

CLOSTER BOARD OF EDUCATION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Closter, New Jersey

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
of the
Closter Board of Education
Closter, New Jersey
For The Fiscal Year Ended June 30, 2011**

**Prepared by
Closter Board of Education
Business Office**

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INTRODUCTORY SECTION

Closter Board of Education
340 Homans Avenue • Closter, NJ 07624

201-768-3001 Ext. 41112
Fax: 201-768-1903

E-Mail: iappelli@nvnet.org

Peter C. Iappelli
Business Administrator
Board Secretary

September 12, 2011

Honorable President and
Members of the Board of Trustees
Closter Board of Education
Closter, New Jersey 07624

Dear Board Members:

The Comprehensive Annual Financial Report (CAFR) of the Closter School District (the "District") for the fiscal year ended June 30, 2010 is hereby submitted. This Comprehensive Annual Financial Report includes the District's Basic Financial Statements prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the District. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the basic financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations", and the NJ OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES: The Closter School District is an independent reporting entity within the criteria adopted by the GASB as established by GASB No. 34. All funds of the District are included in this report. The Closter Board of Education, Hillside Elementary School and Tenakill Middle School compose the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through 8. It completed the 2010-2011 fiscal year with an enrollment of 1,138 students, which was 17 students fewer than the previous year's enrollment. The following details the changes in the student enrollment of the District over the last 10 years.

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2001-2002	1,147	1.87
2002-2003	1,202	4.80
2003-2004	1,232	2.50
2004-2005	1,231	0.00
2005-2006	1,218	(1.06)
2006-2007	1,205	(1.07)
2007-2008	1,182	(1.91)
2008-2009	1,191	0.76
2009-2010	1,155	(3.02)
2010-2011	1,138	(1.47)

2. ECONOMIC CONDITION AND OUTLOOK: Closter is a stable, attractive community with a total population of 8,373, according to the 2010 U.S. Census. Many residents commute daily into New York City which is only 15 miles from Closter. Known as, "The Hub of the Northern Valley," Closter is situated below the Palisades in the north-eastern part of Bergen County, New Jersey. Although part of the vast New York/New Jersey Metropolitan Area, Closter maintains a local pride in its community, its schools, and in the many services that it offers its residents. Essentially residential in nature, Closter provides several attractive shopping areas as well as space for light industry and manufacturing. Most of the undeveloped land in Closter is either dedicated to recreation or green acres.

Approximately 90% of Closter's working residents are employed in the following job types: management, business and financial operations; professional and related; sales and office; service. Nearly 95% of Closter's adult population is high school graduates, and over 50% have at least a bachelor's degree. Additionally, almost 32% of Closter's residents are Asian.

3. MAJOR INITIATIVES: The Closter Public Schools enjoy an excellent reputation and work together with six neighboring districts composing the Northern Valley Region. These districts mutually employ a Director of Curriculum and Instruction, a Director of Special Education, and a Staff Development Supervisor. Administrators and teachers, representing all communities, meet regularly for staff and curriculum development.

The comprehensive instructional program includes reading, literature, writing process, language arts, mathematics, science, social studies, art, general and instrumental music, physical education, health and family life, foreign language, drama, technology, career awareness, study skills, and thinking skills. Special education, resource centers, collaborative classes and basic skills instruction are available to students who require this support. A fully staffed child study team develops Individualized Educational Plans for classified students. There are programs for

3. MAJOR INITIATIVES; (Continued)

identified gifted and talented students, as well as English language learners. A guidance program is provided in both schools to handle student issues, offer divorce and social skills groups, organize the transition to high school and provide character education and anti-bullying programs for all students.

At each elementary grade level there are five to six classes with an average class size of about 22 students. Co-curricular activities include inter-scholastic athletics and more than twenty clubs offering a variety of topics ranging from dance to student council. There is also a service club that donates time to hospitals and nursing homes. Tenakill Middle School students participate in extended educational field trips to an environmental camp, Boston and Washington, D.C.

A classroom addition is underway at the Hillside Elementary School. The additional classroom will house the district's inclusive preschool program. The program was successfully launched in the 2010-2011 school year to accommodate disabled and typical 3-and 4- year-olds.

The success of the Closter Public Schools has been documented by a variety of achievements including: consistently high test results, consistently high achievement in local, regional, county, state, and national festivals and competitions, New Jersey Governor's Grant Awards acknowledging outstanding programs in writing, children's literature, guidance, and environmental education, special education grants in computer education, social studies, and physical education, validation as a "Center of Excellence" by the National Council of Teachers of English, recognition by the National School Boards Association for "Best Curriculum Ideas" in writing and environmental education, national winner in the "Take Pride in America" awards program.

4. INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the District also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by District management.

As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations.

5. BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. Project-length budgets are approved for capital improvements and accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as a reappropriation of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2010.

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

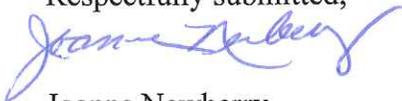
7. RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability, pollution liability, commercial automobile, school board legal liability, crime, workers compensation, and surety bonds.

8. OTHER INFORMATION:

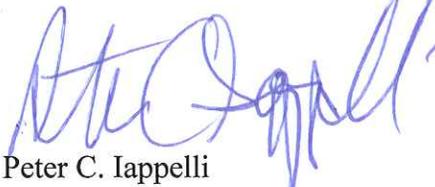
A) **Independent Audit** - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The auditing firm selected by the Board is Lerch, Vinci, Higgins, LLP. In addition to meeting the requirements set forth in state statutes, the audit also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

9. ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Closter Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district, and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our business office.

Respectfully submitted,



Joanne Newberry
Superintendent of Schools
Closter Public Schools



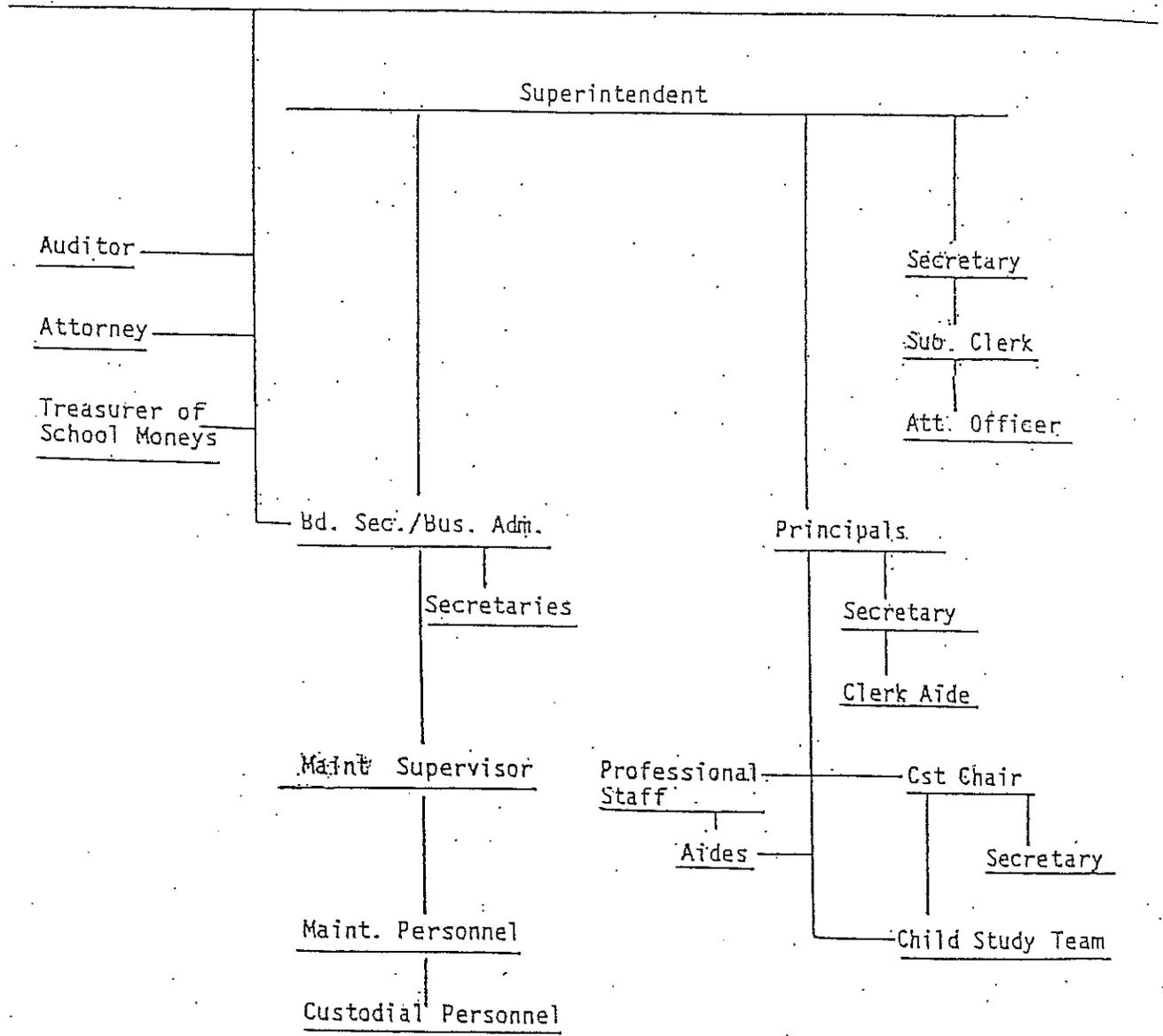
Peter C. Iappelli
Board Secretary/School Business Administrator
Closter Public Schools

CLOSTER BOARD OF EDUCATION
Closter, New Jersey 07624
Exhibit

File Code: 2120

ORGANIZATION CHARTS

Closter Board of Education



2188s



**CLOSTER BOARD OF EDUCATION
CLOSTER, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2011**

<u>Member of the Board of Education</u>	<u>Term Expires</u>
Anthony Linn, President	2012
Michael Goldstein, Vice President	2013
Carmen Pfeiffer	2013
Dina Marinaccio	2012
Peter Micera	2013
Grace Park	2012
Ann Ginsberg	2014
Lydia Forstmann	2014
Gregg Lambert	2014
<u>Other Officials</u>	
Joanne Newberry, Superintendent	
Peter C. Iappelli, Board Secretary/Business Administrator	
Norma Ketler, Treasurer	

CLOSTER BOARD OF EDUCATION
Consultants and Advisors

Architect

Di Cara/Rubino
30 Galesi Drive – West Wing
Wayne, NJ 07470

Audit Firm

Lerch, Vinci, Higgins, LLP
17-17 Route 208 North
Fair Lawn, NJ 07410

Attorney

Fogarty & Hara
16-00 Route 208 South
Fair Lawn, NJ 07410

Official Depository

TD Bank, N.A.
1100 Lake Street
Ramsey, NJ 07446-1275

FINANCIAL SECTION

LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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FAIR LAWN, NJ 07410
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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

ELIZABETH A. SHICK, CPA, RMA, PSA
ANDREW PARENTE, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
RALPH M. PICONE, CPA, RMA, PSA
EDWARD N. KERE, CPA

INDEPENDENT AUDITOR'S REPORT

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

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 Closter Board of Education as of and for the fiscal year ended June 30, 2011, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board of Education's management. 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 Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Closter Board of Education's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

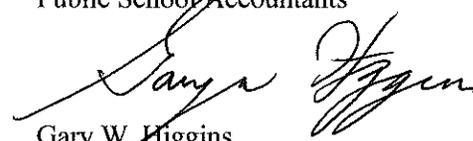
In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Closter Board of Education as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 12, 2011 on our consideration of the Closter 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Closter Board of Education's basic financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, financial schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and New Jersey OMB's Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid", and are also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section, financial schedules and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.


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


Gary W. Higgins
Public School Accountant
PSA Number CS00814

Fair Lawn, New Jersey
September 12, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CLOSTER SCHOOL DISTRICT
CLOSTER NEW JERSEY**

Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2011

This discussion and analysis of the Closter School District's financial performance provides an overall review of its financial activities for the fiscal year ended June 30, 2011. The intent of this is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards 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 (2010-2011) and the prior year (2009-2010) is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2011 are as follows:

- General revenues accounted for \$16,833,502 or 90 percent of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,929,033 or 10 percent of total revenues of \$18,762,535.
- The School District had \$17,011,577 in total expenses; only \$1,929,033 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$16,833,502 were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$17,337,836 in revenues and \$16,109,740 in expenditures. The General Fund's fund balance increased \$1,228,096 from June 30, 2010.

**CLOSTER SCHOOL DISTRICT
CLOSTER NEW JERSEY**

Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2011

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so that the reader can understand the District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provides information about the activities of the entire District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements show how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at significant funds with all other non-major funds presented in one total column. The General Fund is by far the most significant fund.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document reports on all funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and ask the question, "How did we do financially during 2010/11." The Statement of Net Assets and the Statement of Activities answer that question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change is important because it tells the reader that, for the school district as a whole, its financial position improved or diminished. The causes of this change may be the result of many factors. Non-financial factors include the District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the District is divided into two distinct kinds of activities:

- Governmental activities – All programs and services are reported here including instruction, support services, operation and maintenance of plant facilities, pupil transportation, capital outlay, and debt service activities.

**CLOSTER SCHOOL DISTRICT
CLOSTER NEW JERSEY**

Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2011

- **Business-Type Activity** – This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business-type activity.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's funds. The District's governmental funds include the General Fund, Special Revenue Fund, Capital Projects Fund, and Debt Service Fund.

Governmental Funds

The District's activities are reported in governmental funds. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Enterprise Fund

The Enterprise Fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

The District as a Whole

The Statement of Net Assets provides one perspective of the District as a whole.

Table 1 provides a summary of the District's net assets as of June 30, 2011 and 2010.

**CLOSTER SCHOOL DISTRICT
CLOSTER NEW JERSEY**

Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2011

**Table 1
Net Assets
as of June 30, 2011 and 2010**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2011</u>	<u>2010</u> (Restated)	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u> (Restated)
Assets						
Current and Other Assets	\$ 3,503,991	\$ 2,159,327	\$ 16,897	\$ 10,332	\$ 3,520,888	\$ 2,169,659
Capital Assets	<u>12,612,970</u>	<u>12,949,903</u>	<u>-</u>	<u>-</u>	<u>12,612,970</u>	<u>12,949,903</u>
Total Assets	<u>16,116,961</u>	<u>15,109,230</u>	<u>16,897</u>	<u>10,332</u>	<u>16,133,858</u>	<u>15,119,562</u>
Liabilities						
Long-Term Liabilities	6,028,277	6,873,198			6,028,277	6,873,198
Other Liabilities	<u>199,274</u>	<u>91,015</u>	<u>-</u>	<u>-</u>	<u>199,274</u>	<u>91,015</u>
Total Liabilities	<u>6,227,551</u>	<u>6,964,213</u>	<u>-</u>	<u>-</u>	<u>6,227,551</u>	<u>6,964,213</u>
Net Assets						
Invested in Capital Assets						
Net of Related Debt	6,938,415	6,392,442			6,938,415	6,392,442
Restricted	1,767,587	984,293			1,767,587	984,293
Unrestricted	<u>1,183,408</u>	<u>768,282</u>	<u>16,897</u>	<u>10,332</u>	<u>1,200,305</u>	<u>778,614</u>
Total Net Assets	<u>\$ 9,889,410</u>	<u>\$ 8,145,017</u>	<u>\$ 16,897</u>	<u>\$ 10,332</u>	<u>\$ 9,906,307</u>	<u>\$ 8,155,349</u>

The District's combined net assets were \$9,906,307 and \$8,155,349 on June 30, 2011 and 2010, respectively.

Table 2 shows changes in net assets for fiscal years 2011 and 2010.

**CLOSTER SCHOOL DISTRICT
CLOSTER NEW JERSEY**

Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2011

**Table 2
Change in Net Assets
For the Years Ended June 30, 2011 and 2010**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues						
Program Revenues						
Charges for Services	\$ 129,234	\$ 101,625	\$ 25,378	\$ 24,322	\$ 154,612	\$ 125,947
Grants and Contributions	1,758,474	2,139,415	15,947	14,983	1,774,421	2,154,398
General Revenues						
Property Taxes	16,714,167	16,293,528			16,714,167	16,293,528
Unrestricted State Aid	7,835	55,154			7,835	55,154
Other	111,298	134,116	202	176	111,500	134,292
Total Revenues	<u>18,721,008</u>	<u>18,723,838</u>	<u>41,527</u>	<u>39,481</u>	<u>18,762,535</u>	<u>18,763,319</u>
Program Expenses						
Instruction	10,903,681	11,561,507			10,903,681	11,561,507
Support Services						
Student and Instructional Related Svcs.	2,228,355	2,295,601			2,228,355	2,295,601
General and School Administration, Business / Central Services	1,931,327	1,808,667			1,931,327	1,808,667
Operation and Maintenance of Plant	1,491,173	1,577,500			1,491,173	1,577,500
Pupil Transportation	184,254	319,614			184,254	319,614
Interest on Debt	237,825	268,907			237,825	268,907
Food Service	-	-	34,962	33,311	34,962	33,311
Total Expenses	<u>16,976,615</u>	<u>17,831,796</u>	<u>34,962</u>	<u>33,311</u>	<u>17,011,577</u>	<u>17,865,107</u>
Change in Net Assets	<u>\$ 1,744,393</u>	<u>\$ 892,042</u>	<u>\$ 6,565</u>	<u>\$ 6,170</u>	<u>\$ 1,750,958</u>	<u>\$ 898,212</u>

Governmental Activities

The unique nature of property taxes in New Jersey creates the legal requirement to annually seek voter approval for District operations. Property taxes made up 89 and 87 percent of revenues for governmental activities for the Closter School District in the fiscal years 2011 and 2010, respectively. The District's total governmental revenues were \$18,721,008 and \$18,723,838 for the years ended June 30, 2011 and 2010, respectively. Federal, state, and local grants and aid accounted for another 9 and 12 percent of governmental revenue for the years ended June 30, 2011 and 2010, respectively. The total costs of all governmental programs and services was \$16,976,615 and \$17,831,796 for the years ended June 30, 2011 and 2010, respectively. Instruction comprises 64 and 65 percent of District expenses for the years ended June 30, 2011 and 2010.

**CLOSTER SCHOOL DISTRICT
CLOSTER NEW JERSEY**

Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2011

Business-Type Activities

Revenues for the District's business-type activities (food service program) were comprised of charges for services and federal reimbursements.

- Food service revenues exceeded expenses by \$6,565.
- Charges for services represent 61 percent of revenue. This represents amounts paid for daily milk service.
- Federal reimbursement for milk including payments for free milk was \$15,947.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services for the fiscal years ended June 30, 2011 and 2010. The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

**Table 3
Total and Net Cost of Services of Governmental Activities**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Instruction	\$ 10,903,681	\$ 11,561,507	\$ 9,254,162	\$ 9,649,714
Support Services				
Student and Instruction Related Svcs.	2,228,355	2,295,601	2,183,381	2,228,780
General Administration, School Administration, Business / Central Services	1,931,327	1,808,667	1,776,294	1,682,489
Operation and Maintenance of Plant	1,491,173	1,577,500	1,475,733	1,524,940
Pupil Transportation	184,254	319,614	161,512	235,926
Interest and Other Charges	<u>237,825</u>	<u>268,907</u>	<u>237,825</u>	<u>268,907</u>
Total	<u>\$ 16,976,615</u>	<u>\$ 17,831,796</u>	<u>\$ 15,088,907</u>	<u>\$ 15,590,756</u>

Instruction expenses include activities directly dealing with the teaching of pupils and the interactions between teacher and student, including extracurricular activities.

Student and instruction related services include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development.

General administration, school administration, and business/central services include expenses associated with administrative and financial supervision of the District.

**CLOSTER SCHOOL DISTRICT
CLOSTER NEW JERSEY**

Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2011

Governmental Activities (Cont.)

Operation and maintenance of facilities involve keeping the school grounds, buildings, and equipment in an effective working condition.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Interest on debt involves the transactions associated with the payment of interest and other related charges to debt of the District.

The District's Funds

All governmental funds (i.e., general fund, special revenue fund and debt service fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$18,694,332 and \$18,652,734 and expenditures were \$17,466,238 and \$18,565,836 for the years ended June 30, 2011 and 2010, respectively. During the fiscal year ended June 30, 2011, revenues exceeded expenditures by \$1,228,094.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound fiscal management. The following schedule presents a summary of the governmental fund revenues for the fiscal years ended June 30, 2011 and 2010.

<u>Revenue</u>	<u>Year Ended</u>		<u>Amount of Increase (Decrease)</u>	<u>Percent</u>
	<u>June 30, 2011</u>	<u>June 30, 2010</u>		
Local Sources	\$ 16,929,532	\$ 16,462,622	\$ 466,910	2.84%
State Sources	1,480,092	1,860,296	(380,204)	-20.44%
Federal Sources	<u>284,708</u>	<u>329,816</u>	<u>(45,108)</u>	-13.68%
Total	<u>\$ 18,694,332</u>	<u>\$ 18,652,734</u>	<u>\$ 41,598</u>	0.22%

**CLOSTER SCHOOL DISTRICT
CLOSTER NEW JERSEY**

Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2011

The District's Funds (Cont.)

The following schedule represents a summary of the governmental fund expenditures for the fiscal years ended June 30, 2011 and 2010.

<u>Expenditures</u>	<u>Year Ended</u>		<u>Amount of Increase (Decrease)</u>	<u>Percent</u>
	<u>June 30, 2011</u>	<u>June 30, 2010</u>		
Current				
Instruction	\$ 10,525,247	\$ 11,293,406	\$ (768,159)	-6.80%
Support Services	5,672,597	5,892,389	(219,792)	-3.73%
Capital Outlay	137,566	250,840	(113,274)	-45.16%
Debt Service:				
Principal	884,692	852,303	32,389	3.80%
Interest	246,136	276,898	(30,762)	-11.11%
 Total Expenditures	 <u>\$ 17,466,238</u>	 <u>\$ 18,565,836</u>	 <u>\$ (1,099,598)</u>	 -5.92%

General Fund Budgeting Highlights

The District's annual school budget is prepared according to New Jersey Statutes. The most significant budgetary fund is the General Fund. The school budget is subjected to the public's vote only after an exhaustive review of each appropriation account. The budget – first and foremost – supports student achievement and outstanding academic programs.

Over the course of the year, the District revised the annual operating budget several times. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over expenditures in specific line item accounts.

**CLOSTER SCHOOL DISTRICT
CLOSTER NEW JERSEY**

Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2011

Capital Assets

At the end of fiscal years 2011 and 2010, the District had \$12,612,970 and \$12,949,903, respectively invested in land, buildings, furniture, equipment and vehicles, net of accumulated depreciation. Table 4 shows fiscal year 2011 balances compared to 2010.

Table 4
Capital Assets

	June 30	
	2011	2010
Land	\$ 26,600	\$ 26,600
Construction in Progress	106,181	52,560
Improvements Other Than Buildings	211,215	211,215
Buildings and Improvements	17,959,957	17,959,957
Machinery and Equipment	723,941	642,877
	19,027,894	18,893,209
Less: Accumulated Depreciation	(6,414,924)	(5,943,306)
 Total	 \$ 12,612,970	 \$ 12,949,903

Overall capital assets, net of accumulated depreciation, decreased \$336,933 from fiscal year 2010 to fiscal year 2011.

Additional information on Closter School District's Capital Assets can be found in Note 3 of this report.

**CLOSTER SCHOOL DISTRICT
CLOSTER NEW JERSEY**

Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2011

Debt Administration

At June 30, 2011 and 2010, the District had \$6,028,277 and \$6,873,198, respectively of long-term liabilities. Of this amount, \$330,509 and \$290,739 are for compensated absences; and \$4,694,000 and \$5,209,000 are for serial bonds and \$943,221 and \$1,252,305 are for loans for school construction and \$60,547 and \$121,094 are for capital leases for computers.

Table 5
Outstanding Debt

	June 30	
	2011	2010 (Restated)
2004 General Obligation Bonds	\$ 3,520,000	\$ 3,755,000
1994 General Obligation Bonds	1,174,000	1,454,000
1993 Intergovernmental Loans	943,221	1,252,365
Capital Leases	60,547	121,094
Compensated Absences	330,509	290,739
Total	\$ 6,028,277	\$ 6,873,198

At June 30, 2011, the District's overall remaining legal debt margin was \$61,558,294.

Additional information on Closter School District's Long-Term Debt can be found in Note 3 of this report.

For the Future

The Closter School District is thankful for the community's continued support and approval of the annual school budget. The District's primary goal is student achievement. To that end, the Closter School District makes every effort to meet the needs of all its children, despite significant cuts in state aid and unfunded mandates.

The Closter School District is committed to educational excellence and fiscal integrity. Its system for financial planning, budgeting, and internal financial controls is audited annually. The Closter School District shall continue to manage its financial resources prudently in order to meet the educational challenges of the 21st century.

Contacting the District's Financial Management

If you have questions about this report or need additional information, please contact Mr. Peter Iappelli, School Business Administrator, Closter Board of Education, 340 Homans Avenue, Closter, NJ 07624.

DISTRICT WIDE FINANCIAL STATEMENTS

**CLOSTER BOARD OF EDUCATION
STATEMENT OF NET ASSETS
JUNE 30, 2011**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 3,283,111	\$ 15,829	\$ 3,298,940
Receivables, net			
Receivables from Other Governments	195,795	1,068	196,863
Other Accounts Receivable	1,872		1,872
Deferred Charges	23,213		23,213
Capital Assets Not Being Depreciated	132,781		132,781
Capital Assets Being Depreciated	12,480,189		12,480,189
	<u>16,116,961</u>	<u>16,897</u>	<u>16,133,858</u>
Total Assets			
LIABILITIES			
Unearned Revenue	135,304		135,304
Accrued Interest Payable	63,970		63,970
Noncurrent Liabilities			
Due Within One Year	937,204		937,204
Due Beyond One Year	5,091,073		5,091,073
	<u>6,227,551</u>	<u>-</u>	<u>6,227,551</u>
Total Liabilities			
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	6,938,415		6,938,415
Restricted for:			
Debt Service	1		1
Capital Projects	1,767,586		1,767,586
Unrestricted	1,183,408	16,897	1,200,305
	<u>\$ 9,889,410</u>	<u>\$ 16,897</u>	<u>\$ 9,906,307</u>
Total Net Assets			

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

CLOSTER BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets					
	Expenses	Charges for Services	Program Revenues	Governmental Activities	Business-type Activities	Total
Governmental Activities						
Instruction						
Regular	\$ 7,958,452	\$ 129,234	\$ 811,954	\$ (7,146,498)	\$	\$ (7,146,498)
Special Education	1,991,587		585,820	(1,276,533)		(1,276,533)
Other Instruction	868,239		114,192	(754,047)		(754,047)
School Sponsored Activities and Athletics	85,403		8,319	(77,084)		(77,084)
Support Services						
Student and Instruction Related Svcs.	2,228,355		44,974	(2,183,381)		(2,183,381)
General Administration Services	684,289		61,943	(622,346)		(622,346)
School Administration Services	928,914		62,025	(866,889)		(866,889)
Business/Central Services	318,124		31,065	(287,059)		(287,059)
Plant Operations and Maintenance	1,491,173		15,440	(1,475,733)		(1,475,733)
Pupil Transportation	184,254		22,742	(161,512)		(161,512)
Interest on Long-Term debt	237,825		-	(237,825)		(237,825)
Total Governmental Activities	16,976,615	129,234	1,758,474	(15,088,907)	-	(15,088,907)
Business-Type Activities						
Food Service	34,962	25,378	15,947	-	\$ 6,363	6,363
Total Business-Type Activities	34,962	25,378	15,947	-	6,363	6,363
Total Primary Government	\$ 17,011,577	\$ 154,612	\$ 1,774,421	(15,088,907)	6,363	(15,082,544)
General Revenues:						
Property Taxes, Levied for General Purposes				15,643,888		15,643,888
Property Taxes Levied for Debt Service				1,070,279		1,070,279
Federal and State Aid - Unrestricted				7,835		7,835
Interest Earnings				24,224	202	24,426
Miscellaneous Income				60,398		60,398
Donated Capital Assets				26,676		26,676
Total General Revenues and Special Items				16,833,300	202	16,833,502
Change in Net Assets				1,744,393	6,565	1,750,958
Net Assets, Beginning of Year (Restated)				8,145,017	10,332	8,155,349
Net Assets, End of Year				\$ 9,889,410	\$ 16,897	\$ 9,906,307

FUND FINANCIAL STATEMENTS

**CLOSTER BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2011**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 3,282,674	\$ 436	\$ 1	\$ 3,283,111
Receivables				
Due From Other Funds	339			339
Receivables From Governments	60,927	134,868		195,795
Receivables From Others	1,533	-	-	1,533
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	\$ 3,345,473	\$ 135,304	\$ 1	\$ 3,480,778
LIABILITIES AND FUND BALANCES				
Liabilities				
Deferred Revenue	-	\$ 135,304	-	\$ 135,304
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	-	135,304	-	135,304
Restricted Fund Balance				
Emergency Reserve	\$ 250,000			250,000
Capital Reserve	1,767,586			1,767,586
Excess Surplus - Designated for Subsequent Year's Expenditures	277,708			277,708
Excess Surplus	300,000			300,000
Debt Service			\$ 1	1
Committed Fund Balance				
Encumbrances	285,092			285,092
Assigned Fund Balance				
Encumbrances	90,747			90,747
Designated for Subsequent Year's Expenditures	65,000			65,000
Unassigned Fund Balance				
General Fund	309,340	-	-	309,340
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	3,345,473	-	1	3,345,474
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ 3,345,473	\$ 135,304	\$ 1	

Amounts reported for governmental activities in the statement of net assets (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 \$19,027,894 and the accumulated depreciation is \$6,414,924. 12,612,970

Deferred Charges for Debt Issuance Costs 23,213

The District has financed capital assets through the issuance of Serial bonds and intergovernmental loans. The interest accrual at year end is: (63,970)

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-term liabilities at year end consist of the following:

Intergovernmental Loans			
Payable	\$	943,221	
Capital Lease Payable		60,547	
Bonds Payable		4,694,000	
Compensated Absences		330,509	
		<hr/>	<hr/>
			(6,028,277)

Net assets of governmental activities \$ 9,889,410

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

**CLOSTER BOARD OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
REVENUES				
Local Sources				
Property Taxes	\$ 15,643,888		\$ 1,070,279	\$ 16,714,167
Tuition Charges	129,234			129,234
Interest	24,224			24,224
Miscellaneous	60,398	\$ 1,509	-	61,907
Total - Local Sources	15,857,744	1,509	1,070,279	16,929,532
State Sources	1,480,092			1,480,092
Federal Sources	-	284,708	-	284,708
Total Revenues	17,337,836	286,217	1,070,279	18,694,332
EXPENDITURES				
Current				
Instruction				
Regular Instruction	7,662,148			7,662,148
Special Education Instruction	1,731,824	209,930		1,941,754
Other Instruction	822,589	15,873		838,462
School Sponsored Activities and Athletics	82,883			82,883
Support Services				
Student and Instruction Related Services	2,117,801	44,974		2,162,775
General Administration Services	665,529			665,529
School Administration Services	892,506			892,506
Business/Central Services	308,716			308,716
Plant Operations and Maintenance	1,459,041			1,459,041
Pupil Transportation	184,030			184,030
Debt Service				
Principal	60,547		824,144	884,691
Interest and Other Charges			246,137	246,137
Capital Outlay	122,126	15,440	-	137,566
Total Expenditures	16,109,740	286,217	1,070,281	17,466,238
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,228,096	-	(2)	1,228,094
Net Changes in Fund Balances	1,228,096	-	(2)	1,228,094
Fund Balance, Beginning of Year	2,117,377	-	3	2,117,380
Fund Balance, End of Year	\$ 3,345,473	\$ -	\$ 1	\$ 3,345,474

**CLOSTER BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE DISTRICT-WIDE STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Total net change in fund balances - governmental funds (Exhibit B-2) \$ 1,228,094

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

Capital Outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which depreciation expense exceeds capital asset additions in the period

Depreciation Expense	\$ (501,175)
Capital Outlays	<u>137,566</u>

(363,609)

Donations of capital assets increase net assets in the statement of activities, however they have no affect in the governmental funds because they are not financial resources.

26,676

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 assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal Repayments	
Capital Leases Paid	60,547
Bonds Payable	515,000
Intergovernmental Loans Payable	<u>309,144</u>

884,691

In the statement of activities, certain operating expenses, e.g., compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).

(39,770)

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. An increase in accrued interest is a decrease in the reconciliation and a decrease in accrued interest is an increase.

10,096

Governmental Funds report the effect of issuance costs pertaining to bonds issued when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

(1,785)

Change in net assets of governmental activities

\$ 1,744,393

**CLOSTER BOARD OF EDUCATION
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2011**

	Business- Type Activities Enterprise Funds <hr/> Non - Major <hr/>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 15,829
Intergovernmental Accounts Receivable	<u>1,068</u>
Total Current Assets	<u>16,897</u>
Noncurrent Assets	
Machinery and Equipment	15,173
Less Accumulated Depreciation	<u>(15,173)</u>
Total Noncurrent Assets	<u>-</u>
Total Assets	<u>16,897</u>
NET ASSETS	
Unrestricted	<u>16,897</u>
Total Net Assets	<u><u>\$ 16,897</u></u>

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

**CLOSTER BOARD OF EDUCATION
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN FUND NET ASSETS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Business-Type Activities
	Enterprise Fund
	Non-Major
Operating Revenues	
Charges for services	
Daily Sales	\$ 25,378
Total Operating Revenues	25,378
Operating Expenses	
Cost of Sales	18,962
Salaries and Wages	16,000
Total Operating Expenses	34,962
Operating Loss	(9,584)
Nonoperating Revenues	
Federal Sources	
Special Milk Program	15,947
Interest Earnings	202
Total Nonoperating Revenues	16,149
Net Change in Net Assets	6,565
Net Assets, Beginning of Year	10,332
Net Assets, End of Year	\$ 16,897

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

**CLOSTER BOARD OF EDUCATION
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Business-Type Activities
	Enterprise Funds
	Non-Major
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 25,378
Salaries and Wages	(16,000)
Payments to Suppliers	(18,962)
	(9,584)
Net Cash Used By Operating Activities	(9,584)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Federal Sources	16,143
	16,143
Net Cash Provided By Non-Capital Financing Activities	16,143
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	202
	202
Net Cash Provided By Investing Activities	202
Net Increase in Cash and Cash Equivalents	6,761
Cash and Cash Equivalents—Beginning of Year	9,068
Cash and Cash Equivalents—End of Year	\$ 15,829
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	\$ (9,584)
Net Cash Used By Operating Activities	\$ (9,584)

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

**CLOSTER BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2011**

	<u>Private Purpose Trust Funds</u>	<u>Unemployment Compensation Trust Fund</u>	<u>Agency Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,701	\$ 220,394	\$ 58,872
Total Assets	<u>1,701</u>	<u>220,394</u>	<u>\$ 58,872</u>
LIABILITIES			
Due To Other Funds			\$ 339
Due To Student Groups			52,297
Payable to State Government		29,553	
Accrued Salaries and Wages			444
Payroll Deductions and Withholdings		-	5,792
Total Liabilities	<u>-</u>	<u>29,553</u>	<u>\$ 58,872</u>
NET ASSETS			
Held In Trust For Unemployment Claims and Other Purposes	<u>\$ 1,701</u>	<u>\$ 190,841</u>	

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

**CLOSTER BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Private Purpose Trust Funds	Unemployment Compensation Trust
ADDITIONS		
Interest on Deposits		\$ 2,098
Private Donations	\$ 2,768	
Employee Contributions	-	23,442
Total Additions	2,768	25,540
DEDUCTIONS		
General Government	50	
Unemployment Claims and Contributions	-	110,527
Total Deductions	50	110,527
Change in Net Assets	2,718	(84,987)
Net Assets, Beginning of Year	(1,017)	275,828
Net Assets, End of Year	\$ 1,701	\$ 190,841

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLOSTER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Closter 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 Closter Board of Education this includes general operations, food service, 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. Basic Financial Statements

The basic financial statements include both district-wide financial statements (based on the District as a whole) and fund financial statements. Both the district-wide and fund financial statements categorize activities as either governmental activities or business-type activities.

The district-wide financial statements report information on all of the nonfiduciary activities of the Board of Education. 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 assets, 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.

**CLOSTER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements (Continued)

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The District considers all of its governmental funds to be major funds.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements with the exception of the agency fund which does not have a measurement focus. All assets and all liabilities associated with these operations (with the exception of the fiduciary funds) are included on the Statement of Net Assets. 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.

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. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. All other revenue items are considered to be measurable and available only when cash is received by the District.

CLOSTER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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 and state 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 for and the payment of principal and interest on long-term general obligation debt of governmental funds.

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

The *food service fund* accounts for the activities of the school milk program.

Additionally, the government reports the following fund type:

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the district-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Board has elected not to follow private-sector guidance issued subsequent to December 1, 1989.

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.

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.

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 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 subsidies for the food service operation are considered nonoperating revenues.

**CLOSTER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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

D. Assets, Liabilities and Net Assets or Equity

1. *Deposits 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 and Payables*

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".

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

Tuition Revenues - Tuition charges were established by the Board of 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 2009-2010 and 2010-2011 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.

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

3. *Inventories*

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

**CLOSTER BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

4. *Restricted Assets*

Certain assets are classified as restricted on the balance sheet because they are maintained in separate bank accounts and/or their use is limited by state or county regulations for capital projects.

5. *Capital Assets*

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

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

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	10-50
Improvements other than Buildings	5-20
Machinery and Equipment	5-20

6. *Compensated Absences*

It is the District's policy to permit employees to accumulate (with certain restrictions) earned but unused sick leave benefits. A long-term liability of accumulated sick leave and salary related payments has been recorded in the governmental activities in the district-wide financial statements, representing the Board's commitment to fund such costs from future operations. 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.

**CLOSTER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

7. *Long-term obligations*

In the district-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

8. *Fund Equity*

Beginning with fiscal year 2011, the District implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions". The Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. This statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

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.

Reserved Excess Surplus – Designated for Subsequent Year's Expenditures - This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2010 audited excess surplus that was appropriated in the 2011/2012 original budget certified for taxes.

Reserved Excess Surplus – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2011 audited excess surplus that is required to be appropriated in the 2012/2013 original budget certified for taxes.

Capital Reserve – This restriction was created by the District in accordance with NJAC 6A:23A-14.1 to fund future capital expenditures (See Note 2.)

Emergency Reserve – This restriction was created in accordance with NJAC 6A:23A-14.4(A)1 to accumulate funds in accordance with State statute to finance unanticipated general fund expenditures required for a thorough and efficient education.

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

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

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

Designated for Subsequent Year's Expenditures – This designation was created to dedicate the portion of fund balance appropriated in the adopted 2011/2012 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.

**CLOSTER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

8. Fund Equity (Continued)

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

9. Reclassifications

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The budget is submitted to the county superintendent and is voted upon at the annual school election on the third Tuesday in April. 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 2010/2011. During 2010/2011 the Board increased the original budget by \$491,479. The increase was funded by grant awards and the reappropriation of prior year general fund encumbrances.

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

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

**CLOSTER BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Capital Reserve

A capital reserve account was established by the District on September 21, 2000. 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, 2011 is as follows:

Balance, July 1, 2010		\$ 984,290
Increased By:		
Interest earnings	\$ 3,398	
Unexpended 10/11 Capital Outlay	63,727	
Deposits approved by the Board of Trustees	<u>1,103,171</u>	
		1,170,296
Decreased By:		
Withdrawal from Cap Res - for Local Share		<u>387,000</u>
Balance, June 30, 2011		<u>\$ 1,767,586</u>

The June 30, 2011 LRFP balance of local support costs of uncompleted capital projects is \$4,960,949. The withdrawals from the capital reserve were for use in a department approved facilities project, consistent with the district's Long Range Facilities Plan.

C. Transfers to Capital Outlay

During the 2010/2011 school year, the district transferred \$85,163 to the capital outlay accounts for the purchase of various equipment.

**CLOSTER BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

D. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for Reserved Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance in excess of 2% of budget expenditures at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2011 is \$577,708. Of this amount, \$277,708 was designated and appropriated in the 2011/2012 original budget certified for taxes and the remaining amount of \$300,000 will be appropriated in the 2012/2013 original budget certified for taxes.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

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

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2011, the book value of the Board's deposits was \$3,579,907 and bank balances of the Board's cash and deposits amounted to \$3,985,223. The Board's deposits which are displayed on the balance sheets and statement of net assets as "cash and cash equivalents" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ <u>3,985,223</u>

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, 2011 the Board had no bank balance exposed to custodial credit risk.

**CLOSTER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Investments

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

As of June 30, 2011, the Board had no outstanding investments.

B. Receivables

Receivables as of June 30, 2011 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>Total</u>
Receivables:				
Intergovernmental	\$ 60,927	\$ 134,868	\$ 1,068	\$ 196,863
Other	<u>1,533</u>	<u>-</u>	<u>-</u>	<u>1,533</u>
Gross Receivables	62,460	134,868	1,068	198,396
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 62,460</u>	<u>\$ 134,868</u>	<u>\$ 1,068</u>	<u>\$ 198,396</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unearned</u>
Special Revenue Fund Encumbrances	<u>\$135,304</u>

**CLOSTER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2011</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 26,600			\$ 26,600
Construction In Progress	52,560	\$ 53,621	-	106,181
Total capital assets, not being depreciated	<u>79,160</u>	<u>53,621</u>	<u>-</u>	<u>132,781</u>
Capital assets, being depreciated:				
Buildings and Improvements	17,959,957			17,959,957
Improvements other than buildings	211,215			211,215
Machinery and equipment	642,877	110,621	\$ (29,557)	723,941
Total capital assets being depreciated	<u>18,814,049</u>	<u>110,621</u>	<u>(29,557)</u>	<u>18,895,113</u>
Less accumulated depreciation for:				
Buildings and Improvements	(5,298,139)	(426,041)		(5,724,180)
Improvements other than buildings	(134,939)	(9,361)		(144,300)
Machinery and equipment	(510,228)	(65,773)	29,557	(546,444)
Total accumulated depreciation	<u>(5,943,306)</u>	<u>(501,175)</u>	<u>29,557</u>	<u>(6,414,924)</u>
Total capital assets, being depreciated, net	<u>12,870,743</u>	<u>(390,554)</u>	<u>-</u>	<u>12,480,189</u>
Governmental activities capital assets, net	<u>\$ 12,949,903</u>	<u>\$ (336,933)</u>	<u>\$ -</u>	<u>\$ 12,612,970</u>
Business-type activities:				
Capital assets, being depreciated:				
Machinery and equipment	\$ 15,173	-	-	\$ 15,173
Total capital assets being depreciated	<u>15,173</u>	<u>-</u>	<u>-</u>	<u>15,173</u>
Less accumulated depreciation for:				
Machinery and equipment	(15,173)	-	-	(15,173)
Total accumulated depreciation	<u>(15,173)</u>	<u>-</u>	<u>-</u>	<u>(15,173)</u>
Total capital assets, being depreciated, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-type activities capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CLOSTER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

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

Governmental activities:

Instruction	
Regular	\$ 260,977
Special	49,833
Other	29,777
School Sponsored	<u>2,520</u>
Total Instruction	<u>343,107</u>
Support Services	
Students and Instruction Related	65,589
General Administration	18,760
School Administration	31,917
Central Services	9,408
Operations and Maintenance of Plant	32,170
Student Transportation	<u>224</u>
Total Support Services	<u>158,068</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 501,175</u>

Construction commitments

The District has the following active construction projects as of June 30, 2011:

<u>Project</u>	<u>Remaining Commitment</u>
Addition at Hillside Elementary School	
General Fund	\$ 285,092
Special Revenue Fund	<u>131,893</u>
Total	<u>\$ 416,985</u>

**CLOSTER BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2011, is as follows:

Due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Agency Fund	<u>\$ 339</u>

The above balances are the result of revenues earned or other financing sources received in one fund which are due to another fund.

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

E. Leases

Capital Leases

The District is leasing 150 computers totaling \$181,641 under capital leases. The lease is for a term of 3 years with an interest rate of 0%.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011 were as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2012	<u>\$ 60,547</u>
Total minimum lease payments	60,547
Less: amount representing interest	-
Present value of minimum lease payments	<u>\$ 60,547</u>

**CLOSTER BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-Term Debt

General Obligation Bonds

The Board issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities. 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, 2011 are comprised of the following issues:

\$4,464,000, 1994 Bonds, due in annual installments of \$280,000 to \$300,000 through September 15, 2014, interest at 6% to 6.125%	\$1,174,000
\$4,600,000, 2004 Bonds, due in annual installments of \$265,000 to \$280,000 through April 1, 2024, interest at 3.50% to 4.00%	<u>3,520,000</u>
	<u>\$4,694,000</u>

Intergovernmental Loan Payable

The Board has entered into loan agreements with the New Jersey Economic Development Agency to provide funds for the acquisition and construction of major capital facilities.

Loans payable at June 30, 2011 are comprised of the following:

Small Project Loan

\$897,656, 1993 Loan due in Semi-annual installments of \$60,958 to \$66,503, through July 15, 2013, interest at 5.288%	\$191,124
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Facility Program Loan

\$4,464,063, 1993 Loan due in semi-annual installments of \$234,951 through July 15, 2013, interest at 1.50%	704,851
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Safe Program Loan

\$299,219, 1993 Loan due in semi-annual installments of \$15,748 through July 15, 2013, interest at 1.50%	<u>47,246</u>
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Grand Total	<u>\$943,221</u>
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**CLOSTER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-Term Debt (Continued)

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

Governmental Activities:

Year Ending June 30,	Serial Bonds		Intergovernmental Loans		Total
	Principal	Interest	Principal	Interest	
2012	\$ 545,000	\$ 196,158	\$ 311,657	\$ 17,896	\$ 1,070,711
2013	570,000	169,155	314,362	10,841	1,064,358
2014	570,000	141,060	317,202	3,639	1,031,901
2015	564,000	113,149			677,149
2016	270,000	94,425			364,425
2017-2021	1,350,000	322,950			1,672,950
2022-2024	<u>825,000</u>	<u>66,400</u>	<u>-</u>	<u>-</u>	<u>891,400</u>
	<u>\$ 4,694,000</u>	<u>\$ 1,103,297</u>	<u>\$ 943,221</u>	<u>\$ 32,376</u>	<u>\$ 6,772,894</u>

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2011 was as follows:

3% of Equalized Valuation Basis (Municipal)	\$ 67,195,515
Less: Net Debt	<u>5,637,221</u>
Remaining Borrowing Power	<u>\$ 61,558,294</u>

Changes in long-term liabilities

Long-term liability activity for the fiscal year ended June 30, 2011, was as follows:

	Balance July 1, 2010 (Restated)	Additions	Reductions	Balance June 30, 2011	Due Within One Year
Governmental activities:					
Bonds Payable	\$ 5,209,000		\$ 515,000	\$ 4,694,000	\$ 545,000
Intergovernmental Loans Payable	1,252,365		309,144	943,221	311,657
Capital Lease Payable	121,094		60,547	60,547	60,547
Compensated Absences	<u>290,739</u>	<u>\$ 43,097</u>	<u>3,327</u>	<u>330,509</u>	<u>20,000</u>
Governmental Activity Long-Term Liabilities	<u>\$ 6,873,198</u>	<u>\$ 43,097</u>	<u>\$ 888,018</u>	<u>\$ 6,028,277</u>	<u>\$ 937,204</u>

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

**CLOSTER BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 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 Northeast Bergen County School Board Insurance Group (NESBIG). The Group is a risk sharing public entity pool, established for the purpose of insuring against worker's compensation claims.

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

NESBIG 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>
2011	None	\$ 23,442	\$ 110,527	\$ 190,841
2010	None	24,847	59,857	275,828
2009	None	23,243	27,489	308,442

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.

**CLOSTER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 OTHER INFORMATION (Continued)

B. Contingent Liabilities (Continued)

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, 2011, 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, 2011, the District had no estimated arbitrage earnings due to the IRS.

D. Employee Retirement Systems and Pension Plans

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

Public Employees' Retirement System (PERS) – Established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

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

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. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership.

**CLOSTER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 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 and are considered in the annual actuarial calculation of the required State contribution for the system.

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

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

Basis of Accounting

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

Investment Valuation

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

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. 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.

**CLOSTER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Significant Legislation

P.L. 2010, c. 1, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, and employer contributions to the retirement system.

This new legislation changed the membership eligibility criteria for new members of TPAF and PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of TPAF and PERS to 1/60 from 1/55, and it provided that new members of TPAF and PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of TPAF and PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. This law also closed the prosecutor's part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time five years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined as 1/7th of the required amount, beginning in Fiscal Year 2012.

P.L. 2010, c.3, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the TPAF and PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Funding Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems including TPAF and PERS, is 66.0 percent with an unfunded actuarial accrued liability of \$45.8 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 62.0 percent and \$30.7 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and Police and Firemen's Retirement System ("PFRS") is 72.1 percent and \$15.1 billion.

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

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

**CLOSTER BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Actuarial Methods and Assumptions

In the June 30, 2009 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (1) 8.25 percent for investment rate of return for the retirement systems and (2) 5.45 percent for projected salary increases for the PERS and 5.74 percent for TPAF.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 5.5% for PERS, 5.5% for TPAF and 5.50% for DCRP of the employee's annual compensation.

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2011 for TPAF, which is a cost sharing plan with special funding situations, annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended June 30, 2011, 2010 and 2009 the Board was required to contribute for PERS and DCRP and the State of New Jersey was required to contribute for TPAF for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Year Ended <u>June 30,</u>	<u>PERS</u>	On-behalf <u>TPAF</u>	<u>DCRP</u>
2011	\$ 170,921	\$ 26,285	\$ 7,813
2010	140,567	30,539	
2009	106,704	27,837	

During the last three fiscal years, the State of New Jersey did not contribute to the TPAF for normal cost and accrued liability. The State contributed \$26,285, \$30,539 and \$27,837 during 2010/2011, 2009/2010 and 2008/2009, respectively, for the NCGI premium only.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$644,576 during the year ended June 30, 2011 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount, along with the on-behalf TPAF pension contribution, has been included in the district-wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

**CLOSTER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for school districts. The Plans are cost sharing multiple employer defined benefit plans.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF are combined and reported as Health Benefits Program Fund –Local Government classified as a cost-sharing multiple-employer plan in the State's CAFR. The post-retirement benefit programs had a total of 514 state and local participating employers and contributing entities for Fiscal Year 2010.

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

Health Benefits Program Fund (HBPF) – Local Education (including Prescription Drug Program Fund) – The State of New Jersey provides free coverage to members of the Teachers' Pension and Annuity Fund who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of P.L. 1992, c.126, the State also provides free coverage to members of the Public Employees' Retirement System and Alternate Benefits Program who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for 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. Also, education employees are eligible for the PDP coverage after 60 days of employment.

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

Basis of Accounting

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

Significant Legislation

P.L. 2010, c.2 effective May 21, 2010, makes changes to the SHBP-State/Local Government/Local Education concerning eligibility, cost sharing, choice of a plan, the application of benefit changes, the waiver of coverage, and multiple coverage under such plans. It also requires contributions toward the cost of health care benefits coverage by public employees and certain retirees.

**CLOSTER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Investment Valuation

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

Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the State had a \$56.8 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$20.5 billion for state active and retired members and \$36.3 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

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

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

Actuarial Methods and Assumptions

In the June 30, 2009, actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included 4.50 percent for investment rate of return for the OPEB.

Post-Retirement Medical Benefits Contributions

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2010, there were 87,288 retirees receiving post-retirement medical benefits and the State contributed \$883.8 million on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education with 25 years of service. The State paid \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in fiscal year 2010.

**CLOSTER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits Contributions (Continued)

The State sets the contribution rate based on a pay as you go basis and not on the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the years ended June 30, 2011, 2010 and 2009 were \$558,294, \$573,570 and \$531,060, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

NOTE 5 RESTATEMENTS

The Board's district-wide Statement of Net Assets has been restated to reflect adjustments in the compensated absence liability included in the noncurrent liabilities in the prior year.

	<u>Beginning Balance Prior to Restatement</u>	<u>Restatement</u>	<u>Beginning Balance Restated</u>
<u>District-Wide</u>			
Governmental Activities			
Liabilities			
Noncurrent Liabilities			
Due Beyond One Year - Compensated Absences	\$ 54,685	\$ 236,054	\$ 290,739
Total Liabilities	6,728,159	236,054	7,018,898
Net Assets			
Unrestricted	1,004,336	236,054	768,282
Total Net Assets	8,381,071	236,054	8,145,017

BUDGETARY COMPARISON SCHEDULES

**CLOSTER BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
REVENUES					
Local Sources					
Property Taxes	\$ 15,643,888		\$ 15,643,888	\$ 15,643,888	
Tuition	62,388		62,388	129,234	\$ 66,846
Interest - Capital Reserve				3,398	3,398
Interest				20,826	20,826
Miscellaneous	40,000	-	40,000	60,398	20,398
Total Local Sources	15,746,276	-	15,746,276	15,857,744	111,468
State Sources					
Extraordinary Aid				130,164	130,164
Non Public Transportation Reimbursement				11,728	11,728
TPAF Social Security Contributions (Non-Budgeted)				644,576	644,576
TPAF Pension-Post Retirement Medical Contribution (Non-Budgeted)				558,294	558,294
TPAF Pension - NCGI	-	-	-	26,285	26,285
Total State Sources	-	-	-	1,371,047	1,371,047
Total Revenues	15,746,276	-	15,746,276	17,228,791	1,482,515
EXPENDITURES					
CURRENT EXPENDITURES					
Instruction - Regular Programs					
Salaries of Teachers					
Kindergarten	498,852	\$ (86,282)	412,570	370,965	41,605
Grades 1-5	3,076,066	(140,680)	2,935,386	2,800,905	134,481
Grades 6-8	2,001,911	(26,000)	1,975,911	1,922,541	53,370
Regular Programs - Home Instruction					
Salaries of Teachers	2,500	3,746	6,246	5,825	421
Purchased Professional/Educational Services	3,000	504	3,504	1,904	1,600
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	279,000	47,644	326,644	312,484	14,160
Purchased Professional/Educational Services	7,000	(1,350)	5,650	5,400	250
Purchased Technical Services	45,800	30,765	76,565	69,001	7,564
Other Purchased Services	149,097	9,727	158,824	149,112	9,712
General Supplies	165,190	92,691	257,881	250,593	7,288
Textbooks	-	1,577	1,577	1,545	32
Miscellaneous Expenditures	2,250	58	2,308	2,301	7
Total Regular Programs	6,230,666	(67,600)	6,163,066	5,892,576	270,490
Learning and/or Language Disabilities					
Salaries of Teachers	105,920	-	105,920	103,774	2,146
General Supplies	2,500	95	2,595	2,332	263
Total Learning and/or Language Disabilities	108,420	95	108,515	106,106	2,409
Resource Room/Resource Center					
Salaries of Teachers	839,212	(8,000)	831,212	819,650	11,562
General Supplies	9,000	(4,475)	4,525	4,294	231
Total Resource Room/Resource Center	848,212	(12,475)	835,737	823,944	11,793
Preschool Disabilities - Full - Time					
Salaries of Teachers	53,500	31	53,531	53,531	-
Other Salaries for Instruction	45,000	16,935	61,935	56,597	5,338
General Supplies	-	2,541	2,541	2,316	225
Total Preschool Disabilities - Full-Times	98,500	19,507	118,007	112,444	5,563
Total Special Education	1,055,132	7,127	1,062,259	1,042,494	19,765

**CLOSTER BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Basic Skills/Remedial					
Salaries of Teachers	\$ 392,253	\$ 40,000	\$ 432,253	\$ 427,333	\$ 4,920
General Supplies	4,050	(127)	3,923	1,331	2,592
Total Basic Skills/Remedial	396,303	39,873	436,176	428,664	7,512
Bilingual Education					
Salaries of Teachers	214,000	-	214,000	190,249	23,751
General Supplies	4,000	-	4,000	2,679	1,321
Total Bilingual Education	218,000	-	218,000	192,928	25,072
School Sponsored Co/Extra Curricular Activities-Instruction					
Salaries	38,111	2,307	40,418	38,362	2,056
Purchased Services	6,000	66	6,066	6,066	-
Supplies and Materials	2,000	150	2,150	2,136	14
Other Objects	750	(216)	534	455	79
Total School Sponsored Co/Extra Curricular Activities-Instruction	46,861	2,307	49,168	47,019	2,149
School Sponsored Athletics-Instruction					
Salaries	17,700	(2,307)	15,393	13,894	1,499
Purchased Technical Services	2,500	-	2,500	2,467	33
Other Objects	2,500	-	2,500	2,496	4
Total School Sponsored Athletics-Instruction	22,700	(2,307)	20,393	18,857	1,536
Total Instruction	7,969,662	(20,600)	7,949,062	7,622,538	326,524
Undistributed Expenditures					
Instruction					
Tuition to Other LEAs w/in State - Special	417,812	(36,200)	381,612	282,873	98,739
Tuition to CSSD and Regional Day Schools	71,000	1,200	72,200	72,200	-
Tuition to Priv. Sch. for the Disabled - State	64,811	(20,000)	44,811	-	44,811
Total Undistributed Expenditures - Instruction	553,623	(55,000)	498,623	355,073	143,550
Attendance and Social Work					
Salaries	77,350	(5,051)	72,299	58,239	14,060
Purchased Professional and Technical Services	7,000	-	7,000	6,292	708
Total Attendance and Social Work	84,350	(5,051)	79,299	64,531	14,768
Health Services					
Salaries	179,968	2,523	182,491	180,244	2,247
Purchased Professional and Technical Services	2,350	1,968	4,318	4,303	15
Supplies and Materials	5,350	745	6,095	6,039	56
Total Health Services	187,668	5,236	192,904	190,586	2,318
Speech, OT, PT & Related Services					
Salaries	210,588	40,449	251,037	189,164	61,873
Supplies and Materials	500	1,181	1,681	1,680	1
Total Speech, OT, PT & Related Services	211,088	41,630	252,718	190,844	61,874
Other Support Services - Students - Extra Services					
Salaries	122,500	87,600	210,100	164,628	45,472
Purchased Professional-Educational Services	200,000	41,818	241,818	187,969	53,849
Supplies and Materials	8,000	-	8,000	970	7,030
Other Objects	2,000	-	2,000	420	1,580
Total Other Supp.Serv. Student - Extra Services	332,500	129,418	461,918	353,987	107,931
Guidance					
Salaries of Other Professional Staff	150,944	1,000	151,944	151,437	507
Supplies and Materials	1,000	-	1,000	983	17
Total Guidance	151,944	1,000	152,944	152,420	524

**CLOSTER BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Child Study Teams					
Salaries of Other Professional Staff	\$ 389,825	\$ (39,101)	\$ 350,724	\$ 343,952	\$ 6,772
Salaries of Secretarial and Clerical Assistants	58,239	15,000	73,239	69,715	3,524
Purchased Professional-Educational Services	27,500	1,222	28,722	28,722	-
Other Purchased Professional and Technical Services	12,000	(1,919)	10,081	10,079	2
Supplies and Materials	6,800	2,015	8,815	8,795	20
Other Objects	3,100	(2,567)	533	497	36
Total Child Study Teams	497,464	(25,350)	472,114	461,760	10,354
Improvement of Instructional Services					
Salaries of Other Professional Staff	7,000	-	7,000	-	7,000
Purchased Professional-Educational Services	51,939	-	51,939	51,938	1
Total Improvement of Instructional Services	58,939	-	58,939	51,938	7,001
Educational Media/School Library					
Salaries	189,767	13,179	202,946	202,172	774
Purchased Professional and Technical Services	3,300	(1,302)	1,998	1,998	-
Other Purchased Services	2,000	(434)	1,566	1,565	1
Supplies and Materials	16,914	2,817	19,731	19,724	7
Total Educational Media/School Library	211,981	14,260	226,241	225,459	782
Instructional Staff Training Services					
Salaries of Other Professional Staff	1,000	-	1,000	770	230
Purchased Professional-Educational Services	25,362	-	25,362	25,362	-
Other Purchased Professional and Technical Services	8,000	(1,000)	7,000	2,904	4,096
Other Purchased Services	4,000	-	4,000	3,675	325
Supplies and Materials	5,000	1,000	6,000	1,756	4,244
Total Instructional Staff Training Services	43,362	-	43,362	34,467	8,895
Support Services General Administration					
Salaries	398,745	(4,200)	394,545	389,094	5,451
Legal Services	44,261	(13,105)	31,156	21,713	9,443
Audit Fees	19,500	(1,000)	18,500	17,200	1,300
Architectural/Engineering Services	7,000	60,435	67,435	55,834	11,601
Other Purchased Professional Services	7,500	3,375	10,875	9,310	1,565
Communications/Telephone	19,450	3,420	22,870	20,957	1,913
BOE Other Purchased Services	6,200	(311)	5,889	-	5,889
Miscellaneous Purchased Services	750	211	961	906	55
General Supplies	7,000	-	7,000	5,830	1,170
BOE In-House Training	1,500	-	1,500	926	574
Miscellaneous Expenditures	10,850	-	10,850	8,830	2,020
BOE Membership Dues and Fees	9,250	-	9,250	8,296	954
Total Support Services General Administration	532,006	48,825	580,831	538,896	41,935
Support Services School Administration					
Salaries of Principals/Asst. Principals	475,750	(86,142)	389,608	389,605	3
Salaries of Other Professional Staff	122,958	51,842	174,800	173,150	1,650
Salaries of Secretarial and Clerical Assistants	101,500	-	101,500	99,222	2,278
Other Purchased Services	8,500	(2,650)	5,850	2,739	3,111
Supplies and Materials	17,000	3,150	20,150	19,589	561
Other Objects	3,000	-	3,000	2,951	49
Total Support Services School Administration	728,708	(33,800)	694,908	687,256	7,652
Central Services					
Salaries	131,400	(16)	131,384	131,384	-
Purchased Technical Services	17,000	(177)	16,823	16,822	1
Miscellaneous Purchased Services	13,239	5,706	18,945	18,862	83
Supplies and Materials	6,000	2,825	8,825	8,559	266
Miscellaneous Expenditures	1,000	215	1,215	1,215	-
Total Central Services	168,639	8,553	177,192	176,842	350

**CLOSTER BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Admin. Info. Tech.					
Salaries		\$ 67,000	\$ 67,000	\$ 63,750	\$ 3,250
Supplies and Materials	-	4,616	4,616	4,616	-
Total Admin. Info. Tech.	-	71,616	71,616	68,366	3,250
Required Maintenance for School Facilities					
Salaries	\$ 190,100	-	190,100	180,789	9,311
Cleaning, Repair and Maintenance Services	145,000	22,192	167,192	116,225	50,967
General Supplies	29,992	(8,165)	21,827	21,141	686
Other Objects	2,000	-	2,000	1,540	460
Total Required Maintenance for School Facilities	367,092	14,027	381,119	319,695	61,424
Custodial Services					
Salaries	384,500	9,491	393,991	379,204	14,787
Salaries of Non-Instructional Aides	110,000	-	110,000	107,232	2,768
Purchased Professional and Technical Services	6,000	(1,785)	4,215	3,745	470
Cleaning, Repair and Maintenance Services	37,150	(30,038)	7,112	6,184	928
Other Purchased Property Services	9,600	794	10,394	10,253	141
Insurance	120,500	(2,000)	118,500	118,477	23
Miscellaneous Purchased Services	750	-	750	432	318
General Supplies	45,000	(1,126)	43,874	42,149	1,725
Energy (Natural Gas)	222,000	(15,000)	207,000	70,975	136,025
Energy (Electricity)	275,000	(5,000)	270,000	144,122	125,878
Gasoline	2,500	-	2,500	1,654	846
Other Objects	250	-	250	-	250
Total Custodial Services	1,213,250	(44,664)	1,168,586	884,427	284,159
Care and Upkeep of Grounds					
Cleaning, Repair and Maintenance Service	33,000	31,905	64,905	57,736	7,169
General Supplies	5,950	839	6,789	5,003	1,786
Total Care and Upkeep of Grounds	38,950	32,744	71,694	62,739	8,955
Student Transportation Services					
Salaries of Non-Instructional Aides	13,350	(1,268)	12,082	4,652	7,430
Contracted Services (Between Home and School) - Vendors	35,000	(717)	34,283	28,517	5,766
Contracted Services (Other Than Between Home and School) - Vendors	9,000	717	9,717	9,717	-
Contracted Services (Between Home and School) - Joint Agreements	40,000	1,268	41,268	41,267	1
Contracted Services (Special Education Students) - Joint Agreements	200,000	-	200,000	71,281	128,719
Contracted Services - Aid In Lieu of Payments-Non-Public Schools	40,000	7,752	47,752	27,257	20,495
Total Student Transportation Services	337,350	7,752	345,102	182,691	162,411
Regular Programs - Instruction - Employee Benefits					
Tuition Reimbursement	20,000	(11,171)	8,829	8,829	-
Other Employee Benefits	14,908	56,282	71,190	71,190	-
Total Regular Programs - Instruction	34,908	45,111	80,019	80,019	-
Other Employee Benefits	16,000	-	16,000	190	15,810
Total Other Employee Benefits	16,000	-	16,000	190	15,810

**CLOSTER BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Unallocated Benefits- Employee Benefits					
Social Security Contributions	\$ 178,605	\$ (5,000)	\$ 173,605	\$ 146,834	\$ 26,771
Other Retirement Contributions - PERS	195,000	(22,162)	172,838	170,921	1,917
3% DCRP Contribution	-	8,000	8,000	7,813	187
Worker's Compensation	98,050	-	98,050	94,370	3,680
Health Benefits	1,960,137	(71,310)	1,888,827	1,633,797	255,030
Total Unallocated Benefits	2,431,792	(90,472)	2,341,320	2,053,735	287,585
TPAF Pension Contribution-Post-Retirement Medical Contribution (Non-Budgeted)				558,294	(558,294)
TPAF Pension Contribution-NCGI Contribution (Non-Budgeted)				26,285	(26,285)
TPAF Social Security Contributions (Non-Budgeted)	-	-	-	644,576	(644,576)
Total Undistributed Expenditures	8,201,614	165,835	8,367,449	8,365,076	2,373
Total Current Expenditures	16,171,276	145,235	16,316,511	15,987,614	328,897
CAPITAL OUTLAY					
EQUIPMENT					
Grades 1-5		52,118	52,118	51,504	614
Grades 6-8	-	28,125	28,125	27,521	604
Custodial	-	4,920	4,920	4,920	-
Total Equipment	-	85,163	85,163	83,945	1,218
Facilities Acquisition and Construction Services	387,000	-	387,000	38,181	348,819
Total Facilities Acquisition and Construction Services	387,000	-	387,000	38,181	348,819
Total Capital Outlay	387,000	85,163	472,163	122,126	350,037
Total General Fund Expenditures	16,558,276	230,398	16,788,674	16,109,740	678,934
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(812,000)	(230,398)	(1,042,398)	1,119,051	2,161,449
Excess (Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Sources	(812,000)	(230,398)	(1,042,398)	1,119,051	2,161,449
Fund Balance, Beginning of Year	2,356,586	-	2,356,586	2,356,586	-
Fund Balance, End of Year	\$ 1,544,586	\$ (230,398)	\$ 1,314,188	\$ 3,475,637	\$ 2,161,449
Recapitulation					
Restricted					
Emergency Reserve				250,000	
Capital Reserve				1,767,586	
Excess Surplus - Designated for Subsequent Year's Expenditures				277,708	
Excess Surplus				300,000	
Committed:					
Encumbrances				285,092	
Assigned:					
Encumbrances				90,747	
Designated for Subsequent Years Expenditures				65,000	
Unassigned Fund Balance				439,504	
				3,475,637	
Reconciliation to Governmental Fund Statements (GAAP)					
Receivables Not Recognized by GAAP					
Extraordinary Aid				(130,164)	
Fund Balance, Governmental Statements (GAAP Basis)				\$ 3,345,473	

CLOSTER BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local Sources	\$ 145,000	\$ 1,509	\$ 1,509	\$ 1,509	-
Federal Sources		259,572	404,572	404,572	-
Total Revenues	<u>145,000</u>	<u>261,081</u>	<u>406,081</u>	<u>406,081</u>	<u>-</u>
EXPENDITURES					
Instruction					
Other Purchased Services	145,000	54,092	199,092	199,092	-
Supplies and Materials	-	30,122	30,122	30,122	-
Total Instruction	<u>145,000</u>	<u>84,214</u>	<u>229,214</u>	<u>229,214</u>	<u>-</u>
Support Services					
Other Purchased Services		41,824	41,824	41,824	-
Supplies and Materials		3,150	3,150	3,150	-
Total Support Services	<u>-</u>	<u>44,974</u>	<u>44,974</u>	<u>44,974</u>	<u>-</u>
CAPITAL OUTLAY					
Facilities Acquisition and Construction Services Building		131,893	131,893	131,893	-
Total Facilities Acquisition and Construction Services	<u>-</u>	<u>131,893</u>	<u>131,893</u>	<u>131,893</u>	<u>-</u>
Total Expenditures	<u>145,000</u>	<u>261,081</u>	<u>406,081</u>	<u>406,081</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-
Fund Balances, Beginning of Year	-	-	-	-	-
Fund Balances, End of Year	\$ -	\$ -	\$ -	\$ -	\$ -

**CLOSTER BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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 Funds 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 Schedule - 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.

Note A: Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources		
Actual amounts (budgetary basis) revenue from the budgetary comparison schedule (Exhibits C-1 and C-2)	\$ 17,228,791	\$ 406,081
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Encumbrances - June 30, 2010		15,440
Encumbrances - June 30, 2011		(135,304)
State Aid payments recognized for GAAP statements, not recognized for budgetary purposes - Prior Year	239,209	
State Aid payments recognized for budgetary purposes, not recognized for GAAP statements - Current Year	<u>(130,164)</u>	<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 17,337,836</u>	<u>\$ 286,217</u>
Uses/Outflows of Resources		
Actual amounts (budgetary basis) total outflows from the budgetary comparison schedule	\$ 16,109,740	\$ 406,081
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		15,440
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes but in the year the supplies are received for financial reporting purposes - Current Year	<u>-</u>	<u>(135,304)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 16,109,740</u>	<u>\$ 286,217</u>

SCHOOL LEVEL SCHEDULES

EXHIBITS D-1, D-2 AND D-3

NOT APPLICABLE

SPECIAL REVENUE FUND

**CLOSTER BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	IDEA Part B- Basic	IDEA Pre- School	ARRA IDEA Basic	ARRA IDEA Pre- School	NCLB Title III	Local	Total
REVENUES							
Intergovernmental							
Local						\$ 1,509	\$ 1,509
Federal	\$ 229,054	\$ 10,525	\$ 146,727	\$ 3,467	\$ 14,799	-	404,572
Total Revenues	<u>\$ 229,054</u>	<u>\$ 10,525</u>	<u>\$ 146,727</u>	<u>\$ 3,467</u>	<u>\$ 14,799</u>	<u>\$ 1,509</u>	<u>\$ 406,081</u>
EXPENDITURES							
Instruction							
Other Purchased Services	\$ 187,230	\$ 10,525	\$ 1,337				\$ 199,092
Supplies and Materials	-	-	10,347	\$ 3,467	\$ 14,799	\$ 1,509	30,122
Total Instruction	<u>187,230</u>	<u>10,525</u>	<u>11,684</u>	<u>3,467</u>	<u>14,799</u>	<u>1,509</u>	<u>229,214</u>
Support Services							
Other Purchased Services	41,824						41,824
Supplies and Materials	-	-	3,150	-	-	-	3,150
Total Support Services	<u>41,824</u>	<u>-</u>	<u>3,150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,974</u>
CAPITAL OUTLAY							
Facilities Acquisition and Construction Services							
Building	-	-	131,893	-	-	-	131,893
Total Facilities Acquisition and Construction Services	<u>-</u>	<u>-</u>	<u>131,893</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>131,893</u>
Total Expenditures	<u>\$ 229,054</u>	<u>\$ 10,525</u>	<u>\$ 146,727</u>	<u>\$ 3,467</u>	<u>\$ 14,799</u>	<u>\$ 1,509</u>	<u>\$ 406,081</u>

**CLOSTER BOARD OF EDUCATION
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID
SCHEDULE OF EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOT APPLICABLE

CAPITAL PROJECTS FUND

NOT APPLICABLE

ENTERPRISE FUND

EXHIBIT G-1

**CLOSTER BOARD OF EDUCATION
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

EXHIBIT G-2

**COMBINING STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

EXHIBIT G-3

**COMBINING STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

INTERNAL SERVICE FUND

EXHIBITS G-4, G-5 AND G-6

NOT APPLICABLE

FIDUCIARY FUNDS

**CLOSTER BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF AGENCY NET ASSETS
JUNE 30, 2011**

	<u>Agency</u>		
	<u>Student Activity</u>	<u>Payroll</u>	<u>Total</u>
ASSETS			
Cash	\$ 52,297	\$ 6,575	\$ 58,872
Total Assets	<u>\$ 52,297</u>	<u>\$ 6,575</u>	<u>\$ 58,872</u>
LIABILITIES			
Payroll Deductions and Withholdings		\$ 5,792	\$ 5,792
Accrued Salaries and Wages		444	444
Due to Student Groups	\$ 52,297		52,297
Due to Other Funds	<u>-</u>	<u>339</u>	<u>339</u>
Total Liabilities	<u>\$ 52,297</u>	<u>\$ 6,575</u>	<u>\$ 58,872</u>

**CLOSTER BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENT IS PRESENTED ON EXHIBIT B-8

**CLOSTER BOARD OF EDUCATION
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<u>School</u>	<u>Balance July 1, 2010</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2011</u>
ELEMENTARY SCHOOL Hillside	\$ 34,130	\$ 40,516	\$ 39,533	\$ 35,113
MIDDLE SCHOOL Tenakill	<u>33,123</u>	<u>140,444</u>	<u>156,383</u>	<u>17,184</u>
Total	<u>\$ 67,253</u>	<u>\$ 180,960</u>	<u>\$ 195,916</u>	<u>\$ 52,297</u>

**PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Balance, July 1, 2010</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2011</u>
Due to Other Funds	\$ 340	\$ 1,399	\$ 1,400	\$ 339
Payroll Deductions and Withholdings	66,515	4,917,788	4,978,511	5,792
Accrued Salaries and Wages	<u>443</u>	<u>6,512,468</u>	<u>6,512,467</u>	<u>444</u>
	<u>\$ 67,298</u>	<u>\$ 11,431,655</u>	<u>\$ 11,492,378</u>	<u>\$ 6,575</u>

LONG-TERM DEBT

EXHIBIT I-1

CLOSTER BOARD OF EDUCATION
LONG-TERM DEBT
STATEMENT OF SERIAL BONDS PAYABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance, July 1, 2010</u>	<u>Retirements</u>	<u>Balance, June 30, 2011</u>
			<u>Date</u>	<u>Amount</u>				
School Bonds	9/15/94	\$ 4,464,000	9-15-2011	\$ 280,000	6.00 %			
			9-15-2012	300,000	6.125			
			9-15-2013	300,000	6.125			
			9-15-2014	294,000	6.125	\$ 1,454,000	\$ 280,000	\$ 1,174,000
School Bonds	4/1/2004	4,600,000	4-1-2012	265,000	3.50			
			4-1-2013	270,000	3.60			
			4-1-2014	270,000	3.60			
			4-1-2015	270,000	3.60			
			4-1-2016	270,000	3.60			
			4-1-2017	270,000	3.60			
			4-1-2018	270,000	3.75			
			4-1-2019	270,000	3.80			
			4-1-2020	270,000	4.00			
			4-1-2021	270,000	4.00			
4-1-2022	270,000	4.00						
4-1-2023	275,000	4.00						
4-1-2024	280,000	4.00						
						3,755,000	235,000	3,520,000
						\$ 5,209,000	\$ 515,000	\$ 4,694,000

CLOSTER BOARD OF EDUCATION
 SCHEDULE OF OBLIGATIONS UNDER LEASE PURCHASE AGREEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<u>Issue</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Balance, 1-Jul-10</u>	<u>Retired</u>	<u>Balance, 30-Jun-11</u>
150 x Apple IMAC Computers	0%	\$ 181,641	\$ 121,094	\$ 60,547	\$ 60,547
			<u>\$ 121,094</u>	<u>\$ 60,547</u>	<u>\$ 60,547</u>

CLOSTER BOARD OF EDUCATION
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 1,070,279	-	\$ 1,070,279	\$ 1,070,279	-
Total Revenues	<u>1,070,279</u>	<u>-</u>	<u>1,070,279</u>	<u>1,070,279</u>	<u>-</u>
EXPENDITURES:					
Regular Debt Service:					
Interest	246,136		246,136	246,136	
Redemption of Principal	824,145		824,145	824,145	
Total Regular Debt Service	<u>1,070,281</u>		<u>1,070,281</u>	<u>1,070,281</u>	<u>-</u>
Total Expenditures	<u>1,070,281</u>		<u>1,070,281</u>	<u>1,070,281</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2)		(2)	(2)	-
Fund Balance, Beginning of Year	<u>3</u>		<u>3</u>	<u>3</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1</u>		<u>\$ 1</u>	<u>\$ 1</u>	<u>-</u>

**CLOSTER BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF INTERGOVERNMENTAL LOANS PAYABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<u>Intergovernmental Loan</u>	<u>Interest Rate Payable</u>	<u>Amount of Original Issue</u>	<u>Balance July 1, 2010</u>	<u>Retirement</u>	<u>Balance June 30, 2011</u>
Facility Program Loan	1.50%	\$ 4,464,063	\$ 939,802	\$ 234,951	\$ 704,851
Safe Loan	1.50%	299,219	62,994	15,748	47,246
Small Project Loan	5.29%	897,656	<u>249,569</u>	<u>58,445</u>	<u>191,124</u>
			<u>\$ 1,252,365</u>	<u>\$ 309,144</u>	<u>\$ 943,221</u>

STATISTICAL SECTION

This part of the Closter's Board of Education's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents

Exhibits

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

J-1 to J-5

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

J-6 to J-9

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

J-10 to J-13

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

J-14 and J-15

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

J-16 to J-20

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CLOSTER BOARD OF EDUCATION
NET ASSETS BY COMPONENT
LAST NINE FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ended June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities									
Invested in capital assets, net of related debt	\$ 1,832,749	\$ 2,177,317	\$ 2,510,538	\$ 4,496,771	\$ 4,919,368	\$ 5,097,568	\$ 5,867,349	\$ 6,392,442	\$ 6,938,415
Restricted	304,815	478,361	1,568,506	528,878	98,734	252,826	532,393	984,293	1,767,587
Unrestricted	148,958	(96,875)	(101,270)	(148,261)	682,000	1,309,815	1,089,287	768,282	1,183,408
Total governmental activities net assets	\$ 2,286,522	\$ 2,558,803	\$ 3,977,774	\$ 4,877,388	\$ 5,700,102	\$ 6,660,209	\$ 7,489,029	\$ 8,145,017	\$ 9,889,410
Business-type activities									
Invested in capital assets, net of related debt	\$ 1,267								
Restricted	6,193	6,367	8,004	10,537	29,532	7,662	4,162	10,332	16,897
Unrestricted	7,460	6,367	8,004	10,537	29,532	7,662	4,162	10,332	16,897
Total business-type activities net assets	\$ 14,920	\$ 13,034	\$ 16,008	\$ 21,074	\$ 59,064	\$ 15,324	\$ 8,324	\$ 20,664	\$ 33,794
District-wide									
Invested in capital assets, net of related debt	\$ 1,834,016	\$ 2,177,317	\$ 2,510,538	\$ 4,496,771	\$ 4,919,368	\$ 5,097,568	\$ 5,867,349	\$ 6,392,442	\$ 6,938,415
Restricted	304,815	478,361	1,568,506	528,878	98,734	252,826	532,393	984,293	1,767,587
Unrestricted	155,151	(90,508)	(93,266)	(137,724)	711,532	1,317,477	1,093,449	778,614	1,200,305
Total district net assets	\$ 2,293,982	\$ 2,565,170	\$ 3,985,778	\$ 4,887,925	\$ 5,729,634	\$ 6,667,871	\$ 7,493,191	\$ 8,155,349	\$ 9,906,307

Note:
 GASB requires that ten years of statistical data be presented. However, since the District implemented the new reporting model contained in GASB No. 34 in fiscal year 2003 only nine years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

**CLOSTER BOARD OF EDUCATION
CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS**

(accrual basis of accounting)

	Fiscal Year Ended June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses									
Governmental activities									
Instruction									
Regular	\$ 6,504,949	\$ 6,830,754	\$ 7,013,642	\$ 7,743,978	\$ 7,992,233	\$ 8,195,185	\$ 7,877,844	\$ 8,240,288	\$ 7,958,452
Special education	1,396,366	1,748,468	1,872,441	1,935,974	2,080,565	2,261,842	2,258,068	2,378,069	1,991,587
Other instruction	431,734	486,153	465,048	552,436	639,104	665,095	800,088	864,669	868,239
School Sponsored Activities and Athletics	51,333	58,915	57,563	56,360	73,307	65,978	71,845	78,481	85,403
Support Services:									
Student & instruction related services	1,853,265	2,005,716	2,140,203	2,147,051	2,244,067	2,199,194	2,259,022	2,295,601	2,228,355
General Administration Services	551,536	636,979	604,682	672,458	586,400	626,271	683,875	645,485	684,289
School Administration services	429,100	536,984	596,495	729,709	872,519	908,975	952,592	950,387	928,914
Business / Central Services	163,710	180,934	175,704	192,710	210,049	209,113	212,980	212,795	318,124
Plant operations and maintenance	1,056,168	1,118,963	1,209,548	1,243,636	1,350,210	1,459,950	1,581,380	1,577,500	1,491,173
Pupil transportation	246,034	339,155	362,946	331,825	404,215	442,340	396,712	319,614	184,254
Interest on long-term debt	263,017	289,925	383,993	379,476	353,978	327,202	298,897	268,907	237,825
Total governmental activities expenses	12,947,212	14,232,946	14,882,265	15,985,613	16,806,647	17,361,145	17,393,303	17,831,796	16,976,615
Business-type activities:									
Food service	30,804	32,494	33,012	30,669	16,034	62,602	45,139	33,311	34,962
Total business-type activities expense	30,804	32,494	33,012	30,669	16,034	62,602	45,139	33,311	34,962
Total district expenses	\$ 12,978,016	\$ 14,265,440	\$ 14,915,277	\$ 16,016,282	\$ 16,822,681	\$ 17,423,747	\$ 17,438,442	\$ 17,865,107	\$ 17,011,577
Program Revenues									
Governmental activities:									
Charges for services:									
Instruction (tuition)	\$ 147,600	\$ 127,027	\$ 105,445	\$ 101,385	\$ 75,673	\$ 55,295	\$ 67,500	\$ 101,625	\$ 129,234
Operating grants and contributions	1,639,451	1,857,084	1,895,248	2,095,797	2,592,224	2,585,080	1,971,803	2,139,415	1,758,474
Capital grants and contributions	34,608	7,118	1,050,422	483,938	14,705	2,072	-	-	-
Total governmental activities program revenues	1,821,659	1,991,229	3,051,115	2,681,120	2,682,602	2,642,447	2,039,303	2,241,040	1,887,708
Business-type activities:									
Charges for services									
Food service	\$ 19,585	\$ 20,302	\$ 20,298	\$ 19,298	\$ 20,225	\$ 15,633	\$ 24,172	\$ 24,322	\$ 25,378
Operating grants and contributions	11,643	11,074	14,243	13,546	13,671	23,756	17,188	14,983	15,947
Total business-type activities program revenues	31,228	31,376	34,541	32,844	33,896	39,389	41,360	39,305	41,325
Total district program revenues	\$ 1,852,887	\$ 2,022,605	\$ 3,085,656	\$ 2,713,964	\$ 2,716,498	\$ 2,681,836	\$ 2,080,663	\$ 2,280,345	\$ 1,929,033
Net (Expense)/Revenue									
Governmental activities	\$ (11,125,553)	\$ (12,241,717)	\$ (11,831,150)	\$ (13,304,493)	\$ (14,124,045)	\$ (14,718,698)	\$ (15,354,000)	\$ (15,590,756)	\$ (15,088,907)
Business-type activities	424	(1,118)	1,529	2,175	17,862	(23,213)	(3,779)	5,994	6,363
Total district-wide net expense	\$ (11,125,129)	\$ (12,242,835)	\$ (11,829,621)	\$ (13,302,318)	\$ (14,106,183)	\$ (14,741,911)	\$ (15,357,779)	\$ (15,584,762)	\$ (15,082,544)
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Property taxes levied for general purposes	\$ 10,880,722	\$ 11,605,911	\$ 12,139,047	\$ 12,976,541	\$ 13,720,585	\$ 14,399,550	\$ 14,924,026	\$ 15,225,195	\$ 15,643,888
Taxes levied for debt service	773,667	767,264	893,570	1,014,088	1,022,877	1,061,587	1,063,336	1,068,333	1,070,279
Unrestricted grants and contributions	23,501	73,370	94,398	129,088	94,525	112,509	128,468	55,154	7,835
Investment earnings	14,466	21,408	86,333	65,668	96,500	80,136	32,361	18,378	24,224
Miscellaneous income	109,257	46,045	36,773	14,627	10,172	15,225	34,629	44,634	60,398
Donation of Capital Assets	-	-	4,095	2,100	2,100	9,798	-	71,104	26,676
Total governmental activities	11,801,613	12,513,998	13,250,121	14,204,107	14,946,759	15,678,805	16,182,820	16,482,798	16,833,300
Business-type activities:									
Investment earnings	18	25	108	358	1,133	1,343	279	176	202
Total business-type activities	18	25	108	358	1,133	1,343	279	176	202
Total district-wide	\$ 11,801,631	\$ 12,514,023	\$ 13,250,229	\$ 14,204,465	\$ 14,947,892	\$ 15,680,148	\$ 16,183,099	\$ 16,482,974	\$ 16,833,502
Change in Net Assets									
Governmental activities	\$ 676,060	\$ 272,281	\$ 1,418,971	\$ 899,614	\$ 822,714	\$ 960,107	\$ 828,820	\$ 892,042	\$ 1,744,393
Business-type activities	442	(1,093)	1,637	2,533	18,995	(21,870)	(3,560)	6,170	6,365
Total district	\$ 676,502	\$ 271,188	\$ 1,420,608	\$ 902,147	\$ 841,709	\$ 938,237	\$ 825,260	\$ 898,212	\$ 1,750,958

Note:

GASB requires that ten years of statistical data be presented. However, since the District implemented the new reporting model contained in GASB No. 34 in fiscal year 2003 only nine years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

**CLOSTER BOARD OF EDUCATION
FUND BALANCES - GOVERNMENTAL FUNDS
LAST NINE FISCAL YEARS
(Unaudited)
*(modified accrual basis of accounting)***

	Fiscal Year Ended June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund									
Reserved	\$ 285,649	\$ 222,637	\$ 272,971	\$ 523,681	\$ 657,196	\$ 1,477,085	\$ 1,486,071	\$ 1,858,597	
Unreserved	549,271	360,720	419,509	298,222	382,043	324,816	362,446	258,780	
Nonspendable									\$ 2,595,294
Restricted									285,092
Committed									155,747
Assigned									309,340
Unassigned									
Total general fund	\$ 834,920	\$ 583,357	\$ 692,480	\$ 821,903	\$ 1,039,239	\$ 1,801,901	\$ 1,848,517	\$ 2,117,377	\$ 3,345,473
All Other Governmental Funds									
Reserved	\$ 114,520	\$ 386,318	\$ 1,649,608	\$ 110,298	\$ 1,410				
Unreserved	17,831	4,133,071	(290,778)	40,823	8,498	2,928	324	\$ 3	
Nonspendable									
Restricted									
Committed									
Assigned									\$ 1
Unassigned									
Total all other governmental funds	\$ 132,351	\$ 4,519,389	\$ 1,358,830	\$ 151,121	\$ 9,908	\$ 2,928	\$ 324	\$ 3	\$ 1

Note:
GASB requires that ten years of statistical data be presented. However, since the District implemented the new reporting model contained in GASB No. 34 in fiscal year 2003 only nine years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

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

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

	Fiscal Year Ended June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues									
Tax levy	\$ 11,654,389	\$ 12,373,175	\$ 13,032,617	\$ 13,990,629	\$ 14,743,462	\$ 15,461,137	\$ 15,987,362	\$ 16,293,528	\$ 16,714,167
Tuition charges	147,600	127,027	105,445	101,385	75,673	55,295	67,500	101,625	129,234
Interest earnings	14,466	21,408	86,333	65,668	96,500	80,136	32,361	18,378	24,224
Miscellaneous	110,556	59,214	42,372	19,142	12,660	21,532	34,629	49,091	61,907
State sources	1,321,870	1,724,467	2,788,947	2,449,919	2,466,671	2,456,997	1,863,890	1,860,296	1,480,092
Federal sources	171,173	207,536	245,522	254,389	232,295	236,357	236,381	329,816	284,708
Total revenue	13,620,054	14,512,827	16,301,236	16,881,132	17,627,261	18,311,454	18,222,123	18,652,734	18,694,332
Expenditures									
Instruction									
Regular Instruction	6,402,915	6,613,335	6,814,595	7,469,050	7,973,335	7,874,366	7,803,806	8,042,627	7,662,148
Special education instruction	1,383,317	1,733,995	1,859,000	1,917,440	2,074,827	2,213,922	2,026,672	2,336,912	1,941,754
Other instruction	438,855	490,476	461,054	547,026	626,531	638,468	781,082	837,620	838,462
School sponsored activities and athletics	51,333	58,915	57,563	56,360	71,577	63,492	69,525	76,247	82,883
Support Services:									
Student & inst. related services	1,871,783	1,962,813	2,098,561	2,104,272	2,221,013	2,117,914	2,190,659	2,247,660	2,162,775
General administration Services	548,577	633,187	586,526	647,977	639,353	604,008	664,922	638,311	665,529
School Administration services	441,564	530,553	597,192	719,164	840,523	870,634	918,309	933,556	892,506
Business / Central Services	163,251	180,349	175,058	191,802	205,216	202,008	207,166	207,277	308,716
Plant operations and maintenance	1,054,657	1,108,261	1,219,805	1,251,305	1,345,556	1,422,397	1,549,630	1,546,264	1,459,041
Pupil transportation	246,034	339,155	362,946	331,825	403,331	441,225	395,836	319,321	184,030
Capital outlay	53,785	514,540	4,225,614	1,659,110	89,000	45,751	504,562	250,840	137,566
Debt service:									
Principal	503,057	514,755	505,893	678,305	700,289	727,352	759,537	852,302	884,691
Interest and other charges	272,009	289,418	388,865	385,782	360,587	334,235	306,405	276,899	246,137
Total expenditures	13,431,137	14,969,752	19,352,672	17,959,418	17,551,138	17,555,772	18,178,111	18,565,836	17,466,238
Excess (Deficiency) of revenues over (under) expenditures	188,917	(456,925)	(3,051,436)	(1,078,286)	76,123	755,682	44,012	86,898	1,228,094
Other Financing sources (uses)									
Serial Bond Proceeds		4,600,000							
Prior year grant receivable cancelled		(7,600)							
Capital Lease Proceeds								181,641	
Transfers in	52,834	274,260	115,739	12,296	56,891	322	2		
Transfers out	(52,834)	(274,260)	(115,739)	(12,296)	(56,891)	(322)	(2)		
Total other financing sources (uses)	-	4,592,400	-	-	-	-	-	181,641	-
Net change in fund balances	\$ 188,917	\$ 4,135,475	\$ (3,051,436)	\$ (1,078,286)	\$ 76,123	\$ 755,682	\$ 44,012	\$ 268,539	\$ 1,228,094
Debt service as a percentage of noncapital expenditures	5.79%	5.56%	5.91%	6.53%	6.08%	6.06%	6.03%	6.17%	6.53%

* Noncapital expenditures are total expenditures less capital outlay.

Note:
GASB requires that ten years of statistical data be presented. However, since the District implemented the new reporting model contained in GASB No. 34 in fiscal year 2003 only nine years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

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

Fiscal Year Ended June 30	<u>Tuition</u>	<u>Interest on Investments</u>	<u>Misc.</u>	<u>Total</u>
2002	\$ 101,320	\$ 21,507	\$ 66,994	\$ 189,821
2003	147,600	13,545	106,039	267,184
2004	127,027	10,548	53,645	191,220
2005	105,445	20,553	36,773	162,771
2006	101,385	52,620	14,627	168,632
2007	75,673	94,274	10,172	180,119
2008	55,295	79,814	15,225	150,334
2009	67,500	32,359	34,629	134,488
2010	101,625	18,378	44,634	164,637
2011	129,234	24,224	60,398	213,856

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

Calendar Year Ended December 31,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate ^a
2002	\$ 11,899,400	\$ 964,483,600	\$ 2,819,800	\$ 28,500	\$ 135,234,700	\$ 15,111,600	\$ 539,200	\$ 1,130,116,800	\$ 4,314,551	\$ 1,134,431,351	\$ 1,329,932,146	\$ 1.005
2003	12,805,600	973,583,400	2,819,800	28,500	135,333,100	14,267,500	539,200	1,139,377,100	4,314,551	1,143,691,651	1,372,783,222	1.050
2004	13,188,700	986,169,500	2,819,800	28,500	135,056,600	14,267,500	539,200	1,152,069,800	3,829,663	1,155,899,463	1,532,548,483	1.100
2005	15,035,600	1,000,381,600	2,819,800	28,500	135,618,900	14,267,500	539,200	1,168,891,100	3,730,935	1,172,622,035	1,764,818,118	1.152
2006	35,029,400	2,086,295,000	4,930,100	32,500	216,771,800	18,963,600	1,005,700	2,363,028,100	5,482,708	2,368,510,808	2,014,471,104	0.607
2007	40,014,800	2,088,854,600	4,930,100	30,500	214,440,600	18,309,800	1,005,700	2,367,586,100	5,522,116	2,373,108,216	2,230,624,189	0.656
2008	37,719,700	2,098,226,600	4,930,100	30,500	208,793,300	18,309,800	1,005,700	2,369,015,700	5,610,344	2,374,626,044	2,284,098,351	0.662
2009	25,624,300	1,780,304,800	5,471,800	31,500	228,504,900	21,689,700	959,600	2,062,586,600	6,411,588	2,069,998,188	2,074,483,644	0.780
2010	23,538,800	1,786,602,200	5,471,800	31,500	224,680,900	15,782,200	959,600	2,057,087,000	6,112,619	2,063,199,619	2,063,199,619	0.800
2011	23,262,400	1,791,836,000	5,471,800	31,500	223,086,500	15,045,700	959,600	2,059,693,500	5,669,360	2,065,362,860	2,161,138,793	0.811

Source: County Abstract of Rambles

^a Tax rates are per \$100

N/A = Not Available

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

<u>Calendar Year</u>	<u>Total Direct Tax Rate</u>	<u>Overlapping Rates</u>			<u>Total</u>
		<u>Regional High School District</u>	<u>Municipality</u>	<u>County</u>	
2002	\$1.005	\$.606	\$.518	\$.261	\$2.39
2003	1.050	.698	.548	.254	2.55
2004	1.100	.681	.595	.265	2.64
2005	1.152	.709	.623	.286	2.77
2006 (1)	.607	.367	.357	.159	1.49
2007	.636	.387	.376	.171	1.57
2008	.662	.406	.397	.177	1.64
2009 (2)	.780	.491	.478	.222	1.97
2010	.800	.506	.495	.212	2.013
2011	.811	.514	.503	.218	2.046

(1) The Borough underwent revaluations of real property which became effective in the denoted years.

(2) The Borough underwent a reassessment of real property which became effective in 2009.

Source: Borough of Closter

EXHIBIT J-8

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

Taxpayer	2011		2002	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Irani-Aspi-Closter Plaza Met.	\$ 31,500,000	1.53%	\$ 25,232,400	2.24%
Closter Grocery	8,645,300	0.42%		
Heidenberg Closter Assoc.	7,368,000	0.36%	4,351,000	0.39%
Closter Golf	6,999,700	0.34%	3,828,000	0.34%
United Water New Jersey	5,891,200	0.29%	4,265,400	0.38%
Verizon	5,669,360	0.28%		
Reuten Associates	4,581,700	0.22%	21,084,800	1.89%
DWL Monmouth c/o Daniel Cho	4,553,500	0.22%		
Fred Reuten, Inc.	4,492,400	0.22%		
BR NJ LLC	4,167,400	0.20%		
Weyerhaeuser Co.			8,111,200	0.73%
Flamm, L.			4,653,000	0.42%
Flamm, D.			4,209,000	0.38%
NJ Bell			4,030,077	0.36%
Closter Shop Complex			2,959,800	0.27%
	<u>\$ 83,868,560</u>	<u>4.07%</u>	<u>\$82,724,677</u>	<u>7.40%</u>

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2002	\$ 11,164,113	\$ 11,164,113	100.00%	N/A
2003	11,654,389	11,654,389	100.00%	N/A
2004	12,373,175	12,373,175	100.00%	N/A
2005	13,032,617	13,032,617	100.00%	N/A
2006	13,990,629	13,990,629	100.00%	N/A
2007	14,743,462	14,743,462	100.00%	N/A
2008	15,461,137	15,461,137	100.00%	N/A
2009	15,987,362	15,987,362	100.00%	N/A
2010	16,293,528	16,293,528	100.00%	N/A
2011	16,714,167	16,714,167	100.00%	N/A

**CLOSTER BOARD OF EDUCATION
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST SEVEN FISCAL YEARS
(Unaudited)**

Governmental Activities

Fiscal Year Ended June 30,	General		Intergovernmental		Total District	Population	Per Capita
	Obligation	Bonds	Loans	Payable			
2005	\$	7,354,000	\$	2,764,603	\$ 10,118,603	8,528	\$ 1,187
2006		6,974,000		2,466,298	9,440,298	8,549	1,104
2007		6,574,000		2,166,009	8,740,009	8,590	1,017
2008		6,149,000		1,863,657	8,012,657	8,621	929
2009		5,694,000		1,559,120	7,253,120	8,675	836
2010		5,209,000		1,252,365	6,461,365	8,675	745
2011		4,694,000		943,221	5,637,221	8,675	650

Source: District records

Note:

GASB requires that ten years of statistical data be presented. As a result of the implementation of GASB No. 44 in fiscal year 2006 only seven years of information is available. Each year thereafter, an additional year's data will be included until ten years of data is present.

A = Estimated

CLOSTER BOARD OF EDUCATION
RATIOS OF NET GENERAL OBLIGATION DEBT OUTSTANDING
LAST SEVEN FISCAL YEARS
(Unaudited)

<u>General Obligation Debt Outstanding</u>					
Fiscal Year Ended June 30,	General Obligation Debt	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
2005	\$ 10,118,603		\$ 10,118,603	0.86%	\$ 1,187
2006	9,440,298		9,440,298	0.40%	1,104
2007	8,740,009		8,740,009	0.37%	1,017
2008	8,012,657		8,012,657	0.34%	929
2009	7,253,120		7,253,120	0.35%	836
2010	6,461,365		6,461,365	0.31%	745
2011	5,637,221		5,637,221	0.27%	650

Source: District records

Note:

GASB requires that ten years of statistical data be presented. As a result of the implementation of GASB No. 44 in fiscal year 2005 only seven years of information is available. Each year thereafter, an additional year's data will be included until ten years of data is present.

**CLOSTER BOARD OF EDUCATION
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2010
(Unaudited)**

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Municipal Debt: (1)			
Regional School District	\$ 4,332,094	\$ 4,332,094	
Borough of Closter Board of Education	5,872,221	5,872,221	
Borough of Closter	12,321,778	178,526	\$ 12,143,252
	\$ 22,526,093	\$ 10,382,841	12,143,252
Overlapping Debt Apportioned to the Municipality:			
Bergen County:			
County of Bergen (A)			8,182,269
Bergen County Utilities Authority - Waste Water(B)			3,529,231
			11,711,500
Total Direct and Overlapping Debt			\$ 23,854,752

Source:

(1) Borough of Closter's 2010 Annual Debt Statement

(A) The debt for this entity was apportioned to the Borough of Closter by dividing the municipality's 2010 equalized value by the total 2010 equalized value for the County of Bergen.

(B) The debt was computed based upon the real property ration of equalized valuations of all municipalities serviced by the authority.

**CLOSTER BOARD OF EDUCATION
LEGAL DEBT MARGIN INFORMATION
LAST SEVEN FISCAL YEARS
(Unaudited)**

Legal Debt Margin Calculation for Fiscal Year 2010

Equalized valuation basis		
2010		\$ 2,147,720,819
2009		2,219,983,425
2008		<u>2,351,847,215</u>
	[A]	<u>\$ 6,719,551,459</u>
 Average equalized valuation of taxable property	 [A/3]	 \$ 2,239,850,486
Debt limit (3% of average equalization value)	[B]	67,195,515
Total Net Debt Applicable to Limit	[C]	<u>5,637,221</u>
Legal debt margin	[B-C]	<u>\$ 61,558,294</u>

	Fiscal Year						
	2005	2006	2007	2008	2009	2010	2011
Debt limit	\$ 45,914,308	\$ 51,910,276	\$ 58,989,935	\$ 64,393,609	\$ 68,388,261	\$ 68,679,745	\$ 67,195,515
Total net debt applicable to limit	<u>10,118,603</u>	<u>9,440,298</u>	<u>8,740,009</u>	<u>8,012,657</u>	<u>7,253,120</u>	<u>6,461,365</u>	<u>5,637,221</u>
Legal debt margin	<u>\$ 35,795,705</u>	<u>\$ 42,469,978</u>	<u>\$ 50,249,926</u>	<u>\$ 56,380,952</u>	<u>\$ 61,135,141</u>	<u>\$ 62,218,380</u>	<u>\$ 61,558,294</u>
 Total net debt applicable to the limit as a percentage of debt limit	 22.04%	 18.19%	 14.82%	 12.44%	 10.61%	 9.41%	 8.39%

Source: Annual Debt Statements

Note:
GASB requires that ten years of statistical data be presented. As a result of the implementation of GASB No. 44 in fiscal year 2006 only seven years of information is available. Each year thereafter, an additional year's data will be included until ten years of data is present.

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

Year	Population	County Per Capita Personal Income	Unemployment Rate
2002	8,421	\$ 51,931	3.90%
2003	8,453	51,291	3.90%
2004	8,507	54,669	3.20%
2005	8,528	56,963	1.70%
2006	8,549	63,021	2.10%
2007	8,590	67,113	1.90%
2008	8,621	68,541	2.40%
2009	8,675	64,388	4.40%
2010	8,675 (A)	N/A	4.50%
2011	8,675 (A)	N/A	N/A

A - Estimated

Source: New Jersey State Department of Education

N/A = Not Available

**CLOSTER BOARD OF EDUCATION
 PRINCIPAL EMPLOYERS
 CURRENT YEAR AND NINE YEARS AGO
 (Unaudited)**

	<u>2011</u>		<u>2002</u>	
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>

NOT AVAILABLE

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

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Instruction							
Regular	75.8	74.5	73.5	74.5	74.5	69.0	67.0
Special education	11.6	12.6	11.4	11.6	11.6	12.8	13.0
Other instruction (ESL, Basic)	4.6	4.6	5.4	5.5	7.5	6.5	7.0
Co-curricular activities	0.2	0.2	0.2	0.2	0.2	-	-
Support Services:							
Student and instruction related services	26.2	29.8	27.6	28.6	13.9	46.9	48.4
General administration	4.8	4.8	4.8	4.8	4.8	4.8	4.8
School administrative services	6.0	7.0	7.0	7.0	7.0	7.0	6.6
Central services	1.0	1.0	1.0	1.0	1.0	1.0	2.0
Plant operations and maintenance	14.3	15.4	15.0	15.0	11.0	11.0	11.0
Pupil transportation	1.7	1.1	1.2	1.2	-	-	-
Total	<u>146.20</u>	<u>151.00</u>	<u>147.10</u>	<u>149.40</u>	<u>131.50</u>	<u>159.00</u>	<u>159.80</u>

Source: District Personnel Records

Note:

GASB requires that ten years of statistical data be presented. As a result of the implementation of GASB No. 44 in fiscal year 2006 only seven years of information is available. Each year thereafter, an additional year's data will be included until ten years of data is present.

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

Fiscal Year	Enrollment ^a	Operating Expenditures ^b	Cost Per Pupil ^c	Percentage Change	Teacher/Pupil Ratio			Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
					Teaching Staff ^b	Elementary	Middle School				
2002	1,147	\$ 11,592,468	\$ 10,107	3.05%	87.6	13.3	13.2	1,134.7	1,091.3	1.16%	96.18%
2003	1,202	12,602,286	10,484	5.74%	89.7	13.4	13.4	1,201.5	1,154.4	5.89%	96.08%
2004	1,232	13,721,672	11,138	6.23%	92.8	13.3	13.3	1,222.3	1,179.9	1.73%	96.53%
2005	1,231	14,232,300	11,562	3.81%	92.6	12.7	14.3	1,232.3	1,186.9	0.82%	96.32%
2006	1,218	15,235,706	12,509	8.19%	100.3	11.6	12.8	1,213.0	1,170.0	-1.57%	96.46%
2007	1,205	16,401,262	13,611	8.81%	99.3	11.7	12.7	1,183.0	1,160.0	-2.47%	98.06%
2008	1,182	16,448,434	13,916	2.24%	99.3	11.8	12.8	1,163.0	1,125.0	-1.69%	96.73%
2009	1,191	16,607,607	13,944	0.20%	98.2	11.8	12.8	1,175.0	1,135.0	1.03%	96.60%
2010	1,155	17,185,795	14,879	6.71%	98.2	11.8	12.8	1,147.0	1,112.0	-2.38%	96.95%
2011	1,138	16,197,844	14,234	-4.34%	99.4	11.8	12.8	1,132.0	1,093.0	-1.31%	96.55%

Sources: District records

Note: a Enrollment based on annual October district count.
 b Operating expenditures equal total expenditures less debt service and capital outlay.
 c Cost per pupil represents operating expenditures divided by enrollment.

N/A - Not Available

**CLOSTER BOARD OF EDUCATION
SCHOOL BUILDING INFORMATION
LAST SEVEN FISCAL YEARS
(Unaudited)**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>District Building</u>							
<u>Hillside Elementary School</u>							
Square Feet	48,730	61,630	61,650	61,650	61,650	61,650	61,650
Capacity (students)	466	666	666	666	666	666	666
Enrollment	634	622	612	604	600	592	586
 <u>Tenakill Middle School</u>							
Square Feet	72,805	80,655	75,010	75,010	80,655	80,655	80,655
Capacity (students)	485	635	635	635	635	635	635
Enrollment	599	591	571	560	570	546	546

Number of Schools at June 30, 2011

Elementary = 1

Middle School = 1

Source: District Records

Note:

GASB requires that ten years of statistical data be presented. As a result of the implementation of GASB No. 44 in fiscal year 2006 only seven years of information is available. Each year thereafter, an additional year's data will be included until ten years of data is present.

CLOSTER BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE EXPENDITURES BY SCHOOL FACILITY
LAST TEN YEARS
(Unaudited)

		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
UNDISTRIBUTED EXPENDITURES - REQUIRED MAINTENANCE FOR SCHOOL FACILITIES 11-000-261-XXX											
*School Facilities	Project # (s)										
Hillside School	N/A	\$ 117,407	\$ 113,774	\$ 128,353	\$ 110,273	\$ 138,249	\$ 159,543	\$ 146,596	\$ 203,620	\$ 168,375	\$ 164,742
Tenakill School	N/A	112,297	141,921	131,849	132,477	146,731	184,484	179,153	186,654	212,627	154,953
Grand Total		\$ 229,704	\$ 255,695	\$ 260,202	\$ 242,750	\$ 284,980	\$ 344,027	\$ 325,749	\$ 390,274	\$ 381,002	\$ 319,695

Source: District Records

**CLOSTER BOARD OF EDUCATION
INSURANCE SCHEDULE
JUNE 30, 2011
(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - Selectiveway Insurance Co. Property-Blanket Building/Contents Comprehensive General Liability - General Aggregate	\$ 33,940,132 2,000,000	\$ 5,000
Boiler and Machinery - Selective Insurance Company Blanket Property Damage	250,000	1,000
Umbrella Excess Liability - Firemen's Fund Ins. Co.	50,000,000	
Umbrella Liability - American Alternatives Insurance Company (each occurrence)	9,000,000	10,000
Educator's Legal Liability - ACE USA	1,000,000	
Public Employee Dishonesty - Selective Insurance Co. of America (per employee) (per loss)	100,000 400,000	5,000
Commercial Automobile Liability - Selective Way Insurance Co.	1,000,000	250

Source: School Insurance Records

SINGLE AUDIT SECTION

LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-1

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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EDWARD N. KERE, CPA

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Closter Board of Education as of and for the fiscal year ended June 30, 2011, which collectively comprise the Closter Board of Education's basic financial statements and have issued our report thereon dated September 12, 2011. 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 Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

Management of the Closter Board of Education is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Closter Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Closter Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Closter Board of Education's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Closter Board of Education's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted a certain matter that we have reported to management of the Closter Board of Education in a separate report entitled, "Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance" dated September 12, 2011.

This report is intended solely for the information and use of management, the Board of Trustees, others within the District, the New Jersey State Department of Education and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Gary W. Higgins
 Gary W. Higgins
 Public School Accountant
 PSA Number CS00814

Fair Lawn, New Jersey
 September 12, 2011

LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-2

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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RALPH M. PICONE, CPA, RMA, PSA
EDWARD N. KERB, CPA

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04

Independent Auditor's Report

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

Compliance

We have audited the Closter Board of Education's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the New Jersey OMB Circular 04-04 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of Closter Board of Education's major state programs for the fiscal year ended June 30, 2011. Closter Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirement of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Closter Board of Education's management. Our responsibility is to express an opinion on Closter Board of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards and circulars require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Closter Board of Education's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Closter Board of Education's compliance with those requirements.

In our opinion, Closter Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2011.

Internal Control Over Compliance

Management of Closter Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered Closter Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

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

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

This report is intended solely for the information and use of management, the Board of Trustees, others within the District, the New Jersey State Department of Education and other state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

LERCH, VINCI & HIGGINS LLP

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

Gary W. Higgins

Gary W. Higgins
 Public School Accountant
 PSA Number CS00814

Fair Lawn, New Jersey
 September 12, 2011

**CLOSTER BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL OF AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Federal/Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2010	Carryover (Walkover) Amount	Cash Received	Adjustments	Budgetary Expenditures	Balance, June 30, 2011 (Accounts Receivable)	Deferred Revenue	Due to Grantor
U.S. Department of Education												
Passed-Through State Department of Education												
Special Revenue Fund:												
Title III												
ARRA Part B - Basic	84.391	NCLB0930-11	9/1/10-8/31/11	\$ 14,799	\$		\$ 14,799		\$ 14,799			
ARRA - Preschool	84.392	ARRA-10	9/1/09-8/31/11	239,893	\$ (18,603)		33,438		146,727	\$ (131,892)		
I.D.E.A. Part B, Basic - Carryover	84.027	ARRA-10	9/1/09-8/31/11	8,683	(5,216)		8,683		3,467			
I.D.E.A. Part B, Basic	84.027	IDEA093009	9/1/09-8/31/10	227,214	(15,600)		15,421	\$ 179	229,054	(2,976)		
I.D.E.A. Part B, Preschool	84.173	IDEA093009	9/1/10-8/31/11	10,525	-		10,525		10,525			
Total U.S. Department of Education					(39,419)		308,944	179	404,572	(134,868)		
U.S. Department of Agriculture												
Passed-Through State Department of Education												
Enterprise Fund:												
Special Milk Program	10.556	N/A	7/1/10-6/30/11	15,948			14,879		15,947	(1,068)		
Special Milk Program	10.556	N/A	7/1/09-6/30/10	14,983	(1,264)		1,264					
Total U.S. Department of Agriculture					(1,264)		16,143		15,947	(1,068)		
Total Federal Awards					\$ (40,683)		\$ 325,087	\$ 179	\$ 420,519	\$ (135,936)		\$ -

Note: This Schedule was not subject to a Single Audit in accordance with OMB-113.

**CLOSTER BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

State Grant/Program Title	Grant or State Project Number	Grant Period	Award Received	Balance June 30, 2010		Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Payment of Prior Years' Balances	Balance June 30, 2011		MEMO
				Deferred Revenue (Accounts Receivable)	Due to Grantor						Accounts Receivable	Deferred Revenue	
State Department of Education General Fund													
Special Education Aid	10-495-034-5120-089	7/1/09-6/30/10	\$ 469,213	\$ (44,312)	\$	\$ 44,312							
Transportation Aid	10-495-034-5120-014	7/1/09-6/30/10	123,091	(11,014)		11,014							
Security Aid	10-495-034-5120-084	7/1/09-6/30/10	87,561	(7,835)		7,835							
Extracurricular Aid	10-100-034-5120-473	7/1/09-6/30/10	176,048	(176,048)		176,048							
Extraordinary Aid	11-100-034-5120-475	7/1/10-6/30/11	130,164				\$ 130,164				\$ (130,164)	\$	130,164
Non Public Transportation Reimb	N/A	7/1/09-6/30/10	7,752	(7,752)		7,752							
Non Public Transportation Reimb	N/A	7/1/10-6/30/11	11,728								(11,728)	\$	11,728
TPAF Soc. Sec. Cont.	10-495-034-5095-002	7/1/09-6/30/10	667,721	(33,275)		33,275							
TPAF Soc. Sec. Cont.	11-495-034-5095-002	7/1/10-6/30/11	644,576			611,349	644,576				(38,227)	(33,227)	644,576
On-Behalf Pension NCCI	11-495-034-5095-007	7/1/10-6/30/11	26,285			26,285	26,285						26,285
On-Behalf Pension PRM Contr.	11-495-034-5095-001	7/1/10-6/30/11	558,294			558,294	558,294						558,294
Total General Fund				(280,236)		1,476,164	1,371,047				(173,119)	(44,955)	1,371,047
Total State Financial Assistance				(280,236)		1,476,164	1,371,047				(173,119)	(44,955)	1,371,047
State Financial Assistance Not Subject to Single Audit Determination													
General Fund													
On-Behalf TPAF Pension Contributions	11-495-034-5095-007	7/1/10-6/30/11	26,285			(26,285)	(26,285)						(26,285)
On-Behalf TPAF Post-Retirement Medical Contributions	11-495-034-5095-001	7/1/10-6/30/11	558,294			(558,294)	(558,294)						(558,294)
Total State Financial Assistance Subject to Single Audit				(280,236)		891,585	786,468				(173,119)	(44,955)	786,468

**CLOSTER BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Notes 1(C) to the Board's basic financial statements.

NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is an increase of \$109,045 for the general fund and a decrease of \$119,864 for the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 1,480,092	\$ 1,480,092
Special Revenue Fund	\$ 284,708		284,708
Food Service Fund	<u>15,947</u>	<u>-</u>	<u>15,947</u>
Total Financial Assistance	<u>\$ 300,655</u>	<u>\$ 1,480,092</u>	<u>\$ 1,780,747</u>

**CLOSTER BOARD OF EDUCATION
 NOTES TO THE SCHEDULES OF EXPENDITURES OF
 FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5 STATE LOANS OUTSTANDING

The District's state loans outstanding at June 30, 2011, which are not required to be reported on the schedule of state financial assistance, are as follows:

<u>Loan Program</u>	<u>State</u>
Safe Loan	\$ 47,246
Small Project Loan	191,124
Facility Program Loan	<u>704,851</u>
	<u>\$ 943,221</u>

NOTE 6 OTHER INFORMATION

TPAF Social Security contributions in the amount of \$644,576 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2011. The amount reported as TPAF Pension System Contributions in the amount of \$26,285 and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$558,294 represents the amount paid by the State on behalf of the District for the year ended June 30, 2011.

NOTE 7 ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

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

**CLOSTER BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Part 2 – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

THERE ARE NONE.

**CLOSTER BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

CURRENT YEAR FEDERAL AWARDS

Not applicable.

CURRENT YEAR STATE AWARDS

There are none.

**CLOSTER BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

STATUS OF PRIOR YEAR FINDINGS

No prior findings.