

**CLOSTER BOARD OF EDUCATION**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Closter, New Jersey**

**COMPREHENSIVE ANNUAL**

**FINANCIAL REPORT**

**of the**

**Closter Board of Education**

**Closter, New Jersey**

**For The Fiscal Year Ended June 30, 2019**

**Prepared by**

**Closter Board of Education  
Business Office**

**CLOSTER BOARD OF EDUCATION  
TABLE OF CONTENTS**

	<u>Page</u>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal	i-iv
Organizational Chart	v
Roster of Officials	vi
Consultants and Advisors	vii
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	1-3
<b>REQUIRED SUPPLEMENTARY INFORMATION – PART I</b>	
Management's Discussion and Analysis	4-13
<b>Basic Financial Statements</b>	
<b>A. District-wide Financial Statements</b>	
A-1 Statement of Net Position	14
A-2 Statement of Activities	15
<b>B. Fund Financial Statements</b>	
<i>Governmental Funds</i>	
B-1 Balance Sheet	16
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	17
B-3 Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances with the District-Wide Statements	18
<i>Proprietary Funds</i>	
B-4 Statement of Net Position	19
B-5 Statement of Revenues, Expenses, and Changes in Fund Net Position	20
B-6 Statement of Cash Flows	21
<i>Fiduciary Funds</i>	
B-7 Statement of Fiduciary Net Position	22
B-8 Statement of Changes in Fiduciary Net Position	23
<b>Notes to the Financial Statements</b>	<b>24-63</b>

**CLOSTER BOARD OF EDUCATION  
TABLE OF CONTENTS**

	<u>Page</u>
<b>REQUIRED SUPPLEMENTARY INFORMATION – PART II</b>	
<b>C. Budgetary Comparison Schedules</b>	
C-1 Budgetary Comparison Schedule – General Fund	64-68
C-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budgetary Basis – Special Revenue Fund	69
<b>NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION – PART II</b>	
C-3 Budgetary Comparison Schedule – Note to Required Supplementary Information	70
<b>REQUIRED SUPPLEMENTARY INFORMATION – PART III</b>	
<b>L. Schedules Related to Accounting and Reporting for Pensions and OPEB (GASB 68 and 75)</b>	
L-1 Required Supplementary Information – Schedule of the District’s Proportionate Share of the Net Pension Liability – Public Employees Retirement System	71
L-2 Required Supplementary Information – Schedule of District Contributions – Public Employees Retirement System	72
L-3 Required Supplementary Information – Schedule of the District’s Proportionate Share of the Net Pension Liability – Teachers Pension and Annuity Fund	73
L-4 Notes to Required Supplementary Information – Net Pension Liability	74
L-5 Required Supplementary Information – Schedule of District’s Proportionate Share of Total OPEB Liability	75
L-6 Notes to Required Supplementary Information – OPEB Liability	76
<b>OTHER SUPPLEMENTARY INFORMATION</b>	
<b>D. School Level Schedules – Not Applicable</b>	
<b>E. Special Revenue Fund</b>	
E-1 Combining Statement of Revenues, Expenditures and Changes in Fund Balances Special Revenue Fund – Budgetary Basis	77
E-2 Preschool Education Aid Schedule of Expenditures – Budgetary Basis – Not Applicable	78
<b>F. Capital Projects Fund – Not Applicable</b>	
<b>G. Proprietary Funds</b>	
<i>Enterprise Fund – Not Applicable</i>	
<i>Internal Service Fund – Not Applicable</i>	

**CLOSTER BOARD OF EDUCATION  
TABLE OF CONTENTS**

	<u>Page</u>
<b>H. Fiduciary Funds</b>	
H-1 Combining Statement of Agency Assets and Liabilities	79
H-2 Statement of Changes in Fiduciary Net Position – Not Applicable	80
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	81
H-4 Payroll Agency Fund Schedule of Receipts and Disbursements	81
<b>I. Long-Term Debt</b>	
I-1 Statement of Serial Bonds Payable	82
I-2 Schedule of Obligations Under Lease Purchase Agreements	83
I-3 Debt Service Fund Budgetary Comparison Schedule	84
<b>J. STATISTICAL SECTION (Unaudited)</b>	
J-1 Net Position by Component	85
J-2 Changes in Net Position	86
J-3 Fund Balances – Governmental Funds	87
J-4 Changes in Fund Balances – Governmental Funds	88
J-5 General Fund Other Local Revenue by Source	89
J-6 Assessed Value and Actual Value of Taxable Property	90
J-7 Direct and Overlapping Property Tax Rates	91
J-8 Principal Property Taxpayers	92
J-9 Property Tax Levies and Collections	93
J-10 Ratios of Outstanding Debt by Type	94
J-11 Ratios of Net General Obligation Debt Outstanding	95
J-12 Direct and Overlapping Governmental Activities Debt	96
J-13 Legal Debt Margin Information	97
J-14 Demographic and Economic Statistics	98
J-15 Principal Employers	99
J-16 Full-Time Equivalent District Employees by Function/Program	100
J-17 Operating Statistics	101
J-18 School Building Information	102
J-19 Schedule of Required Maintenance Expenditures by School Facility	103
J-20 Insurance Schedule	104

**CLOSTER BOARD OF EDUCATION  
TABLE OF CONTENTS**

Page

**SINGLE AUDIT SECTION**

K-1	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards – Independent Auditor’s Report	105-106
K-2	Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of State Financial Assistance as Required by New Jersey OMB Circular 15-08 – Independent Auditor’s Report	107-109
K-3	Schedule of Expenditures of Federal Awards	110
K-4	Schedule of Expenditures of State Financial Assistance	111
K-5	Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	112-113
K-6	Schedule of Findings and Questioned Costs – Part 1 – Summary of Auditor’s Results	114
K-7	Schedule of Findings and Questioned Costs – Part 2 – Schedule of Financial Statement Findings	115
K-7	Schedule of Findings and Questioned Costs – Part 3 – Schedule of Federal and State Award Findings and Questioned Costs	116
K-8	Summary Schedule of Prior Year Findings	117

## **INTRODUCTORY SECTION**

# CLOSTER PUBLIC SCHOOLS

340 Homans Avenue • Closter, New Jersey 07624



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

E-mail: villanuevaf@nvnet.org

Floro M. Villanueva Jr.  
Business Administrator/Board Secretary

November 11, 2019

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, 2019 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 NJ OMB Circular 15-08, "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 Public Schools is an independent reporting entity within the criteria adopted by the GASB as established by GASB No. 34. All funds of the District are included in this report. The Closter Board of Education, Hillside Elementary School and Tenakill Middle School constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through 8. It completed the 2018-2019 fiscal year with an enrollment of 1,233 students, which is 66 more students 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>
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)
2014-2015	1,120	0.18
2015-2016	1,114	(0.54)
2016-2017	1,155	3.68
2017-2018	1,167	1.04
2018-2019	1,233	5.65

**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:** In the 2018-2019 school year, the Closter Public Schools continued with its second year of a six-day rotation of its schedule (A-F). This allows for providing more opportunities and courses within the schedule and maintaining the high standards and expectations for the district.

Tenakill Middle School added more electives for the students, including Fitness, Digital Media, Creative Writing, Debate, STEM: Coding, STEM: Robotics, Ukulele, Choir, Painting, Drawing and Sculpture. Spanish and Mandarin are available for the students to choose for their World Language program. To build the basic skills program for middle school students, the Plus Program started offering extra help for language arts and mathematics grades 5-8, with the support of Title I funding.

In addition to a growing English learner population, Hillside now offers two Small Group Learning Communities (LLD) to meet special education students grades K-2 and 3-4. Teachers were able to expand classroom libraries, and the STEM and Science Labs continued to engage the students with new projects K-4.

Finally, safety and technology continue to be priorities within the district adding cameras and an emergency response system to both buildings while also providing more instructional devices for the student population with iPads and Macbooks.

**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, 2019.

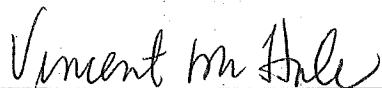
**6. CASH MANAGEMENT:** The investment policy of the District is guided in large part by State statute as detailed in "Notes to the Financial Statements". The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions 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: 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 NJ OMB Circular 15-08. 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,

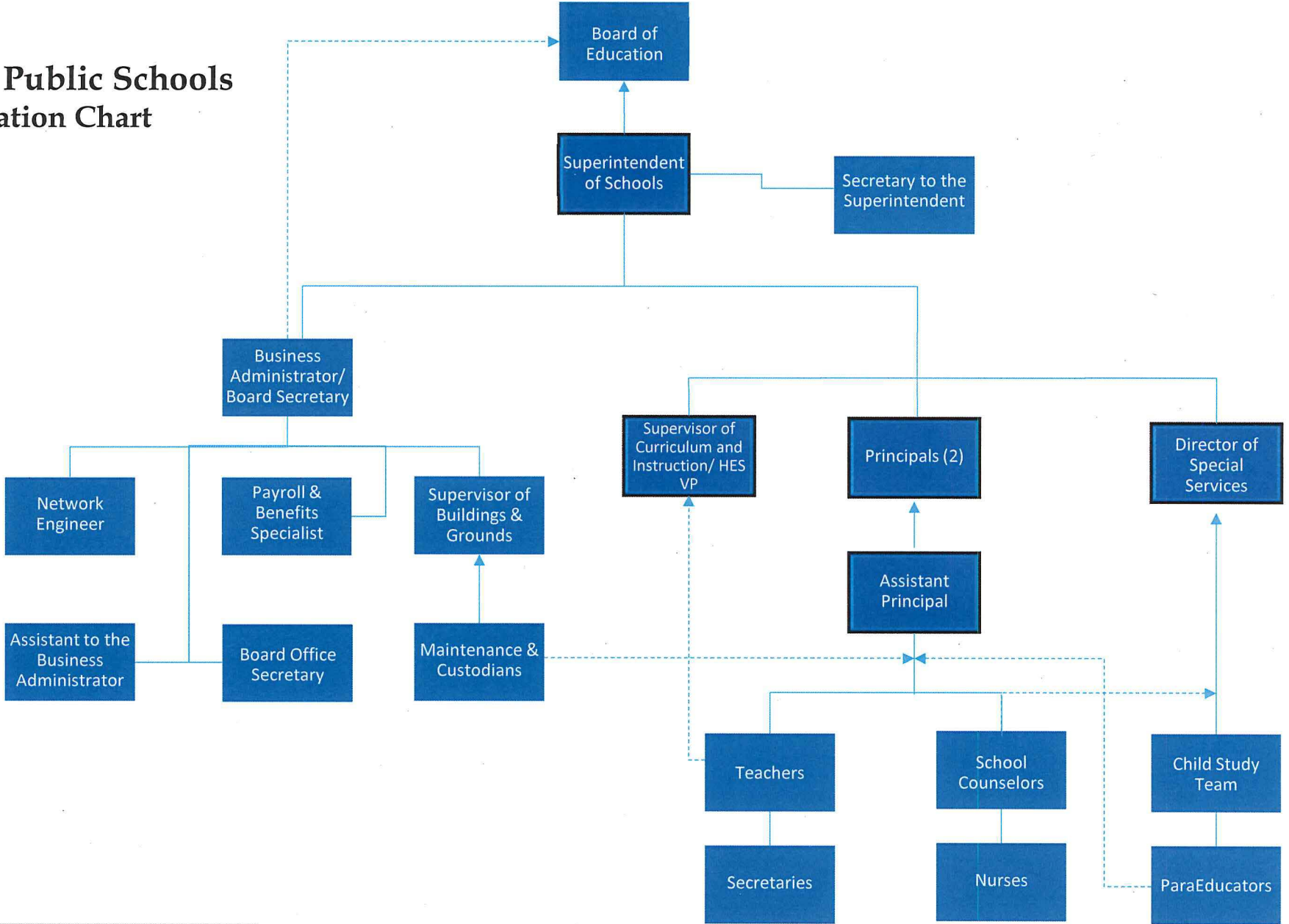


Vincent McHale  
Superintendent of Schools  
Closter Public Schools



Floro M. Villanueva Jr.  
Business Administrator / Board Secretary  
Closter Public Schools

# Closter Public Schools Organization Chart



Indicates evaluative capacity as defined by ACHIEVE NJ

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

**ROSTER OF OFFICIALS  
JUNE 30, 2019**

<b><u>Member of the Board of Education</u></b>	<b><u>Term Expires January</u></b>
Gregg Lambert, President	2021
Stephanie Lee, Vice President	2020
Anthony Linn	2022
Ruchi Kothari	2020
Janine Micera	2020
Melody Finkelstein	2021
Michele Bhagat	2022
Chris Kwon	2021
Sung Min Lee	2022
<b><u>Other Officials</u></b>	
Joanne S. Newberry, Superintendent of Schools	
Michael Donow, Interim Business Administrator/Board Secretary (7/1/18-1/15/19)	
Floro Villanueva, Jr., Business Administrator/Board Secretary (1/16/19-6/30/19)	
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  
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
DEBORAH K. LERCH, CPA, PSA  
RALPH M. PICONE, CPA, RMA, PSA  
DEBRA GOLLE, CPA  
MARK SACO, CPA  
SHERYL M. LEIDIG, CPA, PSA  
ROBERT LERCH, CPA  
CHRIS SOHN, 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, 2019 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 from material misstatement.

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

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



## *Opinions*

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

## *Other Matters*

### *Required Supplementary Information*

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

### *Other 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 non-major 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 15-08, 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.

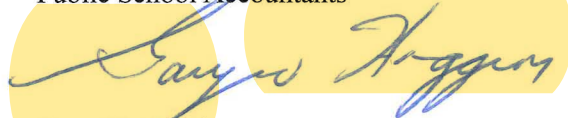
The introductory section, financial schedules and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

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

**REQUIRED SUPPLEMENTARY INFORMATION – PART I**

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

**CLOSTER SCHOOL DISTRICT  
CLOSTER NEW JERSEY**

Management's Discussion and Analysis  
for the Fiscal Year Ended June 30, 2019

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

**Financial Highlights**

Key financial highlights for 2019 are as follows:

- General revenues accounted for \$19,483,087 or 72 percent of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$7,511,320 or 28 percent of total revenues of \$26,994,407.
- The School District had \$26,762,363 in total expenses; only \$7,511,320 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$19,483,087 were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$23,914,032 in revenues and \$23,657,614 in expenditures. The General Fund's fund balance increased \$256,418 from June 30, 2018.

**CLOSTER SCHOOL DISTRICT  
CLOSTER NEW JERSEY**

Management's Discussion and Analysis  
for the Fiscal Year Ended June 30, 2019

**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 provide 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 asks the question, "How did we do financially during 2018/19"? The Statement of Net Position and the Statement of Activities answer that question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources 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.
- **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.

**CLOSTER SCHOOL DISTRICT  
CLOSTER NEW JERSEY**

Management's Discussion and Analysis  
for the Fiscal Year Ended June 30, 2019

**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 and Debt Service Fund. The proprietary funds include the Food Service Fund which is a non-major 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, 2019 and 2018.

**CLOSTER SCHOOL DISTRICT  
CLOSTER NEW JERSEY**

Management's Discussion and Analysis  
for the Fiscal Year Ended June 30, 2019

**Table 1  
Net Position  
as of June 30, 2019 and 2018**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>Assets</b>						
Current and Other Assets	\$ 4,234,474	\$ 3,915,439	\$ 2,307	\$ 21,345	\$ 4,236,781	\$ 3,936,784
Capital Assets	14,196,910	14,470,859	-	-	14,196,910	14,470,859
<b>Total Assets</b>	<b>18,431,384</b>	<b>18,386,298</b>	<b>2,307</b>	<b>21,345</b>	<b>18,433,691</b>	<b>18,407,643</b>
<b>Deferred Outflows of Resources</b>						
Deferred Amounts on Refunding	17,179	21,473			17,179	21,473
Deferred Amount on Pension Liability	855,727	1,301,634	-	-	855,727	1,301,634
<b>Total Deferred Outflows of Resources</b>	<b>872,906</b>	<b>1,323,107</b>	<b>-</b>	<b>-</b>	<b>872,906</b>	<b>1,323,107</b>
<b>Liabilities</b>						
Long-Term Liabilities	5,831,752	6,916,703			5,831,752	6,916,703
Other Liabilities	162,748	101,775	-	-	162,748	101,775
<b>Total Liabilities</b>	<b>5,994,500</b>	<b>7,018,478</b>	<b>-</b>	<b>-</b>	<b>5,994,500</b>	<b>7,018,478</b>
<b>Deferred Inflows of Resources</b>						
Deferred Amount on Pension Liability	1,576,310	1,208,529	-	-	1,576,310	1,208,529
<b>Total Deferred Inflows of Resources</b>	<b>1,576,310</b>	<b>1,208,529</b>	<b>-</b>	<b>-</b>	<b>1,576,310</b>	<b>1,208,529</b>
<b>Net Position</b>						
Net Investment in Capital						
Assets	12,859,089	12,857,332			12,859,089	12,857,332
Restricted	2,767,421	2,465,334			2,767,421	2,465,334
Unrestricted	(3,893,030)	(3,840,268)	2,307	21,345	(3,890,723)	(3,818,923)
<b>Total Net Position</b>	<b>\$ 11,733,480</b>	<b>\$ 11,482,398</b>	<b>\$ 2,307</b>	<b>\$ 21,345</b>	<b>\$ 11,735,787</b>	<b>\$ 11,503,743</b>

The District's combined net position was \$11,735,787 and \$11,503,743 on June 30, 2019 and 2018, respectively.

Table 2 shows changes in net position for fiscal years 2019 and 2018.



**CLOSTER SCHOOL DISTRICT  
CLOSTER NEW JERSEY**

Management's Discussion and Analysis  
for the Fiscal Year Ended June 30, 2019

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 503,526	\$ 355,064	\$ 13,176	\$ 14,743	\$ 516,702	\$ 369,807
Grants and Contributions	6,988,349	8,103,908	6,269	7,214	6,994,618	8,111,122
General Revenues						
Property Taxes	19,378,557	18,773,857			19,378,557	18,773,857
State Aid	2,598	32,300			2,598	32,300
Other	101,674	79,821	258	97	101,932	79,918
<b>Total Revenues</b>	<u>26,974,704</u>	<u>27,344,950</u>	<u>19,703</u>	<u>22,054</u>	<u>26,994,407</u>	<u>27,367,004</u>
<b>Expenses</b>						
Instruction	18,182,320	19,073,497			18,182,320	19,073,497
Support Services						
Student and Instructional Related Svcs.	2,842,579	2,691,068			2,842,579	2,691,068
General and School Administration, Business / Central Services	2,707,985	2,820,953			2,707,985	2,820,953
Plant Operations and Maintenance	2,602,352	2,569,570			2,602,352	2,569,570
Pupil Transportation	347,314	292,870			347,314	292,870
Interest on Debt	41,072	47,740			41,072	47,740
Food Service	-	-	38,741	9,631	38,741	9,631
<b>Total Expenses</b>	<u>26,723,622</u>	<u>27,495,698</u>	<u>38,741</u>	<u>9,631</u>	<u>26,762,363</u>	<u>27,505,329</u>
<b>Change in Net Position</b>	251,082	(150,748)	(19,038)	12,423	232,044	(138,325)
<b>Beginning of Year, Net Position</b>	<u>11,482,398</u>	<u>11,633,146</u>	<u>21,345</u>	<u>8,922</u>	<u>11,503,743</u>	<u>11,642,068</u>
<b>Ending of Year, Net Position</b>	<u>\$ 11,733,480</u>	<u>\$ 11,482,398</u>	<u>\$ 2,307</u>	<u>\$ 21,345</u>	<u>\$ 11,735,787</u>	<u>\$ 11,503,743</u>

**CLOSTER SCHOOL DISTRICT  
CLOSTER NEW JERSEY**

Management's Discussion and Analysis  
for the Fiscal Year Ended June 30, 2019

**Governmental Activities**

Property taxes made up 72 and 69 percent of revenues for governmental activities for the Closter School District in the fiscal years 2019 and 2018, respectively. The District's total governmental revenues were \$26,974,704 and \$27,344,950 for the years ended June 30, 2019 and 2018, respectively. Federal, state, and local grants and aid accounted for another 26 and 30 percent of governmental revenue for the years ended June 30, 2019 and 2018, respectively. The total costs of all governmental programs and services was \$26,723,622 and \$27,495,698 for the years ended June 30, 2019 and 2018, respectively. Instruction comprises 68 and 69 percent of District expenses for the years ended June 30, 2019 and 2018, respectively.

**Business-Type Activities**

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

- Food service expenses exceeded revenues by \$19,038.
- Charges for services of \$13,176 represent 67 percent of revenue. This represents amounts paid for daily milk service.
- Federal reimbursement for milk was \$6,269.

**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, 2019 and 2018. 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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Instruction	\$ 18,182,320	\$ 19,073,497	\$ 11,663,516	\$ 11,695,566
Support Services				
Student and Instruction Related Svcs.	2,842,579	2,691,068	2,672,829	2,484,262
General Administration, School Administration, Business / Central Services	2,707,985	2,820,953	2,129,213	2,079,883
Plant Operations and Maintenance	2,602,352	2,569,570	2,476,436	2,468,932
Pupil Transportation	347,314	292,870	248,681	260,343
Interest and Other Charges	41,072	47,740	41,072	47,740
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total</b>	<b>\$ 26,723,622</b>	<b>\$ 27,495,698</b>	<b>\$ 19,231,747</b>	<b>\$ 19,036,726</b>

**CLOSTER SCHOOL DISTRICT  
CLOSTER NEW JERSEY**

Management's Discussion and Analysis  
for the Fiscal Year Ended June 30, 2019

**Governmental Activities (Cont.)**

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.

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

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

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

**The District's Funds**

All governmental funds (i.e., general fund, special revenue fund and debt service fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$24,686,334 and \$23,152,683 and expenditures were \$24,429,917 and \$23,282,193 for the years ended June 30, 2019 and 2018, respectively. During the fiscal year ended June 30, 2019, revenues exceeded expenses by \$256,417.

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, 2019 and 2018.

<u>Revenue</u>	<u>Fiscal Year Ended</u>		<u>Amount of Increase (Decrease)</u>	<u>Percent Change</u>
	<u>June 30, 2019</u>	<u>June 30, 2018</u>		
Local Sources	\$ 20,088,766	\$ 19,209,773	\$ 878,993	4.58%
State Sources	4,248,697	3,671,452	577,245	15.72%
Federal Sources	<u>348,871</u>	<u>271,458</u>	<u>77,413</u>	28.52%
Total	<u>\$ 24,686,334</u>	<u>\$ 23,152,683</u>	<u>\$ 1,533,651</u>	6.62%

**CLOSTER SCHOOL DISTRICT  
CLOSTER NEW JERSEY**

Management's Discussion and Analysis  
for the Fiscal Year Ended June 30, 2019

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

The following schedule represents a summary of the governmental fund expenditures for the fiscal years ended June 30, 2019 and 2018.

<u>Expenditures</u>	<u>Fiscal Year Ended</u>		<u>Amount of Increase (Decrease)</u>	<u>Percent Change</u>
	<u>June 30, 2019</u>	<u>June 30, 2018</u>		
Current				
Instruction	\$ 16,225,809	\$ 15,451,793	\$ 774,016	5.01%
Support Services	7,346,095	6,827,958	518,137	7.59%
Capital Outlay	539,590	672,322	(132,732)	-19.74%
Debt Service:				
Principal	280,000	285,000	(5,000)	-1.75%
Interest	<u>38,423</u>	<u>45,120</u>	<u>(6,697)</u>	-14.84%
 Total Expenditures	 <u>\$ 24,429,917</u>	 <u>\$ 23,282,193</u>	 <u>\$ 1,147,724</u>	 4.93%

**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 approved 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, 2019

**Capital Assets**

At the end of fiscal years 2019 and 2018, the District's governmental activities had \$14,196,910 and \$14,470,859, respectively invested in land, construction in progress, buildings, furniture, equipment and vehicles, net of accumulated depreciation. Table 4 shows fiscal year 2019 balances compared to 2018.

**Table 4  
Capital Assets**

	<b>June 30</b>	
	<b><u>2019</u></b>	<b><u>2018</u></b>
Land	\$ 26,600	\$ 26,600
Construction in Progress		7,295
Improvements Other Than Buildings	360,515	322,607
Buildings and Improvements	24,265,787	23,907,764
Machinery and Equipment	1,194,739	1,047,131
	25,847,641	25,311,397
Less: Accumulated Depreciation	(11,650,731)	(10,840,538)
<b>Total</b>	<b>\$ 14,196,910</b>	<b>\$ 14,470,859</b>

Overall capital assets, net of accumulated depreciation, decreased \$273,949 from fiscal year 2018 to fiscal year 2019 as a result of depreciation exceeding capital asset additions.

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

**Debt Administration**

At June 30, 2019 and 2018, the District had \$5,831,752 and \$6,916,703, respectively of long-term liabilities. Table 5 reflects the District's outstanding liabilities at June 30, 2019 and 2018.

**CLOSTER SCHOOL DISTRICT  
CLOSTER NEW JERSEY**

Management's Discussion and Analysis  
for the Fiscal Year Ended June 30, 2019

**Table 5  
Outstanding Liabilities**

	<u>June 30</u>	
	<u>2019</u>	<u>2018</u>
2013 Refunding Bonds	\$ 1,355,000	\$ 1,635,000
Net Pension Liability	4,104,566	4,906,944
Compensated Absences	<u>372,186</u>	<u>374,759</u>
<b>Total</b>	<u>\$ 5,831,752</u>	<u>\$ 6,916,703</u>

At June 30, 2019, the District's overall remaining legal debt margin was \$63,557,967.

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 the 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, 2019**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 4,176,302	\$ 1,890	\$ 4,178,192
Receivables, net			
Other Accounts Receivable	8,243		8,243
Receivables from Other Governments	49,708	417	50,125
Due from Other Funds	221		221
Capital Assets Not Being Depreciated	26,600		26,600
Capital Assets Being Depreciated	14,170,310		14,170,310
	<u>18,431,384</u>	<u>2,307</u>	<u>18,433,691</u>
Total Assets			
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Amounts on Refunding	17,179		17,179
Deferred Amount on Net Pension Liability	855,727		855,727
	<u>872,906</u>	<u>-</u>	<u>872,906</u>
Total Deferred Outflows of Resources			
<b>LIABILITIES</b>			
Accounts Payable	84,152		84,152
Unearned Revenue	70,635		70,635
Accrued Interest Payable	7,961		7,961
Noncurrent Liabilities			
Due Within One Year	312,219		312,219
Due Beyond One Year	5,519,533		5,519,533
	<u>5,994,500</u>	<u>-</u>	<u>5,994,500</u>
Total Liabilities			
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Amount on Net Pension Liability	1,576,310		1,576,310
	<u>1,576,310</u>	<u>-</u>	<u>1,576,310</u>
Total Deferred Inflows of Resources			
<b>NET POSITION</b>			
Net Investment in Capital Assets	12,859,089		12,859,089
Restricted for:			
Capital Projects	2,767,421		2,767,421
Unrestricted	(3,893,030)	2,307	(3,890,723)
	<u>\$ 11,733,480</u>	<u>\$ 2,307</u>	<u>\$ 11,735,787</u>
Total Net Position			

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, 2019**

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	\$ 11,993,524	\$ 347,053	\$ 3,752,029		\$ (7,894,442)		\$ (7,894,442)
Special Education	4,579,138	156,473	1,756,184		(2,666,481)		(2,666,481)
Other Instruction	1,465,189		464,749		(1,000,440)		(1,000,440)
School Sponsored Activities and Athletics							
	144,469		42,316		(102,153)		(102,153)
Support Services							
Student and Instruction Related Svcs.	2,842,579		169,750		(2,672,829)		(2,672,829)
General Administration Services	843,292		114,610		(728,682)		(728,682)
School Administration Services	1,055,365		225,888		(829,477)		(829,477)
Business/Central Services	809,328		238,274		(571,054)		(571,054)
Plant Operations and Maintenance	2,602,352		125,916		(2,476,436)		(2,476,436)
Pupil Transportation	347,314		98,633		(248,681)		(248,681)
Interest on Long-Term debt	41,072				(41,072)		(41,072)
<b>Total Governmental Activities</b>	<b>26,723,622</b>	<b>503,526</b>	<b>6,988,349</b>	<b>-</b>	<b>(19,231,747)</b>	<b>-</b>	<b>(19,231,747)</b>
Business-Type Activities							
Food Service	38,741	13,176	6,269	-	-	\$ (19,296)	(19,296)
<b>Total Business-Type Activities</b>	<b>38,741</b>	<b>13,176</b>	<b>6,269</b>	<b>-</b>	<b>-</b>	<b>(19,296)</b>	<b>(19,296)</b>
<b>Total Primary Government</b>	<b>\$ 26,762,363</b>	<b>\$ 516,702</b>	<b>\$ 6,994,618</b>	<b>\$ -</b>	<b>(19,231,747)</b>	<b>(19,296)</b>	<b>(19,251,043)</b>
General Revenues:							
Property Taxes, Levied for General Purposes					19,060,135		19,060,135
Property Taxes Levied for Debt Service					318,422		318,422
Federal and State Aid - Unrestricted					2,598		2,598
Interest Earnings					6,607	258	6,865
Miscellaneous Income					95,067	-	95,067
<b>Total General Revenues</b>					<b>19,482,829</b>	<b>258</b>	<b>19,483,087</b>
<b>Change in Net Position</b>					<b>251,082</b>	<b>(19,038)</b>	<b>232,044</b>
<b>Net Position, Beginning of Year</b>					<b>11,482,398</b>	<b>21,345</b>	<b>11,503,743</b>
<b>Net Position, End of Year</b>					<b>\$ 11,733,480</b>	<b>\$ 2,307</b>	<b>\$ 11,735,787</b>

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

**FUND FINANCIAL STATEMENTS**

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 4,176,302			\$ 4,176,302
Receivables				
Due From Other Funds	15,718			15,718
Receivables From Governments	10,601	\$ 39,107		49,708
Receivables From Others	5,793	2,450	-	8,243
Total Assets	<u>\$ 4,208,414</u>	<u>\$ 41,557</u>	<u>\$ -</u>	<u>\$ 4,249,971</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 59,625	\$ 24,527		\$ 84,152
Unearned Revenue	69,102	1,533	-	70,635
Due To Other Funds	-	15,497	-	15,497
Total Liabilities	<u>128,727</u>	<u>41,557</u>	<u>-</u>	<u>170,284</u>
<b>Restricted Fund Balance</b>				
Emergency Reserve	250,000			250,000
Capital Reserve	2,582,421			2,582,421
Capital Reserve - Designated for Subsequent Year's Expenditures	185,000			185,000
Excess Surplus - Designated for Subsequent Year's Expenditures	325,000			325,000
Excess Surplus	300,000			300,000
<b>Committed Fund Balance</b>				
Year-End Encumbrances	71,131			71,131
<b>Assigned Fund Balance</b>				
Year-End Encumbrances	7,327			7,327
<b>Unassigned Fund Balance</b>				
General Fund	358,808	-	-	358,808
Total Fund Balances	<u>4,079,687</u>	<u>-</u>	<u>-</u>	<u>4,079,687</u>
Total Liabilities and Fund Balances	<u>\$ 4,208,414</u>	<u>\$ 41,557</u>	<u>\$ -</u>	<u>\$ 4,249,971</u>
Total Fund Balances-Governmental Funds (Exhibit B-1)				\$ 4,079,687

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 \$25,847,641 and the accumulated depreciation is \$11,650,731. 14,196,910

The District has financed capital assets through the issuance of Serial Bonds. The interest accrual at year end is: (7,961)

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. 17,179

Certain amounts resulting from the measurement of the net pension liability are reported as either deferred inflows of resources or deferred outflows of resources on the statement of net position and deferred over future years.

Deferred Outflows of Resources	\$ 855,727	
Deferred Inflows of Resources	(1,576,310)	(720,583)

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	(1,355,000)	
Compensated Absences	(372,186)	
Net Pension Liability	(4,104,566)	(5,831,752)

Net position of governmental activities \$ 11,733,480

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

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>				
Local Sources				
Property Taxes	\$ 19,060,135		\$ 318,422	\$ 19,378,557
Tuition Charges	503,526			503,526
Interest on Capital Reserve	6,607			6,607
Miscellaneous	95,067	\$ 105,009	-	200,076
Total - Local Sources	19,665,335	105,009	318,422	20,088,766
State Sources	4,248,697			4,248,697
Federal Sources	-	348,871	-	348,871
Total Revenues	23,914,032	453,880	318,422	24,686,334
<b>EXPENDITURES</b>				
Current				
Instruction				
Regular Instruction	10,501,806	80,822		10,582,628
Special Education Instruction	4,041,482	188,092		4,229,574
Other Instruction	1,285,398			1,285,398
School Sponsored Activities and Athletics	128,209			128,209
Support Services				
Student and Instruction Related Services	2,644,196	83,771		2,727,967
General Administration Services	804,138			804,138
School Administration Services	940,210			940,210
Business/Central Services	715,000			715,000
Plant Operations and Maintenance	1,812,344			1,812,344
Pupil Transportation	346,436			346,436
Debt Service				
Principal			280,000	280,000
Interest and Other Charges			38,423	38,423
Capital Outlay	438,395	101,195	-	539,590
Total Expenditures	23,657,614	453,880	318,423	24,429,917
Excess (Deficiency) of Revenues Over (Under) Expenditures	256,418	-	(1)	256,417
Net Changes in Fund Balances	256,418	-	(1)	256,417
Fund Balance, Beginning of Year	3,823,269	-	1	3,823,270
Fund Balance, End of Year	\$ 4,079,687	\$ -	\$ -	\$ 4,079,687

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, 2019**

Total net change in fund balances - governmental funds (Exhibit B-2)	\$	256,417
Amounts reported for governmental activities in the statement of activities are different because:		
<p>Capital Outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital asset additions in the period.</p>		
Depreciation Expense	\$ (813,539)	
Capital Outlays	<u>539,590</u>	(273,949)
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Principal Repayments		
Bonds Payable		280,000
<p>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)</p>		
		<u>(11,386)</u>
Change in net position of governmental activities	\$	<u>251,082</u>

**CLOSTER BOARD OF EDUCATION  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2019**

**Business- Type  
 Activities  
 Enterprise  
 Funds**  


---

**Non - Major**  


---

**ASSETS**

Current Assets

Cash and Cash Equivalents	\$	1,890
Intergovernmental Accounts Receivable		417

Total Current Assets		<u>2,307</u>
----------------------	--	--------------

Noncurrent Assets

Machinery and Equipment		15,173
Less Accumulated Depreciation		<u>(15,173)</u>

Total Noncurrent Assets		<u>-</u>
-------------------------	--	----------

Total Assets		<u>2,307</u>
--------------	--	--------------

**NET POSITION**

Unrestricted		<u>2,307</u>
--------------	--	--------------

Total Net Position		<u><u>\$ 2,307</u></u>
--------------------	--	------------------------

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

	<b>Business-Type Activities</b>
	<b>Enterprise Fund</b>
	<b>Non-Major</b>
Operating Revenues	
Charges for services	
Daily Sales	\$ 13,176
Total Operating Revenues	13,176
Operating Expenses	
Cost of Sales	8,624
Salaries and Wages	30,117
Total Operating Expenses	38,741
Operating Loss	(25,565)
Nonoperating Revenues	
Federal Sources	
Special Milk Program	6,269
Interest Earnings	258
Total Nonoperating Revenues	6,527
Net Change in Net Position	(19,038)
Net Position, Beginning of Year	21,345
Net Position, End of Year	\$ 2,307

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, 2019**

	<b>Business-Type Activities</b>
	<b>Enterprise Funds</b>
	<b>Non-Major</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Customers	\$ 13,176
Payments to Employees for Salaries and Benefits	(30,117)
Payments to Suppliers	(8,624)
Net Cash Used For Operating Activities	(25,565)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Federal Sources	6,395
Net Cash Provided By Non-Capital Financing Activities	6,395
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest	258
Net Cash Provided By Investing Activities	258
Net Decrease in Cash and Cash Equivalents	(18,912)
Cash and Cash Equivalents—Beginning of Year	20,802
Cash and Cash Equivalents—End of Year	\$ 1,890
<b>Reconciliation of Operating Loss to Net Cash Used For Operating Activities:</b>	
Operating Loss	\$ (25,565)
Net Cash Used For Operating Activities	\$ (25,565)

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, 2019**

	<u>Private Purpose Trust Funds</u>	<u>Unemployment Compensation Trust Fund</u>	<u>Agency Fund</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,678	\$ 178,047	\$ 50,780
Total Assets	<u>1,678</u>	<u>178,047</u>	<u>\$ 50,780</u>
<b>LIABILITIES</b>			
Due To Other Funds			\$ 221
Due To Student Groups			43,417
Payable to State Government		\$ 3,930	
Payroll Deductions and Withholdings		<u>-</u>	<u>7,142</u>
Total Liabilities	<u>-</u>	<u>3,930</u>	<u>\$ 50,780</u>
<b>NET POSITION</b>			
Held In Trust For Unemployment Claims and Other Purposes	<u>\$ 1,678</u>	<u>\$ 174,117</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, 2019**

	<b>Private Purpose Trust Funds</b>	<b>Unemployment Compensation Trust Fund</b>
<b>ADDITIONS</b>		
Interest on Deposits	\$ 21	\$ 2,112
Employee Contributions	<u>-</u>	<u>30,870</u>
Total Additions	<u>21</u>	<u>32,982</u>
<b>DEDUCTIONS</b>		
Unemployment Claims and Contributions	<u>-</u>	<u>34,446</u>
Total Deductions	<u>-</u>	<u>34,446</u>
Change in Net Position	21	(1,464)
Net Position, Beginning of Year	<u>\$ 1,657</u>	<u>175,581</u>
Net Position, End of Year	<u><u>\$ 1,678</u></u>	<u><u>\$ 174,117</u></u>

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, 2019**

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

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

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

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

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

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

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

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

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

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

**District-Wide Financial Statements**

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

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

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

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

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

**Fund Financial Statements**

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

The District reports the following major governmental funds:

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

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

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

The District reports the following 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 cafeteria, which provides milk to students.

Additionally, the government reports the following fund types:

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

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

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

**Reclassifications**

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

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

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

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

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

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

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

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

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

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

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

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

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

***2. Receivables***

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

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

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

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

**3. *Capital Assets***

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

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

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

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

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

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Board has one type which arises only under the accrual basis of accounting that qualifies for reporting in this category. The item that qualifies for reporting in this category are the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized over future years.



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

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

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

**5. *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. *Pensions***

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

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

**7. *Long-Term Obligations***

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

**8. *Net Position/Fund Balance***

**District-Wide Statements**

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

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

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

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

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

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

**Governmental Fund Statements**

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

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

*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. (See Note 3).

*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).

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

*Excess Surplus* – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2019 audited excess surplus that is required to be appropriated in the 2020/2021 original budget certified for taxes.

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

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

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

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

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

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

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

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

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

**Governmental Fund Statements (Continued)**

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

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

**9. *Fund Balance Policies***

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The Board of Trustees is the highest level of decision-making authority for the government that can, by adoption of a resolution or formal Board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

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

**F. Revenues and Expenditures/Expenses**

**1. *Program Revenues***

Amounts reported as program revenues in the district-wide statement of activities include 1) charges to customers or applicants for goods or services, provided and 2) operating 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.

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

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

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

**2. *Property Taxes***

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

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

Tuition Revenues - Tuition charges were established by the Board 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 2017-2018 and 2018-2019 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

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

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



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

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

**A. Budgetary Information (Continued)**

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

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

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

Balance, July 1, 2018		\$ 2,465,333
Increased by:		
Interest earnings	\$ 6,607	
Unexpended balances from Capital Outlay	143,760	
Deposits approved by Board Resolution	<u>726,486</u>	
Total Increases		<u>876,853</u>
		3,342,186
Decreased by:		
Approved by Voters in District Budget	317,300	
Approved by Board Resolution	<u>257,465</u>	
Total Decreases		<u>574,765</u>
Balance, June 30, 2019		<u>\$ 2,767,421</u>

The withdrawals from the capital reserve were for use in a department approved facilities projects, consistent with the district’s Long Range Facilities Plan. Of the capital reserve balance at June 30, 2019 \$185,000 was designated and appropriated for use in the 2019/2020 original budget certified for taxes.

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

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

**C. Emergency Reserve**

An emergency reserve account was established by the District. The accumulation of funds will be used to finance unanticipated General Fund current expenditures required for a thorough and efficient education in subsequent fiscal years.

Funds placed in the emergency reserve are restricted to finance reasonably unforeseeable costs and shall not include additional costs due to poor planning. A District may appropriate funds into the emergency reserve 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. Withdrawals from the reserve require the approval of the Commissioner unless the withdrawal is necessary to meet an increase in total health care costs in excess of four percent or the withdrawal is included in the original budget certified for taxes to finance school security improvements to school facilities pursuant to 18A:7G-6(c)1. Pursuant to NJAC 6A:23A-14.4(A), the balance in the reserve cannot at any time exceed the greater of \$250,000 or one percent of the school district’s General Fund budget as certified for taxes up to a maximum of \$1,000,000.

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

Balance, July 1, 2018	<u>\$ 250,000</u>
Balance, June 30, 2019	<u>\$ 250,000</u>

**D. Calculation of Excess Surplus**

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for 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 restrict 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, 2019 is \$625,000. Of this amount, \$325,000 was designated and appropriated in the 2019/2020 original budget certified for taxes and the remaining amount of \$300,000 will be appropriated in the 2020/2021 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), National Credit Union Share Insurance Fund (NCUSIF), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Board is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC and NCUSIF.

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

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

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

**Cash Deposits (Continued)**

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2019, the book value of the Board's deposits were \$4,408,697 and bank and brokerage firm balances of the Board's deposits amounted to \$4,704,926. The Board's deposits which are displayed on the various fund balance sheets as "cash and cash equivalents" are categorized as:

**Depository Account**

Insured	\$ <u>4,704,926</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, 2019 the Board had no bank balances exposed to custodial credit risk.

**Investments**

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

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

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

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

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



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

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

**B. Receivables**

Receivables as of June 30, 2019 for the district’s individual major funds and nonmajor fund including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Food Service</u>	<u>Total</u>
Receivables:				
Intergovernmental				
State	\$ 10,601			10,601
Federal		\$ 39,107	\$ 417	39,524
Local	5,793			5,793
Other	-	2,450	-	2,450
	<hr/>	<hr/>	<hr/>	<hr/>
Gross Receivables	16,394	41,557	417	58,368
Less: Allowance for Uncollectibles	<hr/> -	<hr/> -	<hr/> -	<hr/> -
Net Total Receivables	<u>\$ 16,394</u>	<u>\$ 41,557</u>	<u>\$ 417</u>	<u>\$ 58,368</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:

General Fund	
Pre-K Tuition	\$ 57,422
Before/After Care	5,980
STEM	5,700
Special Revenue Fund	
Unencumbered Grant Draw Downs	1,000
Grant Draw Downs Reserved for Encumbrances	<hr/> 533
Total Unearned Revenue for Governmental Funds	<u>\$ 70,635</u>

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

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

**D. Capital Assets**

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

	Balance <u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	Balance <u>June 30, 2019</u>
<b>Governmental Activities:</b>					
Capital Assets, Not Being Depreciated:					
Land	\$ 26,600				\$ 26,600
Construction In Progress	7,295	-	-	\$ (7,295)	-
Total Capital Assets, Not Being Depreciated	<u>33,895</u>	<u>-</u>	<u>-</u>	<u>(7,295)</u>	<u>26,600</u>
Capital Assets, Being Depreciated:					
Buildings and Improvements	23,907,764	\$ 350,728		7,295	24,265,787
Improvements Other Than Buildings	322,607	37,908			360,515
Machinery and Equipment	1,047,131	150,954	\$ (3,346)	-	1,194,739
Total Capital Assets Being Depreciated	<u>25,277,502</u>	<u>539,590</u>	<u>(3,346)</u>	<u>7,295</u>	<u>25,821,041</u>
Less Accumulated Depreciation for:					
Buildings and Improvements	(9,730,161)	(731,564)			(10,461,725)
Improvements Other Than Buildings	(220,019)	(10,845)			(230,864)
Machinery and Equipment	(890,358)	(71,130)	3,346	-	(958,142)
Total Accumulated Depreciation	<u>(10,840,538)</u>	<u>(813,539)</u>	<u>3,346</u>	<u>-</u>	<u>(11,650,731)</u>
Total Capital Assets, Being Depreciated, Net	<u>14,436,964</u>	<u>(273,949)</u>	<u>-</u>	<u>7,295</u>	<u>14,170,310</u>
Governmental Activities Capital Assets, Net	<u>\$ 14,470,859</u>	<u>\$ (273,949)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,196,910</u>

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

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

**D. Capital Assets (Continued)**

	Balance <u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2019</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>

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

<b>Governmental Activities:</b>	
Instruction	
Regular	\$ 28,888
Other Instruction	<u>24,055</u>
Total Instruction	<u>52,943</u>
Support Services	
School Administrative Services	14,077
Plant Operations and Maintenance	<u>746,519</u>
Total Support Services	<u>760,596</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 813,539</u>

**Construction and Other Significant Commitments**

The District has the following active construction projects as of June 30, 2019:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Electrical Outlet Upgrade Project at Tenakill MS	\$ -	\$ <u>70,000</u>
Total		<u>\$ 70,000</u>

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

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

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

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

**Due To/From Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 15,497
General Fund	Payroll Agency Fund	<u>221</u>
		<u>\$ 15,718</u>

The above balances are the result of revenues earned in one fund which are due to another fund and/or to cover cash balances which were in an overdraft position.

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

**F. Long-Term Debt**

**General Obligation Bonds**

The Board issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities and other capital assets and other purposes permitted by statute. The full faith and credit of the Board are irrevocably pledged for the payment of the principal of the bonds and the interest thereon.

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

\$2,790,000, 2013 Refunding Bonds, due in annual installments of \$270,000 to \$275,000 through April 1, 2024, interest at 2.35%	<u>\$1,355,000</u>
--	--------------------

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

**Governmental Activities:**

Fiscal Year Ending June 30,	<u>Serial Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2020	\$ 275,000	\$ 31,842	\$ 306,842
2021	270,000	25,380	295,380
2022	270,000	19,035	289,035
2023	270,000	12,690	282,690
2024	<u>270,000</u>	<u>6,345</u>	<u>276,345</u>
Total	<u>\$ 1,355,000</u>	<u>\$ 95,292</u>	<u>\$ 1,450,292</u>

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

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

**F. 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, 2019 was as follows:

3% of Equalized Valuation Basis (Municipal)	\$ 64,912,967
Less: Net Debt	<u>1,355,000</u>
Remaining Borrowing Power	<u>\$ 63,557,967</u>

**G. Other Long-Term Liabilities**

**Changes in Long-Term Liabilities**

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

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
<b>Governmental activities:</b>					
Bonds Payable	\$ 1,635,000		\$ 280,000	\$ 1,355,000	\$ 275,000
Net Pension Liability	4,906,944		802,378	4,104,566	
Compensated Absences	<u>374,759</u>	<u>\$ 39,847</u>	<u>42,420</u>	<u>372,186</u>	<u>37,219</u>
Governmental Activity Long-Term Liabilities	<u>\$ 6,916,703</u>	<u>\$ 39,847</u>	<u>\$ 1,124,798</u>	<u>\$ 5,831,752</u>	<u>\$ 312,219</u>

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

**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.

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

**NOTE 5 OTHER INFORMATION (Continued)**

**A. Risk Management (Continued)**

The relationship between the Board and the Group 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 Group, to report claims on a timely basis, cooperate with the management of the Group, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the Group. Members have a contractual obligation to fund any deficit of the Group 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 Group are on file with the School's Business Administrator.

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

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

Fiscal Year Ended <u>June 30,</u>	District <u>Contributions</u>	Employee <u>Contributions</u>	Amount <u>Reimbursed</u>	Ending <u>Balance</u>
2019	None	\$ 30,870	\$ 34,446	\$ 174,117
2018	None	31,046	22,489	175,581
2017	None	30,001	17,503	166,172

**B. Contingent Liabilities**

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

**Federal and State Awards** – The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2019, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

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

**NOTE 5 OTHER INFORMATION (Continued)**

**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, 2018, the District has not estimated its arbitrage earnings due to the IRS, if any.

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

**Plan Descriptions and Benefits Provided**

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

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

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

The following represents the membership tiers for PERS:

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

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

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

**NOTE 5 OTHER INFORMATION (Continued)**

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

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

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

The following represent the membership tiers for TPAF:

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

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

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

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



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

**NOTE 5 OTHER INFORMATION (Continued)**

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

**Other Pension Funds**

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

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

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

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

**Plan Amendments**

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

**Measurement Focus and Basis of Accounting**

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

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

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

**NOTE 5 OTHER INFORMATION (Continued)**

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

**Investment Valuation**

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

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

**Collective Net Pension Liability**

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

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

**Actuarial Methods and Assumptions**

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

**Employer and Employee Pension Contributions**

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 7.50% for PERS, 7.50% for TPAF and 5.50% for DCRP of the employee's annual compensation for fiscal year 2019.

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

**NOTE 5 OTHER INFORMATION (Continued)**

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

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

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

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

Fiscal Year Ended <u>June 30,</u>	<u>PERS</u>	On-behalf <u>TPAF</u>	<u>DCRP</u>
2019	\$ 207,355	\$ 1,822,737	\$ 23,465
2018	195,278	1,405,138	22,044
2017	187,330	1,044,582	12,951

In addition for fiscal years 2019, 2018 and 2017 the District contributed \$615, \$1,487 and \$176, respectively for PERS and the State contributed \$1,428, \$1,585 and \$1,587, respectively for TPAF for Long Term Disability Insurance Premium (LTDI).

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

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$733,151 during the fiscal year ended June 30, 2019 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been recognized in the district-wide financial statements (accrual basis) and the governmental fund financial statements (modified accrual basis) as a revenue and expense/expenditure in accordance with GASB No. 85.

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

**NOTE 5 OTHER INFORMATION (Continued)**

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

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

**Public Employees Retirement System (PERS)**

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

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

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

At June 30, 2019, the District reported in the statement of net position (accrual basis) a liability of \$4,104,566 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportionate share of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating governmental entities, actuarially determined. At June 30, 2018, the District’s proportionate share was .02085 percent, which was a decrease of .00023 percent from its proportionate share measured as of June 30, 2017 of .02108 percent.

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

**NOTE 5 OTHER INFORMATION (Continued)**

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

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

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

For the fiscal year ended June 30, 2019, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$218,665 for PERS. The pension contribution made by the District during the current 2018/2019 fiscal year is the contribution that is applied to the net pension liability reported at the end of the current fiscal year of June 30, 2019 with a measurement date of the prior fiscal year end of June 30, 2018. Since the State of New Jersey applies the current year pension contribution towards the calculation of the net pension liability reported at the end of the current fiscal year, which has a measurement date of the preceding fiscal year end, there is no deferred outflows of resources reported as of June 30, 2019 for contributions made subsequent to the measurement date. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Difference Between Expected and Actual Experience	\$ 78,275	\$ 21,164
Changes of Assumptions	676,364	1,312,422
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		38,501
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	<u>101,088</u>	<u>204,223</u>
Total	<u>\$ 855,727</u>	<u>\$ 1,576,310</u>

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

Year Ending <u>June 30,</u>	<u>Total</u>
2020	\$ (11,461)
2021	(47,979)
2022	(325,678)
2023	(250,841)
2024	(84,624)
Thereafter	<u>-</u>
	<u>\$ (720,583)</u>

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

**NOTE 5 OTHER INFORMATION (Continued)**

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

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

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

*Actuarial Assumptions*

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

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

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

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

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

**NOTE 5 OTHER INFORMATION (Continued)**

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

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

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

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

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

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

***Discount Rate***

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

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





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

**NOTE 5 OTHER INFORMATION (Continued)**

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

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

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

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

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

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

For the fiscal year ended June 30, 2019, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$3,454,844 for TPAF. This amount has been included in the district-wide statement of activities (accrual basis) as both a revenue and expense in accordance with GASB No. 85.

At June 30, 2019 the State's proportionate share of the net pension liability attributable to the District is \$59,263,312. The nonemployer allocation percentages are based on the ratio of the State's contributions made as an employer and nonemployer adjusted for unpaid early retirement incentives to total contributions to TPAF during the year ended June 30, 2018. At June 30, 2018, the State's share of the net pension liability attributable to the District was .09316 percent, which was an increase of .00029 percent from its proportionate share measured as of June 30, 2017 of .09287 percent.

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

**NOTE 5 OTHER INFORMATION (Continued)**

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

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

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

**Actuarial Assumptions**

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

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

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

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

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

**NOTE 5 OTHER INFORMATION (Continued)**

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

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

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

**Long-Term Expected Rate of Return**

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

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

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

**NOTE 5 OTHER INFORMATION (Continued)**

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

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

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

*Discount Rate*

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

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

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

Period of Projected Benefit

Payments for which the Following  
 Rates were Applied:

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

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

***Sensitivity of Net Pension Liability***

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

	<b>1% Decrease <u>(3.86%)</u></b>	<b>Current Discount Rate <u>(4.86%)</u></b>	<b>1% Increase <u>(5.86%)</u></b>
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	<u>\$ 70,048,109</u>	<u>\$ 59,263,312</u>	<u>\$ 50,322,978</u>

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

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

**NOTE 5 OTHER INFORMATION (Continued)**

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

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

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

***Pension Plan Fiduciary Net Position***

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

**E. Post-Retirement Medical Benefits**

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

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

**Plan Description and Benefits Provided**

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

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

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

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

**NOTE 5 OTHER INFORMATION (Continued)**

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

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

**Plan Membership**

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

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

**Measurement Focus and Basis of Accounting**

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

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

**Investment Valuation**

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

**Collective Net OPEB Liability**

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

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

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

**NOTE 5 OTHER INFORMATION (Continued)**

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

**Actuarial Methods and Assumptions**

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

**Post-Retirement Medical Benefits Contributions**

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

The State sets the contribution rate based on a pay as you go basis rather than the actuarial determined contribution an amount actuarially determined in accordance with the parameters of GASB Statement 75. The actuarial determined contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any unfunded actuarial liabilities (or funding excess) of the plan using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan. The State's contributions, as a nonemployer contributing entity, to the State Health Benefits Program Fund – Local Education Retired Employees Plan for retirees' post-retirement benefits on behalf of the School District for the fiscal years ended June 30, 2019, 2018 and 2017 were \$826,791, \$907,549 and \$870,374, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund – Local Education Retired Employees Plan for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey. The on-behalf OPEB contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 85.

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

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

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





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

**NOTE 5 OTHER INFORMATION (Continued)**

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

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

**Long-Term Expected Rate of Return**

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

**Discount Rate**

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

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

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

**Changes in the Total OPEB Liability**

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

	<u>Total OPEB Liability (State Share 100%)</u>
Balance, June 30, 2017 Measurement Date	<u>\$ 33,879,696</u>
Changes Recognized for the Fiscal Year:	
Service Cost	1,285,262
Interest on the Total OPEB Liability	1,245,270
Differences Between Expected and Actual Experience	(2,455,140)
Changes of Assumptions	(3,416,287)
Gross Benefit Payments	(796,046)
Contributions from the Member	27,513
<b>Net Changes</b>	<u>\$ (4,109,428)</u>
Balance, June 30, 2018 Measurement Date	<u>\$ 29,770,268</u>

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

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

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

**NOTE 5 OTHER INFORMATION (Continued)**

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

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

**Sensitivity of OPEB Liability**

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

	<b>1% Decrease <u>(2.87%)</u></b>	<b>Current Discount Rate <u>(3.87%)</u></b>	<b>1% Increase <u>(4.87%)</u></b>
State's Proportionate Share of the OPEB Liability Attributable to the District	\$ 35,194,517	\$ 29,770,268	\$ 25,458,550

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

	<b>1% Decrease</b>	<b>Healthcare Cost Trend Rates</b>	<b>1% Increase</b>
Total OPEB Liability (School Retirees)	\$ 24,606,860	\$ 29,770,268	\$ 36,599,072

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

**F. Tax Abatements**

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

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

**NOTE 5 OTHER INFORMATION (Continued)**

**F. Tax Abatements (Continued)**

The New Jersey Housing and Mortgage Financing Act (NJSA 55:14K et. seq.) allows for property tax abatements for residential rental housing projects financed by the New Jersey Housing and Mortgage Finance Agency. These property tax abatements last for the term of the original mortgage financing so long as the residential rental housing project remains subject to the NJHMFA Law and regulations. The process begins when the municipality passes by ordinance or resolution, as appropriate, that such residential rental housing project shall be exempt from property tax provided that an agreement is entered into with the housing sponsor for payments in lieu of taxes (PILOTs) to the municipality. The agreement can require the housing sponsor to a PILOT payment to the municipality in an amount up to 20% of the annual gross revenue from each housing project. For the year ended December 31, 2018 the Borough abated property taxes totaling \$211,702 under the NJHMFA program of which \$69,001 represents the District's share.

**REQUIRED SUPPLEMENTARY INFORMATION - PART II**

**BUDGETARY COMPARISON SCHEDULES**

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

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
<b>REVENUES</b>					
<b>Local Sources</b>					
Property Taxes	\$ 19,060,135		\$ 19,060,135	\$ 19,060,135	
Tuition from Individuals	221,850		221,850	347,053	\$ 125,203
Tuition from LEAs Within the State	38,700		38,700	156,473	117,773
Interest - Capital Reserve	1,000		1,000	6,607	5,607
Miscellaneous	52,000	-	52,000	95,067	43,067
<b>Total Local Sources</b>	<b>19,373,685</b>	<b>-</b>	<b>19,373,685</b>	<b>19,665,335</b>	<b>291,650</b>
<b>State Sources</b>					
Extraordinary Aid - 2018/19				244,453	244,453
Extraordinary Aid - 2017/18				692	692
Categorical Special Education Aid	424,788	\$ 83,915	508,703	508,703	
Security Aid	21,363	69,984	91,347	91,347	
Transportation Aid	93,632		93,632	93,632	
Non Public Transportation Reimbursement				10,601	10,601
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				733,151	733,151
TPAF Post Retirement Medical Contribution (Non-Budgeted)				826,791	826,791
TPAF Pension - Normal Costs (Non-Budgeted)				1,785,365	1,785,365
TPAF Pension - LTDI Premium (Non-Budgeted)				1,428	1,428
TPAF Pension - NCGI Premium (Non-Budgeted)	-	-	-	37,372	37,372
<b>Total State Sources</b>	<b>539,783</b>	<b>153,899</b>	<b>693,682</b>	<b>4,333,535</b>	<b>3,639,853</b>
<b>Total Revenues</b>	<b>19,913,468</b>	<b>153,899</b>	<b>20,067,367</b>	<b>23,998,870</b>	<b>3,931,503</b>
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES</b>					
<b>Instruction - Regular Programs</b>					
<b>Salaries of Teachers</b>					
Preschool	128,082	16,250	144,332	144,298	34
Kindergarten	770,864	(95,000)	675,864	674,797	1,067
Grades 1-5	3,406,039	(14,875)	3,391,164	3,380,788	10,376
Grades 6-8	2,079,360	(88,386)	1,990,974	1,978,473	12,501
<b>Regular Programs - Home Instruction</b>					
Salaries of Teachers	4,000	2,425	6,425	4,600	1,825
Purchased Professional/Educational Services	3,000	(1,000)	2,000		2,000
<b>Regular Programs - Undistributed Instruction</b>					
Other Salaries for Instruction	422,891	(135,496)	287,395	262,842	24,553
Purchased Professional/Educational Services	24,430	1,968	26,398	21,136	5,262
Purchased Technical Services	80,851	14,517	95,368	83,024	12,344
Other Purchased Services	138,880	22	138,902	127,664	11,238
General Supplies	359,581	(126,541)	233,040	209,550	23,490
Textbooks	28,850	(6,392)	22,458	18,970	3,488
Other Objects	5,000	325	5,325	1,214	4,111
<b>Total Regular Programs</b>	<b>7,451,828</b>	<b>(432,183)</b>	<b>7,019,645</b>	<b>6,907,356</b>	<b>112,289</b>
<b>Learning and/or Language Disabilities</b>					
Salaries of Teachers	138,606	49,004	187,610	186,226	1,384
Other Salaries for Instruction	36,473	(36,400)	73		73
General Supplies	1,500	415	1,915	1,611	304
<b>Total Learning and/or Language Disabilities</b>	<b>176,579</b>	<b>13,019</b>	<b>189,598</b>	<b>187,837</b>	<b>1,761</b>
<b>Resource Room/Resource Center</b>					
Salaries of Teachers	1,236,547	(10,900)	1,225,647	1,214,343	11,304
Other Salaries for Instruction			57,000	49,697	7,303
General Supplies	7,500	(2,341)	5,159	4,569	590
<b>Total Resource Room/Resource Center</b>	<b>1,244,047</b>	<b>43,759</b>	<b>1,287,806</b>	<b>1,268,609</b>	<b>19,197</b>
<b>Preschool Disabilities - Full - Time</b>					
Salaries of Teachers	187,243	(49,751)	137,492	128,056	9,436
Other Salaries for Instruction	151,357	(1,900)	149,457	144,812	4,645
General Supplies	3,325	1,300	4,625	3,954	671
<b>Total Preschool Disabilities - Full-Time</b>	<b>341,925</b>	<b>(50,351)</b>	<b>291,574</b>	<b>276,822</b>	<b>14,752</b>
<b>Total Special Education</b>	<b>1,762,551</b>	<b>6,427</b>	<b>1,768,978</b>	<b>1,733,268</b>	<b>35,710</b>

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

	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	\$ 478,209	\$ (24,000)	\$ 454,209	\$ 453,698	\$ 511
General Supplies	2,750	532	3,282	3,158	124
<b>Total Basic Skills/Remedial</b>	<b>480,959</b>	<b>(23,468)</b>	<b>457,491</b>	<b>456,856</b>	<b>635</b>
<b>Bilingual Education</b>					
Salaries of Teachers	330,700	-	330,700	327,893	2,807
General Supplies	2,350	(2)	2,348	699	1,649
<b>Total Bilingual Education</b>	<b>333,050</b>	<b>(2)</b>	<b>333,048</b>	<b>328,592</b>	<b>4,456</b>
<b>School Sponsored Co/Extra Curricular Activities-Instruction</b>					
Salaries	49,891	3,550	53,441	52,882	559
Supplies and Materials	3,600	530	4,130	4,120	10
Other Objects	2,800	-	2,800	1,690	1,110
<b>Total School Sponsored Co/Extra Curricular Activities-Instruction</b>	<b>56,291</b>	<b>4,080</b>	<b>60,371</b>	<b>58,692</b>	<b>1,679</b>
<b>School Sponsored Athletics-Instruction</b>					
Salaries	23,318	-	23,318	20,678	2,640
Purchased Services	3,050	1,475	4,525	4,450	75
Supplies and Materials	1,250	1,480	2,730	2,691	39
Other Objects	275	-	275	-	275
<b>Total School Sponsored Athletics-Instruction</b>	<b>27,893</b>	<b>2,955</b>	<b>30,848</b>	<b>27,819</b>	<b>3,029</b>
<b>Summer School-Instruction</b>					
Salaries of Teachers	18,600	7,075	25,675	25,675	-
Other Salaries for Instruction	5,400	1,777	7,177	7,177	-
Supplies and Materials	500	2,746	3,246	3,245	1
<b>Total Summer School-Instruction</b>	<b>24,500</b>	<b>11,598</b>	<b>36,098</b>	<b>36,097</b>	<b>1</b>
<b>Summer School-Support Services</b>					
Salaries	3,050	750	3,800	3,800	-
Other Objects	50	-	50	-	50
<b>Total Summer School-Support Services</b>	<b>3,100</b>	<b>750</b>	<b>3,850</b>	<b>3,800</b>	<b>50</b>
<b>Total Instruction</b>	<b>10,140,172</b>	<b>(429,843)</b>	<b>9,710,329</b>	<b>9,552,480</b>	<b>157,849</b>
<b>Undistributed Expenditures</b>					
<b>Instruction</b>					
Tuition to Other LEAs w/in State - Special	563,153	168,433	731,586	729,215	2,371
Tuition to CSSD and Regional Day Schools	139,280	24,000	163,280	162,880	400
Tuition to Priv. Sch. for the Disabled - W/I State	324,409	125,750	450,159	442,777	7,382
Tuition - Other	-	42,100	42,100	40,535	1,565
<b>Total Undistributed Expenditures - Instruction</b>	<b>1,026,842</b>	<b>360,283</b>	<b>1,387,125</b>	<b>1,375,407</b>	<b>11,718</b>
<b>Attendance and Social Work</b>					
Salaries	58,344	8,343	66,687	55,636	11,051
Purchased Professional and Technical Services	4,200	-	4,200	3,548	652
<b>Total Attendance and Social Work</b>	<b>62,544</b>	<b>8,343</b>	<b>70,887</b>	<b>59,184</b>	<b>11,703</b>
<b>Health Services</b>					
Salaries	181,980	-	181,980	179,505	2,475
Purchased Professional and Technical Services	2,600	5	2,605	2,605	-
Purchased Services	-	2,939	2,939	1,882	1,057
Supplies and Materials	9,500	(1,444)	8,056	5,065	2,991
<b>Total Health Services</b>	<b>194,080</b>	<b>1,500</b>	<b>195,580</b>	<b>189,057</b>	<b>6,523</b>
<b>Speech, OT, PT &amp; Related Services</b>					
Salaries	273,945	1	273,946	238,268	35,678
Purchased Professional-Educational Services	-	-	-	-	-
Other Purchased Services	-	1,094	1,094	1,094	-
Supplies and Materials	1,150	285	1,435	1,434	1
<b>Total Speech, OT, PT &amp; Related Services</b>	<b>275,095</b>	<b>1,380</b>	<b>276,475</b>	<b>240,796</b>	<b>35,679</b>
<b>Other Support Services - Students - Extra Services</b>					
Salaries	116,116	208,250	324,366	316,662	7,704
Purchased Professional-Educational Services	182,987	3,725	186,712	162,339	24,373
Supplies and Materials	2,500	(2,212)	288	288	-
Other Objects	500	-	500	200	300
<b>Total Other Supp.Serv. Student - Extra Services</b>	<b>302,103</b>	<b>209,763</b>	<b>511,866</b>	<b>479,201</b>	<b>32,665</b>

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

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
Other Supp. Serv. - Students - Regular (Guidance)					
Salaries of Other Professional Staff	\$ 172,915	\$ (8,730)	\$ 164,185	\$ 163,427	\$ 758
Purchased Professional-Educational Services	4,200		4,200	3,548	652
Supplies and Materials	1,200	(109)	1,091	790	301
Other Objects	-	109	109	109	-
<b>Total Guidance</b>	<b>178,315</b>	<b>(8,730)</b>	<b>169,585</b>	<b>167,874</b>	<b>1,711</b>
<b>Child Study Teams</b>					
Salaries of Other Professional Staff	379,132	4,649	383,781	383,529	252
Salaries of Secretarial and Clerical Assistants	77,414	4,586	82,000	81,836	164
Purchased Professional-Educational Services	39,683		39,683	39,682	1
Other Purchased Professional and Technical Services	17,600	258	17,858	10,655	7,203
Other Purchased Services	500	-	500	500	-
Supplies and Materials	8,000	4,877	12,877	10,816	2,061
Other Objects	1,400	-	1,400	1,159	241
<b>Total Child Study Teams</b>	<b>523,729</b>	<b>14,370</b>	<b>538,099</b>	<b>527,677</b>	<b>10,422</b>
<b>Improvement of Instructional Services</b>					
Salaries of Supervisor of Instruction	122,220	(5,725)	116,495	116,125	370
Salaries of Other Professional Staff		7,500	7,500	7,362	138
Purchased Professional-Educational Services	51,814	-	51,814	51,072	742
Other Purchased Professional and Technical Services	12,850	(1,100)	11,750	2,960	8,790
Other Purchased Services	300	-	300	250	50
Supplies and Materials	450	-	450	450	-
Other Objects	552	-	552	417	135
<b>Total Improvement of Instructional Services</b>	<b>188,186</b>	<b>675</b>	<b>188,861</b>	<b>178,186</b>	<b>10,675</b>
<b>Educational Media/School Library</b>					
Salaries	156,388	9,773	166,161	166,074	87
Purchased Professional and Technical Services	3,500	(150)	3,350	1,595	1,755
Other Purchased Services	10,000	(2,345)	7,655	6,070	1,585
Supplies and Materials	15,500	(261)	15,239	12,822	2,417
<b>Total Educational Media/School Library</b>	<b>185,388</b>	<b>7,017</b>	<b>192,405</b>	<b>186,561</b>	<b>5,844</b>
<b>Instructional Staff Training Services</b>					
Purchased Professional-Educational Services	36,646	(20,800)	15,846	14,390	1,456
Other Purchased Professional and Technical Services	14,600	-	14,600	10,800	3,800
Other Purchased Services	5,000	2,360	7,360	5,742	1,618
Supplies and Materials	4,500	(280)	4,220	952	3,268
Other Objects	-	270	270	232	38
<b>Total Instructional Staff Training Services</b>	<b>60,746</b>	<b>(18,450)</b>	<b>42,296</b>	<b>32,116</b>	<b>10,180</b>
<b>Support Services General Administration</b>					
Salaries	443,808	(1,925)	441,883	436,456	5,427
Legal Services	29,450	14,300	43,750	41,885	1,865
Audit Fees	21,500	415	21,915	21,915	-
Architectural/Engineering Services	13,500	(5,988)	7,512	970	6,542
Other Purchased Professional Services	7,000	18,910	25,910	23,972	1,938
Purchased Technical Services	2,500	(115)	2,385	1,626	759
Communications/Telephone	24,880	12,685	37,565	30,883	6,682
BOE Other Purchased Services	300	-	300	-	300
Miscellaneous Purchased Services	28,500	754	29,254	24,809	4,445
General Supplies	5,000	250	5,250	3,051	2,199
BOE In-House Training/Meeting Supplies	1,000	1,805	2,805	2,201	604
Miscellaneous Expenditures	5,300	2,000	7,300	4,477	2,823
BOE Membership Dues and Fees	8,350	-	8,350	8,296	54
<b>Total Support Services General Administration</b>	<b>591,088</b>	<b>43,091</b>	<b>634,179</b>	<b>600,541</b>	<b>33,638</b>
<b>Support Services School Administration</b>					
Salaries of Principals/Asst. Principals	446,316	(53,036)	393,280	370,705	22,575
Salaries of Other Professional Staff	124,530	500	125,030	125,004	26
Salaries of Secretarial and Clerical Assistants	126,616	-	126,616	126,616	-
Other Purchased Services	785	(20)	765	765	-
Supplies and Materials	15,350	2,454	17,804	13,452	4,352
Other Objects	5,180	3,382	8,562	8,540	22
<b>Total Support Services School Administration</b>	<b>718,777</b>	<b>(46,720)</b>	<b>672,057</b>	<b>644,317</b>	<b>27,740</b>
<b>Central Services</b>					
Salaries	175,000	145,000	320,000	311,201	8,799
Purchased Technical Services	22,000	4,900	26,900	24,233	2,667
Miscellaneous Purchased Services	6,400	13,475	19,875	16,084	3,791
Supplies and Materials	5,003	4,783	9,786	8,025	1,761
Miscellaneous Expenditures	2,400	(1,000)	1,400	355	1,045
<b>Total Central Services</b>	<b>210,803</b>	<b>167,158</b>	<b>377,961</b>	<b>359,898</b>	<b>18,063</b>



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

	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	\$ 102,600	\$ 401	\$ 103,001	\$ 103,000	\$ 1
Purchased Technical Services	22,460	(4,490)	17,970	13,860	4,110
Other Purchased Services	250	40	290	274	16
Supplies and Materials	3,000	1,129	4,129	3,174	955
<b>Total Admin. Info. Tech.</b>	<b>128,310</b>	<b>(2,920)</b>	<b>125,390</b>	<b>120,308</b>	<b>5,082</b>
<b>Required Maintenance for School Facilities</b>					
Salaries	209,350	-	209,350	200,541	8,809
Cleaning, Repair and Maintenance Services	100,000	14,664	114,664	104,548	10,116
General Supplies	40,000	12,138	52,138	37,588	14,550
Other Objects	1,500	100	1,600	1,583	17
<b>Total Required Maintenance for School Facilities</b>	<b>350,850</b>	<b>26,902</b>	<b>377,752</b>	<b>344,260</b>	<b>33,492</b>
<b>Custodial Services</b>					
Salaries	507,000	26,550	533,550	491,576	41,974
Salaries of Non-Instructional Aides	153,574	(20,001)	133,573	118,366	15,207
Purchased Professional and Technical Services	3,845	1,991	5,836	4,500	1,336
Cleaning, Repair and Maintenance Services	9,500	-	9,500	7,215	2,285
Rental of Land & Building Other than Lease Purchase Agreement	8,255	5,235	13,490	8,177	5,313
Other Purchased Property Services	15,050	-	15,050	14,250	800
Insurance	130,850	615	131,465	131,465	-
Miscellaneous Purchased Services	200	-	200	-	200
General Supplies	37,500	15,300	52,800	50,402	2,398
Energy (Natural Gas)	105,000	8,000	113,000	82,399	30,601
Energy (Electricity)	200,000	(10,155)	189,845	156,518	33,327
Energy (Gasoline)	2,000	200	2,200	2,065	135
Other Objects	2,500	-	2,500	-	2,500
<b>Total Custodial Services</b>	<b>1,175,274</b>	<b>27,735</b>	<b>1,203,009</b>	<b>1,066,933</b>	<b>136,076</b>
<b>Care and Upkeep of Grounds</b>					
Cleaning, Repair and Maintenance Service	78,000	18,350	96,350	82,947	13,403
General Supplies	7,500	2,200	9,700	9,641	59
<b>Total Care and Upkeep of Grounds</b>	<b>85,500</b>	<b>20,550</b>	<b>106,050</b>	<b>92,588</b>	<b>13,462</b>
<b>Security</b>					
Purchased Professional and Technical Services	3,500	-	3,500	100	3,400
Cleaning, Repair and Maintenance Service	10,550	-	10,550	6,688	3,862
General Supplies	1,000	38,298	39,298	30,513	8,785
<b>Total Security</b>	<b>15,050</b>	<b>38,298</b>	<b>53,348</b>	<b>37,301</b>	<b>16,047</b>
<b>Student Transportation Services</b>					
Salaries of Non-Instructional Aides	19,293	-	19,293	16,432	2,861
Contracted Services - Aid In Lieu of Payments-Non-Public Schools	42,432	(2,500)	39,932	38,431	1,501
Contracted Services (Between Home and School) - Vendors	32,950	-	32,950	31,676	1,274
Contracted Services (Other Than Between Home and School) - Vendors	18,000	2,500	20,500	15,914	4,586
Contracted Services (Special Education Students) - Joint Agreements	158,100	95,120	253,220	238,383	14,837
<b>Total Student Transportation Services</b>	<b>270,775</b>	<b>95,120</b>	<b>365,895</b>	<b>340,836</b>	<b>25,059</b>

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

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget To Actual</u>
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
Unallocated Benefits- Employee Benefits					
Social Security Contributions	\$ 218,800	\$ 1,464	\$ 220,264	\$ 219,087	\$ 1,177
Other Retirement Contributions - PERS	221,600	(5,264)	216,336	207,970	8,366
Other Retirement Contribution - Regular	25,000	-	25,000	23,465	1,535
Worker's Compensation	82,472	-	82,472	60,654	21,818
Health Benefits	2,939,353	(162,815)	2,776,538	2,666,792	109,746
Tuition Reimbursement	15,000	3,000	18,000	5,821	12,179
Other Employee Benefits	4,025	415	4,440	3,400	1,040
Unused Sick Payment to Terminated/Retired Staff	25,000	18,100	43,100	42,420	680
<b>Total Unallocated Benefits</b>	<b>3,531,250</b>	<b>(145,100)</b>	<b>3,386,150</b>	<b>3,229,609</b>	<b>156,541</b>
TPAF Post-Retirement Medical Contribution (Non-Budgeted)				826,791	(826,791)
TPAF Pension Contribution-Normal Costs (Non-Budgeted)				1,785,365	(1,785,365)
TPAF Pension Contribution-LTDI Premium (Non-Budgeted)				1,428	(1,428)
TPAF Pension Contribution-NCGI Premium (Non-Budgeted)				37,372	(37,372)
TPAF Social Security Contributions (Non-Budgeted)	-	-	-	733,151	<b>(733,151)</b>
<b>Total Undistributed Expenditures</b>	<b>10,074,705</b>	<b>800,265</b>	<b>10,874,970</b>	<b>13,656,757</b>	<b>(2,781,787)</b>
<b>Total Current Expenditures</b>	<b>20,214,877</b>	<b>370,422</b>	<b>20,585,299</b>	<b>23,209,237</b>	<b>(2,623,938)</b>
<b>CAPITAL OUTLAY</b>					
<b>EQUIPMENT</b>					
Instruction					
Grades 1-5	7,650	2,761	10,411	10,411	-
Undistributed Expenditures - General Administration		2,933	2,933	2,933	-
Undistributed Expenditures - Admin Info Technology		4,621	4,621	4,456	165
Undistributed Expenditures - Security	-	27,000	27,000	27,000	-
<b>Total Equipment</b>	<b>7,650</b>	<b>37,315</b>	<b>44,965</b>	<b>44,800</b>	<b>165</b>
Facilities Acquisition and Construction Services					
Architectural/Engineering Services		40,412	40,412	26,076	14,336
Construction Services	317,300	245,815	563,115	362,560	200,555
Assessment for Debt Service on SDA Funding	14,941	-	14,941	14,941	-
<b>Total Facilities Acquisition and Construction Services</b>	<b>332,241</b>	<b>286,227</b>	<b>618,468</b>	<b>403,577</b>	<b>214,891</b>
Interest Deposit to Capital Reserve	1,000	-	1,000	-	1,000
<b>Total Capital Outlay</b>	<b>340,891</b>	<b>323,542</b>	<b>664,433</b>	<b>448,377</b>	<b>216,056</b>
<b>Total General Fund Expenditures</b>	<b>20,555,768</b>	<b>693,964</b>	<b>21,249,732</b>	<b>23,657,614</b>	<b>(2,407,882)</b>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(642,300)	(540,065)	(1,182,365)	341,256	1,523,621
Fund Balance, Beginning of Year	4,040,839	-	4,040,839	4,040,839	-
<b>Fund Balance, End of Year</b>	<b>\$ 3,398,539</b>	<b>\$ (540,065)</b>	<b>\$ 2,858,474</b>	<b>\$ 4,382,095</b>	<b>\$ 1,523,621</b>
<b>Recapitulation</b>					
Restricted:					
Emergency Reserve				\$ 250,000	
Capital Reserve				2,582,421	
Capital Reserve - Designated for Subsequent Year's Expenditures				185,000	
Excess Surplus - Designated for Subsequent Year's Expenditures				325,000	
Excess Surplus				300,000	
Committed:					
Year-End Encumbrances				71,131	
Assigned:					
Year End Encumbrances				7,327	
Unassigned Fund Balance				661,216	
				4,382,095	
Reconciliation to Governmental Fund Statements (GAAP)					
Receivables Not Recognized by GAAP					
Final State Aid Payments				(57,955)	
Extraordinary Aid				(244,453)	
<b>Fund Balance, Governmental Statements (GAAP Basis)</b>				<b>\$ 4,079,687</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, 2019**

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget to Actual
<b>REVENUES</b>					
Local Sources		\$ 136,274	\$ 136,274	\$ 105,542	\$ 30,732
Federal Sources	\$ 251,500	117,871	369,371	348,871	20,500
<b>Total Revenues</b>	<u>251,500</u>	<u>254,145</u>	<u>505,645</u>	<u>454,413</u>	<u>51,232</u>
<b>EXPENDITURES</b>					
<b>Instruction</b>					
Salaries of Teachers		76,680	76,680	76,680	-
Tuition - Other Purchased Services	171,000	17,092	188,092	188,092	-
Supplies and Materials	20,500	5,602	26,102	4,077	22,025
Other Objects	-	27,500	27,500	598	26,902
<b>Total Instruction</b>	<u>191,500</u>	<u>126,874</u>	<u>318,374</u>	<u>269,447</u>	<u>48,927</u>
<b>Support Services</b>					
Personal Services - Employee Benefits		23,771	23,771	23,771	-
Other Purchased Services	60,000	-	60,000	60,000	-
<b>Total Support Services</b>	<u>60,000</u>	<u>23,771</u>	<u>83,771</u>	<u>83,771</u>	<u>-</u>
<b>CAPITAL OUTLAY</b>					
<b>Equipment</b>					
Non-Instructional Equipment	-	85,500	85,500	85,500	-
Instructional Equipment	-	18,000	18,000	15,695	2,305
<b>Total Facilities Acquisition and Construction Services</b>	<u>-</u>	<u>103,500</u>	<u>103,500</u>	<u>101,195</u>	<u>2,305</u>
<b>Total Expenditures</b>	<u>251,500</u>	<u>254,145</u>	<u>505,645</u>	<u>454,413</u>	<u>51,232</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-
Fund Balances, Beginning of Year	-	-	-	-	-
<b>Fund Balances, End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART II**

**CLOSTER BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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

The following presents a reconciliation of the General and Special Revenue Funds from the budgetary basis of accounting as presented in the Budgetary Comparison 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)	\$ 23,998,870	\$ 454,413
Difference - Budget to GAAP:		
Grant accounting budgetary differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Current Year		(533)
State Aid payments recognized for GAAP statements, not recognized for budgetary purposes - Prior Year	217,570	
State Aid payments recognized for budgetary purposes, not recognized for GAAP statements - Current Year	<u>(302,408)</u>	<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (Exhibit B-2)	<u>\$ 23,914,032</u>	<u>\$ 453,880</u>
<b>Uses/Outflows of Resources</b>		
Actual amounts (budgetary basis) total outflows from the budgetary comparison schedule	\$ 23,657,614	\$ 454,413
Difference - 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.		
Current Year	<u>-</u>	<u>(533)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (Exhibit B-2)	<u>\$ 23,657,614</u>	<u>\$ 453,880</u>

**REQUIRED SUPPLEMENTARY INFORMATION - PART III**

**PENSION INFORMATION**

**AND**

**OTHER POST-EMPLOYMENT BENEFITS INFORMATION**

**CLOSTER BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY**

PUBLIC EMPLOYEES RETIREMENT SYSTEM  
Last Six Fiscal Years \*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0.02085%	0.02108%	0.02109%	0.02283%	0.02173%	0.02086%
District's Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 4,104,566</u>	<u>\$ 4,906,944</u>	<u>\$ 6,245,235</u>	<u>\$ 5,125,484</u>	<u>\$ 4,069,200</u>	<u>\$ 3,986,130</u>
District's Covered Payroll	<u>\$ 1,471,224</u>	<u>\$ 1,401,879</u>	<u>\$ 1,450,556</u>	<u>\$ 1,444,539</u>	<u>\$ 1,438,877</u>	<u>\$ 1,444,074</u>
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	279%	350%	431%	355%	283%	276%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%

\* The amounts presented for each fiscal year were determined as of the previous fiscal year end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**CLOSTER BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS**

**PUBLIC EMPLOYEES RETIREMENT SYSTEM  
Last Six Fiscal Years**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 207,355	\$ 195,278	\$ 187,330	\$ 196,300	\$ 180,567	\$ 158,190
Contributions in Relation to the Contractually Required Contributions	<u>207,355</u>	<u>195,278</u>	<u>187,330</u>	<u>196,300</u>	<u>180,567</u>	<u>158,190</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	<u>\$ 1,489,893</u>	<u>\$ 1,471,224</u>	<u>\$ 1,401,879</u>	<u>\$ 1,450,556</u>	<u>\$ 1,444,539</u>	<u>\$ 1,438,877</u>
Contributions as a Percentage of Covered Payroll	13.92%	13.27%	13.36%	13.53%	12.50%	10.99%

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.



**CLOSTER BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY**

TEACHERS PENSION AND ANNUITY FUND  
Last Six Fiscal Years \*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0%	0%	0%	0%	0%	0%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>59,263,312</u>	<u>62,614,967</u>	<u>73,284,063</u>	<u>57,612,766</u>	<u>49,936,169</u>	<u>46,868,652</u>
Total	<u>\$ 59,263,312</u>	<u>\$ 62,614,967</u>	<u>\$ 73,284,063</u>	<u>\$ 57,612,766</u>	<u>\$ 49,936,169</u>	<u>\$ 46,868,652</u>
District's Covered Payroll	<u>\$ 10,258,151</u>	<u>\$ 9,698,834</u>	<u>\$ 9,481,470</u>	<u>\$ 9,317,249</u>	<u>\$ 9,350,572</u>	<u>\$ 9,307,551</u>
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	0%	0%	0%	0%	0%	0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	26.49%	25.41%	22.33%	28.71%	33.64%	33.76%

\* The amounts presented for each fiscal year were determined as of the previous fiscal year end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**CLOSTER BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY  
AND SCHEDULE OF DISTRICT CONTRIBUTIONS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Change of Benefit Terms:** None.

**Change of Assumptions:** Assumptions used in calculating the net pension liability and statutorily required employer contribution are presented in Note 5D.

**CLOSTER BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE DISTRICT'S PROPORTIONATE SHARE OF  
TOTAL OPEB LIABILITY**

**POSTEMPLOYMENT HEALTH BENEFIT PLAN**

**Last Two Fiscal Years\***

	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>		
Service Cost	\$ 1,285,262	\$ 1,568,114
Interest on the Total OPEB Liability	1,245,270	1,068,374
Differences Between Expected and Actual Experience	(2,455,140)	
Changes of Assumptions	(3,416,287)	(4,475,998)
Gross Benefit Payments	(796,046)	(661,790)
Contribution from the Member	<u>27,513</u>	<u>24,369</u>
<b>Net Change in Total OPEB Liability</b>	(4,109,428)	(2,476,931)
<b>Total OPEB Liability - Beginning</b>	<u>33,879,696</u>	<u>36,356,627</u>
<b>Total OPEB Liability - Ending</b>	<u>\$ 29,770,268</u>	<u>\$ 33,879,696</u>
District's Proportionate Share	\$0	\$0
State's Proportionate Share	<u>\$ 29,770,268</u>	<u>\$ 33,879,696</u>
Total OPEB Liability - Ending	<u>\$ 29,770,268</u>	<u>\$ 33,879,696</u>
<b>Covered Payroll</b>	\$ 11,729,375	\$ 11,100,713
<b>Total OPEB Liability as a Percentage of</b>		
<b>Covered Payroll:</b>	253.81%	305.20%

Note: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

\*The amounts presented for each fiscal year were determined as of the previous fiscal year end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 75. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**CLOSTER BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE DISTRICT'S PROPORTIONATE SHARE OF THE OPEB LIABILITY  
AND SCHEDULE OF DISTRICT PROPORTIONATE SHARE OF THE OPEB LIABILITY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Changes in Benefit Terms:**

None.

**Changes of Assumptions**

Assumptions used in calculating the OPEB liability are presented in Note 5E.

**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, 2019**

REVENUES	<b>IDEA Part B- Basic</b>	<b>IDEA Pre- School</b>	<b>ESEA Title I</b>	<b>Local</b>	<b>Total</b>
Local				\$ 105,542	\$ 105,542
Federal	\$ 237,063	\$ 11,029	\$ 100,779	-	348,871
	<u>\$ 237,063</u>	<u>\$ 11,029</u>	<u>\$ 100,779</u>	<u>\$ 105,542</u>	<u>\$ 454,413</u>
Total Revenues					
	<u>\$ 237,063</u>	<u>\$ 11,029</u>	<u>\$ 100,779</u>	<u>\$ 105,542</u>	<u>\$ 454,413</u>
<b>EXPENDITURES</b>					
<b>Instruction</b>					
Salaries of Teachers			\$ 76,680		\$ 76,680
Tuition - Other Purchased Services	\$ 177,063	\$ 11,029			188,092
Supplies and Materials				\$ 4,077	4,077
Other Objects	-	-	328	270	598
	<u>177,063</u>	<u>11,029</u>	<u>77,008</u>	<u>4,347</u>	<u>269,447</u>
Total Instruction					
	<u>177,063</u>	<u>11,029</u>	<u>77,008</u>	<u>4,347</u>	<u>269,447</u>
<b>Support Services</b>					
Personal Services - Employee Benefits			23,771		23,771
Other Purchased Services	60,000	-	-	-	60,000
	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,000</u>
Total Support Services					
	<u>60,000</u>	<u>-</u>	<u>23,771</u>	<u>-</u>	<u>83,771</u>
<b>CAPITAL OUTLAY</b>					
<b>Equipment</b>					
Non-Instructional Equipment				85,500	85,500
Instructional Equipment	-	-	-	15,695	15,695
	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,695</u>	<u>15,695</u>
Total Capital Outlay					
	<u>-</u>	<u>-</u>	<u>-</u>	<u>101,195</u>	<u>101,195</u>
Total Expenditures					
	<u>\$ 237,063</u>	<u>\$ 11,029</u>	<u>\$ 100,779</u>	<u>\$ 105,542</u>	<u>\$ 454,413</u>

**CLOSTER BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
PRESCHOOL EDUCATION AID  
SCHEDULE OF EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOT APPLICABLE



**CAPITAL PROJECTS FUND**

**NOT APPLICABLE**

**ENTERPRISE FUND**

**NOT APPLICABLE**

**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 ASSETS AND LIABILITIES  
JUNE 30, 2019**

	<u>Student</u>	<u>Agency</u>	
	<u>Activity</u>	<u>Payroll</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 43,417	\$ 7,363	\$ 50,780
Total Assets	<u>\$ 43,417</u>	<u>\$ 7,363</u>	<u>\$ 50,780</u>
<b>LIABILITIES</b>			
Payroll Deductions and Withholdings		\$ 7,142	\$ 7,142
Due to Student Groups	\$ 43,417		43,417
Due to Other Funds	<u>-</u>	<u>221</u>	<u>221</u>
Total Liabilities	<u>\$ 43,417</u>	<u>\$ 7,363</u>	<u>\$ 50,780</u>

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

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, 2019**

<u>School</u>	<u>Balance July 1, 2018</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2019</u>
ELEMENTARY SCHOOL Hillside	\$ 28,385	\$ 29,429	\$ 30,950	\$ 26,864
MIDDLE SCHOOL Tenakill	<u>16,864</u>	<u>170,647</u>	<u>170,958</u>	<u>16,553</u>
Total	<u>\$ 45,249</u>	<u>\$ 200,076</u>	<u>\$ 201,908</u>	<u>\$ 43,417</u>

**PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Balance, July 1, 2018</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2019</u>
Due to Other Funds	\$ 121	\$ 1,940	\$ 1,840	\$ 221
Payroll Deductions and Withholdings	5,848	6,788,755	6,787,461	7,142
Accrued Salaries and Wages	<u>-</u>	<u>7,471,264</u>	<u>7,471,264</u>	<u>-</u>
	<u>\$ 5,969</u>	<u>\$ 14,261,959</u>	<u>\$ 14,260,565</u>	<u>\$ 7,363</u>

**LONG-TERM DEBT**



**CLOSTER BOARD OF EDUCATION  
LONG-TERM DEBT  
STATEMENT OF SERIAL BONDS PAYABLE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<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, 2018</u>	<u>Retirements</u>	<u>Balance, June 30, 2019</u>
			<u>Date</u>	<u>Amount</u>				
82 School Refunding Bonds	8/1/2013	\$ 2,790,000	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	\$ 1,635,000	\$ 280,000	\$ 1,355,000
								\$ 1,635,000

**CLOSTER BOARD OF EDUCATION  
SCHEDULE OF OBLIGATIONS UNDER LEASE PURCHASE AGREEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOT APPLICABLE**

**CLOSTER BOARD OF EDUCATION  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 318,422	-	\$ 318,422	\$ 318,422	-
Total Revenues	<u>318,422</u>	<u>-</u>	<u>318,422</u>	<u>318,422</u>	<u>-</u>
EXPENDITURES:					
Regular Debt Service:					
Interest on Bonds	38,423		38,423	38,423	
Redemption of Principal	<u>280,000</u>	<u>-</u>	<u>280,000</u>	<u>280,000</u>	<u>-</u>
Total Regular Debt Service	<u>318,423</u>	<u>-</u>	<u>318,423</u>	<u>318,423</u>	<u>-</u>
Total Expenditures	<u>318,423</u>	<u>-</u>	<u>318,423</u>	<u>318,423</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1)</u>	<u>-</u>	<u>(1)</u>	<u>(1)</u>	<u>-</u>
Fund Balance, Beginning of Year	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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)*

	2010	2011 (1)	2012	2013	2014 (2)	2015	2016	2017	2018	2019
<b>Governmental activities</b>										
Net Investment in Capital Assets	\$ 6,392,442	\$ 6,916,987	\$ 8,356,593	\$ 8,869,125	\$ 9,814,001	\$ 11,006,875	\$ 11,988,061	\$ 12,698,521	\$ 12,857,332	\$ 12,859,089
Restricted	984,293	1,767,587	1,922,610	2,125,103	2,590,536	2,826,876	2,929,437	2,096,757	2,465,334	2,767,421
Unrestricted	768,282	1,183,408	1,270,228	1,554,013	(2,721,410)	(2,949,655)	(3,286,663)	(3,162,132)	(3,840,268)	(3,893,030)
<b>Total governmental activities net position</b>	<b>\$ 8,145,017</b>	<b>\$ 9,867,982</b>	<b>\$ 11,549,431</b>	<b>\$ 12,548,241</b>	<b>\$ 9,683,127</b>	<b>\$ 10,884,096</b>	<b>\$ 11,630,835</b>	<b>\$ 11,633,146</b>	<b>\$ 11,482,398</b>	<b>\$ 11,733,480</b>
<b>Business-type activities</b>										
Net Investment in Capital Assets										
Restricted										
Unrestricted	\$ 10,332	\$ 16,897	\$ 6,198	\$ 4,609	\$ 7,490	\$ 6,837	\$ 8,615	\$ 8,922	\$ 21,345	\$ 2,307
<b>Total business-type activities net position</b>	<b>\$ 10,332</b>	<b>\$ 16,897</b>	<b>\$ 6,198</b>	<b>\$ 4,609</b>	<b>\$ 7,490</b>	<b>\$ 6,837</b>	<b>\$ 8,615</b>	<b>\$ 8,922</b>	<b>\$ 21,345</b>	<b>\$ 2,307</b>
<b>District-wide</b>										
Net Investment in Capital Assets	\$ 6,392,442	\$ 6,916,987	\$ 8,356,593	\$ 8,869,125	\$ 9,814,001	\$ 11,006,875	\$ 11,988,061	\$ 12,698,521	\$ 12,857,332	\$ 12,859,089
Restricted	984,293	1,767,587	1,922,610	2,125,103	2,590,536	2,826,876	2,929,437	2,096,757	2,465,334	2,767,421
Unrestricted	778,614	1,200,305	1,276,426	1,558,622	(2,713,920)	(2,942,818)	(3,278,048)	(3,153,210)	(3,818,923)	(3,890,723)
<b>Total district net position</b>	<b>\$ 8,155,349</b>	<b>\$ 9,884,879</b>	<b>\$ 11,555,629</b>	<b>\$ 12,552,850</b>	<b>\$ 9,690,617</b>	<b>\$ 10,890,933</b>	<b>\$ 11,639,450</b>	<b>\$ 11,642,068</b>	<b>\$ 11,503,743</b>	<b>\$ 11,735,787</b>

Note 1 - Net Position at June 30, 2011 is restated to reflect the implementation of GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position" and GASB Statement No. 65, "Items Previously Reported in Assets and Liabilities".

Note 2 - Net Position at June 30, 2014 is restated to reflect the implementation of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions".

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

*(accrual basis of accounting)*

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Expenses</b>										
<b>Governmental activities</b>										
<b>Instruction</b>										
Regular	\$ 8,240,288	\$ 7,958,452	\$ 8,416,751	\$ 9,082,284	\$ 8,910,684	\$ 10,553,914	\$ 11,595,317	\$ 13,109,487	\$ 13,159,162	\$ 11,993,524
Special education	2,378,069	1,991,587	2,417,396	2,563,227	2,478,622	3,021,629	3,231,625	3,622,128	4,231,585	4,579,138
Other instruction	864,669	868,239	933,409	1,045,101	929,029	1,095,323	1,219,704	1,425,230	1,543,864	1,465,189
School Sponsored Activities and Athletics	78,481	85,403	90,028	91,524	94,457	104,000	130,874	128,324	138,886	144,469
<b>Support Services:</b>										
Student & instruction related services	2,295,601	2,228,355	2,283,250	2,420,970	2,278,238	2,535,342	2,636,133	2,833,221	2,691,068	2,842,579
General administration Services	645,485	684,289	774,342	782,212	752,564	843,106	781,338	820,760	896,526	843,292
School Administration Services	950,387	928,914	974,602	1,013,002	1,046,264	912,043	1,128,951	1,218,962	1,225,447	1,055,365
Business / Central Services	212,795	318,124	345,204	370,848	347,464	461,551	518,820	594,053	698,980	809,328
Plant operations and maintenance	1,577,500	1,491,173	1,460,709	1,524,964	2,163,304	2,344,995	2,389,613	2,658,791	2,569,570	2,602,352
Pupil transportation	319,614	184,254	161,518	184,151	157,509	198,893	231,204	229,586	292,870	347,314
Interest on long-term debt	268,907	237,825	205,337	168,940	128,803	72,732	61,222	54,437	47,740	41,072
<b>Total governmental activities expenses</b>	<b>17,831,796</b>	<b>16,976,615</b>	<b>18,062,546</b>	<b>19,247,223</b>	<b>19,286,938</b>	<b>22,143,528</b>	<b>23,924,801</b>	<b>26,694,979</b>	<b>27,495,698</b>	<b>26,723,622</b>
<b>Business-type activities:</b>										
Food service	33,311	34,962	51,270	35,506	31,722	34,217	28,978	22,726	9,631	38,741
<b>Total business-type activities expense</b>	<b>33,311</b>	<b>34,962</b>	<b>51,270</b>	<b>35,506</b>	<b>31,722</b>	<b>34,217</b>	<b>28,978</b>	<b>22,726</b>	<b>9,631</b>	<b>38,741</b>
<b>Total district expenses</b>	<b>\$ 17,865,107</b>	<b>\$ 17,011,577</b>	<b>\$ 18,113,816</b>	<b>\$ 19,282,729</b>	<b>\$ 19,318,660</b>	<b>\$ 22,177,745</b>	<b>\$ 23,953,779</b>	<b>\$ 26,717,705</b>	<b>\$ 27,505,329</b>	<b>\$ 26,762,363</b>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
<b>Charges for services:</b>										
Instruction (tuition)	\$ 101,625	\$ 129,234	\$ 265,204	\$ 346,617	\$ 407,960	\$ 394,577	\$ 423,143	\$ 382,786	\$ 355,064	\$ 503,526
Operating grants and contributions	2,139,415	1,758,474	2,376,140	2,809,385	2,533,652	4,982,587	5,886,012	7,838,106	8,103,908	6,988,349
Capital grants and contributions	-	-	213,168	35,360	22,314	326,736	255,455	-	-	-
<b>Total governmental activities program revenues</b>	<b>2,241,040</b>	<b>1,887,708</b>	<b>2,854,512</b>	<b>3,191,362</b>	<b>2,963,926</b>	<b>5,703,900</b>	<b>6,564,610</b>	<b>8,220,892</b>	<b>8,458,972</b>	<b>7,491,875</b>
<b>Business-type activities:</b>										
<b>Charges for services</b>										
Food service	\$ 24,322	\$ 25,378	\$ 23,571	\$ 21,536	\$ 20,998	\$ 20,802	\$ 20,505	\$ 15,470	\$ 14,743	\$ 13,176
Operating grants and contributions	14,983	15,947	16,873	12,282	13,507	12,691	10,181	7,493	7,214	6,269
<b>Total business-type program revenues</b>	<b>39,305</b>	<b>41,325</b>	<b>40,444</b>	<b>33,818</b>	<b>34,505</b>	<b>33,493</b>	<b>30,686</b>	<b>22,963</b>	<b>21,957</b>	<b>19,445</b>
<b>Total district program revenues</b>	<b>\$ 2,280,345</b>	<b>\$ 1,929,033</b>	<b>\$ 2,894,956</b>	<b>\$ 3,225,180</b>	<b>\$ 2,998,431</b>	<b>\$ 5,737,393</b>	<b>\$ 6,595,296</b>	<b>\$ 8,243,855</b>	<b>\$ 8,480,929</b>	<b>\$ 7,511,320</b>
<b>Net (Expense)/Revenue</b>										
<b>Governmental activities</b>										
Governmental activities	\$ (15,590,756)	\$ (15,088,907)	\$ (15,208,034)	\$ (16,055,861)	\$ (16,323,012)	\$ (16,439,628)	\$ (17,360,191)	\$ (18,474,087)	\$ (19,036,726)	\$ (19,231,747)
Business-type activities	5,994	6,363	(10,826)	(1,688)	2,783	(724)	1,708	237	12,326	(19,296)
<b>Total district-wide net expense</b>	<b>\$ (15,584,762)</b>	<b>\$ (15,082,544)</b>	<b>\$ (15,218,860)</b>	<b>\$ (16,057,549)</b>	<b>\$ (16,320,229)</b>	<b>\$ (16,440,352)</b>	<b>\$ (17,358,483)</b>	<b>\$ (18,473,850)</b>	<b>\$ (19,024,400)</b>	<b>\$ (19,251,043)</b>
<b>General Revenues and Other Changes in Net Assets</b>										
<b>Governmental activities:</b>										
Property taxes levied for general purposes	\$ 15,225,195	\$ 15,643,888	\$ 15,722,107	\$ 15,879,328	\$ 16,292,191	\$ 16,892,382	\$ 17,663,255	\$ 18,016,520	\$ 18,443,738	\$ 19,060,135
Taxes levied for debt service	1,068,333	1,070,279	1,070,710	1,064,358	1,031,901	663,568	339,646	336,818	330,119	318,422
Unrestricted Grants and Contributions	55,154	7,835	-	-	-	19,984	21,252	31,286	32,300	2,598
Investment earnings	18,378	24,224	12,379	16,709	16,667	10,436	13,449	14,683	15,621	6,607
Miscellaneous income	44,634	60,398	76,307	49,471	71,006	54,227	69,328	77,091	64,200	95,067
Donation of Capital Assets	71,104	26,676	7,980	44,805	32,263	-	-	-	-	-
<b>Total governmental activities</b>	<b>16,482,798</b>	<b>16,833,300</b>	<b>16,889,483</b>	<b>17,054,671</b>	<b>17,444,028</b>	<b>17,640,597</b>	<b>18,106,930</b>	<b>18,476,398</b>	<b>18,885,978</b>	<b>19,482,829</b>
<b>Business-type activities:</b>										
Investment earnings	176	202	127	99	98	71	70	70	97	258
<b>Total business-type activities</b>	<b>176</b>	<b>202</b>	<b>127</b>	<b>99</b>	<b>98</b>	<b>71</b>	<b>70</b>	<b>70</b>	<b>97</b>	<b>258</b>
<b>Total district-wide</b>	<b>\$ 16,482,974</b>	<b>\$ 16,833,502</b>	<b>\$ 16,889,610</b>	<b>\$ 17,054,770</b>	<b>\$ 17,444,126</b>	<b>\$ 17,640,668</b>	<b>\$ 18,107,000</b>	<b>\$ 18,476,468</b>	<b>\$ 18,886,075</b>	<b>\$ 19,483,087</b>
<b>Change in Net Position</b>										
<b>Governmental activities</b>										
Governmental activities	\$ 892,042	\$ 1,744,393	\$ 1,681,449	\$ 998,810	\$ 1,121,016	\$ 1,200,969	\$ 746,739	\$ 2,311	\$ (150,748)	\$ 251,082
Business-type activities	6,170	6,365	(10,699)	(1,589)	2,881	(653)	1,778	307	12,423	(19,038)
<b>Total district</b>	<b>\$ 898,212</b>	<b>\$ 1,750,958</b>	<b>\$ 1,670,750</b>	<b>\$ 997,221</b>	<b>\$ 1,123,897</b>	<b>\$ 1,200,316</b>	<b>\$ 748,517</b>	<b>\$ 2,618</b>	<b>\$ (138,325)</b>	<b>\$ 232,044</b>

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Reserved	\$ 1,858,597									
Unreserved	258,780									
Nonspendable										
Restricted		\$ 2,595,294	\$ 2,957,191	\$ 3,001,539	\$ 2,428,591	\$ 3,291,997	\$ 3,829,436	\$ 2,996,755	\$ 3,365,333	\$ 3,642,421
Committed		285,092		766,171	393,062	213,708		584,518	69,312	71,131
Assigned		155,747	299,091	125,014	159,919	28,717	79,159	14,113	22,068	7,327
Unassigned		309,340	300,853	292,645	332,777	323,309	341,548	357,392	366,556	358,808
Total general fund	<u>\$ 2,117,377</u>	<u>\$ 3,345,473</u>	<u>\$ 3,557,135</u>	<u>\$ 4,185,369</u>	<u>\$ 3,314,349</u>	<u>\$ 3,857,731</u>	<u>\$ 4,250,143</u>	<u>\$ 3,952,778</u>	<u>\$ 3,823,269</u>	<u>\$ 4,079,687</u>
All Other Governmental Funds										
Reserved										
Unreserved	\$ 3									
Nonspendable										
Restricted			\$ 15,419	\$ 1	\$ 1,063,382	\$ 434,879	\$ -	\$ 2	\$ 1	\$ -
Committed										
Assigned		\$ 1								
Unassigned			-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 3</u>	<u>\$ 1</u>	<u>\$ 15,419</u>	<u>\$ 1</u>	<u>\$ 1,063,382</u>	<u>\$ 434,879</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 1</u>	<u>\$ -</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)*

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenues</b>										
Tax levy	\$ 16,293,528	\$ 16,714,167	\$ 16,792,817	\$ 16,943,686	\$ 17,324,092	\$ 17,555,950	\$ 18,002,901	\$ 18,353,338	\$ 18,773,857	\$ 19,378,557
Tuition charges	101,625	129,234	265,204	346,617	407,960	394,577	423,143	382,786	355,064	503,526
Interest earnings	18,378	24,224	12,379	16,709	16,667	10,436	13,449	14,683	15,621	6,607
Miscellaneous	49,091	61,907	76,307	49,471	71,006	54,227	69,328	77,091	65,231	200,076
State sources	1,860,296	1,480,092	2,175,039	2,590,113	2,308,787	2,841,908	3,124,703	3,148,088	3,671,452	4,248,697
Federal sources	329,816	284,708	414,269	254,632	247,179	263,007	266,098	259,608	271,458	348,871
<b>Total revenue</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>21,120,105</b>	<b>21,899,622</b>	<b>22,235,594</b>	<b>23,152,683</b>	<b>24,686,334</b>
<b>Expenditures</b>										
<b>Instruction</b>										
Regular Instruction	8,042,627	7,662,148	8,120,662	9,152,243	8,878,053	9,002,581	9,711,083	10,017,920	10,545,805	10,582,628
Special education instruction	2,336,912	1,941,754	2,354,035	2,246,804	2,464,945	2,682,844	2,820,378	2,974,372	3,614,452	4,229,574
Other instruction	837,620	838,462	900,388	993,876	934,454	915,663	978,538	1,050,230	1,179,924	1,285,398
School sponsored activities and athletics	76,247	82,883	87,242	88,832	94,457	88,850	109,370	97,513	111,612	128,209
<b>Support Services:</b>										
Student & inst. related services	2,247,660	2,162,775	2,210,750	2,259,045	2,277,704	2,532,003	2,526,546	2,644,338	2,471,434	2,727,967
General administration Services	638,311	665,529	754,057	756,423	729,155	787,190	710,881	713,935	779,134	804,138
School Administration services	933,556	892,506	937,171	991,719	1,015,415	814,011	981,746	965,092	1,003,476	940,210
Business / Central Services	207,277	308,716	334,565	345,562	353,392	396,875	434,009	458,863	561,466	715,000
Plant operations and maintenance	1,546,264	1,459,041	1,440,162	1,485,173	1,673,632	1,802,229	1,653,580	1,870,635	1,722,214	1,812,344
Pupil transportation	319,321	184,030	161,231	183,809	157,509	198,723	230,697	228,349	290,234	346,436
Capital outlay	250,840	137,566	1,077,415	139,774	621,380	1,160,368	1,436,628	1,174,894	672,322	539,590
<b>Debt service:</b>										
Principal	852,302	884,691	917,204	944,682	946,942	648,466	290,000	285,000	285,000	280,000
Interest and other charges	276,899	246,137	214,053	179,996	145,279	75,423	58,632	51,817	45,120	38,423
Bond Issuance Costs					23,070					
Advance to Refunding Escrow					42,943					
<b>Total expenditures</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>	<b>21,105,226</b>	<b>21,942,088</b>	<b>22,532,958</b>	<b>23,282,193</b>	<b>24,429,917</b>
Excess (Deficiency) of revenues over (under) expenditures	86,898	1,228,094	227,080	433,290	17,361	14,879	(42,466)	(297,364)	(129,510)	256,417
<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			443,861	51,058	1,087,865		55,107			
Transfers out			(443,861)	(51,058)	(1,087,865)		(55,107)			
<b>Total other financing sources (uses)</b>	<b>181,641</b>	<b>-</b>	<b>-</b>	<b>179,526</b>	<b>75,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>\$ 268,539</b>	<b>\$ 1,228,094</b>	<b>\$ 227,080</b>	<b>\$ 612,816</b>	<b>\$ 92,361</b>	<b>\$ 14,879</b>	<b>\$ (42,466)</b>	<b>\$ (297,364)</b>	<b>\$ (129,510)</b>	<b>\$ 256,417</b>
Debt service as a percentage of noncapital expenditures	6.17%	6.53%	6.14%	5.73%	5.87%	3.63%	1.70%	1.58%	1.46%	1.33%

\* 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>
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
2015	394,577	10,436	54,227	459,240
2016	423,143	13,449	69,328	505,920
2017	382,786	14,683	77,091	474,560
2018	355,064	15,621	64,200	434,885
2019	503,526	6,607	95,067	605,200

**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>
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
2015	20,358,100	1,805,323,200	4,541,600	30,500	216,624,800	18,964,000	959,600	2,066,801,800	100,000	2,066,901,800	2,099,516,054	0.860
2016	19,884,100	1,816,990,700	4,612,200	30,500	216,412,100	18,964,000	959,600	2,077,853,200	100,000	2,077,953,200	2,129,915,670	0.875
2017	19,611,500	1,825,939,100	4,612,200	26,200	215,541,300	19,914,000	959,600	2,086,603,900	100,000	2,086,703,900	2,140,987,596	0.890
2018	18,196,800	1,884,747,100	5,037,000	25,100	237,104,000	21,569,100		2,166,679,100	100,000	2,166,779,100	2,168,261,971	0.881
2019	18,903,200	1,923,578,700	5,432,700	25,100	256,031,300	22,812,900		2,226,783,900	100,000	2,226,883,900	2,226,975,293	0.889

§

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>		
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	
2015	.860	.539	.547	.244	2.190	
2016	.875	.553	.549	.262	2.239	
2017	.890	.565	.569	.258	2.282	
2018	.881	.544	.556	.245	2.226	
2019	.889	.528	.555	.245	2.217	

Source: Borough of Closter

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

Taxpayer	2019		Taxpayer	2010	
	Taxable Assessed Value	% of Total District Net Assessed Value		Taxable Assessed Value	% of Total District Net Assessed Value
Closter Mktplace (EBA) LLC	\$ 56,574,900	2.54%	Irani-Aspi-Closter Plaza Met.	\$ 31,500,000	1.53%
Closter Grocery	10,258,500	0.46%	United Water New Jersey	9,337,500	0.45%
Capital Young Property LLC	8,272,500	0.37%	Closter Grocery	8,141,300	0.39%
Closter Golf	7,476,200	0.34%	Closter Golf	7,535,000	0.37%
Heidenberg Closter Assoc.	7,154,200	0.32%	Heidenberg Closter Assoc.	7,343,600	0.36%
Suez C/O Altus Group	5,891,200	0.26%	Verizon	5,610,344	0.27%
DWL Monmouth c/o Daniel Cho	4,870,700	0.22%	Weyerhaeuser	5,424,000	0.26%
Fred Reuten, Inc.	4,880,200	0.22%	Closter SHP/Stop & Shop	4,553,500	0.22%
50 Railroad LLC	4,542,400	0.20%	Fred Reuten, Inc.	4,200,000	0.20%
Reuten Associates	4,384,300	0.20%	Reuten Associates	4,009,000	0.19%
	<u>\$ 114,305,100</u>	<u>5.13%</u>		<u>\$ 87,654,244</u>	<u>4.25%</u>

Source: Municipal Tax Assessor

**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	
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
2015	17,555,950	17,555,950	100.00%	N/A
2016	18,002,901	18,002,901	100.00%	N/A
2017	18,353,338	18,353,338	100.00%	N/A
2018	18,773,857	18,005,367	95.91%	\$ 768,490
2019	19,378,557	19,378,557	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
2010	\$ 5,209,000		\$ 1,252,365	\$ 6,461,365	8,675		\$ 745
2011	4,694,000		943,221	5,637,221	8,425		669
2012	4,149,000		631,564	4,780,564	8,477		564
2013	3,579,000	\$ 119,206	317,202	4,015,408	8,548		470
2014	3,084,000	59,466		3,143,466	8,584		366
2015	2,495,000			2,495,000	8,593		290
2016	2,205,000			2,205,000	8,597		256
2017	1,920,000			1,920,000	8,610		223
2018	1,635,000			1,635,000	8,629		189
2019	1,355,000			1,355,000	8,582		158

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			
2010	\$ 6,461,365		\$ 6,461,365	0.31%	\$ 745
2011	5,637,221		5,637,221	0.27%	669
2012	4,780,564		4,780,564	0.23%	564
2013	3,896,202		3,896,202	0.19%	456
2014	3,084,000	\$ 8,988	3,075,012	0.15%	358
2015	2,495,000	8,987	2,486,013	0.12%	289
2016	2,205,000	1	2,204,999	0.11%	256
2017	1,920,000	2	1,919,998	0.09%	223
2018	1,635,000	1	1,634,999	0.08%	189
2019	1,355,000		1,355,000	0.06%	158

Source: District records

**CLOSTER BOARD OF EDUCATION  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2018  
(Unaudited)**

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Municipal Debt: (1)			
Regional School District	\$ 4,187,015	\$ 4,187,015	
Borough of Closter Board of Education	1,635,000	1,635,000	
Borough of Closter	<u>13,814,378</u>	<u>273,207</u>	<u>\$ 13,541,171</u>
	<u>\$ 19,636,393</u>	<u>\$ 6,095,222</u>	<u>13,541,171</u>
Overlapping Debt Apportioned to the Municipality:			
Bergen County:			
County of Bergen (A)			17,545,742
Bergen County Utilities Authority - Waste Water(B)			<u>2,449,276</u>
			<u>19,995,018</u>
 Total Direct and Overlapping Debt			 <u>\$ 33,536,189</u>

Source:

(1) Borough of Closter's 2018 Annual Debt Statement

(A) The debt for this entity was apportioned to the Borough of Closter by dividing the municipality's 2018 equalized value by the total 2018 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 2018**

Equalized valuation basis		
2018		\$ 2,212,025,625
2017		2,154,024,879
2016		<u>2,125,246,190</u>
	[A]	<u>\$ 6,491,296,694</u>
 Average equalized valuation of taxable property	 [A/3]	 <u>\$ 2,163,765,565</u>
Debt limit (3% of average equalization value)	[B]	64,912,967
Total Net Debt Applicable to Limit	[C]	<u>1,355,000</u>
Legal debt margin	[B-C]	<u>\$ 63,557,967</u>

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt limit	\$ 68,679,745	\$ 67,195,515	\$ 64,608,887	\$ 62,657,788	\$ 61,343,964	\$ 61,356,710	\$ 62,249,565	\$ 63,338,641	\$ 63,934,300	\$ 64,912,967
Total net debt applicable to limit	<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>	<u>2,495,000</u>	<u>2,205,000</u>	<u>1,920,000</u>	<u>1,635,000</u>	<u>1,355,000</u>
Legal debt margin	<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>	<u>\$ 58,861,710</u>	<u>\$ 60,044,565</u>	<u>\$ 61,418,641</u>	<u>\$ 62,299,300</u>	<u>\$ 63,557,967</u>
Total net debt applicable to the limit as a percentage of debt limit	9.41%	8.39%	7.40%	6.22%	5.03%	4.07%	3.54%	3.03%	2.56%	2.09%

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>
2010	8,675	\$ 65,992	4.50%
2011	8,425	68,865	4.50%
2012	8,477	71,789	4.50%
2013	8,548	71,100	7.70%
2014	8,584	73,637	4.50%
2015	8,593	76,821	3.70%
2016	8,597	77,901	3.20%
2017	8,610	81,203	3.00%
2018	8,629	N/A	2.90%
2019	8,582	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>2019</u>		<u>2010</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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Instruction										
Regular	69.0	67.0	68.5	68.0	67.0	64.0	65.0	85.0	72.6	72.0
Special education	12.8	13.0	11.5	14.0	13.0	13.5	13.0	22.5	18.2	27.0
Other instruction (ESL, Basic)	6.5	7.0	4.5	4.0	4.0	4.0	4.0	7.0	8.0	7.0
Co-curricular activities								0.2	0.2	0.2
Support Services:										
Student and instruction related services	46.9	48.4	54.0	60.0	60.0	64.0	72.0	26.0	45.8	44.3
General administration	4.8	4.8	5.6	5.6	5.6	5.0	5.0	5.0	5.8	5.0
School administrative services	7.0	6.6	5.5	5.5	5.5	6.0	6.0	6.0	8.2	7.0
Central services	1.0	2.0	4.0	4.0	4.0	4.0	4.0	2.0	1.0	4.0
Plant operations and maintenance	11.0	11.0	11.0	11.0	11.0	11.0	11.0	12.0	12.0	12.0
Pupil transportation	-	-	-	-	-	-	-	1.0	0.7	0.7
<b>Total</b>	<u>159.0</u>	<u>159.8</u>	<u>164.6</u>	<u>172.1</u>	<u>170.1</u>	<u>171.5</u>	<u>180.0</u>	<u>166.7</u>	<u>172.5</u>	<u>179.2</u>

Source: District Personnel Records

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

Teacher/Pupil Ratio

Fiscal Year	Enrollment <sup>a</sup>	Operating Expenditures <sup>b</sup>	Cost Per Pupil <sup>c</sup>	Percentage Change	Teacher/Pupil Ratio			Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
					Teaching Staff <sup>b</sup>	Elementary	Middle School				
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%	96.51%
2015	1,120	19,220,969	17,162	3.27%	101.0	11.08	12.6	1,120.5	1,082.6	-0.30%	96.62%
2016	1,114	20,156,828	18,094	5.43%	103.0	11.42	12.4	1,117.8	1,078.5	-0.24%	96.48%
2017	1,155	21,021,247	18,200	0.59%	105.0	12.1	12.1	1,131.5	1,087.7	1.23%	96.13%
2018	1,167	22,279,751	19,091	4.90%	98.7	11.70	11.9	1,165.7	1,120.2	3.02%	96.10%
2019	1,191	23,571,904	19,792	3.67%	106.0	11.80	11.4	1,200.8	1,150.3	3.01%	95.79%

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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b><u>District Building</u></b>										
<b><u>Hillside Elementary School</u></b>										
Square Feet	61,650	61,650	61,650	61,650	61,650	61,650	61,650	61,650	61,650	61,650
Capacity (students)	666	666	666	666	666	666	666	666	666	666
Enrollment	592	586	561	565	562	577	617	652	684	719
<b><u>Tenakill Middle School</u></b>										
Square Feet	80,655	80,655	80,655	80,655	80,655	80,655	80,655	80,655	80,655	80,655
Capacity (students)	635	635	635	635	635	635	635	635	635	635
Enrollment	546	546	560	558	556	544	497	503	483	514

Number of Schools at June 30, 2019

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)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
*School Facilities											
Hillside School	N/A	\$ 168,375	\$ 164,742	\$ 159,031	\$ 173,758	\$ 202,406	\$ 184,374	\$ 211,589	\$ 214,809	\$ 176,262	\$ 193,305
Tenakill School	N/A	212,627	154,953	200,564	153,847	158,063	143,982	165,235	167,748	137,646	150,955
Grand Total		<u>\$ 381,002</u>	<u>\$ 319,695</u>	<u>\$ 359,595</u>	<u>\$ 327,605</u>	<u>\$ 360,469</u>	<u>\$ 328,356</u>	<u>\$ 376,824</u>	<u>\$ 382,557</u>	<u>\$ 313,908</u>	<u>\$ 344,260</u>

Source: District Records

**CLOSTER BOARD OF EDUCATION  
INSURANCE SCHEDULE  
JUNE 30, 2019  
(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - Great American Insurance Co.		
Property-Blanket Building/Contents	\$ 48,970,952	\$ 5,000
General Liability - General Aggregate	\$ 2,000,000	
General Liability - Each Occurrence	\$ 1,000,000	
Commercial Auto Liability	\$ 1,000,000	\$ 1,000
Excess Liability - Firemen's Fund Ins. Co. (per Occurrence & Shared Aggregate)	\$ 50,000,000	
Umbrella Liability - Great American insurance Company (Per Occurrence and Aggregate)	\$ 9,000,000	
Educator's Legal Liability - Greenwich Insurance Company	\$ 1,000,000	
Employee Benefits Liability - Great American Insurance Company (Policy Aggregate)	\$ 1,000,000 \$ 2,000,000	\$ 1,000
Public Employee Dishonesty - Selective Ins. Co. of America		
(per employee)	\$ 100,000	\$ 5,000
(per loss)	\$ 500,000	\$ 100,000
Pollution Liability - Chubb/Ace American		
(aggregate)	\$ 4,000,000	\$ 15,000
(Group Aggregate)	\$ 20,000,000	
Cyber Liability - Indian Harbor		
(Group Aggregate subject to sub-limits)	\$ 6,000,000	
(1st party - per occurrence)	\$ 1,000,000	

Source: School Insurance Records



**SINGLE AUDIT SECTION**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-1

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

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

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

### INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Closter Board of Education as of and for the fiscal year ended June 30, 2019 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 11, 2019.

#### **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

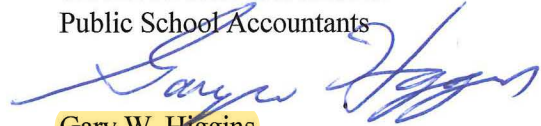
As part of obtaining reasonable assurance about whether the Closter Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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 11, 2019



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-2

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

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

**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT  
ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
AS REQUIRED BY NEW JERSEY OMB CIRCULAR 15-08**

**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 15-08 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, 2019. 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 state statutes, regulations, and the terms and conditions of its state financial assistance applicable to its 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 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards and New Jersey 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, 2019.

### **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 the New Jersey OMB Circular 15-08, 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 the New Jersey OMB Circular 15-08. 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 15-08**

We have audited the financial statements of the Closter Board of Education, as of and for the fiscal year ended June 30, 2019 and have issued our report thereon dated November 11, 2019, 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 15-08 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 11, 2019

**CLOSTER BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL OF AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Federal/Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	FAIN Number	Grant or State Project Number	Grant Period	Award Amount	Balance, July 1, 2018			Cash Received	Budgetary Expenditures	Balance, June 30, 2019			GAAP Receivable
						(Accounts Receivable)	Unearned Revenue	Due to Grantor			(Accounts Receivable)	Unearned Revenue	Due to Grantor	
<b>U.S. Department of Education</b>														
<b>Passed-Through State Department of Education</b>														
Special Revenue Fund:														
Passed-Through Northern Valley Regional High School														
ESEA - Title III	84.365	S365A170030	ESEA0930-18	7/1/17-6/30/18	\$ 18,902	\$ (22)		\$ 22						
ESEA - Title III - Immigrant	84.365	S365A170030	ESEA0930-18	7/1/17-6/30/18	5,245	(11)		11						
ESEA - Title I-A	84.365	S010A180030	ESEA0930-19	7/1/18-6/30/19	100,779			61,672	\$ 100,779	\$ (39,107)			\$ (39,107)	
I.D.E.A. Part B, Basic	84.027	H027A180100	IDEA0930-19	7/1/18-6/30/19	237,063			237,063	237,063					
I.D.E.A. Part B, Preschool	84.173	H173A180114	IDEA0930-19	7/1/18-6/30/19	11,029	-	-	11,029	11,029	-	-	-	-	
Total U.S. Department of Education						(33)	-	309,797	348,871	(39,107)	-	-	(39,107)	
<b>U.S. Department of Agriculture</b>														
<b>Passed-Through State Department of Education</b>														
Enterprise Fund:														
Special Milk Program	10.556	191NJ304N1099	N/A	7/1/18-6/30/19	6,269			5,852	6,269	(417)			(417)	
Special Milk Program	10.556	181NJ304N1099	N/A	7/1/17-6/30/18	7,214	(543)	-	543	-	-	-	-	-	
Total U.S. Department of Agriculture						(543)	-	6,395	6,269	(417)	-	-	(417)	
Total Federal Awards						\$ (576)	\$ -	\$ 316,192	\$ 355,140	\$ (39,524)	\$ -	\$ -	\$ (39,524)	

Note: This Schedule was not subject to a Single Audit in accordance with U.S. Uniform Guidance.

CLOSTER BOARD OF EDUCATION  
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Received	Balance, July 1, 2018			Cash Received	Budgetary Expenditures	Adjustments	Balance, June 30, 2019			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	19-495-034-5120-089	7/1/18-6/30/19	\$ 508,703				\$ 466,203	\$ 508,703		\$ (42,500)			*	\$ 508,703
Special Education Categorical Aid	18-495-034-5120-089	7/1/17-6/30/18	424,788	\$ (34,192)			34,192						*	
Security Aid	19-495-034-5120-084	7/1/18-6/30/19	91,347				83,715	91,347		(7,632)			*	91,347
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	18,669	(1,503)			1,503						*	
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	10,720	(863)			863						*	
Professional Learning Community Aid	18-495-034-5120-101	7/1/17-6/30/18	10,830	(872)			872						*	
PARCC Readiness Aid	18-495-034-5120-098	7/1/17-6/30/18	10,720	(863)			863						*	
Total State Aid Public Cluster								600,050					*	
Extraordinary Aid	19-495-034-5120-044	7/1/18-6/30/19	244,453					244,453		(244,453)			*	244,453
Extraordinary Aid	18-495-034-5120-044	7/1/17-6/30/18	178,572	(177,880)			178,572	692					*	692
Transportation Aid	19-495-034-5120-014	7/1/18-6/30/19	93,632				85,809	93,632		(7,823)			*	93,632
Transportation Aid	18-495-034-5120-014	7/1/17-6/30/18	17,362	(1,397)			1,397						*	
Non Public Transportation Reimb.	19-495-034-5120-014	7/1/18-6/30/19	10,601					10,601		(10,601)			* \$	(10,601)
Non Public Transportation Reimb.	18-495-034-5120-014	7/1/17-6/30/18	13,340	(13,340)			13,340						*	10,601
Total Transportation Aid Cluster								104,233					*	
TPAF Soc. Sec. Cont.	19-495-034-5094-003	7/1/18-6/30/19	733,151				733,151	733,151					*	733,151
TPAF Soc. Sec. Cont.	18-495-034-5094-003	7/1/17-6/30/18	720,024	(19)			19						*	
On-Behalf Pension LTDI	19-495-034-5094-004	7/1/18-6/30/19	1,428				1,428	1,428					*	1,428
On-Behalf Pension Normal Cost	19-495-034-5094-002	7/1/18-6/30/19	1,785,365				1,785,365	1,785,365					*	1,785,365
On-Behalf Pension NCGI Premium	19-495-034-5094-004	7/1/18-6/30/19	37,372				37,372	37,372					*	37,372
On-Behalf Pension PRM Contr.	19-495-034-5094-001	7/1/18-6/30/19	826,791				826,791	826,791					*	826,791
Total General Fund				(230,929)	-	-	4,251,455	4,333,535	-	(313,009)	-	-	*	(10,601)
Total State Financial Assistance Subject to Single Audit Determination				(230,929)	-	-	4,251,455	4,333,535	-	(313,009)	-	-	*	(10,601)
<b>State Financial Assistance</b>														
<b>Not Subject to Single Audit Determination</b>														
<b>General Fund</b>														
On-Behalf Pension Normal Cost	19-495-034-5094-002	7/1/18-6/30/19	1,785,365				(1,785,365)	(1,785,365)					*	(1,785,365)
On-Behalf Pension LTDI	19-495-034-5094-004	7/1/18-6/30/19	1,428				(1,428)	(1,428)					*	(1,428)
On-Behalf Pension NCGI Premium	19-495-034-5094-004	7/1/18-6/30/19	37,372				(37,372)	(37,372)					*	(37,372)
On-Behalf Pension PRM Contr.	19-495-034-5094-001	7/1/18-6/30/19	826,791				(826,791)	(826,791)					*	(826,791)
Total State Financial Assistance Subject to Major Program Determination				\$ (230,929)	\$ -	\$ -	\$ 1,600,499	\$ 1,682,579	\$ -	\$ (313,009)	\$ -	\$ -	* \$	\$ (10,601)



**CLOSTER BOARD OF EDUCATION  
NOTES TO THE SCHEDULES OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**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 schedule of expenditures of federal awards and state financial assistance.

**NOTE 2 BASIS OF ACCOUNTING**

The accompanying schedules are prepared and presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Notes 1(C) to the Board's financial statements. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (U.S. Uniform Guidance) and New Jersey OMB Circular 15-08, "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 \$84,838 for the general fund and a decrease of \$533 for the Special Revenue Fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 4,248,697	\$ 4,248,697
Special Revenue Fund	\$ 348,871		348,871
Food Service Fund	<u>6,269</u>	<u>-</u>	<u>6,269</u>
Total Awards Financial Assistance	<u>\$ 355,140</u>	<u>\$ 4,248,697</u>	<u>\$ 4,603,837</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, 2019**

**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 \$733,151 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, 2019. The amount reported as TPAF Pension System Contributions in the amount of \$1,822,737, TPAF Post-Retirement Medical Benefits Contributions in the amount of \$826,791 and TPAF Long-Term Disability Insurance in the amount of \$1,428 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2019.

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

On-behalf State Programs for TPAF Pension, Post-Retirement Medical Benefits and Long-Term Disability Insurance 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, 2019**

**Part I – Summary of Auditor’s Results**

**Financial Statement Section**

- A) Type of auditors' report issued: Unmodified
- B) Internal control over financial reporting:
- 1) Material weakness(es) identified? \_\_\_\_\_ yes                      X no
- 2) Were significant deficiency(ies) identified that were not considered to be material weaknesses? \_\_\_\_\_ yes                      X none reported
- C) Noncompliance material to the basic financial statements noted? \_\_\_\_\_ yes                      X no

**Federal Awards Section**

Not Applicable

**State Awards Section**

- J) Dollar threshold used to determine Type A programs: \$ 750,000
- K) Auditee qualified as low-risk auditee? X yes                      \_\_\_\_\_ no
- L) Type of auditors' report on compliance for major programs: Unmodified
- M) Internal Control over compliance:
- 1) Material weakness(es) identified? \_\_\_\_\_ yes                      X no
- 2) Were significant deficiency(ies) identified that were not considered to be material weaknesses? \_\_\_\_\_ yes                      X none reported
- N) Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 15-08? \_\_\_\_\_ yes                      X no
- O) Identification of major State programs:

GMIS Number(s)	Name of State Program
<u>19-495-034-5094-003</u>	<u>TPAF Social Security Contributions</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

**CLOSTER BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

*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, 2019**

*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 U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

**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, 2019**

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. Uniform Guidance and New Jersey OMB's Circular 15-08.

**STATUS OF PRIOR YEAR FINDINGS**

**No prior year findings were reported.**