

**NEW ISSUE**  
**SERIAL BONDS**

**RATING: See “RATING” herein**

*In the opinion of DeCotiis, FitzPatrick, Cole & Giblin, LLP, Bond Counsel, assuming continuing compliance by the Board (as defined herein) with certain covenants described herein, under current law, interest on the Bonds (as defined herein) is not includable in gross income for federal income tax purposes and is not an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (“Code”), for purposes of computing the federal alternative minimum tax. No opinion is expressed regarding other federal tax consequences arising with respect to the Bonds. Further, in the opinion of Bond Counsel, under current law, interest on the Bonds and any gain on the sale thereof are not includable as gross income under the New Jersey Gross Income Tax Act. See “TAX MATTERS” herein.*

**\$36,999,995**  
**BOARD OF EDUCATION OF THE BOROUGH OF CARTERET**  
**IN THE COUNTY OF MIDDLESEX, NEW JERSEY**  
**SCHOOL BONDS, SERIES 2020**  
**(Book-Entry-Only) (Callable)**

**Dated:** Date of Delivery

**Due:** February 1, as shown on the inside front cover page

The \$36,999,995 School Bonds, Series 2020 (the “Bonds”) of the Board of Education of the Borough of Carteret in the County of Middlesex, New Jersey (the “Board” when referring to the governing body and legal entity and the “School District” when referring to the territorial boundaries governed by the Board) will be issued in the form of one certificate for the aggregate principal amount of the Bonds maturing in each year and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository. See “BOOK-ENTRY-ONLY SYSTEM” herein.

Interest on the Bonds will be payable semiannually on February 1 and August 1 in each year until maturity or earlier redemption, as applicable, commencing on February 1, 2021. Principal of and interest on the Bonds will be paid to DTC by the Board or its designated paying agent. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding January 15 and July 15 (the “Record Dates”) for the payment of interest on the Bonds).

The Bonds are subject to optional redemption prior to their stated maturities as described herein. See “DESCRIPTION OF THE BONDS – Redemption”) herein.

The Bonds are valid and legally binding obligations of the Board and, unless paid from other sources, are payable from *ad valorem* taxes levied upon all the taxable real property within the School District for the payment of the Bonds and the interest thereon without limitation as to rate or amount.

**This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement, including all appendices, to obtain information essential to making an informed investment decision.**

*The Bonds are offered when, as and if issued and delivered to the Underwriter (as defined herein), subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of legality by the law firm of DeCotiis, FitzPatrick Cole & Giblin, LLP, Paramus, New Jersey and certain other conditions described herein. Acacia Financial Group, Inc., Mount Laurel, New Jersey has served as municipal advisor to the Board in connection with the issuance of the Bonds. Certain legal matters will be passed upon for the Board by the Board Attorney, DeCotiis, FitzPatrick Cole & Giblin, LLP, Paramus, New Jersey. Delivery is anticipated to be via DTC in New York, New York on or about June 2, 2020.*

**ELECTRONIC SUBMISSIONS FOR THE BONDS WILL BE RECEIVED VIA PARITY AT 11:00 A.M. ON MAY 20, 2020. FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY, VIEW THE NOTICE OF SALE POSTED AT WWW.MUNIHUB.COM.**

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIPS\***

<b><u>Maturity</u></b> <b><u>(February 1)</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Interest</u></b> <b><u>Rate</u></b>	<b><u>Yield</u></b>	<b><u>CUSIP*</u></b>
2022	\$ 904,995			
2023	900,000			
2024	900,000			
2025	900,000			
2026	905,000			
2027	925,000			
2028	950,000			
2029	970,000			
2030	1,000,000			
2031	1,030,000			
2032	1,065,000			
2033	1,095,000			
2034	1,135,000			
2035	1,170,000			
2036	1,215,000			
2037	1,255,000			
2038	1,300,000			
2039	1,345,000			
2040	1,395,000			
2041	1,440,000			
2042	1,490,000			
2043	1,545,000			
2044	1,600,000			
2045	1,655,000			
2046	1,720,000			
2047	1,790,000			
2048	1,800,000			
2049	1,800,000			
2050	1,800,000			

*\* CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein are provided by S&P Capital IQ's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the Board does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.*

**THE BOARD OF EDUCATION OF THE BOROUGH OF CARTERET  
IN THE COUNTY OF MIDDLESEX, NEW JERSEY**

**MEMBERS OF THE BOARD**

Martin Murray, President  
James Hart, Vice President  
Jean Bellino  
Dennis Cherepski  
Joseph Gasparro  
Patricia Golino  
Jasbir Judge  
Debbie Weaver  
Taqualla Loman

**SUPERINTENDENT OF SCHOOLS**

Rosa Diaz

**BUSINESS ADMINISTRATOR/BOARD SECRETARY**

Hector Berrios

**AUDITOR**

Lerch, Vinci & Higgins,, LLP  
Fair Lawn, New Jersey

**BOARD ATTORNEY**

DeCotiis, FitzPatrick, Cole & Giblin, LLP  
Paramus, New Jersey

**BOND COUNSEL**

DeCotiis, FitzPatrick, Cole & Giblin, LLP  
Paramus, New Jersey

**MUNICIPAL ADVISOR**

Acacia Financial Group, Inc.  
Mount Laurel, New Jersey

No broker, dealer, salesperson or other person has been authorized by the Board to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Board. The information contained herein has been obtained from the Board, DTC and other sources which are believed to be reliable; however, such information is not guaranteed as to accuracy or completeness and is not to be construed as a representation or warranty of the Board. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information herein since the date hereof, or the date as of which such information is given, if earlier.

References in this Official Statement to laws, rules, regulations, ordinances, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein, and copies of which may be inspected at the offices of the Board during normal business hours.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale. This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used in whole or in part for any other purpose.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The order and placement of the materials in this Official Statement, including Appendices, are not to be deemed to be a determination of relevance, materiality or importance, and this Official Statement, including Appendices, must be considered in its entirety.

The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

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**OFFICIAL STATEMENT  
OF  
BOARD OF EDUCATION OF THE BOROUGH OF CARTERET  
IN THE COUNTY OF MIDDLESEX, NEW JERSEY**

**\$36,999,995  
SCHOOL BONDS, SERIES 2020  
(Book-Entry-Only) (Callable)**

**INTRODUCTION**

This Official Statement, which includes the front cover page, the inside front cover page and the appendices attached hereto, has been prepared by the Board of Education of the Borough of Carteret in the County of Middlesex, New Jersey (the “Board” when referring to the governing body and legal entity and the “School District” when referring to the territorial boundaries governed by the Board) in connection with the sale and issuance of its \$36,999,995 School Bonds, Series 2020 (the “Bonds”). This Official Statement has been executed by and on behalf of the Board by the Business Administrator/Board Secretary, and its distribution and use in connection with the sale of the Bonds have been authorized by the Board.

This Official Statement contains specific information relating to the Bonds including their general description, certain matters affecting the financing, certain legal matters, historical financial information and other information pertinent to this issue. This Official Statement should be read in its entirety.

All financial and other information presented herein has been provided by the Board from its records, except for information expressly attributed to other sources. The presentation of information is intended to show recent historic information and, but only to the extent specifically provided herein, certain projections into the immediate future and is not necessarily indicative of future or continuing trends in the financial position of the Board.

**DESCRIPTION OF THE BONDS**

The following is a summary of certain provisions of the Bonds. Reference is made to the Bonds themselves for the complete text thereof, and the discussion herein is qualified in its entirety by such reference.

**Terms and Interest Payment Dates**

The Bonds shall be dated the date of delivery and shall mature on February 1 in each of the years and in the amounts set forth on the inside front cover page hereof. The Bonds shall bear interest from the date of delivery, which interest shall be payable semi-annually on February 1 and August 1, commencing on February 1, 2021 (each an “Interest Payment Date”), in each of the years and at the interest rates set forth on the inside front cover page hereof until maturity, or earlier redemption, by the Board or a duly appointed paying agent to the registered owners of the Bonds as of each January 15 and July 15 immediately preceding the respective Interest Payment Dates (the “Record Dates”). Interest on the Bonds shall be calculated on the basis of a 360-day year of twelve 30-day calendar months. So long as The Depository Trust Company, New York, New York (“DTC”), or its nominee, Cede & Co. (or any successor or assign), is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Board or a designated paying agent directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to DTC participants, which will in turn remit such payments to the beneficial owners of the Bonds. *See* “BOOK-ENTRY-ONLY SYSTEM” herein.

The Bonds will be issued in fully registered book-entry-only form, without certificates. One certificate shall be issued for the aggregate principal amount of Bonds maturing in each year and, when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Bonds. The certificates will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its participants and transfers of the interests among its participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the Bonds on behalf of the individual purchasers. Individual purchases may be made in the principal amount of \$5,000 or any multiple of \$1,000 in excess thereof with a minimum purchase of \$5,000 required through book-entries made on the books and the records of DTC and its participants; excepting there will be an odd denomination in the amount of \$1,995 for the Bonds maturing February 1, 2022. Individual purchasers of the Bonds will not receive certificates representing their beneficial ownership interests in the Bonds, but each book-entry owner will receive a credit balance on the books of its nominee, and this credit balance will be confirmed by an initial transaction statement stating the details of the Bonds purchased. *See* “BOOK-ENTRY-ONLY SYSTEM” herein.

## **Redemption**

The Bonds maturing prior to February 1, 2029 are not subject to redemption prior to maturity. The Bonds maturing on or after February 1, 2029 shall be subject to redemption at the option of the Board, in whole or in part, on any date on or after February 1, 2028 at a redemption price equal to 100% of the Bonds to be redeemed (the “Redemption Price”), plus unpaid accrued interest to the date fixed for redemption.

Notice of redemption shall be given by mailing by first class mail in a sealed envelope with postage prepaid to the registered owners of the Bonds not less than thirty (30) days, nor more than sixty (60) days prior to the date fixed for redemption. Such mailing shall be to the Owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Board or a duly appointed bond registrar. So long as DTC (or any successor thereto) acts as securities depository for the Bonds, such notice of redemption shall be sent directly to such depository and not to the Beneficial Owners of the Bonds. Any failure of the depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any notice of redemption shall not affect the validity of the redemption proceedings. If the Board determines to redeem a portion of the Bonds prior to maturity, the Bonds to be redeemed shall be selected by the Board; the Bonds to be redeemed having the same maturity shall be selected by the securities depository in accordance with its regulations.

If notice of redemption has been given as provided herein, the Bonds or the portion thereof called for redemption shall be due and payable on the date fixed for redemption at the Redemption Price, together with accrued interest to the date fixed for redemption. Interest shall cease to accrue on and after such redemption date.

## **Security for the Bonds**

The Bonds are valid and legally binding general obligations of the Board, and the Board has irrevocably pledged its full faith and credit for the payment of the principal of and interest on the Bonds. Unless paid from other sources, the principal of and interest on the Bonds are payable from *ad valorem* taxes levied upon all the taxable real property within the School District without limitation as to rate or amount except to the extent that enforcement of such payment may be limited by bankruptcy, insolvency or other similar laws on equitable principles effecting the enforcement of creditors’ rights generally. The Bonds are additionally secured by the New Jersey School Bond Reserve Act (N.J.S.A. 18A:56-17 et seq.)

## **New Jersey School Bond Reserve Act (N.J.S.A. 18A:56-17 et seq.)**

All school bonds are secured by the School Bond Reserve (the “School Bond Reserve”) established in the Fund for the Support of Free Public Schools of the State of New Jersey (the “Fund”) in accordance with the New Jersey School Bond Reserve Act, N.J.S.A. 18A:56-17 et seq. (P.L. 1980, c. 72, approved July 16, 1980, as amended by P.L. 2003, c. 118, approved July 1, 2003 (the “Act”)). Amendments to the Act provide that the Fund will be divided into two (2) School Bond Reserve accounts. All bonds issued prior to July 1, 2003 shall be benefited by a School Bond Reserve account funded in an amount equal to 1-1/2% of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes issued prior to July 1, 2003 (the “Old School Bond Reserve Account”) and all bonds, including the Bonds, issued on or after July 1, 2003 shall be benefited by a School Bond Reserve account equal to 1% of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes issued on or after July 1, 2003 (the “New School Bond Reserve Account”), provided such amounts do not exceed the moneys available in the Fund. If a municipality, county or school district is unable to make payment of principal of or interest on any of its bonds issued for school purposes, the trustees of the Fund will purchase such bonds at par value and will pay to the bondholders the interest due or to become due within the limits of funds available in the applicable School Bond Reserve account in accordance with the provisions of the Act.

The Act provides that the School Bond Reserve shall be composed entirely of direct obligations of the United States government or obligations guaranteed by the full faith and credit of the United States government. Securities representing at least one-third of the minimal market value to be held in the School Bond Reserve shall be due to mature within one year of issuance or purchase. Beginning with the fiscal year ending on June 30, 2003 and continuing on each June 30 thereafter, the State Treasurer shall calculate the amount necessary to fully fund the Old School Bond Reserve Account and the New School Bond Reserve Account as required pursuant to the Act. To the extent moneys are insufficient to maintain each account in the School Bond Reserve at the required levels, the State of New Jersey (the “State”) agrees that the State Treasurer shall, no later than September 15 of the fiscal year following the June 30 calculation date, pay to the trustees for deposit in the School Bond Reserve such amounts as may be necessary to maintain the Old School Bond Reserve Account and the New School Bond Reserve Account at the levels required by the Act. No moneys may be borrowed from the Fund to provide liquidity to the State unless the Old School Bond Reserve Account and the New School Bond Reserve Account each are at the levels certified as full funding on the most recent June 30 calculation date. The amount of the School Bond Reserve in each account is pledged as security for the prompt payment to holders of bonds benefited by such account of the principal of and the interest on such bonds in the event of the inability of the issuer to make such payments. In the event the amounts in either the Old School Bond Reserve Account or the New School Bond Reserve Account fall below the amount required to make payments on bonds, the amounts in both accounts are available to make payments for bonds secured by the School Bond Reserve.

The Act further provides that the amount of any payment of interest or purchase price of school bonds paid pursuant to the Act shall be deducted from the appropriation or apportionment of State aid, other than certain State aid which may be otherwise restricted pursuant to law, payable to the school district, county or municipality and shall not obligate the State to make, nor entitle the school district, county or municipality to receive, any additional appropriation or apportionment. Any amount so deducted shall be applied by the State Treasurer to satisfy the obligation of the school district, county or municipality arising as a result of the payment of interest or purchase price of bonds pursuant to the Act.



## **AUTHORIZATION AND PURPOSE**

The Bonds have been authorized and are being issued pursuant to Title 18A, Chapter 24 of the New Jersey Statutes (N.J.S.A. 18A:24-1 et seq.), a bond proposal authorizing the issuance of \$36,999,995 in school bonds adopted by the Board on June 19, 2019 and approved by a majority of the legally qualified voters present and voting at the School District special election held on September 24, 2019 and by a resolution duly adopted by the Board at a meeting held on April 29, 2020 (the “Resolution”) authorizing the sale and issuance of the Bonds.

The purpose of the Bonds is to (i) construct a new junior high school for grades 7 and 8; (ii) make all necessary onsite improvements and purchase the necessary equipment, furniture, apparatus and fixtures associated with the new junior high school; and (iii) undertake various interior renovations and capital improvements to Columbus Elementary School, Minue Elementary School, Nathan Hale Elementary School, Carteret Middle School and Carteret High School consisting of, as applicable, renovations to bathrooms, stair towers/handrails and the high school auditorium, and replacement of HVAC in the gym/auditorium at Minue Elementary School and Carteret Middle School, including all fixtures, furnishings, equipment and related work (the “Project”); and (iv) pay the costs and expenses of issuing the Bonds.

## **BOOK-ENTRY-ONLY SYSTEM<sup>1</sup>**

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interest in the Bonds, payment of principal and interest and other payments on the Bonds to Direct and Indirect Participants (each as defined below) or Beneficial Owners (defined below), confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, Direct Participants and Beneficial Owners, is based on certain information furnished by DTC to the Board. Accordingly, the Board does not make any representations as to the completeness or accuracy of such information.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the

<sup>1</sup> Source: The Depository Trust Company.

DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks and trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has an S&P Global Ratings, acting through Standard & Poor’s Financial Services LLC, rating of AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Board as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in “street name”, and will be the responsibility of such Participant and not of DTC, the paying agent, if any, or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board or the paying agent, if any, disbursement of such

payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Board or the paying agent, if any. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Board may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the Board believes to be reliable, but neither the Board nor the Underwriter takes any responsibility for the accuracy thereof.

THE BOARD WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS OR THE INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE BONDS (OTHER THAN UNDER THE CAPTION "TAX MATTERS") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

#### **Discontinuance of Book-Entry-Only System**

If the Board, in its sole discretion, determines that DTC is not capable of discharging its duties, or if DTC discontinues providing its services with respect to the Bonds at any time, the Board will attempt to locate another qualified securities depository. If the Board fails to find such a securities depository, or if the Board determines, in its sole discretion, that it is in the best interest of the Board or that the interest of the Beneficial Owners might be adversely affected if the book-entry-only system of transfer is continued (the Board undertakes no obligation to make an investigation to determine the occurrence of any events that would permit it to make such determination), the Board shall notify DTC of the termination of the book-entry-only system.

### **THE SCHOOL DISTRICT AND THE BOARD**

The School District is a Type II school district and provides a full range of educational services appropriate to Pre-Kindergarten (Pre-K) through grade twelve (12). The School District is coterminous with the boundaries of the Borough of Carteret (the "Borough"), in Middlesex County (the "County").

The Board is a nine (9) member board with members elected for staggered three (3) year terms. Pursuant to State statute, the Board appoints a Superintendent of Schools and Business Administrator/Board Secretary. See "APPENDIX A" for more information on the School District.

## **THE STATE’S ROLE IN PUBLIC EDUCATION**

The Constitution of the State provides that the legislature of the State shall provide for the maintenance and support of a thorough and efficient system of free public schools for the instruction of all children in the State between the ages of 5 and 18 years. Case law has expanded the responsibility to include children between the ages of 3 and 21.

The responsibilities of the State with respect to the general supervision and control of public education have been delegated to the New Jersey Department of Education (the “Department”), which is a part of the executive branch of the State government and was created by the State Legislature. The Department is governed and guided by the policies set forth by the New Jersey Board of Education (the “State Board”). The State Board is responsible for the general supervision and control of public education and is obligated to formulate plans and to make recommendations for the unified, continuous and efficient development of public education of all people of all ages within the State. To fulfill these responsibilities, the State Board has the power, inter alia, to adopt rules and regulations that have the effect of law and that are binding upon school districts.

The Commissioner of Education (the “Commissioner”) is the chief executive and administrative officer of the Department. The Commissioner is appointed by the Governor of the State with the advice and consent of the State Senate and serves at the pleasure of the Governor during the Governor’s term of office. The Commissioner is Secretary and Chief Executive Officer of the State Board and is responsible for the supervision of all school districts in the State and is obligated to enforce the rules and regulations of the State Board. The Commissioner has the authority to recommend the withholding of State financial aid, and the Commissioner’s consent is required for authorization to sell school bonds that exceed the debt limit of the municipality in which the school district is located and may also set the amount to be raised by taxation for a board of education if a school budget has not been adopted by a board of school estimate or by the voters.

An Executive County Superintendent of Schools (the “County Superintendent”) is appointed for each county in the State by the Governor, upon the recommendation of the Commissioner and with the advice and consent of the State Senate. The County Superintendent reports to the Commissioner or a person designated by the Commissioner. The County Superintendent is responsible for the supervision of the school districts within the county and is charged with the enforcement of rules pertaining to the certification of teachers, pupil registers and financial reports and the review of budgets. Under the Uniform Shared Services and Consolidation Act, P.L. 2007, c. 63, approved April 3, 2007 (A4), the role of the County Superintendent was changed to create the post of the Executive County Superintendent with expanded powers for the operation and management of school districts to, among other things, promote administrative and operational efficiencies, eliminate non-operating school districts and recommend a school district consolidation plan to eliminate school districts through the establishment or enlargement of regional school districts, subject to voter approval.

## **STRUCTURE OF SCHOOL DISTRICTS IN NEW JERSEY**

### **Categories of School Districts**

State school districts are characterized by the manner in which the board of education or the governing body takes office. School districts are principally categorized in the following categories:

(1) Type I, in which the mayor or chief executive officer (“CEO”) of a municipality appoints the members of a board of education and a board of school estimate, which board of school estimate consists of two (2) members of the board of education, two (2) members of the governing body of the municipality and the mayor or CEO of the municipality comprising the school district, approves fiscal matters;

(2) Type II, in which the registered voters in a school district elect the members of a board of education and either (a) the registered voters may also vote upon fiscal matters, or (b) a board of school estimate, consisting of two (2) members of the governing body of and the CEO of each municipality within the school district and the president of and one member of the board of education, approves all fiscal matters;

(3) Regional and consolidated school districts comprising the territorial boundaries of more than one municipality in which the registered voters in the school district elect members of the board of education and may vote upon fiscal matters. Regional school districts may be “All Purpose Regional School Districts” or “Limited Purpose Regional School Districts”;

(4) State operated school districts created by the State Board, pursuant to State law, when a local board of education cannot or will not correct severe educational deficiencies;

(5) County vocational school districts have boards of education consisting of the County Superintendent and four (4) members unless it is a county of the first class, which adopted an ordinance, in which case it can have a board consisting of seven (7) appointed members which the board of chosen freeholders of the county appoints. Such vocational school districts shall also have a board of school estimate, consisting of two (2) members appointed by the board of education of the school district, two (2) members appointed by the board of chosen freeholders and a fifth member being the county executive or the director of the board of chosen freeholders of the county, which approves fiscal matters; and

(6) County special services school districts have boards of education consisting of the County Superintendent and six (6) persons appointed by the board of chosen freeholders of the county. Such special services school districts shall also have a board of school estimate, consisting of two (2) members appointed by the board of education of the school district, two (2) members appointed by the board of chosen freeholders and a fifth member being the freeholder-director of the board of chosen freeholders, which approves all fiscal matters.

There is a procedure whereby a Type I school district or a Type II school district may change from one type to the other after an approving public referendum. Such a public referendum must be held whenever directed by the municipal governing body or board of education in a Type I school district, or the board of education in a Type II school district, or when petitioned for by fifteen percent (15%) of the voters of any school district. The School District is a Type II school district in which legally registered qualified voters vote on fiscal matters.

Under the Uniform Services and Consolidation Act, the Executive County Superintendent is required to eliminate non-operating school districts and to recommend consolidation to eliminate school districts through the establishment or enlargement of regional school districts, subject to voter approval.

#### **School Budgetary Process (N.J.S.A. 18A:22-1 et seq.)**

In a Type I school district, a separate body from the school district, known as the board of school estimate, examines the budget requests and fixes the appropriation amounts for the next year’s operating budget at or after a public hearing. This board, whose composition is fixed by statute, certifies the budget to the municipal governing body or board of education. If the board of education disagrees with the certified budget of the board of school estimate, then it can appeal to the Commissioner to request changes.

In a Type II school district, the elected board of education develops the budget proposal and, at or after a public hearing, submits it for voter approval unless the board has moved its annual election to November as discussed below. Debt service provisions are not subject to public referendum. If

approved, the budget goes into effect. If defeated, the governing body of the constituent municipality must develop the school budget by May 19 of each year. Should the governing body be unable to do so, the Commissioner establishes the local school budget.

The Budget Election Law (P.L. 2011, c. 202, effective January 17, 2012) established procedures that allow the date of the annual school election of a Type II school district, without a board of school estimate, to be moved from April to the first Tuesday after the first Monday in November, to be held simultaneously with the general election. Such change in the annual school election date must be authorized by resolution of either the board of education or the governing body of the municipality, or by an affirmative vote of a majority of the voters whenever a petition, signed by at least 15% of the legally qualified voters, is filed with the board of education. Once the annual school election is moved to November, such election may not be changed back to an April annual school election for four (4) years.

School districts that opt to move the annual school election to November are no longer required to submit the budget to the voters for approval if the budget is at or below the 2% property tax levy cap as provided for by the 2% Tax Levy Cap Law. For school districts that opt to change the annual school election date to November, proposals to spend above the 2% property tax levy cap would be presented to voters at the annual school election in November.

The Board conducts its annual elections in November.

### **Spending Growth Limitation**

CEIFA (as hereinafter defined) places limits on the amount school districts can increase their annual current expenses and capital outlay budgets, and such limits are known as a school district's spending growth limitation amount (the "Spending Growth Limitation"). See "SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT" herein.

## **SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT**

### **Levy and Collection of Taxes**

School districts in the State do not levy or collect taxes to pay those budgeted amounts that are not provided by the State. The municipality within which a school district is situated levies or collects the required taxes and must remit them in full to the school district.

### **Budgets and Appropriations**

School districts in the State must operate on an annual cash basis budget. Each school district must adopt an annual budget in such detail and upon forms as prescribed by the Commissioner, to which must be attached an itemized statement showing revenues, including State and federal aid, and expenditures. The Commissioner must approve a budget prior to its final adoption and has the power to increase or decrease individual line items in a budget. Any amendments to a school district's budget must be approved by the board of education or the board of school estimate, as the case may be. Every budget submitted must provide no less than the minimum permissible amount deemed necessary under State law to provide for a thorough and efficient education as mandated by the State constitution. The Commissioner may not approve any budget unless the Commissioner is satisfied that the school district has adequately implemented within the budget the Core Curriculum Content Standards required by State law. If necessary, the Commissioner is authorized to order changes in the local school district's budget. The Commissioner will also ensure that other provisions of law are met including the limitations on taxes and spending explained below.

## **Tax and Spending Limitations**

The Public School Education Act of 1975, N.J.S.A. 18A:7A-1 et seq., P.L. 1975, c. 212 (as amended and partially repealed), first limited the amount of funds that could be raised by a local school district. It limited the annual increase of any school district's net current expense budget. The budgetary limitation was known as a "CAP" on expenditures. The "CAP" was intended to control the growth in local property taxes. Subsequently there have been numerous legislative changes as to how the spending limitations would be applied.

The Quality Education Act of 1990, N.J.S.A. 18A:7D-1 et seq., P.L. 1990, c. 52 ("QEA") (now repealed), also limited the annual increase in the school district's current expense and capital outlay budgets by a statutory formula linked to the annual percentage increase in per capita income. The QEA was amended and revised by Chapter 62 of the Laws of New Jersey of 1991, and further amended by Chapter 7 of the Laws of New Jersey of 1993.

The Comprehensive Educational Improvement and Financing Act of 1996, N.J.S.A. 18A:7F-1 et seq., P.L. 1996, c. 138 ("CEIFA") (as amended by P.L. 2004, c.73, effective July 1, 2004), which followed QEA, also limited the annual increase in a school district's net budget by a spending growth limitation. CEIFA limited the amount school districts could increase their annual current expenses and capital outlay budgets, defined as a school district's "Spending Growth Limitation". Generally, budgets could increase by either a set percent or the consumer price index, whichever was greater. Amendments to CEIFA lowered the budget cap to 2.5% from 3%. Budgets could also increase because of certain adjustments for enrollment increases, certain capital outlay expenditures, pupil transportation costs, and special education costs that exceeded \$40,000 per pupil. Waivers were available from the Commissioner based on increasing enrollments and other fairly narrow grounds and increases higher than the cap could be approved by a vote of 60% at the annual school election.

P.L. 2007, c. 62, effective April 3, 2007 (Assembly Bill A1), provided additional limitations on school district spending by limiting the amount a school district could raise for school district purposes through the property tax levy by 4% over the prior budget year's tax levy. P.L. 2007, c. 62 provided for adjustments to the cap for increases in enrollment, reductions in State aid and increased health care costs and for certain other extraordinary cost increases that required approval by the Commissioner. The bill granted discretion to the Commissioner to grant other waivers from the cap for increases in special education costs, capital outlay, and tuition charges. The Commissioner also had the ability to grant extraordinary waivers to the tax levy cap for certain other cost increases beginning in fiscal year 2009 through 2012.

P.L. 2007, c. 62 was deemed to supersede the prior limitations on the amount school districts could increase their annual current expenses and capital outlay budgets created by CEIFA (as amended by P.L. 2004, c.73, effective July 1, 2004). However, Chapter 62 was in effect only through fiscal year 2012. Without an extension of Chapter 62 by the legislature, the Spending Growth Limitations on the general fund and capital outlay budget would be in effect.

Debt service was not limited either by the Spending Growth Limitations or the 4% cap on the tax levy increase imposed by Chapter 62.

The previous legislation was amended by P.L. 2010, c. 44, approved July 13, 2010 and became applicable to the next local budget year following enactment. This law limits the school district tax levy for the general fund budget to increases of 2% over the prior budget year with exceptions only for enrollment increases, increases for certain normal and accrued liability for pension contributions in excess of 2%, certain healthcare increases, and amounts approved by a simple majority of voters voting at a special election (the "Tax Levy Cap Law"). Additionally, also becoming effective in the 2011-2012 fiscal year, a school district that has not been granted approval to exceed the tax levy CAP by a separate proposal can bank the unused tax levy for use in any of the next three (3) succeeding budget years. A

school district can request a use of “banked CAP” only after it has fully exhausted all eligible statute spending authority in the budget year. The process for obtaining waivers from the Commissioner for additional increases over the tax levy cap or Spending Growth Limitations was eliminated under Chapter 44. Notwithstanding the foregoing, under P.L. 2018, c. 67, approved July 24, 2018, which increases State school aid to underfunded school districts and decreases state school aid to over funded school districts, during the 2018-2019 through 2024-2025 fiscal years, SDA Districts, which are certain urban school districts formerly referred to as Abbott Districts referred to herein under “SUMMARY OF STATE AID TO SCHOOL DISTRICTS”, are permitted increases in the tax levy over the 2% limit to raise a general fund tax levy to an amount that does not exceed its local share of the adequacy budget.

The restrictions are solely on the tax levy for the general fund and are not applicable to the debt service fund. There are no restrictions on a local school district’s ability to raise funds for debt service, and nothing would limit the obligation of a school district to levy *ad valorem* taxes upon all taxable real property within the school district to pay debt service on its bonds or notes with one exception. School districts are subject to GAAP accounting, and under GAAP interest on obligations maturing within one year must be treated as operating expenses. Accordingly, under the Department of Education’s Chart of Accounts, interest on notes is raised in the General Fund of a school district and therefore is counted within its 2% tax levy cap on spending.

### **Issuance of Debt**

Among the provisions for the issuance of school debt are the following requirements: (i) bonds must mature in serial installments within the statutory period of usefulness of the projects being financed but not exceeding forty (40) years; (ii) bonds shall be issued pursuant to an ordinance adopted by the governing body of the municipality comprised within the school district for a Type I school district; (iii) for Type II school districts (without boards of school estimate), bonds shall be issued by board of education resolution approving the bond proposal and by approval of the majority of the legally qualified voters of the school district; (iv) debt must be authorized by a resolution of a board of education (and approved by a board of school estimate in a Type I school district); and (v) there must be filed with the State by each municipality comprising a school district a supplemental debt statement and a school debt statement setting forth the amount of bonds and notes authorized but unissued and outstanding for such school district.

When a school district changes from a type I to a type II school district and obligations have been authorized and remain unissued by the municipality pursuant to ordinances adopted by the municipality to authorize and issue school debt, the new type II district assumes the obligation of any outstanding notes issued for such purposes and is authorized to issue notes or bonds without further voter approval to fund such purposes or pay off or permanently finance the notes pursuant to N.J.S.A. 18A:24-63. The Board does not assume the obligation of outstanding school bonds issued by the municipality, but the debt would count towards the school district borrowing margin.

### **Annual Audit (N.J.S.A. 18A:23-1 et seq.)**

Every board of education is required to provide an annual audit of the school district’s accounts and financial transactions. Beginning with the fiscal year ended June 30, 2010, a licensed public school accountant must complete the annual audit no later than five (5) months after the end of the fiscal year. P.L. 2010, c. 49 amended N.J.S.A. 18A:23-1 to provide an additional month for the completion of a school district’s audit. Previously the audit was required to be completed within four (4) months. The audit, in conformity with statutory requirements, must be filed with the board of education and the Commissioner. Additionally, the audit must be summarized and discussed at a regular public meeting of the local board of education within thirty (30) days following receipt of the annual audit by such board of education.



## **Temporary Financing (N.J.S.A. 18A:24-3)**

Temporary notes may be issued in anticipation of the issuance of permanent bonds for a capital improvement or capital project. Such temporary notes may not exceed in the aggregate the amount of bonds authorized for such improvement or project. A school district's temporary notes may be issued for one (1) year periods, with the final maturity not exceeding five (5) years from the date of original issuance; provided, however, that no such notes shall be renewed beyond the third and fourth anniversary date of the original notes unless an amount of such notes, at least equal to the first legally payable installment of the bonds in anticipation of which said notes are issued, is paid and retired subsequent to such third anniversary date from funds other than the proceeds of obligations.

## **Refunding Bonds**

Notwithstanding limitations regarding the issuance of debt, including debt limits and voter referendums, school districts may authorize and issue refunding bonds for the purpose of paying any refunded bonds, together with the costs of issuing the refunding bonds.

## **Debt Limitation (N.J.S.A. 18A:24-19)**

Except as provided below, no additional debt shall be authorized if the principal amount, when added to the net debt previously authorized, exceeds a statutory percentage of the average equalized valuation of taxable property in a school district. As a Pre-Kindergarten (PreK) through grade twelve (12) school district, the Board can borrow up to 4% of the average equalized valuation of taxable property in the School District. The Board has not exceeded its 4% debt limit. *See* "APPENDIX A – Debt Limit of the Board."

## **Exceptions to Debt Limitation**

A Type II school district (other than a regional school district) may also utilize its constituent municipality's remaining statutory borrowing power (i.e., the excess of 3.5% of the average equalized valuation of taxable property within the constituent municipality over the constituent municipality's net debt). The School District has not utilized the borrowing margin of the Borough. A school district may also authorize debt in excess of this limit with the consent of the Commissioner and the Local Finance Board (as hereinafter defined).

## **Capital Lease Financing**

School districts are permitted to enter into lease purchase agreements for the acquisition of equipment or for the improvement of school buildings. Generally, lease purchase financings must mature within five (5) years except for certain lease purchase financings of energy savings equipment and other energy conservation measures, which may mature within fifteen (15) years and in certain cases twenty (20) years from the date the project is placed in service, if paid from energy savings (*see* "Energy Savings Obligations" below). Facilities lease purchase agreements, which may only be financed for a term of five (5) years or less, must be approved by the Commissioner. The Educational Facilities Construction and Financing Act, P.L. 2000, c. 72, effective July 18, 2000, as amended ("EFCFA"), repealed the authorization to enter into facilities leases for a term in excess of five (5) years. The payment of rent is treated as a current expense and within the school district's Spending Growth Limitation and tax levy cap, and the payment of rent on an ordinary equipment lease and on a five (5) year and under facilities lease is subject to annual appropriation. Lease purchase payments on leases in excess of five (5) years entered into under prior law (CEIFA) are treated as debt service payments and, therefore, will receive debt service aid if the school district is entitled and are outside the school district's Spending Growth Limitation and tax levy cap.

## **Energy Saving Obligations**

Under N.J.S.A. 18A:18A-4.6 (P.L. 2009, c. 4, effective March 23, 2009, as amended by P.L. 2012, c. 55, effective September 19, 2013), the Energy Savings Improvement Program Law or the “ESIP Law,” school districts may issue energy savings obligations as refunding bonds without voter approval or lease purchase agreements to fund certain improvements that result in reduced energy use, facilities for production of renewable energy or water conservation improvements, provided that the value of the savings will cover the cost of the measures. The lease purchase financings for such measures must mature within 15 years, or in certain instances 20 years, from the date the projects are placed in service. These energy savings refunding bonds or leases are payable from the general fund. Such payments are within the school district’s Spending Growth Limitation and tax levy cap but are not necessarily subject to annual appropriation.

## **Promissory Notes for Cash Flow Purposes**

N.J.S.A. 18A:22-44.1 permits school districts to issue promissory notes in an amount not exceeding ½ the amount appropriated for current general fund expenses. These promissory notes are not considered debt and are used for cash flow purposes including funding in anticipation of the receipt of taxes, other revenues or grants.

## **Investment of School Funds**

Investment of funds by New Jersey school districts is governed by State statute. Pursuant to N.J.S.A. 18A:20-37, school districts are limited to purchasing the following securities: (1) direct obligations of, or obligations guaranteed by, the United States of America (“Government Obligations”); (2) U.S. Government money market mutual funds; (3) obligations of Federal Government agencies or instrumentalities having a maturity of 397 days or less, provided such obligations bear a fixed rate of interest not dependent on any index or external factor; (4) bonds or other obligations of the particular school district or municipalities or counties within which the school district is located; (5) bonds or other obligations having a maturity of 397 days or fewer approved by the Division of Investment of the State Department of the Treasury; (6) local government investment pools, rated in the highest rating category, investing in U.S. government securities and repurchase agreements fully collateralized by securities set forth in (1) and (3) above; (7) deposits with the New Jersey Cash Management Fund (created pursuant to N.J.S.A. 52:18A-90.4; the “Cash Management Fund”); and (8) repurchase agreements with a maximum 30 day maturity fully collateralized by securities set forth in (1) and (3) above. School districts are required to deposit their funds in interest-bearing bank accounts in banks satisfying certain security requirements set forth in N.J.S.A. 17:9-41 et seq. or invest in permitted investments to the extent practicable, and may invest in bank certificates of deposit.

The Cash Management Fund is governed by regulations of the State Investment Council, a nonpartisan oversight body, and is not permitted to invest in derivatives. The Cash Management Fund is permitted to invest in Government Obligations, Federal Government Agency obligations, certain short-term investment-grade corporate obligations, commercial paper rated “prime”, certificates of deposit, repurchase agreements involving Government Obligations and Federal Government Agency obligations and certain other types of instruments. The average maturity of these securities in the Cash Management Fund must be one year or less, and only a quarter of the securities are permitted to mature in as much as two years.

The Board has no investments in derivatives.

## SUMMARY OF STATE AID TO SCHOOL DISTRICTS

In 1973, the Supreme Court of the State (the “Court”) first ruled in Robinson v. Cahill that the method then used to finance public education principally through property taxation was unconstitutional. Pursuant to the Court’s ruling, the State Legislature enacted the Public School Education Act of 1975, N.J.S.A. 18A:7A-1 et seq. (P.L. 1975, c. 212) (the “Public School Education Act”) (since amended and partially repealed), which required funding of the State’s school aid through the New Jersey Gross Income Tax Act, P. L. 1976, c. 47, since amended and supplemented, enacted for the purpose of providing property tax relief.

On June 5, 1990, the Court ruled in Abbott v. Burke that the school aid formula enacted under the Public School Education Act was unconstitutional as applied. The Court found that poorer urban school districts were significantly disadvantaged under that school funding formula because school revenues were derived primarily from property taxes. The Court found that wealthy school districts were able to spend more, yet tax less for educational purposes.

Since that time there has been much litigation and many cases affecting the State’s responsibilities to fund public education and many legislative attempts to distribute State aid in accordance with the court cases and the constitutional requirement. The cases addressed not only current operating fund aid but also addressed the requirement to provide facilities aid as well. The legislation has included the QEA (now repealed), CEIFA and EFCFA, which became law on July 18, 2000. For many years aid has simply been determined in the State Budget, which itself is an act of the legislature, based upon amounts provided in prior years. The school funding formula, provided in the School Funding Reform Act of 2008, P.L. 2007, c. 260, approved January 1, 2008 (A500), removed the special status given to certain school districts known as Abbott Districts after the school funding cases and instead has funding follow students with certain needs and provides aid in a way that takes into account the ability of the local school district to raise local funds to support the budget in amounts deemed adequate to provide for a thorough and efficient education as required by the State constitution. This legislation was challenged in the Court, and the Court held that the State’s then current plan for school aid was a “constitutionally adequate scheme.” However, the State continued to underfund certain school districts and to overfund other school districts in its budgets based on the statutory scheme. In its budget process for FY 2019 and with the enactment of P.L. 2018, c. 67, approved July 24, 2018, the State is moving the school districts toward the intent of the statutory scheme by increasing funding for underfunded school districts and decreasing funding for overfunded school districts over the next six (6) years and providing cap relief for overfunded school districts to enable them to pick up more of the local share.

Pursuant to Public Law 2018, c.67, signed into law by the Governor of the State on July 24, 2018, the School Funding Reform Act has been modified to adjust the distribution of State aid to school districts in the State (“SFRA Modification Law”). In particular, the SFRA Modification Law revises the School Funding Reform Act so that, after calculating the amount of State aid available per pupil, State aid will be distributed to each school district based on student enrollment. The SFRA Modification Law also eliminates the application of the State aid growth limit and adjustment aid, but includes a transition period for school districts that will receive less State aid. Under the SFRA Modification Law, most school districts that will receive reduced State aid resulting from the revised funding formula will be provided a transition period from the 2019-2020 school year through the 2024-2025 school year during which funding will be reduced. For those school districts where State aid will increase under the SFRA Modification Law, the transition period to increase funding will be one-year.

After over 35 years of litigation, the State provides State aid to school districts of the State in amounts provided in the State Budget each year. These now include equalization aid, educational adequacy aid, special education categorical aid, transportation aid, preschool education aid, school choice aid, security aid, adjustment aid and other aid determined in the discretion of the Commissioner.

State law requires that the State will provide aid for the construction of school facilities in an amount equal to the greater of the district aid percentage or 40% times the eligible costs determined by the Commissioner either in the form of a grant or debt service aid as determined under the EFCFA. The amount of the aid to which a school district is entitled is established prior to the authorization of the project. Grant funding is provided by the State up front and debt service aid must be appropriated annually by the State.

The State reduced debt service aid by fifteen percent (15%) for the fiscal years 2011 through 2019. As a result of the debt service aid reduction for those fiscal years, school districts received eighty-five percent (85%) of the debt service aid that they would have otherwise received. In addition, school districts which received grants under the EFCFA, which grants were financed through the New Jersey Economic Development Authority (the “EDA”), were assessed an amount in their fiscal years 2011 through 2019 budgets representing 15% of the school district’s proportionate share of the principal and interest payments on the outstanding EDA bonds issued to fund such grants.

## **SUMMARY OF FEDERAL AID TO SCHOOL DISTRICTS**

Federal funds are available for certain programs approved by the federal government with allocation decided by the State, which assigns a proportion to each local school district. The Every Student Succeeds Act of 2015, enacted December 10, 2015, is a federal assistance program for which a school district qualifies to receive aid. A remedial enrichment program for children of low-income families is available under Chapter 1 Aid. Such federal aid is generally received in the form of block grants. Aid is also provided under the Individuals with Disabilities Education Act although never in the amounts federal law required.

## **MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES**

### **Local Bond Law (N. J. S. A. 40A:2-1 et seq.)**

The Local Bond Law governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes subject to a number of exceptions. All bonds and notes issued by the Borough are general full faith and credit obligations.

The authorized bonded indebtedness of a municipality for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3.5% of its average equalized valuation basis. *See* “SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT – Debt Limitation (N.J.S.A. 18A:24-19) and “Exception to Debt Limitation.”

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit, including school bonds that do not exceed the school bond borrowing margin and certain debt that may be deemed self-liquidating.

A municipality may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency (the “Local Finance Board”), and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the municipality may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the municipality or substantially reduce the ability of the municipality to meet its obligations or to provide essential public improvements and

services, or if it makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by a municipality to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, to provide for purposes in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

A municipality may sell short-term “bond anticipation notes” to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or a subsequent resolution so provides. A local unit’s bond anticipation notes must mature within one year, but may be renewed or rolled over. Generally, bond anticipation notes may not be outstanding for longer than ten (10) years. An additional period may be available following the tenth anniversary date equal to the period from the notes’ maturity to the end of the tenth fiscal year in which the notes mature plus four (4) months in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum required for the first year’s principal payment for a bond issue.

#### **Local Budget Law (N. J. S. A. 40A:4-1 et seq.)**

The foundation of the State local finance system is the annual cash basis budget. Every local unit must adopt an annual operating budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”). Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the director of the Division (the “Director”) prior to final adoption. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations, among others, for certification.

Tax Anticipation Notes are limited in amount by law and must be paid off in full within 120 days of the close of the fiscal year in which the notes were issued.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review functions focusing on anticipated revenues serve to protect the solvency of all local units.

The cash basis budgets of local units must be in balance, i.e., the total of anticipated revenues must equal the total of appropriations (N.J.S.A. 40A:4-22). If in any year a local unit’s expenditures exceed its realized revenues for that year, then such excess must be raised in the succeeding year’s budget.

The Local Budget Law (N.J.S.A. 40A:4-26) provides that no miscellaneous revenues from any source may be included as an anticipated revenue in the budget in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director determines that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and certifies that determination to the local unit.

No budget or budget amendment may be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality’s calendar year. However, grant revenue is generally not realized until received in cash.

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. The maximum amount of delinquent taxes that may be anticipated is limited by a statutory formula, which allows the local unit to anticipate collection at the same rate realized for the collection of delinquent taxes in the previous year. Also, the local unit is

required to make an appropriation for a “reserve for uncollected taxes” in accordance with a statutory formula to provide for a tax collection in an amount that does not exceed the percentage of taxes levied and payable in the preceding fiscal year that was received in cash by the last day of that fiscal year. The budget also must provide for any cash deficits of the prior year.

Emergency appropriations (those made after the adoption of the budget and the determination of the tax rate) may be authorized by the governing body of the local unit. However, with minor exceptions, such appropriations must be included in full in the following year’s budget. When such appropriations exceed 3% of the adopted operating budget, consent of the Director must be obtained.

The exceptions are certain enumerated quasi-capital projects (“special emergencies”) such as ice, snow and flood damage to streets, roads and bridges, which may be amortized over three (3) years, and tax map preparation, revaluation programs, revision and codification of ordinances, master plan preparations, drainage map preparation for flood control purposes and contractually required severance liabilities, which may be amortized over five (5) years. Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts may be made only during the last two (2) months of the year. Appropriation reserves may also be transferred during the first three (3) months of the year, to the previous year’s budget. Both types of transfers require a 2/3 vote of the full membership of the governing body; however, transfers cannot be made from either the down payment account or the capital improvement fund. Transfers may be made between sub-account line items within the same account at any time during the year, subject to internal review and approval. In a “CAP” budget, no transfers may be made from excluded from “CAP” appropriations to within “CAP” appropriations nor can transfers be made between excluded from “CAP” appropriations.

A provision of law known as the New Jersey “Cap Law” (N.J.S.A. 40A:4-45.1 et seq.) imposes limitations on increases in municipal appropriations subject to various exceptions. The payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the “Index Rate”. The “Index Rate” is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate, subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year’s appropriation, and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior year’s tax levy in years when the Index Rate is 2.5% or less.

Legislation constituting P.L. 2010, c. 44, approved July 13, 2010 limits tax levy increases for local units to 2% with exceptions only for capital expenditures including debt service, increases in pension contributions and accrued liability for pension contributions in excess of 2%, certain healthcare increases, extraordinary costs directly related to a declared emergency and amounts approved by a simple majority of voters voting at a special election.

Neither the tax levy limitation nor the “Cap Law” limits, would limit the obligation of a municipality to levy *ad valorem* taxes upon all taxable real property within a municipality to pay debt service on its bonds or notes.

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing six (6) years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over the next six (6) years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the terms were detailed.

### **Tax Assessment and Collection Procedure**

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income, where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners, but it often results in a divergence of the assessment ratio to true value. Because of the changes in property resale values, annual adjustments could not keep pace with the changing values.

Upon the filing of certified adopted budgets by the local unit and the county, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, the levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4-1 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are, generally, mailed annually in June by the Tax Collector. The taxes are due August 1 and November 1, respectively, and are adjusted to reflect the current calendar year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding year are based upon one-half of the current year's total tax.

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00. These interest penalties are the highest permitted under State statutes. If a delinquency is in excess of \$10,000.00 and remains in arrears after December 31st, an additional penalty of 6% shall be charged. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey Statutes.

### **Tax Appeals**

The State Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, the municipality must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Board of Taxation on or before April 1 for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the Tax Court of New Jersey for further hearing. Some State Tax Court appeals may take several years prior to settlement, and any losses in tax collections from prior years are charged directly to operations.

## **Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 et seq.)**

This law regulates the non-budgetary financial activities of local governments. The chief financial officer of every local unit must file annually, with the Director, a verified statement of the financial condition of the local unit and all constituent boards, agencies or commissions.

An independent examination of each local unit's accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local unit's financial procedures and must be filed with the Director. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within thirty (30) days of its submission.

## **FINANCIAL STATEMENTS**

Excerpts from the financial statements of the Board for the fiscal year ended June 30, 2019 are presented in Appendix B to this Official Statement (the "Audited Financial Statements"). The Audited Financial Statements have been audited by Lerch, Vinci & Higgins, LLP, Fair Lawn, New Jersey, an independent auditor (the "Board Auditor"), as stated in its report appearing in Appendix B to this Official Statement (the "Financial Statements"). *See "APPENDIX B –Excerpts from Financial Statements of the Board of Education of the Borough of Carteret"*. Such Financial Statements are included herein for informational purposes only, and the information contained in the Financial Statements should not be used to modify the description of the Bonds contained herein.

## **LITIGATION**

To the knowledge of the Board Attorney, DeCotiis, FitzPatrick, Cole & Giblin, LLP, Paramus, New Jersey (the "Board Attorney"), there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the Board or the School District or the title of any of the present officers. To the knowledge of the Board Attorney, no litigation is presently pending or threatened that, in the opinion of the Board Attorney, would have a material adverse impact on the financial condition of the Board if adversely decided. A certificate to such effect will be executed by the Board Attorney and delivered to the Underwriter (as hereinafter defined) at the closing.

## **TAX MATTERS**

The Board has covenanted to comply with any continuing requirements that may be necessary to preserve the exclusion from gross income for purposes of federal income taxation of interest on the Bonds under the Internal Revenue Code of 1986, as amended ("Code"). Failure to comply with certain requirements of the Code could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In the opinion of DeCotiis, FitzPatrick, Cole & Giblin, LLP, Bond Counsel, to be delivered at the time of original issuance of the Bonds, assuming continuing compliance by the Board with certain covenants described herein, under current law, interest on the Bonds is not includable in gross income for federal income tax purposes and is not an item of tax preference under Section 57 of the Code for purposes of computing the federal alternative minimum tax. No opinion is expressed regarding other federal tax consequences or other federal taxes arising with respect to the Bonds.



The Code imposes certain significant ongoing requirements that must be met after the issuance and delivery of the Bonds in order to assure that the interest on the Bonds will be and remain excludable from gross income for federal income tax purposes. These requirements include, but are not limited to, requirements relating to use and expenditure of proceeds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on investments of gross proceeds of the Bonds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Bonds to become subject to federal income taxation retroactive to their date of issuance, regardless of the date on which such noncompliance occurs or is discovered. The Board has covenanted that it shall do and perform all acts permitted by law that are necessary or desirable to assure that interest on the Bonds will be and will remain excluded from gross income for federal income tax purposes. The Board will deliver its Arbitrage and Tax Certificate concurrently with the issuance of the Bonds, which will contain provisions relating to compliance with the requirements of the Code, including certain covenants in that regard by the Board. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Board in connection with the Bonds, and Bond Counsel has assumed compliance by the Board with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

In the opinion of Bond Counsel, under current law interest on the Bonds and any gain on the sale thereof are not includable as gross income under the New Jersey Gross Income Tax Act.

The opinions of Bond Counsel are limited to and based upon the laws and judicial decisions of the State and the federal laws and judicial decisions of the United States of America as of the date of the opinions, and are subject to any amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for their opinions or to any laws or judicial decisions hereafter enacted or rendered. Bond Counsel assumes no obligation to update its opinions after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action taken after the date of the opinions or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Bonds.

*Bank Qualification.* The Bonds **will not** be designated as qualified under Section 265 of the Code by the Board for an exemption from the denial of deduction for interest paid by the financial institutions to purchase or to carry tax exempt obligations.

*Branch Profits Tax.* Section 884 of the Code imposes on foreign corporations a branch profits tax equal to 30 percent of the “dividend equivalent amount” for the taxable year, unless modified, reduced or eliminated by income tax treaty in certain instances. Interest on the Bonds received or accrued by a foreign corporation subject to the branch profits tax may be included in computing the “dividend equivalent amount” of such corporation for purposes of the branch profits tax.

*S Corporation Tax.* Section 1375 of the Code imposes a tax on the “excess net passive income” of certain S corporations with passive investment income in excess of 25 percent of gross receipts for a taxable year. The U.S. Department of Treasury has issued regulations indicating that interest on tax exempt obligations, such as the Bonds, held by an S corporation would be included in the calculation of excess net passive income.

*Other Federal Tax Consequences.* Owners of the Bonds should be aware that the ownership of tax exempt obligations may result in other collateral federal income tax consequences to certain taxpayers, including property and casualty insurance companies, individual recipients of Social Security and Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or to carry tax exempt obligations. Owners of the Bonds should consult their own tax advisors as to the applicability and the effect on their federal income taxes of the alternative

minimum tax, the branch profits tax and the tax on S corporations, as well as the applicability and the effect of any other federal income tax consequences.

*Possible Government Action.* Legislation affecting municipal obligations is regularly under consideration by the United States Congress. In addition, the Internal Revenue Service (“IRS”) has established an expanded audit program for tax-exempt obligations. There can be no assurance that legislation enacted or proposed or an audit initiated or concluded by the IRS after the issue date of the Bonds involving either the Bonds or other tax-exempt obligations will not have an adverse effect on the tax-exempt status or market price of the Bonds.

ALL POTENTIAL PURCHASERS OF THE BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE.

## **MUNICIPAL BANKRUPTCY**

The undertakings of the Board should be considered with reference to 11 U.S.C. 401 *et seq.*, as amended and supplemented (the “Bankruptcy Code”), and other bankruptcy laws affecting creditors’ rights and municipalities in general. The Bankruptcy Code permits the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to commence a voluntary bankruptcy case by filing a petition with a bankruptcy court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner’s creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants certain priority to debt owed for services or material; and provides that the plan must be accepted in writing by or on behalf of classes of creditors holding at least two-thirds in amount and more than one-half in number of the allowed claims of such class. The Bankruptcy Code specifically does not limit or impair the power of a state to control, by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Code.

The Bankruptcy Code provides that special revenue acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by such debtor before the commencement of such bankruptcy case. However, any such lien, other than municipal betterment assessments, shall be subject to the necessary operating expenses of such project or system. Furthermore, the Bankruptcy Code provides that a transfer of property of a debtor to or for the benefit of any holder of a bond or note, on account of such bond or note, may not be avoided pursuant to certain preferential transfer provisions set forth in such Bankruptcy Code.

Reference should also be made to N.J.S.A. 52:27-40 *et seq.*, which provides that a local unit has the power to file a petition in bankruptcy with any United States Court or court in bankruptcy under the provisions of the Bankruptcy Code, for the purpose of effecting a plan of readjustment of its debts or for the composition of its debts; provided, however, the approval of the Municipal Finance Commission must be obtained. The powers of the Municipal Finance Commission have been vested in the Local Finance Board.

REFERENCE TO THE BANKRUPTCY CODE OR THE STATE STATUTE SHOULD NOT CREATE ANY IMPLICATION THAT THE BOARD EXPECTS TO UTILIZE THE BENEFITS OF THEIR PROVISIONS.

## **GLOBAL HEALTH EMERGENCY**

The World Health Organization has declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus. On March 13, 2020, President Trump declared a national emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. Governor Phil Murphy, governor of the State of New Jersey, has also instituted mandatory measures via various executive orders to contain the spread of the virus, including closing schools and non-essential businesses and limiting social gatherings. These measures, which alter the behavior of businesses and people, are expected to have negative impacts on regional, state and local economies and significant declines in the financial markets in the United States and volatility attributed to concerns about the duration of the pandemic and its continued economic impact. The United States Congress has passed relief and stimulus legislation which has been signed into law by President Trump. This legislation is intended to address the financial impact of the pandemic on the U.S. economy and financial markets. It is not known if the legislation will have its intended affect. If market declines and/or volatility continue, the ability to sell or trade securities in the financial markets could be materially constrained.

In compliance with the Governor's executive orders closing schools, the BOE has instituted remote learning via a variety of digital platforms to ensure continuity of instruction. The School District has taken steps to ensure that students and community members are afforded access to all services, including meals and Related Services. Since the School District was approved to administer meals through the Department of Agriculture's Seamless Summer Option program, the BOE receives funding for all meals distributed during school closure. The administration continues to function as do all of our departments, including but not limited to, instructional, personnel, business and facilities management, which continue to operate remotely and on-site. The Borough of Carteret (the "Borough") will continue to collect and remit 100% of school district taxes from property taxes received by the Borough. At this time, the School District does not anticipate any delay in state aid or a delay or reduction in the Department of Education's debt service aid for the Bonds. The Bonds are full faith and credit obligations of the School District secured by a pledge of ad valorem taxes without limitation as to rate or amount and additionally secured by the School Bond Reserve Act as described herein. The School District also expects additional federal funding through the CARES Act Education Stabilization Fund. Due to diligent budget planning and the careful management of cash flow, the School District is confident in its ability to maintain operations and staff without the need for furloughs or lay-offs.

## **APPROVAL OF LEGAL PROCEEDINGS**

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Bonds are subject to the approval of Bond Counsel to the Board, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as Appendix C hereto. Certain legal matters will be passed upon for the Board by the Board Attorney.

## **PREPARATION OF OFFICIAL STATEMENT**

The Board hereby states that the descriptions and statements herein, including the financial statements, are true and correct in all material respects, and it will confirm same to the Underwriter (as hereinafter defined), by a certificate signed by the Board President and/or the Business Administrator/Board Secretary, that, to their knowledge, such descriptions and statements, as of the date of this Official Statement and as of the date of delivery of the Bonds, are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

The Auditor takes responsibility for the audited financial statements presented in Appendix B to the extent specified in their Independent Auditor's Report. The Auditor has participated in the preparation of this Official Statement; however, it has not verified the accuracy, completeness or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto.

The Municipal Advisor has participated in the review of this Official Statement; however, it has not verified the accuracy, completeness or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto.

Bond Counsel has participated in the review of this Official Statement but has not participated in the preparation of this Official Statement or in the collection of financial, statistical or demographic information contained in this Official Statement nor verified the accuracy, completeness or fairness thereof, and, accordingly, takes no responsibility and expresses no opinion with respect thereto.

All other information has been obtained from sources which Board considers to be reliable, and it makes no warranty, guaranty or other representation with respect to the accuracy and completeness of such information.

## **RATING**

Moody's Investors Service, Inc. (the "Rating Agency"), has assigned an underlying rating of "A2" to the Bonds based upon the creditworthiness of the School District and "A3" based upon the additional security of the New Jersey School Bond Reserve Act.

The rating reflects only the view of the Rating Agency and an explanation of the significance of such rating may only be obtained from the Rating Agency. The Board forwarded to the Rating Agency certain information and materials concerning the Bonds and the School District. There can be no assurance that the rating will be maintained for any given period of time or that the rating will not be raised, lowered or withdrawn entirely if, in the Rating Agency's judgment, circumstances so warrant. Any downward change in or withdrawal of such rating may have an adverse effect on the marketability or market price of the Bonds.

## **UNDERWRITING**

The Bonds have been purchased from the Board at a public sale by \_\_\_\_\_ (the "Underwriter") at a price of \$\_\_\_\_\_.

The Underwriter intends to offer the Bonds to the public initially at the offering yields set forth on the inside front cover of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investments trusts) at yields higher than the public offering yields set forth on the front cover of this Official Statement, and such yields may be changed, from time to time, by the Underwriter without prior notice.

## **MUNICIPAL ADVISOR**

Acacia Financial Group, Inc., Mount Laurel, New Jersey has served as Municipal Advisor to the Board (the “Municipal Advisor”) with respect to the issuance of the Bonds. Certain information set forth herein has been obtained from the Board and other sources, which are deemed reliable, but no warranty, guaranty or other representation as to the accuracy or completeness is made as to such information contained herein. There is no assurance that any of the assumptions or estimates contained herein will be realized. The Municipal Advisor is a Municipal Advisory firm, and is not engaged in the business of underwriting, marketing or trading municipal securities or any other negotiable instrument.

## **CONTINUING DISCLOSURE**

In accordance with the provisions of Rule 15c2-12, as amended, promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), the School District will, prior to the issuance of the Bonds, enter into an agreement substantially in the form set forth in Appendix D hereto.

In the past five (5) years, the Board failed to timely file certain annual financial information and operating data for the year ending June 30, 2018. The Board’s Comprehensive Annual Financial Report for the year ending June 30, 2018 was filed late on February 7, 2019 due to the State being late in providing all boards of education in the State with key information in order for entities to calculate its GASB 75 liability for Account and Financial Reporting for Postemployment Benefits other than Pensions.

## **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Hector Berrios, Business Administrator/Board Secretary, at 599 Roosevelt Avenue, Carteret, New Jersey 08759, (732) 541-8960 ext. 6005, or to Jennifer Edwards, Acacia Financial Group Inc., at 6000 Midlantic Drive, Suite 410 North, Mount Laurel, New Jersey, (856) 234-2266.

## **CERTIFICATE WITH RESPECT TO THE OFFICIAL STATEMENT**

At the time of the original delivery of the Bonds, the Board will deliver a certificate of one of its authorized officials to the effect that such official has examined this Official Statement (including the appendices) and the financial and other data concerning the School District contained herein and that, to the best of such official’s knowledge and belief, (i) this Official Statement, both as of its date and as of the date of delivery of the Bonds, does not contain any untrue statement of a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading, and (ii) between the date of this Official Statement and the date of delivery of the Bonds, there has been no material adverse change in the affairs (financial or otherwise), financial condition or results or operations of the Board except as set forth in or contemplated by this Official Statement.

## **MISCELLANEOUS**

This Official Statement is not to be construed as a contract or agreement among the Board, the Underwriter and the holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Board since the date hereof. The information contained in this Official Statement is not guaranteed as to accuracy or completeness.

### **BOARD OF EDUCATION OF THE BOROUGH OF CARTERET IN THE COUNTY OF MIDDLESEX, NEW JERSEY**

By: \_\_\_\_\_  
**Hector Berrios,**  
**Business Administrator/Board Secretary**

Dated: \_\_\_\_\_, 2020

## **APPENDIX A**

**Certain Economic and Demographic Information about the School District  
and the Borough of Carteret, in the County of Middlesex, New Jersey**

**CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING  
TO THE SCHOOL DISTRICT AND THE BOROUGH OF  
CARTERET, IN THE COUNTY OF MIDDLESEX, STATE OF NEW JERSEY**

**Summary**

The public school system in the Borough of Carteret, in the County of Middlesex, State of New Jersey (the “Borough”) is operated by The Board of Education of the Borough of Carteret in the County of Middlesex, New Jersey (the “Board” when referring to the governing body and the “School District” when referring to the territorial boundaries governed thereby), as a Type II School District. It functions independently through a nine (9) member board, elected by the voters in staggered three (3) year terms. The Board appoints a Superintendent who is responsible for budgeting, planning and operational functions of the School District. The Board currently operates a Pre-Kindergarten through grade twelve (12) district which houses its students in three (3) elementary school, one (1) middle school, and one (1) senior high school. These schools include class rooms with rooms for music, art, sciences, computer studies, a library, multi-purpose rooms, a cafeteria and gymnasium.

**School District Enrollment**

<b>Fiscal Year</b>	<b>Total School District Enrollment <sup>1</sup></b>
2018-2019	3,890
2017-2018	3,840
2016-2017	3,832
2015-2016	3,808
2014-2015	3,828
2013-2012	3,864
2011-2012	3,896
2010-2011	3,896
2009-2010	3,838
2008-2009	3,869

**Staff<sup>1</sup>**

The Superintendent is the chief administrative officer of the School District. The Business Administrator/Board Secretary oversees the business functions of the Board and reports through the Superintendent to the Board. The School District currently employs the following staff (Including part-time employees):

**Description**

Teaching Staff (Instruction) .....	349
Administration .....	24
Student Services .....	34
Custodial/Maintenance.....	25
 Total .....	 432

**Labor Relations<sup>2</sup>**

The Board settled employment contracts with Carteret Education Association (CEA) which expire on June 30, 2020 and the Carteret Administrators Association (CAA) which expire on June 30, 2023.

<sup>1</sup> Source: Business Administrator/Board Secretary; Board records

<sup>2</sup> Source: Business Administrator/Board Secretary; Board records



## Comparison of General Fund Revenues and Appropriations (Budgetary Basis)

	(Budget) Fiscal Year <u>2020-2021</u>	(Budget) Fiscal Year <u>2019-2020</u>	(Actual) Fiscal Year <u>2018-2019</u>	(Actual) Fiscal Year <u>2017-2018</u>
<b>GENERAL FUND</b>				
<b>REVENUES</b>				
Budget Fund Balance		\$ 1,223,915		
Capital Reserve	\$ 500,000			
Local Sources:				
Local Tax Levy	27,711,201	27,098,944	\$ 27,057,788	\$ 26,527,244
Tuition			47,076	
Rents and Royalties	5,000			
Miscellaneous	45,000	50,000	177,466	199,266
State Sources	36,113,910	32,164,910	30,050,500	28,564,839
Federal Sources	<u>100,871</u>	<u>91,558</u>	<u>126,736</u>	<u>131,078</u>
 TOTAL REVENUES	 <u>\$ 64,475,982</u>	 <u>\$ 60,629,327</u>	 <u>57,459,566</u>	 <u>55,422,427</u>
<b>APPROPRIATIONS/CURRENT EXPENDITURES</b>				
Instruction:				
Regular Programs	\$ 20,891,997	\$ 19,987,489	19,207,374	17,399,159
Special Education	5,980,646	5,859,110	6,414,867	5,912,544
Bilingual Education	2,047,498	1,911,105	1,810,393	1,712,397
School-Sponsored Co-Curricular Activities	102,161	117,161	89,905	75,803
School-Sponsored Athletic Activities	417,719	383,126	347,619	305,593
Undistributed Expenditures:				
Tuition	4,692,183	4,320,800	4,423,303	4,437,216
Attendance and Social Work Services	389,562	354,438	321,342	324,257
Health Services	500,037	478,804	462,906	427,353
Speech, OT, PT, Related Services	347,042	273,450	321,885	342,589
Guidance	1,386,504	1,111,992	946,852	856,335
Child Study Teams	2,690,496	2,380,401	1,873,529	1,826,093
Improvement of Instructional Services	680,048	662,227	629,171	458,888
Educational Media Services - School Library	7,577	81,095	38,597	45,354
Instructional Staff Training	64,501	92,950	18,502	15,459
General Administration	1,080,029	1,082,538	1,112,450	1,003,864
School Administration	2,166,252	2,160,697	2,031,389	2,107,566
Central Services	522,545	515,311	481,321	437,393
Administration Info Tech.	364,680	357,818	335,822	342,859
Operation and Maintenance of Plant Services	4,691,719	4,584,119	4,242,596	3,672,061
Student Transportation	3,400,000	3,357,450	3,433,039	2,885,493
Personnel Services - Employee Benefits	<u>10,830,329</u>	<u>10,267,222</u>	<u>8,499,010</u>	<u>8,926,189</u>
 TOTAL CURRENT EXPENDITURES	 63,253,525	 60,339,303	 57,041,872	 53,514,465
Capital Outlay	921,447	100,348	112,162	1,460,228
Special Schools	178,520	93,000	88,264	92,926
Transfers to Charter School	<u>122,490</u>	<u>96,676</u>	<u>71,458</u>	<u>57,393</u>
 TOTAL APPROPRIATIONS/EXPENDITURES	 <u>\$ 64,475,982</u>	 <u>\$ 60,629,327</u>	 <u>57,313,756</u>	 <u>55,125,012</u>
 Net Change in Fund Balance			145,810	297,415
 Fund Balance, Beginning of Year			<u>4,057,000</u>	<u>3,759,585</u>
 Fund Balance, End of Year			<u>\$ 4,202,810</u>	<u>\$ 4,057,000</u>

\* All years exclude TPAF Pension and Social Security on behalf payments

### School District Debt Limit and Borrowing Margin<sup>3</sup>

The debt limitation of the School District is established pursuant to N.J.S.A. 18A:24-19. The School District is permitted to incur debt up to four percent (4.0%) of the average equalized valuation of taxable property in the School District before requiring an extension of credit from the Borough and the Local Finance Board. The total equalized valuation of real property, including improvements, in the Borough for the last three (3) years and the School District's available borrowing margin as of December 31, 2019 are summarized below:

<u>Year</u>	<u>Amount</u>
2017	\$ 2,281,740,694
2018	2,516,637,066
2019	<u>3,235,309,970</u>
	<u>\$ 8,033,687,730</u>
Average for the Three (3) Year Period	<u>\$ 2,677,895,910</u>
School District Borrowing Margin (4.0% of \$2,677,895,910)	\$ 107,115,836
School Debt as of December 31, 2019	<u>43,139,995</u>
Available School District Borrowing Margin	<u>\$ 63,975,841</u>

### Computation of School and Overlapping Debt as of December 31, 2019 (Unaudited)<sup>4</sup>

Debt of School District as of December 31, 2019	\$ 43,139,995
Overlapping Debt of School District:	
Borough of Carteret	59,184,590
County of Middlesex	14,224,932
Middlesex County Utilities Authority	<u>3,566,488</u>
Total School and Overlapping Bonded Debt	<u>\$ 120,116,005</u>

<sup>3</sup> Source: The Borough of Carteret 2019 Annual Debt Statement

<sup>4</sup> Source: The Borough of Carteret 2019 Annual Debt Statement

## **GENERAL INFORMATION OF THE BOROUGH OF CARTERET, IN THE COUNTY OF MIDDLESEX, STATE OF NEW JERSEY**

### **General Information**

The Borough of Carteret, in the County of Middlesex, State of New Jersey (the “Borough”), an area of four square miles, is located in central, New Jersey, approximately twelve miles from New York City. The Borough serves as both a residential community and as a place of employment for many. Employment within the Borough is supplied by small and large industrial, professional and mercantile companies. Employment opportunities exist, not only within the Borough, but throughout the surrounding communities of Woodbridge, Perth Amboy, Rahway and Elizabeth.

Carteret is situated at Exit 12 of the New Jersey Turnpike and is only 8 miles from the Newark International Airport. The Borough is also in close proximity to the Garden State Parkway and Routes 1 and 9.

### **Borough Government**

The Borough, incorporated in 1906, operates under the Borough form of government, N.J.S.A. 40A:60-1. The governing body consists of six council members elected at large and a chief executive officer, the Mayor, who is elected separately from the Council. The Mayor is elected by a majority vote of the electorate and serves a four-year term. All Council Members are elected for three-year terms with two Council positions being voted upon each year. The Mayor and Council meet on the first and third Thursdays of each month, with the second and fourth Thursdays designated as agenda meetings.

The executive power of the Borough is exercised by the Mayor. Under the Mayor’s direction, the Borough Administration is organized under thirty professional Departments, including Administration, Finance, Public Safety, Public Works, Health and Welfare and Parks and Recreation.

### **Urban Enterprise Zone**

The New Jersey Department of Commerce and Economic Development designated the Borough of Carteret as an “Urban Enterprise Zone” (UEZ). The UEZ classification is designed to stimulate economic and job growth by providing businesses with sales tax reductions, tax breaks, hiring incentives, and by providing the Borough of Carteret with direct funding. The 3.5% sales tax collected by businesses is placed into a special fund, held by the State of New Jersey, for the exclusive use of the Borough.

### **Borough Services**

The Borough is served by a police department consisting of officers and detectives who operate marked and unmarked vehicles. Fire protection is provided on a 24-hour, seven day-a-week basis through its full-time fire department and is supplemented by volunteer fire fighters. The fire department’s modern fire-fighting equipment consists of pumpers, a ladder truck, chief’s vehicles, and other vehicles. A volunteer first aid squad provides emergency treatment and transportation when required for accident or illness.

Recycling containers are collected biweekly by the Borough Public Works Department. Garbage and refuse collection is provided twice a week by a private hauler under contract to the Borough.

Utilities are provided to the Borough by Public Service Electric and Gas Company, NUI, Verizon and the Middlesex Water Company. The Borough’s sewage is currently being treated by the Middlesex County Utilities Authority.

The Borough streets are maintained by the Borough’s Public Works Department. County and State roads located in the Borough are maintained by the Middlesex County Road Department and the New Jersey State Department of Transportation, respectively.

## Population Trends<sup>5</sup>

Population trends for the City, County of Middlesex and the State of New Jersey since 1980 are shown below:

<b><u>Area</u></b>	<b><u>1980</u></b>	<b><u>1990</u></b>	<b><u>2000</u></b>	<b><u>2010</u></b>	<b><u>2018</u></b>
Borough of Carteret	20,598	19,025	20,845	23,094	23,652
County of Middlesex	595,893	671,780	752,942	811,130	829,685
State of New Jersey	7,365,011	7,730,188	8,414,350	8,802,707	8,908,520

## Income as of 2017<sup>6</sup>

	<b><u>Median Household Income</u></b>	<b><u>Median Family Income</u></b>	<b><u>Per Capita Income</u></b>
Borough of Carteret	\$73,892	\$78,377	\$27,898
County of Middlesex	83,133	99,470	36,558
State of New Jersey	76,475	94,337	39,069

## Employment and Unemployment Data<sup>7</sup>

The New Jersey Department of Labor reported the following annual average employment information for the Borough of Carteret, the County of Middlesex and the State of New Jersey:

	<b><u>Total Labor Force</u></b>	<b><u>Employed Labor Force</u></b>	<b><u>Total Unemployed</u></b>	<b><u>Unemployment Rate</u></b>
<b><u>Borough of Carteret</u></b>				
2018	11,585	11,041	544	4.7%
2017	11,645	11,032	613	5.3%
2016	11,647	11,009	638	5.5%
2015	11,728	10,941	787	6.7%
2014	11,638	10,773	865	7.4%
<b><u>County of Middlesex</u></b>				
2018	435,053	419,262	15,791	3.6%
2017	436,742	418,904	17,838	4.1%
2016	436,159	416,825	19,334	4.4%
2015	435,612	413,173	22,439	5.2%
2014	432,008	405,617	26,391	6.1%
<b><u>State of New Jersey</u></b>				
2018	4,422,900	4,239,600	183,300	4.1%
2017	4,453,500	4,247,500	206,000	4.6%
2016	4,474,700	4,252,100	222,600	5.0%
2015	4,489,000	4,229,200	259,800	5.8%
2014	4,487,000	4,183,500	303,500	6.8%

<sup>5</sup> Source: State of New Jersey, Data Center, Census Data

<sup>6</sup> Source: U.S. Census Bureau, 2013 - 2017 American Community Survey 5 Year Estimates

<sup>7</sup> Source: State of New Jersey Data Center

**STATEMENT OF STATUTORY NET DEBT  
FOR THE BOROUGH OF CARTERET<sup>8</sup>  
AS OF DECEMBER 31, 2019 (UNAUDITED)**

**GENERAL PURPOSES**

Bonds	\$ 29,452,000	
Notes	25,646,000	
Loans	1,706,283	
Bonds and Notes Authorized But Not Issued	<u>2,380,307</u>	
		\$ 59,184,590

**SEWER UTILITY**

Debt Issued and Outstanding		16,291,837
-----------------------------	--	------------

**LOCAL SCHOOL**

Debt Issued and Outstanding	6,140,000	
Debt Authorized But Not Issued	<u>36,999,995</u>	
		<u>43,139,995</u>

TOTAL GROSS DEBT 118,616,422

**STATUTORY DEDUCTIONS**

Municipal Purpose	4,800,000	
Sewer Utility	16,291,837	
School Debt	<u>43,139,995</u>	
		<u>64,231,832</u>

TOTAL NET DEBT \$ 54,384,590

**OVERLAPPING DEBT**

Middlesex County	14,224,932	
Middlesex County Utilities Authority	<u>3,566,488</u>	

TOTAL OVERLAPPING DEBT \$ 17,791,420

**GROSS DEBT**

Per Capita (2018 - 23,652)	\$ 5,015
Percent of Net Valuation Taxable (2019 - \$2,441,364,903)	4.86%
Percent of Estimated True Value of Real Property (2019 - \$2,566,484,822)	4.62%

**NET MUNICIPAL DEBT**

Per Capita (2018 - 23,652)	\$ 2,299
Percent of Net Valuation Taxable (2019 - \$2,441,364,903)	2.23%
Percent of Estimated True Value of Real Property (2019 - \$2,566,484,822)	2.12%

**OVERALL DEBT (Gross and Overlapping Debt)**

Per Capita (2018 - 23,652)	\$ 5,767
Percent of Net Valuation Taxable (2019 - \$2,441,364,903)	5.59%
Percent of Estimated True Value of Real Property (2019 - \$2,566,484,822)	5.31%

Note 1: Overlapping debt was computed based upon the real property ratio of equalized valuations of the Borough to all municipalities within the County, as provided in the 2018 Abstract of Ratables published by the Middlesex County Board of Taxation.

<sup>8</sup> Source: The Borough of Carteret's 2019 Annual Debt Statement

## Ten Largest Taxpayers<sup>9</sup>

The ten largest taxpayers in the Borough and their 2020 assessed valuations are listed below:

<u>Taxpayer</u>	<u>Assessment</u>
GATX	\$ 132,000,000
KTR Carteret	57,262,683
Federal Blvd LLC	47,319,600
Bristol Bristol Apartment Owner LLC	41,748,000
T-C 200 Milk Street LLC	38,296,500
Keystone	35,488,000
760 Port Carteret Middlesex Assoc	35,347,500
CPT NJ 200 Middlesex LLC	30,772,000
KTR Carteret	28,538,600
Centerpoint Roosevelt LLC	27,307,300
Total	<u>\$ 474,080,183</u>

Total as a % of Assessed Value 19.38%

## Assessed Valuations/Land and Improvements by Class<sup>10</sup>

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total</u>
2020	\$ 54,464,200	\$ 1,249,377,800	\$ 284,947,300	\$ 732,548,583	\$ 125,476,700	\$ 2,446,814,583
2019	51,245,300	1,247,946,920	286,254,000	730,098,283	125,820,400	2,441,364,903
2018	50,741,800	1,243,002,320	274,207,900	728,064,683	125,749,800	2,421,766,503
2017 (1)	54,547,300	1,245,829,200	279,228,900	741,107,283	129,192,300	2,449,904,983
2016	40,092,400	1,066,429,882	209,102,500	489,878,983	92,762,400	1,898,266,165

(1) The Borough undertook a revaluation of real property which was effective in calendar year 2017

## Assessed Valuations/Net Valuation Taxable<sup>11</sup>

<u>Year</u>	<u>Real Property</u>	<u>Business Personal Property</u>	<u>Net Valuation Taxable</u>	<u>Ratio of Assessed Value to True Value of Real Property</u>	<u>Total True Value of Assessed Property</u>
2020	\$ 2,446,814,583	\$ -	\$ 2,446,814,583	90.07%	\$ 2,749,814,139
2019	2,441,364,903	-	2,441,364,903	96.27%	2,566,484,822
2018	2,421,766,503	2,965,620	2,424,732,123	107.37%	2,289,561,570
2017 (1)	2,449,904,983	2,818,532	2,452,723,515	112.80%	2,206,662,949
2016	1,898,266,165	2,494,459	1,900,760,624	88.36%	2,183,837,869

(1) The Borough undertook a revaluation of real property which was effective in calendar year 2017

<sup>9</sup> Borough of Carteret Tax Assessor

<sup>10</sup> Borough of Carteret Tax Duplicates

<sup>11</sup> Middlesex County Abstract of Ratables

**Components of Real Estate Tax Rate (per \$100 of Assessment)<sup>12</sup>**

<u><b>Year</b></u>		<u><b>Total</b></u>		<u><b>Municipal</b></u>		<u><b>Local School</b></u>		<u><b>County</b></u>
2019	\$	2.793	\$	1.239	\$	1.150	\$	0.404
2018		2.727		1.195		1.162		0.370
2017 (1)		2.630		1.160		1.113		0.357
2016		3.167		1.325		1.394		0.448
2015		3.121		1.290		1.376		0.455

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

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<sup>12</sup> Borough of Carteret Tax Collector

## **APPENDIX B**

### **Financial Statements of the Board of Education of the Borough of Carteret in the County of Middlesex, New Jersey**





**LERCH, VINCI & HIGGINS, LLP**

**CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS**

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

ELIZABETH A. SHICK, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
DEBORAH K. LERCH, CPA, PSA  
RALPH M. PICONE, CPA, RMA, PSA  
DEBRA GOLLE, CPA  
MARK SACO, CPA  
SHERYL M. NICOLosi, CPA  
ROBERT LERCH, CPA  
CHRIS SOHN, CPA

### **INDEPENDENT AUDITOR'S REPORT**

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Carteret Board of Education, as of and for the fiscal year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements.

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

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

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

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Carteret Board of Education as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

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

In accordance with Government Auditing Standards, we have also issued our report dated November 11, 2019 on our consideration of the Carteret Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Carteret Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Carteret Board of Education's internal control over financial reporting and compliance.

By/s/

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

Fair Lawn, New Jersey  
November 11, 2019

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# **Carteret Board of Education**

## **Carteret, New Jersey**

### **Management's Discussion and Analysis**

#### **Fiscal Year Ended June 30, 2019**

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, 2019. 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 (2018-2019) and the prior year (2017-2018) is required to be presented in the MD&A.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2018-2019 fiscal years include the following:

- The General Fund fund balance on a GAAP basis at June 30, 2019 was \$521,339 a decrease of \$64,034 when compared with the beginning balance at July 1, 2018.
- The General Fund budgetary fund balance at June 30, 2019 was \$4,202,810 which represents an increase of \$145,810 when compared to the ending budgetary fund balance of \$4,057,000 at June 30, 2018. The difference in GAAP basis fund balance to budgetary fund balance is \$3,681,471, represents the delay of certain State aid payments and the 2018-2019 Extraordinary Aid, which were not realized as revenue in the GAAP basis financial statements.
- The General Fund unassigned (unreserved, undesignated) budgetary fund balance was \$882,418 at June 30, 2019. This represents a decrease of \$350,183 when compared to the balance of \$1,232,601 as of June 30, 2018.

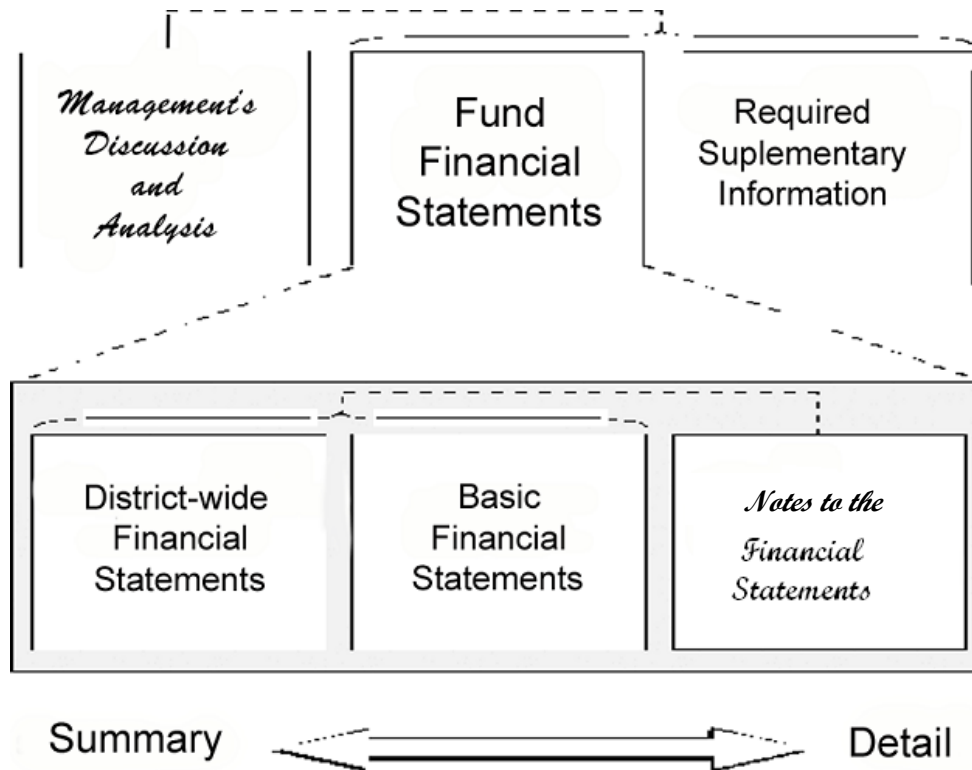
### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information that includes the management's discussion and analysis (this section), the basic financial statements including the notes to the financial statements. The basic financial statements include two kinds of statements that present different views of the Carteret Board of Education.

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

**Management's Discussion and Analysis (continued)  
Fiscal Year Ended June 30, 2019**

**Figure A-1. Required Components of the Board's Annual Financial Report**



- The first two statements are district-wide financial statements that provide both short-term and long-term information about the Carteret Board of Education's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Carteret Board of Education, reporting the Carteret Board of Education's operation in more detail than the district-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in short term as well as what remains for future spending.
- Proprietary funds statements offer short- and long-term financial information about the activities the Carteret Board of Education operates like businesses.

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

**Management's Discussion and Analysis (continued)  
Fiscal Year Ended June 30, 2019**

The basic financial statements include the notes that explain some of the information in the statements and provide data that are more detailed. Figure A-2 summarizes the major features of the Carteret Board of Education's financial statements, including the portion of the Carteret Board of Education's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

<b>Figure A-2</b> Major Features of the District-Wide and Financial Statements			
	District-wide Statements	<u>Fund Financial Statements</u>	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance, food service, and community education	Activities the district operates similar to private businesses: Food service fund; Enrichment Academy
Required financial statements	Statements of net position	Balance sheet	Statement of net position
	Statement of activities	Statement of revenues expenditures and changes in fund balances	Statement of revenues, expenses, and changes in fund net position
			Statement of cash flows
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets, liabilities, deferred inflows/ outflows of resources, and both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon there after; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/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 revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

**Management's Discussion and Analysis (continued)  
Fiscal Year Ended June 30, 2019**

**District-wide Statements (Continued)**

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

- Over time, increase or decreases in the district's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the district you need to consider additional non-financial factors such as changes in the district's property tax base and the condition of school building and other facilities.

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

- *Governmental activities*- Most of the district's basic services are included here, such as regular and special education, transportation, administration and plant operations. Property taxes and state aids finance most of these activities.
- *Business-type activities*- The Board charges fees to customers to help it cover the costs of certain services it provides. The Board's Food Service Fund and Enrichment Academy Fund are included here.

**Fund Financial Statements**

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

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

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

**Management's Discussion and Analysis (continued)  
Fiscal Year Ended June 30, 2019**

**Fund Financial Statements (Continued)**

The district has three types of funds:

- *Governmental funds*- Most of the Board's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Board's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary funds*- Services for which the Board charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide business-type statements.
- *Fiduciary funds*- The Board is the trustee, or *fiduciary*, for assets that belong to others such as unemployment funds, payroll and payroll agency funds, and student activity funds. The Board is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Board's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the Board's district-wide financial statements because the Board cannot use these assets to finance its operations.



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

**Management's Discussion and Analysis (continued)  
Fiscal Year Ended June 30, 2019**

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

**Net Position.** The District's net position for governmental and business type activities were \$(1,963,953) and \$(2,958,510) on June 30, 2019 and 2018, respectively. (See Table A-1).

**Table A-1  
Statement of Net Position  
As of June 30, 2019 and 2018**

	<u><b>2019</b></u>	<u><b>2018</b></u>
Current and Other Assets	\$ 2,236,952	\$ 1,982,489
Capital Assets	19,974,187	20,836,293
<b>Total Assets</b>	<b><u>22,211,139</u></b>	<b><u>22,818,782</u></b>
Deferred Outflows of Resources	2,667,966	3,799,648
<b>Total Deferred Outflows of Resources</b>	<b><u>2,667,966</u></b>	<b><u>3,799,648</u></b>
Non-Current Liabilities	21,744,503	25,404,918
Other Liabilities	956,587	1,145,696
<b>Total Liabilities</b>	<b><u>22,701,090</u></b>	<b><u>26,550,614</u></b>
Deferred Inflows of Resources	4,141,968	3,026,326
<b>Total Deferred Inflows of Resources</b>	<b><u>4,141,968</u></b>	<b><u>3,026,326</u></b>
Net Position:		
Net Investment in Capital Assets	14,331,765	13,569,430
Restricted	509,470	519,188
Unrestricted	(16,805,188)	(17,047,128)
<b>Total Net Position</b>	<b><u>\$ (1,963,953)</u></b>	<b><u>\$ (2,958,510)</u></b>

Net position from current year operations for the fiscal year ended June 30, 2019 increased \$994,557.

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

- Program revenues for Governmental Activities were \$24,212,985 for operating grants and contributions.
- Program revenues for business – type activities
  - ✓ Charges for services \$896,292.
  - ✓ Operating grants and contributions \$1,963,892.
- Combined general revenues for Governmental activities and Business-Type activities during the 2018-2019 school year were \$53,667,127.
- Expenditures were \$77,357,790 for Governmental activities and \$2,387,949 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 \$(1,963,953) at June 30, 2019.

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

**Management's Discussion and Analysis (continued)  
Fiscal Year Ended June 30, 2019**

**Table A-2  
Changes in Net Position  
For the Fiscal Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Revenues</b>		
Program revenues		
Charges for Services	\$ 943,368	\$ 839,517
Operating Grants and Contributions	28,423,682	29,587,355
General revenues		
Property Taxes	28,445,897	27,915,568
Federal and State Aid	25,043,764	25,466,680
Other	177,466	218,454
<b>Total Revenues</b>	<b><u>83,034,177</u></b>	<b><u>84,027,574</u></b>
<b>Expenses</b>		
Instruction		
Regular	35,738,554	35,287,441
Special Education	15,456,654	15,684,751
Other Instruction	3,255,382	3,287,124
School Sponsored Activities and Athletic Support Services	677,616	662,544
Support Services		
Student and Instruction Related Services	7,989,432	8,173,073
General Administration Services	1,474,490	1,350,446
School Administration Services	3,541,865	4,072,383
Plant Operations and Maintenance	6,458,542	7,577,581
Pupil Transportation	3,465,427	2,948,428
Central Services	1,365,407	1,357,978
Interest on Long-Term Debt	228,302	512,680
Food Service	2,169,812	2,354,336
Enrichment Academy	218,137	178,231
<b>Total Expenses</b>	<b><u>82,039,620</u></b>	<b><u>83,446,996</u></b>
<b>Change in Net Position</b>	994,557	580,578
Net Position, Beginning of Year	(2,958,510)	(3,539,088)
<b>Net Position, End of Year</b>	<b><u>\$ (1,963,953)</u></b>	<b><u>\$ (2,958,510)</u></b>

**Changes in Net Position.** The district's total revenues were \$83,034,177 and \$84,027,574 in 2019 and 2018, respectively. Property taxes of \$28,445,897 and \$27,915,568 represented 34% and 33% of revenues for the years ended June 30, 2019 and 2018, respectively. The District's state and federal aid of \$53,467,446 and \$55,054,035 represented 64% and 66% of revenues for the years ended June 30, 2019 and 2018, respectively. Charges for services of \$943,368 and \$839,517 in 2019 and 2018, respectively, relate to the District's business type activities and represent approximately 1% of revenues for both years.

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

**Management's Discussion and Analysis (continued)  
Fiscal Year Ended June 30, 2019**

The smallest component of revenues is "Other Revenue." The largest source of "Other Revenue" is miscellaneous and interest income, with \$177,466 and \$218,454 earned in the fiscal years ended June 30, 2019 and 2018, respectively.

The Board's expenses for governmental activities are predominantly related to instruction and support services. Instruction totaled \$55,128,206 and \$54,921,860 which represented 69% and 67% of total governmental expenditures for the years ended June 30, 2019 and 2018, respectively. Student support services, exclusive of administration, totaled \$7,989,432 and \$8,173,073 (10% and 10%) of total expenditures for the years ended June 30, 2019 and 2018, respectively.

**Table A-3  
Total and Net Cost of Services of Governmental Activities  
For the Fiscal Years Ended June 30, 2019 and 2018**

<u>Functions/Programs</u>	<u>Source Exhibit</u>	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
		<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>Governmental Activities</b>					
Instruction					
Regular	A-2	35,738,554	35,287,441	23,366,638	21,595,344
Special Education	A-2	15,456,654	15,684,751	8,532,411	8,679,245
Other Instruction	A-2	3,255,382	3,287,124	2,320,752	2,193,526
School Sponsored Activities and Athletics	A-2	677,616	662,544	508,463	451,999
<b>Support Services</b>					
Student and Instruction Related Services	A-2	7,989,432	8,173,073	5,545,193	5,271,589
General Administration Services	A-2	1,474,490	1,350,446	1,280,125	1,189,563
School Administration Services	A-2	3,541,865	4,072,383	2,559,556	2,691,165
Plant Operations and Maintenance	A-2	6,458,542	7,577,581	4,891,879	6,866,053
Pupil Transportation	A-2	3,465,427	2,948,428	2,946,525	2,724,939
Central Services	A-2	1,365,407	1,357,978	1,037,999	1,162,358
Interest on Long-Term Debt	A-2	228,302	512,680	155,264	420,137
<b>Total Governmental Activities</b>		<b>\$ 79,651,671</b>	<b>\$ 80,914,429</b>	<b>\$ 53,144,805</b>	<b>\$ 53,245,918</b>

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

**Management's Discussion and Analysis (continued)  
Fiscal Year Ended June 30, 2019**

**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, 2019 and 2018 with its governmental funds reporting combined fund balance (GAAP Basis) of \$530,809 and \$604,561 as of June 30, 2019 and 2018, respectively.

Revenues for the district's governmental funds were \$73,730,096 and \$69,054,253 for the fiscal years ended June 30, 2019 and 2018, respectively. Total expenditures were \$73,803,848 and \$68,806,737 for the fiscal years ended June 30, 2019 and 2018, respectively.

**GENERAL FUND**

The General Fund includes the primary operations of the district in providing educational services to students from pre-kindergarten through grade 12 including pupil transportation activities and capital outlay projects.

The following schedule presents a summary of General Fund revenues for the fiscal years ended June 30, 2019 and 2018.

**Table A-4  
Summary of General Fund Revenues  
For the Fiscal Years Ended June 30, 2019 and 2018**

<b>General Fund Revenues</b>	<b><u>2019</u></b>	<b><u>2018</u></b>
<b>Local Sources:</b>		
Local Tax Levy	\$ 27,057,788	\$ 26,527,244
Tuition from Other LEAs Within the State	47,076	
Interest Income	85,703	67,298
Miscellaneous	91,763	131,968
Total Local Sources	<u>27,282,330</u>	<u>26,726,510</u>
<b>Intergovernmental</b>		
State Sources	39,472,065	36,661,809
Federal Sources	126,736	131,078
Total Intergovernmental Sources	<u>39,598,801</u>	<u>36,792,887</u>
<b>Total Revenues</b>	<b><u>\$ 66,881,131</u></b>	<b><u>\$ 63,519,397</u></b>

Property taxes and state formula aid accounted for 99 percent of total revenues for both the 2019 and 2018 fiscal years. Interest income, tuition and miscellaneous revenues accounted for 1 percent of total revenues.

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

**Management's Discussion and Analysis (continued)  
Fiscal Year Ended June 30, 2019**

The following schedule presents a summary of General Fund expenditures for the fiscal years ended June 30, 2019 and 2018.

**Table A-5  
Summary of General Fund Expenditures  
For the Fiscal Years Ended June 30, 2019 and 2018**

<b>General Fund Expenditures</b>	<b><u>2019</u></b>	<b><u>2018</u></b>
<b>Current</b>		
Regular Instruction	\$ 28,775,775	\$ 26,492,103
Special Education Instruction	13,505,110	12,913,167
Other Special Instruction	2,872,467	2,644,168
School Sponsored Activities and Athletics	609,245	540,071
<b>Support Services and Undistributed Costs:</b>		
Student and Instruction Related Services	6,556,232	6,121,282
School Administration Services	3,124,989	3,230,729
General Administration Services	1,381,284	1,215,174
Plant Operations and Maintenance	5,292,532	6,099,968
Pupil Transportation	3,453,490	2,891,260
Central Services	1,218,814	1,143,774
Capital Outlay	155,227	59,482
<b>Total Expenditures</b>	<b><u>\$ 66,945,165</u></b>	<b><u>\$ 63,351,178</u></b>

**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 \$57,313,756 and \$55,125,012 for the years ended June 30, 2019 and 2018, respectively. Revenues (exclusive of on-behalf revenues) were \$57,459,566 and \$55,293,231 for the fiscal years ended June 30, 2019 and 2018, respectively.

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

**Management's Discussion and Analysis (continued)  
Fiscal Year Ended June 30, 2019**

**DEBT ADMINISTRATION**

The amount of debt service expenditures were \$2,061,812 and \$2,049,844 for the fiscal years ended June 30, 2019 and 2018, respectively. Revenues include \$1,388,109 and \$1,407,512 from the local tax levies and miscellaneous revenue, and \$663,985 and \$661,020 coming from state aid for the fiscal years ended June 30, 2019 and 2018, respectively.

**BUSINESS-TYPE ENTERPRISE FUNDS**

The District's total business-type activities revenues were \$2,860,184 and \$2,758,361 for the years ended June 30, 2019 and 2018, respectively. Charges for services accounted for 31% and 30% of total revenue for the 2019 and 2018 years. Operating grants and contributions of \$1,963,892 and \$1,918,844 accounted for 68% and 70% of total revenue, for the fiscal years ended June 30, 2019 and 2018, respectively.

The total cost of all business-type activities programs and services was \$2,387,949 and \$2,532,567 for the fiscal years ended June 30, 2019 and 2018, respectively. The District's expenses are related to food service programs provided to all students and faculty and the operation of the program for enrichment academy for before and after school activities.

Total business-type activities revenues exceeded expenses during the year ended June 30, 2019 increasing net position by \$472,235 over the prior year.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets – Governmental Activities**

As of June 30, 2019 and 2018, the district had invested \$40,203,001 and \$40,047,774, respectively, in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices. (See Table A-6) More detailed information about capital assets can be found in Note 4 of the basic financial statements. Total depreciation expense for the fiscal years ended June 30, 2019 and 2018 was \$982,981 and \$1,029,006, respectively.

**Table A-6  
Capital Assets - Governmental Activities  
as of June 30, 2019 and 2018**

	<u><b>2019</b></u>	<u><b>2018</b></u>
Land	\$ 71,603	\$ 71,603
Land Improvements	339,635	339,635
Buildings and Building Improvements	37,360,940	37,360,940
Machinery and Equipment	2,430,823	2,275,596
<b>Total</b>	<b>40,203,001</b>	<b>40,047,774</b>
Less: Accumulated Depreciation	20,510,154	19,527,173
<b>Total</b>	<b>\$ 19,692,847</b>	<b>\$ 20,520,601</b>

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

**Management's Discussion and Analysis (continued)  
Fiscal Year Ended June 30, 2019**

**Capital Assets – Business-type Activities**

The District as of June 30, 2019 and 2018 had \$903,401 and \$896,292, respectively invested in machinery and equipment for its food service fund. Depreciation was \$41,461 and \$41,710 for the fiscal years ended June 30, 2019 and 2018, respectively.

**Table A-7  
Capital Assets - Business-Type Activities  
as of June 30, 2019 and 2018**

	<u><b>2019</b></u>	<u><b>2018</b></u>
Machinery and Equipment	\$ 903,401	\$ 896,292
Less: Accumulated Depreciation	622,061	580,600
<b>Total Net</b>	<u><b>\$ 281,340</b></u>	<u><b>\$ 315,692</b></u>

**Long-term Liabilities**

At year-end, the District had \$400,000 and \$590,000 at June 30, 2019 and 2018, 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 \$5,700,000 and \$7,340,000 at June 30, 2019 and 2018, respectively, in lease purchase agreements for various school improvements. These agreements were funded by the issuance of certificates of participation ("COPS") which have been refunded as discussed in Note 4 to the basic financial statements.

The District also had \$3,696,197 and \$3,449,342 at June 30, 2019 and 2018, respectively, as a liability for compensated absences. This liability represents the district's contractual obligation to compensate employees for accumulated unused sick leave and severance pay upon retirement.

The District had \$11,960,022 and \$14,040,040 at June 30, 2019 and 2018, respectively, in net pension liability regarding the Public Employees Retirement System. The District is not liable to fund this liability.

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

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

**Management's Discussion and Analysis (continued)  
Fiscal Year Ended June 30, 2019**

**Table A-8  
Long Term Debt Liabilities  
as of June 30, 2019 and 2018**

<b>Governmental Activities</b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Bonds Payable	\$ 400,000	\$ 590,000
Lease Purchase Agreements	5,700,000	7,340,000
Net Pension Liability	11,960,022	14,040,040
Compensated Absences	3,696,197	3,449,342
<b>Total</b>	<b><u>\$ 21,756,219</u></b>	<b><u>\$ 25,419,382</u></b>

## **FOR THE FUTURE**

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

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

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

**Contact:**

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



## **BASIC FINANCIAL STATEMENTS**

**CARTERET BOARD OF EDUCATION  
STATEMENT OF NET POSITION  
AS OF JUNE 30, 2019**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 374,044	\$ 678,981	\$ 1,053,025
Other Receivables		6,153	6,153
Receivable from Other Governments	1,027,956	120,493	1,148,449
Inventories		29,325	29,325
Capital Assets Not Being Depreciated	71,603		71,603
Capital Assets, Being Depreciated, net	<u>19,621,244</u>	<u>281,340</u>	<u>19,902,584</u>
Total Assets	<u>21,094,847</u>	<u>1,116,292</u>	<u>22,211,139</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Amounts on Refunding of Debt	45,862		45,862
Deferred Amount on Net Pension Liability	<u>2,622,104</u>	<u>-</u>	<u>2,622,104</u>
Total Deferred Outflows of Resources	<u>2,667,966</u>	<u>-</u>	<u>2,667,966</u>
<b>LIABILITIES</b>			
Accounts Payable and Other Current Liabilities	711,531	12,534	724,065
Payable to Other Governments	82,118		82,118
Accrued Interest Payable	72,862		72,862
Unearned Revenue	77,542		77,542
Noncurrent Liabilities			
Due Within One Year	1,019,620		1,019,620
Due Beyond One Year	<u>20,724,883</u>	<u>-</u>	<u>20,724,883</u>
Total Liabilities	<u>22,688,556</u>	<u>12,534</u>	<u>22,701,090</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Commodities Revenue		7,265	7,265
Deferred Amount on Net Pension Liability	<u>4,134,703</u>	<u>-</u>	<u>4,134,703</u>
Total Deferred Inflows of Resources	<u>4,134,703</u>	<u>7,265</u>	<u>4,141,968</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	14,050,425	281,340	14,331,765
Restricted for			
Capital Projects	500,000		500,000
Debt Service	9,470		9,470
Unrestricted	<u>(17,620,341)</u>	<u>815,153</u>	<u>(16,805,188)</u>
Total Net Position	<u>\$ (3,060,446)</u>	<u>\$ 1,096,493</u>	<u>\$ (1,963,953)</u>

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

**CARTERET BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Position</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Governmental Activities</b>							
Instruction							
Regular	\$ 35,738,554	\$ 47,076	\$ 12,324,840		\$ (23,366,638)		\$ (23,366,638)
Special Education	15,456,654		6,924,243		(8,532,411)		(8,532,411)
Other Instruction	3,255,382		934,630		(2,320,752)		(2,320,752)
School Sponsored Activities and Athletics	677,616		169,153		(508,463)		(508,463)
Support Services							
Student and Instruction Related Services	7,989,432		2,444,239		(5,545,193)		(5,545,193)
General Administration Services	1,474,490		194,365		(1,280,125)		(1,280,125)
School Administration Services	3,541,865		982,309		(2,559,556)		(2,559,556)
Central Services	1,365,407		327,408		(1,037,999)		(1,037,999)
Plant Operations and Maintenance	6,458,542		1,566,663		(4,891,879)		(4,891,879)
Pupil Transportation	3,465,427		518,902		(2,946,525)		(2,946,525)
Interest on Long-Term Debt	228,302	-	73,038	-	(155,264)	-	(155,264)
Total Governmental Activities	79,651,671	47,076	26,459,790	-	(53,144,805)	-	(53,144,805)
<b>Business-Type Activities</b>							
Food Service	2,169,812	\$ 509,755	1,963,892			\$ 303,835	303,835
Enrichment Academy	218,137	386,537	-	-	-	168,400	168,400
Total Business-Type Activities	2,387,949	896,292	1,963,892	-	-	472,235	472,235
Total Primary Government	\$ 82,039,620	\$ 943,368	\$ 28,423,682	\$ -	(53,144,805)	472,235	(52,672,570)

Continued

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

	<b>Net (Expense) Revenue and Changes in Net Position</b>		
	<b><u>Governmental Activities</u></b>	<b><u>Business-Type Activities</u></b>	<b><u>Total</u></b>
<b>General Revenues</b>			
Taxes			
Property Taxes Levied for General Purposes	\$ 27,057,788		\$ 27,057,788
Property Taxes Levied for Debt Service	1,388,109		1,388,109
Federal and State Aid -Unrestricted	24,452,817		24,452,817
State/Federal Aid - Restricted	590,947		590,947
Miscellaneous Income	<u>177,466</u>	<u>-</u>	<u>177,466</u>
Total General Revenues	<u>53,667,127</u>	<u>-</u>	<u>53,667,127</u>
Change in Net Position	522,322	\$ 472,235	994,557
Net Position, Beginning of Year	<u>(3,582,768)</u>	<u>624,258</u>	<u>(2,958,510)</u>
Net Position, End of Year	<u>\$ (3,060,446)</u>	<u>\$ 1,096,493</u>	<u>\$ (1,963,953)</u>

## **FUND FINANCIAL STATEMENTS**

**CARTERET BOARD OF EDUCATION  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
AS OF JUNE 30, 2019**

	<b><u>General Fund</u></b>	<b><u>Special Revenue Fund</u></b>	<b><u>Debt Service Fund</u></b>	<b><u>Total Governmental Funds</u></b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 364,574		\$ 9,470	\$ 374,044
Due from Other Funds	472,224			472,224
Receivables from Other Governments	<u>138,105</u>	<u>\$ 889,851</u>	<u>-</u>	<u>1,027,956</u>
Total Assets	<u><u>\$ 974,903</u></u>	<u><u>\$ 889,851</u></u>	<u><u>\$ 9,470</u></u>	<u><u>\$ 1,874,224</u></u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Due to Other Funds		\$ 472,224		472,224
Accounts Payable	\$ 453,564	257,967		711,531
Payable to State Government		82,118		82,118
Unearned Revenue	<u>-</u>	<u>77,542</u>	<u>-</u>	<u>77,542</u>
Total Liabilities	<u>453,564</u>	<u>889,851</u>	<u>-</u>	<u>1,343,415</u>
Fund Balances				
Restricted				
Capital Reserve	500,000			500,000
Excess Surplus - Designated for Subsequent Year's Expenditures	107,411			107,411
Debt Service			\$ 9,470	9,470
Assigned Fund Balance				
Designated for Subsequent Year's				
Expenditures	1,116,504			1,116,504
Year End Encumbrances	1,596,477			1,596,477
Unassigned Fund Balance:				
General Fund	<u>(2,799,053)</u>	<u>-</u>	<u>-</u>	<u>(2,799,053)</u>
Total Fund Balances	<u>521,339</u>	<u>-</u>	<u>9,470</u>	<u>530,809</u>
Total Liabilities and Fund Balances	<u><u>\$ 974,903</u></u>	<u><u>\$ 889,851</u></u>	<u><u>\$ 9,470</u></u>	<u><u>\$ 1,874,224</u></u>

Continued

**CARTERET BOARD OF EDUCATION  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
AS OF JUNE 30, 2019**

Total Fund Balances - Governmental Funds	\$ 530,809						
Amounts reported for <i>governmental activities</i> in the statement of net position (A-1) are different because:							
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$40,203,001 and the accumulated depreciation is \$20,510,154.	19,692,847						
The District has financed capital assets through the issuance of bonds. The interest accrual at year end is :	(72,862)						
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.	45,862						
Certain amounts resulting from the measurement of the net pension liability are reported as either deferred inflows of resources or deferred outflows of resources on the statement of net position and deferred over future years.							
	<table> <tr> <td>Deferred Outflows of Resources</td><td style="text-align: right;">\$ 2,622,104</td></tr> <tr> <td>Deferred Inflows of Resources</td><td style="text-align: right;"><u>(4,134,703)</u></td></tr> <tr> <td></td><td style="text-align: right;">(1,512,599)</td></tr> </table>	Deferred Outflows of Resources	\$ 2,622,104	Deferred Inflows of Resources	<u>(4,134,703)</u>		(1,512,599)
Deferred Outflows of Resources	\$ 2,622,104						
Deferred Inflows of Resources	<u>(4,134,703)</u>						
	(1,512,599)						
Long-term liabilities, including bonds and certificates of participation payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. (Note 2)	<u>(21,744,503)</u>						
<b>Net position of governmental activities (Exhibit A-1)</b>	<b><u>\$ (3,060,446)</u></b>						

**CARTERET BOARD OF EDUCATION**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>REVENUES</b>				
Local Sources				
Local Tax Levy	\$ 27,057,788		\$ 1,388,109	\$ 28,445,897
Tuition from Other LEAs Within the State	47,076			47,076
Miscellaneous	177,466	\$ 14,340	-	191,806
	<u>27,282,330</u>	<u>14,340</u>	<u>1,388,109</u>	<u>28,684,779</u>
Total - Local Sources				
State Sources	39,472,065	2,576,980	663,985	42,713,030
Federal Sources	126,736	2,205,551	-	2,332,287
	<u>66,881,131</u>	<u>4,796,871</u>	<u>2,052,094</u>	<u>73,730,096</u>
Total Revenues				
<b>EXPENDITURES</b>				
Current				
Instruction:				
Regular Instruction	28,775,775	3,262,062		32,037,837
Special Education Instruction	13,505,110	909,547		14,414,657
Other Special Instruction	2,872,467			2,872,467
School-Sponsored Activities and Athletics	609,245			609,245
Support Services and Undistributed Costs:				
Student and Instruction Related Services	6,556,232	620,145		7,176,377
General Administration Services	1,381,284			1,381,284
School Administration Services	3,124,989			3,124,989
Central Services	1,218,814			1,218,814
Plant Operations and Maintenance	5,292,532			5,292,532
Pupil Transportation	3,453,490	5,117		3,458,607
Debt Service:				
Principal			1,830,000	1,830,000
Interest and Other Charges			231,812	231,812
Capital Outlay	155,227	-	-	155,227
	<u>66,945,165</u>	<u>4,796,871</u>	<u>2,061,812</u>	<u>73,803,848</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over Expenditures	<u>(64,034)</u>	<u>-</u>	<u>(9,718)</u>	<u>(73,752)</u>
Net Change in Fund Balances	(64,034)	-	(9,718)	(73,752)
Fund Balance, Beginning of Year	585,373	-	19,188	604,561
Fund Balance, End of Year	<u>\$ 521,339</u>	<u>\$ -</u>	<u>\$ 9,470</u>	<u>\$ 530,809</u>

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



**CARTERET BOARD OF EDUCATION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
WITH THE DISTRICT-WIDE STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<b>Total net change in fund balances - governmental funds (Exhibit B-2)</b>	\$ (73,752)
-----------------------------------------------------------------------------	-------------

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlay in the current period. (Note 2)	(827,754)
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------

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)	1,830,000
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------

Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. Also, certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (Note 2)	<div style="border-top: 1px solid black; display: inline-block;">(406,172)</div>
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<b>Change in net position of governmental activities (Exhibit A-2)</b>	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block;">\$ 522,322</div>
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**CARTERET BOARD OF EDUCATION  
PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
AS OF JUNE 30, 2019**

	<u>Business-Type Activities</u>		
		<b>Other Non-Major Enterprise Fund-</b>	
	<b><u>Food Service</u></b>	<b><u>Enrichment Academy</u></b>	<b><u>Totals</u></b>
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents	\$ 329,978	\$ 349,003	\$ 678,981
Intergovernmental Receivable			
State	1,628		1,628
Federal	118,865		118,865
Inventories	29,325		29,325
Other Accounts Receivable	<u>-</u>	<u>6,153</u>	<u>6,153</u>
Total Current Assets	<u>479,796</u>	<u>355,156</u>	<u>834,952</u>
Capital Assets			
Equipment	903,401		903,401
Less: Accumulated Depreciation	<u>(622,061)</u>	<u>-</u>	<u>(622,061)</u>
Total Capital Assets, Net	<u>281,340</u>	<u>-</u>	<u>281,340</u>
Total Assets	<u>761,136</u>	<u>355,156</u>	<u>1,116,292</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	<u>5,286</u>	<u>7,248</u>	<u>12,534</u>
Total Current Liabilities	<u>5,286</u>	<u>7,248</u>	<u>12,534</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Commodities Revenue	<u>7,265</u>	<u>-</u>	<u>7,265</u>
Total Deferred Inflows of Resources	<u>7,265</u>	<u>-</u>	<u>7,265</u>
Total Liabilities and Deferred Inflows of Resources	<u>12,551</u>	<u>7,248</u>	<u>19,799</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	281,340		281,340
Unrestricted	<u>467,245</u>	<u>347,908</u>	<u>815,153</u>
Total Net Position	<u>\$ 748,585</u>	<u>\$ 347,908</u>	<u>\$ 1,096,493</u>

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

**CARTERET BOARD OF EDUCATION  
PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Business-Type Activities</u>		
		<b>Other Non-Major Enterprise Fund-</b>	
	<b>Food Service</b>	<b>Enrichment Academy</b>	<b>Totals</b>
<b>OPERATING REVENUES</b>			
Charges for Services			
Daily Sales - Reimbursable Program	\$ 208,825		\$ 208,825
Daily Sales - Non-Reimbursable Program	300,930		300,930
Program Fees	<u>-</u>	<u>\$ 386,537</u>	<u>386,537</u>
 Total Operating Revenues	 <u>509,755</u>	 <u>386,537</u>	 <u>896,292</u>
<b>OPERATING EXPENSES</b>			
Salaries and Employee Benefits	837,833	211,490	1,049,323
Cost of Sales - Reimbursable Program	969,525		969,525
Cost of Sales - Non-Reimbursable Program	121,335		121,335
Other Purchased Services	41,200		41,200
Insurance	71,609		71,609
Depreciation	41,461		41,461
Supplies and Materials	65,744	2,627	68,371
Miscellaneous	<u>21,105</u>	<u>4,020</u>	<u>25,125</u>
 Total Operating Expenses	 <u>2,169,812</u>	 <u>218,137</u>	 <u>2,387,949</u>
 Operating Income (Loss)	 <u>(1,660,057)</u>	 <u>168,400</u>	 <u>(1,491,657)</u>
<b>NONOPERATING REVENUES</b>			
State Sources			
School Lunch Program	23,551		23,551
Federal Sources			
National School Lunch Program	1,256,493		1,256,493
National School Breakfast Program	489,444		489,444
Snack Program	40,238		40,238
Food Distribution Program	<u>154,166</u>	<u>-</u>	<u>154,166</u>
 Total Nonoperating Revenues	 <u>1,963,892</u>	 <u>-</u>	 <u>1,963,892</u>
 Net Income	 <u>303,835</u>	 <u>168,400</u>	 <u>472,235</u>
 Change in Net Position	 303,835	 168,400	 472,235
 Net Position, Beginning of Year	 <u>444,750</u>	 <u>179,508</u>	 <u>624,258</u>
 Net Position, End of Year	 <u>\$ 748,585</u>	 <u>\$ 347,908</u>	 <u>\$ 1,096,493</u>

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

**CARTERET BOARD OF EDUCATION  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Business-Type Activities**

**Other Non-Major**

**Enterprise**

**Fund-**

**Enrichment**

**Academy**

**Food  
Service**

**Totals**

**Cash Flows from Operating Activities**

Receipts from Customers	\$ 536,755	\$ 383,860	\$ 920,615
Payments for Employees' Salaries and Benefits	(832,547)	(204,660)	(1,037,207)
Payments to Suppliers for Goods and Services	<u>(1,135,085)</u>	<u>(6,229)</u>	<u>(1,141,314)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(1,430,877)</u>	<u>172,971</u>	<u>(1,257,906)</u>

**Cash Flows from Noncapital Financing Activities**

State and Federal Subsidy Reimbursements	<u>1,813,950</u>	<u>-</u>	<u>1,813,950</u>
Net Cash Provided by Noncapital Financing Activities	<u>1,813,950</u>	<u>-</u>	<u>1,813,950</u>

**Cash Flows from Capital and Related Financing Activities**

Acquisition of Capital Assets	<u>(7,109)</u>	<u>-</u>	<u>(7,109)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(7,109)</u>	<u>-</u>	<u>(7,109)</u>
Net Increase in Cash and Cash Equivalents	375,964	172,971	548,935
Cash and Cash Equivalents, Beginning of Year	<u>(45,986)</u>	<u>176,032</u>	<u>130,046</u>
Cash and Cash Equivalents, End of Year	<u>\$ 329,978</u>	<u>\$ 349,003</u>	<u>\$ 678,981</u>

**Reconciliation of Operating Income (Loss) to Net Cash**

**Provided by (Used for) Operating Activities**

Operating Income (Loss)	\$ <u>(1,660,057)</u>	\$ 168,400	\$ <u>(1,491,657)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
Depreciation	41,461		41,461
Non-Cash Federal Assistance - National School Lunch Program (Food Distribution)	154,166		154,166
Change in Assets and Liabilities:			
(Increase)/Decrease in Other Accounts Receivable	27,000	(2,677)	24,323
(Increase)/Decrease in Inventories	1,540		1,540
Increase/(Decrease) in Accounts Payable	<u>5,013</u>	<u>7,248</u>	<u>12,261</u>
Total Adjustments	<u>229,180</u>	<u>4,571</u>	<u>233,751</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (1,430,877)</u>	<u>\$ 172,971</u>	<u>\$ (1,257,906)</u>
Non-Cash Financing Activities - National School Lunch (Food Distribution)	\$ 145,834		

**CARTERET BOARD OF EDUCATION  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
AS OF JUNE 30, 2019**

	<b><u>Unemployment Compensation Trust</u></b>	<b><u>Employee Benefits (Flexible Spending) Program Fund</u></b>	<b><u>Agency Fund</u></b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 324,152	\$ 19,456	\$ 507,146
Total Assets	<u>324,152</u>	<u>19,456</u>	<u>\$ 507,146</u>
<b>LIABILITIES</b>			
Due to Student Groups			\$ 188,161
Intergovernmental Payable	14,801		
Payroll Deductions and Withholdings			318,820
Accrued Salaries and Wages	<u>-</u>	<u>-</u>	<u>165</u>
Total Liabilities	<u>14,801</u>	<u>-</u>	<u>\$ 507,146</u>
<b>NET POSITION</b>			
Held in Trust for Unemployment Claims	<u>\$ 309,351</u>		
Held in Trust for Employee Benefits		<u>\$ 19,456</u>	

**CARTERET BOARD OF EDUCATION  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<b><u>Unemployment Compensation Trust</u></b>	<b><u>Employee Benefits (Flexible Spending) Program Fund</u></b>
<b>ADDITIONS</b>		
Contributions		
Employees	\$ 83,255	\$ 42,736
Total Contributions	<u>83,255</u>	<u>42,736</u>
Investment Earnings		
Interest	<u>4,465</u>	<u>170</u>
Net Investment Earnings	<u>4,465</u>	<u>170</u>
Total Additions	<u>87,720</u>	<u>42,906</u>
<b>DEDUCTIONS</b>		
Benefit Reimbursements		44,424
Transfer to General Fund		170
Unemployment Claims and Contributions	<u>78,351</u>	<u>-</u>
Total Deductions	<u>78,351</u>	<u>44,594</u>
Change in Net Position	9,369	(1,688)
Net Position, Beginning of the Year	<u>299,982</u>	<u>21,144</u>
Net Position, End of the Year	<u><u>\$ 309,351</u></u>	<u><u>\$ 19,456</u></u>

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

## **NOTES TO THE FINANCIAL STATEMENTS**

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**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 2019, the District adopted the following GASB statement as required:

- GASB No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistency provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms association with debt will be disclosed.

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

- GASB No. 84, *Fiduciary Activities*, will be effective with the fiscal year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments.



**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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

- GASB No. 87, *Leases*, will be effective with the fiscal year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.
- GASB No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*, will be effective beginning with the year ending June 30, 2020. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

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

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

**District-Wide Financial Statements**

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

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.

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**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 and the food service enterprise fund to be major funds.

The District reports the following major governmental funds:

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

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

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

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

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

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

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

Additionally, the government reports the following fund types:

The *fiduciary trust funds* are used to account for resources legally held in trust for state unemployment insurance claims and for employee benefits flexible spending transactions. All resources of the funds, including any earnings on invested resources, may be used to support the intended purpose. There is no requirement that any portion of these resources be preserved as capital.

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

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

**Reclassifications**

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

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e. when they are both measurable and available). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days after year-end. Expenditures are recorded when a liability is incurred, as under accrual basis of accounting, with the exception of debt service expenditures as well as expenditures related to compensated absences and claims and judgments which are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

***1. Cash, Cash Equivalents and Investments***

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

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

***2. Receivables***

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

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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

**3. *Inventories***

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

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

**4. *Capital Assets***

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

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

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

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

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

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

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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

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

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

***6. Compensated Absences***

It is the District's policy to permit employees to accumulate (with certain restrictions) earned but unused sick leave benefits and severance pay. A long-term liability of accumulated sick leave, severance pay and salary related payments has been recorded in the governmental activities in the district-wide financial statements, representing the Board's commitment to fund such costs from future operations. A liability is reported in the governmental funds only to the amount actually due at year end as a result of employee resignations and retirements.

***7. Pensions***

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

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

***8. Long-Term Obligations***

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

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

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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

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

**District-Wide Statements**

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

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

**Governmental Fund Statements**

Fund balance categories are designed to make the nature and extent of the constraints placed on the District's fund balance more transparent. These categories are comprised of a hierarchy based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

**Restricted Fund Balance** – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

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

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

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

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

*Designated for Subsequent Year's Expenditures* – This designation was created to dedicate the portion of fund balance appropriated in the adopted 2019/2020 District budget certified for taxes.

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

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

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

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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

***10. Fund Balance Policies***

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Trustees is the highest level of decision-making authority for the government that can, by adoption of a resolution or formal Board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District has no committed fund balances at year end.

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

**F. Revenues and Expenditures/Expenses**

***1. Program Revenues***

Amounts reported as program revenues in the district-wide statement of activities include 1) charges to customers or applicants for goods or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes, unrestricted state aid, investment earnings and miscellaneous revenues.

***2. Property Taxes***

Property taxes are levied pursuant to law and are collected by the municipality and are transferred to the District as requested. Property tax revenues are recognized in the year they are levied and become available. Property taxes collected in advance of the year-end for which they are levied and transferred to the District are reported as deferred inflows of resources. The tax bills are mailed annually in June by the municipal tax collector and are levied and due in four quarterly installments on August 1, November 1, February 1 and May 1 of the fiscal year. When unpaid, taxes or any other municipal lien, or part thereof, on real property, remains in arrears on April 1<sup>st</sup> in the year following the calendar year levy when the same became in arrears, the tax collector of the municipality shall, subject to the provisions of New Jersey Statute, enforce the lien by placing the property on a tax sale. The municipality may institute annual "in rem" tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property.

***3. Tuition Revenues and Expenditures***

Tuition Revenues - Tuition charges were established by the Board the Education based on estimated costs. The charges are subject to adjustment when the final costs are determined and certified by the State Department of Education.

Tuition Expenditures - Tuition charges for the fiscal years 2017-2018 and 2018-2019 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.

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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

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

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

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

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position– governmental activities as reported in the district-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$(21,744,503) difference are as follows:

Bonds Payable	\$ (400,000)
Certificates of Participation Payable	(5,700,000)
Less: Original Issuance Discount (to be amortized as interest expense)	11,716
Compensated Absences	(3,696,197)
Net Pension Liability	<u>(11,960,022)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ (21,744,503)</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the district-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense”. The details of this \$(827,754) difference are as follows:

Capital Outlay	\$155,227
Depreciation Expense	<u>(982,981)</u>
Net Adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$(827,754)</u></u>



**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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

Another element of that reconciliation states that “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 \$1,830,000 difference are as follows:

Principal Repayments:

Bonds Payable	\$ 190,000
Certificates of Participation	<u>1,640,000</u>

Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at changes in net position of *governmental* activities

\$ 1,830,000

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 \$(406,172) difference are as follows:

Compensated Absences	\$ (246,855)
Accrued Interest	19,069
Amortization of Deferred Amounts on Refunding	(12,811)
Amortization of Bond Discounts	(2,748)
Net Pension Expense	<u>(162,827)</u>

Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of government activities

\$ (406,172)

**NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

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

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

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

**A. Budgetary Information (Continued)**

Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2018/2019. Also, during 2018/2019 the Board increased the original budget by \$2,397,851. The increase was funded by additional grant awards and the reappropriation of prior year general fund encumbrances.

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

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

**B. Excess Expenditures Over Appropriations**

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

	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
<u>General Fund</u>			
Unallocated Benefits – Employee Benefits			
Health Benefits	\$6,710,379	\$6,808,878	(\$98,499)
<u>Debt Service Fund</u>			
Principal on Lease Purchase – COPS	1,595,000	1,640,000	(45,000)
Principal on Early Retirement Bonds	180,000	190,000	(10,000)

The above variances were offset with other available resources.

**C. Deficit Fund Equity**

The District has an unassigned fund deficit of \$2,799,053 in the General Fund as of June 30, 2018 as reported in the fund financial statements (modified accrual basis). NJSA 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, districts must record these delayed state aid payments as revenue, for budget purposes only, in the current school budget year. The statute provides legal authority for school districts to recognize this revenue in the current budget year. GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions", requires that intergovernmental transactions (revenue, expenditure, asset, liability) should be recognized in symmetry (i.e., if one government recognizes an asset, the other government recognizes a liability). Since the State of New Jersey is recording certain 2018/2019 budgeted state aid payments in the subsequent fiscal year, the school district cannot recognize such payments on the GAAP (fund) financial statements until the year the State records the payable. Due to the timing difference of recording these delayed state aid payments, the General Fund deficit does not alone indicate that the District is facing financial difficulties; however, unless the State of New Jersey budgets the delayed payments in future years, the District may also report fund deficits in the future.

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

**C. Deficit Fund Equity (Continued)**

Pursuant to NJSA 18A:22-44.2, any negative unreserved, undesignated (i.e., unassigned) general fund balance that is reported as a direct result of a delay in the payment of state aid until the following fiscal year, is not considered as a violation of New Jersey Statute or regulation and is not considered an item in need of corrective action. The District deficit in the GAAP (fund) financial statements of \$2,799,053 in the General Fund is less than the delayed state aid payments at June 30, 2019.

**D. Capital Reserve**

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

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

The activity of the capital reserve for the fiscal year ended June 30, 2019 is as follows:

Balance, July 1, 2018	\$ 500,000
Balance, June 30, 2019	<u>\$ 500,000</u>

**NOTE 4 DETAILED NOTES ON ALL FUNDS**

**A. Cash Deposits and Investments**

**Cash Deposits**

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

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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

**Cash Deposits (Continued)**

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2019, the book value of the Board's deposits were \$1,903,779 and bank and brokerage firm balances of the Board's deposits amounted to \$5,116,481. The Board's deposits which are displayed on the various fund balance sheets as "cash and cash equivalents" are categorized as:

**Depository Account**

Insured	\$ <u>5,116,481</u>
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Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Board does not have a policy for custodial credit risk. As of June 30, 2019 none of the Board's bank balances were exposed to custodial credit risk.

**Investments**

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

As of June 30, 2019, the Board had no outstanding investments.

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

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

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

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

**B. Receivables**

Receivables as of June 30, 2018 for the district's individual major funds and nonmajor fund in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Food Service</u>	<u>Enrichment Academy</u>	<u>Total</u>
Receivables:					
Intergovernmental					
Federal		\$ 889,851	\$118,865		\$ 1,008,716
State	\$ 138,105		1,628		139,733
Accounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 6,153</u>	<u>6,153</u>
Gross Receivables	138,105	889,851	120,493	6,153	1,154,602
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 138,105</u>	<u>\$ 889,851</u>	<u>\$120,493</u>	<u>\$ 6,153</u>	<u>\$ 1,154,602</u>

**C. Unearned Revenue**

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

	<u>Unearned</u>
Special Revenue Fund	
Unencumbered grant draw downs	\$ 53,073
Grant drawdowns reserved for encumbrances	<u>24,469</u>
Total Unearned Revenue for Governmental Funds	<u>\$ 77,542</u>

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

**D. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	Balance, July 1, 2018	Increases	Decreases	Balance, June 30, 2019
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 71,603	-	-	\$ 71,603
Total capital assets, not being depreciated	<u>71,603</u>	<u>-</u>	<u>-</u>	<u>71,603</u>
Capital assets, being depreciated:				
Buildings and Building Improvements	37,360,940			37,360,940
Land Improvements	339,635			339,635
Machinery and equipment	<u>2,275,596</u>	<u>\$ 155,227</u>	<u>-</u>	<u>2,430,823</u>
Total capital assets being depreciated	<u>39,976,171</u>	<u>155,227</u>	<u>-</u>	<u>40,131,398</u>
Less accumulated depreciation for:				
Buildings and Building Improvements	(17,345,579)	(133,523)		(17,479,102)
Land Improvements	(261,297)	(4,857)		(266,154)
Machinery and equipment	<u>(1,920,297)</u>	<u>(844,601)</u>	<u>-</u>	<u>(2,764,898)</u>
Total accumulated depreciation	<u>(19,527,173)</u>	<u>(982,981)</u>	<u>-</u>	<u>(20,510,154)</u>
Total capital assets, being depreciated, net	<u>20,448,998</u>	<u>(827,754)</u>	<u>-</u>	<u>19,621,244</u>
Governmental Activities Capital Assets, Net	<u>\$ 20,520,601</u>	<u>\$ (827,754)</u>	<u>\$ -</u>	<u>\$ 19,692,847</u>
	Balance, July 1, 2018	Increases	Decreases	Balance, June 30, 2019
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Machinery and equipment	\$ 896,292	\$ 7,109	-	\$ 903,401
Total capital assets being depreciated	<u>896,292</u>	<u>7,109</u>	<u>-</u>	<u>903,401</u>
Less accumulated depreciation for:				
Machinery and equipment	<u>(580,600)</u>	<u>(41,461)</u>	<u>-</u>	<u>(622,061)</u>
Total accumulated depreciation	<u>(580,600)</u>	<u>(41,461)</u>	<u>-</u>	<u>(622,061)</u>
Total capital assets, being depreciated, net	<u>315,692</u>	<u>(34,352)</u>	<u>-</u>	<u>281,340</u>
Business-Type Activities Capital Assets, Net	<u>\$ 315,692</u>	<u>\$ (34,352)</u>	<u>\$ -</u>	<u>\$ 281,340</u>

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**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	\$ 12,173
Total Instruction	<u>12,173</u>

Support Services	
Student and Instruction Related Services	56,906
Plant Operations and Maintenance	911,837
Pupil Transportation	<u>2,065</u>
Total Support Services	<u>970,808</u>

Total Depreciation Expense - Governmental Activities	<u>\$ 982,981</u>
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**Business-Type Activities:**

Food Service Fund	\$ 41,461
Total Depreciation Expense-Business-Type Activities	<u>\$ 41,461</u>

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

The composition of interfund balances as of June 30, 2019, is as follows:

**Due To/From Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	<u>\$ 472,224</u>

The above balances are to cover cash balances which were in an overdraft position.

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

**F. Leases**

**Lease Purchase Agreements**

**Refunding Certificates of 2010**

The Board of Education adopted a resolution on April 26, 2009 for the purpose of issuing Refunding Certificates of Participation (the Refunding Certificates) in order to advance refund all of the outstanding Certificates of Participation dated April 8, 1999, (the Prior Certificate) which were issued to finance building improvements.

On February 25, 2010 the Board of Education issued \$9,375,000 Refunding Certificates and the proceeds of the Refunding Certificates were deposited into an escrow fund, and together with other available funds, will be used to pay all principal and interest on the Prior Certificates. These certificates were completely paid in the 2018/19 fiscal year.

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

**F. Leases (Continued)**

**Lease Purchase Agreements (Continued)**

Under the Refunding Certificates, the Board is required to pay Basic Rent due on each April 15 and October 15 commencing October 15, 2010. Basic Rent is composed of an interest component and a principal component. The Refunding Certificates carry interest rates in the range of 2.0% to 3.625%; and mature on April 15, 2019. Payments of the principal and interest on the Refunding Certificates are insured by National Public Finance Guarantee. Bank of New York Mellon has been appointed to serve as a trustee in the agreement.

**Refunding Certificates of 2015**

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

On April 30, 2015 the Board of Education issued \$7,455,000 Refunding Certificates and the proceeds of the Refunding Certificates were deposited into an escrow fund, and together with other available funds, will be used to pay all principal and interest on the Prior Certificates.

Under the Refunding Certificates, the Board is required to pay Basic Rent due on January 15 commencing January 15, 2016. Basic Rent is composed of an interest component and a principal component. The Refunding Certificates carry interest rates in the range of 1.25% to 4.00%; and mature on January 15, 2030. Payments of the principal and interest on the Refunding Certificates are insured by National Public Finance Guarantee. Bank of New York Mellon has been appointed to serve as a trustee in the agreement.

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

**Governmental Activities:**

<u>Fiscal Year Ending</u> <u>June 30,</u>	<u>Certificates of Participation</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2020	\$ 455,000	\$ 150,063	\$ 605,063
2021	470,000	136,413	606,413
2022	480,000	127,012	607,012
2023	495,000	116,812	611,812
2024	500,000	105,675	605,675
2025-2029	2,710,000	329,200	3,039,200
2030	<u>590,000</u>	<u>17,700</u>	<u>607,700</u>
Total	<u>\$ 5,700,000</u>	<u>\$ 982,875</u>	<u>\$ 6,682,875</u>

**G. Long-Term Debt**

**General Obligation Bonds**

The Board issued general obligation bonds to refund certain pension obligations. The full faith and credit of the Board are irrevocably pledged for the payment of the principal of the bonds and the interest thereon.

Bonds payable at June 30, 2019 is comprised of the following issue:

\$1,430,000, 2013 Pension Refunding Bonds, due in annual installments of \$195,000 to \$205,000 through March 15, 2021, interest at 3.50%	<u>\$400,000</u>
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**NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)****G. Long-Term Debt (Continued)****General Obligation Bonds (Continued)**

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

**Governmental Activities:**

Fiscal Year Ending June 30,	<u>Pension Refunding Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2020	\$ 195,000	\$ 14,000	\$ 209,000
2021	205,000	7,175	212,175
Total	<u>\$ 400,000</u>	<u>\$ 21,175</u>	<u>\$ 421,175</u>

**Statutory Borrowing Power**

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2019 was as follows:

4% of Equalized Valuation Basis (Municipal)	\$ 96,729,684
Less: Net Debt	<u>-</u>
Remaining Borrowing Power	<u>\$ 96,729,684</u>

**H. Other Long-Term Liabilities****Changes in Long-Term Liabilities**

Long-term liability activity for the fiscal year ended June 30, 2019, was as follows:

	<u>Balance, July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, June 30, 2019</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Lease-Purchase Agreements ("COPS")	\$ 7,340,000		\$ (1,640,000)	\$ 5,700,000	\$ 455,000
Original Issue Discount	(14,464)	-	2,748	(11,716)	-
Lease-Purchase Agreements, net	7,325,536	-	(1,637,252)	5,688,284	455,000
Bonds payable	590,000		(190,000)	400,000	195,000
Net Pension Liability	14,040,040		(2,080,018)	11,960,022	
Compensated Absences	3,449,342	\$ 246,855	-	3,696,197	369,620
Governmental Activity Long-term Liabilities	<u>\$ 25,404,918</u>	<u>\$ 246,855</u>	<u>\$ (3,907,270)</u>	<u>\$ 21,744,503</u>	<u>\$ 1,019,620</u>

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

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 5 OTHER INFORMATION**

**A. Risk Management**

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

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

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

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

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

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

<u>Year Ended</u> <u>June 30,</u>	<u>District</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2019	\$-0-	\$ 83,255	\$ 78,351	\$ 309,351
2018	\$-0-	82,338	107,709	299,982
2017	\$-0-	85,736	107,858	321,710

**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, 2019, 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, 2019, the District has not estimated its arbitrage earnings due to the IRS, if any.

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 5 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans**

**Plan Descriptions and Benefits Provided**

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

**Public Employees' Retirement System (PERS)** – Established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage to substantially all full time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees. PERS is a cost sharing multiple employer defined benefit pension plan. For additional information about PERS, please refer to the State Division of Pension and Benefits (Division's) Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

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

The following represents the membership tiers for PERS:

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

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

**Teachers' Pension and Annuity Fund (TPAF)** – Established in January 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage to substantially all full time certified teachers or professional staff of the public school systems in the State. Membership is mandatory for such employees. TPAF is a cost sharing multiple- employer defined benefit pension plan with a special funding situation, by which the State is responsible to fund 100% of local employer contributions, excluding any local employer early retirement incentive (ERI) contributions. For additional information about TPAF, please refer to the State Division of Pension and Benefits (Division's) Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 5 OTHER INFORMATION (Continued)**

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

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

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

The following represent the membership tiers for TPAF:

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

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

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

**Defined Contribution Retirement Program (DCRP)** – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007 and employees enrolled in PERS on or after July 1, 2007 who earn in excess of established annual maximum compensation limits (equivalent to annual maximum wage for social security deductions). This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees (Tier 2) of the PFRS and new employees who would otherwise be eligible to participate in PERS and do not earn the minimum salary required or do not work the minimum required hours but earn a base salary of at least \$5,000 are eligible for participation in the DCRP. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**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 reform legislation.

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

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

**Plan Amendments**

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

**Measurement Focus and Basis of Accounting**

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

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

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 5 OTHER INFORMATION (Continued)**

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

**Investment Valuation**

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of the retirement systems. Prudential retirement is the third-party administrator for the DCRP and provides record keeping, administrative services and investment options. Investment transactions are accounted for on a trade or investment date basis. Interest and dividend income is recorded on the accrual basis, with dividends accruing on the ex-dividend date. The net increase or decrease in the fair value of investments includes the net realized and unrealized gains or losses on investments.

The State of New Jersey, Department of the Treasury, Division of Investment issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial reports may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290 or at [www.state.nj.us/treasury/doinvest](http://www.state.nj.us/treasury/doinvest).

**Collective Net Pension Liability**

The collective net pension liability of the participating employers for local PERS at June 30, 2018 is \$19.7 billion and the plan fiduciary net position as a percentage of the total pension liability is 53.60%. The collective net pension liability of the State funded TPAF at June 30, 2018 is \$63.81 billion and the plan fiduciary net position as a percentage of total pension liability is 26.49%.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2017 which were rolled forward to June 30, 2018.

**Actuarial Methods and Assumptions**

In the July 1, 2017 PERS and TPAF actuarial valuation, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The pension systems selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 68. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

**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 members and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 7.50% for PERS, 7.50% for TPAF and 5.50% for DCRP of the employee's annual compensation for fiscal year 2019.

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 5 OTHER INFORMATION (Continued)**

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

**Employer and Employee Pension Contributions (Continued)**

PERS employers' and TPAF State's nonemployer contributions are based on actuarially determined amounts, which include the normal cost and unfunded accrued liability. For the fiscal year ended June 30, 2019 for TPAF, which is a cost sharing multiple employer defined benefit pension plan with a special funding situation, the State's annual pension contribution was less than this actuarial determined amount. For PERS, which is a cost sharing multiple employer defined benefit pension plan, the annual pension contributions were equal to the actuarial determined amounts. TPAF nonemployer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution. All PERS and DCRP contributions made by the Board for fiscal years 2019, 2018 and 2017 were equal to the required contributions.

During the fiscal years ended June 30, 2019, 2018 and 2017 the Board was required to contribute for PERS and DCRP and the State of New Jersey, as a nonemployer contributing entity, contributed for TPAF, respectively for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Fiscal Year Ended <u>June 30,</u>	<u>PERS</u>	On-behalf <u>TPAF</u>	<u>DCRP</u>
2019	\$ 604,198	\$ 5,206,215	\$ 1,666
2018	558,741	3,805,323	722
2017	540,971	2,786,794	2,007

In addition for fiscal years 2019, 2018 and 2017 the District contributed \$1,090, \$2,240 and \$869, respectively for PERS and the State contributed \$5,933, \$6,387 and \$7,169 respectively for TPAF for Long Term Disability Insurance Premium (LTDI).

The PERS contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure. The on-behalf TPAF contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB Statement No. 85, *Omnibus 2017* (GASB No. 85). The DCRP contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure, as well as, the district-wide financial statements (accrual basis) as an expense.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$2,057,730 during the fiscal year ended June 30, 2019 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been recognized in the district-wide financial statements (accrual basis) and the governmental fund financial statements (modified accrual basis) as a revenue and expense/expenditure in accordance with GASB No. 85.

**CARTERET BOARD OF EDUCATION  
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**NOTE 5 OTHER INFORMATION (Continued)**

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

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

**Public Employees Retirement System (PERS)**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, (GASB No. 68) requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the measurement period July 1, 2017 through June 30, 2018. Employer allocation percentages have been rounded for presentation purposes.

Although the NJ Division of Pensions and Benefits (“Division”) administers one cost-sharing multiple employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense are determined separately for each individual employer of the State and local groups of the plan.

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages are presented for each group. The allocation percentages for each group as of June 30, 2018 are based on the ratio of each employer’s contribution to total employer contributions of the group for the fiscal year ended June 30, 2018.

At June 30, 2019, the District reported in the statement of net position (accrual basis) a liability of \$11,960,022 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportionate share of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating governmental entities, actuarially determined. At June 30, 2018, the District’s proportionate share was .06074 percent, which was an increase of .00043 percent from its proportionate share measured as of June 30, 2017 of .06031 percent.



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**NOTE 5 OTHER INFORMATION (Continued)**

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

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

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

For the fiscal year ended June 30, 2019, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$767,025 for PERS. The pension contribution made by the District during the current 2018/2019 fiscal year is the contribution that is applied to the net pension liability reported at the end of the current fiscal year of June 30, 2019 with a measurement date of the prior fiscal year end of June 30, 2018. Since the State of New Jersey applies the current year pension contribution towards the calculation of the net pension liability reported at the end of the current fiscal year, which has a measurement date of the preceding fiscal year end, there is no deferred outflows of resources reported as of June 30, 2019 for contributions made subsequent to the measurement date. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Difference Between Expected and Actual Experience	\$ 228,079	\$ 61,670
Changes of Assumptions	1,970,813	3,824,179
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		112,186
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	<u>423,212</u>	<u>136,668</u>
Total	<u>\$ 2,622,104</u>	<u>\$ 4,134,703</u>

At June 30, 2019, the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

<b><u>Year Ending June 30,</u></b>	<b><u>Total</u></b>
2020	\$ 80,966
2021	52,956
2022	(729,440)
2023	(697,144)
2024	(219,937)
Thereafter	<u>-</u>
	<u>\$ (1,512,599)</u>

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

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

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

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

***Actuarial Assumptions***

The District's total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	<b><u>PERS</u></b>
Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65-4.15% Based on Age
Thereafter	2.65-5.15% Based on Age
Investment Rate of Return	7.00%
Mortality Rate Table	RP-2000

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

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

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

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

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

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

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

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and actuaries. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2018 are summarized in the following table:

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

***Discount Rate***

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

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2019	June 30, 2018	5.66%
2018	June 30, 2017	5.00%

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

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

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

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

***Discount Rate (Continued)***

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

Period of Projected Benefit

Payments for which the Following  
Rates were Applied:

Long-Term Expected Rate of Return                      Through June 30, 2046

Municipal Bond Rate \*                                      From July 1, 2046  
and Thereafter

\* The municipal bond return rate used is 3.87% as of the measurement date of June 30, 2018. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

***Sensitivity of Net Pension Liability***

The following presents the District's proportionate share of the PERS net pension liability calculated using the discount rate of 5.66%, as well as what the District's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.66 percent) or 1-percentage-point higher (6.66 percent) than the current rate:

	<b>1% Decrease <u>4.66%</u></b>	<b>Current Discount Rate <u>5.66%</u></b>	<b>1% Increase <u>6.66%</u></b>
District's Proportionate Share of the PERS Net Pension Liability	\$ <u>15,038,350</u>	\$ <u>11,960,022</u>	\$ <u>9,377,502</u>

The sensitivity analysis was based on the proportionate share of the District's net pension liability at June 30, 2018. A sensitivity analysis specific to the District's net pension liability at June 30, 2018 was not provided by the pension system.

***Pension Plan Fiduciary Net Position***

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

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

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

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

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

GASB No. 68, requires participating employers in TPAF to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense. The non-employer allocation percentages presented are based on the ratio of the State's contributions made as an employee and non-employer adjusted for unpaid early retirement incentives to total contributions to TPAF during the fiscal year ended June 30, 2018. Non-employer allocation percentages have been rounded for presentation purposes.

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and non-employer contributions by the State. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. For the fiscal year ended June 30, 2018, the State's pension contribution was less than the actuarial determined amount.

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

For the fiscal year ended June 30, 2019, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$9,356,231 for TPAF. This amount has been included in the district-wide statement of activities (accrual basis) as both a revenue and expense in accordance with GASB No. 85.

At June 30, 2019 the State's proportionate share of the net pension liability attributable to the District is \$160,493,860. The nonemployer allocation percentages are based on the ratio of the State's contributions made as an employer and nonemployer adjusted for unpaid early retirement incentives to total contributions to TPAF during the year ended June 30, 2018. At June 30, 2018, the State's share of the net pension liability attributable to the District was .25228 percent, which was an increase of .00452 percent from its proportionate share measured as of June 30, 2017 of .24776 percent.

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

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

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

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

**Actuarial Assumptions**

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

	<b><u>TPAF</u></b>
Inflation Rate	2.25%
Salary Increases:	
2011-2026	1.55-4.55%
Thereafter	2.00-5.45%
Investment Rate of Return	7.00%
Mortality Rate Table	RP-2006

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

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

**CARTERET BOARD OF EDUCATION  
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**NOTE 5 OTHER INFORMATION (Continued)**

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

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

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

**Long-Term Expected Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and actuaries. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2018 are summarized in the following table:

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

**CARTERET BOARD OF EDUCATION  
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**NOTE 5 OTHER INFORMATION (Continued)**

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

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

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

***Discount Rate***

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

<b><u>Fiscal</u></b> <b><u>Year</u></b>	<b><u>Measurement Date</u></b>	<b><u>Discount Rate</u></b>
2019	June 30, 2018	4.86%
2018	June 30, 2017	4.25%

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

**Period of Projected Benefit**

Payments for which the Following  
Rates were Applied:

Long-Term Expected Rate of Return	Through June 30, 2040
Municipal Bond Rate *	From July 1, 2040 and Thereafter

\* The municipal bond return rate used is 3.87% as of the measurement date of June 30, 2018. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

***Sensitivity of Net Pension Liability***

The following presents the State's proportionate share of the TPAF net pension liability attributable to the District calculated using the discount rate of 4.86%, as well as what the State's proportionate share of the TPAF net pension liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (3.86 percent) or 1-percentage-point higher (5.86 percent) than the current rate:

	<b><u>1%</u></b> <b><u>Decrease</u></b> <b><u>(3.86%)</u></b>	<b><u>Current</u></b> <b><u>Discount Rate</u></b> <b><u>(4.86%)</u></b>	<b><u>1%</u></b> <b><u>Increase</u></b> <b><u>(5.86%)</u></b>
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	<u>\$ 189,700,695</u>	<u>\$ 160,493,860</u>	<u>\$ 136,282,106</u>

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the District at June 30, 2018. A sensitivity analysis specific to the State's proportionate share of the net pension liability attributable to the District at June 30, 2018 was not provided by the pension system.



**CARTERET BOARD OF EDUCATION  
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**NOTE 5 OTHER INFORMATION (Continued)**

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

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

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

***Pension Plan Fiduciary Net Position***

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

**E. Post-Retirement Medical Benefits**

The State of New Jersey sponsors and administers the post-retirement health benefit program plan for school districts.

As a result of implementing GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, the post-retirement health benefit program plan is reported in an Agency Fund in the New Jersey Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018. Therefore, the plan has no assets accumulated in a trust. In accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension* (GASB No. 75), the plan is classified as a single employer defined benefit OPEB plan with a special funding situation that is not administered through a trust that meets the criteria in paragraph 4 of GASB No. 75.

**Plan Description and Benefits Provided**

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

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

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

**CARTERET BOARD OF EDUCATION  
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**NOTE 5 OTHER INFORMATION (Continued)**

**E. Post-Retirement Medical Benefits (Continued)**

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

**Plan Membership**

Membership of the defined benefit OPEB plan consisted of the following at June 30, 2017:

Active Plan Members	217,131
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	145,050
Inactive Plan Members Entitled to but not yet Receiving Benefits	<u>          -</u>
Total	<u>362,181</u>

**Measurement Focus and Basis of Accounting**

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

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

**Investment Valuation**

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

**Collective Net OPEB Liability**

The collective net OPEB liability of the State, as the non-employer contributing entity, of the plan at June 30, 2018 is \$46.1 billion, and the plan fiduciary net position as a percentage of the total OPEB liability is zero percent.

The total OPEB liabilities were determined based on actuarial valuations as of June 30, 2017 which were rolled forward to June 30, 2018.

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

**E. Post-Retirement Medical Benefits (Continued)**

**Actuarial Methods and Assumptions**

In the June 30, 2017 OPEB actuarial valuation, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The Plan selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 75. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

**Post-Retirement Medical Benefits Contributions**

The funding policy of the OPEB plan is pay as you go basis; therefore, there is no prefunding of the liability. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are made by the State, as a non-employer contributing entity, under a special funding situation in accordance with State statutes as previously disclosed. The State as a non-employer contributing entity made contributions of \$1.23 billion to the OPEB plan in fiscal year 2018.

The State sets the contribution rate based on a pay as you go basis rather than the actuarial determined contribution an amount actuarially determined in accordance with the parameters of GASB Statement 75. The actuarial determined contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any unfunded actuarial liabilities (or funding excess) of the plan using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan. The State's contributions, as a nonemployer contributing entity, to the State Health Benefits Program Fund – Local Education Retired Employees Plan for retirees' post-retirement benefits on behalf of the School District for the fiscal years ended June 30, 2019, 2018 and 2017 were \$2,361,531, \$2,457,777 and \$2,322,033 respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund – Local Education Retired Employees Plan for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey. The on-behalf OPEB contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 85.

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

GASB Statement No. 75 requires participating employers in the State Health Benefit Program Fund – Local Education Retired Employees Plan to recognize their proportionate share of the collective OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense. The nonemployer allocation percentages presented are based on the ratio of the State's contributions made as a nonemployer toward the actuarially determined contribution amount to total contributions to the plan during the measurement period July 1, 2017 through June 30, 2018. Nonemployer allocation percentages have been rounded for presentation purposes.

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

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

**E. Post-Retirement Medical Benefits (Continued)**

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

For the fiscal year ended June 30, 2019, the District recognized in the district-wide statement of activities (accrual basis) OPEB expense of \$4,655,412. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 85.

At June 30, 2019 the State's proportionate share of the OPEB liability attributable to the District is \$99,644,806. The nonemployer allocation percentages are based on the ratio of the State's proportionate share of the OPEB liability attributable to the District at June 30, 2018 to the total OPEB liability of the State Health Benefit Program Fund – Local Education Retired Employees Plan at June 30, 2018. At June 30, 2018, the state's share of the OPEB liability attributable to the District was .21610 percent, which was an increase of .00499 percent from its proportionate share measured as of June 30, 2017 of .21111 percent.

**Actuarial Assumptions**

The OPEB liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate 2.50%

**Salary Increases \***

Initial Fiscal Year Applied Through	2026
Rate	1.55% to 4.55%
Rate Thereafter	2.00% to 5.45%

**Mortality** Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disable Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Long-Term Rate of Return 1.00%

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

Healthcare cost trend rates for pre-Medicare Preferred Provider Organization (PPO) medical benefits, this amount initially is 5.8 percent and decreases to a 5.0 percent long-term trend rate after eight years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5 percent. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8 percent and decreases to a 5.0 percent long-term trend rate after eight years. For prescription drug benefits, the initial trend rate is 8.0 percent and decreases to a 5.0 percent long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0 percent. This reflects the known underlying cost of the Part B premium. The Medicare Advantage trend rate is 4.5 percent and will continue in all future years.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the TPAF and PERS actuarial experience studies for the period July 1, 2012 to June 30, 2015 and July 1, 2011 to June 30, 2014, respectively.

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 5 OTHER INFORMATION (Continued)**

**E. Post-Retirement Medical Benefits (Continued)**

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

**Long-Term Expected Rate of Return**

As the OPEB plan only invests in the State of New Jersey Cash Management Fund, the long-term expected rate of return on OPEB investments was based off the best-estimate ranges of future real rates of return (expected returns, net of OPEB plan investment expense and inflation) for cash equivalents, which is 1.00% as of June 30, 2018.

**Discount Rate**

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

<b><u>Fiscal Year</u></b>	<b><u>Measurement Date</u></b>	<b><u>Discount Rate</u></b>
2019	June 30, 2018	3.87%
2018	June 30, 2017	3.58%

The discount rate represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

**Changes in the Total OPEB Liability**

The change in the State's proportionate share of the OPEB liability attributable to the District for the fiscal year ended June 30, 2019 (measurement date June 30, 2018) is as follows:

	<b>Total OPEB Liability (State Share 100%)</b>
Balance, June 30, 2017 Measurement Date	<u>\$ 113,236,629</u>
Changes Recognized for the Fiscal Year:	
Service Cost	4,054,143
Interest on the Total OPEB Liability	4,153,369
Differences Between Expected and Actual Experience	(7,792,216)
Changes of Assumptions	(11,434,740)
Gross Benefit Payments	(2,664,467)
Contributions from the Member	92,088
<b>Net Changes</b>	<u>\$ (13,591,823)</u>
Balance, June 30, 2018 Measurement Date	<u>\$ 99,644,806</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.58 percent in 2017 to 3.87 percent in 2018.

The change in the total OPEB liability was based on the State's proportionate share of the OPEB liability attributable to the District at June 30, 2018. A change in the total OPEB liability specific to the State's proportionate share of the OPEB liability attributable to the District for the fiscal year ended June 30, 2018 was not provided by the pension system.

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 5 OTHER INFORMATION (Continued)**

**E. Post-Retirement Medical Benefits (Continued)**

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

**Sensitivity of OPEB Liability**

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the State's proportionate share of the OPEB liability attributable to the District calculated using the discount rate of 3.87% as well as what the State's proportionate share of the OPEB liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) or 1-percentage-point higher (4.87 percent) than the current rate:

	<b>1% Decrease <u>(2.87%)</u></b>	<b>Current Discount Rate <u>(3.87%)</u></b>	<b>1% Increase <u>(4.87%)</u></b>
State's Proportionate Share of the OPEB Liability Attributable to the District	<u>\$ 117,800,445</u>	<u>\$ 99,644,806</u>	<u>\$ 85,212,948</u>

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

	<b>1% Decrease</b>	<b>Healthcare Cost Trend Rates</b>	<b>1% Increase</b>
Total OPEB Liability (School Retirees)	<u>\$ 82,362,236</u>	<u>\$ 99,644,806</u>	<u>\$ 122,501,667</u>

The sensitivity analyses were based on the State's proportionate share of the OPEB liability attributable to the District at June 30, 2018. Sensitivity analyses specific to the State's proportionate share of the OPEB liability attributable to the District at June 30, 2018 were not provided by the pension system.

**F. Tax Abatements**

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

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

**CARTERET BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 5 OTHER INFORMATION (Continued)**

**G. Subsequent Events**

On September 24, 2019, the legal voters of the Borough of Carteret approved at a special school election a capital project proposal in the amount of \$36,999,995. The proposal included the construction of a new Junior High School for grades 7 and 8 and various renovations and capital improvements to the District's existing schools. The proposal authorized the issuance of school bonds in the amount not to exceed \$36,999,995. As of the date of audit, the District has not issued any of the bonds authorized.

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## **BUDGETARY COMPARISON SCHEDULES**

**CARTERET BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
<b>REVENUES</b>					
Local Sources					
Local Tax Levy	\$ 27,057,788		\$ 27,057,788	\$ 27,057,788	
Tuition from Other LEAs Within the State				47,076	\$ 47,076
Rents and Royalties	5,000		5,000		(5,000)
Unrestricted Miscellaneous	45,000		45,000	177,466	132,466
State Sources					
Equalization Aid	24,379,037		24,379,037	24,379,037	
Categorical Special Education Aid	2,809,761		2,809,761	2,809,761	
Security Aid	1,526,650		1,526,650	1,526,650	
Extraordinary Aid - 2018-19	600,000		600,000	784,403	184,403
Extraordinary Aid - 2017-18				2,712	2,712
Categorical Transportation Aid	511,027		511,027	511,027	
Additional Nonpublic School Transportation Costs				36,910	36,910
Reimb TPAF Social Security Payments (Non-Budget)				2,057,730	2,057,730
On-behalf TPAF Post Retirement Medical Contribution (Non-Budget)				2,361,531	2,361,531
On-behalf TPAF Pension System Contribution - Normal (Non-Budget)				5,099,470	5,099,470
On-behalf TPAF Pension System Contribution - NCGI (Non-Budget)				106,745	106,745
On-behalf TPAF Pension System Contribution - LTDI (Non-Budget)				5,933	5,933
Federal Sources					
Medical Assistance Program (SEMI)	83,656	-	83,656	126,736	43,080
Total Revenues	<u>57,017,919</u>	<u>-</u>	<u>57,017,919</u>	<u>67,090,975</u>	<u>10,073,056</u>
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES</b>					
Instruction - Regular Programs					
Salaries of Teachers					
Preschool	247,541	\$ (216,381)	31,160	31,160	-
Grades 1-5	7,782,298	(93,606)	7,688,692	7,688,692	-
Grades 6-8	3,585,118	(148,599)	3,436,519	3,436,519	-
Grades 9-12	5,495,049	(32,069)	5,462,980	5,462,980	-
Regular Programs - Home Instruction					
Salaries of Teachers	55,000	13,947	68,947	68,947	-
Purchased Professional-Educational Services	15,000	(4,311)	10,689	6,798	3,891
General Supplies	57,414	(57,386)	28	28	-
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	248,616	34,610	283,226	283,226	-
Purchased Professional-Educational Services	174,547	231,435	405,982	347,968	58,014
Other Purchased Services	5,475	(2,747)	2,728	2,578	150
General Supplies	331,555	1,412,740	1,744,295	1,035,279	709,016
Textbooks	11,111	273,286	284,397	284,397	-
Other Objects	735,829	(171,796)	564,033	558,802	5,231
Total Regular Programs	<u>18,744,553</u>	<u>1,239,123</u>	<u>19,983,676</u>	<u>19,207,374</u>	<u>776,302</u>

(Continued)

**CARTERET BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
Special Education					
Learning and/or Language Disabilities					
Salaries of Teachers	\$ 302,232	\$ 192,541	\$ 494,773	\$ 494,773	
Other Salaries for Instruction	152,616	(6,910)	145,706	145,706	
Purchased Professional-Educational Services	100,000	(25,000)	75,000	67,779	\$ 7,221
General Supplies	-	144	144	144	-
Total Learning and/or Language Disabilities	<u>554,848</u>	<u>160,775</u>	<u>715,623</u>	<u>708,402</u>	<u>7,221</u>
Behavioral Disabilities					
Salaries of Teachers	60,000	(60,000)			
Purchased Professional-Educational Services	<u>673,869</u>	<u>26,770</u>	<u>700,639</u>	<u>698,727</u>	<u>1,912</u>
Total Behavioral Disabilities	<u>733,869</u>	<u>(33,230)</u>	<u>700,639</u>	<u>698,727</u>	<u>1,912</u>
Multiple Disabilities					
Salaries of Teachers	248,090	61,383	309,473	309,473	
Other Salaries for Instruction	114,712	(76,308)	38,404	38,404	
Purchased Professional-Educational Services	<u>125,000</u>	<u>2,500</u>	<u>127,500</u>	<u>118,143</u>	<u>9,357</u>
Total Multiple Disabilities	<u>487,802</u>	<u>(12,425)</u>	<u>475,377</u>	<u>466,020</u>	<u>9,357</u>
Resource Room/Resource Center					
Salaries of Teachers	3,873,769	(380,011)	3,493,758	3,491,376	2,382
Other Salaries for Instruction	458,848	(49,657)	409,191	409,191	
Purchased Professional-Educational Services	<u>200,000</u>	<u>(174,164)</u>	<u>25,836</u>	<u>23,958</u>	<u>1,878</u>
Total Resource Room	<u>4,532,617</u>	<u>(603,832)</u>	<u>3,928,785</u>	<u>3,924,525</u>	<u>4,260</u>
Autism					
Salaries of Teachers	60,000	(60,000)			
Other Salaries for Instruction	38,404	-	38,404	3,840	34,564
Purchased Professional-Educational Services	<u>27,500</u>	<u>100,000</u>	<u>127,500</u>	<u>118,844</u>	<u>8,656</u>
Total Autism	<u>125,904</u>	<u>40,000</u>	<u>165,904</u>	<u>122,684</u>	<u>43,220</u>
Preschool Disabilities - Full Time					
Salaries of Teachers	99,443	-	99,443	99,443	
Other Salaries for Instruction	76,808	-	76,808	76,808	
Purchased Professional-Educational Services	<u>50,000</u>	<u>280,000</u>	<u>330,000</u>	<u>318,258</u>	<u>11,742</u>
Total Preschool Disabilities - Full Time	<u>226,251</u>	<u>280,000</u>	<u>506,251</u>	<u>494,509</u>	<u>11,742</u>
Total Special Education	<u>6,661,291</u>	<u>(168,712)</u>	<u>6,492,579</u>	<u>6,414,867</u>	<u>77,712</u>
Bilingual Education					
Salaries of Teachers	1,617,609	30,466	1,648,075	1,648,075	
Other Salaries for Instruction	38,404	-	38,404	38,404	
Purchased Professional-Educational Services	<u>25,000</u>	<u>112,467</u>	<u>137,467</u>	<u>123,914</u>	<u>13,553</u>
Total Bilingual Education	<u>1,681,013</u>	<u>142,933</u>	<u>1,823,946</u>	<u>1,810,393</u>	<u>13,553</u>

(Continued)

**CARTERET BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
School-Sponsored Co/Extra Curricular Activities - Instruction					
Salaries	\$ 102,161	\$ (4,172)	\$ 97,989	\$ 89,905	\$ 8,084
Total School-Sponsored Co/Extra Curricular Activities	102,161	(4,172)	97,989	89,905	8,084
School Sponsored Athletics - Instruction					
Salaries	218,079	4,172	222,251	222,251	
Purchased Services		33,501	33,501	31,140	2,361
Supplies and Materials		90,595	90,595	77,856	12,739
Other Objects	-	19,518	19,518	16,372	3,146
Total School Sponsored Athletics	218,079	147,786	365,865	347,619	18,246
Total Instruction	27,407,097	1,356,958	28,764,055	27,870,158	893,897
Undistributed Expenditures					
Instruction					
Tuition to Other LEA's Within the State - Regular	77,000	23,381	100,381	92,210	8,171
Tuition to Other LEA's Within the State - Special	213,312	344,824	558,136	464,655	93,481
Tuition to CSSD & Regional Day Schools	2,122,676	(112,996)	2,009,680	1,895,667	114,013
Tuition to Private Schools for Disabled - Within State	1,633,943	221,001	1,854,944	1,842,188	12,756
Tuition - State Facilities	128,583	-	128,583	128,583	-
Total Undistributed Expenditures - Instruction	4,175,514	476,210	4,651,724	4,423,303	228,421
Attendance and Social Work					
Salaries	348,322	(39,150)	309,172	309,172	
Purchased Professional and Technical Services	17,618	(5,448)	12,170	12,170	
Supplies and Materials	1,500	(1,413)	87	-	87
Total Attendance and Social Work	367,440	(46,011)	321,429	321,342	87
Health Services					
Salaries	440,725	(11,265)	429,460	428,952	508
Purchased Professional and Technical Services	21,600	8,105	29,705	28,442	1,263
Supplies and Materials	4,750	1,120	5,870	5,512	358
Other Objects	550	(550)	-	-	-
Total Health Services	467,625	(2,590)	465,035	462,906	2,129

**CARTERET BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
Undistributed Expenditures (Continued)					
Speech, OT, PT and Related Svcs.					
Salaries	\$ 297,203	\$ (47,144)	\$ 250,059	\$ 250,059	
Purchased Professional-Educational Services		58,036	58,036	57,117	\$ 919
Supplies and Materials	15,000	(285)	14,715	14,709	6
Total Speech, OT, PT and Related Svcs.	312,203	10,607	322,810	321,885	925
Guidance					
Salaries of Other Professional Staff	603,148	(2,972)	600,176	600,176	
Salaries of Secretarial and Clerical Assistants	45,726	-	45,726	45,726	
Purchased Professional-Educational Services		2,670	2,670	1,080	1,590
Other Purchased Professional and Technical Services	185,949	53,186	239,135	229,091	10,044
Other Purchased Services	9,050	(6,548)	2,502	2,502	
Supplies and Materials	132,651	(65,146)	67,505	65,952	1,553
Other Objects	31,600	(29,275)	2,325	2,325	-
Total Guidance	1,008,124	(48,085)	960,039	946,852	13,187
Child Study Teams					
Salaries of Other Professional Staff	1,182,752	(35,977)	1,146,775	1,146,250	525
Salaries of Secretarial and Clerical Assistants	107,773	(3,561)	104,212	104,212	
Purchased Professional-Educational Services	388,140	(47,602)	340,538	238,621	101,917
Other Purchased Professional and Technical Services	417,094	(9,553)	407,541	363,137	44,404
Other Purchases Services	5,000	(1,097)	3,903	3,255	648
Supplies and Materials	16,500	1,982	18,482	18,054	428
Total Child Study Teams	2,117,259	(95,808)	2,021,451	1,873,529	147,922
Improvement of Instructional Services					
Salaries of Supervisor of Instruction	15,000	(15,000)			
Salaries of Other Professional Staff	25,000	(18,250)	6,750	6,750	
Salaries of Secretarial and Clerical Assistants	60,047	-	60,047	60,047	
Salaries of Facilitators, Math & Literacy Coaches	529,630	30,136	559,766	559,766	
Purchased Professional - Educational Services	1,000	(1,000)			
Other Purchased Services	6,800	(4,622)	2,178	1,755	423
Supplies and Materials	2,000	(1,144)	856	853	3
Total Improvement of Instructional Services	639,477	(9,880)	629,597	629,171	426
Educational Media Services/School Library					
Salaries	37,681	531	38,212	38,212	
Purchased Professional and Technical Services	4,227	(3,758)	469		469
Supplies and Materials	1,743	(1,358)	385	385	-
Total Educational Media Serv./School Library	43,651	(4,585)	39,066	38,597	469
Instructional Staff Training Services					
Salaries of Other Professional Staff	5,000	(4,850)	150	150	
Purchased Professional - Educational Services	67,900	(49,248)	18,652	18,352	300
Other Purchased Professional and Technical Services	5,000	(5,000)	-	-	-
Total Instructional Staff Training Services	77,900	(59,098)	18,802	18,502	300

(Continued)

**CARTERET BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
Undistributed Expenditures (Continued)					
Support Services - General Administration					
Salaries	\$ 503,616	\$ (2,631)	\$ 500,985	\$ 500,985	
Legal Services	125,000	64,288	189,288	171,004	\$ 18,284
Audit Fees	45,000	4,263	49,263	49,263	
Architectural /Engineering Services	75,000	98,380	173,380	172,505	875
Other Purchased Professional Services	45,560	(39,207)	6,353	6,353	
Communications/Telephone	201,636	(62,505)	139,131	137,619	1,512
BOE Other Purchased Services	4,700	339	5,039	5,039	
Misc Purchased Services	27,850	(9,375)	18,475	17,919	556
General Supplies	4,000	9,555	13,555	11,365	2,190
Judgements Against the School District	10,000	-	10,000	10,000	
Miscellaneous Expenditures	4,500	60,708	65,208	8,463	56,745
BOE Membership Dues and Fees	22,500	(565)	21,935	21,935	-
Total Support Services - General Administration	<u>1,069,362</u>	<u>123,250</u>	<u>1,192,612</u>	<u>1,112,450</u>	<u>80,162</u>
Support Services - School Administration					
Salaries of Principal/Asst. Principals	1,893,102	(108,580)	1,784,522	1,784,522	
Salaries of Secretarial and Clerical Assistants	185,577	35,365	220,942	220,942	
Purchased Professional and Technical Services		1,500	1,500	1,500	
Other Purchased Services	2,410	1,536	3,946	3,946	
Supplies and Materials	33,309	(9,308)	24,001	19,199	4,802
Other Objects	-	1,280	1,280	1,280	-
Total Support Services - School Administration	<u>2,114,398</u>	<u>(78,207)</u>	<u>2,036,191</u>	<u>2,031,389</u>	<u>4,802</u>
Central Services					
Salaries	425,692	(17,416)	408,276	408,276	
Purchased Professional Services	57,845	(17,524)	40,321	40,321	
Purchased Technical Services	40,000	(18,380)	21,620	21,620	
Supplies and Materials	13,661	(6,142)	7,519	7,519	
Miscellaneous Expenditures	7,430	(995)	6,435	3,585	2,850
Total Central Services	<u>544,628</u>	<u>(60,457)</u>	<u>484,171</u>	<u>481,321</u>	<u>2,850</u>
Administrative Information Technology					
Salaries	360,916	(26,444)	334,472	334,472	
Other Purchased Services	2,675	(1,325)	1,350	1,350	-
Total Administrative Information Technology	<u>363,591</u>	<u>(27,769)</u>	<u>335,822</u>	<u>335,822</u>	<u>-</u>
Required Maintenance for School Facilities					
Salaries	674,696	(115,562)	559,134	558,138	996
Cleaning, Repair and Maintenance Services	690,228	62,816	753,044	650,653	102,391
General Supplies	156,400	249,012	405,412	257,772	147,640
Other Objects	6,935	(1,050)	5,885	4,885	1,000
Total Required Maintenance for School Facilities	<u>1,528,259</u>	<u>195,216</u>	<u>1,723,475</u>	<u>1,471,448</u>	<u>252,027</u>

(Continued)

**CARTERET BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
Undistributed Expenditures (Continued)					
Custodial Services					
Salaries	\$ 1,251,628	\$ (9,477)	\$ 1,242,151	\$ 1,242,151	
Purchased Professional and Technical Services	17,000	(15,123)	1,877	473	\$ 1,404
Cleaning, Repair and Maintenance Services	24,000	(737)	23,263	23,263	
Other Purchased Property Services	124,040	(46,299)	77,741	77,741	
Insurance	443,510	(37,637)	405,873	405,873	
General Supplies	97,800	(7,157)	90,643	43,616	47,027
Energy (Natural Gas)	100,000	22,956	122,956	120,677	2,279
Energy (Electricity)	400,000	2,129	402,129	402,129	-
Total Custodial Services	<u>2,457,978</u>	<u>(91,345)</u>	<u>2,366,633</u>	<u>2,315,923</u>	<u>50,710</u>
Care and Upkeep of Grounds					
Salaries	66,920	(4,960)	61,960	61,960	
General Supplies	25,400	(25,400)			
Other Objects	6,000	(6,000)	-	-	-
Total Care and Upkeep of Grounds	<u>98,320</u>	<u>(36,360)</u>	<u>61,960</u>	<u>61,960</u>	<u>-</u>
Security					
Salaries	310,710	(9,414)	301,296	296,283	5,013
Purchased Professional and Technical Services	35,500	(2,540)	32,960	28,283	4,677
General Supplies	11,300	87,051	98,351	68,699	29,652
Total Security	<u>357,510</u>	<u>75,097</u>	<u>432,607</u>	<u>393,265</u>	<u>39,342</u>
Student Transportation Services					
Salaries for Pupil Transportation(Bet Home & Sch) Reg	53,040	(12,665)	40,375	40,375	
Management Fee-ESC and CTSA Transportation Prog.	60,000	20,536	80,536	75,816	4,720
Contracted Services - Aid in Lieu of Payments - Non Public	125,528	(33,616)	91,912	88,000	3,912
Contracted Svcs. (Between Home & School) - Vendors	544,383	(55,560)	488,823	487,353	1,470
Contracted Services (Other than Between Home and School) - Vendors	116,800	24,706	141,506	118,845	22,661
Contracted Services (Special Ed. Students)- Vendors	266,330	2,266	268,596	268,118	478
Contracted Services (Regular Students) - ESCs and CTSAs	27,500	73,874	101,374	98,775	2,599
Contracted Services (Special Ed. Students)- ESCs and CTSA	<u>1,722,170</u>	<u>540,677</u>	<u>2,262,847</u>	<u>2,255,757</u>	<u>7,090</u>
Total Student Transportation Services	<u>2,915,751</u>	<u>560,218</u>	<u>3,475,969</u>	<u>3,433,039</u>	<u>42,930</u>

**CARTERET BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
Undistributed Expenditures (Continued)					
Unallocated Benefits - Employee Benefits					
Social Security Contributions	\$ 565,000	\$ 137,955	\$ 702,955	\$ 531,988	\$ 170,967
Other Retirement Contributions - PERS	606,991	-	606,991	605,288	1,703
Workmen's Compensation	310,000	50,000	360,000	353,865	6,135
Health Benefits	7,584,895	(874,516)	6,710,379	6,808,878	(98,499)
Tuition Reimbursement	125,000	(42,754)	82,246	80,838	1,408
Other Employee Benefits	272,060	(149,029)	123,031	118,153	4,878
	<u>9,463,946</u>	<u>(878,344)</u>	<u>8,585,602</u>	<u>8,499,010</u>	<u>86,592</u>
Total Unallocated Benefits-Employee Benefits					
On-behalf TPAF Pension System Contribution - Normal (Non-Budget)				5,099,470	(5,099,470)
On-behalf TPAF Pension System Contribution - NCGI (Non-Budget)				106,745	(106,745)
On-behalf TPAF Pension System Contribution - LTDI (Non-Budget)				5,933	(5,933)
On-behalf TPAF Post Retirement Medical Contribution (Non-Budget)				2,361,531	(2,361,531)
Reimb TPAF Social Security Payments (Non-Budget)	-	-	-	2,057,730	(2,057,730)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,631,409</u>	<u>(9,631,409)</u>
Total On-Behalf TPAF					
Total Undistributed Expenditures	30,122,936	2,059	30,124,995	38,803,123	(8,678,128)
Total Expenditures - Current Expenditures	57,530,033	1,359,017	58,889,050	66,673,281	(7,784,231)
<b>CAPITAL OUTLAY</b>					
Equipment					
Grade 9-12		21,138	21,138	20,259	879
Undistributed Expenditures					
Required Maintenance for School Facilities	100,000	59,913	159,913	91,555	68,358
	<u>100,000</u>	<u>81,051</u>	<u>181,051</u>	<u>111,814</u>	<u>69,237</u>
Total Equipment					
Facilities Acquisition and Construction Services					
Assessment for Debt Service on SDA Funding	348	-	348	348	-
	<u>348</u>	<u>-</u>	<u>348</u>	<u>348</u>	<u>-</u>
Total Facilities Acquisition and Construction Services					
Total Capital Outlay	100,348	81,051	181,399	112,162	69,237

(Continued)



**CARTERET BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
<b>SPECIAL SCHOOLS</b>					
Summer School - Instruction					
Salaries of Teachers	\$ 72,000	\$ -	\$ 72,000	\$ 69,373	\$ 2,627
Other Salaries for Instruction	21,000	-	21,000	18,891	2,109
Total Summer School - Instruction	93,000	-	93,000	88,264	4,736
Total Special Schools	93,000	-	93,000	88,264	4,736
Transfer of Funds to Charter Schools	40,533	30,925	71,458	71,458	-
Total Expenditures	57,763,914	1,470,993	59,234,907	66,945,165	(7,710,258)
Excess (Deficiency) of Revenues					
Over/(Under) Expenditures	(745,995)	(1,470,993)	(2,216,988)	145,810	2,362,798
Change in Fund Balance	(745,995)	(1,470,993)	(2,216,988)	145,810	2,362,798
Fund Balance, Beginning of Year	4,057,000	-	4,057,000	4,057,000	-
Fund Balance, End of Year	<u>\$ 3,311,005</u>	<u>\$ (1,470,993)</u>	<u>\$ 1,840,012</u>	<u>\$ 4,202,810</u>	<u>\$ 2,362,798</u>

**Recapitulation Of Fund Balance:**

Restricted Fund Balance:			
Capital Reserve		\$ 500,000	
Excess Surplus - Designated for Subsequent Year's Expenditures		107,411	
Assigned Fund Balance:			
Designated for Subsequent Year's Expenditures		1,116,504	
Year End Encumbrances		1,596,477	
Unassigned Fund Balance		<u>882,418</u>	
Reconciliation to Governmental Fund Statement (GAAP)		4,202,810	
State Aid Payments Not Recognized on GAAP Basis			
Extraordinary Aid	\$ 784,403		
Delayed State Aid Payments	<u>2,897,068</u>		
		<u>3,681,471</u>	
Fund Balance Per Governmental Funds (GAAP)		<u>\$ 521,339</u>	

**CARTERET BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
<b>REVENUES</b>					
Intergovernmental					
State	\$ 1,894,398	\$ 797,295	\$ 2,691,693	\$ 2,583,121	\$ (108,572)
Federal	2,363,503	129,563	2,493,066	2,178,896	(314,170)
Total Revenues	4,257,901	926,858	5,184,759	4,762,017	(422,742)
<b>EXPENDITURES</b>					
Instruction					
Salaries of Teachers	1,992,812	(528,021)	1,464,791	1,298,137	166,654
Other Salaries for Instruction	248,102	(102,307)	145,795	141,838	3,957
Purch. Prof./Tech. Services	270,478	96,418	366,896	354,666	12,230
Tuition	779,676	135,381	915,057	871,367	43,690
General Supplies	16,013	216,080	232,093	199,701	32,392
Textbooks	10,200	-	10,200	8,064	2,136
Other Objects	2,469	(2,196)	273	-	273
Total Instruction	3,319,750	(184,645)	3,135,105	2,873,773	261,332
Support Services					
Salaries of Teachers		175,129	175,129	156,314	18,815
Salaries of Supervisors of Instruction		15,000	15,000	15,000	-
Salaries of Community Parent Involvement		840	840	840	-
Salaries of Master Teachers		97,303	97,303	68,026	29,277
Purch. Prof./Tech. Services	4,500	625,500	630,000	630,000	-
Purchased Professional Educational Services	91,900	189,601	281,501	211,979	69,522
Other Purchased Professional Educational Svs	360,000	(347,389)	12,611	290	12,321
Other Purchased Professional Services	125,000	139,533	264,533	264,533	-
Other Purchased Services		49,425	49,425	44,489	4,936
Supplies and Materials		35,810	35,810	9,678	26,132
Other Objects	-	295	295	282	13
Total Support Services	581,400	981,047	1,562,447	1,401,431	161,016
Employee Benefits					
Personal Services - Employee Benefits	356,751	130,456	487,207	486,813	394
Total Allocated Benefits	356,751	130,456	487,207	486,813	394
Capital Outlay:					
Instructional Equipment		-	-	-	-
Non-Instructional Equipment	-	-	-	-	-
Total Capital Outlay	-	-	-	-	-
Total Expenditures	4,257,901	926,858	5,184,759	4,762,017	422,742
Total Outflows	4,257,901	926,858	5,184,759	4,762,017	422,742
Excess (Deficiency) of Revenues Over/(Under) Expenditures	-	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-	-
Fund Balance, End of Year	\$ -	\$ -	\$ -	\$ -	\$ -

**CARTERET BOARD OF EDUCATION  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
BUDGET TO GAAP RECONCILIATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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

The following presents a reconciliation of the General and Special Revenue Funds from the budgetary basis of accounting as presented in the Budgetary Comparison Schedules - General Fund and Special Revenue Fund to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.

	<b><u>General Fund</u></b>	<b><u>Special Revenue Fund</u></b>
<b>Sources/inflows of resources</b>		
Actual amounts (budgetary basis) "revenue"		
from the budgetary comparison schedules (Exhibits C-1 and C-2)	\$ 67,090,975	\$ 4,762,017
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		59,323
Current Year		(24,469)
State Aid payments recognized for GAAP purpose not recognized for Budgetary statements (Prior Year), Net	3,471,627	
State Aid payments recognized for budgetary purpose not recognized for GAAP statements (Current Year)	<u>(3,681,471)</u>	<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 66,881,131</u>	<u>\$ 4,796,871</u>
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 66,945,165	\$ 4,762,017
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		59,323
Current Year	<u>-</u>	<u>(24,469)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 66,945,165</u>	<u>\$ 4,796,871</u>

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**PENSION INFORMATION  
AND  
OTHER POST-EMPLOYMENT BENEFIT INFORMATION**

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0.06074%	0.06031%	0.06089%	0.05747%	0.05844%	0.05775%
District's Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 11,960,022</u>	<u>\$ 14,040,040</u>	<u>\$ 18,034,970</u>	<u>\$ 12,900,005</u>	<u>\$ 10,941,522</u>	<u>\$ 11,037,440</u>
District's Covered Payroll	<u>\$ 4,094,130</u>	<u>\$ 4,299,920</u>	<u>\$ 4,203,373</u>	<u>\$ 4,136,669</u>	<u>\$ 4,081,927</u>	<u>\$ 3,996,800</u>
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	292%	327%	429%	312%	268%	276%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.60%	48.10%	40.14%	47.92%	52.08%	48.72%

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

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

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

PUBLIC EMPLOYEES RETIREMENT SYSTEM  
Last Six Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 604,198	\$ 558,741	\$ 540,971	\$ 494,055	\$ 481,768	\$ 435,433
Contributions in Relation to the Contractually Required Contributions	<u>604,198</u>	<u>558,741</u>	<u>540,971</u>	<u>494,055</u>	<u>481,768</u>	<u>435,433</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	<u>\$ 4,094,130</u>	<u>\$ 4,299,920</u>	<u>\$ 4,203,373</u>	<u>\$ 4,136,669</u>	<u>\$ 4,081,927</u>	<u>\$ 3,996,800</u>
Contributions as a Percentage of Covered Payroll	14.76%	12.99%	12.87%	11.94%	11.80%	10.89%

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

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0%	0%	0%	0%	0%	0%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>160,493,860</u>	<u>167,047,650</u>	<u>174,200,588</u>	<u>140,909,092</u>	<u>122,101,519</u>	<u>121,216,238</u>
Total	<u>\$ 160,493,860</u>	<u>\$ 167,047,650</u>	<u>\$ 174,200,588</u>	<u>\$ 140,909,092</u>	<u>\$ 122,101,519</u>	<u>\$ 121,216,238</u>
District's Covered Payroll	<u>\$ 27,164,014</u>	<u>\$ 27,224,857</u>	<u>\$ 25,807,372</u>	<u>\$ 25,029,848</u>	<u>\$ 22,245,908</u>	<u>\$ 22,319,992</u>
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	0%	0%	0%	0%	0%	0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	26.49%	25.41%	22.33%	28.71%	33.64%	33.76%

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

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



**CARTERET BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY  
AND SCHEDULE OF DISTRICT CONTRIBUTIONS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Change of Benefit Terms:** None.

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

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

**POSTEMPLOYMENT HEALTH BENEFIT PLAN**

**Last Two Fiscal Years\***

	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>		
Service Cost	\$ 4,054,143	\$ 4,877,797
Interest on the Total OPEB Liability	4,153,369	3,596,203
Differences Between Expected and Actual Experience	(7,792,216)	
Changes of Assumptions	(11,434,740)	(14,960,197)
Gross Benefit Payments	(2,664,467)	(2,757,013)
Contribution from the Member	<u>92,088</u>	<u>101,520</u>
<b>Net Change in Total OPEB Liability</b>	(13,591,823)	(9,141,690)
<b>Total OPEB Liability - Beginning</b>	<u>113,236,629</u>	<u>122,378,319</u>
<b>Total OPEB Liability - Ending</b>	<u>\$ 99,644,806</u>	<u>\$ 113,236,629</u>
 District's Proportionate Share	 \$0	 \$0
State's Proportionate Share	<u>\$ 99,644,806</u>	<u>\$ 113,236,629</u>
Total OPEB Liability - Ending	<u>\$ 99,644,806</u>	<u>\$ 113,236,629</u>
 <b>Covered Payroll</b>	 \$ 31,258,144	 \$ 31,524,777
<b>Total OPEB Liability as a Percentage of</b>		
<b>Covered Payroll:</b>	318.78%	359.20%

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

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

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 75. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**CARTERET BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE DISTRICT'S PROPORTIONATE SHARE OF THE OPEB LIABILITY  
AND SCHEDULE OF DISTRICT PROPORTIONATE SHARE OF THE OPEB LIABILITY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Changes in Benefit Terms:**

None.

**Changes of Assumptions**

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

## **APPENDIX C**

### **Form of Bond Counsel's Opinion**

*An opinion in substantially the following form  
will be delivered at Closing, assuming  
no material changes in facts or law*

\_\_\_\_\_, 2020

President and Members of the  
Board of Education of the  
Borough of Carteret  
in the County of Middlesex, New Jersey

Re: \$36,999,995 School Bonds, Series 2020

Ladies and Gentlemen:

We have examined certified copies of a record of proceedings of the Board of Education of the Borough of Carteret in the County of Middlesex, New Jersey (the “Board” or the “Board of Education”), a body corporate responsible for the supervision of the public schools located in the Borough of Carteret, in Middlesex County, New Jersey (the “School District”), pertaining to the issuance and sale of \$36,999,995 aggregate principal amount of School Bonds, Series 2020 (the “Bonds”). The Bonds are dated their date of delivery and mature on February 1 in the years and in the principal amounts and bear interest at the rates, payable on February 1, 2021, and semiannually thereafter on the first days of August and February in each year until maturity, or earlier redemption, as applicable, as follows:

<u>February 1 Year</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>
2022	\$ 904,995	_____%
2023	900,000	
2024	900,000	
2025	900,000	
2026	905,000	
2027	925,000	
2028	950,000	
2029	970,000	
2030	1,000,000	
2031	1,030,000	
2032	1,065,000	
2033	1,095,000	
2034	1,135,000	
2035	1,170,000	
2036	1,215,000	

<u>February 1 Year</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>
2037	\$1,255,000	_____%
2038	1,300,000	
2039	1,345,000	
2040	1,395,000	
2041	1,440,000	
2042	1,490,000	
2043	1,545,000	
2044	1,600,000	
2045	1,655,000	
2046	1,720,000	
2047	1,790,000	
2048	1,800,000	
2049	1,800,000	
2050	1,800,000	

\* Maturity schedule for the Bonds subject to adjustment in accordance with the terms of the Notice of Sale.

The Bonds are issued pursuant to Title 18A, Education, of the New Jersey Statutes and by virtue of a proposal adopted by the Board on June 19, 2019 and approved by a majority of the legally qualified voters of the School District at a special school district election held on September 24, 2019 and by virtue of a resolution duly adopted by the Board of Education at a regular meeting held on April 29, 2020 authorizing the issuance and sale of the Bonds.

The Bonds maturing on or after February 1, 2029 are subject to redemption prior to maturity at the option of the Board on or after February 1, 2028 at 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, upon notice, all as set forth in the Bond certificate.

The Bonds will be initially issued in book-entry form only in the form of one certificate for the amount of Bonds maturing in each year, registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. DTC will be responsible for maintaining the book-entry system for recording the interests of its participants or the transfers of such interests among such participants. Such participants shall be responsible for maintaining records regarding the beneficial ownership interests in the Bonds on behalf of individual purchasers.

The Bonds are being issued to pay (i) the costs of constructing and equipping a new junior high school and undertaking various renovations and improvements to Carteret High School, Carteret Middle School, Nathan Hale Elementary School, Minue Elementary School and Columbus Elementary School, and (ii) certain costs and expenses incidental to the issuance and delivery of the Bonds.

In our capacity as Bond Counsel and as a basis for the opinions set forth below, we have examined the proceedings relating to the authorization and issuance of the Bonds, such matters of law, and such agreements, proceedings, certificates, records, approvals, resolutions and documents as to various matters with respect to the issuance of the Bonds as we have deemed necessary and proper. We have assumed and relied upon the genuineness, accuracy and completeness of all of the documents and other instruments which we have examined.

Based upon the foregoing, we are of the opinion that:

1. The Bonds have been duly authorized, issued, executed and sold by the Board of Education; the Bonds are legal, valid and binding obligations of the Board and the School District, enforceable in accordance with their terms; and all the taxable real property within the School District is subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for the payment of the principal of and interest on the Bonds. The Bonds are additionally secured by the New Jersey School Bond Reserve Act, P.L. 1980, c. 72, as amended by P.L. 2003, c. 118.

2. The Board of Education has covenanted to comply with any continuing requirements that may be necessary to preserve the exclusion from gross income for purposes of federal income taxation of interest on the Bonds under the Internal Revenue Code of 1986, as amended (the “Code”). Failure to comply with certain requirements of the Code could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In our opinion, assuming continuing compliance by the Board of Education with its covenants, under current law, interest on the Bonds is not includable in gross income for federal income tax purposes and is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax.

3. Under current law, interest on the Bonds and any gain on the sale thereof are not includable as gross income under the New Jersey Gross Income Tax Act.

For purposes of this opinion, the enforceability (but not the validity) of the Bonds herein may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws now or hereafter enacted by any state or by the federal government affecting the enforcement of creditors' rights, and by equitable principles, and the phrase “enforceable in accordance with their terms” shall not mean that specific performance would necessarily be available as a remedy in every situation.

Other than as set forth in Paragraphs 2 and 3 hereof, we express no opinion regarding other federal and state tax consequences arising with respect to the Bonds.

The opinions expressed herein are limited to and based upon the laws and judicial decisions of the State of New Jersey and the federal laws and judicial decisions of the United States of America as of the date hereof, and are subject to any amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for our opinions or to any laws or judicial decisions hereafter enacted or rendered.

We express no opinion herein as to the adequacy or accuracy of any official statement, private placement memorandum or other offering material pertaining to the offering of the Bonds.

DECOTIIS, FITZPATRICK, COLE & GIBLIN, LLP

## **APPENDIX D**

### **Form of Continuing Disclosure Certificate**



## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Board of Education of the Borough of Carteret in the County of Middlesex, New Jersey (the “Issuer”), in connection with the issuance by the Issuer of \$36,999,995 principal amount of its School District Bonds, Series 2020 (the “Bonds”). The Bonds are being issued pursuant to a proposal adopted by the Issuer and approved by a majority of the legally qualified voters of the school district on September 24, 2019 and a resolution duly adopted by the Issuer on April 29, 2020 (the “Resolution”). The Bonds are dated June 2, 2020 and shall mature on February 1 in each of the years 2022 through 2050, inclusive. The Issuer covenants and agrees as follows:

*Section 1.*     Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Bondholders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

*Section 2.*     Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Bondholder” shall mean any person who is the registered owner of any Bond, including holders of beneficial interests in the Bonds.

“Dissemination Agent” shall mean the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“EMMA” means the MSRB’s Electronic Municipal Markets Access System.

“Financial Obligation” shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final Official Statement has been provided to the MSRB consistent with the Rule.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of New Jersey.

*Section 3.      Provision of Annual Reports.*

(a) Not later than seven (7) months after the end of the Issuer’s fiscal year, beginning with the fiscal year ending June 30, 2020, the Issuer shall, or shall cause the Dissemination Agent to, provide to the MSRB through EMMA, in an electronic format as prescribed by the MSRB and accompanied by such identifying information as is prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information which has been made available to the public on the MSRB’s website or filed with the Securities and Exchange Commission; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) Not later than fifteen (15) Business Days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall, if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided.

*Section 4.      Content of Annual Reports.* The Issuer’s Annual Report shall contain or include by reference the following:

1. The audited financial statements of the Issuer for the prior fiscal year ending June 30, commencing June 30, 2020, prepared in accordance with standards prescribed or permitted by the State Department of Education pursuant to Subchapter 2 of Chapter 23 of Title 6A of the New Jersey Administrative Code. If the Issuer’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a) above, the Annual Report shall contain unaudited financial statements and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. The general financial information and operating data of the Board of Education which is consistent with the information set forth in Appendix A to the Official Statement dated March 26, 2020 prepared in connection with the sale of the Bonds and in the forepart thereof under the caption entitled, “Litigation”.

3. Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Board of Education is an “Obligated Person” (as defined by the Rule), which have been filed with EMMA. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Board of Education shall clearly identify each such other document so incorporated by reference.

*Section 5.      Reporting of Significant Events.*

(a) Pursuant to the provisions of this Section 5, the Issuer will provide, in a timely manner not in excess of ten (10) business days after the occurrence of any of the following events, to the MSRB through EMMA, notice of any of the following events with respect to the Bonds (each, a “Listed Event”):

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3.      Unscheduled draws on debt service reserves reflecting financial difficulties.
4.      Unscheduled draws on credit enhancements reflecting financial difficulties.
5.      Substitution of credit or liquidity providers or their failure to perform.
6.      Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
7.      Modifications to rights of holders of the Bonds, if material.
8.      Bond calls, if material, and tender offers.
9.      Defeasances.
10.     Release, substitution or sale of property securing repayment of the Bonds, if material.

11. Rating changes.

12. Bankruptcy, insolvency, receivership or similar event of the Issuer.

13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

14. Appointment of a successor or additional trustee, or the change of name of a trustee, if material.

15. Incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar events under the terms of a Financial Obligation of the Issuer, any of which affect security holders, if material; and

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

(b) Upon the occurrence of a Listed Event, the Issuer shall promptly file, in a timely manner not in excess of ten (10) business days after the occurrence of the Listed Event, in an electronic format as prescribed by the MSRB and accompanied by such identifying information as is prescribed by the MSRB, a notice of such occurrence with the MSRB through EMMA. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Bondholders of affected Bonds pursuant to the Resolution.

*Section 6.*     Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

*Section 7.*     Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the Issuer.

*Section 8.*     Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(b), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

*Section 9.* Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

*Section 10.* Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Bondholder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default on the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

*Section 11. Duties, Immunities and Liabilities of Dissemination Agent.* The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Issuer under this Section 11 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

*Section 12. Beneficiaries.* This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and the Bondholders and Beneficial Owners from time to time of the Bonds and shall not create any rights in any other person or entity.

Date: \_\_\_\_\_, 2020

BOARD OF EDUCATION OF THE BOROUGH  
OF CARTERET IN THE COUNTY OF  
MIDDLESEX, NEW JERSEY

By: \_\_\_\_\_  
Hector Berrios, School Business Administrator

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Board of Education of the Borough of Carteret in the County of Middlesex,  
New Jersey

Name of Bond Issue: \$36,999,995 School Bonds, Series 2020

Date of Issuance: \_\_\_\_\_, 2020

CUSIP No. 146393\_\_\_\_

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 3(a) of the Continuing Disclosure Certificate dated \_\_\_\_\_, 2020. The Issuer anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

BOARD OF EDUCATION OF THE BOROUGH  
OF CARTERET IN THE COUNTY OF  
MIDDLESEX, NEW JERSEY

By: \_\_\_\_\_  
Authorized Signatory