CARTERET

BOARD OF EDUCATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

CARTERET, NEW JERSEY

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

of the

Carteret Board of Education

Carteret, New Jersey

For The Fiscal Year Ended June 30, 2014

Prepared by the
The Business Office

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INTRODUCTORY SECTION

Carteret Board of Education

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Nilkanth Patel
Business Administrator/Board Secretary

Tel: (732) 541 8960
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December 4, 2014

Honorable President Mr. Jerome Mitchell
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, 2014.

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, 2014, 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, 2014, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

REPORT FORMAT

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

- **Introductory Section** – This section includes this transmittal letter, the District's organization chart and a list of principal officials. This section is intended to familiarize the reader with the organizational structure of the District, the nature and scope of the services it provides, and the specifics of its legal operating environment. It is primarily designed for the taxpayer.

- **Financial Section** – This includes the independent auditor's report, the Management's Discussion and Analysis (MD&A), basic financial statements, supplemental information, and the combining and individual fund schedules. It is primarily designed for oversight and legislative bodies.

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

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

- **Statistical Section** – This section includes selected financial and demographic information, generally presented on a multi-year basis. This section is intended to provide CAFR users with a broader and complete understanding of the school district and its financial affairs than are possible from the financial statements and supporting schedules included in the Financial Section. It is primarily designed for investors and creditors (similar to information contained in an Official Statement).

- **Single Audit Section** – The District is required to undergo an annual single audit in conformity with the provisions Federal Single Audit Act amendments of 1996 and the US Office of Management and Budget circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the New Jersey OMB's Circular 04-04, "*Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*".

  Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, is included in the Single Audit Section of this report.

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

REPORTING ENTITY AND ITS SERVICES

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

Organization of the Board of Education

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

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

In January 2012, the Board of Education adopted a resolution to move the annual school election for school board members to November during the regular general election pursuant to Public Law 2011, Chapter 202. In the first week of January, following the annual school election the Board of Education will be organized. The above legislation provides that if a board of education's annual school election is moved to November, voter approval shall not be required for the board of education's base budget, which is a budget with a proposed tax levy that does not exceed its tax levy cap. This decision shall remain in effect for a minimum of four years pursuant to Section 1 of the said Public Law. The Board may adopt a resolution in January 2016 to continue the annual school election for school board members to November during the regular general election pursuant to Public Law 2011, Chapter 202.

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, 2012	Actual Enrollment October 15, 2013	Projected Enrollment October 15, 2014
Regular Full Time	Pre K – 12	3,497	3,437	3,453
Special Needs Full Time	Pre K – 12	303	327	327
Special Needs Shared Time	Pre K – 12	12	13	13
Out of District Placement, Shared, State Facilities, etc	Pre K – 12	84	87	141
Total Enrollment		**3,896**	**3,864**	**3,934**

** Source Advertised FY2014 Budget*

ECONOMIC CONDITIONS AND OUTLOOK

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

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

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

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

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

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

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

MAJOR INITIATIVES

During the FY2014, the Carteret Board of Education has implemented the following to enhance the instructional programs and improvements to infrastructure:

Education & Instruction:

1. Response to Intervention was implemented at Nathan Hale and Columbus Elementary Schools in grades K-2. Iread, Fontas and Pennel, Leveled Reading, Orton Gillingham were made available to students identified as Tiers I, II or III.
2. The Columbus School Discovery Club, sponsored by PSE&G, and the United Way, worked with second grade students in an After School Program, targeting Literacy Instruction, Music, Art, and Science Activities. This program also had a parent component.
3. The school district adopted The Framework for Teaching Evaluation Instrument and Teachscape. Teachers received over twenty hours of intensive training on the four domains of the evaluation system. Additionally, all administrators went through approximately 30 hours of training and passed the evaluator's assessment, which included inter-rater reliability.
4. All three elementary schools sponsored Read Across America Day, which fostered community involvement, Dare Program and Picnic, Band Concert and Fun Fair.
5. The district provided in-district professional development opportunities to all instructional staff throughout the school year. Additionally, the After School Professional Development Academy offered over twenty workshops in the following areas: Common Core, Technology, Reading Strategies, and Preparing for PARCC, Classroom Management, Tiered Learning Centers, NJASK Preparation, and Mathematics.
6. Anti-Bullying Assemblies and workshops were offered at each school to educate students, parents, and staff with regard to the ramifications of bullying and cyber-bullying.
7. The district purchased a new Mathematics Program for the elementary schools and provided a series of workshops for the teachers on how to effectively implement the program.
8. The district continued to revise curricula, following the Curriculum Renewal Cycle.

9. The Annual Thanksgiving Celebration, sponsored by the Boys and Girls Club (21st Century Community Learning Centers Grant), was held for the Senior Citizens. The Carteret High School Band provided the entertainment.
10. Parent Workshops such as Family Literacy Nights, Family Math, and Technology Nights were offered in addition to student recognition programs.
11. Red Ribbon Week was celebrated in each school to support drug free lifestyles.
12. Grandparents Day was celebrated at Minue School with a wonderful turnout.
13. September 11th Remembrance was observed at each school.
14. The High School Re-Design Project was in its third year of implementation, following a modified block schedule.
15. AP courses were offered in English, Art, U.S. History, Psychology, Spanish, Statistics, and Biology. AP Art (online),AP French (on line)AP Psychology (on line).
16. The 2014 graduating class received Scholarships/Awards from Universities and college scholarship awards in excess of $3,767,552.00.
17. College partnerships were continued with Middlesex County College, Kean University, and Rutgers University (Pre-College Summer Program).
18. The Middle School continued implementing the PBSIS grant, which fosters positive behavioral supports and a great deal of teacher training and supports. The entire school held a kick-off at the Carteret High School stadium.
19. The School Based Youth Services Grant (Pathways) is housed in Carteret High School and provides services to identified families of high school students.
20. Pathways sponsored Carteret's First Annual Walkathon to Prevent Bullying on Saturday, May 18th which was very successful.

Technology:

1. The District continued the installation of interactive boards at all schools.
2. Installed 100 new Ncomputing workstations at Middle School and High School.
3. Upgraded bandwidth from 100MB to 500MB and Barracuda910 web filter to accommodate increase in the bandwidth.
4. Purchased 1020 Chrome Books and 34 carts for student use in all schools and 300 Chrome Books for all instructional staff.
5. Replaced security video servers with four (4) new Dell servers at Middle School and High School to increased storage capacity.

Facilities:

1. The windows at Middle School were replaced along with numerous outside doorways, and new window air-conditioner units were installed.
2. Two Art rooms in the High School have been totally renovated, new floors, walls, ceilings, new furniture, lights, air conditioning.

FINANCIAL ACCOUNTING AND REPORTING:

The Carteret Bard of Education continues to utilize the Systems 3000 software for financial accounting, payroll, and personnel since July 1, 2005. Beginning FY2015, the parents will be able to input the lunch applications on-line. The district has implemented point of sales (POS) system for the food service. Since the implementation of the POS System, the district has realized an increase in revenue. The capital assets inventory is updated annually. All maintenance and technology work orders are processed utilizing the School Dude software for Maintenance and Technology work-order system The Special Education Department utilizes IEP Direct special needs students' data base software.

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.

In March 2014, the Department of Education, State of New Jersey, performed QSAC. The District was sighted for failure to ensure adequate internal controls.

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 2014.

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

PROPRIETARY FUND

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

DEBT ADMINISTRATION

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

In prior fiscal years, the District completed capital construction programs financed through a lease-purchase transaction; which was refinanced in March 1999. This lease was refunded in February 2010. The balance of the refunded lease is $5,640,000 as of June 30, 2014. An additional capital lease was financed in 2000 for various building improvements. This lease was refunded in January 2006. The balance of the refunded portion of the lease is $7,510,000 as of June 30, 2014.

During the FY2003, the District issued $2,450,000 of pension obligation refunding bonds to finance the unfunded pension liability pertaining to the District's participation in the State's Early Retirement Incentive Program. This debt was refinanced in FY2014 which resulted in gross savings of $70,640 and present value savings of $63,319 or 4.62% of the debt service of the refunded bonds. The balance of the refunded bonds is $1,275,000 as of June 30, 2014.

CASH MANAGEMENT

The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements." The District has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

RISK MANAGEMENT

The Board of Education utilizes an insurance consultant to assist in the review and evaluation of its third party commercial insurances. The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents and fidelity bonds. The statistical section of the CAFR includes a schedule that outlines the types and amounts of coverage.

OTHER INFORMATION

Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Board selected the accounting firm of Lerch, Vinci & Higgins, LLP CPA's. In addition to meeting the requirements set forth in state statues, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related OMB Circular A-133 and State Treasury Circular OMB 04-04. The auditor's report on the basic financial statements and combining an individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

ACKNOWLEDGMENTS:

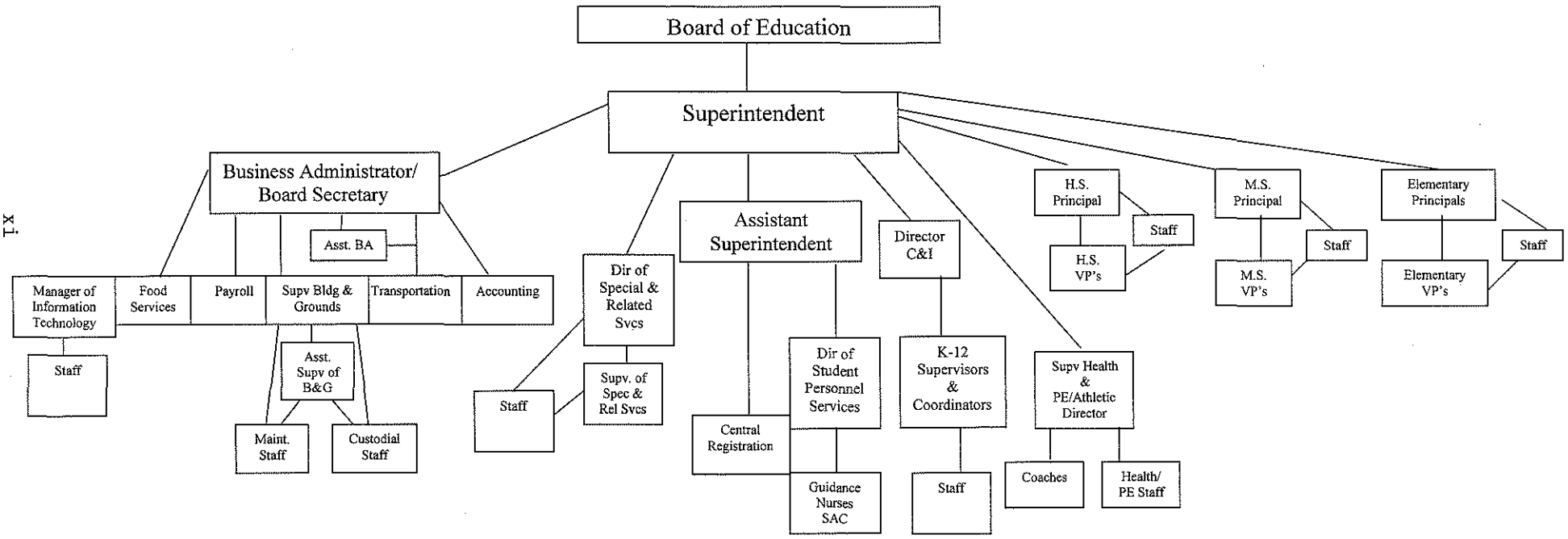
We would like to express our appreciation to the members of the Carteret School Board for their concern in providing fiscal accountability to the citizens and taxpayers of Carteret and thereby contributing their full support to the development and maintenance of our financial operation. We also acknowledge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

Respectfully Submitted,

Kevin Ahearn
Superintendent of Schools

Nilkanth Patel
Business Administrator/Board Secretary

CARTERET PUBLIC SCHOOLS
TABLE OF ORGANIZATION



Adopted: May 24, 2001
Revised: July 25, 2012

Submitted by:
Kevin W. Ahearn
Superintendent of Schools

CARTERET BOARD OF EDUCATION
ROSTER OF OFFICIALS
AS OF JUNE 30, 2014

Members of the Board of Education	Term Expires January,
Jerome Mitchell, President	2015
Lydia Singura, Vice President	2015
Daniel Croson	2015
Patricia Golino	2017
James Hart	2016
Debra Weaver	2017
Donna Kenny	2016
Martin Murray	2017
Jasbir Judge	2016

Other Officials

Kevin Ahearn, Superintendent of Schools

Nilkanth Patel, Business Administrator/Board Secretary

CARTERET BOARD OF EDUCATION
CONSULTANTS AND ADVISORS
AS OF JUNE 30, 2014

AUDITORS

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17-17 ROUTE 208
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ATTORNEYS

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INVESTORS BANK
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ISELIN, NJ 08830

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LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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GARY W. HIGGINS, CPA, RMA, PSA
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MARK SACO, CPA
CHYNNA C. DESTEFANO, CPA, PSA
KEVIN LOMSKI, CPA
EDWARD P. MURPHY, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
Lakewood Board of Education
Lakewood, 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 Lakewood Board of Education as of and for the fiscal year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Carteret Board of Education as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Subsequent Events

As discussed in Note 7 to the financial statements, the Board of Trustees approved a resolution on July 2, 2014 relating to the settlement of a Collective Negotiations Agreement with the Carteret Education Association for the fiscal years ended June 30, 2013 through 2016. The salaries owed for the fiscal years ended June 30, 2013 and 2014 were recorded as a liability as of June 30, 2014, however the funding for this settlement will be provided from the fiscal year 2015 budget. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 04-04, 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 December 4, 2014 on our consideration of the Carteret Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Carteret Board of Education's internal control over financial reporting and compliance.

Lerch, Vinci & Higgins LLP

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

Gary W. Higgins

Gary W. Higgins
Public School Accountant
PSA Number CS00814

Fair Lawn, New Jersey
December 4, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Carteret Board of Education
Carteret, New Jersey

Management's Discussion and Analysis
Year Ended June 30, 2014

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, 2014. 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 (2013-2014) and the prior year (2012-2013) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2013-2014 fiscal year include the following:

- The General Fund fund balance on a GAAP basis at June 30, 2014 was $(3,277,657), a decrease of $3,278,055 when compared with the beginning balance at July 1, 2013.

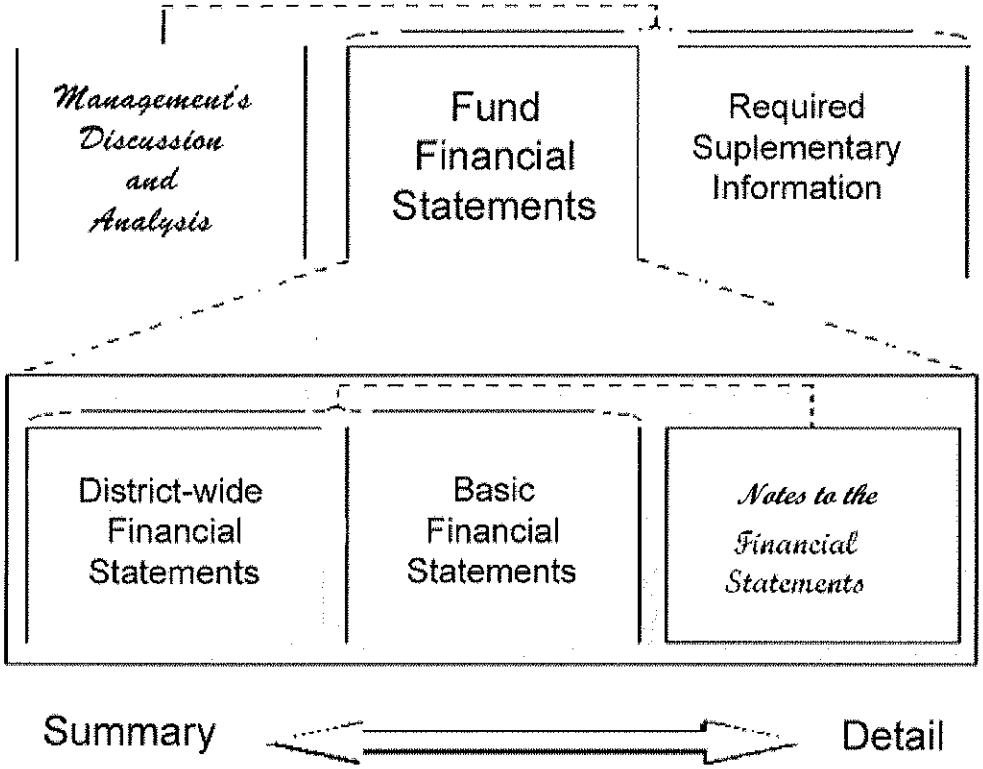
- The General Fund budgetary fund balance at June 30, 2014 was in a deficit of $32,185, which represents a decrease of $3,381,419 when compared to the ending budgetary fund balance of $3,349,234 at June 30, 2013. The difference in GAAP basis fund balance to budgetary fund balance is $3,245,472, which represents the delay of certain State aid payments and the 2013-2014 Extraordinary Aid, which were not realized as revenue in the GAAP basis financial statements.

- The General Fund unassigned (unreserved, undesignated) budgetary fund balance was in a deficit of $1,430,406 at June 30, 2014. This represents a decrease of $1,614,683 when compared to the balance of $184,277 as of June 30, 2013.

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.

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.

The basic financial statements includes 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 Statement of activities	Balance sheet Statement of revenue expenditures and changes in fund balances	Statement of net position 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/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

District-wide Statements

The district-wide statements report information about the Carteret Board of Education as a whole using accounting methods similar to those used by private-sector companies. The statement of net 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.

District-wide Statements (Continued)

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

- Over time, increase or decreases in the district's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the district you need to consider additional non-financial factors such as changes in the district's property tax base and the condition of school building and other facilities.

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

- *Governmental activities*- Most of the district's basic services are included here, such as regular and special education, transportation, administration and community education. Property taxes and state aids finance most of these activities.

- *Business-type activities*- The Board charges fees to customers to help it cover the costs of certain services it provides. The Board's Food Service Fund and Enrichment Academy is included here.

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.

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

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.

FINANCIAL ANALYSIS OF THE CARTERET PUBLIC SCHOOLS AS A WHOLE

Net Position. The District's net position for governmental and business type activities were $3,957,214 and $6,322,403 on June 30, 2014 and 2013, respectively. (See Table A-1)

Table A-1
Statement of Net Position
As of June 30, 2014 and 2013

	2014	2013
Current and Other Assets	$ 2,760,495	$ 3,122,177
Capital Assets	23,131,952	24,156,307
Total Assets	**25,892,447**	**27,278,484**
Deferred Outflows of Resources	368,978	402,874
Total Deferred Outflows of Resources	**368,978**	**402,874**
Non-Current Liabilities	16,758,064	18,181,561
Other Liabilities	5,543,023	3,167,764
Total Liabilities	**22,301,087**	**21,349,325**
Deferred Inflows of Resources	3,124	9,630
Total Deferred Inflows of Resources	**3,124**	**9,630**
Net Position:		
Net Investment in Capital Assets	10,128,205	10,078,351
Restricted	536,241	1
Unrestricted	(6,707,232)	(3,755,949)
Total Net Position	**$ 3,957,214**	**$ 6,322,403**

Net position from current year operations for the year ended June 30, 2014 decreased $427,044. The overall net position decreased $2,365,189 from the balance at June 30, 2013 as a result of a prior period adjustment required as a result of obtaining an updated valuation study of the District's capital assets. (See Note 6)

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

- Program revenues for Governmental Activities were $11,459,223 for operating grants and contributions.
- Program revenues for business – type activities
  - ✓ Charges for services $887,587.
  - ✓ Operating grants and contributions $1,291,846.
- Combined general revenues for Governmental activities and Business-Type activities during the 2013-2014 school year were $49,315,465.
- Expenditures were $61,184,665 for Governmental activities and $2,196,500 for business type activities.

- On the Statement of Activities, general revenues and beginning net position are adjusted by expenses net of program revenues to arrive at net position of $3,957,214 at June 30, 2014.

Changes in Net Position
For the Fiscal Years Ended June 30, 2014 and 2013

		2014	2013
Revenues			
Program revenues			
	Charges for services	$ 887,587	$ 857,943
	Operating grants and contributions	12,701,003	13,270,380
	Capital grants and contributions	50,066	
General revenues			
	Property taxes	24,682,217	24,227,667
	Federal and State Aid	24,435,055	23,934,648
	Other	198,193	44,248
	Total revenues	**62,954,121**	**62,334,886**
Expenses			
Instruction			
	Regular	25,505,673	23,512,475
	Special Education	12,326,119	11,409,327
	Other Instruction	2,000,581	1,930,214
	School Sponsored Activities and Athletic Support Services	496,087	574,389
Support Services			
	Student and Instruction Related Services	6,310,943	6,259,949
	General Administration Services	1,222,049	1,418,556
	School and Business Administration Services	3,033,128	3,219,576
	Plant Operations and Maintenance	6,064,394	5,733,510
	Pupil Transportation	2,583,496	2,313,497
	Central Services	1,027,621	1,640,519
	Interest on Long-Term Debt	614,574	700,012
	Food Service	1,809,013	1,982,478
	Enrichment Academy	387,487	312,570
	Total expenses	**63,381,165**	**61,007,072**
Change in net position		(427,044)	1,327,814
Net Position, Beginning of Year		6,322,403	4,994,589
Prior Period Adjustment		(1,938,145)	
Net Position, Beginning of Year, Adjusted		4,384,258	4,994,589
Net Position, End of Year		**$ 3,957,214**	**$ 6,322,403**

Changes in Net Position. The district's total revenues were $62,954,121 and $62,334,886 in 2014 and 2013, respectively. Property taxes of $24,682,217 and $24,227,667 represented 39% of revenues for the years ended June 30, 2014 and 2013, respectively. The District's state and federal aid of $37,186,124 and $37,205,028 represented 59% and 60% of revenues for the years ended June 30, 2014 and 2013, respectively.

The smallest component of revenues is "Other Revenue." The largest source of "Other Revenue" is miscellaneous and interest income, with $198,193 and $44,248 earned in the years ended June 30, 2014 and 2013, respectively.

The Board's expenses for governmental activities are predominantly related to instruction and support services. Instruction totaled $40,328,460 and $37,426,405 which represented 66% and 64% of total expenditures for the years ended June 30, 2014 and 2013, respectively. Student support services, exclusive of administration, totaled $6,310,943 and $6,259,949 (10% and 10%) of total expenditures for the years ended June 30, 2014 and 2013, respectively.

Table A-3
Total and Net Cost of Services of Governmental Activities
For the Fiscal Years Ended June 30, 2014 and 2013

Functions/Programs	Source	Total Cost of Services		Net Cost of Services	
	Exhibit	2014	2013	2014	2013
Governmental Activities					
Instruction					
Regular	A-2	25,505,673	$ 23,512,475	$ 21,474,448	$ 19,355,989
Special Education	A-2	12,326,119	11,409,327	7,473,525	6,473,795
Other Instruction	A-2	2,000,581	1,930,214	1,807,461	1,455,613
School Sponsored Activities and Athletics	A-2	496,087	574,389	444,882	514,640
Support Services					
Student and Instruction Related Services	A-2	6,310,943	6,259,949	5,196,808	5,076,314
General Administration Services	A-2	1,222,049	1,418,556	1,136,704	1,344,031
School and Business Administration Services	A-2	3,033,128	3,219,576	2,726,154	2,859,984
Plant Operations and Maintenance	A-2	6,064,394	5,733,510	5,634,106	5,395,668
Pupil Transportation	A-2	2,583,496	2,313,497	2,432,453	2,186,853
Central Services	A-2	1,027,621	1,640,519	994,161	1,585,305
Interest on Long-Term Debt	A-2	614,574	700,012	404,740	482,485
Total Governmental Activities		$ 61,184,665	$ 58,712,024	$ 49,725,442	$ 46,730,677

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, 2014 and 2013 with its governmental funds reporting combined fund balance deficits of $2,833,930 and $69,260 as of June 30, 2014 and 2013, respectively.

Revenues for the district's governmental funds were $60,774,688 and $60,187,910 for the years ended June 30, 2014 and 2013, respectively. Total expenditures were $63,951,258 and $61,937,067 for the years ended June 30, 2014 and 2013.

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, 2014 and 2013.

Table A-4
Summary of General Fund Revenues
For the Fiscal Years Ended June 30, 2014 and 2013

General Fund Revenues	2014	2013
Local Sources:		
Local Tax Levy	$ 23,257,020	$ 22,801,000
Interest Income	6,574	14,218
Miscellaneous	191,619	30,030
Total Local Sources	23,455,213	22,845,248
Intergovernmental		
State Sources	31,805,718	31,973,601
Federal Sources	103,536	69,012
Total Intergovernmental Sources	31,909,254	32,042,613
Total Revenues	**$ 55,364,467**	**$ 54,887,861**

Property taxes and state formula aid accounted for 99 percent of total revenues for both the 2014 and 2013 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, 2014 and 2013.

Table A-5
Summary of General Fund Expenditures
For the Fiscal Years Ended June 30, 2014 and 2013

General Fund Expenditures	2014	2013
Current		
Regular Instruction	$ 24,075,945	$ 22,126,549
Special Education Instruction	11,187,723	10,299,093
Other Special Instruction	2,010,114	1,647,850
School Sponsored Activities and Athletics	498,323	572,419
Support Services and undistributed Costs:		
Student and Instruction Related Services	5,638,785	5,588,829
School Administration Services	3,048,932	3,205,584
General Administration Services	1,190,346	1,415,069
Plant Operations and Maintenance	5,186,359	4,880,657
Pupil Transportation	2,573,237	2,300,077
Central Services	1,032,552	1,636,073
Principal on Debt	100,000	
Capital Outlay	1,896,742	2,958,539
Total Governmental Activities	**$ 58,439,058**	**$ 56,630,739**

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 $54,133,523 and $51,700,695 for the years ended June 30, 2014 and 2013, respectively. Revenues (exclusive of on-behalf revenues) were $50,955,568 and $49,962,109 for the years ended June 30, 2014 and 2013, respectively.

DEBT ADMINISTRATION

The amount of debt service expenditures were $2,150,872 and $2,106,503 in principal, interest, bond issuance costs and advance to refunding escrow for the years ended June 30, 2014 and 2013, respectively, with $1,425,197 and $1,426,667 coming from the local tax levies, and $676,885 and $679,773 coming from state aid for the fiscal years ended June 30, 2014 and 2013, respectively.

BUSINESS-TYPE ENTERPRISE FUNDS

The District's total business-type activities revenues were $2,179,433 and $2,146,976 for the years ended June 30, 2014 and 2013, respectively. Charges for services accounted for 41% and 40% of total revenue for each year. Operating grants and contributions of $1,291,846 and $1,289,033 accounted for 59% and 60% of total revenue, for the years ended June 30, 2014 and 2013, respectively.

The total cost of all business-type activities programs and services was $2,196,500 and $2,295,048 for the years ended June 30, 2014 and 2013, respectively. The District's expenses are related to food service programs provided to all students and faculty and the operation of the program for enrichment academy for before and after school activities.

Total business-type activities expenses exceeded revenues decreasing net position by $17,067 over the prior year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – Governmental Activities

As of June 30, 2014 and 2013, the district had invested $38,198,251 and $36,221,109, respectively, in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices. (See Table A-6) (More detailed information about capital assets can be found in Note 4 of the basic financial statements.) Total depreciation expense for the years ended June 30, 2014 and 2013 was $1,031,808 and $951,168, respectively.

Table A-6
Capital Assets - Governmental Activities
as of June 30, 2014 and 2013

	2014	2013 (Restated)
Land	$ 71,603	$ 71,603
Land Improvements	284,135	284,135
Buildings and Building Improvements	35,733,481	33,979,088
Construction in Progress	80,400	
Machinery and Equipment	2,028,632	1,886,283
Total	**38,198,251**	**36,221,109**
Less: Accumulated Depreciation	15,552,980	14,521,172
Total	**$ 22,645,271**	**$ 21,699,937**

Capital Assets – Business-type Activities

The District as of June 30, 2014 and 2013 had $898,692 and $884,850, respectively, invested in machinery and equipment for its food service fund. Depreciation was $45,386 and $36,551 for the years ended June 30, 2014 and 2013, respectively.

Table A-7
Capital Assets - Business-Type Activities
as of June 30, 2014 and 2013

	2014	2013 (Restated)
Machinery and Equipment	$ 898,692	$ 884,850
Less: Accumulated Depreciation	412,011	366,625
Total Net	**$ 486,681**	**$ 518,225**

Construction Planning

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

Long-term Liabilities

At year-end, the District had $1,275,000 and $1,370,000 at June 30, 2014 and 2013, 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 $13,150,000 and $14,515,000 at June 30, 2014 and 2013, respectively, in lease purchase agreements for various school improvements. These agreements were by the issuance of certificates of participation ("COPS") which have been refunded as discussed in Note 4 to the basic financial statements.

The District had $251,900 at June 30, 2014 in capital leases payable for the purchase of computer equipment.

The District also had $2,110,339 and $2,330,731 at June 30, 2014 and 2013, respectively, as a liability for compensated absences. This liability represents the district's contractual obligation to compensate employees for accumulated unused personal and sick leave entitlements upon retirement.

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

Table A-8
Long Term Debt Liabilities
as of June 30, 2014 and 2013

Governmental Activities	2014	2013
Bonds Payable	$ 1,275,000	$ 1,370,000
Lease Purchase Agreements	13,150,000	14,515,000
Capital Leases Payable	251,900	
Compensated Absences	2,110,339	2,330,731
Total	**$ 16,787,239**	**$ 18,215,731**

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

No Child Left Behind (NCLB) & Individual with Disability Education Act (IDEA) - Due to Federal sequestration the District's funding will be reduced by $250,000 for the federal programs in FY2014 and beyond. From IDEA entitlement, the District is required to set aside $150,000 for Co-ordinated Early Intervening Services (CEIS). This reduction has a major impact as the expenditure funded from these funds will have to be absorbed in General Fund.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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

BASIC FINANCIAL STATEMENTS

CARTERET BOARD OF EDUCATION
STATEMENT OF NET POSITION
AS OF JUNE 30, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	$ 978,214	$ 200,097	$ 1,178,311
Other Receivables	39,360		39,360
Receivable from Other Governments	1,424,489	96,677	1,521,166
Internal Balances	60,000	(60,000)	
Inventory		21,658	21,658
Capital Assets Not Being Depreciated	152,003		152,003
Capital Assets, Being Depreciated, net	22,493,268	486,681	22,979,949
Total Assets	25,147,334	745,113	25,892,447
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts on Refunding	368,978	-	368,978
Total Deferred Outflows of Resources	368,978	-	368,978
LIABILITIES			
Accounts Payable and Other Current Liabilities	2,545,394	366	2,545,760
Payable to Other Governments	5,224		5,224
Loans Payable	1,800,000		1,800,000
Accrued Interest Payable	206,664		206,664
Unearned Revenue	985,375		985,375
Noncurrent Liabilities			
Due Within One Year	1,870,203		1,870,203
Due Beyond One Year	14,887,861	-	14,887,861
Total Liabilities	22,300,721	366	22,301,087
DEFERRED INFLOWS OF RESOURCES			
USDA Commodities	-	3,124	3,124
Total Deferred Inflows of Resources	-	3,124	3,124
NET POSITION			
Net Investment in Capital Assets	9,641,524	486,681	10,128,205
Restricted for			
Capital Projects	525,030		525,030
Debt Service	11,211		11,211
Unrestricted	(6,962,174)	254,942	(6,707,232)
Total Net Position	$ 3,215,591	$ 741,623	$ 3,957,214

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, 2014

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-Type Activities**	**Total**
Governmental Activities							
Instruction							
Regular	$ 25,505,673		$ 4,031,225		$ (21,474,448)		$ (21,474,448)
Special Education	12,326,119		4,852,594		(7,473,525)		(7,473,525)
Other Instruction	2,000,581		193,120		(1,807,461)		(1,807,461)
School Sponsored Activities and Athletics	496,087		51,205		(444,882)		(444,882)
Support Services							
Student and Instruction Related Services	6,310,943		1,114,135		(5,196,808)		(5,196,808)
General Administration Services	1,222,049		85,345		(1,136,704)		(1,136,704)
School and Business Administration Services	3,033,128		306,974		(2,726,154)		(2,726,154)
Central Services	1,027,621		33,460		(994,161)		(994,161)
Plant Operations and Maintenance	6,064,394		380,222	$ 50,066	(5,634,106)		(5,634,106)
Pupil Transportation	2,583,496		151,043		(2,432,453)		(2,432,453)
Interest on Long-Term Debt	614,574	-	209,834	-	(404,740)	-	(404,740)
Total Governmental Activities	61,184,665	-	11,409,157	50,066	(49,725,442)	-	(49,725,442)
Business-Type Activities							
Food Service	1,809,013	$ 515,164	1,291,846			$ (2,003)	(2,003)
Enrichment Academy	387,487	372,423	-	-	-	(15,064)	(15,064)
Total Business-Type Activities	2,196,500	887,587	1,291,846	-	-	(17,067)	(17,067)
Total Primary Government	$ 63,381,165	$ 887,587	$ 12,701,003	$ 50,066	(49,725,442)	(17,067)	(49,742,509)

Continued

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

EXHIBIT A-2

CARTERET BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
General Revenues			
Taxes			
Property Taxes Levied for General Purposes	$ 23,257,020		$ 23,257,020
Property Taxes Levied for Debt Service	1,425,197		1,425,197
Federal and State Aid -Unrestricted	23,968,004		23,968,004
State/Federal Aid - Restricted	467,051		467,051
Interest Income	6,574		6,574
Miscellaneous Income	191,619	-	191,619
Total General Revenues	49,315,465	-	49,315,465
Change in Net Position	(409,977)	$ (17,067)	(427,044)
Net Position, Beginning of Year	5,601,403	721,000	6,322,403
Prior Period Adjustments (Note 6)	(1,975,835)	37,690	(1,938,145)
Net Position, Beginning of Year, Adjusted	3,625,568	758,690	4,384,258
Net Position, End of Year	$ 3,215,591	$ 741,623	$ 3,957,214

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

FUND FINANCIAL STATEMENTS

CARTERET BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2014

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	$ 492,039		$ 474,964	$ 11,211	$ 978,214
Due from Other Funds	447,500				447,500
Receivables from Other Governments	25,588	$ 482,265	916,636		1,424,489
Other Accounts Receivable	-	32,860	-	-	32,860
Total Assets	$ 965,127	$ 515,125	$ 1,391,600	$ 11,211	$ 2,883,063
LIABILITIES AND FUND BALANCES					
Liabilities					
Due to Other Funds		$ 381,000			$ 381,000
Accounts Payable	$ 502,909	102,610			605,519
Accrued Salaries and Wages	1,939,875				1,939,875
Payable to State Government		5,224			5,224
Loans Payable	1,800,000				1,800,000
Unearned Revenue	-	118,805	$ 866,570	-	985,375
Total Liabilities	4,242,784	607,639	866,570	-	5,716,993
Fund Balances					
Restricted					
Capital Projects			525,030		525,030
Debt Service				$ 11,211	11,211
Committed					
Year End Encumbrances	453,689				453,689
Assigned Fund Balance					
Designated for Subsequent Year's Expenditures	944,532				944,532
Unassigned Fund Balance:					
General Fund	(4,675,878)				(4,675,878)
Special Revenue Fund	-	(92,514)	-	-	(92,514)
Total Fund Balances	(3,277,657)	(92,514)	525,030	11,211	(2,833,930)
Total Liabilities and Fund Balances	$ 965,127	$ 515,125	$ 1,391,600	$ 11,211	

Continued

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

CARTERET BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2014

Total Fund Balances - Governmental Funds	$ (2,833,930)
Amounts reported for *governmental activities* 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 $38,198,251 and the accumulated depreciation is $15,552,980.	22,645,271
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.	368,978
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)	(16,964,728)
Net position of governmental activities (Exhibit A-1)	$ 3,215,591

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

CARTERET BOARD OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local Sources					
Local Tax Levy	$ 23,257,020			$ 1,425,197	$ 24,682,217
Interest Income	6,574				6,574
Miscellaneous	191,619	$ 8,325	-	-	199,944
Total - Local Sources	23,455,213	8,325	-	1,425,197	24,888,735
State Sources	31,805,718	1,257,933	$ 50,066	676,885	33,790,602
Federal Sources	103,536	1,991,815	-	-	2,095,351
Total Revenues	55,364,467	3,258,073	50,066	2,102,082	60,774,688
EXPENDITURES					
Current					
Instruction:					
Regular Instruction	24,075,945	1,505,827			25,581,772
Special Education Instruction	11,187,723	1,169,216			12,356,939
Other Special Instruction	2,010,114				2,010,114
School-Sponsored Activities and Athletics	498,323				498,323
Support Services and Undistributed Costs:					
Student and Instruction Related Services	5,638,785	599,342			6,238,127
General Administration Services	1,190,346				1,190,346
School Administration Services	3,048,932				3,048,932
Central Services	1,032,552				1,032,552
Plant Operations and Maintenance	5,186,359				5,186,359
Pupil Transportation	2,573,237	6,543			2,579,780
Debt Service:					
Principal	100,000			1,520,000	1,620,000
Interest and Other Charges				570,872	570,872
Bond Issuance Costs				35,431	35,431
Advance to Refunding Escrow				24,569	24,569
Capital Outlay	1,896,742	-	80,400	-	1,977,142
Total Expenditures	58,439,058	3,280,928	80,400	2,150,872	63,951,258
Excess (Deficiency) of Revenues Over Expenditures	(3,074,591)	(22,855)	(30,334)	(48,790)	(3,176,570)
Other Financing Sources (Uses)					
Payment to Refunded Bond Escrow Agent				(1,370,000)	(1,370,000)
Refunded Bonds Issued				1,430,000	1,430,000
Capital Lease Proceeds (Non Budget)	351,900				351,900
Transfers In			555,364		555,364
Transfers Out	(555,364)	-	-	-	(555,364)
Total Other Financing Sources (Uses)	(203,464)	-	555,364	60,000	411,900
Net Change in Fund Balances	(3,278,055)	(22,855)	525,030	11,210	(2,764,670)
Fund Balance (Deficit), Beginning of Year	398	(69,659)	-	1	(69,260)
Fund Balance (Deficit), End of Year	$ (3,277,657)	$ (92,514)	$ 525,030	$ 11,211	$ (2,833,930)

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, 2014

Total net change in fund balances - governmental funds (Exhibit B-2)	$ (2,764,670)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense This is the amount by which capital outlay exceeds depreciation expense in the current period. (Note 2)	945,334
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)	1,232,669
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)	176,690
Change in net position of governmental activities (Exhibit A-2)	$ (409,977)

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

EXHIBIT B-4

CARTERET BOARD OF EDUCATION
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
AS OF JUNE 30, 2014

	Business-Type Activities		
	Food Service	Other Non-Major Enterprise Fund	Totals
ASSETS			
Current Assets			
Cash and Cash Equivalents	$ 25,556	$ 174,541	$ 200,097
Intergovernmental Receivable			
State	1,586	8,572	10,158
Federal	86,519		86,519
Inventories	21,658	-	21,658
Total Current Assets	135,319	183,113	318,432
Capital Assets			
Equipment	898,692		898,692
Less: Accumulated Depreciation	(412,011)	-	(412,011)
Total Capital Assets, Net	486,681	-	486,681
Total Assets	622,000	183,113	805,113
LIABILITIES			
Current Liabilities			
Due to Other Funds	60,000		60,000
Accounts Payable	-	366	366
Total Current Liabilities	60,000	366	60,366
DEFERRED INFLOWS OF RESOURCES			
U.S.D.A Commodities	3,124	-	3,124
Total Deferred Inflows of Resources	3,124	-	3,124
Total Liabilities and Deferred Inflows of Resources	63,124	366	63,490
NET POSITION			
Net Investment in Capital Assets	486,681		486,681
Unrestricted	72,195	182,747	254,942
Total Net Position	$ 558,876	$ 182,747	$ 741,623

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

EXHIBIT B-5

CARTERET BOARD OF EDUCATION
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Business-Type Activities		
	Food Service	Other Non-Major Enterprise Fund	Totals
OPERATING REVENUES			
Charges for Services			
Daily Sales	$ 515,164		$ 515,164
Program Fees	-	$ 372,423	372,423
Total Operating Revenues	515,164	372,423	887,587
OPERATING EXPENSES			
Salaries and Employee Benefits	714,726	161,904	876,630
Cost of Sales	892,904		892,904
Other Purchased Services	67,824		67,824
Insurance	45,080		45,080
Depreciation	45,386		45,386
Supplies and Materials	3,522	40,612	44,134
Miscellaneous	39,571	184,971	224,542
Total Operating Expenses	1,809,013	387,487	2,196,500
Operating Loss	(1,293,849)	(15,064)	(1,308,913)
NONOPERATING REVENUES			
State Sources			
School Lunch Program	20,195		20,195
Federal Sources			
National School Lunch Program	1,082,696		1,082,696
National School Breakfast Program	141,477		141,477
Snack Program	47,478	-	47,478
Total Nonoperating Revenues	1,291,846	-	1,291,846
Net Income Loss	(2,003)	(15,064)	(17,067)
Change in Net Position	(2,003)	(15,064)	(17,067)
Net Position, Beginning of Year	523,189	197,811	721,000
Prior Period Adjustment	37,690	-	37,690
Net Position, Beginning of Year, Adjusted	560,879	197,811	758,690
Net Position, End of Year	$ 558,876	$ 182,747	$ 741,623

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

EXHIBIT B-6

CARTERET BOARD OF EDUCATION
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Business-Type Activities		
	Food Service	Other Non-Major Enterprise Fund	Totals
Cash Flows from Operating Activities			
Receipts from Customers	$ 515,164	$ 371,692	$ 886,856
Payments for Employees' Salaries and Benefits	(654,726)	(161,904)	(816,630)
Payments to Suppliers for Goods and Services	(915,347)	(226,290)	(1,141,637)
Net Cash Used by Operating Activities	(1,054,909)	(16,502)	(1,071,411)
Cash Flows from Noncapital Financing Activities			
State and Federal Subsidy Reimbursements	1,167,274	-	1,167,274
Net Cash Provided by Noncapital Financing Activities	1,167,274	-	1,167,274
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	(13,842)	-	(13,842)
Net Cash Used by Capital and Related Financing Activities	(13,842)	-	(13,842)
Net Increase(Decrease) in Cash and Cash Equivalents	98,523	(16,502)	82,021
Cash and Cash Equivalents (Overdraft), Beginning of Year	(72,967)	191,043	118,076
Cash and Cash Equivalents, End of Year	$ 25,556	$ 174,541	$ 200,097
Reconciliation of Operating Loss to Net Cash Used by Operating Activities			
Operating Loss	$ (1,293,849)	$ (15,064)	$ (1,308,913)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities			
Depreciation	45,386		45,386
Non-Cash Federal Assistance - National School Lunch Program (Food Distribution)	137,193		137,193
Change in Assets and Liabilities:			
(Increase)/Decrease in Intergovernmental Receivable		(731)	(731)
(Increase)/Decrease in Inventories	(3,639)		(3,639)
Increase/(Decrease) in Due to Other Funds	60,000		60,000
Increase/(Decrease) in Accounts Payable	-	(707)	(707)
Total Adjustments	238,940	(1,438)	237,502
Net Cash Used by Operating Activities	$ (1,054,909)	$ (16,502)	$ (1,071,411)
Non-Cash Financing Activities - National School Lunch (Food Distribution)	$ 130,687	$ -	$ 130,687

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, 2014

	Unemployment Compensation Trust	Employee Benefits (Flexible Spending) Program Fund	Agency Fund
ASSETS			
Cash and Cash Equivalents	$ 470,624	$ 72,985	$ 392,160
Total Assets	470,624	72,985	$ 392,160
LIABILITIES			
Due to Student Groups			$ 143,431
Accounts Payable	3,532		
Payroll Deductions and Withholdings			242,229
Due to Other Funds	-	-	6,500
Total Liabilities	3,532	-	$ 392,160
NET POSITION			
Held in Trust for Unemployment Claims	$ 467,092		
Held in Trust for Employee Benefits		$ 72,985	

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, 2014

	Unemployment Compensation Trust	Employee Benefits (Flexible Spending) Program Fund
ADDITIONS		
Contributions		
Employees	$ 63,779	$ 46,750
Total Contributions	63,779	46,750
Investment Earnings		
Interest	207	-
Net Investment Earnings	207	-
Total Additions	63,986	46,750
DEDUCTIONS		
Benefit Reimbursements		45,219
Unemployment Claims and Contributions	43,551	-
Total Deductions	43,551	45,219
Change in Net Position	20,435	1,531
Net Position, Beginning of the Year	446,657	71,454
Net Position, End of the Year	$ 467,092	$ 72,985

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

NOTES TO THE FINANCIAL STATEMENTS

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 2014, the District adopted the following GASB statements:

- GASB 66, *Technical Corrections – 2012, an Amendment of GASB Statements 10 and 62.* The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

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

- GASB 69, *Government Combinations and Disposals of Government Operations* will be effective beginning with the fiscal year ending June 30, 2015. The objective of this Statement is to establish accounting and financial reporting standards for mergers, acquisitions, and transfers of operations (i.e., government combinations). The Statement also provides guidance on how to determine the gain or loss on a disposal of government operations. This Statement applies to all state and local governmental entities. The District does not expect this statement to impact its financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

- GASB 68, Accounting and financial Reporting for Pensions, will be effective beginning with the fiscal year ending June 30, 2015. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria.

C. Basis of Presentation - Financial Statements

The financial statements include both district-wide financial statements (based on the District as a whole) and fund financial statements (based on specific District activities or objectives). Both the district-wide and fund financial statements categorize activities as either governmental activities or business-type activities. While separate district-wide and fund financial statements are presented, they are interrelated. In the district-wide financial statements, the governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the District's enterprise funds. Fiduciary funds are excluded from the district-wide financial statements.

District-Wide Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or other governmental entities, including other school districts, who purchase, use, or directly benefit from goods or services provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes, unrestricted state aid, 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

The *capital projects fund* accounts for the proceeds from the sale of bonds, lease purchases and other revenues used for the acquisition or construction of capital facilities and other capital assets, other than those financed by the proprietary funds.

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

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

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

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

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

Additionally, the government reports the following fund type:

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (continued)

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 and all liabilities 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.

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 government'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 expenditures/expenses when consumed rather than when purchased. The United States Department of Agriculture (USDA) commodity portion of the Food Service Fund inventory consists of food donated by the USDA. It is valued at estimated market prices by the USDA. The amount of unused commodities at year-end is reported as deferred inflows of resources.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. Capital Assets

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

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

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

Assets	Years
Land Improvements	20
Buildings	20-50
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 future periods and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred amounts on a debt refunding which results from the loss on a debt refunding reported in the district-wide statement of net position. A deferred charge on debt refunding results from the loss on the transaction when the debt's reacquisition price is greater than the carrying value of the refunded debt. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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 future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, *U.S.D.A. commodities*, is reported only in the enterprise funds balance sheet for unused commodity inventory at year end. This amount is deferred and recognized as an inflow of resources in the period that the amount become available.

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

7. Long-Term Obligations

In the district-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Losses resulting from debt refundings are classified as deferred outflows of resources. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Losses resulting from debt refundings are also deferred and amortized over the life of the refunded bonds or new bonds whichever is less using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs (other than for prepaid insurance) are treated as an expense.

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

8. 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. Net Position/Fund Balance (Continued)

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

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

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

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

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

Designated for Subsequent Year's Expenditures – This designation was created to dedicate the portion of fund balance appropriated in the adopted 2014/2015 District budget certified for taxes.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 revenue is recognized in the year they are levied and become available. Property taxes collected in advance of the year-end for which they are levied and transferred to the District are reported as deferred 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 Expenditures

Tuition Expenditures - Tuition charges for the fiscal years 2012-2013 and 2013-2014 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 Non-Operating Revenues and Expenses

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

NOTE 2 RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the district-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds and certificates of participation payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this $(16,964,728) difference are as follows:

Bonds payable	$ (1,275,000)
Certificates of Participation Payable	(13,150,000)
Less: Issuance discount (to be amortized as interest expense)	29,175
Capital Leases Payable	(251,900)
Accrued Interest Payable	(206,664)
Compensated Absences	(2,110,339)
Net adjustment to reduce *fund balance - total governmental* funds to arrive at *net position - governmental activities*	$ (16,964,728)

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 $945,334 difference are as follows:

Capital Outlay	$1,977,142
Depreciation expense	(1,031,808)
Net adjustment to increase net changes in fund balances – Total governmental funds to arrive at changes in net position of governmental activities	$945,334

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

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 $1,232,669 difference are as follows:

Debt issued or incurred:	
Capital Lease Proceeds	$ (351,900)
Issuance of pension refunding bonds	(1,430,000)
Principal repayments:	
Pension Refunding Bonds	155,000
Certificates of Participation	1,365,000
Capital Leases	100,000
Payment to escrow agent for refunding	1,394,569
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at changes in net position of *governmental* activities	$ 1,232,669

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 $176,690 difference are as follows:

Compensated Absences	$ 220,392
Accrued Interest	19,758
Amortization of Deferred Charge on Refunding	(58,465)
Amortization of Bond Discounts	(4,995)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of government activities	$ 176,690

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.

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

Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2013/2014. Also, during 2013/2014 the Board increased the original budget by $3,723,623. The increase was funded by grant awards and the reappropriation of prior year general fund encumbrances.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the treatment of encumbrances in the special revenue fund as described in the Notes to Required Supplementary Information (RSI). Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

Encumbrance accounting is employed in the governmental funds. Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as committed and/or assigned fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services which are reappropriated and honored during the subsequent fiscal year.

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Excess Expenditures Over Appropriations

The following is a summary of expenditures in excess of available appropriations. The overexpended appropriations resulted in unfavorable variances.

General Fund	Final Budget	Actual	Unfavorable Variance
Instruction -Regular Programs			
Salaries of Teachers			
Grades 1-5	$ 6,461,961	$ 6,829,626	$ 367,665
Grades 6-8	3,193,698	3,454,947	261,249
Grades 9-12	4,602,319	4,797,044	194,725
Regular Programs Undistributed			
Other Salaries for Instruction	141,198	143,008	1,810
Learning and/or Language Disabilities			
Salaries of Teachers	238,439	262,783	24,344
Other Salaries for Instruction	101,694	102,938	1,244
Multiple Disabilities			
Salaries of Teachers	158,680	173,025	14,345
Other Salaries for Instruction	170,233	172,130	1,897
Resource Room/Resource Center			
Salaries of Teachers	2,699,264	2,868,570	169,306
Other Salaries for Instruction	369,363	377,759	8,396
Preschool Disabilities-Full Time			
Salaries of Teachers	86,561	88,540	1,979
Other Salaries for Instruction	69,439	70,160	721
Bilingual Education			
Salaries of Teachers	1,047,556	1,099,083	51,527
Other Salaries for Instruction	95,246	105,270	10,024
Undistributed Expenditures			
Tuition - Other	127,887	143,171	15,284
Attendance and Social Work			
Salaries	297,953	305,859	7,906
Health Services			
Salaries	379,096	413,960	34,864
Speech, OT, PT and Related Services			
Salaries	351,538	355,837	4,299
Purchased Professional-Educational Services		12,250	12,250

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Excess Expenditures Over Appropriations (Continued)

General Fund	Final Budget	Actual	Unfavorable Variance
Guidance			
Salaries of Other Professional Staff	$ 694,848	$ 760,260	$ 65,412
Salaries of Secretarial and Clerical Assistants	54,105	54,276	171
Child Study Teams			
Salaries of Other Professional Staff	604,970	627,041	22,071
Salaries of Secretarial and Clerical Assistants	109,808	110,537	729
Improvement of Instructional Services			
Salaries of Facilitators, Math & Literacy Coaches	443,513	447,190	3,677
Administrative Information Technology			
Salaries	270,526	292,211	21,685
Custodial Services			
Salaries	1,267,162	1,287,757	20,595
Student Transportation Services			
Salaries for Pupil Transportation (Bet Home&Sch)Reg	49,246	59,890	10,644

The above variances were offset with other available resources.

C. Deficit Fund Equity

The District has an unassigned (deficit) fund balance of $4,675,878 in the General Fund and $92,514 in the Special Revenue Fund as of June 30, 2014 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 2013/2014 budgeted state aid payments in the subsequent fiscal year, the school district cannot recognize such payments on the GAAP (fund) financial statements until the year the State records the payable. Due to the timing difference of recording these delayed state aid payments, the General and Special Revenue Fund deficits do not alone indicate that the District is facing financial difficulties; however, unless the State of New Jersey budgets the delayed payments in future years, the District may also report fund deficits in the future.

Pursuant to NJSA 18A:22-44.2, any negative unreserved, undesignated (i.e., unassigned) general fund balance that is reported as a direct result of a delay in the payment of state aid until the following fiscal year, is not considered as a violation of New Jersey Statute or regulation and is not considered an item in need of corrective action. The District deficit in the GAAP (fund) financial statements of $92,514 in the Special Revenue Fund is equal to the delayed state aid payments.

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Deficit Fund Equity (Continued)

The deficit in the General Fund of $4,675,878 is $1,430,406 greater than the delayed state aid payments of $3,245,472. The District expects the deficit of $1,430,406 in excess of the delayed state aid payments will be eliminated in the 2014/2015 fiscal year based on the savings to be realized as a result of changing from private medical and prescription insurance plans to the State Health Benefits Program effective September 1, 2014.

D. Transfers to Capital Outlay

During the 2013/2014 school year, the district transferred $555,364 to the non-equipment capital outlay accounts. The transfer was made from the other budget line items to fund a transfer to the capital projects fund, which was approved by the County Superintendent.

NOTE 4 DETAILED NOTES ON ALL FUNDS

A. Cash Deposits and Investments

Cash Deposits

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

Bank balances are insured up to $250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of $250,000 for each failed brokerage firm. At June 30, 2014, the book value of the Board's deposits were $2,114,080 and bank and brokerage firm balances of the Board's deposits amounted to $4,967,975. The Board's deposits which are displayed on the various fund balance sheets as "cash and cash equivalents" are categorized as:

Depository Account	
Insured	$ 4,967,975

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, 2014 none of the Board's bank balance of was exposed to custodial credit risk.

NOTE 4 DETAILED NOTES ON ALL FUNDS

A. Cash Deposits and Investments

Investments

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

As of June 30, 2014 the Board had no outstanding investments.

B. Receivables

Receivables as of June 30, 2014 for the district's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Special Revenue	Capital Projects	Food Service	Enrichment Academy	Total
Receivables:						
Intergovernmental						
Federal		$ 482,265		$ 86,519		$ 568,784
State	$ 25,588		$ 916,636	1,586	$ 8,572	952,382
Accounts	-	32,860	-	-	-	32,860
Gross Receivables	25,588	515,125	916,636	88,105	8,572	1,554,026
Less: Allowance for Uncollectibles	-	-	-	-	-	-
Net Total Receivables	$ 25,588	$ 515,125	$ 916,636	$ 88,105	$ 8,572	$ 1,554,026

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:

	Unearned
Special Revenue Fund	
Unencumbered grant draw downs	$ 83,783
Grant drawdowns reserved for encumbrances	35,022
Capital Projects Fund	
Unrealized School Facilities Grants	866,570
Total Unearned Revenue for Governmental Funds	$ 985,375

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

	Balance, July 1, 2013 (Restated)	Increases	Decreases	Balance, June 30, 2014
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 71,603			$ 71,603
Construction in Progress	-	$ 80,400	-	80,400
Total capital assets, not being depreciated	71,603	80,400	-	152,003
Capital assets, being depreciated:				
Buildings and Building Improvements	33,979,088	1,754,393		35,733,481
Land Improvements	284,135	-		284,135
Machinery and equipment	1,886,283	142,349	-	2,028,632
Total capital assets being depreciated	36,149,506	1,896,742	-	38,046,248
Less accumulated depreciation for:				
Buildings and Building Improvements	(13,247,121)	(764,216)		(14,011,337)
Land Improvements	(243,951)	(2,082)		(246,033)
Machinery and equipment	(1,030,100)	(265,510)	-	(1,295,610)
Total accumulated depreciation	(14,521,172)	(1,031,808)	-	(15,552,980)
Total capital assets, being depreciated, net	21,628,334	864,934	-	22,493,268
Governmental Activities Capital Assets, Net	$ 21,699,937	$ 945,334	$ -	$ 22,645,271
Business-Type Activities:				
Capital assets, being depreciated:				
Machinery and equipment	$ 884,850	$ 13,842	-	$ 898,692
Total capital assets being depreciated	884,850	13,842	-	898,692
Less accumulated depreciation for:				
Machinery and equipment	(366,625)	(45,386)	-	(412,011)
Total accumulated depreciation	(366,625)	(45,386)	-	(412,011)
Total capital assets, being depreciated, net	518,225	(31,544)	-	486,681
Business-Type Activities Capital Assets, Net	$ 518,225	$ (31,544)	$ -	$ 486,681

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

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

Governmental activities:	
Instruction	
Regular	$ 36,313
Total Instruction	36,313
Support Services	
Support Services - Students	96,589
Operations and Maintenance of Plant	894,775
Student Transportation	4,131
Total Support Services	995,495
Total Depreciation Expense - Governmental Activities	$ 1,031,808
Business-Type Activities:	
Food Service Fund	$ 45,386
Total Depreciation Expense-Business-Type Activities	$ 45,386

Construction and Other Significant Commitments

The District has the following active construction projects as of June 30, 2014:

Project	Spent to Date	Remaining Commitment
General Fund		
HVAC Replacement at Carteret MS and Columbus School	$ 176,226	$ 91,474
Window Replacement at Columbus and Minue Schools	1,117,132	40,103
		131,577
Capital Projects Fund		
Window Replacement at Middle School	-0-	1,379,000
Total		$ 1,510,577

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2014, is as follows:

Due to/from other funds

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue Fund	$ 381,000
General Fund	Food Service Fund	60,000
General Fund	Payroll Agency Fund	6,500
		$ 447,500

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

Interfund transfers

	Transfer In	
	Capital Projects	Total
Transfer Out:		
General Fund	$ 555,364	$ 555,364
Total Transfers Out	$ 555,364	$ 555,364

The above transfer is the result of other financing sources received in one fund to finance expenditures in another fund.

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

F. Leases

Lease Purchase Agreements

Refunding Certificates of 2006

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

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

Under the Refunding Certificates, the Board is required to pay Basic Rent due on each January 15 commencing January 15, 2007. Basic Rent is composed of an interest component and a principal component. The Refunding Certificates carry interest rates in the range of 3.5% to 4.50%; and mature on January 15, 2030. Payments of the principal of and interest on the Refunding Certificates is insured by National Public Finance Guarantee. JP Morgan Chase has been appointed to serve as a trustee in the agreement.

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. Basi Rent is composed of an interest component and a principal component. The Refunding Certificates carry interest rates in the range of 2.0% to 3.625%; and mature on January 15, 2030. Payments of the principal of and interest on the Refunding Certificates is insured by National Public Finance Guarantee. Bank of New York Mellon has been appointed to serve as a trustee in the agreement.

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

F. Leases (Continued)

Lease Purchase Agreements (Continued)

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

Governmental Activities:

Fiscal Year Ending June 30,	Certificates of Participation Principal	Interest	Total
2015	$ 1,415,000	$ 488,228	$ 1,903,228
2016	1,450,000	449,015	1,899,015
2017	1,495,000	405,540	1,900,540
2018	1,540,000	356,324	1,896,324
2019	1,600,000	302,520	1,902,520
2020-2024	2,250,000	1,043,830	3,293,830
2025-2029	2,770,000	525,462	3,295,462
2030	630,000	28,350	658,350
	$ 13,150,000	$ 3,599,269	$ 16,749,269

G. Long-Term Debt

General Obligation Bonds

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

Bonds payable at June 30, 2014 is comprised of the following issue:

$1,430,000, 2013 Pension Refunding Bonds, due in annual installments of $160,000 to $205,000 through March 15, 2021, interest at 3.50%	$1,275,000

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

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Debt (Continued)

Governmental Activities:

Fiscal Year Ending June 30,	Pension Refunding Bonds Principal	Interest	Total
2015	$ 160,000	$ 44,625	$ 204,625
2016	170,000	39,025	209,025
2017	175,000	33,075	208,075
2018	180,000	26,950	206,950
2019	190,000	20,650	210,650
2020-2021	400,000	21,175	421,175
	$ 1,275,000	$ 185,500	$ 1,460,500

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2014 was as follows:

4% of Equalized Valuation Basis (Municipal)	$ 97,839,937
Less: Net Debt	-
Remaining Borrowing Power	$ 97,839,937

Current Refunding of Debt

On December 12, 2013 the District issued $1,430,000 in School District Refunding Bonds having an interest rate of 3.5%. These Bonds were issued in order to currently refund certain principal maturities of various school district bonds. The total principal currently refunded was $1,370,000. The reacquisition price exceeded the net carrying amount of the old debt by $24,569. This amount has been reported as Deferred Outflows of Resources on the financial statements and will be amortized over the new debt's life, which is shorter than the refunded debt. This current refunding was undertaken to reduce total debt service payments over the next 8 years by $70,640 and resulted in an economic gain of $63,319.

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, 2014, was as follows:

	Balance, July 1, 2013	Additions	Reductions	Balance, June 30, 2014	Due Within One Year
Governmental activities:					
Lease-Purchase Agreements ("COPS")	$ 14,515,000		$ (1,365,000)	$ 13,150,000	$ 1,415,000
Original Issue Discount	(34,170)	-	4,995	(29,175)	-
Lease-Purchase Agreements, net	14,480,830	-	(1,360,005)	13,120,825	1,415,000
Bonds payable	1,370,000	1,430,000	(1,525,000)	1,275,000	160,000
Capital Leases Payable		351,900	(100,000)	251,900	84,169
Compensated absences	2,330,731	-	(220,392)	2,110,339	211,034
Governmental activity Long-term liabilities	$ 18,181,561	$ 1,781,900	$ (3,205,397)	$ 16,758,064	$ 1,870,203

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

I. Short-Term Debt

The Board's short-term activity for the fiscal year ended June 30, 2014 was as follows:

State Aid Anticipation Notes

The Board issues State Aid Anticipation Notes ("Notes") to temporarily finance the delayed state aid payment received subsequent to the fiscal year end. The Board's short-term debt activity for the fiscal year ended June 30, 2014 was as follows:

Purpose	Rate %	Maturity Date	Balance July 1, 2013	Issued	Retired/ Redeemed	Balance June 30, 2014
State School Aid Anticipation Note	0.60%	7/9/14		$ 500,000		$ 500,000
State School Aid Anticipation Note	0.60%	7/9/14	-	1,300,000	-	1,300,000
			$ -	$ 1,800,000	$ -	$ 1,800,000

NOTE 5 OTHER INFORMATION

A. Risk Management

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

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

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

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

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

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

Year Ended June 30,	District Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2014		$ 63,779	$ 43,551	$ 467,092
2013	$ 198,252	60,409	74,675	446,657
2012	140,322	56,603	307,761	262,671

NOTE 5 OTHER INFORMATION (Continued)

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, 2014, 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, 2014, the District has not estimated its arbitrage earnings due to the IRS, if any.

D. Employee Retirement Systems and Pension Plans

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

Public Employees' Retirement System (PERS) – Established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage. PERS is a cost sharing multi-employer defined benefit pension plan.

Teachers' Pension and Annuity Fund (TPAF) – Established in January 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time certified teachers or professional staff of the public school systems in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage. TPAF is a cost sharing plan with special funding situations.

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

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Other Pension Funds

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

The cost of living increase for PERS and TPAF, are funded directly by each of the respective systems, but are currently suspended as a result of return legislation.

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

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

Basis of Accounting

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

Significant Legislation

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

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

- For new members of TPAF and PERS hired on or after June 28, 2011 (Tier 5 members), the years of creditable service needed for early retirement benefits increased from 25 to 30 years and the early retirement age increased from 55 to 65.
- The eligibility age to qualify for a service retirement in the TPAF and PERS increased from age 62 to 65 for Tier 5 members.
- It increased the TPAF and PERS active member rates from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years for members hired or reappointed on or after June 28, 2011. For Fiscal Year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contributions for TPAF and PERS members takes place in July of each subsequent fiscal year.

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Significant Legislation (Continued)

- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries was suspended. COLA increases may be reactivated at a future date as permitted by this law.
- It changed the method for amortizing the pension system's unfunded accrued liability (from a level percent of pay method to a level dollar of pay method).

Investment Valuation

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

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

Funding Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems including TPAF and PERS, is 64.5 percent with an unfunded actuarial accrued liability of $47.2 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 56.7 percent and $34.4 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and Police and Firemen's Retirement System ("PFRS") is 76.1 percent and $12.8 billion.

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

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

Actuarial Methods and Assumptions

In the July 1, 2012 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 from 7.95 percent to 7.90 percent and (b) projected salary increases of 4.22 percent for the PERS and 3.51 percent for TPAF.

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 6.6% for PERS and 6.6% for TPAF of the employee's annual compensation.

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 *Accounting for Pensions by State and Local Government Employees* for the fiscal year ended June 30, 2014 for TPAF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997.

During the fiscal years ended June 30, 2014, 2013 and 2012 the Board was required to contribute for PERS and the State of New Jersey was required to contribute for TPAF for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Fiscal Year Ended June 30,	PERS	On-behalf TPAF
2014	$ 435,433	$ 966,456
2013	521,778	1,549,778
2012	498,435	746,223

During fiscal year 2013/2014 the State did not contribute to the TPAF for accrued liability but did contribute $966,456 for normal cost pension and NCGI premium. For fiscal years 2012/2013 and 2011/2012, the state contributed $1,549,778 and $746,223, respectively for normal cost pension, accrued liability and the NCGI premium.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board $1,754,453 during the year ended June 30, 2014 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount, along with the on-behalf TPAF pension contribution, has been included in the district-wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for school districts. The Plans are classified as either single employer plans or cost sharing multiple employer defined benefit plans depending on the plan the eligible employee is covered under.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF-Local are combined and reported as Health Benefits Program Fund –Local Government classified as a cost-sharing multiple-employer plan in the State's CAFR. The post-retirement benefit programs had a total of 585 state and local participating employers and contributing entities for Fiscal Year 2013.

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

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

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above Fund. The financial reports may be accessed via the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

Basis of Accounting

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

Significant Legislation

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

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits

Investment Valuation

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

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the State had a $51.5 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to $19.3 billion for state active and retired members and $32.2 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

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

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

Actuarial Methods and Assumptions

In the July 1, 2012, OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

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, 2013, there were 100,134, retirees receiving post-retirement medical benefits and the State contributed $1.07 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 paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid $173.8 million toward Chapter 126 benefits for 17,356 eligible retired members in Fiscal Year 2013.

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

The State sets the contribution rate based on a pay as you go basis and not on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the years ended June 30, 2014, 2013 and 2012 were $1,584,626, $1,752,407 and $1,500,103, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

NOTE 6 PRIOR PERIOD ADJUSTMENTS

The net position at the beginning of year of the Governmental and Business-Type Activities has been adjusted to reflect transactions related to capital assets and accumulated depreciation based upon an updated valuation study. An adjustment was made to reduce net position, at the beginning of year, of the Governmental Activities by $1,975,835 and to increase the net position of the Business-Type Activities by $37,690 to reflect the adjustment to capital assets net of accumulated depreciation.

NOTE 7 SUBSEQUENT EVENTS

Settlement of Collective Negotiations Agreement

The District's Comprehensive Annual Financial Report ("the Report") for the fiscal year ended June 30, 2014 was previously issued with an independent auditor's report dated September 8, 2014. The Report was subsequently reissued dated December 4, 2014 to reflect the entire accrual of the salary contract settlement with the Carteret Education Association for the fiscal years ended June 30, 2013 and 2014.

On July 2, 2014 the Board of Trustees approved a resolution acknowledging the availability of funding for the settlement of the Collective Negotiations Agreement with the Carteret Education Association for the fiscal years ended June 30, 2013 through 2016. As of June 30, 2014, the District only had $500,000 accrued for contract settlements for the years ended June 30, 2013 and 2014 in the budget for the year ended June 30, 2014. The balance of the funds owed for these two years of $1,439,875 was accrued in the reissued financial statements against the respective budget appropriations to conform to generally accepted accounting principles, resulting in a general fund budgetary deficit of $1,430,406. The District anticipates that the deficit will be funded in the fiscal year ended June 30, 2015 from savings to be realized as a result of changing from private medical and prescription insurance plans to the State Health Benefits Program effective September 1, 2014.

Grant Anticipation Notes

On August 5, 2014 the Board issued $916,636 of grant anticipation notes (the "notes") to temporarily finance the State of New Jersey's portion of the Middle School Window Replacement project. The notes were awarded to Oppenheimer & Co., Inc. at an interest rate of 1.0 percent.

BUDGETARY COMPARISON SCHEDULES

CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final Budget to Actual
REVENUES					
Local Sources					
Local Tax Levy	$ 23,257,020		$ 23,257,020	$ 23,257,020	
Interest Income				6,574	$ 6,574
Rental of Facilities	5,000		5,000	3,980	(1,020)
Miscellaneous	50,000	$ 61,785	111,785	187,639	75,854
State Sources					
Equalization Aid	23,509,312		23,509,312	23,509,312	
Categorical Special Education Aid	2,257,589		2,257,589	2,257,589	
Security Aid	382,501		382,501	382,501	
Extraordinary Aid	850,000		850,000	600,973	(249,027)
Categorical Transportation Aid	120,856		120,856	120,856	
Under Adequacy Aid	500,000		500,000	500,000	
Additional Nonpublic School Transportation Costs		25,588	25,588	25,588	
On-behalf TPAF Social Security Payments (Non-Budget)				1,754,453	1,754,453
On-behalf TPAF Post Retirement Medical Contribution (Non-Budget)				1,584,626	1,584,626
On-behalf TPAF Pension System Contribution - Normal (Non-Budget)				888,069	888,069
On-behalf TPAF Pension System Contribution - NCGI (Non-Budget)				78,387	78,387
Federal Sources					
Medicaid Reimbursement	66,564	-	66,564	103,536	36,972
Total Revenues	50,998,842	87,373	51,086,215	55,261,103	4,174,888
EXPENDITURES					
CURRENT EXPENDITURES					
Instruction - Regular Programs					
Salaries of Teachers					
Grades 1-5	6,030,976	430,985	6,461,961	6,829,626	(367,665)
Grades 6-8	3,092,287	101,411	3,193,698	3,454,947	(261,249)
Grades 9-12	4,592,802	9,517	4,602,319	4,797,044	(194,725)
Regular Programs - Home Instruction					
Salaries of Teachers	20,000	(20,000)			-
Purchased Professional-Educational Services	95,000	9,577	104,577	94,043	10,534
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	130,859	10,339	141,198	143,008	(1,810)
Purchased Professional-Educational Services	75,500	(19,705)	55,795	55,500	295
Other Purchased Services		1,109	1,109	809	300
Supplies Acquired Under Capital Lease (Non Budget)				351,900	(351,900)
General Supplies	331,342	28,913	360,255	282,092	78,163
Textbooks	77,540	234,167	311,707	306,646	5,061
Other Objects	306,275	570,303	876,578	779,228	97,350
Total Regular Programs	14,752,581	1,356,616	16,109,197	17,094,843	(985,646)

(Continued)

CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	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	$ 238,929	$ (490)	$ 238,439	$ 262,783	$ (24,344)
Other Salaries for Instruction	101,158	536	101,694	102,938	(1,244)
Purchased Professional-Educational Services	22,700	-	22,700	22,700	
General Supplies	-	150	150	150	-
Total Learning and/or Language Disabilities	362,787	196	362,983	388,571	(25,588)
Multiple Disabilities					
Salaries of Teachers	165,445	(6,765)	158,680	173,025	(14,345)
Other Salaries for Instruction	203,816	(33,583)	170,233	172,130	(1,897)
Purchased Professional-Educational Services	-	37,000	37,000	37,000	-
Total Multiple Disabilities	369,261	(3,348)	365,913	382,155	(16,242)
Resource Room/Resource Center					
Salaries of Teachers	2,694,938	4,326	2,699,264	2,868,570	(169,306)
Other Salaries for Instruction	365,561	3,802	369,363	377,759	(8,396)
Other Objects	111,000	61,859	172,859	172,859	-
Total Resource Room	3,171,499	69,987	3,241,486	3,419,188	(177,702)
Autism					
Other Salaries for Instruction	-	35,000	35,000	34,926	74
Total Autism	-	35,000	35,000	34,926	74
Preschool Disabilities - Full Time					
Salaries of Teachers	87,160	(599)	86,561	88,540	(1,979)
Other Salaries for Instruction	67,772	1,667	69,439	70,160	(721)
Purchased Professional-Educational Services	18,500	1,766	20,266	20,265	1
Total Preschool Disabilities - Full Time	173,432	2,834	176,266	178,965	(2,699)
Total Special Education	4,076,979	104,669	4,181,648	4,403,805	(222,157)
Bilingual Education					
Salaries of Teachers	903,951	143,605	1,047,556	1,099,083	(51,527)
Other Salaries for Instruction	95,844	(598)	95,246	105,270	(10,024)
Purchased Professional-Educational Services	87,000	-	87,000	87,000	
Textbooks	-	59,294	59,294	59,294	-
Total Bilingual Education	1,086,795	202,301	1,289,096	1,350,647	(61,551)

(Continued)

CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final Budget to Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
School-Sponsored Co/Extra Curricular Activities - Instruction					
Salaries	$ 58,487		$ 58,487	$ 50,967	$ 7,520
Other Objects	5,000	-	5,000	80	4,920
Total School-Sponsored Co/Extra Curricular Activities	63,487	-	63,487	51,047	12,440
School Sponsored Athletics - Instruction					
Salaries	221,268	$ 11,941	233,209	233,209	
Purchased Services	33,640	(7,550)	26,090	10,210	15,880
Supplies and Materials	74,750	245	74,995	54,656	20,339
Other Objects	19,900	345	20,245	18,919	1,326
Total School Sponsored Athletics	349,558	4,981	354,539	316,994	37,545
Total Instruction	20,329,400	1,668,567	21,997,967	23,217,336	(1,219,369)
Undistributed Expenditures					
Instruction					
Tuition to Other LEA's Within the State - Regular	187,500	(136,899)	50,601	24,184	26,417
Tuition to Other LEA's Within the State - Special	125,995	192,654	318,649	318,558	91
Tuition to CSSD & Regional Day Schools	1,908,419	185,626	2,094,045	2,065,451	28,594
Tuition to Private Schools for Disabled - Within State	2,289,151	(52,139)	2,237,012	2,211,332	25,680
Tuition to Private Schools for Disabled & Other LEAs-Spl,O/S Sta	127,326	(51,740)	75,586	64,245	11,341
Tuition - State Facilities	43,916	-	43,916	43,916	-
Tuition - Other	50,887	77,000	127,887	143,171	(15,284)
Total Undistributed Expenditures - Instruction	4,733,194	214,502	4,947,696	4,870,857	76,839
Attendance and Social Work					
Salaries	299,420	(1,467)	297,953	305,859	(7,906)
Purchased Professional and Technical Services	8,000	(1,622)	6,378	6,378	
Supplies and Materials	1,000	1,400	2,400	1,949	451
Other Objects	250	-	250	-	250
Total Attendance and Social Work	308,670	(1,689)	306,981	314,186	(7,205)
Health Services					
Salaries	378,711	385	379,096	413,960	(34,864)
Purchased Professional and Technical Services	27,100	(9,870)	17,230	14,220	3,010
Other Purchased Services		500	500		500
Supplies and Materials	4,900	90	4,990	3,678	1,312
Other Objects	3,250	(2,720)	530	-	530
Total Health Services	413,961	(11,615)	402,346	431,858	(29,512)

(Continued)

CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final Budget to Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Speech, OT, PT and Related Svcs.					
Salaries	$ 349,848	$ 1,690	$ 351,538	$ 355,837	$ (4,299)
Purchased Professional-Educational Services		-		12,250	(12,250)
Supplies and Materials	15,200	(917)	14,283	14,283	-
Total Speech, OT, PT and Related Svcs.	365,048	773	365,821	382,370	(16,549)
Guidance					
Salaries of Other Professional Staff	669,965	24,883	694,848	760,260	(65,412)
Salaries of Secretarial and Clerical Assistants	54,062	43	54,105	54,276	(171)
Other Purchased Professional and Technical Services	85,000	40,542	125,542	125,504	38
Other Purchased Services	20,500	16,055	36,555	33,883	2,672
Supplies and Materials	144,855	(42,989)	101,866	98,470	3,396
Other Objects	16,250	(15,950)	300	222	78
Total Guidance	990,632	22,584	1,013,216	1,072,615	(59,399)
Child Study Teams					
Salaries of Other Professional Staff	716,310	(111,340)	604,970	627,041	(22,071)
Salaries of Secretarial and Clerical Assistants	109,624	184	109,808	110,537	(729)
Purchased Professional-Educational Services	327,800	138,476	466,276	449,306	16,970
Other Purchased Professional and Technical Services	231,393	(33,131)	198,262	196,065	2,197
Supplies and Materials	9,000	(5,891)	3,109	3,073	36
Other Objects	3,000	(61)	2,939	2,939	-
Total Child Study Teams	1,397,127	(11,763)	1,385,364	1,388,961	(3,597)
Improvement of Instructional Services					
Salaries of Secretarial and Clerical Assistants	54,062	(103)	53,959	52,266	1,693
Salaries of Facilitators, Math & Literacy Coaches	347,702	95,811	443,513	447,190	(3,677)
Purchased Professional - Educational Services	15,350	100	15,450	14,670	780
Other Purchased Services		9,428	9,428	6,505	2,923
Supplies and Materials	5,500	(1,800)	3,700	1,573	2,127
Other Objects	14,650	(14,100)	550	265	285
Total Improvement of Instructional Services	437,264	89,336	526,600	522,469	4,131
Educational Media Services/School Library					
Salaries	33,886	561	34,447	34,081	366
Purchased Professional and Technical Services	23,730	(2,085)	21,645	19,288	2,357
Supplies and Materials	10,600	(1,139)	9,461	9,136	325
Total Educational Media Serv./School Library	68,216	(2,663)	65,553	62,505	3,048
Instructional Staff Training Services					
Purchased Professional - Educational Services	16,200	(11,295)	4,905	2,850	2,055
Other Objects	7,000	300	7,300	4,198	3,102
Total Instructional Staff Training Services	23,200	(10,995)	12,205	7,048	5,157

(Continued)

CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final Budget to Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Support Services - General Administration					
Salaries	$ 504,707	$ (23,107)	$ 481,600	$ 473,648	$ 7,952
Legal Services	150,000	3,069	153,069	64,325	88,744
Audit Fees	40,000		40,000	36,683	3,317
Architectural /Engineering Services	165,000	(76,330)	88,670	28,799	59,871
Other Purchased Professional Services	35,635	57,195	92,830	86,974	5,856
Communications/Telephone	341,000	(71,301)	269,699	238,269	31,430
BOE Other Purchased Services	4,500	4,200	8,700	2,599	6,101
Misc Purchased Services	11,525	19,085	30,610	16,683	13,927
General Supplies	3,000		3,000	372	2,628
Miscellaneous Expenditures	30,450	(25,407)	5,043	2,563	2,480
BOE Membership Dues and Fees	22,527	-	22,527	21,936	591
Total Support Services - General Administration	1,308,344	(112,596)	1,195,748	972,851	222,897
Support Services - School Administration					
Salaries of Principal/Asst. Principals	1,783,572	(79,000)	1,704,572	1,703,640	932
Salaries of Secretarial and Clerical Assistants	315,593	(10,500)	305,093	304,040	1,053
Purchased Professional and Technical Services	94,500	(52,000)	42,500	41,589	911
Other Purchased Services	563	4,941	5,504	2,067	3,437
Supplies and Materials	66,660	847	67,507	63,415	4,092
Other Objects	4,050	(4,050)	-	-	-
Total Support Services - School Administration	2,264,938	(139,762)	2,125,176	2,114,751	10,425
Central Services					
Salaries	397,123	(37,975)	359,148	353,299	5,849
Purchased Professional Services	50,607	6,001	56,608	54,845	1,763
Purchased Technical Services	200,000	(191,460)	8,540	2,500	6,040
Other Purchased Services		8,180	8,180	4,001	4,179
Supplies and Materials	13,629	-	13,629	7,263	6,366
Miscellaneous Expenditures	8,680	(8,208)	472	472	-
Total Central Services	670,039	(223,462)	446,577	422,380	24,197
Administrative Information Technology					
Salaries	287,607	(17,081)	270,526	292,211	(21,685)
Other Objects	2,900	-	2,900	1,231	1,669
Total Administrative Information Technology	290,507	(17,081)	273,426	293,442	(20,016)
Required Maintenance for School Facilities					
Salaries	510,875	50,145	561,020	542,183	18,837
Cleaning, Repair and Maintenance Services	642,962	94,864	737,826	579,804	158,022
General Supplies	115,900	15,101	131,001	130,999	2
Other Objects	7,135	(35)	7,100	2,029	5,071
Total Required Maintenance for School Facilities	1,276,872	160,075	1,436,947	1,255,015	181,932

(Continued)

CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final Budget to Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Custodial Services					
Salaries	$ 1,169,091	$ 98,071	$ 1,267,162	$ 1,287,757	$ (20,595)
Purchased Professional and Technical Services	17,000	2,134	19,134	15,627	3,507
Cleaning, Repair and Maintenance Services	95,000	(73,268)	21,732	21,732	
Other Purchased Property Services	99,200	4,000	103,200	95,330	7,870
Insurance	391,685	(35,600)	356,085	355,895	190
General Supplies	110,800	4,243	115,043	96,683	18,360
Energy (Natural Gas)	163,000	(3,000)	160,000	147,904	12,096
Energy (Electricity)	540,000	(66,325)	473,675	470,507	3,168
Total Custodial Services	2,585,776	(69,745)	2,516,031	2,491,435	24,596
Care and Upkeep of Grounds					
Salaries	59,651	2,015	61,666	61,560	106
General Supplies	30,400	(25,000)	5,400	1,414	3,986
Other Objects	15,000	(15,000)	-	-	-
Total Care and Upkeep of Grounds	105,051	(37,985)	67,066	62,974	4,092
Security					
Salaries		267,837	267,837	267,837	
Purchased Professional and Technical Services	305,100	(281,000)	24,100	15,558	8,542
General Supplies	25,000	(11,700)	13,300	5,937	7,363
Total Security	330,100	(24,863)	305,237	289,332	15,905
Student Transportation Services					
Salaries for Pupil Transportation(Bet Home & Sch) Reg	44,953	4,293	49,246	59,890	(10,644)
Salaries for Pupil Transportation(Bet Home & Sch) Sp Ed	-	10,000	10,000	3,456	6,544
Management Fee-ESC and CTSA Transportation Prog.	35,000	(35,000)			
Contracted Services - Aid in Lieu of Payments - Non Public	119,340	15,008	134,348	93,724	40,624
Contracted Svcs. (Between Home & School) - Vendors	397,418		397,418	397,418	
Contracted Services (Other than Between Home and School) - Vendors	81,000	17,227	98,227	85,340	12,887
Contracted Services (Special Ed. Students)- Vendors	171,702		171,702	171,702	
Contracted Services (Regular Students) - ESCs and CTSAs	116,013	(7,182)	108,831	106,941	1,890
Contracted Services (Special Ed. Students)- ESCs and CTSA	1,704,818	(66,926)	1,637,892	1,622,350	15,542
Other Objects	25,000	(24,000)	1,000	510	490
Total Student Transportation Services	2,695,244	(86,580)	2,608,664	2,541,331	67,333

(Continued)

CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final Budget to Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Unallocated Benefits - Employee Benefits					
Social Security Contributions	$ 525,000	$ (53,620)	$ 471,380	$ 471,380	
Other Retirement Contributions - PERS	609,172	(173,635)	435,537	435,433	$ 104
Unemployment Compensation	93,000	(93,000)			
Workmen's Compensation	271,680	(49,498)	222,182	222,166	16
Health Benefits	8,346,146	(406,780)	7,939,366	7,938,826	540
Tuition Reimbursement	136,500	(71,110)	65,390	63,117	2,273
Other Employee Benefits	324,900	-	324,900	315,345	9,555
Total Unallocated Benefits-Employee Benefits	10,306,398	(847,643)	9,458,755	9,446,267	12,488
On-behalf TPAF Pension System Contribution - Normal (Non-Budget)				888,069	(888,069)
On-behalf TPAF Pension System Contribution - NCGI (Non-Budget)				78,387	(78,387)
On-behalf TPAF Post Retirement Medical Contribution (Non-Budget)				1,584,626	(1,584,626)
On-behalf TPAF Social Security Payments (Non-Budget)	-	-	-	1,754,453	(1,754,453)
Total On-Behalf TPAF	-	-	-	4,305,535	(4,305,535)
Total Undistributed Expenditures	30,570,581	(1,111,172)	29,459,409	33,248,182	(3,788,773)
Total Expenditures - Current Expenditures	50,899,981	557,395	51,457,376	56,465,518	(5,008,142)
CAPITAL OUTLAY					
Equipment					
Undistributed Expenditures					
Required Maintenance for School Facilities	-	189,746	189,746	142,349	47,397
Total Equipment	-	189,746	189,746	142,349	47,397
Facilities Acquisition and Construction Services					
Infrastructure	-	1,958,347	1,958,347	1,754,393	203,954
Assessment for Debt Service on SDA Funding	348	-	348	348	-
Total Facilities Acquisition and Construction Services	348	1,958,347	1,958,695	1,754,741	203,954
Total Capital Outlay	348	2,148,093	2,148,441	1,897,090	251,351
SPECIAL SCHOOLS					
Summer School - Instruction					
Salaries of Teachers	3,000	-	3,000	2,500	500
Total Summer School - Instruction	3,000	-	3,000	2,500	500

(Continued)

CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final Budget to Actual
SPECIAL SCHOOLS (Continued)					
Other Special Schools - Instruction					
Salaries of Teachers	$ 75,000	$ (40,240)	$ 34,760	$ 21,719	$ 13,041
Other Salaries for Instruction	13,000	31,718	44,718	44,718	-
Total Other Special Schools-Instruction	88,000	(8,522)	79,478	66,437	13,041
Total Special Schools	91,000	(8,522)	82,478	68,937	13,541
Transfer of Funds to Charter Schools	7,513	-	7,513	7,513	-
Total Expenditures	50,998,842	2,696,966	53,695,808	58,439,058	(4,743,250)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	-	(2,609,593)	(2,609,593)	(3,177,955)	(568,362)
Other Financing Sources/Uses					
Capital Outlay Transfer to Capital Projects		(555,364)	(555,364)	(555,364)	
Capital Lease Proceeds (Non Budget)	-	-	-	351,900	351,900
Total Other Financing Sources	-	(555,364)	(555,364)	(203,464)	351,900
Excess (Deficiency) of Revenues Over/(Under) Expenditures and Other Sources	-	(3,164,957)	(3,164,957)	(3,381,419)	(216,462)
Change in Fund Balance	-	(3,164,957)	(3,164,957)	(3,381,419)	(216,462)
Fund Balance, Beginning of Year	3,349,234	-	3,349,234	3,349,234	-
Fund Balance, End of Year	$ 3,349,234	$ (3,164,957)	$ 184,277	$ (32,185)	$ (216,462)

Recapitulation Of Fund Balance:

Committed Fund Balance:		
Year End Encumbrances		$ 453,689
Assigned Fund Balance:		
Designated for Subsequent Year's Expenditures		944,532
Unassigned Fund Balance		(1,430,406)
Reconciliation to Governmental Fund Statement (GAAP)		(32,185)
State Aid Payments Not Recognized on GAAP Basis		
Extraordinary Aid	$ 600,973	
Delayed State Aid Payments	2,644,499	
		3,245,472
Fund Balance (Deficit) Per Governmental Funds (GAAP)		$ (3,277,657)

CARTERET BOARD OF EDUCATION
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOT APPLICABLE

CARTERET BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final Budget to Actual
REVENUES					
Intergovernmental					
State	$ 1,351,144	$ (27,578)	$ 1,323,566	$ 1,280,788	$ (42,778)
Local		40,116	40,116	33,599	(6,517)
Federal	1,556,500	458,755	2,015,255	1,878,027	(137,228)
Total Revenues	2,907,644	471,293	3,378,937	3,192,414	(186,523)
EXPENDITURES					
Instruction					
Salaries of Teachers	981,552	14,233	995,785	922,406	73,379
Other Salaries for Instruction	214,245	4,846	219,091	216,709	2,382
Purch. Prof./Tech. Services	528,978	(220,838)	308,140	305,799	2,341
Tuition	578,600	133,486	712,086	712,086	-
General Supplies	3,939	135,874	139,813	98,335	41,478
Textbooks	10,712	423	11,135	11,135	-
Other Objects	-	-	-	-	-
Total Instruction	2,318,026	68,024	2,386,050	2,266,470	119,580
Support Services					
Salaries of Teachers		87,009	87,009	80,083	6,926
Salaries of Secretarial and Clerical Assistants		738	738	738	-
Salaries of Community Parent Involvement		4,000	4,000	45	3,955
Salaries of Master Teachers		32,948	32,948	32,948	-
Purch. Prof./Tech. Services		2,415	2,415	2,415	-
Purchased Professional/Educational Services	186,759	109,877	296,636	268,245	28,391
Other Purchased Services		28,301	28,301	17,164	11,137
Supplies and Materials		11,532	11,532	4,721	6,811
Contracted Services - Transportation	-	-	-	-	-
Total Support Services	186,759	276,820	463,579	406,359	57,220
Employee Benefits					
Personal Services - Employee Benefits	402,859	126,449	529,308	519,585	9,723
Total Allocated Benefits	402,859	126,449	529,308	519,585	9,723
Total Expenditures	2,907,644	471,293	3,378,937	3,192,414	186,523
Total Outflows	2,907,644	471,293	3,378,937	3,192,414	186,523
Excess (Deficiency) of Revenues Over/(Under) Expenditures	-	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-	-
Fund Balance, End of Year	$ -	$ -	$ -	$ -	$ -

Recapitulation:	
Fund Balance Budgetary Basis	
Reconciliation to Governmental Fund Statements (GAAP)	
Less: State Aid Payments Not Recognized on GAAP Basis	$ (92,514)
Fund Balance (Deficit) per Governmental Fund Statements (GAAP)	$ (92,514)

CARTERET BOARD OF EDUCATION
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
BUDGET TO GAAP RECONCILIATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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)	$ 55,261,103	$ 3,192,414
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		123,536
(Current Year)		(35,022)
State Aid payments recognized for GAAP purpose not recognized for Budgetary statements (Prior Year), Net	3,348,836	69,659
State Aid payments recognized for budgetary purpose not recognized for GAAP statements (Current Year)	(3,245,472)	(92,514)
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	$ 55,364,467	$ 3,258,073
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	$ 58,439,058	$ 3,192,414
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		123,536
(Current Year)	-	(35,022)
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 58,439,058	$ 3,280,928

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, 2014

	Chapter 192			Chapter 193			Preschool			
	Compensatory Education	ESL	Transportation	Exam & Class.	Corrective Speech	Supplementary Instruction	Education Aid	Subtotal Page 2	Subtotal Page 3	Total
REVENUES										
State	$ 39,033	$ 7,681	$ 6,543	$ 16,078	$ 13,137	$ 9,020	$ 887,589	$ 301,707		$ 1,280,788
Local								33,599		33,599
Federal	-	-	-	-	-	-	-	919,822	$ 958,205	1,878,027
Total Revenues	$ 39,033	$ 7,681	$ 6,543	$ 16,078	$ 13,137	$ 9,020	$ 887,589	$ 1,255,128	$ 958,205	$ 3,192,414
EXPENDITURES										
Instruction										
Salaries of Teachers							$ 348,177	$ 497,422	$ 76,807	$ 922,406
Other Salaries for Instruction							215,749	600	360	216,709
Purch. Prof./Tech. Services								274,678	31,121	305,799
Purch. Prof. Educational Services								-	-	-
Tuition									712,086	712,086
General Supplies							3,604	42,765	51,966	98,335
Textbooks								11,135		11,135
Other Objects	-	-	-	-	-	-	-	-	-	-
Total Instruction	-	-	-	-	-	-	567,530	826,600	872,340	2,266,470
Support Services										
Salaries of Teachers								79,603	480	80,083
Salaries of Supervisors of Instruction								-		-
Salaries of Other Professional Staff								-		-
Salaries of Secretarial/Clerical Assistants								738		738
Salaries of Community Parent Involvement							45	-		45
Salaries of Master Teachers							32,948	-		32,948
Personal Services - Employee Benefits							280,641	233,587	5,357	519,585
Purch. Prof./Tech. Services									2,415	2,415
Purchased Professional Educational Services	$ 39,033	$ 7,681	$ 6,543	$ 16,078	$ 13,137	$ 9,020	6,425	96,059	74,269	268,245
Other Purchased Services								14,455	2,709	17,164
Supplies and Materials								4,086	635	4,721
Contracted Services - Transportation	-	-	-	-	-	-	-	-	-	-
Total Support Services	39,033	7,681	6,543	16,078	13,137	9,020	320,059	428,528	85,865	925,944
Capital Outlay:										
Instructional Equipment	-	-	-	-	-	-	-	-	-	-
Total Expenditures	$ 39,033	$ 7,681	$ 6,543	$ 16,078	$ 13,137	$ 9,020	$ 887,589	$ 1,255,128	$ 958,205	$ 3,192,414

Continued

CARTERET BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Nonpublic Nursing	Nonpublic Textbooks	Nonpublic Technology	NJSBAIG Safety Grant	Anti-Bullying Bill of Rights	Target Grant	Middlesex County Grant	School Based Youth Services	Title I	Title II A	Page 2 Total
REVENUES											
State	$ 15,672	$ 11,135	$ 4,060		$ 362			$ 270,478			$ 301,707
Local				$ 25,274		$ 1,960	$ 6,365				33,599
Federal	-	-	-	-	-	-	-	-	$ 736,823	$ 182,999	919,822
Total Revenues	$ 15,672	$ 11,135	$ 4,060	$ 25,274	$ 362	$ 1,960	$ 6,365	$ 270,478	$ 736,823	$ 182,999	$ 1,255,128
EXPENDITURES											
Instruction											
Salaries of Teachers									$ 471,834	$ 25,588	$ 497,422
Other Salaries for Instruction							$ 600				600
Purch. Prof./Tech. Services								$ 270,478	4,200		274,678
General Supplies			$ 4,060			$ 1,960	5,390		31,355		42,765
Textbooks		$ 11,135									11,135
Other Objects	-	-	-	-	-	-	-	-	-	-	-
Total Instruction	-	11,135	4,060	-	-	1,960	5,990	270,478	507,389	25,588	826,600
Support Services											
Salaries of Teachers									11,499	68,104	79,603
Salaries of Secretarial and Clerical Assts									738		738
Personal Services - Employee Benefits									212,384	21,203	233,587
Purchased Professional Educational Services	$ 15,672			$ 25,274	$ 362					54,751	96,059
Other Purchased Services							375		2,827	11,253	14,455
Supplies and Materials	-	-	-	-	-	-	-	-	1,986	2,100	4,086
Total Support Services	15,672	-	-	25,274	362	-	375	-	229,434	157,411	428,528
Capital Outlay:											
Instructional Equipment	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	$ 15,672	$ 11,135	$ 4,060	$ 25,274	$ 362	$ 1,960	$ 6,365	$ 270,478	$ 736,823	$ 182,999	$ 1,255,128

Continued

CARTERET BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Title III	I.D.E.A. Basic	I.D.E.A. Preschool	Page 3 Total
REVENUES				
Federal	$ 97,281	$ 834,362	$ 26,562	$ 958,205
Total Revenues	$ 97,281	$ 834,362	$ 26,562	$ 958,205
EXPENDITURES				
Instruction				
Salaries of Teachers	$ 29,592	$ 47,215		$ 76,807
Other Salaries for Instruction	360			360
Purch. Prof./Tech. Services	3,272	27,849		31,121
Tuition		687,939	$ 24,147	712,086
General Supplies	44,438	7,528		51,966
Other Objects	-	-	-	-
Total Instruction	77,662	770,531	24,147	872,340
Support Services				
Salaries of Teachers	480			480
Personal Services - Employee Benefits	1,745	3,612		5,357
Purch. Prof./Tech. Services			2,415	2,415
Purchased Professional Educational Services	14,050	60,219		74,269
Other Purchased Services	2,709			2,709
Supplies and Materials	635	-	-	635
Total Support Services	19,619	63,831	2,415	85,865
Capital Outlay:				
Instructional Equipment	-	-	-	-
Total Expenditures	$ 97,281	$ 834,362	$ 26,562	$ 958,205

CARTERET BOARD OF EDUCATION
SPECIAL REVENUE FUND
SCHEDULE OF PRESCHOOL EDUCATION AID
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Modified Budget	Actual	Variance
Expenditures:			
Instruction:			
Salaries of Teachers	$ 354,490	$ 348,177	$ 6,313
Other Salaries of Instruction	218,131	215,749	2,382
General Supplies	26,566	3,604	22,962
Total Instruction	599,187	567,530	31,657
Support Services:			
Salaries of Community Parent Involvement Spec.	4,000	45	3,955
Salaries of Master Teachers	33,000	32,948	52
Employee Benefits	280,641	280,641	
Purchased Professional Educational Services	7,616	6,425	1,191
Supplies and Materials	700	-	700
Total Support Services	325,957	320,059	5,898
Total Expenditures	$ 925,144	$ 887,589	$ 37,555

CALCULATION OF BUDGET & CARRYOVER

Total revised 2013-2014 Preschool Education Aid Allocation	$ 925,144
Add: Actual PEA Carryover (June 30, 2013)	
Add: Budgeted Transfer from the General Fund 2013-2014	-
Total Preschool Education Aid Funds Available for 2013-2014 Budget	925,144
Less: 2013-2014 Budgeted Preschool Education Aid (Including Prior Year Budgeted Carryover)	925,144
Available & Unbudgeted Preschool Education Aid Funds as of June 30, 2014	-
Add: June 30, 2014 Unexpended Preschool Education Aid	37,555
Less: 2013-14 Commissioner-approved Transfer to the General Fund	-
2013-2014 Carryover - Preschool Education Aid	$ 37,555
2013-2014 Preschool Education Aid Carryover Budgeted for Preschool Programs 2014-2015	$ -

CAPITAL PROJECTS FUND

EXHIBIT F-1

CARTERET BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Original Date	Issue Project Title	Original Appropriation	Expended Prior Years	Expended Current Year	Balance, June 30, 2014
1/6/2014	Middle School Window Replacement	$ 1,472,000	$ -	$ 80,400	$ 1,391,600
		$ 1,472,000	$ -	$ 80,400	$ 1,391,600

Project Balance	$ 1,391,600
Unearned Revenue- ROD Grant	(866,570)
Fund Balance (GAAP) June 30, 2014	$ 525,030

Recapitulation of Fund Balance:	
Year-End Encumbrances	$ 1,391,600
Available for Capital Projects	(866,570)
Total Fund Balance - Restricted for Capital Projects	$ 525,030

EXHIBIT F-2

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, 2014

Revenues and Other Financing Sources	
Regular Operating District Grant (ROD)	$ 916,636
Transfer from Capital Outlay	555,364
Total Revenues and Other Financing Sources	1,472,000
Expenditures and Other Financing Uses	
Purchased Professional and Technical Services	80,400
Construction Services	-
Total Expenditures and Other Financing Uses	80,400
Excess of Revenue Over Expenditures	1,391,600
Fund Balance, Beginning of Year	-
Fund Balance - End of Year	$ 1,391,600
Reconciliation of Governmental Fund Statements (GAAP):	
Fund Balance Per Governmental Funds (Budgetary)	$ 1,391,600
Less: Unearned Revenue (GAAP Basis)	866,570
Fund Balance - End of Year - GAAP Basis	$ 525,030

EXHIBIT F-2a

CARTERET BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES AND PROJECT STATUS - BUDGETARY BASIS
MIDDLE SCHOOL WINDOW REPLACEMENT
FOR THE YEAR ENDED JUNE 30, 2014

	Prior Periods	Current Year	Totals	Revised Authorized Cost
REVENUES AND OTHER FINANCING SOURCES				
Regular Operating District Grant (ROD)		$ 916,636	$ 916,636	$ 916,636
Transfer from Capital Outlay	-	555,364	555,364	555,364
Total Revenues	-	1,472,000	1,472,000	1,472,000
EXPENDITURES AND OTHER FINANCING SOURCES				
Purchased Professional and Technical Services		80,400	80,400	93,000
Construction Services	-	-	-	1,379,000
Total Expenditures and other Financing Sources	-	80,400	80,400	1,472,000
Excess of Revenues over Expenditures	$ -	$ 1,391,600	$ 1,391,600	$ -

Additional Project Information:	
Project Number	0750-055-14-1001-G04
Grant Date/Letter of Notification	1/6/2014
Bonds Authorization (Referendum) Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	1,472,000
Additional Authorized Cost	-
Revised Authorized Cost	1,472,000
Percentage Increase over Original Authorized Cost	0.00%
Percentage Completion	5.46%
Original Target Completion Date	12/31/2014
Revised Target Completion Date	12/31/2014

ENTERPRISE FUND

SCHEDULE G-1

CARTERET BOARD OF EDUCATION
ENTERPRISE FUNDS - NON MAJOR
STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Enrichment Academy
ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 174,541
Intergovernmental Receivable	
State	8,572
Total Current Assets	183,113
LIABILITIES	
Current Liabilities	
Accounts Payable	366
Total Current Liabilities	366
NET POSITION	
Unrestricted	182,747
Total Net Position	$ 182,747

SCHEDULE G-2

CARTERET BOARD OF EDUCATION
ENTERPRISE FUNDS - NONMAJOR
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Enrichment Academy
OPERATING REVENUES	
Charges for Services	
Program Fees	$ 372,423
Total Operating Revenues	372,423
OPERATING EXPENSES	
Salaries and Employee Benefits	161,904
Supplies and Materials	40,612
Miscellaneous	184,971
Total Operating Expenses	387,487
Operating Loss	(15,064)
Net Loss	(15,064)
Change in Net Position	(15,064)
Total Net Position, Beginning of Year	197,811
Total Net Position, End of Year	$ 182,747

SCHEDULE G-3

CARTERET BOARD OF EDUCATION
ENTERPRISE FUNDS - NONMAJOR
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Enrichment Academy
Cash Flows from Operating Activities	
Receipts from Customers	$ 371,692
Payments for Employees' Salaries and Benefits	(161,904)
Payments to Suppliers for Goods and Services	(226,290)
Net Cash Used by Operating Activities	(16,502)
Net Decrease in Cash and Cash Equivalents	(16,502)
Cash and Cash Equivalents, Beginning of Year	191,043
Cash and Cash Equivalents, End of Year	$ 174,541
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating Loss	$ (15,064)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Change in Assets and Liabilities	
(Increase)/Decrease in Intergovernmental Receivable	(731)
Increase/(Decrease) in Accounts Payable	(707)
Total Adjustments	(1,438)
Net Cash Used by Operating Activities	$ (16,502)

FIDUCIARY FUNDS

EXHIBIT H-1

CARTERET BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2014

	Student Activity	Payroll	Total Agency Funds
ASSETS			
Cash and Cash Equivalents	$ 143,431	$ 248,729	$ 392,160
Total Assets	$ 143,431	$ 248,729	$ 392,160
LIABILITIES			
Due to Student Groups	$ 143,431		$ 143,431
Payroll Deductions and Withholdings		$ 242,229	242,229
Due to Other Funds	-	6,500	6,500
Total Liabilities	$ 143,431	$ 248,729	$ 392,160

EXHIBIT H-2

CARTERET BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

THIS STATEMENT IS NOT APPLICABLE

EXHIBIT H-3

STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Balance, July 1, 2013	Cash Receipts	Cash Disbursements	Balance, June 30, 2014
ELEMENTARY SCHOOLS				
Columbus	$ 8,512	$ 27,555	$ 31,433	$ 4,634
Nicholas Minue	8,483	45,470	42,457	11,496
Nathan Hale	9,745	28,717	31,428	7,034
Total Elementary Schools	26,740	101,742	105,318	23,164
JUNIOR HIGH SCHOOL				
Student Activities Fund	11,325	63,524	61,402	13,447
Total Junior High School	11,325	63,524	61,402	13,447
SENIOR HIGH SCHOOL				
Carteret Senior High School				
Student Activities Fund	77,985	273,979	247,456	104,508
Athletic Fund	4,988	33,733	36,409	2,312
Total Senior High School	82,973	307,712	283,865	106,820
Total All Schools	$ 121,038	$ 472,978	$ 450,585	$ 143,431

EXHIBIT H-4

CARTERET BOARD OF EDUCATION
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Balance, July 1, 2013	Cash Receipts	Cash Disbursements	Balance, June 30, 2014
ASSETS				
Cash	$ 283,218	$ 34,724,827	$ 34,759,316	$ 248,729
Total Assets	$ 283,218	$ 34,724,827	$ 34,759,316	$ 248,729
LIABILITIES				
Due to Other Funds	$ 6,500			$ 6,500
Payroll Deductions and Withholdings	276,718	$ 16,607,186	$ 16,641,675	242,229
Accrued Salaries and Wages	-	18,117,641	18,117,641	-
Total Liabilities	$ 283,218	$ 34,724,827	$ 34,759,316	$ 248,729

LONG-TERM DEBT

CARTERET BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF BONDS PAYABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Issue	Date of Issue	Amount of Issue	Annual Maturities Date	Annual Maturities Amount	Interest Rate	Balance July 1, 2013	Issued	Refunded/ Retired	Balance June 30, 2014
Pension Obligation Refunding Bonds, Series 2003	March 15, 2003	$ 2,450,000	3/15/2014	$ 140,000	5.10%				
			3/15/2015	145,000	5.10%				
			3/15/2016	155,000	5.50%				
			3/15/2017	165,000	5.50%				
			3/15/2018	175,000	5.50%				
			3/15/2019	185,000	5.65%				
			3/15/2020	195,000	5.65%				
			3/15/2021	210,000	5.65%	$ 1,370,000		$ 1,370,000	
Pension Obligation Refunding Bonds, Series 2013	December 12, 2013	1,430,000	3/15/2015	160,000	3.50%				
			3/15/2016	170,000	3.50%				
			3/15/2017	175,000	3.50%				
			3/15/2018	180,000	3.50%				
			3/15/2019	190,000	3.50%				
			3/15/2020	195,000	3.50%				
			3/15/2021	205,000	3.50%	-	$ 1,430,000	155,000	$ 1,275,000
						$ 1,370,000	$ 1,430,000	$ 1,525,000	$ 1,275,000

Refunded	$ 1,370,000
Retired	155,000
	$ 1,525,000

EXHIBIT I-2

CARTERET BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CERTIFICATES OF PARTICIPATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Interest Rate Payable	Amount of Original Issue	Balance, July 1, 2013	Retired Current Year	Balance, June 30, 2014
2006 Refunding (COP)	3.50 - 4.50	$ 8,985,000	$ 7,840,000	$ 330,000	$ 7,510,000
2010 Refunding (COP)	2.00-3.625	9,375,000	6,675,000	1,035,000	5,640,000
			$ 14,515,000	$ 1,365,000	$ 13,150,000

Note: COP Indicates Certificates of Participation

EXHIBIT I-3

CARTERET BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Interest Rate Payable	Amount of Original Issue	Balance, July 1, 2013	Issued Current Year	Retired Current Year	Balance, June 30, 2014
Chrome Books	1.43%	$ 351,900	$ -	$ 351,900	$ 100,000	$ 251,900
			$ -	$ 351,900	$ 100,000	$ 251,900

EXHIBIT I-4

CARTERET BOARD OF EDUCATION
LONG-TERM DEBT
DEBT SERVICE FUND BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local Sources					
Local Tax Levy	$ 1,425,197		$ 1,425,197	$ 1,425,197	
State Sources					
State Aid Type II	676,885	-	676,885	676,885	-
Total Revenues	2,102,082	-	2,102,082	2,102,082	-
EXPENDITURES					
Regular Debt Service					
Principal on Lease Purchase - COPS	1,365,000		1,365,000	1,365,000	
Interest on Lease Purchase - COPS	522,128		522,128	522,128	
Interest on Early Retirement Bonds	74,955	$ (15,000)	59,955	48,744	$ 11,211
Principal on Early Retirement Bonds	140,000	15,000	155,000	155,000	
Bond Issuance Costs				35,431	(35,431)
Advance to Refunding Escrow	-	-	-	24,569	(24,569)
Total Expenditures	2,102,083	-	2,102,083	2,150,872	(48,789)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1)	-	(1)	(48,790)	(48,789)
Other Financing Sources (Uses)					
Payment to Refunded Bond Escrow Agent		-		(1,370,000)	(1,370,000)
Refunded Bonds Issued	-	-	-	1,430,000	1,430,000
Total Other Financing Sources (Uses)	-	-	-	60,000	60,000
Net Change in Fund Balance	(1)	-	(1)	11,210	11,211
Fund Balance, Beginning of Year	1	-	1	1	-
Fund Balance, End of Year	$ -	$ -	$ -	$ 11,211	$ 11,211
Recapitulation of Fund Balance:					
Restricted for Debt Service:					
Available for Expenditures				$ 91	
Designated for Subsequent Year's Budgeted Debt Service Expenditures				11,120	
Total Fund Balance - Restricted for Debt Service				$ 11,211	

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.

EXHIBIT J-1

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

	2005	2006	2007	2008	2009	2010	2011	2012 (Restated)	2013	2014
Governmental Activities										
Net Investment in Capital Assets	$ 24,308	$ 713,394	$ 1,272,628	$ 2,257,259	$ 3,784,584	$ 4,961,120	$ 5,913,716	$ 6,644,390	$ 9,597,816	$ 9,641,524
Restricted	385,425	431,982	427,011	106,355	1,854	76,563	12,466	967	1	536,241
Unrestricted	(3,258,241)	(4,630,810)	(3,256,668)	(3,700,241)	(6,319,492)	(4,393,323)	(5,252,956)	(2,519,840)	(3,996,414)	(6,962,174)
Total Governmental Activities Net Position	$ (2,848,508)	$ (3,485,434)	$ (1,557,029)	$ (1,336,627)	$ (2,533,054)	$ 644,360	$ 673,226	$ 4,125,517	$ 5,601,403	$ 3,215,591
Business-Type Activities										
Net Investment in Capital Assets	$ 72,705	$ 85,580	$ 82,688	$ 106,110	$ 133,478	$ 147,510	$ 310,468	$ 282,944	$ 480,535	$ 486,681
Unrestricted	218,634	389,039	635,506	878,792	1,159,077	780,203	397,506	586,128	240,465	254,942
Total Business-Type Activities Net Position	$ 291,339	$ 474,619	$ 718,194	$ 984,902	$ 1,292,555	$ 927,713	$ 707,974	$ 869,072	$ 721,000	$ 741,623
District-Wide										
Net Investment in Capital Assets	$ 97,013	$ 798,974	$ 1,355,316	$ 2,363,369	$ 3,918,062	$ 5,108,630	$ 5,781,735	$ 6,927,334	$ 10,078,351	$ 10,128,205
Restricted	385,425	431,982	427,011	106,355	1,854	76,563	12,466	967	1	536,241
Unrestricted	(3,039,607)	(4,241,771)	(2,621,162)	(2,821,449)	(5,160,415)	(3,613,120)	(4,855,450)	(1,933,712)	(3,755,949)	(6,707,232)
Total District Net Position	$ (2,557,169)	$ (3,010,815)	$ (838,835)	$ (351,725)	$ (1,240,499)	$ 1,572,073	$ 938,751	$ 4,994,589	$ 6,322,403	$ 3,957,214

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".

EXHIBIT J-2

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental Activities										
Instruction										
Regular	$ 21,339,071	$ 22,267,153	$ 21,963,038	$ 23,823,202	$ 23,542,356	$ 22,977,099	$ 22,696,499	$ 23,205,222	$ 23,512,475	$ 25,505,673
Special Education	7,376,104	8,023,377	8,669,086	9,329,931	10,106,671	10,839,812	10,602,262	9,438,977	11,409,327	12,326,119
Vocational										
Other Instruction	941,492	1,353,305	1,582,073	1,942,509	1,571,068	1,665,603	1,710,483	1,563,169	1,930,214	2,000,581
School Sponsored Activities And Athletics	654,200	605,869	555,642	639,614	656,317	631,038	275,747	552,312	574,389	496,087
Support Services:										
Student and Instruction Related Services	4,756,399	5,339,369	5,189,669	5,687,423	6,779,653	6,356,437	5,934,521	5,608,828	6,259,949	6,310,943
School and Business Administration Services	2,275,462	3,078,750	2,894,799	2,628,127	2,767,331	2,708,937	3,333,887	2,877,577	3,219,576	3,033,128
General Administration	848,918	1,179,072	1,177,961	945,754	1,361,538	1,072,492	1,252,106	1,344,718	1,418,556	1,222,049
Central Services	575,443	835,785	800,140	989,814	1,026,018	1,489,599	1,473,443	1,420,159	1,640,519	1,027,621
Plant Operations And Maintenance	4,066,426	4,678,150	4,769,201	5,826,639	5,586,167	5,801,293	5,905,849	5,887,625	5,733,510	6,064,394
Pupil Transportation	2,063,305	2,235,950	2,285,937	2,296,256	2,274,403	2,273,850	2,127,607	2,090,347	2,313,497	2,583,496
Other Support Services										
Special Schools										
Interest On Long-Term Debt	1,246,594	939,663	1,102,502	1,056,624	1,026,016	940,848	806,968	752,935	700,012	614,574
Total Governmental Activities Expenses	46,143,414	50,536,443	50,990,048	55,165,893	56,697,538	56,757,008	56,119,372	54,741,869	58,712,024	61,184,665
Business-Type Activities:										
Food Service	1,112,947	1,128,975	1,110,433	1,310,310	1,352,165	1,609,980	1,923,151	1,683,356	1,982,478	1,809,013
Enrichment Academy		171,176	161,111	153,750	149,715	646,234	150,578	145,926	312,570	387,487
Total Business-Type Activities Expense	1,112,947	1,300,151	1,271,544	1,464,060	1,501,880	2,256,214	2,073,729	1,829,282	2,295,048	2,196,500
Total District Expenses	$ 47,256,361	$ 51,836,594	$ 52,261,592	$ 56,629,953	$ 58,199,418	$ 59,013,222	$ 58,193,101	$ 56,571,151	$ 61,007,072	$ 63,381,165
Program Revenues										
Governmental Activities:										
Tuition					$ 15,301	$ 1,951				
Grants And Contributions	$ 12,139,240	$ 13,369,276	$ 14,537,087	$ 15,438,714	8,968,529	15,815,618	$ 9,842,337	$ 10,460,054	$ 11,981,347	$ 11,409,157
Total Governmental Activities Program Revenues	12,139,240	13,369,276	14,537,087	15,438,714	8,983,830	15,817,569	9,842,337	10,460,054	11,981,347	11,409,157
Business-Type Activities:										
Charges For Services										
Food Service	435,210	425,646	437,701	482,753	501,050	501,812	502,054	520,251	528,646	515,164
Enrichment Academy		231,357	253,412	254,054	293,368	217,377	216,708	240,860	329,297	372,423
Operating Grants And Contributions	703,453	791,195	814,406	971,669	1,011,724	1,143,248	1,132,816	1,229,001	1,289,033	1,291,846
Total Business Type Activities Program Revenues	1,138,663	1,448,198	1,505,519	1,708,476	1,806,142	1,862,437	1,851,578	1,990,112	2,146,976	2,179,433
Total District Program Revenues	$ 13,277,903	$ 14,817,474	$ 16,042,606	$ 17,147,190	$ 10,789,972	$ 17,680,006	$ 11,693,915	$ 12,450,166	$ 14,128,323	$ 13,588,590
Net (Expense)/Revenue										
Governmental Activities	$ (34,004,174)	$ (37,167,167)	$ (36,452,961)	$ (39,727,179)	$ (47,713,708)	$ (40,939,439)	$ (46,277,035)	$ (44,281,815)	$ (46,730,677)	$ (49,725,442)
Business-Type Activities	25,716	148,047	233,975	244,416	304,262	(393,777)	(222,151)	160,830	(148,072)	(17,067)
Total District-Wide Net Expense	$ (33,978,458)	$ (37,019,120)	$ (36,218,986)	$ (39,482,763)	$ (47,409,446)	$ (41,333,216)	$ (46,499,186)	$ (44,120,985)	$ (46,878,749)	$ (49,742,509)

EXHIBIT J-2

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Revenues And Other Changes In Net Assets										
Governmental Activities:										
Property Taxes Levied For General Purposes, Net	$ 20,120,574	$ 21,207,333	$ 22,650,864	$ 23,195,523	$ 22,923,344	$ 22,190,278	$ 22,801,000	$ 22,801,000	$ 22,801,000	$ 23,257,020
Taxes Levied For Debt Service	1,331,183	1,319,780	1,288,340	1,314,183	1,298,805	1,466,288	1,216,605	1,423,990	1,426,667	1,425,197
Unrestricted Grants And Contributions	12,866,993	12,930,463	12,999,383	14,092,991	21,304,448	19,588,638	21,913,754	23,435,915	23,472,402	23,968,004
State/Federal Aid - Restricted	819,566	821,940	788,002	805,555	802,096	801,932	353,114	458,356	462,246	467,051
Interest Income	144,274	194,790	296,645	209,339	38,099	10,111	12,058	13,000	14,218	6,574
Miscellaneous Income	226,432	88,501	358,132	329,990	146,133	59,606	9,370	44,294	30,030	191,619
Transfers	-	(32,566)			4,356	-	-	-		
Total Governmental Activities	35,509,022	36,530,241	38,381,366	39,947,581	46,517,281	44,116,853	46,305,901	48,176,555	48,206,563	49,315,465
Business-Type Activities:										
Investment Earnings	764	2,667	9,600	22,292	7,747	4,385	2,412	268	-	-
Federal Aid Restricted						24,550			-	-
Transfers	-	32,566			(4,356)	-	-	-		
Total Business-Type Activities	764	35,233	9,600	22,292	3,391	28,935	2,412	268	-	-
Total District-Wide	$ 35,509,786	$ 36,565,474	$ 38,390,966	$ 39,969,873	$ 46,520,672	$ 44,145,788	$ 46,308,313	$ 48,176,823	$ 48,206,563	$ 49,315,465
Change In Net Position										
Governmental Activities	$ 1,504,848	$ (636,926)	$ 1,928,405	$ 220,402	$ (1,196,427)	$ 3,177,414	$ 28,866	$ 3,894,740	$ 1,475,886	$ (409,977)
Business-Type Activities	26,480	183,280	243,575	266,708	307,653	(364,842)	(219,739)	161,098	(148,072)	(17,067)
Total District	$ 1,531,328	$ (453,646)	$ 2,171,980	$ 487,110	$ (888,774)	$ 2,812,572	$ (190,873)	$ 4,055,838	$ 1,327,814	$ (427,044)

EXHIBIT J-3

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Reserved	$ 1,382,966	$ 322,751	$ 673,292	$ 830,458	$ 660,302	$ 1,351,222				
Unreserved	467,381	222,253	629,112	(263,740)	(2,387,960)	(1,416,197)				
Committed							$ 262,572	$ 3,163,980	$ 3,164,957	$ 453,689
Assigned							629,847	1,825,000		944,532
Unassigned							(1,944,674)	(3,245,704)	(3,164,559)	(4,675,878)
Total General Fund	$ 1,850,347	$ 545,004	$ 1,302,404	$ 566,718	$ (1,727,658)	$ (64,975)	$ (1,052,255)	$ 1,743,276	$ 398	$ (3,277,657)
All Other Governmental Funds										
Reserved	$ 370,943	$ 390,933	$ 425,043	$ 99,678	$ 27,737					
Unreserved	14,482	41,049	1,968	6,677	(70,174)	$ 2,878				
Restricted							$ 12,466	$ 967	$ 1	$ 536,241
Assigned										
Unassigned							(75,405)	(64,346)	(69,659)	(92,514)
Total All Other Governmental Funds	$ 385,425	$ 431,982	$ 427,011	$ 106,355	$ (42,437)	$ 2,878	$ (62,939)	$ (63,379)	$ (69,658)	$ 443,727

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)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Tax Levy	$ 21,451,757	$ 22,527,113	$ 23,939,204	$ 24,509,706	$ 24,222,149	$ 23,656,566	$ 24,017,605	$ 24,224,990	$ 24,227,667	$ 24,682,217
Tuition Charges					15,301	1,951				
Interest Income	144,274	194,790	296,645	209,339	38,099	10,111	12,058	13,000	14,218	6,574
Miscellaneous	226,432	88,501	187,293	332,990	151,063	59,606	49,932	73,919	60,162	199,944
State Sources	23,664,794	24,542,957	26,096,658	28,006,561	28,979,665	28,833,509	30,001,632	31,417,484	33,777,765	33,790,602
Federal Sources	2,161,005	2,578,722	2,227,814	2,303,936	2,090,478	7,372,679	2,067,011	2,907,216	2,108,098	2,095,351
Total Revenue	47,648,262	49,932,083	52,747,614	55,362,532	55,496,755	59,934,422	56,148,238	58,636,609	60,187,910	60,774,688
Expenditures										
Instruction										
Regular Instruction	21,343,704	22,133,037	22,178,555	23,879,526	23,320,699	22,997,596	22,648,334	23,243,679	23,370,415	25,581,772
Special Education Instruction	7,401,844	7,993,088	8,748,117	9,359,385	10,052,646	10,855,343	10,600,450	9,458,174	11,382,245	12,356,939
Other Special Instruction	947,614	1,346,049	1,596,398	1,948,182	1,559,805	1,669,060	1,710,052	1,568,258	1,923,128	2,010,114
Other Instruction	657,291	603,414	562,384	642,172	651,430	632,446	275,686	553,960	572,419	498,323
Support Services:										
Student & Inst. Related Services	4,669,003	5,271,956	5,194,801	5,652,124	6,681,110	6,315,716	5,872,941	5,573,901	6,176,495	6,238,127
General Administration Services	845,714	1,165,585	1,173,022	923,497	1,331,764	1,050,796	1,183,917	1,347,669	1,415,069	1,190,346
School Administration Services	2,290,204	3,058,834	2,937,710	2,640,974	2,742,441	2,715,824	3,332,874	2,888,865	3,205,584	3,048,932
Central Services	578,255	831,465	811,019	994,256	1,017,364	1,492,129	1,473,137	1,423,942	1,636,073	1,032,552
Plant Operations And Maintenance	3,444,799	4,013,727	4,169,346	5,169,665	4,874,332	5,098,166	5,157,294	5,106,887	4,880,657	5,186,359
Pupil Transportation	2,047,414	2,221,043	2,232,340	2,283,686	2,268,099	2,269,410	2,121,101	2,085,280	2,309,037	2,579,780
Other Support Services										
Special Schools	114,364	9,026								
Capital Outlay	36,039	185,390	240,093	812,343	2,007,051	325,644	946,155	471,301	2,959,442	1,977,142
Debt Service:										
Principal	1,129,848	1,138,671	1,070,556	1,100,000	1,205,101	1,469,899	1,110,000	1,425,000	1,460,000	1,620,000
Interest And Other Charges	1,272,638	1,952,926	1,080,844	1,013,064	982,437	934,395	769,394	694,602	646,503	630,872
Total Expenditures	46,778,731	51,924,211	51,995,185	56,418,874	58,694,279	57,826,424	57,201,335	55,841,518	61,937,067	63,951,258
Excess (Deficiency) Of Revenues Over (Under) Expenditures	869,531	(1,992,128)	752,429	(1,056,342)	(3,197,524)	2,107,998	(1,053,097)	2,795,091	(1,749,157)	(3,176,570)
Other Financing Sources (Uses)										
Capital Leases (Non-Budgeted)					750,000					351,900
Proceeds From Refunding		8,925,908				9,375,000				1,430,000
Payments To Escrow Agent		(8,160,000)				(9,415,000)				(1,370,000)
Costs of Issuance						(271,207)				
Advance to Escrow Agent						(80,444)				
Discount of Issuance of Refunding Bonds						(8,349)				
Transfers In					4,356					555,364
Transfers Out	-	(32,566)								(555,364)
Total Other Financing Sources (Uses)	-	733,342	-	-	754,356	(400,000)	-	-	-	411,900
Net Change In Fund Balances	$ 869,531	$ (1,258,786)	$ 752,429	$ (1,056,342)	$ (2,443,168)	$ 1,707,998	$ (1,053,097)	$ 2,795,091	$ (1,749,157)	$ (2,764,670)
Debt Service As A Percentage Of Noncapital Expenditures	5.14%	5.98%	4.16%	3.80%	3.86%	4.18%	3.34%	3.83%	3.57%	3.63%

* Noncapital expenditures are total expenditures less capital outlay.

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

Fiscal Year Ended June 30,	Interest	Miscellaneous	Tuition	Total
2005	$ 131,662	$ 226,432		$ 358,094
2006	174,800	88,501		263,301
2007	262,535	187,293		449,828
2008	181,791	69,008		250,799
2009	37,593	146,133	$ 15,301	199,027
2010	10,111	59,606	1,951	71,668
2011	12,058	9,370		21,428
2012	13,000	44,294		57,294
2013	14,218	30,030		44,248
2014	6,574	191,619		198,193

Source: District Records

EXHIBIT J-6

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]
2005	$ 21,955,400	$ 603,317,100	$ 114,400,500	$ 220,093,000	$ 15,630,300	$ 975,396,300	$ 2,098,046	$ 977,494,346	$ 1,659,019,596	2.251
2006	22,168,900	605,320,400	113,561,500	221,273,300	15,817,400	978,141,500	1,726,647	979,868,147	2,024,939,340	2.374
2007	22,441,250	607,248,124	109,199,400	216,767,200	21,308,700	976,964,674	1,406,309	978,370,983	2,373,534,650	2.476
2008	25,150,284	610,980,074	94,168,400	243,790,100	22,981,200	997,070,058	1,442,234	998,512,292	2,564,232,902	2.441
2009	26,879,984	612,201,449	83,727,730	251,598,400	38,364,800	1,012,772,363	1,403,830	1,014,176,193	2,700,868,690	2.361
2010	24,380,384	613,251,449	109,754,030	230,831,700	50,077,300	1,028,294,863	1,364,342	1,029,659,205	2,765,720,450	2.315
2011	33,703,784	613,319,324	113,732,600	214,466,430	44,021,500	1,019,243,638	1,330,124	1,020,573,762	2,589,228,214	2.363
2012 (b)	39,038,800	1,064,039,900	232,518,000	454,569,400	90,049,100	1,880,215,200	3,395,429	1,883,610,629	1,883,610,629	1.287
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

Source: County Abstract of Ratables

a Tax rates are per $100

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

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

Assessment Year		Total Direct School Tax Rate	Overlapping Rates: Carteret Municipality	Municipal Open Space	Municipal Library	County	Open Space	Total Direct and Overlapping Tax Rate
2005		2.251	1.590	$0.03		0.496	0.053	4.39
2006		2.374	1.590	0.030		0.561	0.065	4.62
2007		2.476	1.756	0.030		0.633	0.075	4.97
2008		2.441	1.853	0.030		0.670	0.079	5.07
2009		2.361	1.949	0.029		0.740	0.084	5.163
2010		2.315	1.987	0.030		0.760	0.055	5.147
2011		2.363	1.984	0.030	$ 0.085	0.798	0.079	5.339
2012	(A)	1.287	1.122	0.030	0.040	0.360	0.033	2.872
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

Source: The Borough Tax Duplicate

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

EXHIBIT J-8

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

	2014				2005		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value		Taxable Assessed Value	Rank	% Total of District Net Assessed Value
GATX/Kinder Morgan	$ 109,810,000	1	5.82%	Cypruss Amax	$ 47,566,200	1	4.87%
KTR Carteret LLC	64,886,300	2	3.44%	Kinder-Morgan	44,415,700	2	4.54%
Federal Blvd LLC	37,818,600	3	2.00%	Federal Blvd, LLC	13,865,300	3	1.42%
Bristol Tic LLC Etal	29,963,300	4	1.59%	Keystone	11,009,500	4	1.13%
Keystone c/o Prologis Tax	25,220,100	5	1.34%	Board of Education	9,897,100	5	1.01%
AJ Richard & Sons Inc	21,547,500	6	1.14%	Carteret Terrace, LLC	9,738,200	6	1.00%
200 Middlesex LLC c/o Ryan LLC	20,176,200	7	1.07%	JLJ Associates	9,675,000	7	0.99%
Centerpoint Roosevelt LLC	19,960,500	8	1.06%	Schultz c/o Carteret Venture	8,951,700	8	0.92%
Cypres Amax c/o Freeport	19,630,600	9	1.04%	Engelhard-Clal, LP	7,911,500	9	0.81%
Meridian II, LLC	17,933,600	10	0.95%	Suteret Associates	7,773,400	10	0.80%
Total	$ 366,946,700		19.45%		$ 170,803,600		17.47%

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	
2005	$ 21,451,757	$ 21,451,757	100.00%	N/A
2006	22,527,113	22,527,113	100.00%	N/A
2007	23,939,204	23,939,204	100.00%	N/A
2008	24,509,706	24,509,706	100.00%	N/A
2009	24,222,149	24,222,149	100.00%	N/A
2010	23,656,566	23,656,566	100.00%	N/A
2011	24,017,605	24,017,605	100.00%	N/A
2012	24,224,990	24,224,990	100.00%	N/A
2013	24,227,667	24,227,667	100.00%	N/A
2014	24,682,217	24,682,217	100.00%	N/A

EXHIBIT J-10

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

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities			
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District	Population (A)	Per Capita
2005	$ 2,265,000	$ 21,845,000	$ 219,227	N/A	N/A	$ 24,329,227	21,243	$ 1,145
2006	2,170,000	21,810,000	35,556	N/A	N/A	24,015,556	21,173	1,134
2007	2,070,000	20,875,000	N/A	N/A	N/A	22,945,000	21,964	1,045
2008	1,965,000	19,880,000	N/A	N/A	N/A	21,845,000	22,473	972
2009	1,860,000	18,850,000	679,899	N/A	N/A	21,389,899	23,242	920
2010	1,745,000	18,135,000	N/A	N/A	N/A	19,880,000	23,776	836
2011	1,625,000	17,145,000	N/A	N/A	N/A	18,770,000	22,870	821
2012	1,500,000	15,845,000	N/A	N/A	N/A	17,345,000	22,970	755
2013	1,370,000	14,515,000	N/A	N/A	N/A	15,885,000	24,062	660
2014	1,275,000	13,150,000	251,900	1,800,000	N/A	16,476,900	23,994	687

Source: District records
N/A : Not Applicable

(A) -Estimated

EXHIBIT J-11

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

	General Bonded Debt Outstanding				
Fiscal Year Ended June 30,	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value [a] of Property	Per Capita [b]
2005	2,265,000		2,265,000	0.23%	107
2006	2,170,000		2,170,000	0.22%	102
2007	2,070,000		2,070,000	0.21%	94
2008	1,965,000		1,965,000	0.20%	87
2009	1,860,000		1,860,000	0.18%	80
2010	1,745,000		1,745,000	0.17%	73
2011	1,625,000		1,625,000	0.16%	71
2012	1,500,000		1,500,000	0.08%	65
2013	1,370,000		1,370,000	0.07%	57
2014	1,275,000		1,275,000	0.07%	57

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, 2013
(Unaudited)

	Gross Debt	Deductions	Net Debt
MUNICIPAL DEBT: (1)			
Borough of Carteret	$ 80,204,498	$ 57,443,280	$ 22,761,218
Carteret Board of Education	1,370,000	1,370,000	-
	$ 81,574,498	$ 58,813,280	22,761,218
OVERLAPPING DEBT APPORTIONED TO THE MUNICIPALITY			
Middlesex County			
County of Middlesex (A)			15,095,908
Middlesex County Utilities Authority (B)			6,940,798
			22,036,706
Total Direct and Overlapping Bonded Debt			$ 44,797,924

SOURCE:
(1) Borough of Carteret 2013 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 2013 equalized value by the total 2013 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 2013

Equalized Valuation Basis		
2013		$ 1,924,537,605
2012		3,109,335,538
2011		2,304,122,147
	[A]	$ 7,337,995,290
Average Equalized Valuation of Taxable Property	[A/3]	$ 2,445,998,430
Debt Limit (4.0% of average equalization value)	[B]	97,839,937
Total Net Debt Applicable to Limit	[C]	-
Legal debt margin	[B-C]	$ 97,839,937

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt Limit	$ 58,425,701	$ 68,592,381	$ 80,484,933	$ 91,130,091	$ 99,658,291	$ 104,338,196	$ 106,504,603	$ 101,822,057	$ 106,960,253	$ 97,839,937
Total Net Debt Applicable to Limit	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	$ 58,425,701	$ 68,592,381	$ 80,484,933	$ 91,130,091	$ 99,658,291	$ 104,338,196	$ 106,504,603	$ 101,822,057	$ 106,960,253	$ 97,839,937
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Annual Debt Statements

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

Year	Population (A)	County Per Capita Personal Income	Unemployment Rate
2005	21,243	41,753	8.20%
2006	21,173	44,839	8.30%
2007	21,964	47,418	7.30%
2008	22,473	49,036	9.70%
2009	23,242	47,468	14.80%
2010	23,776	47,689	14.80%
2011	22,870	50,336	14.40%
2012	22,970	52,108	14.60%
2013	24,062	Not Available	12.70%
2014	23,994	Not Available	Not Available

(A) - Estimated

Source: New Jersey State Department of Education

EXHIBIT J-15

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

	2014		2005	
Employer	Employees	Percentage of Municipal Employment	Employees	Percentage of Municipal Employment
	NOT AVAILABLE			
	-		-	

Source: Information was not available

EXHIBIT J-16

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

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Instruction										
Regular	253.00	271.95	237.00	272.00	278.20	275.20	242.00	239.00	244.00	244.00
Special education	55.00	58.05	47.00	15.00	15.80	15.80	50.00	49.00	49.00	61.00
Other special education	21.00	22.00	36.00	45.00	47.00	46.00	27.00	14.00	14.00	22.00
Adult/continuing education programs	1.00	1.00	1.00	1.00	1.00					
Support Services:										
Student & instruction related services	49.00	47.00	43.00	48.00	51.00	51.00	54.00	45.00	47.00	22.80
General administration	5.00	4.00	2.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
School administrative services	25.00	28.00	28.00	23.00	24.00	25.00	23.00	23.00	21.00	19.20
Other administrative services	3.00	5.00	2.00	-						4.00
Central services	6.00	5.00	5.00	5.00	6.00	5.00	5.00	5.00	5.00	5.00
Administrative Information Technology	2.00	3.00	3.00	5.00	5.00	5.00	4.00	4.00	5.00	4.00
Plant operations and maintenance	33.00	36.00	33.00	33.00	35.00	35.00	32.00	30.00	30.00	28.00
Total	453.00	481.00	437.00	451.00	467.00	462.00	441.00	413.00	419.00	414.00

Source: District Personnel Records

EXHIBIT J-17

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

Fiscal Year	Enrollment [a]	Operating Expenditures [b]	Cost Per Pupil [c]	Percentage Change	Teaching Staff	Pupil/Teacher Ratio: Elementary	Pupil/Teacher Ratio: Middle School	Pupil/Teacher Ratio: Senior High School	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
2005	3,892	$ 44,591,943	$ 11,457	7.62%	342	17.01:1	13.01:1	12.01:1	3,892	3,630	-1.19%	93.27%
2006	4,000	48,647,224	12,162	6.15%	368	12.20:1	12.90:1	11.80:1	3,821	3,536	-1.82%	92.54%
2007	3,944	49,879,762	12,647	3.99%	321	10.70:1	11.20:1	11.40:1	3,925	3,615	2.72%	92.10%
2008	3,959	53,493,467	13,512	6.84%	330	11.60:1	11.90:1	12.10:1	3,805	3,544	-3.06%	93.14%
2009	3,958	54,499,690	13,770	1.91%	325	8.78:1	10.20:1	10.35:1	3,822	3,621	0.45%	94.74%
2010	3,869	55,096,486	14,240	3.42%	321	8.69:1	10.20:1	10.35:1	3,824	3,653	0.05%	95.53%
2011	3,838	54,375,786	14,168	-0.51%	322	8.78:1	10.20:1	10.35:1	3,794	3,612	-0.78%	95.20%
2012	3,896	53,250,615	13,668	-3.52%	310	11.70:1	14.10:1	11.50:1	3,767	3,617	1.49%	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	1.62%	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	1.86%	92.03%

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)

District Building	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Elementary										
Columbus School										
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	690	676	701	669	669	658	658	626	681	663
Minue School										
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	653	654	650	677	677	677	676	630	665	677
Nathan Hale School (Reopened Sept. 2001)										
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	578	587	574	560	560	525	525	564	531	523
Middle School										
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	969	887	854	869	869	912	912	933	886	865
High School										
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	1,030	1,086	1,081	1,112	1,112	1,048	1,048	1,031	1,038	1,041
Other										
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, 2014

Elementary =	3
Middle School =	1
Senior High School =	1
Other =	0

Source: District Facilities Office

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

EXHIBIT J-19

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

*School Facilities	Project # (s)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Columbus School	N/A	$ 80,647	$ 76,875	$ 145,403	$ 107,618	$ 210,510	$ 187,683	$ 111,866	$ 153,972	$ 264,925	$ 263,553
Nicholas Minue School	N/A	70,528	85,132	102,061	75,539	171,405	162,875	144,995	74,765	185,927	238,453
Nathan Hale School	N/A	99,325	80,555	113,281	83,843	134,400	71,126	164,972	201,894	137,248	200,802
Middle School	N/A	146,871	142,046	159,127	117,775	190,375	239,413	141,080	155,733	94,504	138,052
High School	N/A	374,947	470,417	352,309	797,713	375,812	468,735	435,297	531,802	241,241	276,103
Total School Facilities		772,318	855,025	872,181	1,182,488	1,082,502	1,129,832	998,210	1,118,166	923,845	1,116,963
Other Facilities	N/A	83,343	123,317	217,614	318,790	219,633	126,200	114,282	146,696	167,184	138,052
Grand Total		$ 855,661	$ 978,342	$ 1,089,795	$ 1,501,278	$ 1,302,135	$ 1,256,032	$ 1,112,492	$ 1,264,862	$ 1,091,029	$ 1,255,015

Source: District Records

EXHIBIT J-20

CARTERET BOARD OF EDUCATION
SCHEDULE OF INSURANCE
JUNE 30, 2014
(Unaudited)

	Coverage	Deductible
Property		
Blanket Building and Contents	$ 86,701,776	$ 5,000
Electronic Date Processing Equipment	2,000,000	1,000
Equipment Breakdown/Boiler & Machinery	100,000,000	5,000
General Liability		
Each Occurrence	11,000,000	
Medical Expense (Any one person)	10,000	
Personal & ADV injury	11,000,000	
Products - Comp/op Agg	11,000,000	
Automobile Liability		
Combined Single Limit	11,000,000	
Persona Injury Protection	250,000	
Surety Bonds	1,000,000	
UNCSL	1,000,000	
Workers Compensation & Employers Liability		
E.L. Each Accident	2,000,000	
E.L. Disease - Each Employee	2,000,000	
E.L. Disease - Policy Limit	2,000,000	
Surety Bonds		
Business Administrator	300,000	
School Board Legal (Crime Coverage Included)		
Legal Liability	11,000,000	

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
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EDWARD P. MURPHY, 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, 2014 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 December 4, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We also noted certain matters 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 December 4, 2014.

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

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

Gary W. Higgins

Gary W. Higgins
Public School Accountant
PSA Number CS00814

Fair Lawn, New Jersey
December 4, 2014

LERCH, VINCI & HIGGINS, LLP
CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-2

DIETER P. LERCH, CPA, RMA, PSA
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KEVIN LOMSKI, CPA
EDWARD P. MURPHY, CPA

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 U.S. OMB CIRCULAR A-133 AND SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE AS REQUIRED BY NEW JERSEY OMB CIRCULAR 04-04

INDEPENDENT AUDITOR'S REPORT

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

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) Circular A-133 Compliance Supplement and the New Jersey OMB Circular 04-04 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the Carteret Board of Education's major federal and state programs for the fiscal year ended June 30, 2014. 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 laws, regulations, contracts, and grants 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; U.S. OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards and Circulars require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Carteret Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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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, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with New Jersey OMB Circular 04-04 which is described in the accompanying schedule of findings and questioned costs as item 2014-001. Our opinion on each major federal and state program is not modified with respect to this matter.

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

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 U.S. OMB Circular A-133 and New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Carteret Board of Education's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of U.S. OMB Circular A-133 and New Jersey OMB Circular 04-04. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by U.S. OMB Circular A-133 and Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 04-04

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, 2014 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 December 4, 2014, 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 U.S. OMB Circular A-133 and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 04-04 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

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

Gary W. Higgins

Gary W. Higgins
Public School Accountant
PSA Number CS00814

Fair Lawn, New Jersey
December 4, 2014

EXHIBIT K-3
Schedule A

CARTERET BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Federal/Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance July 1, 2013	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustments Receivables-Carryovers	Refund of Prior Years' Balances	June 30, 2014 Accounts Receivable	June 30, 2014 Deferred Revenue	June 30, 2014 Due to Grantor	MEMO GAAP Receivable
U.S. Department of Education Passed-through State Department of Education														
Enterprise Fund														
National School Lunch Program	10.555													
Cash Assistance		N/A	7/1/12-6/30/13	$ 976,120	$ (83,249)		$ 83,249							
Cash Assistance		N/A	7/1/13-6/30/14	945,503			871,235	$ 945,503			$ (74,268)			$ (74,268)
Non-Cash Assistance (Food Distribution)		N/A	7/1/12-6/30/13	112,790	9,630			9,630						
Non-Cash Assistance (Food Distribution)		N/A	7/1/13-6/30/14	130,687			130,687	127,563				$ 3,124		
National School Breakfast Program	10.553	N/A	7/1/12-6/30/13	137,791	(13,242)		13,242							
National School Breakfast Program	10.553	N/A	7/1/13-6/30/14	141,477			131,293	141,477			(10,184)			(10,184)
After School Snack Program	10.555	N/A	7/1/12-6/30/13	47,303	(2,427)		2,427							
After School Snack Program	10.555	N/A	7/1/13-6/30/14	47,478	-	-	45,411	47,478	-	-	(2,067)	-	-	(2,067)
Total Enterprise Fund					(89,288)	-	1,277,544	1,271,651	-	-	(86,519)	3,124	-	(86,519)
Special Revenue Fund														
Title I	84.010A	NCLB-0750-14	7/1/13-6/30/14	641,150			468,447	639,601	$ 464		(172,703)	2,013		(170,690)
Title I C/O	84.010A	NCLB-0750-13	9/01/12-8/31/13	748,822	(139,977)		237,199	97,222						
Title I Part A - ARRA	84.389A	NCLB-0750-10	9/01/09-8/31/11	367,229	6				(6)					
Title I - School Improvements C/O	84.377A	NCLB-0750-08	9/01/07-8/31/08	1,760	2,160				(2,160)					
Title II A	84.367A	NCLB-0750-14	7/1/13-6/30/14	155,486			54,601	121,394	759		(100,885)	34,851		(66,034)
Title II A C/O	84.367A	NCLB-0750-13	9/01/12-8/31/13	155,554	(6,954)		68,559	61,605						
Title II D C/O	84.318X	NCLB-0750-11	9/01/10-8/31/11	1,472	(9)				9					
Title III	84.365A	NCLB-0750-14	7/1/13-6/30/14	70,821			69,474	59,628	350		(1,347)	11,543		
Title III C/O	84.365A	NCLB-0750-13	9/01/12-8/31/13	66,336	12,685		24,968	37,653						
Title IV C/O	84.186A	NCLB-0750-10	9/01/09-8/31/10	12,402	(5)				5					

Continued

EXHIBIT K-3
Schedule A

CARTERET BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Federal/Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance July 1, 2013	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustments Receivables-Carryovers	Refund of Prior Years' Balances	June 30, 2014 Accounts Receivable	June 30, 2014 Deferred Revenue	June 30, 2014 Due to Grantor	MEMO GAAP Receivable
Special Revenue Fund (Cont.)														
IDEA Basic	84.027	IDEA-0750-14	7/1/13-6/30/14	$ 855,583		$ (177,201)	$ 763,527	$ 817,684			$ (269,257)	$ 37,899		$ (231,358)
IDEA Basic C/O	84.027	IDEA-0750-13	9/01/12-8/31/13	939,861	$ (517,700)	177,201	357,177	16,678						
IDEA Part B - ARRA	84.391	IDEA-0750-10	9/01/09-8/31/11	1,079,930	2,840				$ (2,840)					
I.D.E.A. Preschool	84.173	IDEA-0750-14	7/1/13-6/30/14	26,562			24,147	26,562			(2,415)			(2,415)
I.D.E.A. Preschool C/O	84.173	IDEA-0750-13	9/01/12-8/31/13	29,492	(29,492)		17,724				(11,768)			(11,768)
I.D.E.A. Preschool C/O	84.173	IDEA-0750-12	9/01/11-8/31/12	28,837			5,493				(5,403)	10,896		
Race To The Top Phase 3 (RTT3)	84.413A	12-RTO1-A01	9/1/12-11/30/15	54,096	(54,096)		54,096							
Reading First	84.357A	EO01-0750-10	7/1/09-6/30/10	176,808	(22,884)	-	-	-	22,884	-	-	-	-	-
Total Special Revenue Fund					(753,426)	-	2,145,412	1,878,027	19,465	-	(563,778)	97,202	-	(482,265)
General Fund														
Medical Assistance Program	93.778.1	N/A	7/1/13-6/30/14	103,536			103,536	103,536						
Education Jobs Fund	84.410	N/A	7/1/12-6/30/13	2,253	(2,253)	-	2,253	-	-	-	-	-	-	-
Total General Fund					(2,253)	-	105,789	103,536	-	-	-	-	-	-
Total					$ (844,967)	$ -	$ 3,528,745	$ 3,253,214	$ 19,465	$ -	$ (650,297)	$ 100,326	$ -	$ (568,784)

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

EXHIBIT K-4
Schedule B

CARTERET BOARD OF EDUCATION
SCHEDULE OF EXPENDITURE OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, July 1, 2013 (Accounts Receivable)	Balance, July 1, 2013 Deferred Revenue	Balance, July 1, 2013 Due to Grantor	Cash Received	Budgetary Expenditures	Adjustments	Refund of Prior Years' Balances	June 30, 2014 Accounts Receivable	June 30, 2014 Deferred Revenue	June 30, 2014 Due to Grantor	MEMO GAAP Receivable	MEMO Cumulative Total Expenditures
General Fund															
State Department of Education															
Equalization Aid	13-495-034-5120-078	7/1/12-6/30/13	23,566,225	$ (2,330,451)			$ 2,330,451								
Equalization Aid	14-495-034-5120-078	7/1/13-6/30/14	23,509,312				21,186,945	$ 23,509,312			$ (2,322,367)				$ 23,509,312
Extraordinary Aid	13-100-034-5120-473	7/1/12-6/30/13	750,985	(750,985)			750,985								
Extraordinary Aid	14-100-034-5120-473	7/1/13-6/30/14	600,973					600,973			(600,973)				600,973
Special Education Categorical Aid	13-495-034-5120-089	7/1/12-6/30/13	2,243,914	(221,899)			221,899								
Special Education Categorical Aid	14-495-034-5120-089	7/1/13-6/30/14	2,257,589				2,034,573	2,257,589			(223,016)				2,257,589
Transportation Aid	13-495-034-5120-014	7/1/12-6/30/13	101,074	(9,995)			9,995								
Transportation Aid	14-495-034-5120-014	7/1/13-6/30/14	120,856				108,917	120,856			(11,939)				120,856
Under Adequacy Aid	14-495-034-5120-096	7/1/13-6/30/14	500,000				450,608	500,000			(49,392)				500,000
Security Aid	13-495-034-5120-084	7/1/12-6/30/13	359,046	(35,506)			35,506								
Security Aid	14-495-034-5120-084	7/1/13-6/30/14	382,501				344,716	382,501			(37,785)				382,501
TPAF Post Retirement Medical Contribution	14-495-034-5095-001	7/1/13-6/30/14	1,584,626				1,584,626	1,584,626							1,584,626
TPAF Pension Contribution - Normal	14-495-034-5095-006	7/1/13-6/30/14	888,069				888,069	888,069							888,069
TPAF Pension Contribution - NCGI	14-495-034-5095-007	7/1/13-6/30/14	78,387				78,387	78,387							78,387
Reimbursed TPAF Social Security Contr.	13-495-034-5095-002	7/1/12-6/30/13	1,627,859	(80,755)			80,755								
Reimbursed TPAF Social Security Contr.	14-495-034-5095-002	7/1/13-6/30/14	1,754,453				1,754,453	1,754,453			-				1,754,453
Add'l Nonpublic School Transportation Costs	N/A	7/1/12-6/30/13	26,605	(26,605)			26,605								
Add'l Nonpublic School Transportation Costs	N/A	7/1/13-6/30/14	25,588	-	-	-	-	25,588	-	-	(25,588)	-	-	$ (25,588)	25,588
Total General Fund				(3,456,196)	-	-	31,887,490	31,702,354	-	-	(3,271,060)	-	-	(25,588)	31,702,354
Special Revenue Fund															
Character Education	06-495-034-5120-053	7/1/05-6/30/06	10,078		$ 561				$ 561						
Preschool Education Aid	13-495-034-5120-086	7/1/12-6/30/13	696,592	(69,659)			69,659								
Preschool Education Aid	14-495-034-5120-086	7/1/13-6/30/14	925,144				832,630	887,589			(92,514)	$ 37,555			887,589
School Based Youth Services (DYFS)	SB10056	7/1/09-6/30/10	270,478			$ 1,817			1,817						
School Based Youth Services (DYFS)	SB10056	7/1/12-6/30/13	275,278	(2,300)			2,300								
School Based Youth Services (DYFS)	SB10056	7/1/13-6/30/14	270,478				270,478	270,478							270,478
Anti-Bullying Bill of Rights Act	N/A	7/1/11-6/30/12	1,569		69				69						
Anti-Bullying Bill of Rights Act	N/A	7/1/13-6/30/14	362				362	362							362
N.J. Nonpublic Aid:															
Textbook Aid	14-100-034-5120-064	7/1/13-6/30/14	11,135				11,135	11,135							11,135
Nursing	14-100-034-5120-070	7/1/13-6/30/14	15,672				15,672	15,672							15,672
Technology	14-100-034-5120-373	7/1/13-6/30/14	4,060				4,060	4,060							4,060
Auxiliary Services:															
Compensatory Education	13-100-034-5120-067	7/1/12-6/30/13	61,870			$ 25,919				$ 25,919					
Compensatory Education	14-100-034-5120-067	7/1/13-6/30/14	39,033				39,033	39,033							39,033
English as a Second Language	14-100-034-5120-067	7/1/13-6/30/14	7,681				7,681	7,681							7,681
Transportation	14-100-034-5120-068	7/1/13-6/30/14	6,543				6,543	6,543							6,543
Handicapped Services															
Supplementary Instruction	13-100-034-5120-066	7/1/12-6/30/13	8,395	(69)			69								
Supplementary Instruction	14-100-034-5120-066	7/1/13-6/30/14	9,020				9,020	9,020							9,020
Examination and Classification	13-100-034-5120-066	7/1/12-6/30/13	16,879			3,504				3,504					
Examination and Classification	14-100-034-5120-066	7/1/13-6/30/14	20,377				20,377	16,078					$ 4,299		16,078
Corrective Speech	13-100-034-5120-066	7/1/12-6/30/13	16,405			4,687				4,687					
Corrective Speech	14-100-034-5120-066	7/1/13-6/30/14	14,062	-	-	-	14,062	13,137	-	-	-	-	925	-	13,137
Total Special Revenue Fund				(72,028)	630	35,927	1,303,081	1,280,788	2,447	34,110	(92,514)	37,555	5,224	-	1,280,788
Capital Projects Fund															
Middle School Window Replacement	0750-055-14-1001-G04	7/1/13-6/30/14	916,636	-	-	-	-	50,066	-	-	(916,636)	866,570	-	(916,636)	50,066
Debt Service Fund															
School Construction Debt Service Aid	14-495-034-5120-075	7/1/13-6/30/14	676,885	-	-	-	676,885	676,885	-	-	-	-	-	-	676,885
Enterprise Fund															
National School Lunch Prog (State Share)	13-100-010-3350-023	7/1/12-6/30/13	21,641	(1,808)			1,808					-	-		
National School Lunch Prog (State Share)	14-100-010-3350-023	7/1/13-6/30/14	20,195	-	-	-	18,609	20,195	-	-	(1,586)	-	-	(1,586)	20,195
Total Enterprise Fund				(1,808)	-	-	20,417	20,195	-	-	(1,586)	-	-	(1,586)	20,195
Total State Assistance				$ (3,530,032)	$ 630	$ 35,927	$ 33,887,873	33,730,288	$ 2,447	$ 34,110	$ (4,281,796)	$ 904,125	$ 5,224	$ (943,810)	$ 33,730,288
Less Amounts Not Subject to Single Audit:															
TPAF Post Retirement Medical Contribution	14-495-034-5095-001	7/1/13-6/30/14	1,584,626					1,584,626							
TPAF Pension Contribution - Normal	14-495-034-5095-006	7/1/13-6/30/14	888,069					888,069							
TPAF Pension Contribution - NCGI	14-495-034-5095-007	7/1/13-6/30/14	78,387					78,387							
Total State Assistance Subject to Single Audit								$ 31,179,206							

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, 2014

NOTE 1 GENERAL

The accompanying schedules present the activity of all federal and state financial assistance programs of the Carteret Board of Education. The Board of Education is defined in Note 1(A) to the Board's basic financial statements. All federal financial assistance received directly from federal agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are 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 bases of accounting are described in Notes 1(C) to the Board's basic financial statements. The information in these schedules is presented in accordance with requirements of U.S. OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations" and New Jersey OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Therefore, some amounts presented in these schedules may differ from the amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is a increase of $103,364 for the general fund and a increase of $65,659 for the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented as follows:

	Federal	State	Total
General Fund	$ 103,536	$ 31,805,718	$ 31,909,254
Special Revenue Fund	1,991,815	1,257,933	3,249,748
Capital Projects Fund		50,066	50,066
Debt Service Fund		676,885	676,885
Food Service Fund	1,271,651	20,195	1,291,846
Total Financial Assistance	$ 3,367,002	$ 33,810,797	$ 37,177,799

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5 OTHER INFORMATION

Revenues and expenditures reported under the National School Lunch Program as non-cash assistance represent current year value received and current year distributions, respectively of the Federal Food Distribution Program. TPAF Social Security contributions in the amount of $1,754,453 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, 2014. The amount reported as TPAF Pension System Contributions in the amount of $996,456 and TPAF Post-Retirement Medical Benefits Contributions in the amount of $1,584,626 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2014.

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

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

CARTERET BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Part I – Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued on financial statements: Unmodified

Internal control over financial reporting:

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

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

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

Federal Awards Section

Internal Control over compliance:

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

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

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

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

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluste
84.027	IDEA Basic Grant
84.173	IDEA Preschool
84.010A	NCLB - Title I

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

Auditee qualified as low-risk auditee? X yes ____ no

CARTERET BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Part I – Summary of Auditor's Results

State 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 weakness(es)? ____ yes ___X___ none reported

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

Any audit findings disclosed that are required to be reported in accordance with N.J. Circular Letter 04-04, as amended? ___X___ yes ____ no

Identification of major state programs:

GMIS Number(s)	Name of State Program
14-495-034-5120-089	Special Education Categorical Aid
14-495-034-5120-078	Equalization Aid
14-495-034-5120-084	Security Aid
14-495-034-5120-096	Under Adequacy Aid
14-495-034-5095-002	Reimbursed TPAF Social Security Contribution

Dollar threshold used to distinguish between Type A and Type B programs: $ 935,376

Auditee qualified as low-risk auditee? ___X___ yes ____ no

EXHIBIT K-6

CARTERET SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Part 2 – Schedule of Financial Statement Findings

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

There are none.

CARTERET BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

CURRENT YEAR FEDERAL AWARDS

There are none.

CARTERET BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

CURRENT YEAR STATE AWARDS

Finding 2014-001

Our audit of expenditures revealed several budget line item overexpenditures at year end as a result of accruing the salary increases for the fiscal years 2012/13 and 2013/14 for the Carteret Education Association Collective Negotiations Agreement approved July 2, 2014 by the Board of Trustees.

State program information:

Equalization Aid	495-034-5120-078
Special Education Aid	495-034-5120-089
Security Aid	495-034-5120-084
Under Adequacy Aid	495-034-5120-096

Criteria or specific requirement:

State Grant Compliance Supplement - Public

Condition:

Actual expenditures exceeded the final budget appropriation for several budgetary line items resulting in a deficit in the budgetary fund balance of the General Fund.

Questioned Costs:

Unknown.

Context:

Multiple budgetary line items were overexpended at June 30, 2014.

Effect:

The salary increases accrued caused numerous overexpenditures and fund balance deficit of $1,430,406 as of June 30, 2014. The agreement approved by the Board of Trustees on July 2, 2014 anticipates funding the deficit with savings to be generated as a result of changing from private medical and prescription insurance plans to the State Health Benefits Program effective September 1, 2014.

Cause:

See Finding.

CARTERET BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

CURRENT YEAR STATE AWARDS

Finding 2014-001 (Continued)

Recommendation:

The District ensure sufficient savings in health benefit costs in the 2014/15 fiscal year will eliminate the deficit in the General Fund as of June 30, 2014.

Management's Response:

Due to the timing difference between when the salary increases were accrued (2013/14) versus when the offsetting savings to fund the increase in salaries (2014/15) a deficit was incurred as of June 30, 2014. This deficit will be eliminated by June 30, 2015.

CARTERET BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

STATUS OF PRIOR YEAR FINDINGS

Finding 2013-001:

Our audit revealed certain capital asset additions, were not reflected in the District's capital assets report. Additionally, capital asset additions in the Food Service Fund were not capitalized.

Status

Corrective action has been taken.