

CLOSTER BOARD OF EDUCATION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Closter, New Jersey

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

of the

Closter Board of Education

Closter, New Jersey

For The Fiscal Year Ended June 30, 2013

Prepared by

**Closter Board of Education
Business Office**

**CLOSTER BOARD OF EDUCATION
TABLE OF CONTENTS**

Page

INTRODUCTORY SECTION

Letter of Transmittal	i-iv
Organizational Chart	v
Roster of Officials	vi
Consultants and Advisors	vii

FINANCIAL SECTION

Independent Auditor's Report	1-3
------------------------------	-----

REQUIRED SUPPLEMENTARY INFORMATION – PART I

Management's Discussion and Analysis	4-13
--------------------------------------	------

Basic Financial Statements

A. District-wide Financial Statements

A-1 Statement of Net Position	14
A-2 Statement of Activities	15

B. Fund Financial Statements

Governmental Funds

B-1 Balance Sheet	16
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	17
B-3 Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances with the District-Wide Statements	18

Proprietary Funds

B-4 Statement of Net Position	19
B-5 Statement of Revenues, Expenses, and Changes in Fund Net Position	20
B-6 Statement of Cash Flows	21

Fiduciary Funds

B-7 Statement of Fiduciary Net Position	22
B-8 Statement of Changes in Fiduciary Net Position	23

Notes to the Financial Statements	24-49
--	-------

REQUIRED SUPPLEMENTARY INFORMATION – PART II

C. Budgetary Comparison Schedules

C-1 Budgetary Comparison Schedule – General Fund	50-54
C-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budgetary Basis – Special Revenue Fund	55
C-3 Budgetary Comparison Schedule - Notes to the Required Supplementary Information	56

**CLOSTER BOARD OF EDUCATION
TABLE OF CONTENTS**

Page

OTHER SUPPLEMENTARY INFORMATION

D. School Level Schedules – Not Applicable

E. Special Revenue Fund

E-1 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Special Revenue Fund – Budgetary Basis 57

E-2 Preschool Education Aid Schedule of Expenditures –
Budgetary Basis – Not Applicable 58

F. Capital Projects Fund –

F-1 Summary Schedule of Project Expenditures 59

F-2 Summary Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budgetary Basis 60

F-2a Schedule of Project Revenues, Expenditures, Project Balances and Project Status –
Hillside Elementary School – Partial Reroofing 61

F-2b Schedule of Project Revenues, Expenditures, Project Balances and Project Status –
Tenakill Middle School – Partial Re-roofing 62

G. Proprietary Funds

Enterprise Fund

G-1 Combining Statement of Net Position – Not Applicable 63

G-2 Combining Statements of Revenues, Expenses and Changes in
Net Position – Not Applicable 63

G-3 Combining Statements of Cash Flows – Not Applicable 63

Internal Service Fund – Not Applicable

H. Fiduciary Funds

H-1 Combining Statement of Agency Net Position 64

H-2 Statement of Changes in Fiduciary Net Position – Not Applicable 65

H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements 66

H-4 Payroll Agency Fund Schedule of Receipts and Disbursements 66

I. Long-Term Debt

I-1 Statement of Serial Bonds Payable 67

I-2 Schedule of Intergovernmental Loans Payable 68

I-3 Debt Service Fund Budgetary Comparison Schedule 69

I-4 Schedule of Obligations Under Lease Purchase Agreements 70

**CLOSTER BOARD OF EDUCATION
TABLE OF CONTENTS**

Page

J. STATISTICAL SECTION (Unaudited)

J-1	Net Position by Component	71
J-2	Changes in Net Position	72
J-3	Fund Balances – Governmental Funds	73
J-4	Changes in Fund Balances – Governmental Funds	74
J-5	General Fund Other Local Revenue by Source	75
J-6	Assessed Value and Actual Value of Taxable Property	76
J-7	Direct and Overlapping Property Tax Rates	77
J-8	Principal Property Taxpayers	78
J-9	Property Tax Levies and Collections	79
J-10	Ratios of Outstanding Debt by Type	80
J-11	Ratios of Net General Obligation Debt Outstanding	81
J-12	Direct and Overlapping Governmental Activities Debt	82
J-13	Legal Debt Margin Information	83
J-14	Demographic and Economic Statistics	84
J-15	Principal Employers	85
J-16	Full-Time Equivalent District Employees by Function/Program	86
J-17	Operating Statistics	87
J-18	School Building Information	88
J-19	Schedule of Required Maintenance Expenditures by School Facility	89
J-20	Insurance Schedule	90

SINGLE AUDIT SECTION

K-1	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards – Independent Auditor’s Report	91-92
K-2	Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of State Financial Assistance as Required by New Jersey OMB Circular 04-04 – Independent Auditor’s Report	93-95
K-3	Schedule of Expenditures of Federal Awards	96
K-4	Schedule of Expenditures of State Financial Assistance	97
K-5	Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	98-99
K-6	Schedule of Findings and Questioned Costs	100-102
K-7	Summary Schedule of Prior Year Findings	103

INTRODUCTORY SECTION

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

201-768-3001
Fax: 201-768-1903

Email: iappelli@nvnet.org

Peter C. Iappelli
Business Administrator
Board Secretary

November 18, 2013

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, 2013 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.

A Concern For Each Child • A Commitment To Excellence

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 constitute 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 2012-2013 fiscal year with an enrollment of 1,123 students, which was 4 students fewer than the previous year's enrollment. The following details the changes in the District's student enrollment over the last 10 years.

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2003-2004	1,232	
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)
2011-2012	1,127	(0.97)
2012-2013	1,123	(0.35)

2. ECONOMIC CONDITION AND OUTLOOK: Known as, "The Historic Hub of the Northern Valley," the Borough of Closter is situated below the Palisades in the northeastern part of Bergen County, New Jersey. Closter is a stable, attractive community with an estimated population of 8,498. The median household income of its residents is \$119,485, and the average home is assessed at \$666,000. 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. Approximately 95% of Closter's adult population graduated from high school and 60% have a bachelor's degree or higher. As of the 2010 United States Census, nearly 32% of Closter's residents are of Asian origins. Although Closter is located just 15 miles from New York City, it maintains a local pride in its community, its schools, and in the many services that it offers its residents.

3. MAJOR INITIATIVES: Two classroom additions were recently completed at the Hillside Elementary School. The new classrooms house the District's full-day inclusive preschool program. The program was successfully launched in the 2010-2011 school year to accommodate preschoolers that are identified as preschool disabled. The program also accepts typical 3-and 4-year-olds on a tuition basis. Another initiative the District is proud of is its dedicated science teacher and classroom at the elementary school level for STEM-based lessons.

The success of the Closter Public Schools is well documented and a variety of achievements have been earned over the years. In March of 2013, the Hillside Elementary School was acknowledged as a "Rewards School" by the New Jersey Department of Education. Recently, JerseyCAN recognized Hillside as one of the Top Ten elementary schools in New Jersey. This past school year, the students of Tenakill Middle School published an award winning newspaper,

The Cougar Chronicles, and its Science Olympiad Team placed in the 2013 State Finals.

The District's comprehensive instructional program is preparing its students for the Common Core State Standards (CCSS) and the challenge of the new Partnership for Assessment of Readiness for College and Careers (PARCC).

The Closter Public Schools continue to enjoy an excellent reputation and routinely work collaboratively with its Northern Valley neighbors. The eight school Districts of Northern Valley support a regional Office of Curriculum and Instruction. Administrators and teachers throughout the Valley meet regularly for staff and curriculum development.

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, 2013.

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.

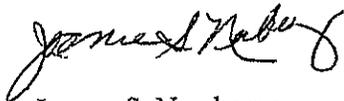
7. RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability, pollution liability, commercial automobile, school board legal liability, crime, workers compensation, and surety bonds.

8. OTHER INFORMATION:

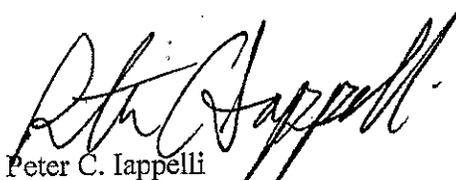
A) **Independent Audit** - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The auditing firm selected by the Board is Lerch, Vinci, Higgins, LLP. In addition to meeting the requirements set forth in state statutes, the audit also 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 sincere appreciation to the members of the Closter Board of Education for their prudent fiscal stewardship. Their concerns for fiscal accountability and transparency on behalf of the citizens and taxpayers of Closter should be commended. The preparation of this report could not have been accomplished without the efficient and dedicated services of our business office.

Respectfully submitted,



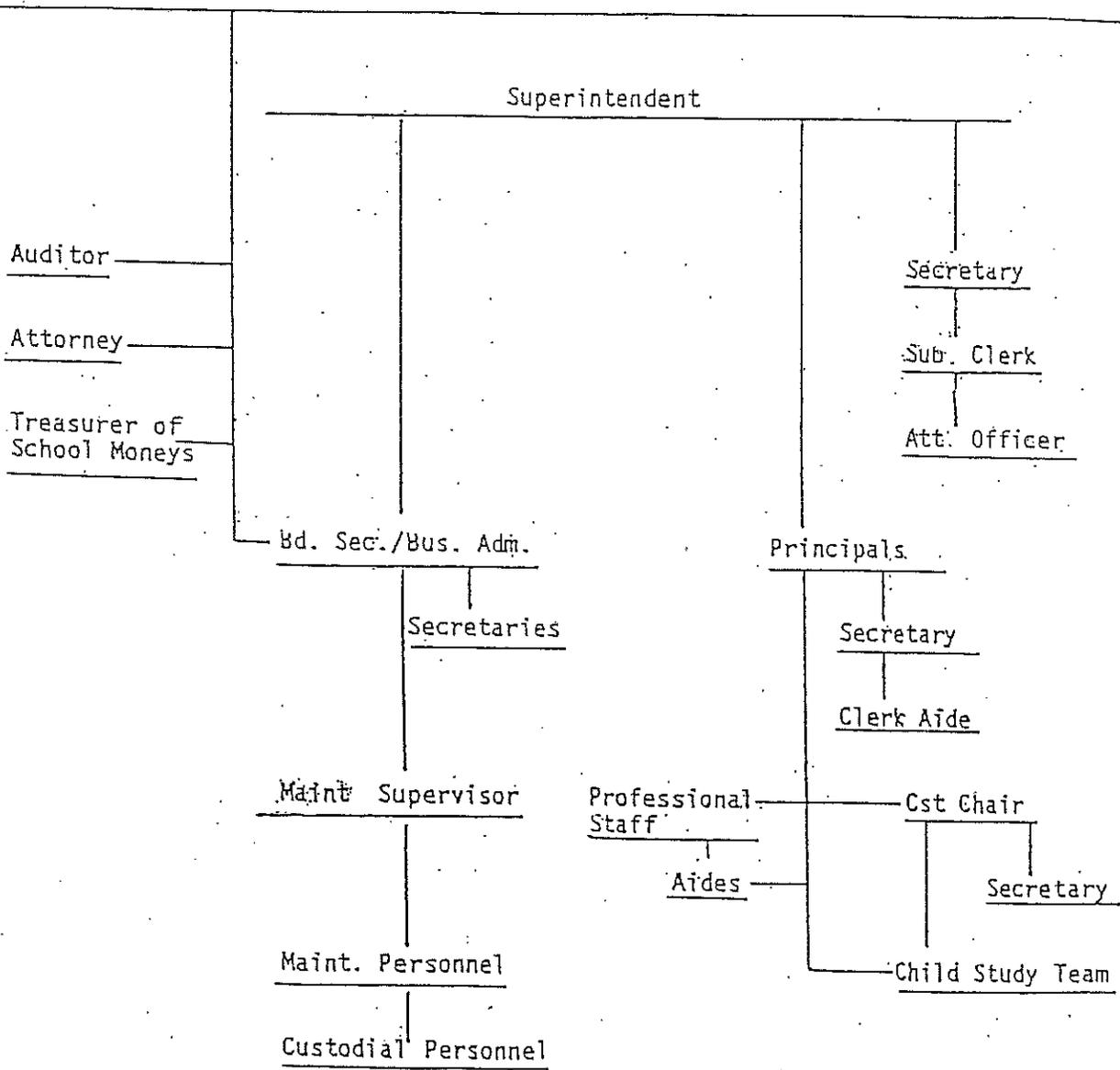
Joanne S. Newberry
Superintendent of Schools
Closter Public Schools



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

ORGANIZATION CHARTS

Closter Board of Education



2188s



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

**ROSTER OF OFFICIALS
JUNE 30, 2013**

<u>Member of the Board of Education</u>	<u>Term Expires January</u>
Anthony Linn, President	2016
Ann Ginsberg, Vice President	2015
Michael Goldstein	2014
Carmen Pfeiffer	2014
Dina Marinaccio	2016
Peter Micera	2014
Grace Park	2016
Lydia Forstmann	2015
Gregg Lambert	2015
<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

Capital One Bank
710 Route 46 East
Fairfield, NJ 07004

FINANCIAL SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Closter Board of Education as of and for the fiscal year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Closter Board of Education as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

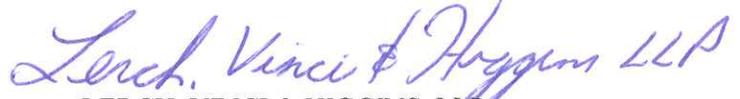
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Closter Board of Education's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, financial schedules, statistical section, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Closter Board of Education.

The combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, schedules of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

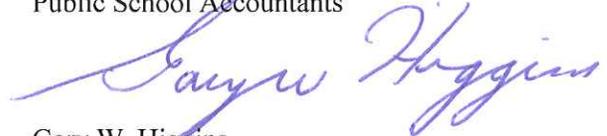
In accordance with Government Auditing Standards, we have also issued our report dated November 18, 2013 on our consideration of the Closter Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Closter Board of Education's internal control over financial reporting and compliance.



LERCH, VINCI & HIGGINS, LLP

Certified Public Accountants

Public School Accountants



Gary W. Higgins

Public School Accountant

PSA Number CS00814

Fair Lawn, New Jersey
November 18, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CLOSTER SCHOOL DISTRICT
CLOSTER NEW JERSEY**

Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2013

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, 2013. 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 (2012-2013) and the prior year (2011-2012) is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2013 are as follows:

- General revenues accounted for \$17,054,770 or 84 percent of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,225,180 or 16 percent of total revenues of \$20,279,950.
- The School District had \$19,282,729 in total expenses; only \$3,225,180 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$17,054,770 were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$18,846,598 in revenues and \$18,448,948 in expenditures, including capital lease expenditures. The General Fund's fund balance increased \$628,234 from June 30, 2012.

**CLOSTER SCHOOL DISTRICT
CLOSTER NEW JERSEY**

Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2013

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 Position 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 Position 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 2012/13." The Statement of Net Position 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 position and changes in its position. 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 Position 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, 2013

- Business-Type Activities – 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 Position 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 Position provides one perspective of the District as a whole.

Table 1 provides a summary of the District's net position as of June 30, 2013 and 2012.

**CLOSTER SCHOOL DISTRICT
CLOSTER NEW JERSEY**

Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2013

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Assets						
Current and Other Assets	\$ 4,187,675	\$ 3,655,544	\$ 4,609	\$ 6,198	\$ 4,192,284	\$ 3,661,742
Capital Assets	<u>12,765,327</u>	<u>13,137,157</u>	<u>-</u>	<u>-</u>	<u>12,765,327</u>	<u>13,137,157</u>
Total Assets	<u>16,953,002</u>	<u>16,792,701</u>	<u>4,609</u>	<u>6,198</u>	<u>16,957,611</u>	<u>16,798,899</u>
Liabilities						
Long-Term Liabilities	4,360,043	5,106,811			4,360,043	5,106,811
Other Liabilities	<u>44,718</u>	<u>136,459</u>	<u>-</u>	<u>-</u>	<u>44,718</u>	<u>136,459</u>
Total Liabilities	<u>4,404,761</u>	<u>5,243,270</u>	<u>-</u>	<u>-</u>	<u>4,404,761</u>	<u>5,243,270</u>
Net Position						
Net Investment in Capital						
Assets	8,869,125	8,356,593			8,869,125	8,356,593
Restricted	2,125,103	1,922,610			2,125,103	1,922,610
Unrestricted	<u>1,554,013</u>	<u>1,270,228</u>	<u>4,609</u>	<u>6,198</u>	<u>1,558,622</u>	<u>1,276,426</u>
Total Net Position	<u>\$ 12,548,241</u>	<u>\$ 11,549,431</u>	<u>\$ 4,609</u>	<u>\$ 6,198</u>	<u>\$ 12,552,850</u>	<u>\$ 11,555,629</u>

The District's combined net position were \$12,552,850 and \$11,555,269 on June 30, 2013 and 2012, respectively.

Table 2 shows changes in net position for fiscal years 2013 and 2012.

**CLOSTER SCHOOL DISTRICT
CLOSTER NEW JERSEY**

Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2013

**Table 2
Change in Net Position
For the Years Ended June 30, 2013 and 2012**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues						
Program Revenues						
Charges for Services	\$ 346,617	\$ 265,204	\$ 21,536	\$ 23,571	\$ 368,153	\$ 288,775
Grants and Contributions	2,809,385	2,376,140	12,282	16,873	2,821,667	2,393,013
Capital Grants and Contributions	35,360	213,168			35,360	213,168
General Revenues						
Property Taxes	16,943,686	16,792,817			16,943,686	16,792,817
Other	<u>110,985</u>	<u>96,666</u>	<u>99</u>	<u>127</u>	<u>111,084</u>	<u>96,793</u>
Total Revenues	<u>20,246,033</u>	<u>19,743,995</u>	<u>33,917</u>	<u>40,571</u>	<u>20,279,950</u>	<u>19,784,566</u>
Program Expenses						
Instruction	12,782,136	11,857,584			12,782,136	11,857,584
Support Services						
Student and Instructional Related Svcs.	2,420,970	2,283,250			2,420,970	2,283,250
General and School Administration, Business / Central Services	2,166,062	2,094,148			2,166,062	2,094,148
Plant Operations and Maintenance	1,524,964	1,460,709			1,524,964	1,460,709
Pupil Transportation	184,151	161,518			184,151	161,518
Interest on Debt	168,940	205,337			168,940	205,337
Food Service	<u>-</u>	<u>-</u>	<u>35,506</u>	<u>51,270</u>	<u>35,506</u>	<u>51,270</u>
Total Expenses	<u>19,247,223</u>	<u>18,062,546</u>	<u>35,506</u>	<u>51,270</u>	<u>19,282,729</u>	<u>18,113,816</u>
Change in Net Position	<u>\$ 998,810</u>	<u>\$ 1,681,449</u>	<u>\$ (1,589)</u>	<u>\$ (10,699)</u>	<u>\$ 997,221</u>	<u>\$ 1,670,750</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 84 and 85 percent of revenues for governmental activities for the Closter School District in the fiscal years 2013 and 2012, respectively. The District's total governmental revenues were \$20,246,033 and \$19,743,995 for the years ended June 30, 2013 and 2012, respectively. Federal, state, and local grants and aid accounted for another 14 and 13 percent of governmental revenue for the years ended June 30, 2013 and 2012, respectively. The total costs of all governmental programs and services was \$19,247,223 and \$18,062,546 for the years ended June 30, 2013 and 2012, respectively. Instruction comprises 66 percent of District expenses for both the years ended June 30, 2013 and 2012.

**CLOSTER SCHOOL DISTRICT
CLOSTER NEW JERSEY**

Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2013

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 expenses exceeded revenue by \$1,589.
- Charges for services represent 63 percent of revenue. This represents amounts paid for daily milk service.
- Federal reimbursement for milk including payments for free milk was \$12,282.

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, 2013 and 2012. 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>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Instruction	\$ 12,782,136	\$ 11,857,584	\$ 9,940,361	\$ 9,259,698
Support Services				
Student and Instruction Related Svcs.	2,420,970	2,283,250	2,378,392	2,242,324
General Administration, School Administration, Business / Central Services	2,166,062	2,094,148	1,929,011	1,908,067
Plant Operations and Maintenance	1,524,964	1,460,709	1,475,567	1,437,472
Pupil Transportation	184,151	161,518	163,590	155,136
Interest and Other Charges	168,940	205,337	168,940	205,337
Total	<u>\$ 19,247,223</u>	<u>\$ 18,062,546</u>	<u>\$ 16,055,861</u>	<u>\$ 15,208,034</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, 2013

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, capital projects 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 \$20,201,228 and \$19,736,015 and expenditures were \$19,767,938 and \$19,508,935 for the years ended June 30, 2013 and 2012, respectively. During the fiscal year ended June 30, 2013, revenues exceeded expenditures by \$612,816.

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, 2013 and 2012.

<u>Revenue</u>	<u>Year Ended</u>		<u>Amount of Increase (Decrease)</u>	<u>Percent</u>
	<u>June 30, 2013</u>	<u>June 30, 2012</u>		
Local Sources	\$ 17,356,483	\$ 17,146,707	\$ 209,776	1.22%
State Sources	2,590,113	2,175,039	415,074	19.08%
Federal Sources	254,632	414,269	(159,637)	-38.53%
Total	<u>\$ 20,201,228</u>	<u>\$ 19,736,015</u>	<u>\$ 465,213</u>	2.36%

**CLOSTER SCHOOL DISTRICT
CLOSTER NEW JERSEY**

Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2013

The District's Funds (Cont.)

The following schedule represents a summary of the governmental fund expenditures for the fiscal years ended June 30, 2013 and 2012.

<u>Expenditures</u>	<u>Year Ended</u>		<u>Amount of Increase (Decrease)</u>	<u>Percent</u>
	<u>June 30, 2013</u>	<u>June 30, 2012</u>		
Current				
Instruction	\$ 12,481,755	\$ 11,464,514	\$ 1,017,241	8.87%
Support Services	6,021,731	5,837,936	183,795	3.15%
Capital Outlay	139,774	1,075,228	(935,454)	-87.00%
Debt Service:				
Principal	944,682	917,204	27,478	3.00%
Interest	<u>179,996</u>	<u>214,053</u>	<u>(34,057)</u>	-15.91%
 Total Expenditures	 <u>\$ 19,767,938</u>	 <u>\$ 19,508,935</u>	 <u>\$ 259,003</u>	 1.33%

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, 2013

Capital Assets

At the end of fiscal years 2013 and 2012, the District had \$12,765,327 and \$13,137,157, respectively invested in land, buildings, furniture, equipment and vehicles, net of accumulated depreciation for governmental activities. Table 4 shows fiscal year 2013 balances compared to 2012.

Table 4
Capital Assets

	June 30	
	2013	2012
Land	\$ 26,600	\$ 26,600
Construction in Progress	101,228	
Improvements Other Than Buildings	211,215	211,215
Buildings and Improvements	19,125,094	19,125,094
Machinery and Equipment	808,983	727,861
	20,273,120	20,090,770
Less: Accumulated Depreciation	(7,507,793)	(6,953,613)
 Total	 \$ 12,765,327	 \$ 13,137,157

Overall capital assets, net of accumulated depreciation, decreased \$371,830 from fiscal year 2012 to fiscal year 2013.

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

Debt Administration

At June 30, 2013 and 2012, the District had \$4,360,043 and \$5,106,811, respectively of long-term liabilities. Of this amount, \$344,635 and \$326,247 are for compensated absences; and \$3,579,000 and \$4,149,000 are for serial bonds and \$317,202 and \$631,564 are for loans for school construction and \$119,206 and \$-0- are for capital leases for computers.

**CLOSTER SCHOOL DISTRICT
CLOSTER NEW JERSEY**

Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2013

Table 5
Outstanding Debt

	June 30	
	<u>2013</u>	<u>2012</u>
2004 General Obligation Bonds	\$ 2,985,000	\$ 3,255,000
1994 General Obligation Bonds	594,000	894,000
1993 Intergovernmental Loans	317,202	631,564
Capital Leases	119,206	-
Compensated Absences	344,635	326,247
Total	\$ 4,360,043	\$ 5,106,811

At June 30, 2013, the District's overall remaining legal debt margin was \$58,761,586.

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 POSITION
JUNE 30, 2013**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 4,138,209	\$ 3,723	\$ 4,141,932
Receivables, net			
Due from Other Funds	88		88
Receivables from Other Governments	44,553	886	45,439
Other Accounts Receivable	4,825		4,825
Capital Assets Not Being Depreciated	127,828		127,828
Capital Assets Being Depreciated	12,637,499		12,637,499
	<u>16,953,002</u>	<u>4,609</u>	<u>16,957,611</u>
LIABILITIES			
Accounts Payable	2,305		2,305
Unearned Revenue			-
Accrued Interest Payable	42,413		42,413
Noncurrent Liabilities			
Due Within One Year	946,942		946,942
Due Beyond One Year	3,413,101		3,413,101
	<u>4,404,761</u>	<u>-</u>	<u>4,404,761</u>
NET POSITION			
Net Investment in Capital Assets	8,869,125		8,869,125
Restricted for:			
Capital Projects	2,125,102		2,125,102
Debt Service	1		1
Unrestricted	1,554,013	4,609	1,558,622
	<u>12,548,241</u>	<u>4,609</u>	<u>12,552,850</u>

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

**CLOSTER BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
Instruction							
Regular	\$ 9,082,284	\$ 346,617	\$ 1,303,935		\$ (7,778,349)	\$	\$ (7,778,349)
Special Education	2,563,227		1,022,992		(1,193,618)		(1,193,618)
Other Instruction	1,045,101		155,420		(889,681)		(889,681)
School Sponsored Activities and Athletics	91,524		12,811		(78,713)		(78,713)
Support Services							
Student and Instruction Related Svcs.	2,420,970		42,578		(2,378,392)		(2,378,392)
General Administration Services	782,212		93,320		(688,892)		(688,892)
School Administration Services	1,013,002		94,280		(918,722)		(918,722)
Business/Central Services	370,848		49,451		(321,397)		(321,397)
Plant Operations and Maintenance	1,524,964		14,037	\$ 35,360	(1,475,567)		(1,475,567)
Pupil Transportation	184,151		20,561		(163,590)		(163,590)
Interest on Long-Term debt	168,940				(168,940)		(168,940)
Total Governmental Activities	19,247,223	346,617	2,809,385	35,360	(16,055,861)	-	(16,055,861)
Business-Type Activities							
Food Service	35,506	21,536	12,282	-	-	\$ (1,688)	(1,688)
Total Business-Type Activities	35,506	21,536	12,282	-	-	(1,688)	(1,688)
Total Primary Government	\$ 19,282,729	\$ 368,153	\$ 2,821,667	\$ 35,360	(16,055,861)	(1,688)	(16,057,549)
General Revenues:							
Property Taxes, Levied for General Purposes				15,879,328			15,879,328
Property Taxes Levied for Debt Service				1,064,358			1,064,358
Interest Earnings				16,709		99	16,808
Miscellaneous Income				49,471			49,471
Donated Capital Assets				44,805			44,805
Total General Revenues and Special Items				17,054,671		99	17,054,770
Change in Net Position				998,810		(1,589)	997,221
Net Position, Beginning of Year (Restated)				11,549,431		6,198	11,555,629
Net Position, End of Year				\$ 12,548,241		\$ 4,609	\$ 12,552,850

FUND FINANCIAL STATEMENTS

**CLOSTER BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2013**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 4,137,928		\$ 280	\$ 1	\$ 4,138,209
Receivables					
Due From Other Funds	368				368
Receivables From Governments	44,553				44,553
Receivables From Others	4,825	-	-	-	4,825
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	\$ 4,187,674	\$ -	\$ 280	\$ 1	\$ 4,187,955
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 2,305				\$ 2,305
Due To Other Funds	-	-	\$ 280	-	280
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	2,305	-	280	-	2,585
Restricted Fund Balance					
Emergency Reserve	250,000				250,000
Capital Reserve - Designated for Subsequent Year's Expenditures	290,000				290,000
Capital Reserve	1,835,102				1,835,102
Excess Surplus - Designated for Subsequent Year's Expenditures	300,000				300,000
Excess Surplus	326,437				326,437
Debt Service				\$ 1	1
Committed Fund Balance					
Year-End Encumbrances	766,171				766,171
Assigned Fund Balance					
Year-End Encumbrances	24,812				24,812
Designated for Subsequent Year's Expenditures	100,202				100,202
Unassigned Fund Balance					
General Fund	292,645	-	-	-	292,645
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	4,185,369	-	-	1	4,185,370
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ 4,187,674	\$ -	\$ 280	\$ 1	

Amounts reported for governmental activities in the statement of net position (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$20,273,120 and the accumulated depreciation is \$7,507,793.

12,765,327

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

(42,413)

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	\$ 317,202
Bonds Payable	3,579,000
Leases Payable	119,206
Compensated Absences	344,635
	<hr/>

(4,360,043)

Net position of governmental activities

\$ 12,548,241

CLOSTER BOARD OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local Sources					
Property Taxes	\$ 15,879,328			\$ 1,064,358	\$ 16,943,686
Tuition Charges	346,617				346,617
Interest	16,709				16,709
Miscellaneous	49,191	-	\$ 280	-	49,471
Total - Local Sources	16,291,845	-	280	1,064,358	17,356,483
State Sources	2,554,753		35,360		2,590,113
Federal Sources	-	\$ 254,632	-	-	254,632
Total Revenues	18,846,598	254,632	35,640	1,064,358	20,201,228
EXPENDITURES					
Current					
Instruction					
Regular Instruction	8,940,189	212,054			9,152,243
Special Education Instruction	2,246,804				2,246,804
Other Instruction	993,876				993,876
School Sponsored Activities and Athletics	88,832				88,832
Support Services					
Student and Instruction Related Services	2,216,467	42,578			2,259,045
General Administration Services	756,423				756,423
School Administration Services	991,719				991,719
Business/Central Services	345,562				345,562
Plant Operations and Maintenance	1,485,173				1,485,173
Pupil Transportation	183,809				183,809
Debt Service					
Principal	60,320			884,362	944,682
Interest and Other Charges				179,996	179,996
Capital Outlay	139,774	-	-	-	139,774
Total Expenditures	18,448,948	254,632	-	1,064,358	19,767,938
Excess (Deficiency) of Revenues Over (Under) Expenditures	397,650	-	35,640	-	433,290
Other Financing Sources (Uses)					
Transfer In	51,058				51,058
Transfer Out			(51,058)		(51,058)
Capital Lease Proceeds (Non-Budget)	179,526	-	-	-	179,526
Total Other Financing Sources (Uses)	230,584	-	(51,058)	-	179,526
Net Changes in Fund Balances	628,234	-	(15,418)	-	612,816
Fund Balance, Beginning of Year	3,557,135	-	15,418	1	3,572,554
Fund Balance, End of Year	\$ 4,185,369	\$ -	\$ -	\$ 1	\$ 4,185,370

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

**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, 2013**

Total net change in fund balances - governmental funds (Exhibit B-2)	\$	612,816
Amounts reported for governmental activities in the statement of activities are different because:		
<p>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</p>		
Depreciation Expense	\$ (556,409)	
Capital Outlays	<u>139,774</u>	(416,635)
<p>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.</p>		
		44,805
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Debt Issued		
Leases Payable		(179,526)
Principal Repayments		
Leases Payable	60,320	
Bonds Payable	570,000	
Intergovernmental Loans Payable	<u>314,362</u>	944,682
<p>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 (+).</p>		
		(18,388)
<p>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.</p>		
		<u>11,056</u>
Change in net position of governmental activities	\$	<u>998,810</u>

**CLOSTER BOARD OF EDUCATION
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2013**

**Business- Type
 Activities
 Enterprise
 Funds**

Non - Major

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 3,723
Intergovernmental Accounts Receivable	886
Total Current Assets	<hr/> 4,609
Noncurrent Assets	
Machinery and Equipment	15,173
Less Accumulated Depreciation	<hr/> (15,173)
Total Noncurrent Assets	<hr/> -
Total Assets	<hr/> 4,609
 NET POSITION	
Unrestricted	<hr/> 4,609
Total Net Position	<hr/> <hr/> \$ 4,609

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

**CLOSTER BOARD OF EDUCATION
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN FUND NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Business-Type Activities Enterprise Fund Non-Major</u>
Operating Revenues	
Charges for services	
Daily Sales	\$ 21,536
Total Operating Revenues	<u>21,536</u>
Operating Expenses	
Cost of Sales	14,506
Salaries and Wages	<u>21,000</u>
Total Operating Expenses	<u>35,506</u>
Operating Loss	<u>(13,970)</u>
Nonoperating Revenues	
Federal Sources	
Special Milk Program	12,282
Interest Earnings	<u>99</u>
Total Nonoperating Revenues	<u>12,381</u>
Net Change in Net Position	(1,589)
Net Position, Beginning of Year	<u>6,198</u>
Net Position, End of Year	<u>\$ 4,609</u>

The accompanying Notes to the 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, 2013**

	Business-Type Activities
	Enterprise Funds
	Non-Major
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 21,536
Salaries and Wages	(21,000)
Payments to Suppliers	(14,506)
	(13,970)
Net Cash Used By Operating Activities	(13,970)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Federal Sources	12,299
	12,299
Net Cash Provided By Non-Capital Financing Activities	12,299
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	99
	99
Net Cash Provided By Investing Activities	99
Net Decrease in Cash and Cash Equivalents	(1,572)
Cash and Cash Equivalents—Beginning of Year	5,295
Cash and Cash Equivalents—End of Year	\$ 3,723
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	\$ (13,970)
Net Cash Used By Operating Activities	\$ (13,970)

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

**CLOSTER BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2013**

	<u>Private Purpose Trust Funds</u>	<u>Unemployment Compensation Trust Fund</u>	<u>Agency Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,651	\$ 145,256	\$ 45,644
Total Assets	<u>1,651</u>	<u>145,256</u>	<u>\$ 45,644</u>
LIABILITIES			
Due To Other Funds			\$ 88
Due To Student Groups			42,067
Payable to State Government		2,602	
Accrued Salaries and Wages			58
Payroll Deductions and Withholdings		-	3,431
Total Liabilities	<u>-</u>	<u>2,602</u>	<u>\$ 45,644</u>
NET POSITION			
Held In Trust For Unemployment Claims and Other Purposes	<u>\$ 1,651</u>	<u>\$ 142,654</u>	

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

**CLOSTER BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Private Purpose Trust Funds	Unemployment Compensation Trust
ADDITIONS		
Interest on Deposits		\$ 760
Employee Contributions	-	25,988
	-----	-----
Total Additions	-	26,748
	-----	-----
DEDUCTIONS		
Unemployment Claims and Contributions	-	42,861
	-----	-----
Total Deductions	-	42,861
	-----	-----
Change in Net Position	-	(16,113)
Net Position, Beginning of Year	\$ 1,651	158,767
	-----	-----
Net Position, End of Year	\$ 1,651	\$ 142,654
	=====	=====

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

NOTES TO THE FINANCIAL STATEMENTS

**CLOSTER BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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. New Accounting Standards

During fiscal year 2013, the District adopted the following GASB statements:

- GASB 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.
- GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this Statement is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effect on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed.
- GASB 65, *Items Previously Reported as Assets and Liabilities*, although not required to be implemented until next year, the District elected to apply the statement to the current year financial statements. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

**CLOSTER BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

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

- GASB 66, *Technical Corrections – 2012, an Amendment of GASB Statements 10 and 62*, will be effective beginning with the year ending June 30, 2014. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.
- GASB 67, *Financial Reporting for Pension Plans, an Amendment of GASB 25*, will be effective beginning with the year ending June 30, 2014. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The District does not expect this Statement to impact its financial statements.
- GASB 68, *Accounting and Financial Reporting for Pensions*, will be effective beginning with the year ending June 30, 2015. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The District does not expect this Statement to impact its financial statements.

C. Basis of Presentation - Financial Statements

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

District-Wide Financial Statements

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

**CLOSTER BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

District-Wide Financial Statements (Continued)

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

As a general rule the effect of interfund activity has been eliminated from the district-wide financial statements. Exceptions to this general rule are charges between the Board's proprietary and fiduciary funds since elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

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

The *debt service fund* accounts for the accumulation of resources 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.

**CLOSTER BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (continued)

Additionally, the government reports the following fund 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.

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".

D. Measurement Focus and Basis of Accounting

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

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

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

**CLOSTER BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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.

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

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

1. Cash and Cash Equivalents

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.

2. Receivables

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

3. 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.

**CLOSTER BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. Capital Assets (Continued)

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

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

4. 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.

5. Long-Term Obligations

In the district-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

6. Net Position/Fund Balance

District-Wide Statements

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

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

CLOSTER BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. Net Position/Fund Balance (Continued)

Governmental Fund Statements

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

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

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, 2012 audited excess surplus that was appropriated in the 2013/2014 original budget certified for taxes.

Reserved Excess Surplus – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2013 audited excess surplus that is required to be appropriated in the 2014/2015 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.

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

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

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

**CLOSTER BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. Net Position/Fund Balance (Continued)

Governmental Fund Statements (Continued)

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 2013/2014 District budget certified for taxes.

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

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

7. Reclassifications

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

F. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Property Taxes

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

**CLOSTER BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Revenues and Expenditures/Expenses (Continued)

3. *Tuition Revenues and Expenditures*

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 2011-2012 and 2012-2013 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

4. *Proprietary Funds, Operating and Non-Operating Revenues and Expenses*

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the food service enterprise fund are charges to customers for sales and services. Operating expenses for enterprise fund include the cost of sales and services and administrative expenses. 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.

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. Capital lease transactions are accounted for on the GAAP basis.

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent for review and approval prior to adoption.

The 2012/2013 budget was required to be voted upon at the annual school election held on the third Tuesday in April. On January 17, 2012, Chapter 202 of the Laws of P.L. 2011 was approved which established procedures for moving the date of a school district's annual school election from April to the general election in November. Under the new law, districts that have their school board members elected in November no longer have to submit their budgets that meet levy cap requirements for voter approval beginning with the 2013/2014 budget year. Only a school board decision to exceed the tax levy cap would require voter approval for the additional amount on the November ballot. The Board elected to move its annual election to the date of the general elections beginning November 2013 based on the approved resolution of the Borough of Closter, on February 13, 2013, in accordance with the law; therefore voter approval of the annual budget is not required.

**CLOSTER BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2012/2013. During 2012/2013 the Board increased the original budget by \$861,547. The increase was funded by additional State aid appropriated, grant awards and the reappropriation of prior year general fund encumbrances

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

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

B. 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.

**CLOSTER BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Capital Reserve (Continued)

The activity of the capital reserve for the fiscal year ended June 30, 2013 is as follows:

Balance, July 1, 2012		\$ 2,107,191
Increased by:		
Interest earnings	\$ 8,747	
Unexpended Balance of 2012-2013 Capital Outlay		
Appropriations Funded by Capital Reserve	128,941	
Deposits approved by Board Resolution	619,165	
Transfer from Capital Projects	<u>51,058</u>	
Total Increases		<u>807,911</u>
		2,915,102
Withdrawals:		
Approved by Voters in District Budget	200,000	
Approved by Board Resolution	<u>590,000</u>	
Total Withdrawals		<u>790,000</u>
Balance, June 30, 2013		<u>\$ 2,125,102</u>

The June 30, 2013 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 2012/2013 school year, the district transferred \$590,000 to the non-equipment capital outlay accounts. The transfer was made from the capital reserve account approved by the County Superintendent.

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, 2013 is \$626,437. Of this amount, \$300,000 was designated and appropriated in the 2013/2014 original budget certified for taxes and the remaining amount of \$326,437 will be appropriated in the 2014/2015 original budget certified for taxes.

**CLOSTER BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Cash Deposits and Investments

Cash Deposits

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

Bank balances for interest bearing accounts are insured up to \$250,000 in the aggregate by the FDIC for each bank. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, temporary unlimited deposit insurance coverage was provided for non-interest bearing accounts from December 31, 2010 through December 31, 2012. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2013, the book value of the Board's deposits were \$4,334,483 and bank and brokerage firm balances of the Board's deposits amounted to \$4,658,022. The Board's deposits which are displayed on the various fund balance sheets as "cash and cash equivalents" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ <u>4,658,022</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, 2013 the Board had no bank balances exposed to custodial credit risk.

Investments

The Board is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, 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, 2013, the Board had no outstanding investments.

Investment and interest earnings in the Capital Projects Fund are assigned to the General Fund in accordance with Board policy.

**CLOSTER BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS

B. Receivables

Receivables as of June 30, 2013 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>Food Service</u>	<u>Total</u>
Receivables:			
Intergovernmental	\$ 44,553	\$ 886	\$ 45,439
Other	<u>4,825</u>	<u>-</u>	<u>4,825</u>
Gross Receivables	49,378	886	50,264
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 49,378</u>	<u>\$ 886</u>	<u>\$ 50,264</u>

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

	<u>Balance July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2013</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 26,600	-	-	\$ 26,600
Construction In Progress	<u>-</u>	<u>\$ 101,228</u>	<u>-</u>	<u>101,228</u>
Total Capital Assets, Not Being Depreciated	<u>26,600</u>	<u>101,228</u>	<u>-</u>	<u>127,828</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	19,125,094	-	-	19,125,094
Improvements Other Than Buildings	211,215	-	-	211,215
Machinery and Equipment	<u>727,861</u>	<u>83,351</u>	<u>\$ (2,229)</u>	<u>808,983</u>
Total Capital Assets Being Depreciated	<u>20,064,170</u>	<u>83,351</u>	<u>(2,229)</u>	<u>20,145,292</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(6,207,684)	(476,100)	-	(6,683,784)
Improvements Other Than Buildings	(153,661)	(9,361)	-	(163,022)
Machinery and Equipment	<u>(592,268)</u>	<u>(70,948)</u>	<u>2,229</u>	<u>(660,987)</u>
Total Accumulated Depreciation	<u>(6,953,613)</u>	<u>(556,409)</u>	<u>2,229</u>	<u>(7,507,793)</u>
Total Capital Assets, Being Depreciated, Net	<u>13,110,557</u>	<u>(473,058)</u>	<u>-</u>	<u>12,637,499</u>
Governmental Activities Capital Assets, Net	<u>\$ 13,137,157</u>	<u>\$ (371,830)</u>	<u>\$ -</u>	<u>\$ 12,765,327</u>

**CLOSTER BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</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>

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

Governmental Activities:

Instruction		
Regular		\$ 289,753
Special		60,136
Other		36,681
School Sponsored		<u>2,692</u>
Total Instruction		<u>389,262</u>
Support Services		
Students and Instruction Related		68,512
General Administration		19,610
School Administration		34,473
Central Services		10,391
Operations and Maintenance of Plant		33,819
Student Transportation		<u>342</u>
Total Support Services		<u>167,147</u>
Total Depreciation Expense - Governmental Activities		<u>\$ 556,409</u>

**CLOSTER BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

Construction and Other Significant Commitments

The District has the following active construction projects as of June 30, 2013:

<u>Project</u>	<u>Remaining Commitment</u>
Bathroom Renovations	\$ 236,035
Classroom Addition Phase II at Hillside Elementary School	401,732
Installation of Windows for Bathroom Renovation	35,846
Repairing the Front Driveway and Parking Area at Tenakill	35,980
Installation of Classroom Window Wall and Door at Hillside Elementary School	<u>33,082</u>
Total	<u>\$ 742,675</u>

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2013, is as follows:

Due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 280
General Fund	Agency Fund	<u>88</u>
Total		<u>\$ 368</u>

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

Interfund transfers

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

	<u>Transfer In:</u>
	General
	<u>Fund</u>
Transfer Out:	
Capital Projects	<u>\$ 51,058</u>
	<u>\$ 51,058</u>

**CLOSTER BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund Receivables, Payables, and Transfers (Continued)

The above transfers are the result of revenues earned and/or other financing sources received in one fund to finance expenditures in another fund.

E. Leases

Capital Leases

The District is leasing computers totaling \$179,526 under a capital lease. The lease is for a term of 3 years.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013 were as follows:

<u>Fiscal</u> <u>Year Ending June 30</u>	<u>Governmental</u> <u>Activities</u>
2014	\$ 60,319
2015	<u>60,319</u>
Total Minimum Lease Payments	120,638
Less: Amount Representing Interest	<u>1,432</u>
Present Value of Minimum Lease Payments	<u>\$ 119,206</u>

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 and other capital assets. 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, 2013 are comprised of the following issues:

\$4,464,000, 1994 Bonds, due in annual installments of \$294,000 to \$300,000 September 15, 2014, interest at 6.125%	\$ 594,000
\$4,600,000, 2004 Bonds, due in annual installments of \$270,000 to \$280,000 through April 1, 2024, interest at 3.60% to 4.00%	<u>2,985,000</u>
	<u>\$3,579,000</u>

**CLOSTER BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-Term Debt (Continued)

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 and other capital assets.

Loans payable at June 30, 2013 are comprised of the following:

Small Project Loan

\$897,656, 1993 Loan due in Semi-annual installment of \$66,503, through July 15, 2013, interest at 5.288% \$ 66,503

Facility Program Loan

\$4,464,063, 1993 Loan due in semi-annual installment of \$234,950 through July 15, 2013, interest at 1.50% 234,950

Safe Program Loan

\$299,219, 1993 Loan due in semi-annual installments of \$15,749 through July 15, 2013, interest at 1.50% 15,749

Grand Total \$317,202

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

Governmental Activities:

Fiscal Year Ending June 30,	<u>Serial Bonds</u>		<u>Intergovernmental Loans</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
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	270,000	84,705			354,705
2018	270,000	74,985			344,985
2019-2023	1,355,000	218,460			1,573,460
2024	<u>280,000</u>	<u>11,200</u>	<u>-</u>	<u>-</u>	<u>291,200</u>
	<u>\$ 3,579,000</u>	<u>\$ 737,984</u>	<u>\$ 317,202</u>	<u>\$ 3,639</u>	<u>\$ 4,637,825</u>

**CLOSTER BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-Term Debt (Continued)

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2013 was as follows:

3% of Equalized Valuation Basis (Municipal)	\$ 62,657,788
Less: Net Debt	<u>3,896,202</u>
Remaining Borrowing Power	<u>\$ 58,761,586</u>

Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2013, was as follows:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Governmental activities:					
Bonds Payable	\$ 4,149,000		\$ 570,000	\$ 3,579,000	\$ 570,000
Intergovernmental Loans Payable	631,564		314,362	317,202	317,202
Capital Lease Payable		\$ 179,526	60,320	119,206	59,740
Compensated Absences	<u>326,247</u>	<u>30,988</u>	<u>12,600</u>	<u>344,635</u>	<u>-</u>
Governmental Activity Long-Term Liabilities	<u>\$ 5,106,811</u>	<u>\$ 210,514</u>	<u>\$ 957,282</u>	<u>\$ 4,360,043</u>	<u>\$ 946,942</u>

For the governmental activities, the liability for compensated absences is generally liquidated by the general fund.

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.

**CLOSTER BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 4 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

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:

Fiscal Year Ended <u>June 30,</u>	District <u>Contributions</u>	Employee <u>Contributions</u>	Amount <u>Reimbursed</u>	Ending <u>Balance</u>
2013	None	\$ 25,988	\$ 42,861	\$ 142,654
2012	None	24,115	56,997	158,767
2011	None	23,442	110,527	190,841

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 FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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, 2013, 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, 2013, the District has not estimated its arbitrage earnings due to the IRS, if any.

D. Employee Retirement Systems and Pension Plans

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

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

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 FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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.

Significant Legislation

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

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

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

**CLOSTER BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Significant Legislation (Continued)

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

Investment Valuation

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

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund, 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.

Funding Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems including TPAF and PERS, is 67.5 percent with an unfunded actuarial accrued liability of \$41.7 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 60.8 percent and \$30.1 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and Police and Firemen's Retirement System ("PFRS") is 77.5 percent and \$11.6 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 FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Actuarial Methods and Assumptions

In the July 1, 2011 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (a) a revised investment rate of return for all retirement systems from 8.25 percent to 7.95 percent and (b) revised projected salary increases of 4.52 percent for the PERS and 3.90 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 6.5% for PERS, 6.5% 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, 2013 for TPAF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended June 30, 2013, 2012 and 2011 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:

Fiscal Year Ended <u>June 30,</u>	<u>PERS</u>	On-behalf <u>TPAF</u>	<u>DCRP</u>
2013	\$ 145,531	\$ 599,227	\$ 9,521
2012	177,283	284,994	7,268
2011	170,921	26,285	7,813

The State contributed \$599,227 and \$284,994 during 2012/2013 and 2011/2012, respectively for normal cost pension, accrued liability and the NCGI premium. For fiscal year 2010/2011, the State did not contribute to the TPAF for normal cost and accrued liability; however, the State contributed \$26,285 for the NCGI premium only.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$694,689 during the year ended June 30, 2013 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 FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 566 state and local participating employers and contributing entities for Fiscal Year 2012.

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

**CLOSTER BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 July 1, 2011, the most recent actuarial valuation date, the State had a \$48.9 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$18.0 billion for state active and retired members and \$30.9 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 July 1, 2011, actuarial valuation, the projected unit credit was used as the actuarial cost method. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

Post-Retirement Medical Benefits Contributions

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2012, there were 97,661, retirees receiving post-retirement medical benefits and the State contributed \$958.9 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 \$146.6 million toward Chapter 126 benefits for 16,618 eligible retired members in Fiscal Year 2012.

**CLOSTER BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

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, 2013, 2012 and 2011 were \$677,574, \$572,911 and \$558,294, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

F. Subsequent Events

On August 1, 2013, the School District issued \$2,790,000 Refunding School Bonds with an interest rate of 2.35%. The Bonds will mature over the next ten years with the first maturity due April 1, 2015.

The Refunding Bonds were issued to (i) advance refund and redeem \$2,715,000 of the outstanding callable 2004 School Bonds dated April 1, 2004 and maturing on April 1, in the years 2015 through 2024; and (ii) pay certain costs and expenses incidental to the issuance and delivery of the Bonds.

NOTE 5 RESTATEMENT

On July 1, 2012, the Closter Board of Education implemented GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position" and GASB Statement No. 65, "Items Previously Reported in Assets and Liabilities". The Closter Board of Education has determined that the effect of implementing these accounting changes on the financial statements previously reported as of and for the year ended June 30, 2012 was to eliminate in the District-wide statement of net position the deferred charge related to debt issuance costs in the amount of \$21,428 with a corresponding reduction in the net investment in capital assets component of net position. The result of this restatement is to reduce total net position of Governmental Activities at June 30, 2012 from \$11,570,859 as originally reported to \$11,549,431 as adjusted for the effects of the change in accounting principle.

BUDGETARY COMPARISON SCHEDULES

**CLOSTER BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
REVENUES					
Local Sources					
Property Taxes	\$ 15,879,328		\$ 15,879,328	\$ 15,879,328	
Tuition	108,843		108,843	346,617	\$ 237,774
Interest - Capital Reserve	1,000		1,000	8,747	7,747
Interest				7,962	7,962
Miscellaneous	25,000	-	25,000	49,191	24,191
Total Local Sources	<u>16,014,171</u>	<u>-</u>	<u>16,014,171</u>	<u>16,291,845</u>	<u>277,674</u>
State Sources					
Extraordinary Aid				122,512	122,512
Categorical Special Education Aid	382,257		382,257	382,257	
Security Aid	15,534		15,534	15,534	
Transportation Aid	15,532		15,532	15,532	
Non Public Transportation Reimbursement				6,526	6,526
TPAF Social Security Contributions (Non-Budgeted)				694,689	694,689
TPAF Post Retirement Medical Contribution (Non-Budgeted)				677,574	677,574
TPAF Pension - Normal Costs (Non-Budgeted)				569,275	569,275
TPAF Pension - NCGI Premium	-	-	-	29,952	29,952
Total State Sources	<u>413,323</u>	<u>-</u>	<u>413,323</u>	<u>2,513,851</u>	<u>2,100,528</u>
Total Revenues	<u>16,427,494</u>	<u>-</u>	<u>16,427,494</u>	<u>18,805,696</u>	<u>2,378,202</u>
EXPENDITURES					
CURRENT EXPENDITURES					
Instruction - Regular Programs					
Salaries of Teachers					
Preschool	-	\$ 82,130	82,130	72,210	9,920
Kindergarten	446,186	-	446,186	430,531	15,655
Grades 1-5	2,977,595	27,921	3,005,516	2,970,592	34,924
Grades 6-8	2,187,016	(22,000)	2,165,016	2,155,233	9,783
Regular Programs - Home Instruction					
Salaries of Teachers	3,500	-	3,500	735	2,765
Purchased Professional/Educational Services	3,500	(600)	2,900		2,900
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	314,500	39,697	354,197	323,635	30,562
Purchased Professional/Educational Services	11,250	5,200	16,450	14,100	2,350
Purchased Technical Services	31,200	(8,110)	23,090	19,842	3,248
Other Purchased Services	100,550	51,370	151,920	148,172	3,748
Assets Acquired Under Capital Lease (Non-Budget)				179,526	(179,526)
General Supplies	240,895	(48,750)	192,145	176,422	15,723
Textbooks	18,378	(12,150)	6,228	6,219	9
Other Objects	2,550	-	2,550	2,284	266
Total Regular Programs	<u>6,337,120</u>	<u>114,708</u>	<u>6,451,828</u>	<u>6,499,501</u>	<u>(47,673)</u>
Learning and/or Language Disabilities					
Salaries of Teachers	105,383	(45,671)	59,712	59,712	-
Other Salaries for Instruction	21,750	-	21,750	20,580	1,170
General Supplies	1,500	-	1,500	1,494	6
Total Learning and/or Language Disabilities	<u>128,633</u>	<u>(45,671)</u>	<u>82,962</u>	<u>81,786</u>	<u>1,176</u>
Resource Room/Resource Center					
Salaries of Teachers	969,115	16,815	985,930	980,513	5,417
General Supplies	5,000	1,100	6,100	5,671	429
Total Resource Room/Resource Center	<u>974,115</u>	<u>17,915</u>	<u>992,030</u>	<u>986,184</u>	<u>5,846</u>
Preschool Disabilities - Full - Time					
Salaries of Teachers	88,870	3,200	92,070	92,050	20
Other Salaries for Instruction	85,000	(522)	84,478	82,631	1,847
General Supplies	3,000	322	3,322	3,321	1
Total Preschool Disabilities - Full-Times	<u>176,870</u>	<u>3,000</u>	<u>179,870</u>	<u>178,002</u>	<u>1,868</u>
Total Special Education	<u>1,279,618</u>	<u>(24,756)</u>	<u>1,254,862</u>	<u>1,245,972</u>	<u>8,890</u>

**CLOSTER BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Basic Skills/Remedial					
Salaries of Teachers	\$ 430,556	-	\$ 430,556	\$ 428,766	\$ 1,790
General Supplies	3,800	(500)	3,300	3,062	238
Total Basic Skills/Remedial	434,356	(500)	433,856	431,828	2,028
Bilingual Education					
Salaries of Teachers	218,077	141	218,218	218,212	6
General Supplies	3,650	(141)	3,509	2,891	618
Total Bilingual Education	221,727	-	221,727	221,103	624
School Sponsored Co/Extra Curricular Activities-Instruction					
Salaries	40,300	3,880	44,180	43,784	396
Purchased Services	6,250	(970)	5,280	4,895	385
Supplies and Materials	3,000	(1,198)	1,802	1,802	-
Other Objects	750	(365)	385	385	-
Total School Sponsored Co/Extra Curricular Activities-Instruction	50,300	1,347	51,647	50,866	781
School Sponsored Athletics-Instruction					
Salaries	17,000	-	17,000	11,524	5,476
Purchased Services	2,750	(252)	2,498	2,498	-
Other Objects	1,285	(947)	338	337	1
Total School Sponsored Athletics-Instruction	21,035	(1,199)	19,836	14,359	5,477
Summer School-Instruction					
Salaries of Teachers	20,000	3,997	23,997	23,996	1
Other Salaries for Instruction	2,500	2,410	4,910	4,718	192
Supplies and Materials	2,500	(680)	1,820	747	1,073
Total Summer School-Instruction	25,000	5,727	30,727	29,461	1,266
Total Instruction	8,369,156	95,327	8,464,483	8,493,090	(28,607)
Summer School-Support Services					
Salaries	-	3,740	3,740	3,555	185
Total Summer School-Support Services	-	3,740	3,740	3,555	185
Undistributed Expenditures					
Instruction					
Tuition to Other LEAs w/in State - Special	424,368	(16,505)	407,863	382,548	25,315
Tuition to CSSD and Regional Day Schools	72,100	-	72,100	71,300	800
Tuition to Priv. Sch. for the Disabled - State	48,852	(16,495)	32,357	32,356	1
Total Undistributed Expenditures - Instruction	545,320	(33,000)	512,320	486,204	26,116
Attendance and Social Work					
Salaries	65,350	-	65,350	61,571	3,779
Purchased Professional and Technical Services	7,550	-	7,550	6,652	898
Total Attendance and Social Work	72,900	-	72,900	68,223	4,677
Health Services					
Salaries	186,639	4,150	190,789	189,989	800
Purchased Professional and Technical Services	6,500	(150)	6,350	2,555	3,795
Supplies and Materials	6,125	-	6,125	5,889	236
Total Health Services	199,264	4,000	203,264	198,433	4,831
Speech, OT, PT & Related Services					
Salaries	241,781	31,093	272,874	250,441	22,433
Supplies and Materials	2,000	132	2,132	1,731	401
Total Speech, OT, PT & Related Services	243,781	31,225	275,006	252,172	22,834
Other Support Services - Students - Extra Services					
Salaries	117,000	(20,400)	96,600	95,331	1,269
Purchased Professional-Educational Services	187,725	29,756	217,481	192,442	25,039
Supplies and Materials	8,000	-	8,000	3,238	4,762
Other Objects	1,500	-	1,500	981	519
Total Other Supp.Serv. Student - Extra Services	314,225	9,356	323,581	291,992	31,589
Other Supp. Serv. - Students - Regular (Guidance)					
Salaries of Other Professional Staff	164,486	(9,000)	155,486	148,984	6,502
Supplies and Materials	1,400	-	1,400	1,320	80
Total Guidance	165,886	(9,000)	156,886	150,304	6,582

**CLOSTER BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Child Study Teams					
Salaries of Other Professional Staff	\$ 366,872	\$ 12,390	\$ 379,262	\$ 379,128	\$ 134
Salaries of Secretarial and Clerical Assistants	78,000	-	78,000	74,026	3,974
Purchased Professional-Educational Services	30,500	-	30,500	30,316	184
Other Purchased Professional and Technical Services	11,000	(1,850)	9,150	8,019	1,131
Supplies and Materials	8,500	5,000	13,500	13,145	355
Other Objects	2,500	-	2,500	522	1,978
Total Child Study Teams	497,372	15,540	512,912	505,156	7,756
Improvement of Instructional Services					
Salaries of Other Professional Staff	5,000	-	5,000	-	5,000
Purchased Professional-Educational Services	47,000	-	47,000	45,969	1,031
Total Improvement of Instructional Services	52,000	-	52,000	45,969	6,031
Educational Media/School Library					
Salaries	209,689	50	209,739	204,542	5,197
Purchased Professional and Technical Services	3,000	215	3,215	3,190	25
Other Purchased Services	2,500	25	2,525	2,460	65
Supplies and Materials	18,450	(290)	18,160	14,939	3,221
Total Educational Media/School Library	233,639	-	233,639	225,131	8,508
Instructional Staff Training Services					
Salaries of Other Professional Staff	1,000	(900)	100	-	100
Purchased Professional-Educational Services	32,815	-	32,815	32,815	-
Other Purchased Professional and Technical Services	9,200	1,285	10,485	6,029	4,456
Other Purchased Services	5,000	(1,330)	3,670	3,492	178
Supplies and Materials	5,000	945	5,945	5,697	248
Total Instructional Staff Training Services	53,015	-	53,015	48,033	4,982
Support Services General Administration					
Salaries	409,000	-	409,000	402,880	6,120
Legal Services	39,000	(14,890)	24,110	18,803	5,307
Audit Fees	21,000	(1,350)	19,650	19,650	-
Architectural/Engineering Services	10,000	85,926	95,926	72,067	23,859
Other Purchased Professional Services	11,000	597	11,597	10,746	851
Communications/Telephone	26,300	3,619	29,919	24,644	5,275
BOE Other Purchased Services	5,000	(3,000)	2,000	422	1,578
Miscellaneous Purchased Services	2,000	355	2,355	1,852	503
General Supplies	8,000	-	8,000	3,892	4,108
BOE In-House Training/Meeting Supplies	1,500	-	1,500	322	1,178
Miscellaneous Expenditures	11,500	(900)	10,600	5,950	4,650
BOE Membership Dues and Fees	9,296	-	9,296	8,296	1,000
Total Support Services General Administration	553,596	70,357	623,953	569,524	54,429
Support Services School Administration					
Salaries of Principals/Asst. Principals	409,000	-	409,000	407,022	1,978
Salaries of Other Professional Staff	158,500	37,420	195,920	195,901	19
Salaries of Secretarial and Clerical Assistants	107,500	(1,320)	106,180	105,312	868
Other Purchased Services	8,750	(1,250)	7,500	2,069	5,431
Supplies and Materials	10,500	5,000	15,500	13,417	2,083
Other Objects	3,500	-	3,500	2,789	711
Total Support Services School Administration	697,750	39,850	737,600	726,510	11,090
Central Services					
Salaries	138,165	3,000	141,165	140,713	452
Purchased Technical Services	20,000	2,092	22,092	22,091	1
Miscellaneous Purchased Services	7,100	(1,752)	5,348	5,019	329
Supplies and Materials	5,500	1,410	6,910	6,906	4
Miscellaneous Expenditures	1,500	(871)	629	378	251
Total Central Services	172,265	3,879	176,144	175,107	1,037

**CLOSTER BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Admin. Info. Tech.					
Salaries	\$ 73,000	-	\$ 73,000	\$ 72,775	\$ 225
Other Purchased Services		\$ 2,645	2,645	2,645	-
Supplies and Materials		3,936	3,936	3,913	23
Other Objects	5,000	(5,000)	-	-	-
Total Admin. Info. Tech.	78,000	1,581	79,581	79,333	248
Required Maintenance for School Facilities					
Salaries	184,000	-	184,000	175,673	8,327
Cleaning, Repair and Maintenance Services	180,000	(23,672)	156,328	115,253	41,075
General Supplies	30,000	10,197	40,197	35,722	4,475
Other Objects	2,200	(471)	1,729	957	772
Total Required Maintenance for School Facilities	396,200	(13,946)	382,254	327,605	54,649
Custodial Services					
Salaries	416,410	7,520	423,930	413,105	10,825
Salaries of Non-Instructional Aides	110,000	-	110,000	106,039	3,961
Purchased Professional and Technical Services	8,000	(2,000)	6,000	5,390	610
Cleaning, Repair and Maintenance Services	17,500	(8,709)	8,791	6,215	2,576
Other Purchased Property Services	12,225	-	12,225	10,841	1,384
Insurance	123,500	(6,000)	117,500	117,209	291
Miscellaneous Purchased Services	500	-	500	432	68
General Supplies	45,000	(3,011)	41,989	37,210	4,779
Energy (Natural Gas)	95,000	(10,830)	84,170	65,074	19,096
Energy (Electricity)	160,000	(35,500)	124,500	122,019	2,481
Gasoline	2,500	11	2,511	2,510	1
Other Objects	500	-	500	-	500
Total Custodial Services	991,135	(58,519)	932,616	886,044	46,572
Care and Upkeep of Grounds					
Cleaning, Repair and Maintenance Service	30,000	55,919	85,919	49,112	36,807
General Supplies	5,000	(1,000)	4,000	3,944	56
Total Care and Upkeep of Grounds	35,000	54,919	89,919	53,056	36,863
Security					
Purchased Professional and Technical Services		2,412	2,412	2,412	-
General Supplies	-	5,031	5,031	5,030	1
Total Care and Upkeep of Grounds	-	7,443	7,443	7,442	1
Student Transportation Services					
Salaries of Non-Instructional Aides	7,000	50	7,050	7,027	23
Contracted Services (Between Home and School) - Vendors	31,000	-	31,000	29,414	1,586
Contracted Services (Other Than Between Home and School) - Vendors	10,500	-	10,500	9,419	1,081
Contracted Services (Between Home and School) - Joint Agreements	45,000	-	45,000	24,705	20,295
Contracted Services (Special Education Students) - Joint Agreements	140,000	-	140,000	93,022	46,978
Contracted Services - Aid in Lieu of Payments-Non-Public Schools	50,000	(13,668)	36,332	18,087	18,245
Total Student Transportation Services	283,500	(13,618)	269,882	181,674	88,208
Regular Programs - Instruction - Employee Benefits					
Tuition Reimbursement	20,000	(20,000)	-	-	-
Other Employee Benefits	25,200	(25,200)	-	-	-
Total Regular Programs - Instruction	45,200	(45,200)	-	-	-
Other Employee Benefits	2,500	(2,500)	-	-	-
Total Other Employee Benefits	2,500	(2,500)	-	-	-

**CLOSTER BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Unallocated Benefits- Employee Benefits					
Social Security Contributions	\$ 161,000	\$ 1,000	\$ 162,000	\$ 161,852	\$ 148
Other Retirement Contributions - PERS	196,100	(50,569)	145,531	145,531	-
Other Retirement Contribution - DCRP	8,500	1,100	9,600	9,521	79
Worker's Compensation	102,415	(12,333)	90,082	90,082	-
Health Benefits	2,130,480	7,798	2,138,278	2,107,659	30,619
Tuition Reimbursement	-	20,000	20,000	18,648	1,352
Other Employee Benefits	1,200	15,204	16,404	14,893	1,511
Total Unallocated Benefits	2,599,695	(17,800)	2,581,895	2,548,186	33,709
TPAF Post-Retirement Medical Contribution (Non-Budgeted)				677,574	(677,574)
TPAF Pension Contribution-Normal Costs (Non-Budgeted)				569,275	(569,275)
TPAF Pension Contribution-NCGI Premium (Non-Budgeted)				29,952	(29,952)
TPAF Social Security Contributions (Non-Budgeted)	-	-	-	694,689	(694,689)
Total Undistributed Expenditures	8,232,243	48,307	8,280,550	9,801,143	(1,520,593)
Total Current Expenditures	16,601,399	143,634	16,745,033	18,294,233	(1,549,200)
CAPITAL OUTLAY					
Interest Deposit to Capital Reserve	1,000	-	1,000	-	1,000
EQUIPMENT					
Required Maintenance of School Facilities		5,681	5,681	5,681	
Custodial Services		4,600	4,600	4,600	
Security		33,000	33,000	28,265	4,735
Health Services	-	-	-	-	-
Total Equipment	-	43,281	43,281	38,546	4,735
Facilities Acquisition and Construction Services					
Construction Services	600,000	590,000	1,190,000	101,228	1,088,772
Assessment for Debt Service on SDA Funding	14,941	-	14,941	14,941	-
Total Facilities Acquisition and Construction Services	614,941	590,000	1,204,941	116,169	1,088,772
Total Capital Outlay	615,941	633,281	1,249,222	154,715	1,094,507
Total General Fund Expenditures	17,217,340	776,915	17,994,255	18,448,948	(454,693)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(789,846)	(776,915)	(1,566,761)	356,748	1,923,509
Other Financing Sources (Uses)					
Transfer In - Capital Projects	-	-	-	51,058	51,058
Capital Lease Proceeds (Non-Budget)	-	-	-	179,526	179,526
Total Other Financing Sources (Uses)	-	-	-	230,584	230,584
Excess (Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Sources	(789,846)	(776,915)	(1,566,761)	587,332	2,154,093
Fund Balance, Beginning of Year	3,760,389	-	3,760,389	3,760,389	-
Fund Balance, End of Year	\$ 2,970,543	\$ (776,915)	\$ 2,193,628	\$ 4,347,721	\$ 2,154,093
Recapitulation					
Restricted:					
Emergency Reserve				\$ 250,000	
Capital Reserve - Designated for Subsequent Year's Expenditures				290,000	
Capital Reserve				1,835,102	
Excess Surplus - Designated for Subsequent Year's Expenditures				300,000	
Excess Surplus				326,437	
Committed:					
Year-End Encumbrances				766,171	
Assigned:					
Year End Encumbrances				24,812	
Designated for Subsequent Years Expenditures				100,202	
Unassigned Fund Balance				454,997	
				4,347,721	
Reconciliation to Governmental Fund Statements (GAAP)					
Receivables Not Recognized by GAAP					
Final State Aid Payment				(39,840)	
Extraordinary Aid				(122,512)	
Fund Balance, Governmental Statements (GAAP Basis)				\$ 4,185,369	

**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, 2013**

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget to Actual
REVENUES					
Federal Sources	\$ 170,000	\$ 84,632	\$ 254,632	\$ 254,632	-
Total Revenues	170,000	84,632	254,632	254,632	-
EXPENDITURES					
Instruction					
Tuition - Other Purchased Services	170,000	22,347	192,347	192,347	-
Supplies and Materials	-	19,707	19,707	19,707	-
Total Instruction	170,000	42,054	212,054	212,054	-
Support Services					
Other Purchased Services	-	42,578	42,578	42,578	-
Total Support Services	-	42,578	42,578	42,578	-
Total Expenditures	170,000	84,632	254,632	254,632	-
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, 2013**

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

The accounting records of the Special Revenue Fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The following presents a reconciliation of the General and Special Revenue Funds from the budgetary basis of accounting as presented in the Budgetary Comparison 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)	\$ 18,805,696	\$ 254,632
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, 2012		
Encumbrances - June 30, 2013		
State Aid payments recognized for GAAP statements, not recognized for budgetary purposes - Prior Year	203,254	
State Aid payments recognized for budgetary purposes, not recognized for GAAP statements - Current Year	<u>(162,352)</u>	<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 18,846,598</u>	<u>\$ 254,632</u>
Uses/Outflows of Resources		
Actual amounts (budgetary basis) total outflows from the budgetary comparison schedule	\$ 18,448,948	\$ 254,632
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		
	<u>-</u>	<u>-</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 18,448,948</u>	<u>\$ 254,632</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, 2013**

	IDEA Part B- Basic	IDEA Pre- School	NCLB Title III	Total
REVENUES				
Intergovernmental Federal	\$ 224,093	\$ 10,832	\$ 19,707	\$ 254,632
Total Revenues	<u>\$ 224,093</u>	<u>\$ 10,832</u>	<u>\$ 19,707</u>	<u>\$ 254,632</u>
EXPENDITURES				
Instruction				
Tuition - Other Purchased Services	\$ 181,515	\$ 10,832		\$ 192,347
Supplies and Materials	<u>-</u>	<u>-</u>	\$ 19,707	<u>19,707</u>
Total Instruction	<u>181,515</u>	<u>10,832</u>	<u>19,707</u>	<u>212,054</u>
Support Services				
Other Purchased Services	<u>42,578</u>	<u>-</u>	<u>-</u>	<u>42,578</u>
Total Support Services	<u>42,578</u>	<u>-</u>	<u>-</u>	<u>42,578</u>
Total Expenditures	<u>\$ 224,093</u>	<u>\$ 10,832</u>	<u>\$ 19,707</u>	<u>\$ 254,632</u>

**CLOSTER BOARD OF EDUCATION
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID
SCHEDULE OF EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOT APPLICABLE

CAPITAL PROJECTS FUND

**CLOSTER BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<u>Issue/Project Title</u>	<u>Expenditures to Date</u>				<u>Balance June 30, 2013</u>
	<u>Prior Year Appropriation</u>	<u>Expended</u>	<u>Canceled Accounts Payables</u>	<u>Current Year Transfer to Capital Reserve</u>	
Hillside Elementary School - Partial Re-roofing	\$ 469,600	\$ 461,950	\$ 280	\$ 7,930	
Tenakill Middle School - Partial Re-roofing	<u>179,320</u>	<u>179,200</u>	<u>-</u>	<u>120</u>	<u>\$ -</u>
	<u>\$ 648,920</u>	<u>\$ 641,150</u>	<u>\$ 280</u>	<u>\$ 8,050</u>	<u>\$ -</u>

Analysis of Appropriations

Hillside Elementary School - Partial Re-roofing	SDA Grant	\$ 176,800
	Capital Reserve	<u>292,800</u>
		<u>\$ 469,600</u>
Tenakill Middle School - Partial Re-roofing	SDA Grant	\$ 71,728
	Capital Reserve	<u>107,592</u>
		<u>\$ 179,320</u>

**CLOSTER BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Revenues	
Canceled Accounts Payables	\$ <u>280</u>
Total Revenues	<u>280</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>280</u>
Other Financing Sources (Uses)	
Transfer Out - Local Share Capital Reserve	<u>(51,058)</u>
Total Other Financing Sources (Uses)	<u>(51,058)</u>
Fund Balance - Beginning of Year	<u>50,778</u>
Fund Balance- End of Year	<u>\$ -</u>

**CLOSTER BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES AND PROJECT STATUS -
HILLSIDE ELEMENTARY SCHOOL - PARTIAL RE-ROOFING
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Prior Periods</u>	<u>Current Period</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
SDA Grant	\$ 176,800		\$ 176,800	\$ 176,800
Capital Reserve				
Canceled Accounts Payables	292,800	\$ 280	293,080	292,800
	<u>469,600</u>	<u>280</u>	<u>469,880</u>	<u>469,600</u>
EXPENDITURES AND OTHER FINANCING SOURCES				
Professional Service Fees	34,000		34,000	34,000
Construction Services	427,950		427,950	435,600
Transfer to Capital Reserve	-	7,930	7,930	-
	<u>461,950</u>	<u>7,930</u>	<u>469,880</u>	<u>469,600</u>
Excess (deficiency) of Revenues over (under) Expenditures	<u>\$ 7,650</u>	<u>\$ (7,650)</u>	<u>\$ -</u>	<u>\$ -</u>

Additional Project Information:

Project Number	#0930-050-10-1001
Grant Date	08/23/2010
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
SDA Grant Authorized	\$ 176,800
Capital Reserve	292,800
Original Authorized Cost Share	\$ 469,600
Revised Authorized Cost	\$ 469,600

Percentage Increase Over Original

Authorized Cost	0.00%
Percentage Completion	100.00%
Original Target Completion Date	11/12
Completion Date	12/13

**CLOSTER BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES AND PROJECT STATUS -
TENAKILL MIDDLE SCHOOL - PARTIAL RE-ROOFING
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
SCC Grant Proceeds	\$ 71,728		\$ 71,728	\$ 71,728
Capital Reserve	107,592	-	107,592	107,592
	<u>179,320</u>	<u>-</u>	<u>179,320</u>	<u>179,320</u>
EXPENDITURES AND OTHER FINANCING SOURCES				
Professional Service Fees	24,000		24,000	24,000
Construction Services	155,200		155,200	155,320
Transfer to Capital Reserve	-	\$ 120	120	-
	<u>179,200</u>	<u>120</u>	<u>179,320</u>	<u>179,320</u>
Excess (deficiency) of Revenues over (under) Expenditures	<u>\$ 120</u>	<u>\$ (120)</u>	<u>\$ -</u>	<u>\$ -</u>

Additional Project Information:

Project Number	#0930-060-10-1002
Grant Date	8/20/09
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
SDA Grant Authorized	\$ 71,728
Capital Reserve	107,592
Original Authorized Cost	\$ 179,320
Local Share - Capital Reserve	-
Revised Authorized Cost	\$ 179,320

Percentage Increase Over Original

Authorized Cost	0.00%
Percentage Completion	100.00%
Original Target Completion Date	11/12
Completion Date	11/12

ENTERPRISE FUND

EXHIBIT G-1

**CLOSTER BOARD OF EDUCATION
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2013**

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 POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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, 2013**

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 POSITION
JUNE 30, 2013**

	<u>Agency</u>		
	<u>Student Activity</u>	<u>Payroll</u>	<u>Total</u>
ASSETS			
Cash	\$ 42,067	\$ 3,577	\$ 45,644
Total Assets	<u>\$ 42,067</u>	<u>\$ 3,577</u>	<u>\$ 45,644</u>
LIABILITIES			
Payroll Deductions and Withholdings		\$ 3,431	\$ 3,431
Accrued Salaries and Wages		58	58
Due to Student Groups	\$ 42,067		42,067
Due to Other Funds	<u>-</u>	<u>88</u>	<u>88</u>
Total Liabilities	<u>\$ 42,067</u>	<u>\$ 3,577</u>	<u>\$ 45,644</u>

**CLOSTER BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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, 2013**

<u>School</u>	<u>Balance July 1, 2012</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2013</u>
ELEMENTARY SCHOOL				
Hillside	\$ 28,173	\$ 42,461	\$ 41,562	\$ 29,072
MIDDLE SCHOOL				
Tenakill	<u>13,296</u>	<u>157,247</u>	<u>157,548</u>	<u>12,995</u>
Total	<u>\$ 41,469</u>	<u>\$ 199,708</u>	<u>\$ 199,110</u>	<u>\$ 42,067</u>

**PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Balance, July 1, 2012</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2013</u>
Due to Other Funds	\$ 95	\$ 705	\$ 712	\$ 88
Payroll Deductions and Withholdings	2,343	5,412,880	5,411,792	3,431
Accrued Salaries and Wages	<u>58</u>	<u>7,054,139</u>	<u>7,054,139</u>	<u>58</u>
	<u>\$ 2,496</u>	<u>\$ 12,467,724</u>	<u>\$ 12,466,643</u>	<u>\$ 3,577</u>

LONG-TERM DEBT

EXHIBIT 1-1

CLUSTER BOARD OF EDUCATION
LONG-TERM DEBT
STATEMENT OF SERIAL BONDS PAYABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance, July 1, 2012	Retirements	Balance, June 30, 2013
			Date	Amount				
School Bonds	9/15/94	\$ 4,464,000	9-15-2013	\$ 300,000	6.125 %	\$ 894,000	\$ 300,000	\$ 594,000
			9-15-2014	294,000	6.125 %			
School Bonds	4/1/2004	4,600,000	4-1-2014	270,000	3.60	3,255,000	270,000	2,985,000
			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						
						\$ 4,149,000	\$ 570,000	\$ 3,579,000

**CLOSTER BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF INTERGOVERNMENTAL LOANS PAYABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<u>Intergovernmental Loan</u>	<u>Interest Rate Payable</u>	<u>Amount of Original Issue</u>	<u>Balance July 1, 2012</u>	<u>Retirement</u>	<u>Balance June 30, 2013</u>
Facility Program Loan	1.50%	\$ 4,464,063	\$ 469,900	\$ 234,950	\$ 234,950
Safe Loan	1.50%	299,219	31,498	15,749	15,749
Small Project Loan	5.29%	897,656	<u>130,166</u>	<u>63,663</u>	<u>66,503</u>
			<u>\$ 631,564</u>	<u>\$ 314,362</u>	<u>\$ 317,202</u>

CLOSTER BOARD OF EDUCATION
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 1,064,358	-	\$ 1,064,358	\$ 1,064,358	-
Total Revenues	<u>1,064,358</u>	<u>-</u>	<u>1,064,358</u>	<u>1,064,358</u>	<u>-</u>
EXPENDITURES:					
Regular Debt Service:					
Interest	179,996	-	179,996	179,996	-
Redemption of Principal	884,362	-	884,362	884,362	-
Total Regular Debt Service	<u>1,064,358</u>	<u>-</u>	<u>1,064,358</u>	<u>1,064,358</u>	<u>-</u>
Total Expenditures	<u>1,064,358</u>	<u>-</u>	<u>1,064,358</u>	<u>1,064,358</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-
Fund Balance, Beginning of Year	1	-	1	1	-
Fund Balance, End of Year	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>

CLOSTER BOARD OF EDUCATION
 SCHEDULE OF OBLIGATIONS UNDER LEASE PURCHASE AGREEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<u>Issue</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Balance, June 30, 2012</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance, June 30, 2013</u>
Apple IMAC and MacBook Computers	1.434%	\$ 179,526	\$ -	\$ 179,526	\$ 60,320	\$ 119,206
			\$ -	\$ 179,526	\$ 60,320	\$ 119,206

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 POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net Investment in Capital Assets	\$ 2,177,317	\$ 2,510,538	\$ 4,496,771	\$ 4,919,368	\$ 5,097,568	\$ 5,867,349	\$ 6,392,442	\$ 6,916,987	\$ 8,356,593	\$ 8,869,125
Restricted	478,361	1,568,506	528,878	98,734	252,826	532,393	984,293	1,767,587	1,922,610	2,125,103
Unrestricted	(96,875)	(101,270)	(148,261)	882,000	1,309,815	1,089,287	768,282	1,183,408	1,270,228	1,554,013
Total governmental activities net position	\$ 2,558,803	\$ 3,977,774	\$ 4,877,388	\$ 5,700,102	\$ 6,660,209	\$ 7,489,029	\$ 8,145,017	\$ 9,867,982	\$ 11,549,431	\$ 12,548,241
Business-type activities										
Net Investment in Capital Assets	\$ 6,367	\$ 8,004	\$ 10,537	\$ 29,532	\$ 7,662	\$ 4,162	\$ 10,332	\$ 16,897	\$ 6,198	\$ 4,609
Restricted	6,367	8,004	10,537	29,532	7,662	4,162	10,332	16,897	6,198	4,609
Total business-type activities net position	\$ 6,367	\$ 8,004	\$ 10,537	\$ 29,532	\$ 7,662	\$ 4,162	\$ 10,332	\$ 16,897	\$ 6,198	\$ 4,609
District-wide										
Net Investment in Capital Assets	\$ 2,177,317	\$ 2,510,538	\$ 4,496,771	\$ 4,919,368	\$ 5,097,568	\$ 5,867,349	\$ 6,392,442	\$ 6,916,987	\$ 8,356,593	\$ 8,869,125
Restricted	478,361	1,568,506	528,878	98,734	252,826	532,393	984,293	1,767,587	1,922,610	2,125,103
Unrestricted	(90,508)	(93,266)	(137,724)	711,532	1,317,477	1,093,449	778,614	1,200,305	1,276,426	1,558,622
Total district net position	\$ 2,565,170	\$ 3,985,778	\$ 4,887,925	\$ 5,729,634	\$ 6,667,871	\$ 7,493,191	\$ 8,155,349	\$ 9,884,879	\$ 11,555,629	\$ 12,552,850

Note 1 - Net Position at June 30, 2012 is related to reflect the implementation of GASB Statement No. 63. "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position" and GASB Statement No. 65. "Items Previously Reported in Assets and Liabilities".

**CLOSTER BOARD OF EDUCATION
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS**

(accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities										
Instruction										
Regular	\$ 6,830,754	\$ 7,013,642	\$ 7,743,978	\$ 7,992,233	\$ 8,195,185	\$ 7,877,844	\$ 8,240,288	\$ 7,958,452	\$ 8,416,751	\$ 9,082,284
Special education	1,748,468	1,872,441	1,935,974	2,080,565	2,261,842	2,258,068	2,378,069	1,991,587	2,417,396	2,563,227
Other instruction	486,153	465,048	552,436	639,104	665,095	800,088	864,669	868,239	933,409	1,045,101
School Sponsored Activities and Athletics	58,915	57,563	56,360	73,307	65,978	71,845	78,481	85,403	90,028	91,524
Support Services:										
Student & instruction related services	2,005,716	2,140,203	2,147,051	2,244,067	2,199,194	2,259,022	2,295,601	2,228,355	2,283,250	2,420,970
General administration Services	636,979	604,682	672,458	586,400	626,271	683,875	645,485	684,289	774,342	782,212
School Administration services	536,984	596,495	729,709	872,519	908,975	952,592	950,387	928,914	974,602	1,013,002
Business / Central Services	180,934	175,704	192,710	210,049	209,113	212,980	212,795	318,124	345,204	370,848
Plant operations and maintenance	1,118,963	1,209,548	1,243,636	1,350,210	1,459,950	1,581,380	1,577,500	1,491,173	1,460,709	1,524,964
Pupil transportation	339,155	362,946	331,825	404,215	442,340	396,712	319,614	184,254	161,518	184,151
Interest on long-term debt	289,925	383,993	379,476	353,978	327,202	298,897	268,907	237,825	205,337	168,940
Total governmental activities expenses	14,232,946	14,882,265	15,985,613	16,806,647	17,361,145	17,393,303	17,831,796	16,976,615	18,062,546	19,247,223
Business-type activities:										
Food service	32,494	33,012	30,669	16,034	62,602	45,139	33,311	34,962	51,270	35,506
Total business-type activities expense	32,494	33,012	30,669	16,034	62,602	45,139	33,311	34,962	51,270	35,506
Total district expenses	\$ 14,265,440	\$ 14,915,277	\$ 16,016,282	\$ 16,822,681	\$ 17,423,747	\$ 17,438,442	\$ 17,865,107	\$ 17,011,577	\$ 18,113,816	\$ 19,282,729
Program Revenues										
Governmental activities:										
Charges for services:										
Instruction (tuition)	\$ 127,027	\$ 105,445	\$ 101,385	\$ 75,673	\$ 55,295	\$ 67,500	\$ 101,625	\$ 129,234	\$ 265,204	\$ 346,617
Operating grants and contributions	1,857,084	1,895,248	2,095,797	2,592,224	2,585,080	1,971,803	2,139,415	1,758,474	2,376,140	2,809,385
Capital grants and contributions	7,118	1,050,422	483,938	14,705	2,072	-	-	-	213,168	35,360
Total governmental activities program revenues	1,991,229	3,051,115	2,681,120	2,682,602	2,642,447	2,039,303	2,241,040	1,887,708	2,854,512	3,191,362
Business-type activities:										
Charges for services										
Food service	\$ 20,302	\$ 20,298	\$ 19,298	\$ 20,225	\$ 15,633	\$ 24,172	\$ 24,322	\$ 25,378	\$ 23,571	\$ 21,536
Operating grants and contributions	11,074	14,243	13,546	13,671	23,756	17,188	14,983	15,947	16,873	12,282
Total business-type activities program revenues	31,376	34,541	32,844	33,896	39,389	41,360	39,305	41,325	40,444	33,818
Total district program revenues	\$ 2,022,605	\$ 3,085,656	\$ 2,713,964	\$ 2,716,498	\$ 2,681,836	\$ 2,080,663	\$ 2,280,345	\$ 1,929,033	\$ 2,894,956	\$ 3,225,180
Net (Expense)/Revenue										
Governmental activities	\$ (12,241,717)	\$ (11,831,150)	\$ (13,304,493)	\$ (14,124,045)	\$ (14,718,698)	\$ (15,354,000)	\$ (15,590,756)	\$ (15,088,907)	\$ (15,208,034)	\$ (16,055,861)
Business-type activities	(1,118)	1,529	2,175	17,862	(23,213)	(3,779)	5,994	6,363	(10,826)	(1,688)
Total district-wide net expense	\$ (12,242,835)	\$ (11,829,621)	\$ (13,302,318)	\$ (14,106,183)	\$ (14,741,911)	\$ (15,357,779)	\$ (15,584,762)	\$ (15,082,544)	\$ (15,218,860)	\$ (16,057,549)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Property taxes levied for general purposes	\$ 11,605,911	\$ 12,139,047	\$ 12,976,541	\$ 13,720,585	\$ 14,399,550	\$ 14,924,026	\$ 15,225,195	\$ 15,643,888	\$ 15,722,107	\$ 15,879,328
Taxes levied for debt service	767,264	893,570	1,014,088	1,022,877	1,061,587	1,063,336	1,068,333	1,070,279	1,070,710	1,064,358
Unrestricted Grants and Contributions	73,370	94,398	129,088	94,525	112,509	128,468	55,154	7,835	-	-
Investment earnings	21,408	86,333	65,668	96,500	80,136	32,361	18,378	24,224	12,379	16,709
Miscellaneous income	46,045	36,773	14,627	10,172	15,225	34,629	44,634	60,398	76,307	49,471
Donation of Capital Assets	-	-	4,095	2,100	9,798	-	71,104	26,676	7,980	44,805
Total governmental activities	12,513,998	13,250,121	14,204,107	14,946,759	15,678,805	16,182,820	16,482,798	16,833,300	16,889,483	17,054,671
Business-type activities:										
Investment earnings	25	108	358	1,133	1,343	279	176	202	127	99
Total business-type activities	25	108	358	1,133	1,343	279	176	202	127	99
Total district-wide	\$ 12,514,023	\$ 13,250,229	\$ 14,204,465	\$ 14,947,892	\$ 15,680,148	\$ 16,183,099	\$ 16,482,974	\$ 16,833,502	\$ 16,889,610	\$ 17,054,770
Change in Net Position										
Governmental activities	\$ 272,281	\$ 1,418,971	\$ 899,614	\$ 822,714	\$ 960,107	\$ 828,820	\$ 892,042	\$ 1,744,393	\$ 1,681,449	\$ 998,810
Business-type activities	(1,093)	1,637	2,533	18,995	(21,870)	(3,500)	6,170	6,565	(10,699)	(1,589)
Total district	\$ 271,188	\$ 1,420,608	\$ 902,147	\$ 841,709	\$ 938,237	\$ 825,320	\$ 898,212	\$ 1,750,958	\$ 1,670,750	\$ 997,221

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

	Fiscal Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Reserved	\$ 222,637	\$ 272,971	\$ 523,681	\$ 657,196	\$ 1,477,085	\$ 1,486,071	\$ 1,838,597		\$ 2,957,191	\$ 3,001,539
Unreserved	360,720	419,509	298,222	382,043	324,816	362,446	258,780			766,171
Nonspendable										
Restricted										
Committed										299,091
Assigned										125,014
Unassigned										309,340
Total general fund	\$ 583,357	\$ 692,480	\$ 821,903	\$ 1,039,239	\$ 1,801,901	\$ 1,848,517	\$ 2,117,377	\$ 3,245,473	\$ 3,557,155	\$ 4,185,369
All Other Governmental Funds										
Reserved	\$ 386,318	\$ 1,649,608	\$ 110,298	\$ 1,410						
Unreserved	4,133,071	(290,778)	40,823	8,498	2,928	324	3		\$ 15,419	\$ 1
Nonspendable										
Restricted										
Committed										
Assigned										
Unassigned										
Total all other governmental funds	\$ 4,519,389	\$ 1,358,830	\$ 151,121	\$ 9,908	\$ 2,928	\$ 324	\$ 3	\$ 1	\$ 15,419	\$ 1

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 TEN FISCAL YEARS
(Unaudited)
(modified accrual basis of accounting)**

	Fiscal Year Ended June 30									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Tax levy	\$ 12,373,175	\$ 13,032,617	\$ 13,990,629	\$ 14,743,462	\$ 15,461,137	\$ 15,987,362	\$ 16,293,528	\$ 16,714,167	\$ 16,792,817	\$ 16,943,686
Tuition charges	127,027	105,445	101,385	75,673	55,295	67,500	101,625	129,234	265,204	346,617
Interest earnings	21,408	86,333	65,668	96,500	80,136	32,361	18,378	24,224	12,379	16,709
Miscellaneous	59,214	42,372	19,142	12,660	21,532	34,629	49,091	61,907	76,307	49,471
State sources	1,724,467	2,788,947	2,449,919	2,466,671	2,456,997	1,863,890	1,860,296	1,480,092	2,175,039	2,590,113
Federal sources	297,536	245,522	254,389	232,295	236,357	236,381	329,816	284,768	414,269	254,632
Total revenue	14,512,827	16,301,236	16,881,132	17,627,261	18,311,454	18,222,123	18,652,734	18,694,332	19,736,015	20,201,228
Expenditures										
Instruction										
Regular instruction	6,613,335	6,814,595	7,469,050	7,973,335	7,874,366	7,803,806	8,042,627	7,662,148	8,120,662	9,152,243
Special education instruction	1,733,995	1,859,000	1,917,440	2,074,827	2,213,922	2,026,672	2,336,912	1,941,754	2,354,035	2,246,804
Other instruction	490,476	461,054	547,026	626,531	638,468	781,082	837,620	838,462	900,388	993,876
School sponsored activities and athletics	58,915	57,563	56,360	71,577	63,492	69,525	76,247	82,883	87,242	88,832
Support Services:										
Student & inst. related services	1,962,813	2,098,561	2,104,272	2,221,013	2,117,914	2,190,659	2,247,660	2,162,775	2,210,750	2,259,045
General administration Services	633,187	586,526	647,977	639,353	604,008	664,922	638,311	665,529	754,057	756,423
School Administration services	530,553	597,192	719,164	840,523	870,634	918,309	933,556	892,506	937,171	991,719
Business / Central Services	180,349	175,058	191,802	205,216	202,008	207,166	207,277	308,716	334,565	345,562
Plant operations and maintenance	1,108,261	1,219,805	1,251,305	1,345,556	1,422,397	1,549,630	1,546,264	1,459,041	1,440,162	1,485,173
Pupil transportation	339,155	362,946	331,825	403,331	441,225	395,836	319,321	184,030	161,231	183,809
Capital outlay	514,540	4,225,614	1,659,110	89,000	45,751	504,562	250,840	137,566	1,077,415	139,774
Debt service:										
Principal	514,755	505,893	678,305	700,289	727,352	759,537	852,302	884,691	917,204	944,682
interest and other charges	289,418	388,865	385,782	360,587	334,235	306,405	276,899	246,137	214,053	179,996
Total expenditures	14,969,752	19,352,672	17,959,418	17,551,138	17,555,772	18,178,111	18,565,836	17,466,238	19,508,935	19,767,938
Excess (Deficiency) of revenues over (under) expenditures	(456,925)	(3,051,436)	(1,078,286)	76,123	755,682	44,012	86,898	1,228,094	227,080	433,290
Other Financing sources (uses)										
Serial Bond Proceeds	4,600,000									
Prior year grant receivable cancelled	(7,600)									
Capital Lease Proceeds							181,641			179,526
Transfers in	274,260	115,739	12,296	56,891	322	2			443,861	51,058
Transfers out	(274,260)	(115,739)	(12,296)	(56,891)	(322)	(2)			(443,861)	(51,058)
Total other financing sources (uses)	4,592,400	-	-	-	-	-	181,641	-	-	179,526
Net change in fund balances	\$ 4,135,475	\$ (3,051,436)	\$ (1,078,286)	\$ 76,123	\$ 755,682	\$ 44,012	\$ 268,539	\$ 1,228,094	\$ 227,080	\$ 612,816
Debt service as a percentage of noncapital expenditures	5.56%	5.91%	6.53%	6.08%	6.06%	6.03%	6.17%	6.53%	6.14%	5.73%

* Noncapital expenditures are total expenditures less capital outlay.

**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>
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
2012	265,204	11,918	76,307	353,429
2013	346,617	16,709	49,471	412,797

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.	Ofarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate ^a
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	1,000,581,600	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	2,367,386,100	5,522,116	2,373,108,216	2,230,624,189	0.636
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	2,062,386,600	6,411,588	2,068,998,188	2,074,488,644	0.780
2010	23,558,800	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
2012	24,006,400	1,784,300,900	5,471,800	31,500	220,571,000	15,045,700	959,600	2,050,386,900	5,642,577	2,056,029,477	2,094,167,079	0.821
2013	20,163,200	1,796,514,400	5,471,800	31,500	218,075,800	15,045,700	959,600	2,056,262,000	100,000	2,056,362,000	2,035,360,558	0.834

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)

Calendar Year	Total Direct Tax Rate	Overlapping Rates				Total
		Regional High School District	Municipality	County		
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	
2012	.821	.522	.517	.224	2.084	
2013	.834	.520	.521	.227	2.102	

(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	2013		2004	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Closter Mktplace (EBA) LLC	\$ 31,500,000	1.53%		
Closter Grocery	8,645,300	0.42%	5,000,000	0.44%
Heidenberg Closter Assoc.	7,368,000	0.36%	4,351,000	0.38%
Closter Golf	6,999,700	0.34%	3,828,000	0.33%
United Water New Jersey	5,891,200	0.29%	4,265,400	0.37%
Reuten Associates	4,581,700	0.22%	16,574,000	1.45%
DWL Mommouth 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%		
Fenast Management LLC	3,435,000	0.17%		
Irani-Aspi-Closter Plaza Met.			25,232,400	2.21%
Weyerhaeuser Co.			5,752,000	0.50%
Individual Taxpayer 1			4,056,500	0.35%
Individual Taxpayer 2			3,777,100	0.33%
Verizon			3,730,935	0.33%
	<u>\$ 81,634,200</u>	<u>3.97%</u>	<u>\$76,567,335</u>	<u>6.69%</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	
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
2012	16,792,817	16,792,817	100.00%	N/A
2013	16,943,686	16,943,686	100.00%	N/A

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

Fiscal Year Ended June 30,	Governmental Activities					Per Capita
	General Obligation Bonds	Intergovernmental Loans Payable	Total District	Population		
2004	\$ 7,584,000	\$ 3,061,101	\$ 10,645,101	8,507	\$ 1,251	
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	8,382	771	
2011	4,694,000	943,221	5,637,221	8,428	669	
2012	4,149,000	631,564	4,780,564	8,498	563	
2013	3,579,000	317,202	3,896,202	8,498	458	

Source: District records

A = Estimated

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

Fiscal Year Ended June 30,	General Obligation Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Debt	Deductions			
2004	\$ 10,645,101		\$ 10,645,101	0.92%	\$ 1,251
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%	771
2011	5,637,221		5,637,221	0.27%	669
2012	4,780,564		4,780,564	0.23%	563
2013	3,896,202		3,896,202	0.19%	458

Source: District records

CLOSTER BOARD OF EDUCATION
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2012
(Unaudited)

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Municipal Debt: (1)			
Regional School District	\$ 3,756,387	\$ 3,756,387	
Borough of Closter Board of Education	4,166,202	4,166,202	
Borough of Closter	<u>12,158,054</u>	<u>141,588</u>	<u>\$ 12,016,466</u>
	<u>\$ 20,080,643</u>	<u>\$ 8,064,177</u>	<u>12,016,466</u>
Overlapping Debt Apportioned to the Municipality:			
Bergen County:			
County of Bergen (A)			9,764,107
Bergen County Utilities Authority - Waste Water(B)			<u>3,189,674</u>
			<u>12,953,781</u>
 Total Direct and Overlapping Debt			 <u>\$ 24,970,247</u>

Source:

(1) Borough of Closter's 2012 Annual Debt Statement

(A) The debt for this entity was apportioned to the Borough of Closter by dividing the municipality's 2012 equalized value by the total 2012 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
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)**

<u>Year</u>	<u>Population</u>	<u>County Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2004	8,507	\$ 54,462	3.20%
2005	8,528	56,706	1.70%
2006	8,549	62,714	2.10%
2007	8,590	67,394	1.90%
2008	8,621	68,227	2.40%
2009	8,675	63,198	4.40%
2010	8,382	65,486	4.50%
2011	8,428	66,096	4.50%
2012	8,498	N/A	4.50%
2013	8,498 (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>Employer</u>	<u>2013</u>		<u>2004</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 NINE 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>	<u>2012</u>	<u>2013</u>
Instruction									
Regular	75.8	74.5	73.5	74.5	74.5	69.0	67.0	68.5	68.0
Special education	11.6	12.6	11.4	11.6	11.6	12.8	13.0	11.5	14.0
Other instruction (ESL, Basic)	4.6	4.6	5.4	5.5	7.5	6.5	7.0	4.5	4.0
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	54.0	60.0
General administration	4.8	4.8	4.8	4.8	4.8	4.8	4.8	5.6	5.6
School administrative services	6.0	7.0	7.0	7.0	7.0	7.0	6.6	5.5	5.5
Central services	1.0	1.0	1.0	1.0	1.0	1.0	2.0	4.0	4.0
Plant operations and maintenance	14.3	15.4	15.0	15.0	11.0	11.0	11.0	11.0	11.0
Pupil transportation	1.7	1.1	1.2	1.2	-	-	-	-	-
Total	<u>146.2</u>	<u>151.0</u>	<u>147.1</u>	<u>149.4</u>	<u>131.5</u>	<u>159.0</u>	<u>159.8</u>	<u>164.6</u>	<u>172.1</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 2005 only nine 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	Teaching Staff ^b	Teacher/Pupil Ratio		Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School				
2004	1,232	\$ 13,721,672	\$ 11,138	6.23%	92.8	13.3	1,222.3	1,179.9	#DIV/0!	96.53%	
2005	1,231	14,232,300	11,562	3.81%	92.6	14.3	1,232.3	1,186.9	0.82%	96.32%	
2006	1,218	15,235,706	12,509	8.19%	100.3	12.8	1,213.0	1,170.0	-1.57%	96.46%	
2007	1,205	16,401,262	13,611	8.81%	99.3	12.7	1,183.0	1,160.0	-2.47%	98.06%	
2008	1,182	16,448,434	13,916	2.24%	99.3	12.8	1,163.0	1,125.0	-1.69%	96.73%	
2009	1,191	16,607,607	13,944	0.20%	98.2	12.8	1,175.0	1,155.0	1.03%	96.60%	
2010	1,155	17,185,795	14,879	6.71%	98.2	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	1,132.0	1,093.0	-1.31%	96.55%	
2012	1,127	17,302,450	15,353	7.86%	100.5	11.9	1,121.5	1,077.8	-0.93%	96.10%	
2013	1,123	18,503,486	16,477	7.32%	104.5	11.3	1,123.3	1,081.0	0.16%	96.23%	

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 NINE 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>2012</u>	<u>2013</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	61,650	61,650
Capacity (students)	466	666	666	666	666	666	666	666	666
Enrollment	634	622	612	604	600	592	586	561	565
<u>Tenakill Middle School</u>									
Square Feet	72,805	80,655	75,010	75,010	80,655	80,655	80,655	80,655	80,655
Capacity (students)	485	635	635	635	635	635	635	635	635
Enrollment	599	591	571	560	570	546	546	560	558

Number of Schools at June 30, 2013

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 2005 only nine 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)

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
UNDISTRIBUTED EXPENDITURES - REQUIRED MAINTENANCE FOR SCHOOL FACILITIES 11-000-261-XXX											
*School Facilities	Project # (s)										
Hillside School	N/A	\$ 128,353	\$ 110,273	\$ 138,249	\$ 159,543	\$ 146,596	\$ 203,620	\$ 168,375	\$ 164,742	\$ 159,031	\$ 173,758
Tenakill School	N/A	131,849	132,477	146,731	184,484	179,153	186,654	212,627	154,953	200,564	153,847
Grand Total		\$ 260,202	\$ 242,750	\$ 284,980	\$ 344,027	\$ 325,749	\$ 390,274	\$ 381,002	\$ 319,695	\$ 359,595	\$ 327,605

Source: District Records

**CLOSTER BOARD OF EDUCATION
INSURANCE SCHEDULE
JUNE 30, 2013
(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - Selectiveway Insurance Co. Property-Blanket Building/Contents	\$ 34,832,134	\$ 5,000
General Liability - General Aggregate	2,000,000	
General Liability - Each Occurrence	1,000,000	
Umbrella Excess Liability - Firemen's Fund Ins. Co. (Per Occurrence and Aggregate)	50,000,000	
Umbrella Liability - Selective Way Insurance Company (Per Occurrence and Aggregate)	9,000,000	
Educator's Legal Liability - Darwin	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	

Source: School Insurance Records

SINGLE AUDIT SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-1

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

ELIZABETH A. SHICK, CPA, RMA, PSA
ANDREW PARENTE, CPA, RMA, PSA
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CINDY JANACEK, CPA, RMA
EDWARD N. KERE, CPA
LORI T. MANUKIAN, CPA, PSA
MARK SACO, CPA

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Closter Board of Education as of and for the fiscal year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the Closter Board of Education's basic financial statements and have issued our report thereon dated November 18, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

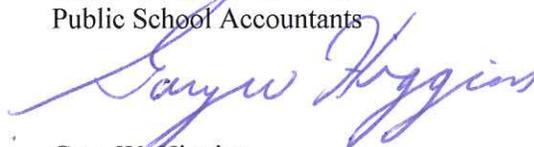
As part of obtaining reasonable assurance about whether the Closter Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Closter Board of Education's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Closter Board of Education's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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



Gary W. Higgins
Public School Accountant
PSA Number CS00814

Fair Lawn, New Jersey
November 18, 2013



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-2

DIETER P. LERCH, CPA, RMA, PSA
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MARK SACO, CPA

**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL
ASSISTANCE AS REQUIRED BY NEW JERSEY OMB CIRCULAR 04-04**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal and State Program

We have audited the Closter Board of Education's compliance with the types of compliance requirements described in the New Jersey OMB Circular 04-04 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the Closter Board of Education's major state programs for the fiscal year ended June 30, 2013. The 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Closter Board of Education's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; 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 the 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 on compliance for each major state program. However, our audit does not provide a legal determination of the Closter Board of Education's compliance.

Opinion on Each Major State Program

In our opinion, the Closter Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Closter Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Closter Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with 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 Closter Board of Education's internal control over compliance.

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

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

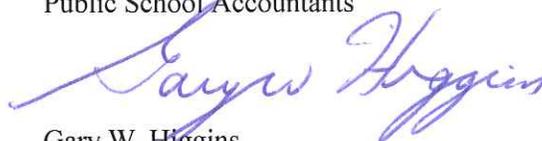
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of New Jersey OMB Circular 04-04. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 04-04

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Closter Board of Education as of and for the fiscal year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements. We issued our report thereon dated November 18, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 04-04 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.



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



Gary W. Higgins
Public School Accountant
PSA Number CS00814

Fair Lawn, New Jersey
November 18, 2013

**CLOSTER BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Federal/Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance, June 30, 2012		Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Balance, June 30, 2013		
					(Accounts Receivable)	Unearned Revenue				(Accounts Receivable)	Unearned Revenue	Due to Grantor
U.S. Department of Education												
Passed-Through State Department												
of Education												
Special Revenue Fund:												
Title III	84.365	NCLB0930-13	9/1/12-8/31/13	19,707				\$ 19,707	\$ 19,707			
I.D.E.A. Part B, Basic	84.027	IDEA0930-13	9/1/12-8/31/13	224,093				224,093	224,093			
I.D.E.A. Part B, Preschool	84.173	IDEA0930-13	9/1/12-8/31/13	10,832				10,832	10,832			
Total U.S. Department of Education				254,632				254,632	254,632			
U.S. Department of Agriculture												
Passed-Through State Department												
of Education												
Enterprise Fund:												
Special Milk Program	10.556	N/A	7/1/12-6/30/13	12,282				11,396	12,282	\$ (886)		\$ 886
Special Milk Program	10.556	N/A	7/1/11-6/30/12	16,873	\$ (903)			903				
Total U.S. Department of Agriculture				29,155	(903)			12,299	12,282	(886)		886
Total Federal Awards				\$ 283,787	\$ (903)			\$ 266,931	\$ 266,914	\$ (886)		\$ 886

Note: This Schedule was not subject to a Single Audit in accordance with OMB-133.

**CLOSTER BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

State Grantor/Program Title	Grant or State Project Number	Grant Period	Balance, June 30, 2012			Carryover (Walkover) Amount	Cash Received	Balance, June 30, 2013		MEMO	
			Award Received	(Accounts Receivable)	Unearned Revenue			Due to Grantor	Accounts Receivable	Unearned Revenue	GAAP Receivable
State Department of Education											
General Fund											
Special Education Categorical Aid	12-495-034-5120-089	7/1/11-6/30/12	\$ 328,691	\$ (31,966)		\$ 31,966	\$ (36,846)	\$ 382,257	\$ 382,257	\$	\$ 382,257
Special Education Categorical Aid	13-495-034-5120-089	7/1/12-6/30/13	382,257			345,411	(1,497)	15,534	15,534		15,534
Security Aid	12-495-034-5120-084	7/1/11-6/30/12	15,534	(171,288)		14,037		171,288			
Extraordinary Aid	12-100-034-5120-473	7/1/11-6/30/12	171,288			171,288					
Extraordinary Aid	13-100-034-5120-473	7/1/12-6/30/13	122,512			14,035	(122,512)	122,512	122,512		122,512
Transportation Aid	13-495-034-5120-014	7/1/12-6/30/13	15,532			6,382	(1,497)	15,532	15,532		15,532
Non Public Transportation Reimb.	N/A			(6,382)							
Non Public Transportation Reimb.	N/A										
TPAF Soc. Sec. Cont.	12-495-034-5095-002	7/1/11-6/30/12	6,526			32,803	(6,526)	6,526	6,526	\$ (6,526)	6,526
TPAF Soc. Sec. Cont.	13-495-034-5095-002	7/1/12-6/30/13	669,695	(32,803)		660,112	(34,377)	694,689	694,689	(34,377)	694,689
On-Behalf Pension Normal Cost	13-495-034-5095-006	7/1/12-6/30/13	694,689			569,275		569,275	569,275		569,275
On-Behalf Pension NCGI Premium	13-495-034-5095-007	7/1/12-6/30/13	29,952			677,574					29,952
On-Behalf Pension PRM Contr.	13-495-034-5095-001	7/1/12-6/30/13	677,574					677,574	677,574		677,574
Total General Fund				(242,439)		2,553,035	(203,255)	2,513,851	2,513,851	(40,903)	2,513,851
Capital Projects Fund											
NI Economic Development Authority											
Hillside Elementary School - Partial Re-roofing	0930-050-10-1001	7/1/11-6/30/12	176,800	(35,360)		35,360		35,360	35,360		176,800
Total Capital Projects Fund											
Total State Financial Assistance				(277,799)		2,588,395	(203,255)	2,549,211	2,549,211	(40,903)	2,690,651
State Financial Assistance											
Not Subject to Single Audit Determination											
General Fund											
On-Behalf Pension Normal Cost	13-495-034-5095-006	7/1/12-6/30/13	569,275			(569,275)		(569,275)	(569,275)		(569,275)
On-Behalf Pension NCGI Premium	13-495-034-5095-007	7/1/12-6/30/13	29,952			(29,952)		(29,952)	(29,952)		(29,952)
On-Behalf Pension PRM Contr.	13-495-034-5095-001	7/1/12-6/30/13	677,574			(677,574)		(677,574)	(677,574)		(677,574)
Total State Financial Assistance Subject to Single Audit						1,311,594	1,272,410	1,272,410	1,272,410	(40,903)	1,313,850

The Notes to the Schedules of Federal Awards and State Financial Assistance are an Integral Part of this Statement

**CLOSTER BOARD OF EDUCATION
 NOTES TO THE SCHEDULES OF EXPENDITURES OF
 FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

NOTE 3 RELATIONSHIP TO 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 \$40,902 for the general 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 fund. 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		\$ 2,554,753	\$ 2,554,753
Special Revenue Fund	\$ 254,632		254,632
Capital Projects		35,360	35,360
Food Service Fund	<u>12,282</u>	<u>-</u>	<u>12,282</u>
 Total Financial Assistance	 <u>\$ 266,914</u>	 <u>\$ 2,590,113</u>	 <u>\$ 2,857,027</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, 2013**

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, 2013, 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 Program Loan	\$ 15,749
Small Project Loan	66,503
Facility Program Loan	<u>234,950</u>
	<u>\$ 317,202</u>

NOTE 6 OTHER INFORMATION

TPAF Social Security contributions in the amount of \$694,689 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2013. The amount reported as TPAF Pension System Contributions in the amount of \$599,227 and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$677,574 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2013.

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, 2013**

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, 2013**

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, 2013**

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 year findings were reported.