(1,714)		22,985	
Total Enterprise Fund				(1,650)			22,921	22,985				(1,714)		22,985	
Total State Assistance			\$ (3,512,590)	\$ 2,469	\$ 31,108	\$ 38,894,105	38,929,588	\$ (10,885)	\$ 11,920	\$ (3,726,704)	\$ 181,443	\$ 7,960	\$ (134,385)	\$ 38,929,588	
Less Amounts Not Subject to Single Audit:															
TPAF Post Retirement Medical Contribution	18-495-034-5094-001	7/1/17-6/30/18	2,457,777				2,457,777	2,457,777							
TPAF Pension Contribution - Normal	18-495-034-5094-002	7/1/17-6/30/18	3,715,165				3,715,165	3,715,165							
TPAF Pension Contribution - NCCI	18-495-034-5094-004	7/1/17-6/30/18	90,158				90,158	90,158							
TPAF Pension Contribution - LTDI	18-495-034-5094-004	7/1/17-6/30/18	6,387				6,387	6,387							
Total State Financial Assistance Subject to Single Audit in accordance with NJ OMB 15-08							\$ 32,660,101								

(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, 2018**

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 \$129,196 for the general fund and an increase of \$32,772 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	\$ 131,078	\$ 36,661,809	\$ 36,792,887
Special Revenue Fund	1,970,293	1,495,706	3,465,999
Debt Service Fund		661,020	661,020
Food Service Fund	<u>1,895,859</u>	<u>22,985</u>	<u>1,918,844</u>
Total Financial Assistance	<u>\$ 3,997,230</u>	<u>\$ 38,841,520</u>	<u>\$ 42,838,750</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, 2018**

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 \$1,956,679 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, 2018. The amount reported as TPAF Pension System Contributions in the amount of \$3,805,323 , TPAF Post-Retirement Medical Benefits Contributions in the amount of \$2,457,777 and TPAF Long-Term Disability Insurance in the amount of \$6,387 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2018.

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

On-behalf State Programs for TPAF Pension, Post-Retirement Medical Benefits and Long-Term Disability Insurance Contributions payments are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the District's 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, 2018**

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? yes X no

2) Were significant deficiencies identified that were not considered to be material weaknesses? X yes no

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

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? X yes 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>84.010</u>	<u>S010A170030</u>	<u>Title I-A</u>
<u>84.010</u>	<u>S010A170030</u>	<u>Title I-SIA</u>
<u>10.555</u>	<u>181NJ304N1099</u>	<u>National School Lunch Program</u>
<u>10.553</u>	<u>181NJ304N1099</u>	<u>National School Breakfast Program</u>
<u>10.555</u>	<u>181NJ304N1099</u>	<u>After School Snack Program</u>

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

Auditee qualified as low-risk auditee? X yes no

**CARTERET BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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.

Finding 2018-001

With respect to year end encumbrances and accounts payable:

- Our audit of year end outstanding purchase orders in the General Fund revealed a significant encumbrance for a previously utilized vendor remained open of record.
- Our audit of payments made subsequent to June 30, 2018 indicated unrecorded liabilities that were not reflected in the District's accounting records at year end.

Criteria or specific requirement:

Internal controls over year end closing procedures pertaining to outstanding purchase orders.

Condition

An encumbrance was deemed invalid at year end. In addition, certain accounts payable were not recorded at year end.

Context

- One purchase order classified as a reserve for encumbrance should have been cancelled totaling \$740,591 in the General Fund.
- Liabilities for health benefits and tuition payments totaling \$151,176 in the General Fund and \$132,457 in the Special Revenue Fund were not recorded at June 30, 2018.

Effect

Financial statements presented for audit do not properly reflect liabilities, expenditures and fund balance at year end. Audit adjustments were made to cancel the invalid purchase order and audit adjustments were made to reflect the unrecorded liabilities.

Cause

Unknown.

Recommendation

Procedures be reviewed and revised to ensure only valid purchase orders are recorded at year end and that all liabilities are recorded in the District's accounting records at June 30.

View of Responsible Officials and Planned Corrective Action

Management has reviewed this finding and indicated it will revise its procedures to ensure corrective action is taken.

**CARTERET BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

Finding 2018-002:

Our audit of the ESEA Title I grant programs revealed employee benefits charged were not properly supported by a detail calculation nor were they charged on a monthly basis. We noted the District made one entry to reallocate General Fund employee benefit charges to the grant programs.

Federal Program Information:

Title I	84.010
Title I SIA	84.010

Criteria or Specific Requirement

Federal Grant Compliance Supplement – Allowable Costs/Cost Principles

Condition:

See Finding 2018-002.

Questioned Costs:

None.

Context:

The District charged the ESEA grant Title I program for health benefits in the amount of \$180,919 with one journal entry allocating charges from the General Fund health benefits budget appropriation.

Effect:

Employee benefits charged to Federal grants may not be for allowable charges. The District subsequently provided information to substantiate the amount charged to the Title I grant program for health benefits. Audit adjustments were made to reclassify \$119,425 of health benefit charges to the General Fund and charge the Title I program for pension and social security reimbursements due to the State of New Jersey.

Cause:

District did not prepare a detailed analysis of employee benefit costs allocated to the grant programs on a monthly basis.

Recommendation:

Employee benefits charged to the ESEA Title I grant programs be supported by an analysis detailing the basis for the amount allocated to the program and the benefits be charged when paid throughout the grant period.

View of Responsible Officials and Planned Corrective Action:

Management has reviewed this finding and indicated it will review and revise its procedures to ensure corrective action is taken.

**CARTERET BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

Finding 2018-003:

The audit of ESEA grant reimbursements indicated the District requested no reimbursements for actual grant expenditures during the 2017/18 fiscal year.

Federal Program Information:

Title I-A	84.010
Title ISIA Part A	84.010
Title IIA	84.367A
Title III	84.365
Title IV Part A	84.424

Criteria or specific requirement:

Federal Grant Compliance Supplement - Cash Management

Questioned Costs:

None.

Condition:

The District did not request grant reimbursements for the 2017/18 fiscal year in the amount of \$1,034,035.

Context:

Program expenditures were incurred in the amount of \$1,034,035 however no grant drawdowns were requested.

Effect:

The District's Special Revenue Fund was in a cash overdraft position of \$1,164,648 as of June 30, 2018.

Cause:

Grant drawdowns were not made for the 2017/18 fiscal year during the grant period.

CARTERET BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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 (Continued)

Finding 2018-003: (Continued)

Recommendation:

Grant reimbursements for NCLB programs be made on a timely periodic basis.

View of Responsible Officials and Planned Corrective Action:

Management has reviewed this finding and indicated it will revise its procedures to ensure corrective action is taken.

**CARTERET BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

Finding 2018-004:

The audit revealed the original budget included in the District's revenue and appropriation reports for the Special Revenue Fund were not in agreement with the adopted budget.

Federal Program Information:

Title I-A	84.010
Title I-SIA	84.010

Criteria or specific requirement:

Federal Grant Compliance Supplement - Reporting

Questioned Costs:

None.

Condition:

The Title I and I-SIA original budget amounts in the adopted budget were not in agreement with the District's revenue and appropriation subsidiary reports for the 2017/18 fiscal year.

Context:

The District's revenue report reflected a difference of \$800,000 and the appropriation report revealed a difference in the amount of \$18,097.

Effect:

Title I original budget amounts included in the adopted budget were not in agreement with the District's revenue and appropriation subsidiary reports.

Cause:

Unknown.

**CARTERET BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 (Continued)

Finding 2018-004: (Continued)

Recommendation:

The original budget included in the District's revenue and appropriation reports for the Special Revenue Fund be in agreement with the adopted budget.

View of Responsible Officials and Planned Corrective Action:

Management has reviewed this finding and indicated it will revise its procedures to ensure corrective action is taken.

**CARTERET BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 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, 2018**

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.