

**CLOSTER BOARD OF EDUCATION**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**Closter, New Jersey**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
of the  
Closter Board of Education  
Closter, New Jersey  
For The Fiscal Year Ended June 30, 2014**

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

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## **INTRODUCTORY SECTION**

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

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Email: [Iappelli@nvnet.org](mailto:Iappelli@nvnet.org)

**Peter C. Iappelli**  
*Business Administrator*  
*Board Secretary*

November 3, 2014

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, 2014 is hereby submitted. This Comprehensive Annual Financial Report includes the District's Basic Financial Statements prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the District. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

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

The District provides a full range of educational services appropriate to grade levels Pre-K through 8. The 2013-2014 fiscal year enrollment was 1,118 students, which is five students fewer than the previous year. 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>
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)
2013-2014	1,118	(0.44)

**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. Furthermore, 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, 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.

During the 2013-2014 school year, Tenakill Middle School was identified as a Spotlight School by the New Jersey Schools to Watch program. Furthermore, the students of Tenakill published an award winning newspaper, *The Cougar Chronicles*; and Tenakill's Science Olympiad Team recently placed in the New Jersey 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, 2014.

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

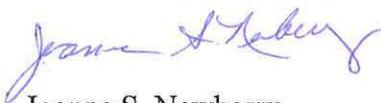
**7. RISK MANAGEMENT:** The Board carries various forms of insurance, including but not limited to general liability, pollution liability, commercial automobile, school board legal liability, crime, workers compensation, and surety bonds.

**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



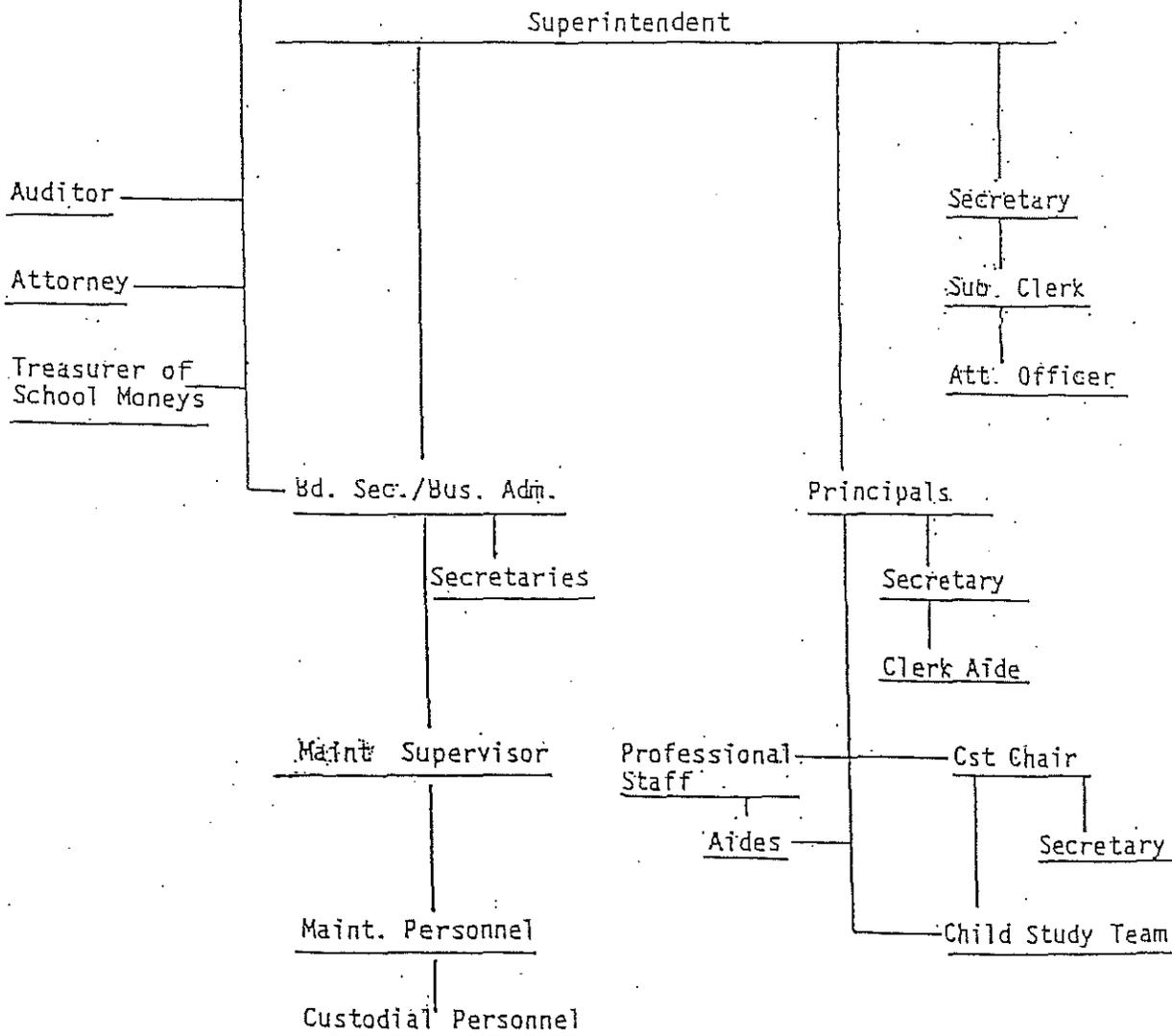
Peter C. Iappelli  
Board Secretary/School Business Administrator  
Closter Public Schools

CLOSTER BOARD OF EDUCATION  
Closter, New Jersey 07624  
Exhibit

File Code: 2120

ORGANIZATION CHARTS

Closter Board of Education



2188s



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

**ROSTER OF OFFICIALS  
JUNE 30, 2014**

<b><u>Member of the Board of Education</u></b>	<b><u>Term Expires January</u></b>
Anthony Linn, President	2016
Ann Ginsberg, Vice President	2015
Stephanie Lee	2017
Carmen Pfeiffer	2017
Dina Marinaccio	2016
Peter Micera	2017
Grace Park	2016
Lydia Forstmann	2015
Gregg Lambert	2015
<b><u>Other Officials</u></b>	
Joanne S. 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  
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, 2014 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

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

### *Opinions*

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

### *Other Matters*

#### *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.

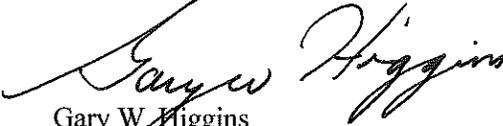
The combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to 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.

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

In accordance with Government Auditing Standards, we have also issued our report dated November 3, 2014 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 3, 2014

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CLOSTER SCHOOL DISTRICT  
CLOSTER NEW JERSEY**

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

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, 2014. The intent of this is to look at the District's financial performance as a whole; readers should also review the basic financial statements including the 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 (2013-2014) and the prior year (2012-2013) is required to be presented in the MD&A.

**Financial Highlights**

Key financial highlights for 2014 are as follows:

- General revenues accounted for \$17,444,126 or 85 percent of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,998,431 or 15 percent of total revenues of \$20,442,557.
- The School District had \$19,318,660 in total expenses; only \$2,998,431 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$17,444,126 were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$19,074,297 in revenues and \$18,957,452 in expenditures. Additionally, the District transferred \$1,087,865 from the capital reserve account to the Capital Projects Fund to fund certain capital projects. The General Fund's fund balance decreased \$971,020 from June 30, 2013.

**CLOSTER SCHOOL DISTRICT  
CLOSTER NEW JERSEY**

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

**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 2013/14." 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, 2014

- 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, 2014 and 2013.

**CLOSTER SCHOOL DISTRICT  
CLOSTER NEW JERSEY**

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

**Table 1  
Net Position  
as of June 30, 2014 and 2013**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Assets</b>						
Current and Other Assets	\$ 4,903,557	\$ 4,187,675	\$ 7,490	\$ 4,609	\$ 4,911,047	\$ 4,192,284
Capital Assets	<u>12,859,352</u>	<u>12,765,327</u>	<u>-</u>	<u>-</u>	<u>12,859,352</u>	<u>12,765,327</u>
<b>Total Assets</b>	<u>17,762,909</u>	<u>16,953,002</u>	<u>7,490</u>	<u>4,609</u>	<u>17,770,399</u>	<u>16,957,611</u>
<b>Deferred Outflows of Resources</b>						
Deferred Amounts on Refunding	<u>38,649</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,649</u>	<u>-</u>
<b>Total Deferred Outflows of Resources</b>	<u>38,649</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,649</u>	<u>-</u>
<b>Liabilities</b>						
Long-Term Liabilities	3,484,832	4,360,043			3,484,832	4,360,043
Other Liabilities	<u>647,469</u>	<u>44,718</u>	<u>-</u>	<u>-</u>	<u>647,469</u>	<u>44,718</u>
<b>Total Liabilities</b>	<u>4,132,301</u>	<u>4,404,761</u>	<u>-</u>	<u>-</u>	<u>4,132,301</u>	<u>4,404,761</u>
<b>Net Position</b>						
Net Investment in Capital						
Assets	9,814,001	8,869,125			9,814,001	8,869,125
Restricted	2,590,536	2,125,103			2,590,536	2,125,103
Unrestricted	<u>1,264,720</u>	<u>1,554,013</u>	<u>7,490</u>	<u>4,609</u>	<u>1,272,210</u>	<u>1,558,622</u>
<b>Total Net Position</b>	<u>\$ 13,669,257</u>	<u>\$ 12,548,241</u>	<u>\$ 7,490</u>	<u>\$ 4,609</u>	<u>\$ 13,676,747</u>	<u>\$ 12,552,850</u>

The District's combined net position were \$13,676,747 and \$12,552,850 on June 30, 2014 and 2013, respectively.

Table 2 shows changes in net position for fiscal years 2014 and 2013.

**CLOSTER SCHOOL DISTRICT  
CLOSTER NEW JERSEY**

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

**Table 2  
Changes in Net Position  
For the Years Ended June 30, 2014 and 2013**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 407,960	\$ 346,617	\$ 20,998	\$ 21,536	\$ 428,958	\$ 368,153
Grants and Contributions	2,533,652	2,809,385	13,507	12,282	2,547,159	2,821,667
Capital Grants and Contributions	22,314	35,360			22,314	35,360
General Revenues						
Property Taxes	17,324,092	16,943,686			17,324,092	16,943,686
Other	119,936	110,985	98	99	120,034	111,084
<b>Total Revenues</b>	<u>20,407,954</u>	<u>20,246,033</u>	<u>34,603</u>	<u>33,917</u>	<u>20,442,557</u>	<u>20,279,950</u>
<b>Expenses</b>						
Instruction	12,412,792	12,782,136			12,412,792	12,782,136
Support Services						
Student and Instructional Related Svcs.	2,278,238	2,420,970			2,278,238	2,420,970
General and School Administration, Business / Central Services	2,146,292	2,166,062			2,146,292	2,166,062
Plant Operations and Maintenance	2,163,304	1,524,964			2,163,304	1,524,964
Pupil Transportation	157,509	184,151			157,509	184,151
Interest on Debt	128,803	168,940			128,803	168,940
Food Service	-	-	31,722	35,506	31,722	35,506
<b>Total Expenses</b>	<u>19,286,938</u>	<u>19,247,223</u>	<u>31,722</u>	<u>35,506</u>	<u>19,318,660</u>	<u>19,282,729</u>
<b>Change in Net Position</b>	<u>\$ 1,121,016</u>	<u>\$ 998,810</u>	<u>\$ 2,881</u>	<u>\$ (1,589)</u>	<u>\$ 1,123,897</u>	<u>\$ 997,221</u>

**Governmental Activities**

Property taxes made up 85 and 84 percent of revenues for governmental activities for the Closter School District in the fiscal years 2014 and 2013, respectively. The District's total governmental revenues were \$20,407,954 and \$20,246,033 for the years ended June 30, 2014 and 2013, respectively. Federal, state, and local grants and aid accounted for another 13 and 14 percent of governmental revenue for the years ended June 30, 2014 and 2013, respectively. The total costs of all governmental programs and services was \$19,286,938 and \$19,247,223 for the years ended June 30, 2014 and 2013, respectively. Instruction comprises 64 and 66 percent of District expenses for both the years ended June 30, 2014 and 2013, respectively.

**CLOSTER SCHOOL DISTRICT  
CLOSTER NEW JERSEY**

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

**Business-Type Activities**

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

- Food service revenues exceeded expenses by \$2,881.
- Charges for services represent 61 percent of revenue. This represents amounts paid for daily milk service.
- Federal reimbursement for milk was \$13,507.

**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, 2014 and 2013. 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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Instruction	\$ 12,412,792	\$ 12,782,136	\$ 9,764,404	\$ 9,940,361
Support Services				
Student and Instruction Related Svcs.	2,278,238	2,420,970	2,237,031	2,378,392
General Administration, School Administration, Business / Central Services	2,146,292	2,166,062	1,932,526	1,929,011
Plant Operations and Maintenance	2,163,304	1,524,964	2,124,762	1,475,567
Pupil Transportation	157,509	184,151	135,486	163,590
Interest and Other Charges	128,803	168,940	128,803	168,940
<b>Total</b>	<b><u>\$ 19,286,938</u></b>	<b><u>\$ 19,247,223</u></b>	<b><u>\$ 16,323,012</u></b>	<b><u>\$ 16,055,861</u></b>

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, 2014

**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 \$20,375,691 and \$20,201,228 and expenditures were \$20,292,317, net of the costs related to the refunding of bonds, and \$19,767,938 for the years ended June 30, 2014 and 2013, respectively. During the fiscal year ended June 30, 2014, revenues exceeded expenditures by \$17,361.

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, 2014 and 2013.

<u>Revenue</u>	<u>Year Ended</u>		<u>Amount of Increase (Decrease)</u>	<u>Percent</u>
	<u>June 30, 2014</u>	<u>June 30, 2013</u>		
Local Sources	\$ 17,819,725	\$ 17,356,483	\$ 463,242	2.67%
State Sources	2,308,787	2,590,113	(281,326)	-10.86%
Federal Sources	247,179	254,632	(7,453)	-2.93%
Total	<u>\$ 20,375,691</u>	<u>\$ 20,201,228</u>	<u>\$ 174,463</u>	0.86%

**CLOSTER SCHOOL DISTRICT  
CLOSTER NEW JERSEY**

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

**The District's Funds (Cont.)**

The following schedule represents a summary of the governmental fund expenditures for the fiscal years ended June 30, 2014 and 2013.

<u>Expenditures</u>	<u>Year Ended</u>		<u>Amount of Increase (Decrease)</u>	<u>Percent</u>
	<u>June 30, 2014</u>	<u>June 30, 2013</u>		
Current				
Instruction	\$ 12,371,909	\$ 12,481,755	\$ (109,846)	-0.88%
Support Services	6,206,807	6,021,731	185,076	3.07%
Capital Outlay	621,380	139,774	481,606	344.56%
Debt Service:				
Principal	946,942	944,682	2,260	0.24%
Interest	<u>145,279</u>	<u>179,996</u>	<u>(34,717)</u>	-19.29%
 Total Expenditures	 <u>\$ 20,292,317</u>	 <u>\$ 19,767,938</u>	 <u>\$ 524,379</u>	 2.65%

**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, 2014

**Capital Assets**

At the end of fiscal years 2014 and 2013, the District's governmental activities had \$12,859,352 and \$12,765,327, respectively invested in land, buildings, furniture, equipment and vehicles, net of accumulated depreciation for governmental activities. Table 4 shows fiscal year 2014 balances compared to 2013.

**Table 4  
Capital Assets**

	<b>June 30</b>	
	<b><u>2014</u></b>	<b><u>2013</u></b>
Land	\$ 26,600	\$ 26,600
Construction in Progress	69,234	101,228
Improvements Other Than Buildings	243,107	211,215
Buildings and Improvements	19,695,619	19,125,094
Machinery and Equipment	890,015	808,983
	20,924,575	20,273,120
Less: Accumulated Depreciation	(8,065,223)	(7,507,793)
 <b>Total</b>	 <b>\$ 12,859,352</b>	 <b>\$ 12,765,327</b>

Overall capital assets, net of accumulated depreciation, increased \$94,025 from fiscal year 2013 to fiscal year 2014.

Additional information on Closter School District's Capital Assets can be found in Note 4 of this report.

**Debt Administration**

At June 30, 2014 and 2013, the District had \$3,484,832 and \$4,360,043, respectively of long-term liabilities. Of these amounts, \$341,366 and \$344,635 are for compensated absences; and \$3,084,000 and \$3,579,000 are for serial bonds and \$-0- and \$317,202 are for loans for school construction and \$59,466 and \$119,206 are for capital leases for computers, as of June 30, 2014 and 2013, respectively.

**CLOSTER SCHOOL DISTRICT  
CLOSTER NEW JERSEY**

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

**Table 5  
Outstanding Debt**

	<b>June 30</b>	
	<b><u>2014</u></b>	<b><u>2013</u></b>
2013 Refunding Bonds	\$ 2,790,000	
2004 General Obligation Bonds		\$ 2,985,000
1994 General Obligation Bonds	294,000	594,000
1993 Intergovernmental Loans		317,202
Capital Leases	59,466	119,206
Compensated Absences	341,366	344,635
<b>Total</b>	<b>\$ 3,484,832</b>	<b>\$ 4,360,043</b>

At June 30, 2014, the District's overall remaining legal debt margin was \$58,259,964.

Additional information on Closter School District's Long-Term Debt can be found in Note 4 of this report.

**For the Future**

The Closter Public Schools are thankful for the community's support and for the continued generosity of the Closter PTO. The district's most important goal is student achievement. To that end, the Closter Public Schools make every effort to meet the needs of all its children, despite significant cuts in state aid and unfunded mandates.

The Closter Public Schools are committed to educational excellence and fiscal integrity. Our system for financial planning, budgeting, and internal financial controls is audited annually. The Closter Public Schools shall continue to manage its financial resources prudently in order to meet the education challenges of the 21<sup>st</sup> 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, 2014**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 4,242,758	\$ 6,509	\$ 4,249,267
Receivables, net			
Other Accounts Receivable	109		109
Receivables from Other Governments	653,670	981	654,651
Other Accounts Receivable	7,020		7,020
Capital Assets Not Being Depreciated	95,834		95,834
Capital Assets Being Depreciated	12,763,518		12,763,518
	<u>17,762,909</u>	<u>7,490</u>	<u>17,770,399</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Amounts on Refunding	38,649		38,649
	<u>38,649</u>	<u>-</u>	<u>38,649</u>
<b>LIABILITIES</b>			
Accounts Payable	7,140		7,140
Unearned Revenue	618,686		618,686
Accrued Interest Payable	21,643		21,643
Noncurrent Liabilities			
Due Within One Year	682,603		682,603
Due Beyond One Year	2,802,229		2,802,229
	<u>4,132,301</u>	<u>-</u>	<u>4,132,301</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	9,814,001		9,814,001
Restricted for:			
Capital Projects	2,581,548		2,581,548
Debt Service	8,988		8,988
Unrestricted	1,264,720	7,490	1,272,210
	<u>13,669,257</u>	<u>7,490</u>	<u>13,676,747</u>
Total Net Position	<u>\$ 13,669,257</u>	<u>\$ 7,490</u>	<u>\$ 13,676,747</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, 2014

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	\$ 8,910,684		\$ 1,161,469		\$ (7,749,215)		\$ (7,749,215)
Special Education	2,478,622	\$ 407,960	934,179		(1,136,483)		(1,136,483)
Other Instruction	929,029		132,818		(796,211)		(796,211)
School Sponsored Activities and Athletics	94,457		11,962		(82,495)		(82,495)
Support Services							
Student and Instruction Related Svcs.	2,278,238		41,207		(2,237,031)		(2,237,031)
General Administration Services	752,564		84,051		(668,513)		(668,513)
School Administration Services	1,046,264		84,804		(961,460)		(961,460)
Business/Central Services	347,464		44,911		(302,553)		(302,553)
Plant Operations and Maintenance	2,163,304		16,228	\$ 22,314	(2,124,762)		(2,124,762)
Pupil Transportation	157,509		22,023		(135,486)		(135,486)
Interest on Long-Term debt	128,803				(128,803)		(128,803)
Total Governmental Activities	19,286,938	407,960	2,533,652	22,314	(16,323,012)	-	(16,323,012)
Business-Type Activities							
Food Service	31,722	20,998	13,507	-	-	\$ 2,783	2,783
Total Business-Type Activities	31,722	20,998	13,507	-	-	2,783	2,783
Total Primary Government	\$ 19,318,660	\$ 428,958	\$ 2,547,159	\$ 22,314	(16,323,012)	2,783	(16,320,229)
General Revenues:							
Property Taxes, Levied for General Purposes					16,292,191		16,292,191
Property Taxes Levied for Debt Service					1,031,901		1,031,901
Interest Earnings					16,667	98	16,765
Miscellaneous Income					71,006		71,006
Special Items:							
Donated Capital Assets					32,263		32,263
Total General Revenues and Special Items					17,444,028	98	17,444,126
Change in Net Position					1,121,016	2,881	1,123,897
Net Position, Beginning of Year					12,548,241	4,609	12,552,850
Net Position, End of Year					\$ 13,669,257	\$ 7,490	\$ 13,676,747

**FUND FINANCIAL STATEMENTS**

**CLOSTER BOARD OF EDUCATION  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2014**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 3,328,055		\$ 905,715	\$ 8,988	\$ 4,242,758
Receivables					
Due From Other Funds	109		126,365		126,474
Receivables From Governments	12,670		641,000		653,670
Receivables From Others	7,020	-	-	-	7,020
<b>Total Assets</b>	<u>\$ 3,347,854</u>	<u>\$ -</u>	<u>\$ 1,673,080</u>	<u>\$ 8,988</u>	<u>\$ 5,029,922</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 7,140				\$ 7,140
Unearned Revenue			\$ 618,686		618,686
Due To Other Funds	126,365	-	-	-	126,365
<b>Total Liabilities</b>	<u>133,505</u>	<u>-</u>	<u>618,686</u>	<u>-</u>	<u>752,191</u>
<b>Restricted Fund Balance</b>					
Emergency Reserve	250,000				250,000
Capital Reserve	1,527,154				1,527,154
Excess Surplus - Designated for Subsequent Year's Expenditures	326,437				326,437
Excess Surplus	325,000				325,000
Capital Projects			1,054,394		1,054,394
Debt Service				\$ 8,988	8,988
<b>Committed Fund Balance</b>					
Year-End Encumbrances	293,062				293,062
<b>Assigned Fund Balance</b>					
Year-End Encumbrances	44,206				44,206
Designated for Subsequent Year's Expenditures	115,713				115,713
<b>Unassigned Fund Balance</b>					
General Fund	332,777	-	-	-	332,777
<b>Total Fund Balances</b>	<u>3,214,349</u>	<u>-</u>	<u>1,054,394</u>	<u>8,988</u>	<u>4,277,731</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 3,347,854</u>	<u>\$ -</u>	<u>\$ 1,673,080</u>	<u>\$ 8,988</u>	

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 \$20,924,575 and the accumulated depreciation is \$8,065,223.

12,859,352

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

(21,643)

Amounts resulting from the refunding of debt are reported as deferred outflows of resources on the statement of net position and amortized over the life of the debt.

38,649

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:

Bonds Payable	\$ 3,084,000
Capital Leases Payable	59,466
Compensated Absences	341,366

(3,484,832)

Net position of governmental activities

\$ 13,669,257

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>					
Local Sources					
Property Taxes	\$ 16,292,191			\$ 1,031,901	\$ 17,324,092
Tuition Charges	407,960				407,960
Interest	16,667				16,667
Miscellaneous	71,006	-	-	-	71,006
Total - Local Sources	16,787,824	-	-	1,031,901	17,819,725
State Sources	2,286,473		\$ 22,314		2,308,787
Federal Sources	-	\$ 247,179	-	-	247,179
Total Revenues	19,074,297	247,179	22,314	1,031,901	20,375,691
<b>EXPENDITURES</b>					
Current					
Instruction					
Regular Instruction	8,858,116	19,937			8,878,053
Special Education Instruction	2,278,910	186,035			2,464,945
Other Instruction	934,454				934,454
School Sponsored Activities and Athletics	94,457				94,457
Support Services					
Student and Instruction Related Services	2,236,497	41,207			2,277,704
General Administration Services	729,155				729,155
School Administration Services	1,015,415				1,015,415
Business/Central Services	353,392				353,392
Plant Operations and Maintenance	1,673,632				1,673,632
Pupil Transportation	157,509				157,509
Debt Service					
Principal	59,740			887,202	946,942
Interest and Other Charges	580			144,699	145,279
Bond Issuance Costs				23,070	23,070
Advance to Refunding Escrow				42,943	42,943
Capital Outlay	565,595	-	55,785	-	621,380
Total Expenditures	18,957,452	247,179	55,785	1,097,914	20,358,330
Excess (Deficiency) of Revenues Over (Under) Expenditures	116,845	-	(33,471)	(66,013)	17,361
Other Financing Sources (Uses)					
Transfer In			1,087,865		1,087,865
Transfer Out	(1,087,865)				(1,087,865)
Payment to Refunding Bond Escrow Agent				(2,715,000)	(2,715,000)
Refunding Bonds Issued	-	-	-	2,790,000	2,790,000
Total Other Financing Sources (Uses)	(1,087,865)	-	1,087,865	75,000	75,000
Net Changes in Fund Balances	(971,020)	-	1,054,394	8,987	92,361
Fund Balance, Beginning of Year	4,185,369	-	-	1	4,185,370
Fund Balance, End of Year	\$ 3,214,349	\$ -	\$ 1,054,394	\$ 8,988	\$ 4,277,731

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, 2014**

Total net change in fund balances - governmental funds (Exhibit B-2)	\$	92,361
Amounts reported for governmental activities in the statement of activities are different because:		
Capital Outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions exceeds depreciation expense in the period.		
Depreciation Expense	\$ (559,618)	
Capital Outlays	<u>621,380</u>	61,762
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.		32,263
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.		
Debt Issued		
Refunding Bonds		(2,790,000)
Principal Repayments		
Leases Payable	59,740	
Bonds Payable	570,000	
Intergovernmental Loans Payable	<u>317,202</u>	946,942
Payment to escrow agent for refunding		2,757,943
Also, governmental funds report the loss of debt refunding, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (Note 2)		
		<u>19,745</u>
Change in net position of governmental activities	\$	<u>1,121,016</u>

**CLOSTER BOARD OF EDUCATION  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2014**

	<b>Business- Type            Activities            Enterprise            Funds</b> <hr/> <b>Non - Major</b> <hr/>
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 6,509
Intergovernmental Accounts Receivable	981
Total Current Assets	<hr/> 7,490 <hr/>
Noncurrent Assets	
Machinery and Equipment	15,173
Less Accumulated Depreciation	<hr/> (15,173) <hr/>
Total Noncurrent Assets	<hr/> - <hr/>
Total Assets	<hr/> 7,490 <hr/>
<b>NET POSITION</b>	
Unrestricted	<hr/> 7,490 <hr/>
Total Net Position	<hr/> <b>\$ 7,490</b> <hr/>

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, 2014**

	<b>Business-Type Activities Enterprise Fund Non-Major</b>
Operating Revenues	
Charges for services	
Daily Sales	\$ 20,998
Total Operating Revenues	20,998
Operating Expenses	
Cost of Sales	16,722
Salaries and Wages	15,000
Total Operating Expenses	31,722
Operating Loss	(10,724)
Nonoperating Revenues	
Federal Sources	
Special Milk Program	13,507
Interest Earnings	98
Total Nonoperating Revenues	13,605
Net Change in Net Position	2,881
Net Position, Beginning of Year	4,609
Net Position, End of Year	\$ 7,490

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, 2014**

	<b>Business-Type Activities</b>
	<b>Enterprise Funds</b>
	<b>Non-Major</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Customers	\$ 20,998
Salaries and Wages	(15,000)
Payments to Suppliers	(16,722)
	(10,724)
Net Cash Used By Operating Activities	(10,724)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Federal Sources	13,412
	13,412
Net Cash Provided By Non-Capital Financing Activities	13,412
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest	98
	98
Net Cash Provided By Investing Activities	98
Net Increase in Cash and Cash Equivalents	2,786
Cash and Cash Equivalents—Beginning of Year	3,723
Cash and Cash Equivalents—End of Year	\$ 6,509
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</b>	
Operating Loss	\$ (10,724)
Net Cash Used By Operating Activities	\$ (10,724)

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, 2014**

	<u>Private Purpose Trust Funds</u>	<u>Unemployment Compensation Trust Fund</u>	<u>Agency Fund</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,651	\$ 142,288	\$ 61,670
Total Assets	<u>1,651</u>	<u>142,288</u>	<u>\$ 61,670</u>
<b>LIABILITIES</b>			
Due To Other Funds			\$ 109
Due To Student Groups			47,024
Payable to State Government		3,179	
Accrued Salaries and Wages			58
Payroll Deductions and Withholdings		-	14,479
Total Liabilities	<u>-</u>	<u>3,179</u>	<u>\$ 61,670</u>
<b>NET POSITION</b>			
Held In Trust For Unemployment Claims and Other Purposes	<u>\$ 1,651</u>	<u>\$ 139,109</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, 2014**

	<b>Private Purpose Trust Funds</b>	<b>Unemployment Compensation Trust Fund</b>
<b>ADDITIONS</b>		
Interest on Deposits		\$ 694
Employee Contributions	-	26,436
<b>Total Additions</b>	-	27,130
<b>DEDUCTIONS</b>		
Unemployment Claims and Contributions	-	30,675
<b>Total Deductions</b>	-	30,675
Change in Net Position	-	(3,545)
Net Position, Beginning of Year	\$ 1,651	142,654
Net Position, End of Year	\$ 1,651	\$ 139,109

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, 2014**

**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 2014, the District adopted the following GASB statement:

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

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

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

**CLOSTER BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

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

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

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

**District-Wide Financial Statements**

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

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

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

**CLOSTER BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

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

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

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

Additionally, the government reports the following fund types:

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 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".

**CLOSTER BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

**C. Basis of Presentation - Financial Statements (Continued)**

**Reclassifications**

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

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

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

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

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

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

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

**CLOSTER BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

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

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

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

***2. Receivables***

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

***3. Capital Assets***

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

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

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

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

***4. Deferred Outflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred amounts on refunding of debt which results from the loss on a debt refunding reported in the district-wide statement of net position. A deferred charge on debt refunding results from the loss on the transaction when the debt's reacquisition price is greater than the carrying value of the refunded debt. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**CLOSTER BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

**5. *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.

**6. *Long-Term Obligations***

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

Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**7. *Net Position/Fund Balance***

**District-Wide Statements**

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

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

**Governmental Fund Statements**

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

CLOSTER BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

7. *Net Position/Fund Balance (Continued)*

Governmental Fund Statements (Continued)

**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.

*Excess Surplus – Designated for Subsequent Year's Expenditures* - This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2013 audited excess surplus that was appropriated in the 2014/2015 original budget certified for taxes.

*Excess Surplus* – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2014 audited excess surplus that is required to be appropriated in the 2015/2016 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 3.)

*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.

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

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

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

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

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

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

*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.

**CLOSTER BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

**F. Revenues and Expenditures/Expenses**

***1. Program Revenues***

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

***2. Property Taxes***

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

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

Tuition Revenues - Tuition charges were established by the Board 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 2012-2013 and 2013-2014 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

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

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

**CLOSTER BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

An element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds”. The details of this \$19,745 difference are as follows:

Compensated absences	\$3,269
Accrued interest	20,770
Amortization of deferred charge on refunding	<u>(4,294)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	<u>\$19,745</u>

**NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

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

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent for review and approval prior to adoption. Prior to the 2012/2013 budget year, the annual budget was required to be voted upon at the annual school election held on the third Tuesday in April. On January 17, 2012, Chapter 202 of the Laws of P.L. 2011 was approved which established procedures for moving the date of a school district’s annual school election from April to the general election in November. Under the new law, districts that have their school board members elected in November no longer have to submit their budgets that meet levy cap requirements for voter approval beginning with the 2012/2013 budget year. Only a school board decision to exceed the tax levy cap would require voter approval for the additional amount on the November ballot. On February 13, 2013, the Borough of Closter adopted a resolution to move the District’s annual election to the date of the general elections in accordance with the law; therefore voter approval of the annual budget is not required.

Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2013/2014. Also, during 2013/2014 the Board increased the original budget by \$977,199. The increase was funded by additional grant awards and the reappropriation of prior year general fund encumbrances.

**CLOSTER BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

**A. Budgetary Information (Continued)**

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, 2014**

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

**B. Capital Reserve (Continued)**

The activity of the capital reserve for the fiscal year ended June 30, 2014 is as follows:

Balance, July 1, 2013		\$ 2,125,102
Increased by:		
Interest earnings	\$ 8,155	
Deposits approved by Board Resolution	<u>481,762</u>	
Total Increases		<u>489,917</u>
		2,615,019
Withdrawals:		
Approved by Voters in District Budget	290,000	
Approved by Board Resolution	<u>797,865</u>	
Total Withdrawals		<u>1,087,865</u>
Balance, June 30, 2014		<u>\$ 1,527,154</u>

The June 30, 2014 LRF 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. 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, 2014 is \$651,437. Of this amount, \$326,437 was designated and appropriated in the 2014/2015 original budget certified for taxes and the remaining amount of \$325,000 will be appropriated in the 2015/2016 original budget certified for taxes.

**NOTE 4 DETAILED NOTES ON ALL FUNDS**

**A. Cash Deposits and Investments**

**Cash Deposits**

The Board's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), 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.

**CLOSTER BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

**Cash Deposits (Continued)**

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2014, the book value of the Board's deposits were \$4,454,876 and bank and brokerage firm balances of the Board's deposits amounted to \$4,744,493. 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>4,744,493</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, 2014 the Board had 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, 2014, the Board had no outstanding investments.

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

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

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, 2014**

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

**B. Receivables**

Receivables as of June 30, 2014 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>Capital Projects</u>	<u>Food Service</u>	<u>Total</u>
Receivables:				
Intergovernmental				
State	\$ 12,670	\$ 641,000		\$ 653,670
Federal			\$ 981	981
Other	<u>7,020</u>	<u>-</u>	<u>-</u>	<u>7,020</u>
Gross Receivables	19,690	641,000	981	661,671
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 19,690</u>	<u>\$ 641,000</u>	<u>\$ 981</u>	<u>\$ 661,671</u>

**C. Unearned Revenue**

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

Capital Projects Fund	
Unrealized School Facilities Grants	<u>\$618,686</u>

**CLOSTER BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

**D. Capital Assets**

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

	<u>Balance</u> <u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2014</u>
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 26,600			\$ 26,600
Construction In Progress	<u>101,228</u>	\$ 69,234	\$ (101,228)	<u>69,234</u>
Total Capital Assets, Not Being Depreciated	<u>127,828</u>	<u>69,234</u>	<u>(101,228)</u>	<u>95,834</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	19,125,094	570,525		19,695,619
Improvements Other Than Buildings	211,215	31,892		243,107
Machinery and Equipment	<u>808,983</u>	<u>83,220</u>	<u>(2,188)</u>	<u>890,015</u>
Total Capital Assets Being Depreciated	<u>20,145,292</u>	<u>685,637</u>	<u>(2,188)</u>	<u>20,828,741</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(6,683,784)	(476,100)		(7,159,884)
Improvements Other Than Buildings	(163,022)	(9,361)		(172,383)
Machinery and Equipment	<u>(660,987)</u>	<u>(74,157)</u>	<u>2,188</u>	<u>(732,956)</u>
Total Accumulated Depreciation	<u>(7,507,793)</u>	<u>(559,618)</u>	<u>2,188</u>	<u>(8,065,223)</u>
Total Capital Assets, Being Depreciated, Net	<u>12,637,499</u>	<u>126,019</u>	<u>-</u>	<u>12,763,518</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,765,327</u>	<u>\$ 195,253</u>	<u>\$ (101,228)</u>	<u>\$ 12,859,352</u>
	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
<b>Business-Type Activities:</b>				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 15,173	-	-	\$ 15,173
Total Capital Assets Being Depreciated	<u>15,173</u>	<u>-</u>	<u>-</u>	<u>15,173</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	(15,173)	-	-	(15,173)
Total Accumulated Depreciation	<u>(15,173)</u>	<u>-</u>	<u>-</u>	<u>(15,173)</u>
Total Capital Assets, Being Depreciated, Net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-Type Activities Capital Assets, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CLOSTER BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

**D. Capital Assets (Continued)**

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

**Governmental Activities:**

Instruction	
Regular	\$ 32,921
Total Instruction	<u>32,921</u>
Support Services	
Students and Instruction Related	25,263
School Administration	13,501
Operations and Maintenance of Plant	<u>487,933</u>
Total Support Services	<u>526,697</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 559,618</u>

**Construction Commitments**

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

<u>Project</u>	<u>Remaining Commitment</u>
Tenakill Door Replacement	\$ 84,715
Tenakill Window Replacement	60,875
HVAC Upgrades at Tenakill and Hillside Schools	732,000
Gutter Repairs at Tenakill School	<u>245,000</u>
Total	<u>\$ 1,122,590</u>

**CLOSTER BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

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

**Due to/from other funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects Fund	General Fund	\$ 126,365
General Fund	Agency Fund	<u>109</u>
Total		<u>\$ 126,474</u>

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

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

**Interfund transfers**

	<u>Transfer In:</u>
	Capital
	<u>Projects</u>
Transfer Out:	
General Fund	<u>\$ 1,087,865</u>

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

**F. Leases**

**Capital Leases**

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

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014 were as follows:

<u>Fiscal</u> <u>Year Ending June 30</u>	<u>Governmental</u> <u>Activities</u>
2015	<u>\$ 60,319</u>
Total Minimum Lease Payments	60,319
Less: Amount Representing Interest	<u>853</u>
Present Value of Minimum Lease Payments	<u>\$ 59,466</u>

**CLOSTER BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

**G. 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, 2014 are comprised of the following issues:

\$2,790,000, 2013 Refunding Bonds, due in annual installments of \$270,000 to \$295,000 through April 1, 2024, interest at 2.35%	\$2,790,000
\$4,464,000, 1994 Bonds, due in annual installments of \$294,000 through September 15, 2014, interest at 6.125%	<u>294,000</u>
	<u>\$3,084,000</u>

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

**Governmental Activities:**

Fiscal Year Ending <u>June 30,</u>	<u>Serial Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2015	\$ 589,000	\$ 74,570	\$ 663,570
2016	290,000	58,632	348,632
2017	285,000	51,818	336,818
2018	285,000	45,120	330,120
2019	280,000	38,422	318,422
2020-2024	<u>1,355,000</u>	<u>95,292</u>	<u>1,450,292</u>
	<u>\$ 3,084,000</u>	<u>\$ 363,854</u>	<u>\$ 3,447,854</u>

**CLOSTER BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

**G. 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, 2014 was as follows:

3% of Equalized Valuation Basis (Municipal)	\$ 61,343,964
Less: Net Debt	<u>3,084,000</u>
Remaining Borrowing Power	<u>\$ 58,259,964</u>

**Advance Refunding of Debt**

On August 1, 2013 the District issued \$2,790,000 in School District Refunding Bonds having an interest rate of 2.35%. These bonds were issued in order to advance refund certain principal maturities and certain interest payments of various School District Bonds of the District. The total bond principal defeased was \$2,715,000 and the total interest payments defeased to the call date of April 1, 2014 was \$104,145. The net proceeds of \$2,804,616 (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments. As a result, the advance refunding met the requirements of an in-substance debt defeasance and the refunded bond liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$42,943. This amount has been reported as Deferred Outflows of Resources on the financial statements and amortized over the remaining life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments over the next 10 years by \$158,070 and resulted in an economic gain of \$140,025.

**H. Other Long-Term Liabilities**

**Changes in Long-Term Liabilities**

Long-term liability activity for the fiscal year ended June 30, 2014, was as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
<b>Governmental activities:</b>					
Bonds Payable	\$ 3,579,000	\$ 2,790,000	\$ 3,285,000	\$ 3,084,000	\$ 589,000
Intergovernmental Loans Payable	317,202		317,202		
Capital Lease Payable	119,206		59,740	59,466	59,466
Compensated Absences	<u>344,635</u>	<u>25,536</u>	<u>28,805</u>	<u>341,366</u>	<u>34,137</u>
Governmental Activity Long-Term Liabilities	<u>\$ 4,360,043</u>	<u>\$ 2,815,536</u>	<u>\$ 3,690,747</u>	<u>\$ 3,484,832</u>	<u>\$ 682,603</u>

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

**CLOSTER BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 5 OTHER INFORMATION**

**A. Risk Management**

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

The District is a member of the 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 is on file with the School's Business Administrator.

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

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

Fiscal Year Ended <u>June 30,</u>	District <u>Contributions</u>	Employee <u>Contributions</u>	Amount <u>Reimbursed</u>	Ending <u>Balance</u>
2014	None	\$ 26,436	\$ 30,675	\$ 139,109
2013	None	25,988	42,861	142,654
2012	None	24,115	56,997	158,767

**CLOSTER BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 5 OTHER INFORMATION (Continued)**

**B. Contingent Liabilities**

The District is a party defendant in some lawsuits, none of a kind unusual for a school district of its size and scope of operation. In the opinion of the Board's Attorney the potential claims against the District not covered by insurance policies would not materially affect the financial condition of the District.

**Federal and State Awards** – The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2014, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

**C. Federal Arbitrage Regulations**

The District is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2014, the District has not estimated its arbitrage earnings due to the IRS, if any.

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

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

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

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

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

**CLOSTER BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 5 OTHER INFORMATION (Continued)**

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

**Defined Contribution Retirement Program (DCRP)** – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected, certain appointed officials, and certain Board employees not eligible for enrollment in PERS or TPAF. Effective July 1, 2007 membership is mandatory for such individuals with vesting occurring after one (1) year of membership.

**Other Pension Funds**

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

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

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

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

**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.

**CLOSTER BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 5 OTHER INFORMATION (Continued)**

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

**Significant Legislation (Continued)**

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

**Investment Valuation**

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

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

**Funding Status and Funding Progress**

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

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

**CLOSTER BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 5 OTHER INFORMATION (Continued)**

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

**Funding Status and Funding Progress (Continued)**

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

**Actuarial Methods and Assumptions**

In the July 1, 2012 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (a) an investment rate of return for the retirement systems from 7.95 percent to 7.90 percent and (b) projected salary increases of 4.22 percent for the PERS and 3.51 % percent for TPAF.

**Employer and Employee Pension Contributions**

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 6.6% for PERS, 6.6% 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 *Accounting for Pensions by State and Local Government Employees*, for the fiscal year ended June 30, 2014 for TPAF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

**CLOSTER BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 5 OTHER INFORMATION (Continued)**

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

During the fiscal years ended June 30, 2014, 2013 and 2012 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 June 30,	<u>PERS</u>	On-behalf <u>TPAF</u>	<u>DCRP</u>
2014	\$ 158,190	\$ 395,254	\$ 9,163
2013	145,531	599,227	9,521
2012	177,283	284,994	7,268

During fiscal year 2013/2014 the State did not contribute to the TPAF for accrued liability but did contribute \$395,254 for normal cost pension and NCGI premium. For fiscal years 2012/2013 and 2011/2012, the state contributed \$599,227 and \$284,994, respectively for normal cost pension, accrued liability and the NCGI premium.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$700,724 during the fiscal year ended June 30, 2014 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount, along with the on-behalf TPAF pension contribution, has been included in the district-wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

**E. Post-Retirement Medical Benefits**

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

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

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

**CLOSTER BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 5 OTHER INFORMATION (Continued)**

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

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

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

**Investment Valuation**

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

**Funded Status and Funding Progress**

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

**CLOSTER BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 5 OTHER INFORMATION (Continued)**

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

**Funded Status and Funding Progress (Continued)**

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

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

**Actuarial Methods and Assumptions**

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

**Post-Retirement Medical Benefits Contributions**

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2013, there were 100,134, retirees receiving post-retirement medical benefits and the State contributed \$1.07 billion on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$173.8 million toward Chapter 126 benefits for 17,356 eligible retired members in Fiscal Year 2013.

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 fiscal years ended June 30, 2014, 2013 and 2012 were \$648,068, \$677,574 and \$572,911, 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.

**BUDGETARY COMPARISON SCHEDULES**

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

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
<b>REVENUES</b>					
<b>Local Sources</b>					
Property Taxes	\$ 16,292,191		\$ 16,292,191	\$ 16,292,191	
Tuition	217,755		217,755	407,960	\$ 190,205
Interest - Capital Reserve	1,000		1,000	8,155	7,155
Interest				8,512	8,512
Miscellaneous	-	-	-	71,006	71,006
<b>Total Local Sources</b>	<u>16,510,946</u>	<u>-</u>	<u>16,510,946</u>	<u>16,787,824</u>	<u>276,878</u>
<b>State Sources</b>					
Extraordinary Aid				138,237	138,237
Categorical Special Education Aid	381,600		381,600	381,600	
Security Aid	16,303		16,303	16,303	
Transportation Aid	15,420		15,420	15,420	
Non Public Transportation Reimbursement				6,592	6,592
TPAF Social Security Contributions (Non-Budgeted)				700,724	700,724
TPAF Post Retirement Medical Contribution (Non-Budgeted)				648,068	648,068
TPAF Pension - Normal Costs (Non-Budgeted)				363,196	363,196
TPAF Pension - NCGI Premium	-	-	-	32,058	32,058
<b>Total State Sources</b>	<u>413,323</u>	<u>-</u>	<u>413,323</u>	<u>2,302,198</u>	<u>1,888,875</u>
<b>Total Revenues</b>	<u>16,924,269</u>	<u>-</u>	<u>16,924,269</u>	<u>19,090,022</u>	<u>2,165,753</u>
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES</b>					
<b>Instruction - Regular Programs</b>					
<b>Salaries of Teachers</b>					
Preschool	84,279	\$ 23,200	107,479	107,471	8
Kindergarten	458,271	1,350	459,621	459,596	25
Grades 1-5	3,005,843	(11,600)	2,994,243	2,923,845	70,398
Grades 6-8	2,234,026	(54,146)	2,179,880	2,127,084	52,796
<b>Regular Programs - Home Instruction</b>					
Salaries of Teachers	3,500	-	3,500	3,080	420
Purchased Professional/Educational Services	3,500	-	3,500		3,500
<b>Regular Programs - Undistributed Instruction</b>					
Other Salaries for Instruction	336,000	65,662	401,662	375,199	26,463
Purchased Professional/Educational Services	8,500	7,750	16,250	13,950	2,300
Purchased Technical Services	31,675	(2,025)	29,650	22,767	6,883
Other Purchased Services	160,000	(4,620)	155,380	149,666	5,714
General Supplies	194,800	132,274	327,074	313,071	14,003
Textbooks	7,500	(5,010)	2,490	2,487	3
Other Objects	2,695	120	2,815	2,814	1
<b>Total Regular Programs</b>	<u>6,530,589</u>	<u>152,955</u>	<u>6,683,544</u>	<u>6,501,030</u>	<u>182,514</u>
<b>Learning and/or Language Disabilities</b>					
Salaries of Teachers	62,041	10,450	72,491	72,325	166
Other Salaries for Instruction	21,750	3,200	24,950	21,726	3,224
General Supplies	1,500	-	1,500	1,109	391
<b>Total Learning and/or Language Disabilities</b>	<u>85,291</u>	<u>13,650</u>	<u>98,941</u>	<u>95,160</u>	<u>3,781</u>
<b>Resource Room/Resource Center</b>					
Salaries of Teachers	1,049,518	22,060	1,071,578	1,021,539	50,039
General Supplies	5,600	2,542	8,142	7,954	188
<b>Total Resource Room/Resource Center</b>	<u>1,055,118</u>	<u>24,602</u>	<u>1,079,720</u>	<u>1,029,493</u>	<u>50,227</u>
<b>Preschool Disabilities - Full - Time</b>					
Salaries of Teachers	84,279	23,200	107,479	107,472	7
Other Salaries for Instruction	78,000	10,000	88,000	86,743	1,257
General Supplies	3,000	6,950	9,950	9,443	507
<b>Total Preschool Disabilities - Full-Times</b>	<u>165,279</u>	<u>40,150</u>	<u>205,429</u>	<u>203,658</u>	<u>1,771</u>
<b>Total Special Education</b>	<u>1,305,688</u>	<u>78,402</u>	<u>1,384,090</u>	<u>1,328,311</u>	<u>55,779</u>

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

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
<b>Basic Skills/Remedial</b>					
Salaries of Teachers	\$ 436,221	(34,792)	\$ 401,429	\$ 401,391	\$ 38
General Supplies	3,800	(250)	3,550	943	2,607
<b>Total Basic Skills/Remedial</b>	<b>440,021</b>	<b>(35,042)</b>	<b>404,979</b>	<b>402,334</b>	<b>2,645</b>
<b>Bilingual Education</b>					
Salaries of Teachers	223,529	5,500	229,029	228,896	133
General Supplies	3,750	-	3,750	3,365	385
<b>Total Bilingual Education</b>	<b>227,279</b>	<b>5,500</b>	<b>232,779</b>	<b>232,261</b>	<b>518</b>
<b>School Sponsored Co/Extra Curricular Activities-Instruction</b>					
Salaries	42,250	4,555	46,805	46,276	529
Purchased Services	6,250	470	6,720	6,580	140
Supplies and Materials	3,000	(1,135)	1,865	1,857	8
Other Objects	750	(350)	400	400	-
<b>Total School Sponsored Co/Extra Curricular Activities-Instruction</b>	<b>52,250</b>	<b>3,540</b>	<b>55,790</b>	<b>55,113</b>	<b>677</b>
<b>School Sponsored Athletics-Instruction</b>					
Salaries	16,000	-	16,000	12,627	3,373
Purchased Services	3,250	(650)	2,600	2,436	164
Other Objects	1,500	-	1,500	194	1,306
<b>Total School Sponsored Athletics-Instruction</b>	<b>20,750</b>	<b>(650)</b>	<b>20,100</b>	<b>15,257</b>	<b>4,843</b>
<b>Summer School-Instruction</b>					
Salaries of Teachers	25,000	-	25,000	23,728	1,272
Other Salaries for Instruction	5,500	880	6,380	4,135	2,245
Supplies and Materials	2,000	(880)	1,120	35	1,085
<b>Total Summer School-Instruction</b>	<b>32,500</b>	<b>-</b>	<b>32,500</b>	<b>27,898</b>	<b>4,602</b>
<b>Total Instruction</b>	<b>8,609,077</b>	<b>204,705</b>	<b>8,813,782</b>	<b>8,562,204</b>	<b>251,578</b>
<b>Summer School-Support Services</b>					
Salaries	4,000	-	4,000	3,195	805
<b>Total Summer School-Support Services</b>	<b>4,000</b>	<b>-</b>	<b>4,000</b>	<b>3,195</b>	<b>805</b>
<b>Undistributed Expenditures</b>					
<b>Instruction</b>					
Tuition to Other LEAs w/in State - Special	369,144	62,507	431,651	421,692	9,959
Tuition to CSSD and Regional Day Schools	-	-	-	-	-
Tuition to Priv. Sch. for the Disabled - WI State	195,614	(117,351)	78,263	3,048	75,215
<b>Total Undistributed Expenditures - Instruction</b>	<b>564,758</b>	<b>(54,844)</b>	<b>509,914</b>	<b>424,740</b>	<b>85,174</b>
<b>Attendance and Social Work</b>					
Salaries	65,350	-	65,350	64,489	861
Purchased Professional and Technical Services	7,550	-	7,550	6,778	772
<b>Total Attendance and Social Work</b>	<b>72,900</b>	<b>-</b>	<b>72,900</b>	<b>71,267</b>	<b>1,633</b>
<b>Health Services</b>					
Salaries	191,161	(19,750)	171,411	163,737	7,674
Purchased Professional and Technical Services	6,750	(4,100)	2,650	2,643	7
Supplies and Materials	6,125	7,200	13,325	12,794	531
<b>Total Health Services</b>	<b>204,036</b>	<b>(16,650)</b>	<b>187,386</b>	<b>179,174</b>	<b>8,212</b>
<b>Speech, OT, PT &amp; Related Services</b>					
Salaries	303,572	-	303,572	270,853	32,719
Supplies and Materials	1,400	-	1,400	566	834
<b>Total Speech, OT, PT &amp; Related Services</b>	<b>304,972</b>	<b>-</b>	<b>304,972</b>	<b>271,419</b>	<b>33,553</b>
<b>Other Support Services - Students - Extra Services</b>					
Salaries	90,000	-	90,000	80,229	9,771
Purchased Professional-Educational Services	216,000	(12,597)	203,403	170,911	32,492
Supplies and Materials	5,000	3,000	8,000	7,800	200
Other Objects	1,000	-	1,000	-	1,000
<b>Total Other Supp.Serv. Student - Extra Services</b>	<b>312,000</b>	<b>(9,597)</b>	<b>302,403</b>	<b>258,940</b>	<b>43,463</b>
<b>Other Supp. Serv. - Students - Regular (Guidance)</b>					
Salaries of Other Professional Staff	168,599	-	168,599	166,273	2,326
Supplies and Materials	1,250	-	1,250	1,084	166
<b>Total Guidance</b>	<b>169,849</b>	<b>-</b>	<b>169,849</b>	<b>167,357</b>	<b>2,492</b>

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

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
<b>Child Study Teams</b>					
Salaries of Other Professional Staff	\$ 387,385	\$ 5,750	\$ 393,135	\$ 392,822	\$ 313
Salaries of Secretarial and Clerical Assistants	78,000	-	78,000	74,598	3,402
Purchased Professional-Educational Services	28,100	345	28,445	28,444	1
Other Purchased Professional and Technical Services	11,000	(2,064)	8,936	8,453	483
Supplies and Materials	8,500	2,000	10,500	8,081	2,419
Other Objects	2,500	-	2,500	289	2,211
<b>Total Child Study Teams</b>	<b>515,485</b>	<b>6,031</b>	<b>521,516</b>	<b>512,687</b>	<b>8,829</b>
<b>Improvement of Instructional Services</b>					
Purchased Professional-Educational Services	52,000	(6,031)	45,969	45,969	-
<b>Total Improvement of Instructional Services</b>	<b>52,000</b>	<b>(6,031)</b>	<b>45,969</b>	<b>45,969</b>	<b>-</b>
<b>Educational Media/School Library</b>					
Salaries	209,211	4,500	213,711	213,425	286
Purchased Professional and Technical Services	3,240	-	3,240	3,190	50
Other Purchased Services	2,525	157	2,682	2,567	115
Supplies and Materials	18,350	(148)	18,202	15,389	2,813
<b>Total Educational Media/School Library</b>	<b>233,326</b>	<b>4,509</b>	<b>237,835</b>	<b>234,571</b>	<b>3,264</b>
<b>Instructional Staff Training Services</b>					
Salaries of Other Professional Staff	1,000	-	1,000	-	1,000
Purchased Professional-Educational Services	34,000	(500)	33,500	32,815	685
Other Purchased Professional and Technical Services	11,000	(1,000)	10,000	451	9,549
Other Purchased Services	3,500	1,500	5,000	4,471	529
Supplies and Materials	5,000	-	5,000	1,415	3,585
<b>Total Instructional Staff Training Services</b>	<b>54,500</b>	<b>-</b>	<b>54,500</b>	<b>39,152</b>	<b>15,348</b>
<b>Support Services General Administration</b>					
Salaries	415,909	(1,766)	414,143	413,881	262
Legal Services	30,000	(3,385)	26,615	26,614	1
Audit Fees	21,000	(800)	20,200	20,200	-
Architectural/Engineering Services	20,000	30,188	50,188	28,975	21,213
Other Purchased Professional Services	12,000	7,875	19,875	14,522	5,353
Communications/Telephone	30,725	(2,583)	28,142	19,945	8,197
BOE Other Purchased Services	5,500	(3,877)	1,623	623	1,000
Miscellaneous Purchased Services	3,000	110	3,110	2,109	1,001
General Supplies	8,000	-	8,000	6,106	1,894
BOE In-House Training/Meeting Supplies	1,500	(1,175)	325	94	231
Miscellaneous Expenditures	18,500	(14,500)	4,000	3,600	400
BOE Membership Dues and Fees	10,000	-	10,000	8,296	1,704
<b>Total Support Services General Administration</b>	<b>576,134</b>	<b>10,087</b>	<b>586,221</b>	<b>544,965</b>	<b>41,256</b>
<b>Support Services School Administration</b>					
Salaries of Principals/Asst. Principals	418,000	(413)	417,587	417,587	-
Salaries of Other Professional Staff	193,000	8,027	201,027	201,027	-
Salaries of Secretarial and Clerical Assistants	110,000	-	110,000	107,969	2,031
Other Purchased Services	5,500	(2,291)	3,209	2,643	566
Supplies and Materials	15,300	-	15,300	13,839	1,461
Other Objects	3,650	-	3,650	3,035	615
<b>Total Support Services School Administration</b>	<b>745,450</b>	<b>5,323</b>	<b>750,773</b>	<b>746,100</b>	<b>4,673</b>
<b>Central Services</b>					
Salaries	140,000	6,443	146,443	146,260	183
Purchased Technical Services	18,500	770	19,270	19,268	2
Miscellaneous Purchased Services	7,100	275	7,375	7,251	124
Supplies and Materials	5,500	1,040	6,540	6,485	55
Miscellaneous Expenditures	1,500	(810)	690	690	-
<b>Total Central Services</b>	<b>172,600</b>	<b>7,718</b>	<b>180,318</b>	<b>179,954</b>	<b>364</b>

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

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
<b>Admin. Info. Tech.</b>					
Salaries	\$ 74,500	386	\$ 74,886	\$ 74,885	\$ 1
Other Purchased Services		\$ 600	600	565	35
Supplies and Materials	4,500	5,348	9,848	7,555	2,293
<b>Total Admin. Info. Tech.</b>	<b>79,000</b>	<b>6,334</b>	<b>85,334</b>	<b>83,005</b>	<b>2,329</b>
<b>Required Maintenance for School Facilities</b>					
Salaries	187,000	4,110	191,110	191,002	108
Cleaning, Repair and Maintenance Services	150,000	(16,699)	133,301	131,757	1,544
General Supplies	32,500	4,410	36,910	36,905	5
Other Objects	2,000	(992)	1,008	805	203
<b>Total Required Maintenance for School Facilities</b>	<b>371,500</b>	<b>(9,171)</b>	<b>362,329</b>	<b>360,469</b>	<b>1,860</b>
<b>Custodial Services</b>					
Salaries	426,112	(8,205)	417,907	411,905	6,002
Salaries of Non-Instructional Aides	110,000	16,650	126,650	111,624	15,026
Purchased Professional and Technical Services	4,825	(1,430)	3,395	1,600	1,795
Cleaning, Repair and Maintenance Services	10,000	(2,078)	7,922	7,097	825
Other Purchased Property Services	13,250	(506)	12,744	11,086	1,658
Insurance	123,500	236	123,736	123,736	-
Miscellaneous Purchased Services	500	-	500	432	68
General Supplies	45,000	(2,800)	42,200	41,305	895
Energy (Natural Gas)	87,320	25,000	112,320	92,381	19,939
Energy (Electricity)	162,000	(21,930)	140,070	119,714	20,356
Gasoline	3,000	-	3,000	2,149	851
Other Objects	500	(500)	-	-	-
<b>Total Custodial Services</b>	<b>986,007</b>	<b>4,437</b>	<b>990,444</b>	<b>923,029</b>	<b>67,415</b>
<b>Care and Upkeep of Grounds</b>					
Cleaning, Repair and Maintenance Service	31,000	68,604	99,604	99,577	27
General Supplies	5,000	4,611	9,611	9,166	445
<b>Total Care and Upkeep of Grounds</b>	<b>36,000</b>	<b>73,215</b>	<b>109,215</b>	<b>108,743</b>	<b>472</b>
<b>Security</b>					
Purchased Technical Services		3,884	3,884	3,880	4
Cleaning, Repair and Maintenance Service		46,158	46,158	46,149	9
General Supplies	-	3,469	3,469	3,469	-
<b>Total Security</b>	<b>-</b>	<b>53,511</b>	<b>53,511</b>	<b>53,498</b>	<b>13</b>
<b>Student Transportation Services</b>					
Salaries of Non-Instructional Aides	6,500	-	6,500	3,152	3,348
Contracted Services - Aid In Lieu of Payments-Non-Public Schools	30,000	(1,474)	28,526	14,586	13,940
Contracted Services (Between Home and School) - Vendors	31,950	(1,450)	30,500	30,115	385
Contracted Services (Other Than Between Home and School) - Vendors	15,000	-	15,000	11,873	3,127
Contracted Services (Between Home and School) - Joint Agreements	30,000	-	30,000	20,036	9,964
Contracted Services (Special Education Students) - Joint Agreements	130,000	(15,000)	115,000	76,741	38,259
<b>Total Student Transportation Services</b>	<b>243,450</b>	<b>(17,924)</b>	<b>225,526</b>	<b>156,503</b>	<b>69,023</b>

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

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
<b>Unallocated Benefits- Employee Benefits</b>					
Social Security Contributions	\$ 164,500	\$ 1,090	\$ 165,590	\$ 165,589	\$ 1
Other Retirement Contributions - PERS	190,000	(31,809)	158,191	158,190	1
Other Retirement Contribution - Regular	8,750	825	9,575	9,163	412
Worker's Compensation	98,000	(1,190)	96,810	96,810	-
Health Benefits	2,495,122	(89,355)	2,405,767	2,227,979	177,788
Tuition Reimbursement	20,000	(7,000)	13,000	13,000	-
Other Employee Benefits	16,060	20,545	36,605	36,093	512
<b>Total Unallocated Benefits</b>	<b>2,992,432</b>	<b>(106,894)</b>	<b>2,885,538</b>	<b>2,706,824</b>	<b>178,714</b>
TPAF Post-Retirement Medical Contribution (Non-Budgeted)				648,068	(648,068)
TPAF Pension Contribution-Normal Costs (Non-Budgeted)				363,196	(363,196)
TPAF Pension Contribution-NCGI Premium (Non-Budgeted)				32,058	(32,058)
TPAF Social Security Contributions (Non-Budgeted)				700,724	(700,724)
<b>Total Undistributed Expenditures</b>	<b>8,690,399</b>	<b>(49,946)</b>	<b>8,640,453</b>	<b>9,815,607</b>	<b>(1,175,154)</b>
<b>Total Current Expenditures</b>	<b>17,299,476</b>	<b>154,759</b>	<b>17,454,235</b>	<b>18,377,811</b>	<b>(923,576)</b>
<b>CAPITAL OUTLAY</b>					
<b>EQUIPMENT</b>					
Instruction		2,742	2,742	2,742	-
Preschool		9,410	9,410	4,351	5,059
Grades 1-5		4,226	4,226	4,226	-
Grades 6-8		2,742	2,742	2,742	-
Preschool Disabilities -Full Time		2,500	2,500	2,500	-
School Sponsored Cocurricular Activities		51,562	51,562	3,500	48,062
Required Maintenance of School Facilities		4,600	4,600	4,600	-
Custodial Services					
<b>Total Equipment</b>	<b>-</b>	<b>77,782</b>	<b>77,782</b>	<b>24,661</b>	<b>53,121</b>
Facilities Acquisition and Construction Services					
Other Purchased Professional and Technical Services	2,000	1,850	3,850	3,850	-
Construction Services	260,000	696,533	956,533	511,138	445,395
Supplies & Materials	28,000	(1,850)	26,150	25,051	1,099
Assessment for Debt Service on SDA Funding	23,995	(9,054)	14,941	14,941	-
<b>Total Facilities Acquisition and Construction Services</b>	<b>313,995</b>	<b>687,479</b>	<b>1,001,474</b>	<b>554,980</b>	<b>446,494</b>
Interest Deposit to Capital Reserve	1,000	-	1,000	-	1,000
<b>Total Capital Outlay</b>	<b>314,995</b>	<b>765,261</b>	<b>1,080,256</b>	<b>579,641</b>	<b>500,615</b>
<b>Total General Fund Expenditures</b>	<b>17,614,471</b>	<b>920,020</b>	<b>18,534,491</b>	<b>18,957,452</b>	<b>(422,961)</b>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(690,202)	(920,020)	(1,610,222)	132,570	1,742,792
Other Financing Sources (Uses)					
Capital Reserve-Transfer to Capital Projects	-	-	-	(1,087,865)	(1,087,865)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,087,865)</b>	<b>(1,087,865)</b>
Excess (Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Sources	(690,202)	(920,020)	(1,610,222)	(955,295)	654,927
Fund Balance, Beginning of Year	4,347,721	-	4,347,721	4,347,721	-
Fund Balance, End of Year	\$ 3,657,519	\$ (920,020)	\$ 2,737,499	\$ 3,392,426	\$ 654,927
<b>Recapitulation</b>					
<b>Restricted:</b>					
Emergency Reserve				\$ 250,000	
Capital Reserve				1,527,154	
Excess Surplus - Designated for Subsequent Year's Expenditures				326,437	
Excess Surplus				325,000	
<b>Committed:</b>					
Year-End Encumbrances				293,062	
<b>Assigned:</b>					
Year End Encumbrances				44,206	
Designated for Subsequent Years Expenditures				115,713	
Unassigned Fund Balance				510,854	
				3,392,426	
<b>Reconciliation to Governmental Fund Statements (GAAP)</b>					
Receivables Not Recognized by GAAP					
Final State Aid Payment				(39,840)	
Extraordinary Aid				(138,237)	
<b>Fund Balance, Governmental Statements (GAAP Basis)</b>				<b>\$ 3,214,349</b>	

**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, 2014**

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget to Actual
REVENUES					
Federal Sources	\$ 190,000	\$ 57,179	\$ 247,179	\$ 247,179	-
Total Revenues	<u>190,000</u>	<u>57,179</u>	<u>247,179</u>	<u>247,179</u>	<u>-</u>
EXPENDITURES					
Instruction					
Tuition - Other Purchased Services	160,000	26,035	186,035	186,035	-
Supplies and Materials	-	19,937	19,937	19,937	-
Total Instruction	<u>160,000</u>	<u>45,972</u>	<u>205,972</u>	<u>205,972</u>	<u>-</u>
Support Services					
Other Purchased Services	<u>30,000</u>	<u>11,207</u>	<u>41,207</u>	<u>41,207</u>	<u>-</u>
Total Support Services	<u>30,000</u>	<u>11,207</u>	<u>41,207</u>	<u>41,207</u>	<u>-</u>
Total Expenditures	<u>190,000</u>	<u>57,179</u>	<u>247,179</u>	<u>247,179</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CLOSTER BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

The following presents a reconciliation of the General and Special Revenue Funds from the budgetary basis of accounting as presented in the Budgetary Comparison 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>
<b>Sources/Inflows of Resources</b>		
Actual amounts (budgetary basis) revenue from the budgetary comparison schedule (Exhibits C-1 and C-2)	\$ 19,090,022	\$ 247,179
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, 2013		
Encumbrances - June 30, 2014		
State Aid payments recognized for GAAP statements, not recognized for budgetary purposes - Prior Year	162,352	
State Aid payments recognized for budgetary purposes, not recognized for GAAP statements - Current Year	<u>(178,077)</u>	<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 19,074,297</u>	<u>\$ 247,179</u>
<b>Uses/Outflows of Resources</b>		
Actual amounts (budgetary basis) total outflows from the budgetary comparison schedule	\$ 18,957,452	\$ 247,179
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>\$ 18,957,452</u>	<u>\$ 247,179</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, 2014**

	<b>IDEA Part B- Basic</b>	<b>IDEA Pre- School</b>	<b>NCLB Title III</b>	<b>Total</b>
<b>REVENUES</b>				
Intergovernmental				
Federal	\$ 216,880	\$ 10,362	\$ 19,937	\$ 247,179
 Total Revenues	<u>\$ 216,880</u>	<u>\$ 10,362</u>	<u>\$ 19,937</u>	<u>\$ 247,179</u>
 <b>EXPENDITURES</b>				
Instruction				
Tuition - Other Purchased Services	\$ 175,673	\$ 10,362		\$ 186,035
Supplies and Materials	-	-	\$ 19,937	19,937
 Total Instruction	<u>175,673</u>	<u>10,362</u>	<u>19,937</u>	<u>205,972</u>
 Support Services				
Other Purchased Services	41,207	-	-	41,207
 Total Support Services	<u>41,207</u>	<u>-</u>	<u>-</u>	<u>41,207</u>
 Total Expenditures	<u>\$ 216,880</u>	<u>\$ 10,362</u>	<u>\$ 19,937</u>	<u>\$ 247,179</u>

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

NOT APPLICABLE

**CAPITAL PROJECTS FUND**

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

<u>Project Title</u>	<u>Appropriation</u>	<u>Expended</u>		<u>Balance June 30, 2014</u>
		<u>Prior Year</u>	<u>Current Year</u>	
Tenakill HVAC Unit in Auditorium	\$ 462,000		\$ 23,550	\$ 438,450
Tenakill Window Replacement	73,125		7,200	65,925
Hillside Door and Window Replacement	730,000			730,000
Tenakill Door Replacement	135,740		2,185	133,555
Hillside HVAC Unit in Auditorium	<u>328,000</u>	<u>-</u>	<u>22,850</u>	<u>305,150</u>
	<u>\$ 1,728,865</u>	<u>\$ -</u>	<u>\$ 55,785</u>	<u>\$ 1,673,080</u>
		Budgetary Balance at 6/30/2014		\$ 1,673,080
		Less: Unearned Revenue		<u>618,686</u>
		GAAP Balance at 6/30/2014		<u>\$ 1,054,394</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, 2014**

<b>Revenues</b>	
SDA Grant	\$ 641,000
Capital Reserve	<u>1,087,865</u>
Total Revenues	<u>1,728,865</u>
<b>Expenditures</b>	
Purchased Professional Services	53,600
Construction Services	<u>2,185</u>
Total Expenditures	<u>55,785</u>
Excess Revenues Over Expenditures	1,673,080
Fund Balance - Beginning of Year	<u>-</u>
Fund Balance- End of Year	<u>\$ 1,673,080</u>
Budgetary Fund Balance at 6/30/2014	\$ 1,673,080
Less: Unearned Revenue	<u>618,686</u>
GAAP Fund Balance at 6/30/2014	<u>\$ 1,054,394</u>

**CLOSTER BOARD OF EDUCATION  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES AND PROJECT STATUS -  
TENAKILL HVAC UNIT IN AUDITORIUM  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Prior Periods</u>	<u>Current Period</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
SDA Grant		\$ 130,800	\$ 130,800	\$ 130,800
Capital Reserve	-	331,200	331,200	331,200
<b>Total Revenues</b>	-	<b>462,000</b>	<b>462,000</b>	<b>462,000</b>
EXPENDITURES AND OTHER FINANCING SOURCES				
Purchased Professional Services		23,550	23,550	30,000
Construction Services	-	-	-	432,000
<b>Total Expenditures and Other Financing Uses</b>	-	<b>23,550</b>	<b>23,550</b>	<b>462,000</b>
Excess (deficiency) of Revenues over (under) Expenditures	\$ -	\$ 438,450	\$ 438,450	\$ -

## Additional Project Information:

Project Number	#0930-060-14-1006-G-04
Grant Date	1/6/2014
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
SDA Grant Authorized	\$ 130,800
Capital Reserve	331,200
Original Authorized Cost	462,000
Increase/(Decrease)	
Revised Authorized Cost	462,000
Percentage Increase Over Original	
Authorized Cost	0.00%
Percentage Completion	5.10%
Original Target Completion Date	November 30, 2014
Revised Completion Date	

**CLOSTER BOARD OF EDUCATION  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES AND PROJECT STATUS -  
TENAKILL WINDOW REPLACEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Prior Periods</u>	<u>Current Period</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
SDA Grant		\$ 31,200	\$ 31,200	\$ 31,200
Capital Reserve	-	41,925	41,925	41,925
<b>Total Revenues</b>	<b>-</b>	<b>73,125</b>	<b>73,125</b>	<b>73,125</b>
<b>EXPENDITURES AND OTHER FINANCING SOURCES</b>				
Purchased Professional Services		7,200	7,200	12,250
Construction Services	-	\$ -	-	60,875
<b>Total Expenditures and Other Financing Uses</b>	<b>-</b>	<b>7,200</b>	<b>7,200</b>	<b>73,125</b>
<b>Excess (deficiency) of Revenues over (under) Expenditures</b>	<b>\$ -</b>	<b>\$ 65,925</b>	<b>\$ 65,925</b>	<b>\$ -</b>

Additional Project Information:

Project Number	#0930-060-14-1005-G-04
Grant Date	1/6/2014
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
SDA Grant Authorized	\$ 31,200
Capital Reserve	41,925
Original Authorized Cost	73,125
Increase/(Decrease)	
Revised Authorized Cost	73,125
Percentage Increase Over Original Authorized Cost	0.00%
Percentage Completion	9.85%
Original Target Completion Date	November 30, 2014
Revised Completion Date	

**CLOSTER BOARD OF EDUCATION  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES AND PROJECT STATUS -  
HILLSIDE DOOR AND WINDOW REPLACEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Prior Periods</u>	<u>Current Period</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
SDA Grant		\$ 292,000	\$ 292,000	\$ 292,000
Capital Reserve	-	438,000	438,000	438,000
<b>Total Revenues</b>	-	<b>730,000</b>	<b>730,000</b>	<b>730,000</b>
<b>EXPENDITURES AND OTHER FINANCING SOURCES</b>				
Purchased Professional Services			-	52,000
Construction Services	-	\$ -	-	678,000
<b>Total Expenditures and Other Financing Uses</b>	-	-	-	<b>730,000</b>
<b>Excess (deficiency) of Revenues over (under) Expenditures</b>	\$ -	<b>\$ 730,000</b>	<b>\$ 730,000</b>	\$ -

## Additional Project Information:

Project Number	#0930-050-14-1002-G-04
Grant Date	1/6/2014
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
SDA Grant Authorized	\$ 292,000
Capital Reserve	438,000
Original Authorized Cost	730,000
Increase/(Decrease)	
Revised Authorized Cost	730,000
Percentage Increase Over Original	
Authorized Cost	0.00%
Percentage Completion	0.00%
Original Target Completion Date	September 1, 2015
Revised Completion Date	

**CLOSTER BOARD OF EDUCATION  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES AND PROJECT STATUS -  
TENAKILL DOOR REPLACEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Prior Periods</u>	<u>Current Period</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
SDA Grant		\$ 77,600	\$ 77,600	\$ 77,600
Capital Reserve	-	58,140	58,140	58,140
<b>Total Revenues</b>	<b>-</b>	<b>135,740</b>	<b>135,740</b>	<b>135,740</b>
<b>EXPENDITURES AND OTHER FINANCING SOURCES</b>				
Purchased Professional Services			-	10,000
Construction Services	-	2,185	2,185	125,740
<b>Total Expenditures and Other Financing Uses</b>	<b>-</b>	<b>2,185</b>	<b>2,185</b>	<b>135,740</b>
<b>Excess (deficiency) of Revenues over (under) Expenditures</b>	<b>\$ -</b>	<b>\$ 133,555</b>	<b>\$ 133,555</b>	<b>\$ -</b>

## Additional Project Information:

Project Number	#0930-060-14-1001-G-04
Grant Date	1/6/2014
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
SDA Grant Authorized	\$ 77,600
Capital Reserve	58,140
Original Authorized Cost	135,740
Increase/(Decrease)	
Revised Authorized Cost	135,740
<b>Percentage Increase Over Original</b>	
Authorized Cost	0.00%
Percentage Completion	1.61%
Original Target Completion Date	November 30, 2014
Revised Completion Date	

**CLOSTER BOARD OF EDUCATION  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES AND PROJECT STATUS -  
HILLSIDE HVAC UNIT IN AUDITORIUM  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Prior Periods</u>	<u>Current Period</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
SDA Grant		\$ 109,400	\$ 109,400	\$ 109,400
Capital Reserve	-	218,600	218,600	218,600
<b>Total Revenues</b>	-	<b>328,000</b>	<b>328,000</b>	<b>328,000</b>
<b>EXPENDITURES AND OTHER FINANCING SOURCES</b>				
Purchased Professional Services		22,850	22,850	28,000
Construction Services	-	\$ -	-	300,000
<b>Total Expenditures and Other Financing Uses</b>	-	<b>22,850</b>	<b>22,850</b>	<b>328,000</b>
Excess (deficiency) of Revenues over (under) Expenditures	\$ -	\$ 305,150	\$ 305,150	\$ -

## Additional Project Information:

Project Number	#0930-050-14-1004-G-04
Grant Date	1/6/2014
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
SDA Grant Authorized	\$ 109,400
Capital Reserve	218,600
Original Authorized Cost	328,000
Increase/(Decrease)	
Revised Authorized Cost	328,000
Percentage Increase Over Original	
Authorized Cost	0.00%
Percentage Completion	6.97%
Original Target Completion Date	November 30, 2014
Revised Completion Date	

**ENTERPRISE FUND**

**CLOSTER BOARD OF EDUCATION  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF NET POSITION  
AS OF JUNE 30, 2014**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

**COMBINING STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

**COMBINING STATEMENTS OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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, 2014**

	<u>Student Activity</u>	<u>Agency Payroll</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 47,024	\$ 14,646	\$ 61,670
Total Assets	<u>\$ 47,024</u>	<u>\$ 14,646</u>	<u>\$ 61,670</u>
<b>LIABILITIES</b>			
Payroll Deductions and Withholdings		\$ 14,479	\$ 14,479
Accrued Salaries and Wages		58	58
Due to Student Groups	\$ 47,024		47,024
Due to Other Funds	<u>-</u>	<u>109</u>	<u>109</u>
Total Liabilities	<u>\$ 47,024</u>	<u>\$ 14,646</u>	<u>\$ 61,670</u>

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

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, 2014**

<u>School</u>	<u>Balance July 1, 2013</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2014</u>
ELEMENTARY SCHOOL				
Hillside	\$ 29,072	\$ 42,977	\$ 49,155	\$ 22,894
MIDDLE SCHOOL				
Tenakill	<u>12,995</u>	<u>203,287</u>	<u>192,152</u>	<u>24,130</u>
Total	<u>\$ 42,067</u>	<u>\$ 246,264</u>	<u>\$ 241,307</u>	<u>\$ 47,024</u>

## EXHIBIT H-4

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

	<u>Balance, July 1, 2013</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2014</u>
Due to Other Funds	\$ 88	\$ 685	\$ 664	\$ 109
Payroll Deductions and Withholdings	3,431	5,643,676	5,632,628	14,479
Accrued Salaries and Wages	<u>58</u>	<u>7,034,524</u>	<u>7,034,524</u>	<u>58</u>
	<u>\$ 3,577</u>	<u>\$ 12,678,885</u>	<u>\$ 12,667,816</u>	<u>\$ 14,646</u>

**LONG-TERM DEBT**

**CLOSTER BOARD OF EDUCATION  
LONG-TERM DEBT  
STATEMENT OF SERIAL BONDS PAYABLE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance, July 1, 2013</u>	<u>Issued</u>	<u>Retirements</u>	<u>Balance, June 30, 2014</u>
			<u>Date</u>	<u>Amount</u>					
School Bonds	9/15/1994	\$ 4,464,000	9-15-2014	\$ 294,000	6.125 %	\$ 594,000		\$ 300,000	\$ 294,000
School Bonds	4/1/2004	4,600,000				2,985,000		2,985,000	
School Refunding Bonds	8/1/2013	2,790,000	4-1-2015	295,000	2.350				
			4-1-2016	290,000	2.350				
			4-1-2017	285,000	2.350				
			4-1-2018	285,000	2.350				
			4-1-2019	280,000	2.350				
			4-1-2020	275,000	2.350				
			4-1-2021	270,000	2.350				
			4-1-2022	270,000	2.350				
			4-1-2023	270,000	2.350				
			4-1-2024	270,000	2.350				
						- \$ 2,790,000	-	2,790,000	
						<u>\$ 3,579,000</u>	<u>\$ 2,790,000</u>	<u>\$ 3,285,000</u>	<u>\$ 3,084,000</u>
							Refunded	\$ 2,715,000	
							Paid	<u>570,000</u>	
								<u>\$ 3,285,000</u>	

**CLOSTER BOARD OF EDUCATION  
LONG-TERM DEBT  
SCHEDULE OF INTERGOVERNMENTAL LOANS PAYABLE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<u>Intergovernmental Loan</u>	<u>Interest Rate Payable</u>	<u>Amount of Original Issue</u>	<u>Balance July 1, 2013</u>	<u>Retirement</u>	<u>Balance June 30, 2014</u>
Facility Program Loan	1.50%	\$ 4,464,063	\$ 234,950	\$ 234,950	
Safe Loan	1.50%	299,219	15,749	15,749	
Small Project Loan	5.29%	897,656	<u>66,503</u>	<u>66,503</u>	<u>-</u>
			<u>\$ 317,202</u>	<u>\$ 317,202</u>	<u>\$ -</u>

**CLOSTER BOARD OF EDUCATION  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 1,031,901	-	\$ 1,031,901	\$ 1,031,901	-
<b>Total Revenues</b>	<u>1,031,901</u>	<u>-</u>	<u>1,031,901</u>	<u>1,031,901</u>	<u>-</u>
<b>EXPENDITURES:</b>					
Regular Debt Service:					
Interest	144,699		144,699	144,699	
Redemption of Principal	887,202		887,202	887,202	
Bond Issuance Costs				23,070	\$ (23,070)
Advance to Refunding Escrow	-	-	-	42,943	(42,943)
<b>Total Regular Debt Service</b>	<u>1,031,901</u>	<u>-</u>	<u>1,031,901</u>	<u>1,097,914</u>	<u>(66,013)</u>
<b>Total Expenditures</b>	<u>1,031,901</u>	<u>-</u>	<u>1,031,901</u>	<u>1,097,914</u>	<u>(66,013)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(66,013)</u>	<u>(66,013)</u>
<b>Other Financing Sources (Uses):</b>					
Payment to Refunding Bond Escrow Agent				(2,715,000)	(2,715,000)
Refunded Bonds Issued	-	-	-	2,790,000	2,790,000
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,000</u>	<u>75,000</u>
<b>Excess of Revenues and Other Financing Sources Over Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,987</u>	<u>8,987</u>
<b>Fund Balance, Beginning of Year</b>	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 8,988</u>	<u>\$ 8,987</u>
<b>Recapitulation of Fund Balance:</b>					
Designated for Subsequent Year's Budgeted Debt Service Expenditures				\$ 1	
Available for Expenditures				<u>8,987</u>	
				<u>\$ 8,988</u>	

**CLOSTER BOARD OF EDUCATION  
SCHEDULE OF OBLIGATIONS UNDER LEASE PURCHASE AGREEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<u>Issue</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Balance, June 30, 2013</u>	<u>Retired</u>	<u>Balance, June 30, 2014</u>
Apple IMAC and MacBook Computers	1.434%	\$ 179,526	\$ 119,206	\$ 59,740	\$ 59,466
			<u>\$ 119,206</u>	<u>\$ 59,740</u>	<u>\$ 59,466</u>

## STATISTICAL SECTION

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

### Contents

### Exhibits

#### **Financial Trends**

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

J-1 to J-5

#### **Revenue Capacity**

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

J-6 to J-9

#### **Debt Capacity**

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

J-10 to J-13

#### **Demographic and Economic Information**

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

J-14 and J-15

#### **Operating Information**

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

J-16 to J-20

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

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

	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities							(1)			
Net Investment in Capital Assets	\$ 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	\$ 9,814,001
Restricted	1,568,506	528,878	98,734	252,826	532,393	984,293	1,767,587	1,922,610	2,125,103	2,590,536
Unrestricted	(101,270)	(148,261)	682,000	1,309,815	1,089,287	768,282	1,183,408	1,270,228	1,554,013	1,264,720
Total governmental activities net position	<u>\$ 3,977,774</u>	<u>\$ 4,877,388</u>	<u>\$ 5,700,102</u>	<u>\$ 6,660,209</u>	<u>\$ 7,489,029</u>	<u>\$ 8,145,017</u>	<u>\$ 9,867,982</u>	<u>\$ 11,549,431</u>	<u>\$ 12,548,241</u>	<u>\$ 13,669,257</u>
Business-type activities										
Net Investment in Capital Assets										
Restricted										
Unrestricted	\$ 8,004	\$ 10,537	\$ 29,532	\$ 7,662	\$ 4,162	\$ 10,332	\$ 16,897	\$ 6,198	\$ 4,609	\$ 7,490
Total business-type activities net position	<u>\$ 8,004</u>	<u>\$ 10,537</u>	<u>\$ 29,532</u>	<u>\$ 7,662</u>	<u>\$ 4,162</u>	<u>\$ 10,332</u>	<u>\$ 16,897</u>	<u>\$ 6,198</u>	<u>\$ 4,609</u>	<u>\$ 7,490</u>
District-wide										
Net Investment in Capital Assets	\$ 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	\$ 9,814,001
Restricted	1,568,506	528,878	98,734	252,826	532,393	984,293	1,767,587	1,922,610	2,125,103	2,590,536
Unrestricted	(93,266)	(137,724)	711,532	1,317,477	1,093,449	778,614	1,200,305	1,276,426	1,558,622	1,272,210
Total district net position	<u>\$ 3,985,778</u>	<u>\$ 4,887,925</u>	<u>\$ 5,729,634</u>	<u>\$ 6,667,871</u>	<u>\$ 7,493,191</u>	<u>\$ 8,155,349</u>	<u>\$ 9,884,879</u>	<u>\$ 11,555,629</u>	<u>\$ 12,552,850</u>	<u>\$ 13,676,747</u>

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

**CLUSTER BOARD OF EDUCATION  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS**  
*(actual basis of accounting)*

EXHIBIT 4.2

	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Expenses</b>										
<b>Governmental activities</b>										
<b>Instruction</b>										
Regular	\$ 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	\$ 8,910,684
Special education	1,872,441	1,955,974	2,086,565	2,261,842	2,258,068	2,378,059	1,991,587	2,417,396	2,565,227	2,478,622
Other instruction	465,048	552,436	639,104	665,095	800,088	864,669	868,239	933,469	1,045,161	929,029
School Sponsored Activities and Athletics	57,563	56,360	73,307	65,978	71,845	78,481	85,403	90,028	91,524	94,457
<b>Support Services:</b>										
Student & instruction related services	2,140,203	2,147,051	2,244,067	2,199,191	2,259,022	2,295,601	2,228,355	2,283,250	2,420,970	2,278,238
General administration services	604,682	672,458	586,400	683,875	683,875	645,485	684,289	774,342	782,212	752,564
School Administration services	596,495	729,709	872,519	908,375	952,592	950,387	928,914	974,602	1,013,002	1,046,264
Business/Central Services	175,704	192,710	210,049	209,113	212,980	212,795	318,124	345,204	370,848	347,464
Plant operations and maintenance	1,809,548	1,243,656	1,350,210	1,459,950	1,381,380	1,377,500	1,491,173	1,460,709	1,524,964	2,163,304
Pupil transportation	362,946	331,825	404,215	442,340	396,712	319,614	384,254	161,518	184,151	157,509
Interest on long-term debt	383,993	379,476	353,978	327,202	298,897	268,907	237,825	205,337	168,940	128,803
<b>Total governmental activities expenses</b>	<u>14,882,265</u>	<u>15,985,613</u>	<u>16,806,647</u>	<u>17,361,145</u>	<u>17,393,303</u>	<u>17,831,796</u>	<u>16,676,615</u>	<u>18,062,546</u>	<u>19,247,223</u>	<u>19,286,938</u>
<b>Business-type activities:</b>										
Food service	33,012	30,669	16,034	62,602	45,139	33,311	34,962	51,270	35,506	31,722
<b>Total business-type activities expense</b>	<u>33,012</u>	<u>30,669</u>	<u>16,034</u>	<u>62,602</u>	<u>45,139</u>	<u>33,311</u>	<u>34,962</u>	<u>51,270</u>	<u>35,506</u>	<u>31,722</u>
<b>Total district expenses</b>	<u>\$ 14,915,277</u>	<u>\$ 16,016,282</u>	<u>\$ 16,822,681</u>	<u>\$ 17,423,747</u>	<u>\$ 17,438,442</u>	<u>\$ 17,865,107</u>	<u>\$ 17,011,577</u>	<u>\$ 18,113,816</u>	<u>\$ 19,282,729</u>	<u>\$ 19,318,660</u>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
<b>Changes for services:</b>										
Instruction (tuition)	\$ 105,445	\$ 101,385	\$ 75,673	\$ 55,295	\$ 67,500	\$ 101,625	\$ 129,234	\$ 265,204	\$ 346,617	\$ 407,960
Operating grants and contributions	1,895,248	2,095,797	2,592,224	2,585,080	1,971,803	2,119,415	1,758,474	2,176,140	2,809,385	2,533,652
Capital grants and contributions	1,050,422	483,938	14,705	2,072	2,072	-	-	213,168	35,360	22,314
<b>Total governmental activities program revenues</b>	<u>3,051,115</u>	<u>2,681,120</u>	<u>2,682,602</u>	<u>2,642,447</u>	<u>2,639,303</u>	<u>2,221,040</u>	<u>1,887,708</u>	<u>2,854,512</u>	<u>3,191,362</u>	<u>2,963,926</u>
<b>Business-type activities:</b>										
<b>Charges for services:</b>										
Food service	\$ 20,298	\$ 19,298	\$ 20,225	\$ 15,633	\$ 24,172	\$ 24,322	\$ 25,378	\$ 23,571	\$ 21,526	\$ 20,998
Operating grants and contributions	14,243	13,546	15,671	23,526	17,188	14,983	15,947	16,873	12,282	13,592
<b>Total business-type activities program revenues</b>	<u>34,541</u>	<u>32,844</u>	<u>35,896</u>	<u>39,159</u>	<u>41,360</u>	<u>39,305</u>	<u>41,325</u>	<u>40,444</u>	<u>33,808</u>	<u>34,590</u>
<b>Total district program revenues</b>	<u>\$ 3,085,656</u>	<u>\$ 2,713,964</u>	<u>\$ 2,718,498</u>	<u>\$ 2,681,606</u>	<u>\$ 2,680,663</u>	<u>\$ 2,260,345</u>	<u>\$ 1,929,033</u>	<u>\$ 2,894,956</u>	<u>\$ 3,225,170</u>	<u>\$ 2,998,516</u>
<b>Net (Expense)/Revenue</b>										
<b>Governmental activities</b>	\$ (1,831,150)	\$ (13,304,993)	\$ (14,124,045)	\$ (14,718,698)	\$ (15,354,000)	\$ (15,590,756)	\$ (15,086,907)	\$ (15,208,034)	\$ (16,055,861)	\$ (16,323,012)
<b>Business-type activities</b>	1,259	2,175	17,862	17,862	(3,729)	5,994	6,463	(10,826)	(1,088)	2,783
<b>Total district-wide net expense</b>	<u>\$ (1,829,891)</u>	<u>\$ (13,302,818)</u>	<u>\$ (14,106,183)</u>	<u>\$ (14,700,836)</u>	<u>\$ (15,357,729)</u>	<u>\$ (15,584,762)</u>	<u>\$ (15,080,444)</u>	<u>\$ (15,218,860)</u>	<u>\$ (16,056,949)</u>	<u>\$ (16,320,229)</u>
<b>General Revenues and Other Changes in Net Assets</b>										
<b>Governmental activities:</b>										
Property taxes levied for general purposes	\$ 12,119,047	\$ 12,976,541	\$ 13,720,585	\$ 14,399,350	\$ 14,924,026	\$ 15,223,195	\$ 15,643,888	\$ 15,722,107	\$ 15,879,338	\$ 16,292,191
Taxes levied for debt service	893,570	1,014,089	1,022,877	1,061,587	1,068,333	1,068,333	1,070,279	1,070,710	1,064,358	1,031,901
Unrestricted Grants and Contributions	94,398	129,089	94,325	112,509	128,468	55,154	7,835	12,379	16,709	16,667
Investment earnings	86,333	65,669	96,500	80,136	32,361	18,378	24,224	60,398	49,471	71,006
Miscellaneous income	36,773	14,627	10,172	15,225	34,629	44,634	60,398	76,307	44,805	32,263
Donation of Capital Assets	4,695	2,100	2,100	9,298	71,104	26,676	7,980	26,676	44,805	32,263
<b>Total governmental activities</b>	<u>13,230,121</u>	<u>14,204,107</u>	<u>14,946,759</u>	<u>15,678,805</u>	<u>16,182,820</u>	<u>16,482,798</u>	<u>16,833,300</u>	<u>16,889,483</u>	<u>17,054,671</u>	<u>17,444,028</u>
<b>Business-type activities:</b>										
Investment earnings	108	358	1,133	1,343	279	176	202	127	99	98
<b>Total business-type activities</b>	<u>108</u>	<u>358</u>	<u>1,133</u>	<u>1,343</u>	<u>279</u>	<u>176</u>	<u>202</u>	<u>127</u>	<u>99</u>	<u>98</u>
<b>Total district-wide</b>	<u>\$ 13,230,229</u>	<u>\$ 14,204,465</u>	<u>\$ 14,947,892</u>	<u>\$ 15,680,148</u>	<u>\$ 16,183,099</u>	<u>\$ 16,482,974</u>	<u>\$ 16,833,502</u>	<u>\$ 16,889,610</u>	<u>\$ 17,054,770</u>	<u>\$ 17,444,126</u>
<b>Change in Net Position</b>										
<b>Governmental activities</b>	\$ 1,418,971	\$ 899,614	\$ 822,714	\$ 960,107	\$ 828,820	\$ 892,042	\$ 1,744,393	\$ 1,681,449	\$ 998,810	\$ 1,121,016
<b>Business-type activities</b>	1,637	2,533	18,995	(21,870)	(3,500)	6,170	(6,565)	(10,698)	(1,589)	2,881
<b>Total district</b>	<u>\$ 1,420,608</u>	<u>\$ 902,147</u>	<u>\$ 841,709</u>	<u>\$ 938,237</u>	<u>\$ 825,320</u>	<u>\$ 898,212</u>	<u>\$ 1,737,828</u>	<u>\$ 1,670,751</u>	<u>\$ 997,221</u>	<u>\$ 1,123,897</u>

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

	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>General Fund</b>										
Reserved	\$ 272,971	\$ 523,681	\$ 657,196	\$ 1,477,085	\$ 1,486,071	\$ 1,858,597				
Unreserved	419,509	298,222	382,043	324,816	362,446	258,780				
Nonspendable										
Restricted							\$ 2,595,294	\$ 2,957,191	\$ 3,001,539	\$ 2,428,591
Committed							285,092	766,171	766,171	293,062
Assigned							155,747	299,091	125,014	159,919
Unassigned							309,340	300,853	292,645	332,777
<b>Total general fund</b>	<u>\$ 692,480</u>	<u>\$ 821,903</u>	<u>\$ 1,039,239</u>	<u>\$ 1,801,901</u>	<u>\$ 1,848,517</u>	<u>\$ 2,117,377</u>	<u>\$ 3,345,473</u>	<u>\$ 3,557,135</u>	<u>\$ 4,185,369</u>	<u>\$ 3,214,349</u>
<b>All Other Governmental Funds</b>										
Reserved	\$ 1,649,608	\$ 110,298	\$ 1,410							
Unreserved	(290,778)	40,823	8,498	\$ 2,928	\$ 324	\$ 3				
Nonspendable										
Restricted								\$ 15,419	\$ 1	\$ 1,063,382
Committed										
Assigned							\$ 1			
Unassigned										
<b>Total all other governmental funds</b>	<u>\$ 1,358,830</u>	<u>\$ 151,121</u>	<u>\$ 9,908</u>	<u>\$ 2,928</u>	<u>\$ 324</u>	<u>\$ 3</u>	<u>\$ 1</u>	<u>\$ 15,419</u>	<u>\$ 1</u>	<u>\$ 1,063,382</u>

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

**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,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Revenues</b>										
Tax levy	\$ 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	\$ 17,324,092
Tuition charges	105,445	101,385	75,673	55,295	67,500	101,625	129,234	265,204	346,617	407,960
Interest earnings	86,333	65,668	96,500	80,136	32,361	18,378	24,224	12,379	16,709	16,667
Miscellaneous	42,372	19,142	12,660	21,532	34,629	49,091	61,907	76,307	49,471	71,006
State sources	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	2,308,787
Federal sources	245,522	254,389	232,295	236,357	236,381	329,816	284,708	414,269	254,632	247,179
<b>Total revenue</b>	<b>16,301,236</b>	<b>16,881,132</b>	<b>17,627,261</b>	<b>18,311,454</b>	<b>18,222,123</b>	<b>18,652,734</b>	<b>18,694,332</b>	<b>19,736,015</b>	<b>20,201,228</b>	<b>20,375,691</b>
<b>Expenditures</b>										
<b>Instruction</b>										
Regular instruction	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	8,878,053
Special education instruction	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	2,464,945
Other instruction	461,054	547,026	626,531	638,468	781,082	837,620	838,462	900,388	993,876	934,454
School sponsored activities and athletics	57,563	56,360	71,577	63,492	69,525	76,247	82,883	87,242	88,832	94,457
<b>Support Services:</b>										
Student & inst. related services	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	2,277,704
General administration Services	586,526	647,977	639,353	604,008	664,922	638,311	665,529	754,057	756,423	729,155
School Administration services	597,192	719,164	840,523	870,634	918,309	933,556	892,506	937,171	991,719	1,015,415
Business / Central Services	175,058	191,802	205,216	202,008	207,166	207,277	308,716	334,565	345,562	353,392
Plant operations and maintenance	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	1,673,632
Pupil transportation	362,946	331,825	403,331	441,225	395,836	319,321	184,030	161,231	183,809	157,509
Capital outlay	4,225,614	1,659,110	89,000	45,751	504,562	250,840	137,566	1,077,415	139,774	621,380
<b>Debt service:</b>										
Principal	505,893	678,305	700,289	727,352	759,537	852,302	884,691	917,204	944,682	946,942
Interest and other charges	388,865	385,782	360,587	334,235	306,405	276,899	246,137	214,053	179,996	145,279
Bond Issuance Costs										23,070
Advance to Refunding Escrow										42,943
<b>Total expenditures</b>	<b>19,352,672</b>	<b>17,959,418</b>	<b>17,551,138</b>	<b>17,555,772</b>	<b>18,178,111</b>	<b>18,565,836</b>	<b>17,466,238</b>	<b>19,508,935</b>	<b>19,767,938</b>	<b>20,358,330</b>
Excess (Deficiency) of revenues over (under) expenditures	(3,051,436)	(1,078,286)	76,123	755,682	44,012	86,898	1,228,094	227,080	433,290	17,361
<b>Other Financing sources (uses)</b>										
Payment to Refunding Bond Escrow Agent										(2,715,000)
Refunding Bonds Issued										2,790,000
Capital Lease Proceeds						181,641			179,526	
Transfers in	115,739	12,296	56,891	322	2			443,861	51,058	1,087,865
Transfers out	(115,739)	(12,296)	(56,891)	(322)	(2)			(443,861)	(51,058)	(1,087,865)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>181,641</b>	<b>-</b>	<b>-</b>	<b>179,526</b>	<b>75,000</b>
<b>Net change in fund balances</b>	<b>\$ (3,051,436)</b>	<b>\$ (1,078,286)</b>	<b>\$ 76,123</b>	<b>\$ 755,682</b>	<b>\$ 44,012</b>	<b>\$ 268,539</b>	<b>\$ 1,228,094</b>	<b>\$ 227,080</b>	<b>\$ 612,816</b>	<b>\$ 92,361</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>5.91%</b>	<b>6.53%</b>	<b>6.08%</b>	<b>6.06%</b>	<b>6.03%</b>	<b>6.17%</b>	<b>6.53%</b>	<b>6.14%</b>	<b>5.73%</b>	<b>5.87%</b>

\* Noncapital expenditures are total expenditures less capital outlay.

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

<b>Fiscal Year Ended June 30</b>	<b><u>Tuition</u></b>	<b><u>Interest on Investments</u></b>	<b><u>Misc.</u></b>	<b><u>Total</u></b>
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
2014	407,960	16,667	71,006	495,633

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

Calendar Year Ended December 31.	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate <sup>a</sup>
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	2,367,586,100	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	2,062,586,500	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
2014	21,831,400	1,799,979,800	4,541,600	30,500	219,295,200	19,545,700	959,600	2,066,183,800	100,000	2,066,283,800	2,030,585,074	0.844

Source: County Abstract of Ratables

<sup>a</sup> Tax rates are per \$100

N/A = Not Available

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

<u>Calendar Year</u>	<u>Total Direct Tax Rate</u>	<u>Overlapping Rates</u>				<u>Total</u>
		<u>Regional High School District</u>	<u>Municipality</u>	<u>County</u>		
2005	\$ 1.152	\$ 0.709	\$ 0.623	\$ 0.286	\$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	
2014	.844	.520	.535	.230	2.129	

(1) The Borough underwent revaluations of real property which became effective in 2006.

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

Source: Borough of Closter

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

Taxpayer	2014		2005	
	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	1.52%		
Closter Grocery	8,645,300	0.42%	\$ 5,000,000	0.43%
Capital Young Property LLC	7,447,600	0.36%		
Heidenberg Closter Assoc.	7,368,000	0.36%	4,351,000	0.37%
Closter Golf	6,999,700	0.34%	3,828,000	0.33%
United Water New Jersey	5,891,200	0.29%	4,265,400	0.36%
Reuten Associates	4,581,700	0.22%	16,574,000	1.41%
DWL Monmounth 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%		
Irani-Aspi-Closter Plaza Met.			25,232,400	2.15%
Weyerhaeuser Co.			5,752,000	0.49%
Individual Taxpayer 1			4,056,500	0.35%
Individual Taxpayer 2			3,777,100	0.32%
Verizon			3,730,935	0.32%
	<u>\$ 85,646,800</u>	<u>4.14%</u>	<u>\$76,567,335</u>	<u>6.53%</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	
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
2014	17,324,092	17,324,092	100.00%	N/A

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

Governmental Activities

Fiscal Year Ended June 30,	General Obligation Bonds	Lease Purchase Agreements	Intergovernmental Loans Payable	Total District	Population	A	Per Capita
2005	\$ 7,354,000		\$ 2,764,603	\$ 10,118,603	8,507		\$ 1,189
2006	6,974,000		2,466,298	9,440,298	8,528		1,107
2007	6,574,000		2,166,009	8,740,009	8,549		1,022
2008	6,149,000		1,863,657	8,012,657	8,590		933
2009	5,694,000		1,559,120	7,253,120	8,621		841
2010	5,209,000		1,252,365	6,461,365	8,675		745
2011	4,694,000		943,221	5,637,221	8,382		673
2012	4,149,000		631,564	4,780,564	8,428		567
2013	3,579,000	\$ 119,206	317,202	4,015,408	8,498		473
2014	3,084,000	59,466		3,143,466	8,545		368

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			
2005	\$ 10,118,603		\$ 10,118,603	0.86%	1,189
2006	9,440,298		9,440,298	0.40%	1,107
2007	8,740,009		8,740,009	0.37%	1,022
2008	8,012,657		8,012,657	0.34%	933
2009	7,253,120		7,253,120	0.35%	841
2010	6,461,365		6,461,365	0.31%	745
2011	5,637,221		5,637,221	0.27%	673
2012	4,780,564		4,780,564	0.23%	567
2013	3,896,202		3,896,202	0.19%	458
2014	3,084,000		3,084,000	0.15%	361

Source: District records

**CLOSTER BOARD OF EDUCATION  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2013  
(Unaudited)**

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Municipal Debt: (1)			
Regional School District	\$ 3,460,070	\$ 3,460,070	
Borough of Closter Board of Education	3,279,000	3,279,000	
Borough of Closter	<u>12,087,007</u>	<u>64,088</u>	\$ 12,022,919
	<u>\$ 18,826,077</u>	<u>\$ 6,803,158</u>	<u>12,022,919</u>
Overlapping Debt Apportioned to the Municipality:			
Bergen County:			
County of Bergen (A)			10,477,589
Bergen County Utilities Authority - Waste Water(B)			<u>2,861,163</u>
			<u>13,338,752</u>
 Total Direct and Overlapping Debt			 <u>\$ 25,361,671</u>

## Source:

(1) Borough of Closter's 2013 Annual Debt Statement

(A) The debt for this entity was apportioned to the Borough of Closter by dividing the municipality's 2013 equalized value by the total 2013 equalized value for the County of Bergen.

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

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

**Legal Debt Margin Calculation for Fiscal Year 2013**

Equalized valuation basis		
2013		\$ 2,016,338,498
2012		2,024,873,494
2011		2,093,184,451
	[A]	<u>\$ 6,134,396,443</u>
Average equalized valuation of taxable property	[A/3]	\$ 2,044,798,814
Debt limit (3% of average equalization value)	[B]	61,343,964
Total Net Debt Applicable to Limit	[C]	3,084,000
Legal debt margin	[B-C]	<u>\$ 58,259,964</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>	<u>2014</u>
Debt limit	\$ 45,914,308	\$ 51,910,276	\$ 58,989,935	\$ 64,393,609	\$ 68,388,261	\$ 68,679,745	\$ 67,195,515	\$ 64,608,887	\$ 62,657,788	\$ 61,343,964
Total net debt applicable to limit	<u>10,118,603</u>	<u>9,440,298</u>	<u>8,740,009</u>	<u>8,012,657</u>	<u>7,253,120</u>	<u>6,461,365</u>	<u>5,637,221</u>	<u>4,780,564</u>	<u>3,896,202</u>	<u>3,084,000</u>
Legal debt margin	<u>\$ 35,795,705</u>	<u>\$ 42,469,978</u>	<u>\$ 50,249,926</u>	<u>\$ 56,380,952</u>	<u>\$ 61,135,141</u>	<u>\$ 62,218,380</u>	<u>\$ 61,558,294</u>	<u>\$ 59,828,323</u>	<u>\$ 58,761,586</u>	<u>\$ 58,259,964</u>
Total net debt applicable to the limit as a percentage of debt limit	22.04%	18.19%	14.82%	12.44%	10.61%	9.41%	8.39%	7.40%	6.22%	5.03%

Source: Annual Debt Statements

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

<u>Year</u>	<u>Population (A)</u>	<u>County Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2005	8,507	\$ 57,745	1.70%
2006	8,528	63,166	2.10%
2007	8,549	67,606	1.90%
2008	8,590	67,375	2.40%
2009	8,621	63,862	4.40%
2010	8,675	63,950	4.50%
2011	8,382	67,240	4.50%
2012	8,428	69,919	4.50%
2013	8,498	N/A	7.70%
2014	8,545	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>2014</u>		<u>2005</u>	
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>

NOT AVAILABLE

**CLOSTER BOARD OF EDUCATION**  
**FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM**  
**LAST TEN 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>	<u>2014</u>
Instruction										
Regular	75.8	74.5	73.5	74.5	74.5	69.0	67.0	68.5	68.0	67.0
Special education	11.6	12.6	11.4	11.6	11.6	12.8	13.0	11.5	14.0	13.0
Other instruction (ESL, Basic)	4.6	4.6	5.4	5.5	7.5	6.5	7.0	4.5	4.0	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	60.0
General administration	4.8	4.8	4.8	4.8	4.8	4.8	4.8	5.6	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	5.5
Central services	1.0	1.0	1.0	1.0	1.0	1.0	2.0	4.0	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	11.0
Pupil transportation	1.7	1.1	1.2	1.2	-	-	-	-	-	-
<b>Total</b>	<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>	<u>170.1</u>

Source: District Personnel Records

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

Fiscal Year	Enrollment <sup>a</sup>	Operating Expenditures <sup>b</sup>	Cost Per Pupil <sup>c</sup>	Percentage Change	Teaching Staff <sup>b</sup>	Teacher/Pupil Ratio			Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School					
2005	1,231	\$ 14,232,300	\$ 11,562	3.81%	92.6	12.7	14.3	1,232.3	1,186.9	0.82%	96.32%	
2006	1,218	15,235,706	12,509	8.19%	100.3	11.6	12.8	1,213.0	1,170.0	-1.57%	96.46%	
2007	1,205	16,401,262	13,611	8.81%	99.3	11.7	12.7	1,183.0	1,160.0	-2.47%	98.06%	
2008	1,182	16,448,434	13,916	2.24%	99.3	11.8	12.8	1,163.0	1,125.0	-1.69%	96.73%	
2009	1,191	16,607,607	13,944	0.20%	98.2	11.8	12.8	1,175.0	1,135.0	1.03%	96.60%	
2010	1,155	17,185,795	14,879	6.71%	98.2	11.8	12.8	1,147.0	1,112.0	-2.38%	96.95%	
2011	1,138	16,197,844	14,234	-4.34%	99.4	11.8	12.8	1,132.0	1,093.0	-1.31%	96.55%	
2012	1,127	17,302,450	15,353	7.86%	100.5	11.9	11.5	1,121.5	1,077.8	-0.93%	96.10%	
2013	1,123	18,503,486	16,477	7.32%	104.5	11.3	11.8	1,123.3	1,081.0	0.16%	96.23%	
2014	1,118	18,578,716	16,618	0.86%	104.5	12.06	11.1	1,123.9	1,084.7	0.05%	96.48%	

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 TEN 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>2014</u>
<b><u>District Building</u></b>										
<b><u>Hillside Elementary School</u></b>										
Square Feet	48,730	61,630	61,650	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	666
Enrollment	634	622	612	604	600	592	586	561	565	562
<b><u>Tenakill Middle School</u></b>										
Square Feet	72,805	80,655	75,010	75,010	80,655	80,655	80,655	80,655	80,655	80,655
Capacity (students)	485	635	635	635	635	635	635	635	635	635
Enrollment	599	591	571	560	570	546	546	560	558	556

Number of Schools at June 30, 2014

Elementary = 1

Middle School = 1

Source: District Records

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

UNDISTRIBUTED EXPENDITURES - REQUIRED  
MAINTENANCE FOR SCHOOL FACILITIES  
11-000-261-XXX

	Project # (s)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>*School Facilities</b>											
Hillside School	N/A	\$ 110,273	\$ 138,249	\$ 159,543	\$ 146,596	\$ 203,620	\$ 168,375	\$ 164,742	\$ 159,031	\$ 173,758	\$ 202,406
Tenakill School	N/A	132,477	146,731	184,484	179,153	186,654	212,627	154,953	200,564	153,847	158,063
Grand Total		<u>\$ 242,750</u>	<u>\$ 284,980</u>	<u>\$ 344,027</u>	<u>\$ 325,749</u>	<u>\$ 390,274</u>	<u>\$ 381,002</u>	<u>\$ 319,695</u>	<u>\$ 359,595</u>	<u>\$ 327,605</u>	<u>\$ 360,469</u>

Source: District Records

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

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - Selectiveway Insurance Co.		
Property-Blanket Building/Contents	\$ 35,563,608	\$ 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	10,000
Educator's Legal Liability - Darwin	1,000,000	
Public Employee Dishonesty - Selective Insurance Co. of America (per employee)	100,000	5,000
(per loss)	400,000	
Commercial Automobile Liability - Selective Way Insurance Co.	1,000,000	1,000

Source: School Insurance Records

**SINGLE AUDIT SECTION**



DIETER P. LERCH, CPA, RMA, PSA  
GARY J. VINCI, CPA, RMA, PSA  
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**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, 2014 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 3, 2014.

**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.

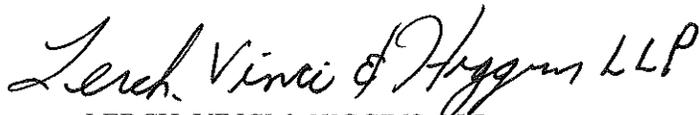
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

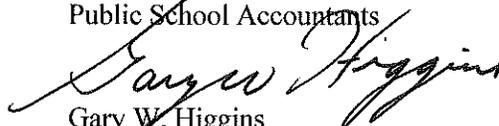
As part of obtaining reasonable assurance about whether the Closter Board of Education’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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 3, 2014



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**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 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, 2014. 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 Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major 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, 2014.

### **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, 2014 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements. We issued our report thereon dated November 3, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of 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 is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Lerch, Vinci & Higgins LLP*  
LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Public School Accountants  
 *Gary W. Higgins*  
Gary W. Higgins  
Public School Accountant  
PSA Number CS00814

Fair Lawn, New Jersey  
November 3, 2014

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

Federal/Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance, June 30, 2013			Cash Received	Budgetary Expenditures	Balance, June 30, 2014			GAAP Receivable
					(Accounts Receivable)	Unearned Revenue	Due to Grantor			(Accounts Receivable)	Unearned Revenue	Due to Grantor	
<b>U.S. Department of Education Passed-Through State Department of Education</b>													
Special Revenue Fund:													
Title III	84.365	NCLB0930-14	7/1/13-6/30/14	\$ 19,937				\$ 19,937	\$ 19,937				
I.D.E.A. Part B, Basic	84.027	IDEA0930-14	7/1/13-6/30/14	216,880				216,880	216,880				
I.D.E.A. Part B, Preschool	84.173	IDEA0930-14	7/1/13-6/30/14	10,362	-	-	-	10,362	10,362	-	-	-	-
Total U.S. Department of Education					-	-	-	247,179	247,179	-	-	-	-
<b>U.S. Department of Agriculture Passed-Through State Department of Education</b>													
Enterprise Fund:													
Special Milk Program	10.556	N/A	7/1/13-6/30/14	13,507				12,526	13,507	\$ (981)			\$ (981)
Special Milk Program	10.556	N/A	7/1/12-6/30/13	12,282	\$ (886)	-	-	886	-	-	-	-	-
Total U.S. Department of Agriculture					(886)	-	-	13,412	13,507	(981)	-	-	(981)
Total Federal Awards					\$ (886)	\$ -	\$ -	\$ 260,591	\$ 260,686	\$ (981)	\$ -	\$ -	\$ (981)

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, 2014**

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Received	Balance, June 30, 2013			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Balance, June 30, 2014			MEMO	
				(Accounts Receivable)	Unearned Revenue	Due to Grantor				Accounts Receivable	Unearned Revenue	Due to Grantor	GAAP Receivable	Cumulative Expenditures
<b>State Department of Education</b>														
<b>General Fund</b>														
Special Education Categorical Aid	14-495-034-5120-089	7/1/13-6/30/14	\$ 381,600					\$ 344,818	\$ 381,600	\$ (36,782)			*	\$ 381,600
Special Education Categorical Aid	13-495-034-5120-089	7/1/12-6/30/13	382,257	\$ (36,846)				36,846					*	
Security Aid	14-495-034-5120-084	7/1/13-6/30/14	16,303					14,731	16,303	(1,572)			*	16,303
Security Aid	13-495-034-5120-084	7/1/12-6/30/13	15,534	(1,497)				1,497					*	
Extraordinary Aid	14-100-034-5120-473	7/1/13-6/30/14	138,237						138,237	(138,237)			*	138,237
Extraordinary Aid	13-100-034-5120-473	7/1/12-6/30/13	122,512	(122,512)				122,512					*	
Transportation Aid	14-495-034-5120-014	7/1/13-6/30/14	15,420					13,934	15,420	(1,486)			*	15,420
Transportation Aid	13-495-034-5120-014	7/1/12-6/30/13	15,532	(1,497)				1,497					*	
Non Public Transportation Reimb.	N/A	7/1/13-6/30/14	6,592						6,592	(6,592)			* \$	6,592
Non Public Transportation Reimb.	N/A	7/1/12-6/30/13	6,526	(6,526)				6,526					*	
TPAF Soc. Sec. Cont.	14-495-034-5095-002	7/1/13-6/30/14	700,724					700,724	700,724				*	700,724
TPAF Soc. Sec. Cont.	13-495-034-5095-002	7/1/12-6/30/13	694,689	(34,377)				34,377					*	
On-Behalf Pension Normal Cost	14-495-034-5095-006	7/1/13-6/30/14	363,196					363,196	363,196				*	363,196
On-Behalf Pension NCGI Premium	14-495-034-5095-007	7/1/13-6/30/14	32,058					32,058	32,058				*	32,058
On-Behalf Pension PRM Contr.	14-495-034-5095-001	7/1/13-6/30/14	648,068					648,068	648,068				*	648,068
<b>Total General Fund</b>				<b>(203,255)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,320,784</b>	<b>2,302,198</b>	<b>(184,669)</b>	<b>-</b>	<b>-</b>	<b>*</b>	<b>(6,592)</b>
<b>Capital Projects Fund</b>														
NJ Economic Development Authority														
Tenakill HVAC Unit in Auditorium	0930-060-14-1006	7/1/13-6/30/14	130,800						9,420	(130,800)	\$ 121,380		*	9,420
Tenakill Window Replacement	0930-060-14-1005	7/1/13-6/30/14	31,200						2,880	(31,200)	28,320		*	2,880
Hillside Door and Window Replacement	0930-050-14-1002	7/1/13-6/30/14	292,000							(292,000)	292,000		*	
Tenakill Door Replacement	0930-060-14-1001	7/1/13-6/30/14	77,600						874	(77,600)	76,726		*	874
Hillside HVAC Unit in Auditorium	0930-050-14-1004	7/1/13-6/30/14	109,400						9,140	(109,400)	100,260		*	9,140
<b>Total Capital Projects Fund</b>				<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,314</b>	<b>(641,000)</b>	<b>618,686</b>	<b>-</b>	<b>*</b>	<b>(641,000)</b>
<b>Total State Financial Assistance</b>				<b>(203,255)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,320,784</b>	<b>2,324,512</b>	<b>(825,669)</b>	<b>618,686</b>	<b>-</b>	<b>*</b>	<b>(647,592)</b>
<b>State Financial Assistance</b>														
<b>Not Subject to Single Audit Determination</b>														
<b>General Fund</b>														
On-Behalf Pension Normal Cost	14-495-034-5095-006	7/1/13-6/30/14	363,196					(363,196)	(363,196)				*	(363,196)
On-Behalf Pension NCGI Premium	14-495-034-5095-007	7/1/13-6/30/14	32,058					(32,058)	(32,058)				*	(32,058)
On-Behalf Pension PRM Contr.	14-495-034-5095-001	7/1/13-6/30/14	648,068					(648,068)	(648,068)				*	(648,068)
<b>Total State Financial Assistance Subject to Single Audit</b>				<b>\$ (203,255)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,277,462</b>	<b>\$ 1,281,190</b>	<b>\$ (825,669)</b>	<b>\$ 618,686</b>	<b>\$ -</b>	<b>*</b>	<b>\$ (647,592)</b>

**CLOSTER BOARD OF EDUCATION  
 NOTES TO THE SCHEDULES OF EXPENDITURES OF  
 FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 1 GENERAL**

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

**NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS**

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is a decrease of \$15,725 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 and special revenue funds. Awards and financial assistance revenues are reported in the Board's financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 2,286,473	\$ 2,286,473
Special Revenue Fund	\$ 247,179		247,179
Capital Projects		22,314	22,314
Food Service Fund	<u>13,507</u>	<u>-</u>	<u>13,507</u>
 Total Financial Assistance	 <u>\$ 260,686</u>	 <u>\$ 2,308,787</u>	 <u>\$ 2,569,473</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, 2014**

**NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

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

**NOTE 5 OTHER INFORMATION**

TPAF Social Security contributions in the amount of \$700,724 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2014. The amount reported as TPAF Pension System Contributions in the amount of \$395,254 and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$648,068 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2014.

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

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



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

*Part 2 – Schedule of Financial Statement Findings*

This section identifies the significant deficiencies, material weaknesses, 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, 2014**

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

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal 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, 2014**

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.