

CLOSTER BOARD OF EDUCATION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Closter, New Jersey

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
of the
Closter Board of Education
Closter, New Jersey
For The Fiscal Year Ended June 30, 2010**

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

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INTRODUCTORY SECTION

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Peter C. Iappelli
Business Administrator
Board Secretary

November 23, 2010

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

Dear Board Members:

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

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the basic financial statements and schedules, as well as the auditors' report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations", and the NJ OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the auditors' 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: Closter School District is an independent reporting entity within the criteria adopted by the GASB as established by GASB No. 34. All funds of the District are included in this report. The Closter Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels K through 8. These include regular, vocational as well as special education for handicapped youngsters. The District completed the 2009-2010 fiscal year with an enrollment of 1,155 students, which is 36 students less than the previous year's enrollment. The following details the changes in the student enrollment of the District over the last ten years.

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2000-2001	1,126	2.27
2001-2002	1,147	1.87
2002-2003	1,202	4.80
2003-2004	1,232	2.50
2004-2005	1,231	0.00
2005-2006	1,218	(1.06)
2006-2007	1,205	(1.07)
2007-2008	1,182	(1.91)
2008-2009	1,191	0.76
2009-2010	1,155	(3.02)

2. ECONOMIC CONDITION AND OUTLOOK: Closter is a stable, attractive community of approximately 8,659 people. Many residents commute daily into New York City which is only fifteen miles from Closter. Known as, "The Hub of the Northern Valley," Closter is situated below the Palisades in the north-eastern part of Bergen County, New Jersey. Although part of the vast New York/New Jersey Metropolitan Area, Closter maintains a local pride in its community, its schools, and in the many services that it offers its residents. Essentially residential in nature, Closter provides several attractive shopping areas as well as space for light industry and manufacturing. Over seventy-three percent of Closter's working residents are involved in administrative, executive, professional, semi-professional, and sales work. Nearly ninety-five percent of Closter's adult population is high school graduates and fifty percent of that group is graduates of four-year colleges. Most of the undeveloped land in Closter is either dedicated to recreation or green acres.

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

The comprehensive instructional program includes reading, literature, writing process, language arts, mathematics, science, social studies, art, general and instrumental music, physical education, health and family life, foreign language, drama, technology, career awareness, study skills, and thinking skills. Special education, resource centers, collaborative classes and basic skills instruction are available to students who require this support. A fully staffed child study team develops Individualized Educational Plans for classified students. In addition, programs in gifted and talented education and English-as-a-second language are available for selected students. A guidance program is provided in both schools to handle student issues, offer divorce and social skills groups, organize the transition to high school and provide character education and bullying programs for all students.

3. MAJOR INITIATIVES; (Continued)

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

A preschool program was initiated to provide a class for disabled and typical three and four olds. Currently two preschool classes are successfully being implemented.

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

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

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

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

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

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

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

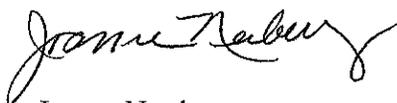
7. RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

8. OTHER INFORMATION:

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

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

Respectfully submitted,



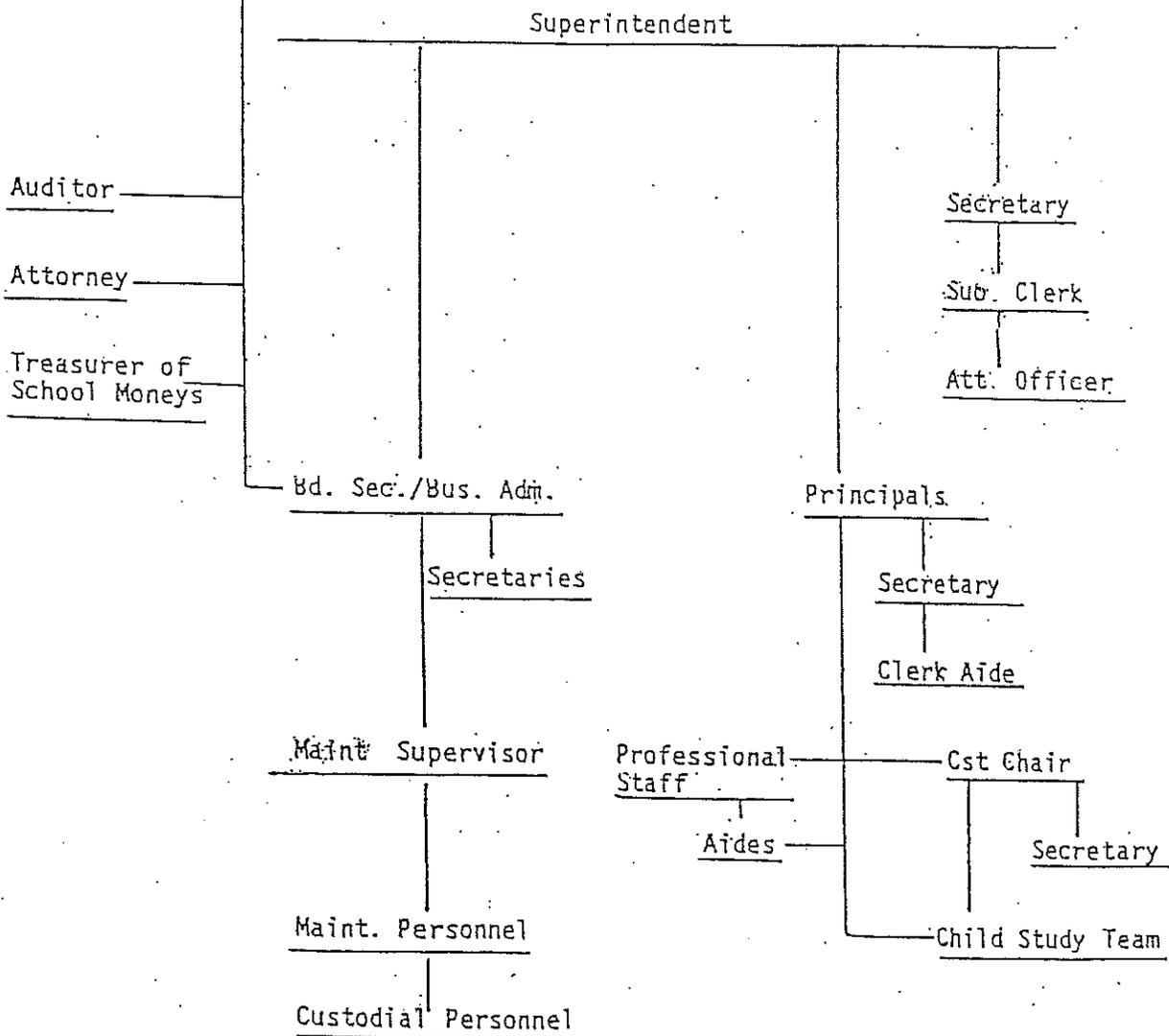
Joanne Newberry
Superintendent
Closter Public Schools



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

ORGANIZATION CHARTS

Closter Board of Education



2188s



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

**ROSTER OF OFFICIALS
JUNE 30, 2010**

<u>Member of the Board of Education</u>	<u>Term Expires</u>
Anthony Linn, President	2012
Michael Goldstein, Vice President	2013
L. Spencer Jakab	2011
Carmen Pfeiffer	2013
Dina Marinaccio	2012
Peter Micera	2013
Grace Park	2012
Ann Ginsberg	2011
Lydia Forstmann	2011
<u>Other Officials</u>	
Joanne Newberry, Superintendent	
Peter C. Iappelli, Board Secretary/Business Administrator	
Norma Ketler, Treasurer	

CLOSTER BOARD OF EDUCATION
Consultants and Advisors

Architect

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

Audit Firm

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

Attorney

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

Official Depository

TD Bank, N.A.
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Ramsey, NJ 07446-1275

FINANCIAL SECTION

LERCH, VINCI & HIGGINS, LLP

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REGISTERED MUNICIPAL ACCOUNTANTS

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

ELIZABETH A. SHICK, CPA, RMA, PSA
ANDREW PARENTE, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH KOZAK, CPA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
RALPH M. PICONE, CPA, RMA, PSA

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Closter Board of Education as of and for the fiscal year ended June 30, 2010, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Closter Board of Education's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

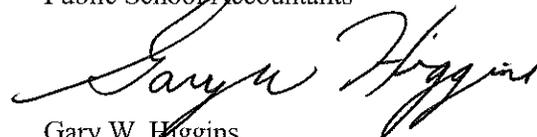
In accordance with Government Auditing Standards, we have also issued our report dated November 23, 2010 on our consideration of the Closter Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 accompanying introductory section, combining fund financial statements, financial schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and New Jersey OMB's Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid", and are not a required part of the basic financial statements. The combining fund financial statements and schedules of expenditures of federal awards and state financial assistance have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on them.


LERCH, VINCI & HIGGINS, LLP

Certified Public Accountants
Public School Accountants



Gary W. Higgins
Public School Accountant
PSA Number CS00814

Fair Lawn, New Jersey
November 23, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CLOSTER SCHOOL DISTRICT
CLOSTER NEW JERSEY**

Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2010

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, 2010. The intent of this is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. Certain comparative information between the current year (2009-2010) and the prior year (2008-2009) is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2010 are as follows:

- General revenues accounted for \$16,482,974 or 88 percent of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,280,345 or 12 percent of total revenues of \$18,763,319.
- The School District had \$17,865,107 in total expenses; only \$2,280,345 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$16,482,974 were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$17,250,128 in revenues and \$17,162,909 in expenditures. The General Fund's fund balance increased \$87,219 from June 30, 2009.

**CLOSTER SCHOOL DISTRICT
CLOSTER NEW JERSEY**

Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2010

Using this Comprehensive Annual Financial Report (CAFR)

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document reports on all funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and ask the question, "How did we do financially during 2009/10." The Statement of Net Assets and the Statement of Activities answer that question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

**CLOSTER SCHOOL DISTRICT
CLOSTER NEW JERSEY**

Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2010

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Enterprise Fund

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

The District as a Whole

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

Table 1 provides a summary of the District's net assets as of June 30, 2010 and 2009.

**CLOSTER SCHOOL DISTRICT
CLOSTER NEW JERSEY**

Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2010

**Table 1
Net Assets
as of June 30, 2010 and 2009**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Assets						
Current and Other Assets	\$ 2,159,327	\$ 1,884,656	\$ 10,332	\$ 4,162	\$ 2,169,659	\$ 1,888,818
Capital Assets	12,949,903	13,093,686	-	-	12,949,903	13,093,686
Total Assets	<u>15,109,230</u>	<u>14,978,342</u>	<u>10,332</u>	<u>4,162</u>	<u>15,119,562</u>	<u>14,982,504</u>
Liabilities						
Long-Term Liabilities	6,637,144	7,396,438			6,637,144	7,396,438
Other Liabilities	91,015	92,875	-	-	91,015	92,875
Total Liabilities	<u>6,728,159</u>	<u>7,489,313</u>	<u>-</u>	<u>-</u>	<u>6,728,159</u>	<u>7,489,313</u>
Net Assets						
Invested in Capital Assets						
Net of Related Debt	6,392,442	5,867,349			6,392,442	5,867,349
Restricted	984,293	532,393			984,293	532,393
Unrestricted	1,004,336	1,089,287	10,332	4,162	1,014,668	1,093,449
Total Net Assets	<u>\$ 8,381,071</u>	<u>\$ 7,489,029</u>	<u>\$ 10,332</u>	<u>\$ 4,162</u>	<u>\$ 8,391,403</u>	<u>\$ 7,493,191</u>

The District's combined net assets were \$8,391,403 and \$7,493,191 on June 30, 2010 and 2009, respectively.

Table 2 shows changes in net assets for fiscal years 2010 and 2009.

**CLOSTER SCHOOL DISTRICT
CLOSTER NEW JERSEY**

Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2010

**Table 2
Change in Net Assets
For the Years Ended June 30, 2010 and 2009**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues						
Program Revenues						
Charges for Services	\$ 101,625	\$ 67,500	\$ 24,322	\$ 24,172	\$ 125,947	\$ 91,672
Grants and Contributions	2,139,415	1,971,803	14,983	17,188	2,154,398	1,988,991
General Revenues						
Property Taxes	16,293,528	15,987,362			16,293,528	15,987,362
Unrestricted State Aid	55,154	128,468			55,154	128,468
Other	134,116	66,990	176	279	134,292	67,269
Total Revenues	<u>18,723,838</u>	<u>18,222,123</u>	<u>39,481</u>	<u>41,639</u>	<u>18,763,319</u>	<u>18,263,762</u>
Program Expenses						
Instruction	11,561,507	11,007,845			11,561,507	11,007,845
Support Services						
Student and Instructional Related Svcs.	2,295,601	2,259,022			2,295,601	2,259,022
General and School Administration, Business / Central Services	1,808,667	1,849,447			1,808,667	1,849,447
Operation and Maintenance of Plant	1,577,500	1,581,380			1,577,500	1,581,380
Pupil Transportation	319,614	396,712			319,614	396,712
Interest on Debt	268,907	298,897			268,907	298,897
Food Service	-	-	33,311	45,139	33,311	45,139
Total Expenses	<u>17,831,796</u>	<u>17,393,303</u>	<u>33,311</u>	<u>45,139</u>	<u>17,865,107</u>	<u>17,438,442</u>
Change in Net Assets	<u>\$ 892,042</u>	<u>\$ 828,820</u>	<u>\$ 6,170</u>	<u>\$ (3,500)</u>	<u>\$ 898,212</u>	<u>\$ 825,320</u>

Governmental Activities

The unique nature of property taxes in New Jersey creates the legal requirement to annually seek voter approval for District operations. Property taxes made up 87 and 88 percent of revenues for governmental activities for the Closter School District in the fiscal years 2010 and 2009, respectively. The District's total governmental revenues were \$18,723,838 and \$18,222,123 for the years ended June 30, 2010 and 2009, respectively. Federal, state, and local grants and aid accounted for another 12 and 12 percent of governmental revenue for the years ended June 30, 2010 and 2009, respectively. The total costs of all governmental programs and services was \$17,831,796 and \$17,393,303 for the years ended June 30, 2010 and 2009, respectively. Instruction comprises 65 and 63 percent of District expenses for the years ended June 30, 2010 and 2009.

**CLOSTER SCHOOL DISTRICT
CLOSTER NEW JERSEY**

Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2010

Business-Type Activities

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

- Food service revenues exceeded expenses by \$6,170.
- Charges for services represent 62 percent of revenue. This represents amounts paid for daily milk service.
- Federal reimbursement for milk including payments for free milk was \$14,983.

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, 2010 and 2009. 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>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Instruction	\$ 11,561,507	\$ 11,007,845	\$ 9,649,714	\$ 9,149,266
Support Services				
Student and Instruction Related Svcs.	2,295,601	2,259,022	2,228,780	2,214,046
General Administration, School Administration, Business / Central Services	1,808,667	1,849,447	1,682,489	1,728,122
Operation and Maintenance of Plant	1,577,500	1,581,380	1,524,940	1,581,380
Pupil Transportation	319,614	396,712	235,926	382,289
Interest and Other Charges	268,907	298,897	268,907	298,897
Total	<u>\$ 17,831,796</u>	<u>\$ 17,393,303</u>	<u>\$ 15,590,756</u>	<u>\$ 15,354,000</u>

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

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

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

**CLOSTER SCHOOL DISTRICT
CLOSTER NEW JERSEY**

Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2010

Governmental Activities (Cont.)

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

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

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

The District's Funds

All governmental funds (i.e., general fund, special revenue fund, capital projects fund and debt service fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$18,652,734 and \$18,222,123 and expenditures were \$18,565,836 and \$18,178,111 for the years ended June 30, 2010 and 2009, respectively. During the fiscal year ended June 30, 2010, revenues exceeded expenditures by \$86,898.

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, 2010 and 2009.

<u>Revenue</u>	<u>Year Ended</u>		<u>Amount of Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
	<u>June 30, 2010</u>	<u>June 30, 2009</u>		
Local Sources	\$ 16,462,622	\$ 16,121,852	\$ 340,770	2.11%
State Sources	1,860,296	1,863,890	(3,594)	-0.19%
Federal Sources	329,816	236,381	93,435	39.53%
Total	<u>\$ 18,652,734</u>	<u>\$ 18,222,123</u>	<u>\$ 430,611</u>	2.36%

**CLOSTER SCHOOL DISTRICT
CLOSTER NEW JERSEY**

Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2010

The District's Funds (Cont.)

The following schedule represents a summary of the governmental fund expenditures for the fiscal years ended June 30, 2010 and 2009.

<u>Expenditures</u>	<u>Year Ended</u>		<u>Amount of Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
	<u>June 30, 2010</u>	<u>June 30, 2009</u>		
Current				
Instruction	\$ 11,293,406	\$ 10,681,085	\$ 612,321	5.73%
Support Services	5,892,389	5,926,522	(34,133)	-0.58%
Capital Outlay	250,840	504,562	(253,722)	-50.29%
Debt Service:				
Principal	852,303	759,537	92,766	12.21%
Interest	<u>276,898</u>	<u>306,405</u>	<u>(29,507)</u>	-9.63%
 Total Expenditures	 <u>\$ 18,565,836</u>	 <u>\$ 18,178,111</u>	 <u>\$ 387,725</u>	 2.13%

General Fund Budgeting Highlights

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

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

**CLOSTER SCHOOL DISTRICT
CLOSTER NEW JERSEY**

Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2010

Capital Assets

At the end of fiscal years 2010 and 2009, the District had \$12,949,903 and \$13,093,686 respectively invested in land, buildings, furniture, equipment and vehicles, net of accumulated depreciation. Table 4 shows fiscal year 2010 balances compared to 2009.

Table 4
Capital Assets

	June 30	
	<u>2010</u>	<u>2009</u>
Land	\$ 26,600	\$ 26,600
Construction in Progress	52,560	-
Improvements Other Than Buildings	211,215	211,215
Buildings and Improvements	17,959,957	17,767,377
Machinery and Equipment	642,877	571,773
	18,893,209	18,576,965
Less: Accumulated Depreciation	(5,943,306)	(5,483,279)
 Total	 \$ 12,949,903	 \$ 13,093,686

Overall capital assets, net of accumulated depreciation, decreased \$143,783 from fiscal year 2009 to fiscal year 2010.

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

**CLOSTER SCHOOL DISTRICT
CLOSTER NEW JERSEY**

Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2010

Debt Administration

At June 30, 2010 and 2009, the District had \$6,637,144 and \$7,396,438, respectively of long-term liabilities. Of this amount, \$54,685 and \$143,318 are for compensated absences; and \$5,209,000 and \$5,694,000 are for serial bonds and \$1,252,305 and \$1,559,120 are for loans for school construction and \$121,094 and \$-0- are for capital leases for computers.

Table 5
Outstanding Debt

	<u>June 30</u>	
	<u>2010</u>	<u>2009</u>
2004 General Obligation Bonds	\$ 3,755,000	\$ 3,960,000
1994 General Obligation Bonds	1,454,000	1,734,000
1993 Intergovernmental Loans	1,252,365	1,559,120
Capital Leases	121,094	-
Compensated Absences	<u>54,685</u>	<u>143,318</u>
Total	<u>\$ 6,637,144</u>	<u>\$ 7,396,438</u>

At June 30, 2010, the District's overall remaining legal debt margin was \$62,218,380.

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

For the Future

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

The Closter School District is committed to financial excellence and fiscal integrity. Its system for financial planning, budgeting, and internal financial controls is audited annually. The Closter School District shall continue to manage its finances prudently in order to meet the many challenges ahead.

Contacting the District's Financial Management

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

DISTRICT WIDE FINANCIAL STATEMENTS

**CLOSTER BOARD OF EDUCATION
STATEMENT OF NET ASSETS
JUNE 30, 2010**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 2,044,126	\$ 9,068	\$ 2,053,194
Receivables, net			
Receivables from Other Governments	82,488	1,264	83,752
Other Accounts Receivable	7,715		7,715
Deferred Charges	24,998		24,998
Capital Assets Not Being Depreciated	79,160		79,160
Capital Assets Being Depreciated	12,870,743		12,870,743
	<u>15,109,230</u>	<u>10,332</u>	<u>15,119,562</u>
Total Assets			
LIABILITIES			
Unearned Revenue	16,949		16,949
Accrued Interest Payable	74,066		74,066
Noncurrent Liabilities			
Due Within One Year	904,691		904,691
Due Beyond One Year	5,732,453		5,732,453
	<u>6,728,159</u>	<u>-</u>	<u>6,728,159</u>
Total Liabilities			
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	6,392,442		6,392,442
Restricted for:			
Debt Service	3		3
Capital Projects	984,290		984,290
Unrestricted	1,004,336	10,332	1,014,668
	<u>\$ 8,381,071</u>	<u>\$ 10,332</u>	<u>\$ 8,391,403</u>
Total Net Assets			

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

CLOSTER BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities						
Instruction						
Regular	\$ 8,240,288		884,326	\$ (7,355,962)		\$ (7,355,962)
Special Education	2,378,069	\$ 101,625	804,170	(1,472,274)		(1,472,274)
Other Instruction	864,669		113,339	(751,330)		(751,330)
School Sponsored Activities and Athletics	78,481		8,333	(70,148)		(70,148)
Support Services						
Student and Instruction Related Svcs.	2,295,601		66,821	(2,228,780)		(2,228,780)
General Administration Services	645,485		28,859	(616,626)		(616,626)
School Administration Services	950,387		76,732	(873,655)		(873,655)
Business/Central Services	212,795		20,587	(192,208)		(192,208)
Plant Operations and Maintenance	1,577,500		52,560	(1,524,940)		(1,524,940)
Pupil Transportation	319,614		83,688	(235,926)		(235,926)
Interest on Long-Term debt	268,907		-	(268,907)		(268,907)
Total Governmental Activities	17,831,796	101,625	2,139,415	(15,590,756)	-	(15,590,756)
Business-Type Activities						
Food Service	33,311	24,322	14,983	-	\$ 5,994	5,994
Total Business-Type Activities	33,311	24,322	14,983	-	5,994	5,994
Total Primary Government	\$ 17,865,107	\$ 125,947	\$ 2,154,398	(15,590,756)	5,994	(15,584,762)
General Revenues:						
Property Taxes, Levied for General Purposes				15,225,195		15,225,195
Property Taxes Levied for Debt Service				1,068,333		1,068,333
Federal and State Aid - Unrestricted				55,154		55,154
Interest Earnings				18,378	176	18,554
Miscellaneous Income				44,634		44,634
Donated Capital Assets				71,104		71,104
Total General Revenues and Special Items				16,482,798	176	16,482,974
Change in Net Assets				892,042	6,170	898,212
Net Assets, Beginning of Year				7,489,029	4,162	7,493,191
Net Assets, End of Year				\$ 8,381,071	\$ 10,332	\$ 8,391,403

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

FUND FINANCIAL STATEMENTS

**CLOSTER BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2010**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 2,044,123		\$ 3	\$ 2,044,126
Receivables				
Due From Other Funds	25,565			25,565
Receivables From Governments	43,069	\$ 39,419		82,488
Receivables From Others	4,620	-	-	4,620
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	\$ 2,117,377	\$ 39,419	\$ 3	\$ 2,156,799
LIABILITIES AND FUND BALANCES				
Liabilities				
Due to Other Funds		\$ 22,470		22,470
Deferred Revenue	-	16,949	-	16,949
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	-	39,419	-	39,419
Fund Balances				
Reserved for				
Encumbrances	\$ 46,599			46,599
Emergency Reserve	250,000			250,000
Capital Reserve Account	984,290			984,290
Excess Surplus - Designated for Subsequent Year's Expenditures	300,000			300,000
Excess Surplus	277,708			277,708
Unreserved				
Designated for Subsequent Year's Expenditures, Reported in Debt Service Fund			\$ 2	2
Undesignated, Reported in General Fund	258,780			258,780
Debt Service Fund	-	-	1	1
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	2,117,377	-	3	2,117,380
Total Liabilities and Fund Balances	\$ 2,117,377	\$ 39,419	\$ 3	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$18,893,209 and the accumulated depreciation is \$5,943,306 12,949,903

Deferred Charges for Debt Issuance Costs 24,998

The District has financed capital assets through the issuance of Serial bonds and intergovernmental loans. The interest accrual at year end is: (74,066)

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

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

Intergovernmental Loans	
Payable	\$ 1,252,365
Capital Lease Payable	121,094
Bonds Payable	5,209,000
Compensated Absences	54,685
	<hr/>
	(6,637,144)

Net assets of governmental activities \$ 8,381,071

**CLOSTER BOARD OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
REVENUES				
Local Sources				
Property Taxes	\$ 15,225,195		\$ 1,068,333	\$ 16,293,528
Tuition Charges	101,625			101,625
Interest	18,378			18,378
Miscellaneous	44,634	\$ 4,457	-	49,091
Total - Local Sources	15,389,832	4,457	1,068,333	16,462,622
State Sources	1,860,296			1,860,296
Federal Sources	-	329,816	-	329,816
Total Revenues	17,250,128	334,273	1,068,333	18,652,734
EXPENDITURES				
Current				
Instruction				
Regular Instruction	8,042,627			8,042,627
Special Education Instruction	2,135,917	200,995		2,336,912
Other Instruction	823,723	13,897		837,620
School Sponsored Activities and Athletics	76,247			76,247
Support Services				
Student and Instruction Related Services	2,180,839	66,821		2,247,660
General Administration Services	638,311			638,311
School Administration Services	933,556			933,556
Business/Central Services	207,277			207,277
Plant Operations and Maintenance	1,546,264			1,546,264
Pupil Transportation	319,321			319,321
Debt Service				
Principal	60,547		791,755	852,302
Interest and Other Charges			276,899	276,899
Capital Outlay	198,280	52,560	-	250,840
Total Expenditures	17,162,909	334,273	1,068,654	18,565,836
Excess (Deficiency) of Revenues Over (Under) Expenditures	87,219	-	(321)	86,898
OTHER FINANCING SOURCES (USES)				
Capital Lease Proceeds (Non-Budget)	181,641	-	-	181,641
Total Other Financing Sources (Uses)	181,641	-	-	181,641
Net Changes in Fund Balances	268,860	-	(321)	268,539
Fund Balance, Beginning of Year	1,848,517	-	324	1,848,841
Fund Balance, End of Year	\$ 2,117,377	\$ -	\$ 3	\$ 2,117,380

The accompanying Notes to the Basic 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, 2010**

Total net change in fund balances - governmental funds (Exhibit B-2) \$ 268,539

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

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

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

Depreciation Expense	\$ (465,727)	
Capital Outlays	<u>250,840</u>	(214,887)

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

71,104

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt Issued		
Capital Leases Payable		(181,641)
Principal Repayments		
Capital Leases Paid	60,547	
Bonds Payable	485,000	
Intergovernmental Loans Payable	<u>306,755</u>	852,302

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

88,633

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

9,777

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

(1,785)

Change in net assets of governmental activities \$ 892,042

**CLOSTER BOARD OF EDUCATION
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2010**

	Business- Type Activities Enterprise Funds <hr/> Non - Major
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 9,068
Intergovernmental Accounts Receivable	<u>1,264</u>
Total Current Assets	<u>10,332</u>
Noncurrent Assets	
Machinery and Equipment	15,173
Less Accumulated Depreciation	<u>(15,173)</u>
Total Noncurrent Assets	<u>-</u>
Total Assets	<u>10,332</u>
NET ASSETS	
Unrestricted	<u>10,332</u>
Total Net Assets	<u><u>\$ 10,332</u></u>

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

**CLOSTER BOARD OF EDUCATION
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN FUND NET ASSETS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Business-Type Activities
	Enterprise Fund
	Non-Major
Operating Revenues	
Charges for services	
Daily Sales	\$ 24,322
Total Operating Revenues	24,322
Operating Expenses	
Cost of Sales	18,311
Salaries and Wages	15,000
Total Operating Expenses	33,311
Operating Loss	(8,989)
Nonoperating Revenues	
Federal Sources	
Special Milk Program	14,983
Interest Earnings	176
Total Nonoperating Revenues	15,159
Net Change in Net Assets	6,170
Net Assets, Beginning of Year	4,162
Net Assets, End of Year	\$ 10,332

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

**CLOSTER BOARD OF EDUCATION
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Business-Type Activities - Enterprise Funds
	Non-Major
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 24,322
Salaries and Wages	(15,000)
Payments to Suppliers	(18,311)
Net Cash Used By Operating Activities	(8,989)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Federal Sources	15,247
Net Cash Provided By Non-Capital Financing Activities	15,247
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	176
Net Cash Provided By Investing Activities	176
Net Increase in Cash and Cash Equivalents	6,434
Cash and Cash Equivalents—Beginning of Year	2,634
Cash and Cash Equivalents—End of Year	\$ 9,068
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	\$ (8,989)
Net Cash Used By Operating Activities	\$ (8,989)

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

**CLOSTER BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2010**

	<u>Private Purpose Trust Funds</u>	<u>Unemployment Compensation Trust Fund</u>	<u>Agency Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,738	\$ 284,793	\$ 134,551
Total Assets	<u>1,738</u>	<u>284,793</u>	<u>\$ 134,551</u>
LIABILITIES			
Due To Other Funds	2,755		\$ 340
Due To Student Groups			67,253
Payable to State Government		8,965	
Accrued Salaries and Wages			443
Payroll Deductions and Withholdings		-	66,515
Total Liabilities	<u>2,755</u>	<u>8,965</u>	<u>\$ 134,551</u>
NET ASSETS			
Held In Trust For Unemployment Claims and Other Purposes	<u>\$ (1,017)</u>	<u>\$ 275,828</u>	

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

**CLOSTER BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Private Purpose Trust Funds	Unemployment Compensation Trust
ADDITIONS		
Interest on Deposits	\$ 13	\$ 2,396
Private Donations	48,275	
Employee Contributions	-	24,847
Total Additions	<u>48,288</u>	<u>27,243</u>
DEDUCTIONS		
General Government	55,046	
Unemployment Claims and Contributions	-	59,857
Total Deductions	<u>55,046</u>	<u>59,857</u>
Change in Net Assets	(6,758)	(32,614)
Net Assets, Beginning of Year	<u>5,741</u>	<u>308,442</u>
Net Assets, End of Year	<u>\$ (1,017)</u>	<u>\$ 275,828</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

**CLOSTER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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. District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Board of Education. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

**CLOSTER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Property taxes, tuition, unrestricted state aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. All other revenue items are considered to be measurable and available only when cash is received by the District.

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 required to be accounted for in another fund.

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

The *debt service fund* accounts for the accumulation of resources for and the payment of principal and interest on long-term general obligation debt of governmental funds.

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

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

**CLOSTER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Additionally, the government reports the following fund type:

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

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

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

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

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

D. Assets, Liabilities and Net Assets or Equity

1. *Deposits and Investments*

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

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

**CLOSTER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity

2. *Receivables and Payables*

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

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

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

Tuition Expenditures - Tuition charges for the fiscal years 2008-2009 and 2009-2010 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

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

3. *Inventories*

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

4. *Restricted Assets*

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

**CLOSTER BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity

5. *Capital Assets*

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or estimated historical cost if constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

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

6. *Compensated Absences*

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

7. *Long-term obligations*

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

**CLOSTER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. *Fund Equity*

Reservations of fund balances of governmental funds are created to either (1) satisfy legal covenants that require a portion of the fund balance to be segregated or (2) identify the portion of the fund balance that is appropriated for future expenditures.

Reserved for Encumbrances - This reserve was created to represent encumbrances outstanding at the end of the year based on purchase orders and contracts awarded for which the goods or services have not yet been received at June 30.

Reserved for Excess Surplus – Designated for Subsequent Year’s Expenditures - This reserve was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2009 audited excess surplus that was appropriated in the 2010/2011 original budget certified for taxes.

Reserved for Excess Surplus – This reserve was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2010 audited excess surplus that is required to be appropriated in the 2011/2012 original budget certified for taxes.

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

Reserved for Emergency Reserve – This reserve 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.

Designations of fund balance represent tentative management plans that are subject to change.

Designated for Subsequent Year’s Expenditures – This designation was created to dedicate the portion of fund balance appropriated in the adopted 2010/2011 District budget certified for taxes.

9. *Reclassifications*

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

**CLOSTER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The budget is submitted to the county superintendent and is voted upon at the annual school election on the third Tuesday in April. Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2009/2010. During 2009/2010 the Board increased the original budget by \$404,919. The increase was funded by additional grant awards and the reappropriation of prior year general fund encumbrances.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of the 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 reservations of 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 Account

A capital reserve account was established by the District on September 21, 2000. The accumulation of funds will be used for capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account 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-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

**CLOSTER BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Capital Reserve Account (Continued)

The activity of the capital reserve for the fiscal year ended June 30, 2010 is as follows:

Balance, July 1, 2009	\$ 532,069
Increased By:	
Interest earnings	2,221
Deposits Approved by Voters in District Budget	200,000
Deposits approved by the Board of Trustees	<u>250,000</u>
Balance, June 30, 2010	<u>\$ 984,290</u>

The District's 2010-2011 budget includes a \$387,000 withdrawal for the local share of capital projects.

C. Transfers to Capital Outlay

During the 2009/2010 school year, the district transferred \$11,061 to the capital outlay accounts for the purchase of various equipment.

D. Emergency Reserve Account

The District's 2010-2011 budget includes a \$125,000 withdrawal from the emergency reserve to fund certain 2010-2011 appropriations.

E. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended the designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance in excess of 2% of budget expenditures at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2010 is \$577,708. Of this amount, \$300,000 was designated and appropriated in the 2010/2011 original budget certified for taxes and the remaining amount of \$277,708 will be appropriated in the 2011/2012 original budget certified from taxes.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

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

**CLOSTER BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Deposits (Continued)

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2010, the book value of the Board's deposits was \$2,474,276 and bank balances of the Board's cash and deposits amounted to \$2,759,554. The Board's deposits which are displayed on the balance sheets and statement of net assets as "cash and cash equivalents" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 2,025,264
Uninsured and Collateralized	<u>734,290</u>
	<u>\$ 2,759,554</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, 2010 the Board's bank balance of \$734,290 was exposed to custodial credit risk as follows:

<u>Depository Account</u>	<u>Bank Balance</u>
Uninsured and Collateralized	
Collateral held by pledging financial institution's trust department or agent but not in the Board's name	<u>\$ 734,290</u>

Investments

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

As of June 30, 2010, the Board had no outstanding investments.

**CLOSTER BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

Receivables as of year-end for the district’s individual major funds and nonmajor fund, in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Special Revenue	Food Service	Total
Receivables:				
Intergovernmental	\$ 43,069	\$ 39,419	\$ 1,264	83,752
Other	<u>4,620</u>	<u>-</u>	<u>-</u>	<u>4,620</u>
Gross Receivables	47,689	39,419	1,264	88,372
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 47,689</u>	<u>\$ 39,419</u>	<u>\$ 1,264</u>	<u>\$ 88,372</u>

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

	<u>Unearned</u>
Special Revenue Fund	
Encumbrances	\$15,440
Unencumbered grant draw downs	<u>1,509</u>
Total deferred revenue for governmental funds	<u>\$16,949</u>

**CLOSTER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010 was as follows:

	Balance <u>July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2010</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 26,600	-	-	\$ 26,600
Construction In Progress	-	\$ 52,560	-	52,560
Total capital assets, not being depreciated	<u>26,600</u>	<u>52,560</u>	<u>-</u>	<u>79,160</u>
Capital assets, being depreciated:				
Buildings and Improvements	17,767,377	198,280	\$ (5,700)	17,959,957
Improvements other than buildings	211,215			211,215
Machinery and equipment	571,773	71,104	-	642,877
Total capital assets being depreciated	<u>18,550,365</u>	<u>269,384</u>	<u>(5,700)</u>	<u>18,814,049</u>
Less accumulated depreciation for:				
Buildings and Improvements	(4,888,262)	(409,877)		(5,298,139)
Improvements other than buildings	(125,578)	(9,361)		(134,939)
Machinery and equipment	(469,439)	(46,489)	5,700	(510,228)
Total accumulated depreciation	<u>(5,483,279)</u>	<u>(465,727)</u>	<u>5,700</u>	<u>(5,943,306)</u>
Total capital assets, being depreciated, net	<u>13,067,086</u>	<u>(196,343)</u>	<u>-</u>	<u>12,870,743</u>
Governmental activities capital assets, net	<u>\$ 13,093,686</u>	<u>\$ (143,783)</u>	<u>\$ -</u>	<u>\$ 12,949,903</u>
Business-type activities:				
Capital assets, being depreciated:				
Machinery and equipment	\$ 15,173	-	-	\$ 15,173
Total capital assets being depreciated	<u>15,173</u>	<u>-</u>	<u>-</u>	<u>15,173</u>
Less accumulated depreciation for:				
Machinery and equipment	(15,173)	-	-	(15,173)
Total accumulated depreciation	<u>(15,173)</u>	<u>-</u>	<u>-</u>	<u>(15,173)</u>
Total capital assets, being depreciated, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-type activities capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CLOSTER BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

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

Governmental activities:

Instruction	
Regular	\$ 250,485
Special	41,157
Other	27,049
School Sponsored	2,234
Total Instruction	<u>320,925</u>
Support Services	
Students and Instruction Related	60,729
General Administration	17,460
School Administration	30,093
Business/Central Services	5,518
Operations and Maintenance of Plant	30,709
Transportation	293
Total Support Services	<u>144,802</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 465,727</u>

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2010, is as follows:

Due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Agency Fund	\$ 340
General Fund	Private Purpose Trust Funds	2,755
General Fund	Special Revenue	<u>22,470</u>
		<u>\$ 25,565</u>

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

**CLOSTER BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

E. Leases

Capital Leases

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

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2010 were as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2011	\$ 60,547
2012	<u>60,547</u>
Total minimum lease payments	121,094
Less: amount representing interest	<u>-</u>
Present value of minimum lease payments	<u>\$ 121,094</u>

F. Long-Term Debt

General Obligation Bonds

The Board issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities. 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, 2010 are comprised of the following issues:

\$4,464,000, 1994 Bonds, due in annual installments of \$280,000 to \$300,000 through September 15, 2014, interest at 6% to 6.125%	\$ 1,454,000
\$4,600,000, 2004 Bonds, due in annual installments of \$235,000 to \$280,000 through April 1, 2024, interest at 3.50% to 4.00%	<u>3,755,000</u>
	<u>\$5,209,000</u>

Intergovernmental Loan Payable

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

**CLOSTER BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-Term Debt (Continued)

Intergovernmental Loan Payable (Continued)

Loans payable at June 30, 2010 are comprised of the following:

Small Project Loan

\$897,656, 1993 Loan due in Semi-annual installments of \$58,445 to \$66,503, through July 15, 2013, interest at 5.288% \$249,569

Facility Program Loan

\$4,464,063, 1993 Loan due in semi-annual installments of \$234,951 through July 15, 2013, interest at 1.50% 939,802

Safe Program Loan

\$299,219, 1993 Loan due in semi-annual installments of \$15,748 through July 15, 2013, interest at 1.50% 62,994

Grand Total \$1,252,365

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

Governmental Activities:

Year Ending June 30,	<u>Serial Bonds</u>		<u>Intergovernmental Loans</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2011	\$ 515,000	\$ 221,323	\$ 309,144	\$ 24,814	\$ 1,070,281
2012	545,000	196,158	311,657	17,896	1,070,711
2013	570,000	169,155	314,362	10,841	1,064,357
2014	570,000	141,060	317,202	3,639	1,031,900
2015	564,000	113,149			677,149
2016-2020	1,350,000	373,575			1,723,575
2021-2024	<u>1,095,000</u>	<u>110,200</u>	<u>-</u>	<u>-</u>	<u>1,205,200</u>
	<u>\$ 5,209,000</u>	<u>\$ 1,324,620</u>	<u>\$ 1,252,365</u>	<u>\$ 57,189</u>	<u>\$ 7,843,174</u>

**CLOSTER BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

E. 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, 2010 was as follows:

3% of Equalized Valuation Basis (Municipal)	\$ 68,679,745
Less: Net Debt	<u>6,461,365</u>
Remaining Borrowing Power	<u>\$ 62,218,380</u>

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Governmental activities:					
Bonds Payable	\$ 5,694,000		\$ 485,000	\$ 5,209,000	\$ 515,000
Intergovernmental Loans Payable	1,559,120		306,755	1,252,365	309,144
Capital Lease Payable	-	\$ 181,641	60,547	121,094	60,547
Compensated Absences	<u>143,318</u>	<u>527</u>	<u>89,160</u>	<u>54,685</u>	<u>20,000</u>
Governmental Activity Long-Term Liabilities	<u>\$ 7,396,438</u>	<u>\$ 182,168</u>	<u>\$ 941,462</u>	<u>\$ 6,637,144</u>	<u>\$ 904,691</u>

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

NOTE 4 OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to property, general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; student accident; termination of employees and natural disasters. The Board has obtained commercial insurance coverage to guard against these events to minimize the exposure to the District should they occur.

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 BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 4 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

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

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

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

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

Year Ended June 30,	District Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2010	None	\$ 24,847	\$ 59,857	\$ 275,828
2009	None	23,243	27,489	308,442
2008	None	18,546	18,241	308,927

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.

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, 2010, 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 BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 4 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, 2010, the District had no estimated arbitrage earnings due to the IRS.

D. Employee Retirement Systems and Pension Plans

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

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

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

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

Other Pension Funds

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

The cost of living increase for PERS and TPAF, are funded directly by each of the respective systems and are considered in the annual actuarial calculation of the required State contribution for the system.

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

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

**CLOSTER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Basis of Accounting

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

Investment Valuation

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

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

Significant Legislation

P.L. 2009, c. 19, effective March 17, 2009 provided an option for local employers to contribute 50 percent of the normal and accrued liability contribution amounts certified by the PERS for payments due in State fiscal year 2009. This law also provided that a local employer may pay 100 percent of the required contribution. Such an employer was credited with the full payment and any such amounts were not to be included in their unfunded liability. The actuaries for PERS will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the State fiscal year ending June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

P.L. 2008, c. 89, effective November 1, 2008, increased the TPAF and PERS eligibility age for unreduced benefits from age 60 to age 62 for members hired on or after November 1, 2008; changed the early retirement provisions; increased the minimum annual compensation required for membership eligibility for new members on or after the effective date of this law.

P.L. 2007, c. 103, certain parts effective July 1, 2007, provided for the following: changed contribution rates of TPAF, PERS, and Defined Contribution Retirement Program (DCRP) to 5.5 percent of annual compensation; imposed an annual maximum wage contribution base and a new retirement age to new employees; implemented changes to State Health Benefits Program (SHBP) which included the creation of the School Employees' Health Benefit Program (SEHBP) and established an employee contribution of 1.5 percent of the employee's base salary.

**CLOSTER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Funding Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems including TPAF and PERS, is 72.6 percent with an unfunded actuarial accrued liability of \$34.4 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 69.6 percent and \$23.0 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 77.2 percent and \$11.4 billion.

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

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

Actuarial Methods and Assumptions

In the June 30, 2008 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (1) 8.25 percent for investment rate of return for the retirement systems and (2) 5.45 percent for projected salary increases for the PERS and 5.74 percent for TPAF.

Employer and Employee Pension Contributions

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

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2010 for TPAF, which is a cost sharing plan with special funding situations, annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

**CLOSTER BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Annual Pension Costs (APC) (Continued)

During the years ended June 30, 2010, 2009 and 2008 the Board was required to contribute for PERS and the State of New Jersey was required to contribute for TPAF for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Year Ended June 30,	<u>PERS</u>	On-behalf <u>TPAF</u>
2010	\$ 140,567	\$ 30,539
2009	106,704	27,837
2008	78,514	608,266

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

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$667,721 during the year ended June 30, 2010 for the employer’s share of social security contributions for TPAF members as calculated on their base salaries. This amount, along with the on-behalf TPAF pension contribution, has been included in the district-wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

E. Post-Retirement Medical Benefits

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

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans (OPEB)*, effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust Funds in the State’s Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF are combined and reported as Health Benefits Program Fund –Local Government classified as a cost-sharing multiple-employer plan in the State’s CAFR. The post-retirement benefit programs had a total of 484 state and local participating employers and contributing entities for Fiscal Year 2009.

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

**CLOSTER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

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

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

Basis of Accounting

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

Investment Valuation

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

Funded Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the State had a \$55.9 billion unfunded actuarial accrued liability for other postemployment benefits (OPEB) which is made up to \$19.8 billion for state active and retired members and \$36.1 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

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

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

**CLOSTER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Actuarial Methods and Assumptions

In the June 30, 2008, actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included 4.50 percent for investment rate of return for the OPEB.

Post-Retirement Medical Benefits Contributions

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2009, there were 84,590 retirees receiving post-retirement medical benefits and the State contributed \$837.7 million on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education with 25 years of service. The State paid \$116.9 million toward Chapter 126 benefits for 13,320 eligible retired members in fiscal year 2009.

The State sets the contribution rate based on a pay as you go basis and not on the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the years ended June 30, 2010, 2009 and 2008 were \$573,570, \$531,060 and \$522,378, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

BUDGETARY COMPARISON SCHEDULES

**CLOSTER BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
REVENUES					
Local Sources					
Property Taxes	\$ 15,225,195		\$ 15,225,195	\$ 15,225,195	
Tuition				101,625	\$ 101,625
Interest - Capital Reserve	3,000		3,000	2,221	(779)
Interest	30,000		30,000	16,157	(13,843)
Miscellaneous	-	-	-	44,634	44,634
Total Local Sources	<u>15,258,195</u>	<u>-</u>	<u>15,258,195</u>	<u>15,389,832</u>	<u>131,637</u>
State Sources					
Special Education Aid	469,213		469,213	321,895	(147,318)
Transportation Aid	123,091		123,091	80,009	(43,082)
Security Aid	87,561		87,561	56,915	(30,646)
Extraordinary Aid				176,048	176,048
Non Public Transportation Reimbursement				7,752	7,752
TPAF Social Security Contributions (Non-Budgeted)				667,721	667,721
TPAF Pension-Post Retirement Medical Contribution (Non-Budgeted)				573,570	573,570
TPAF Pension - NCGI	-	-	-	30,539	30,539
Total State Sources	<u>679,865</u>	<u>-</u>	<u>679,865</u>	<u>1,914,449</u>	<u>1,234,584</u>
Total Revenues	<u>15,938,060</u>	<u>-</u>	<u>15,938,060</u>	<u>17,304,281</u>	<u>1,366,221</u>
EXPENDITURES					
CURRENT EXPENDITURES					
Instruction - Regular Programs					
Salaries of Teachers					
Kindergarten	474,785	\$ 17,592	492,377	492,377	
Grades 1-5	2,913,278	-	2,913,278	2,903,736	9,542
Grades 6-8	2,085,621	(93,092)	1,992,529	1,992,105	424
Regular Programs - Home Instruction					
Salaries of Teachers	2,500	100	2,600	2,585	15
Purchased Professional/Educational Services	1,500	4,050	5,550	5,250	300
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	212,405	97,292	309,697	305,990	3,707
Purchased Professional/Educational Services	6,250	-	6,250	5,950	300
Purchased Technical Services	34,675	15,285	49,960	49,276	684
Other Purchased Services	67,150	62,201	129,351	122,502	6,849
General Supplies	300,232	(80,395)	219,837	176,337	43,500
Textbooks	60,000	(48,164)	11,836	7,721	4,115
Miscellaneous Expenditures	3,625	-	3,625	2,355	1,270
Assets Acquired Under Capital Lease (Non-Budget)	-	-	-	181,641	(181,641)
Total Regular Programs	<u>6,162,021</u>	<u>(25,131)</u>	<u>6,136,890</u>	<u>6,247,825</u>	<u>(110,935)</u>
Learning and/or Language Disabilities					
Salaries of Teachers	104,337		104,337	103,337	1,000
Other Salaries for Instruction		17,932	17,932	5,392	12,540
General Supplies	1,000	-	1,000	923	77
Total Learning and/or Language Disabilities	<u>105,337</u>	<u>17,932</u>	<u>123,269</u>	<u>109,652</u>	<u>13,617</u>
Resource Room/Resource Center					
Salaries of Teachers	770,227	62,475	832,702	832,702	
General Supplies	3,500	2,150	5,650	5,650	
Textbooks	6,000	(4,098)	1,902	1,902	-
Total Resource Room/Resource Center	<u>779,727</u>	<u>60,527</u>	<u>840,254</u>	<u>840,254</u>	<u>-</u>
Total Special Education	<u>885,064</u>	<u>78,459</u>	<u>963,523</u>	<u>949,906</u>	<u>13,617</u>

**CLOSTER BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Basic Skills/Remedial					
Salaries of Teachers	\$ 411,560	\$ (8,975)	\$ 402,585	\$ 401,427	\$ 1,158
General Supplies	9,000	(908)	8,092	6,796	1,296
Total Basic Skills/Remedial	420,560	(9,883)	410,677	408,223	2,454
Bilingual Education					
Salaries of Teachers	204,765	-	204,765	204,765	
Other Salaries for Instruction	9,861	-	9,861	8,981	880
General Supplies	4,800	1,508	6,308	2,680	3,628
Total Bilingual Education	219,426	1,508	220,934	216,426	4,508
School Sponsored Co/Extra Curricular Activities-Instruction					
Salaries	35,320	642	35,962	35,922	40
Purchased Services	8,825	(260)	8,565	5,040	3,525
Supplies and Materials		1,759	1,759	1,758	1
Other Objects	1,057	(831)	226	100	126
Total School Sponsored Co/Extra Curricular Activities-Instruction	45,202	1,310	46,512	42,820	3,692
School Sponsored Athletics-Instruction					
Salaries	16,650		16,650	14,875	1,775
Other Objects	2,275	(150)	2,125	2,067	58
Total School Sponsored Athletics-Instruction	18,925	(150)	18,775	16,942	1,833
Total Instruction	7,751,198	46,113	7,797,311	7,882,142	(84,831)
Undistributed Expenditures					
Instruction					
Tuition to Other LEAs w/in State - Special	305,973	318,559	624,532	624,532	-
Tuition to CSSD and Regional Day Schools	248,076	(61,391)	186,685	183,952	2,733
Tuition to Priv. Sch. for the Disabled - State	252,341	(178,584)	73,757	73,756	1
Total Undistributed Expenditures - Instruction	806,390	78,584	884,974	882,240	2,734
Attendance and Social Work					
Salaries	80,900	5,940	86,840	83,102	3,738
Purchased Professional and Technical Services	5,975	717	6,692	6,692	-
Total Attendance and Social Work	86,875	6,657	93,532	89,794	3,738
Health Services					
Salaries	170,553	3,667	174,220	174,219	1
Purchased Professional and Technical Services	2,750	386	3,136	3,136	
Supplies and Materials	4,550	2,740	7,290	7,173	117
Total Health Services	177,853	6,793	184,646	184,528	118
Speech, OT, PT & Related Services					
Salaries	174,380	(360)	174,020	165,208	8,812
Purchased Professional-Educational Services	750		750		750
Supplies and Materials	1,000	-	1,000	289	711
Total Speech, OT, PT & Related Services	176,130	(360)	175,770	165,497	10,273

**CLOSTER BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Other Support Services - Students - Extra Services					
Salaries	\$ 237,260	\$ (77,000)	\$ 160,260	\$ 155,858	\$ 4,402
Purchased Professional-Educational Services	272,308	(14,796)	257,512	235,241	22,271
Supplies and Materials	4,000	5,080	9,080	8,947	133
Other Objects	2,000	-	2,000	998	1,002
Total Other Supp.Serv. Student - Extra Services	515,568	(86,716)	428,852	401,044	27,808
Guidance					
Salaries of Other Professional Staff	143,264	1,559	144,823	143,084	1,739
Supplies and Materials	900	451	1,351	1,351	-
Total Guidance	144,164	2,010	146,174	144,435	1,739
Child Study Teams					
Salaries of Other Professional Staff	385,625	-	385,625	371,806	13,819
Salaries of Secretarial and Clerical Assistants	67,818	-	67,818	67,132	686
Purchased Professional-Educational Services	29,500	(4,158)	25,342	25,232	110
Other Purchased Professional and Technical Services	16,000	(2,301)	13,699	5,092	8,607
Supplies and Materials	6,250	3,513	9,763	9,740	23
Other Objects	970	800	1,770	775	995
Total Child Study Teams	506,163	(2,146)	504,017	479,777	24,240
Improvement of Instructional Services					
Salaries of Other Professional Staff	7,450	-	7,450	6,489	961
Purchased Professional-Educational Services	52,375	-	52,375	50,604	1,771
Total Improvement of Instructional Services	59,825	-	59,825	57,093	2,732
Educational Media/School Library					
Salaries	213,770	-	213,770	213,496	274
Purchased Professional and Technical Services	10,075	(1,697)	8,378	8,378	-
Supplies and Materials	20,900	1,697	22,597	19,488	3,109
Total Educational Media/School Library	244,745	-	244,745	241,362	3,383
Instructional Staff Training Services					
Salaries of Other Professional Staff	2,000	-	2,000	770	1,230
Purchased Professional-Educational Services	30,485	(45)	30,440	29,633	807
Other Purchased Professional and Technical Services	60,000	(2,185)	57,815	20,199	37,616
Other Purchased Services	-	4,637	4,637	4,633	4
Supplies and Materials	7,500	(4,000)	3,500	971	2,529
Total Instructional Staff Training Services	99,985	(1,593)	98,392	56,206	42,186
Support Services General Administration					
Salaries	397,131	456	397,587	397,087	500
Other Employee Benefits	-	9,975	9,975	9,975	-
Legal Services	47,500	(22,310)	25,190	21,437	3,753
Audit Fees	19,500	(1,390)	18,110	18,000	110
Architectural/Engineering Services	16,000	4,110	20,110	20,109	1
Other Purchased Professional Services	2,850	19,690	22,540	8,262	14,278
Communications/Telephone	29,975	(2,200)	27,775	21,535	6,240
BOE Other Purchased Services	8,250	(7,975)	275	210	65
Miscellaneous Purchased Services	1,750	-	1,750	1,366	384
General Supplies	8,000	-	8,000	6,717	1,283
BOE In-House Training	2,000	-	2,000	503	1,497
Miscellaneous Expenditures	7,854	1,516	9,370	9,212	158
BOE Membership Dues and Fees	12,000	(3,016)	8,984	8,984	-
Total Support Services General Administration	552,810	(1,144)	551,666	523,397	28,269

**CLOSTER BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Support Services School Administration					
Salaries of Principals/Asst. Principals	\$ 482,301	\$ (7,571)	\$ 474,730	\$ 467,756	\$ 6,974
Salaries of Other Professional Staff	119,661	633	120,294	120,294	
Salaries of Secretarial and Clerical Assistants	105,481		105,481	96,346	9,135
Other Employee Benefits		12,600	12,600	12,600	
Other Purchased Services	7,000	(2,404)	4,596	4,433	163
Supplies and Materials	12,000	9,971	21,971	20,277	1,694
Other Objects	2,800	750	3,550	3,411	139
Total Support Services School Administration	<u>729,243</u>	<u>13,979</u>	<u>743,222</u>	<u>725,117</u>	<u>18,105</u>
Central Services					
Salaries	125,139	359	125,498	125,498	
Purchased Technical Services	17,000		17,000	16,359	641
Miscellaneous Purchased Services	17,000	1,543	18,543	18,401	142
Supplies and Materials	7,500		7,500	4,976	2,524
Miscellaneous Expenditures	3,000	(1,543)	1,457	1,315	142
Total Central Services	<u>169,639</u>	<u>359</u>	<u>169,998</u>	<u>166,549</u>	<u>3,449</u>
Required Maintenance for School Facilities					
Salaries	184,090		184,090	180,617	3,473
Cleaning, Repair and Maintenance Services	171,525	27,787	199,312	168,351	30,961
General Supplies	49,000	(15,409)	33,591	30,090	3,501
Other Objects	2,500	-	2,500	1,944	556
Total Required Maintenance for School Facilities	<u>407,115</u>	<u>12,378</u>	<u>419,493</u>	<u>381,002</u>	<u>38,491</u>
Custodial Services					
Salaries	416,300	15,681	431,981	417,803	14,178
Salaries of Non-Instructional Aides	97,535	2,500	100,035	100,003	32
Purchased Professional and Technical Services	5,550		5,550	4,195	1,355
Cleaning, Repair and Maintenance Services	30,000	(16,431)	13,569	13,015	554
Other Purchased Property Services	8,600	644	9,244	8,952	292
Insurance	132,500	(17,941)	114,559	114,539	20
Miscellaneous Purchased Services	1,000	(59)	941	452	489
General Supplies	45,000	3,179	48,179	48,016	163
Energy (Natural Gas)	186,271	(3,550)	182,721	90,714	92,007
Energy (Electricity)	226,210	-	226,210	145,134	81,076
Total Custodial Services	<u>1,148,966</u>	<u>(15,977)</u>	<u>1,132,989</u>	<u>942,823</u>	<u>190,166</u>
Care and Upkeep of Grounds					
Cleaning, Repair and Maintenance Service	25,390	12,224	37,614	33,837	3,777
General Supplies	5,000	1,001	6,001	6,001	-
Total Care and Upkeep of Grounds	<u>30,390</u>	<u>13,225</u>	<u>43,615</u>	<u>39,838</u>	<u>3,777</u>
Student Transportation Services					
Salaries of Non-Instructional Aides	23,595		23,595	6,658	16,937
Salaries for Pupil Transportation (Between Home & School) - Regular					
Contracted Services (Between Home and School) - Vendors	34,300		34,300	28,517	5,783
Contracted Services (Other Than Between Home and School) - Vendors	8,750	1,000	9,750	9,124	626
Contracted Services (Between Home and School) - Joint Agreements	7,750	29,777	37,527	34,182	3,345
Contracted Services (Special Education Students) - Joint Agreements	305,000	(32,602)	272,398	201,241	71,157
Contracted Services - Aid In Lieu of Payments-Non-Public Schools	64,895	(26,308)	38,587	37,857	730
Total Student Transportation Services	<u>444,290</u>	<u>(28,133)</u>	<u>416,157</u>	<u>317,579</u>	<u>98,578</u>

**CLOSTER BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Regular Programs - Instruction - Employee Benefits					
Tuition Reimbursement	\$ 15,000	\$ 7,931	\$ 22,931	\$ 22,809	\$ 122
Other Employee Benefits	22,500	-	22,500	1,449	21,051
Total Regular Programs - Instruction	37,500	7,931	45,431	24,258	21,173
Other Employee Benefits	6,109	-	6,109	1,626	4,483
Total Other Employee Benefits	6,109	-	6,109	1,626	4,483
Unallocated Benefits- Employee Benefits					
Social Security Contributions	165,290	(10,600)	154,690	146,069	8,621
Other Retirement Contributions - Regular	128,850	12,000	140,850	140,567	283
Worker's Compensation	91,950	(9,434)	82,516	82,516	
Health Benefits	1,600,000	29,400	1,629,400	1,617,340	12,060
Total Unallocated Benefits	1,986,090	21,366	2,007,456	1,986,492	20,964
TPAF Pension Contribution-Post-Retirement Medical Contribution (Non-Budgeted)				573,570	(573,570)
TPAF Pension Contribution-NCGI Contribution (Non-Budgeted)				30,539	(30,539)
TPAF Social Security Contributions (Non-Budgeted)	-	-	-	667,721	(667,721)
Total Undistributed Expenditures	\$ 8,329,850	\$ 27,213	\$ 8,357,063	\$ 9,082,487	\$ (725,424)
Total Current Expenditures	16,081,048	73,326	16,154,374	16,964,629	(810,255)
CAPITAL OUTLAY					
Increase in Capital Reserve	200,000	-	200,000		200,000
Interest Deposit to Capital Reserve	3,000	-	3,000	-	3,000
	203,000	-	203,000	-	203,000
EQUIPMENT					
Learning and/or Language Disabilities	-	11,061	11,061	11,061	-
Total Equipment	-	11,061	11,061	11,061	-
Facilities Acquisition and Construction Services					
Other Purchased Professional and Technical Services	30,000	-	30,000	26,729	3,271
Construction Services	170,500	6,998	177,498	160,490	17,008
Total Facilities Acquisition and Construction Services	200,500	6,998	207,498	187,219	20,279
Total Capital Outlay	403,500	18,059	421,559	198,280	223,279
Total General Fund Expenditures	16,484,548	91,385	16,575,933	17,162,909	(586,976)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(546,488)	(91,385)	(637,873)	141,372	779,245
Other Financing Sources					
Capital Lease Proceeds (Non-Budget)	-	-	-	181,641	181,641
Total Other Financing Sources	-	-	-	181,641	181,641
Excess (Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Sources	(546,488)	(91,385)	(637,873)	323,013	960,886
Fund Balance, Beginning of Year	2,033,573	-	2,033,573	2,033,573	-
Fund Balance, End of Year	\$ 1,487,085	\$ (91,385)	\$ 1,395,700	\$ 2,356,586	\$ 960,886

**CLOSTER BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
Recapitulation					
Reserved for Encumbrances				\$ 46,599	
Emergency Reserve				250,000	
Capital Reserve				984,290	
Excess Surplus - Designated for Subsequent Year's Expenditures				300,000	
Excess Surplus				277,708	
Unreserved Fund Balance Undesignated				<u>497,989</u>	
				2,356,586	
Reconciliation to Governmental Fund Statements (GAAP)					
Receivables Not Recognized by GAAP					
Final State Aid Payment Deferred			\$ 63,161		
Extraordinary Aid			<u>176,048</u>		
				<u>(239,209)</u>	
Fund Balance, Governmental Statements (GAAP Basis)				<u>\$ 2,117,377</u>	

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, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local Sources	\$ 180,000	4,457 \$	4,457 \$	4,457	
Federal Sources		309,077	489,077	345,256	\$ 143,821
Total Revenues	180,000	313,534	493,534	349,713	143,821
EXPENDITURES					
Instruction					
Other Purchased Services	180,000	11,631	191,631	190,293	1,338
Supplies and Materials	-	15,000	15,000	10,702	4,298
Total Instruction	180,000	26,631	206,631	200,995	5,636
Support Services					
Purchased Professional Services		3,200	3,200		3,200
Other Purchased Services		68,553	68,553	66,244	2,309
Supplies and Materials		15,257	15,257	14,474	783
Total Support Services	-	87,010	87,010	80,718	6,292
CAPITAL OUTLAY					
Facilities Acquisition and Construction Services Building	-	199,893	199,893	68,000	131,893
Total Facilities Acquisition and Construction Services	-	199,893	199,893	68,000	131,893
Total Expenditures	\$ 180,000	\$ 313,534	\$ 493,534	\$ 349,713	\$ 143,821
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-
Fund Balances, Beginning of Year	-	-	-	-	-
Fund Balances, End of Year	\$ -	\$ -	\$ -	\$ -	\$ -

**CLOSTER BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

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

The following presents a reconciliation of the General and Special Revenue Funds from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - General Fund and Special Revenue Fund to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources		
Actual amounts (budgetary basis) revenue from the budgetary comparison schedule (Exhibits C-1 and C-2)	\$ 17,304,281	\$ 349,713
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Encumbrances , June 30, 2010		(15,440)
State Aid payments recognized for GAAP statements, not recognized for budgetary purposes - Prior Year	185,056	
State Aid payments recognized for budgetary purposes, not recognized for GAAP statements - Current Year	<u>(239,209)</u>	<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 17,250,128</u>	<u>\$ 334,273</u>
Uses/Outflows of Resources		
Actual amounts (budgetary basis) total outflows from the budgetary comparison schedule	\$ 17,162,909	\$ 349,713
Differences - Budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes but in the year the supplies are received for financial reporting purposes	<u>-</u>	<u>(15,440)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 17,162,909</u>	<u>\$ 334,273</u>

SCHOOL LEVEL SCHEDULES

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

NOT APPLICABLE

SPECIAL REVENUE FUND

CLOSTER BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	IDEA Part B- Basic	IDEA Pre- School	ARRA IDEA Basic	ARRA IDEA Pre- School	NCLB Title III	NCLB Title IV	Local	Total
REVENUES								
Intergovernmental								
Local							4457	4,457
Federal	\$ 227,214	\$ 10,221	\$ 93,165	\$ 5,216	\$ 8,644	\$ 796	\$ -	\$ 345,256
Total Revenues	\$ 227,214	\$ 10,221	\$ 93,165	\$ 5,216	\$ 8,644	\$ 796	\$ 4,457	\$ 349,713
EXPENDITURES								
Instruction								
Other Purchased Services	\$ 170,410	\$ 10,221	\$ 9,662	\$ 5,216	-	-	-	\$ 190,293
Supplies and Materials	-	-	5,486	-	-	-	-	10,702
Total Instruction	170,410	10,221	15,148	5,216	-	-	-	200,995
Support Services								
Other Purchased Services	56,804	-	-	-	\$ 8,644	\$ 796	-	66,244
Supplies and Materials	-	-	10,017	-	-	-	\$ 4,457	14,474
Total Support Services	56,804	-	10,017	-	8,644	796	4,457	80,718
CAPITAL OUTLAY								
Facilities Acquisition and Construction Services								
Building	-	-	68,000	-	-	-	-	68,000
Total Facilities Acquisition and Construction Services	-	-	68,000	-	-	-	-	68,000
Total Expenditures	\$ 227,214	\$ 10,221	\$ 93,165	\$ 5,216	\$ 8,644	\$ 796	\$ 4,457	\$ 349,713

**CLOSTER BOARD OF EDUCATION
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID
SCHEDULE OF EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOT APPLICABLE

CAPITAL PROJECTS FUND

NOT APPLICABLE

ENTERPRISE FUND

**CLOSTER BOARD OF EDUCATION
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2010**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

**COMBINING STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

**COMBINING STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

INTERNAL SERVICE FUND

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

NOT APPLICABLE

FIDUCIARY FUNDS

**CLOSTER BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF AGENCY NET ASSETS
JUNE 30, 2010**

	<u>Student</u> <u>Activity</u>	<u>Agency</u> <u>Payroll</u>	<u>Total</u>
ASSETS			
Cash	\$ 67,253	\$ 67,298	\$ 134,551
Total Assets	<u>\$ 67,253</u>	<u>\$ 67,298</u>	<u>\$ 134,551</u>
LIABILITIES			
Payroll Deductions and Withholdings		\$ 66,515	\$ 66,515
Accrued Salaries and Wages		443	443
Due to Student Groups	\$ 67,253		67,253
Due to Other Funds	<u>-</u>	<u>340</u>	<u>340</u>
Total Liabilities	<u>\$ 67,253</u>	<u>\$ 67,298</u>	<u>\$ 134,551</u>

**CLOSTER BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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, 2010**

<u>School</u>	<u>Balance July 1, 2009</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2010</u>
ELEMENTARY SCHOOL				
Hillside	\$ 28,065	\$ 42,944	\$ 36,879	\$ 34,130
MIDDLE SCHOOL				
Tenakill	<u>30,020</u>	<u>153,884</u>	<u>150,781</u>	<u>33,123</u>
Total	<u>\$ 58,085</u>	<u>\$ 196,828</u>	<u>\$ 187,660</u>	<u>\$ 67,253</u>

**PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Balance, July 1, 2009</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2010</u>
Due to Other Funds	\$ 779	\$ 783	\$ 1,222	\$ 340
Payroll Deductions and Withholdings	64,362	5,016,881	5,014,728	66,515
Accrued Salaries and Wages	<u>444</u>	<u>6,677,409</u>	<u>6,677,410</u>	<u>443</u>
	<u>\$ 65,585</u>	<u>\$ 11,695,073</u>	<u>\$ 11,693,360</u>	<u>\$ 67,298</u>

LONG-TERM DEBT

EXHIBIT I-1

CLOSTER BOARD OF EDUCATION
LONG-TERM DEBT
STATEMENT OF SERIAL BONDS PAYABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<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, 2009</u>	<u>Retirements</u>	<u>Balance, June 30, 2010</u>
			<u>Date</u>	<u>Amount</u>				
School Bonds	9/15/94	\$ 4,464,000	9-15-2010	\$ 280,000	6.00 %			
			9-15-2011	280,000	6.00			
			9-15-2012	300,000	6.125			
			9-15-2013	300,000	6.125			
			9-15-2014	294,000	6.125	\$ 1,734,000	\$ 280,000	\$ 1,454,000
School Bonds	4/1/2004	\$ 4,600,000	4-1-2011	235,000	3.50			
			4-1-2012	265,000	3.50			
			4-1-2013	270,000	3.60			
			4-1-2014	270,000	3.60			
			4-1-2015	270,000	3.60			
			4-1-2016	270,000	3.60			
			4-1-2017	270,000	3.60			
			4-1-2018	270,000	3.75			
			4-1-2019	270,000	3.80			
			4-1-2020	270,000	4.00			
			4-1-2021	270,000	4.00			
			4-1-2022	270,000	4.00			
		4-1-2023	275,000	4.00				
		4-1-2024	280,000	4.00				
						3,960,000	205,000	3,755,000
						\$ 5,694,000	\$ 485,000	\$ 5,209,000

CLOSTER BOARD OF EDUCATION
 SCHEDULE OF OBLIGATIONS UNDER LEASE PURCHASE AGREEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<u>Issue</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Balance, July 1, 2009</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance, June 30, 2010</u>
150 x Apple IMAC Computers	0%	\$ 181,641	-	\$ 181,641	\$ 60,547	\$ 121,094
			\$ -	\$ 181,641	\$ 60,547	\$ 121,094

CLOSTER BOARD OF EDUCATION
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 1,068,333	-	\$ 1,068,333	\$ 1,068,333	-
Total Revenues	<u>1,068,333</u>	<u>-</u>	<u>1,068,333</u>	<u>1,068,333</u>	<u>-</u>
EXPENDITURES:					
Regular Debt Service:					
Interest	276,899		276,899	276,899	
Redemption of Principal	791,756		791,756	791,755	1
Total Regular Debt Service	<u>1,068,655</u>	<u>-</u>	<u>1,068,655</u>	<u>1,068,654</u>	<u>1</u>
Total Expenditures	<u>1,068,655</u>	<u>-</u>	<u>1,068,655</u>	<u>1,068,654</u>	<u>1</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(322)	-	(322)	(321)	1
Fund Balance, Beginning of Year	324	-	324	324	-
Fund Balance, End of Year	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>3</u>
	<u>2</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	

**CLOSTER BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF INTERGOVERNMENTAL LOANS PAYABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<u>Intergovernmental Loan</u>	<u>Interest Rate Payable</u>	<u>Amount of Original Issue</u>	<u>Balance July 1, 2009</u>	<u>Retirement</u>	<u>Balance June 30, 2010</u>
Facility Program Loan	1.50%	\$ 4,464,063	\$ 1,174,752	\$ 234,950	\$ 939,802
Safe Loan	1.50%	299,219	78,743	15,749	62,994
Small Project Loan	5.29%	897,656	<u>305,625</u>	<u>56,056</u>	<u>249,569</u>
			<u>\$ 1,559,120</u>	<u>\$ 306,755</u>	<u>\$ 1,252,365</u>

STATISTICAL SECTION

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

Contents

Exhibits

Financial Trends

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

J-1 to J-5

Revenue Capacity

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

J-6 to J-9

Debt Capacity

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

J-10 to J-13

Demographic and Economic Information

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

J-14 and J-15

Operating Information

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

J-16 to J-20

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

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

	Fiscal Year Ended June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities								
Invested in capital assets, net of related debt	\$ 1,832,749	\$ 2,177,317	\$ 2,510,538	\$ 4,496,771	\$ 4,919,368	\$ 5,097,568	\$ 5,867,349	\$ 6,392,442
Restricted	304,815	478,361	1,568,506	528,878	98,734	252,826	532,393	984,293
Unrestricted	1,488,958	(96,875)	(101,270)	(148,261)	682,000	1,309,815	1,089,287	1,004,356
Total governmental activities net assets	\$ 2,286,522	\$ 2,558,803	\$ 3,977,774	\$ 4,877,388	\$ 5,700,102	\$ 6,660,209	\$ 7,489,029	\$ 8,381,071
Business-type activities								
Invested in capital assets, net of related debt	\$ 1,267							
Restricted	6,193	6,367	8,004	10,537	29,532	7,662	4,162	10,332
Total business-type activities net assets	\$ 7,460	\$ 6,367	\$ 8,004	\$ 10,537	\$ 29,532	\$ 7,662	\$ 4,162	\$ 10,332
District-wide								
Invested in capital assets, net of related debt	\$ 1,834,016	\$ 2,177,317	\$ 2,510,538	\$ 4,496,771	\$ 4,919,368	\$ 5,097,568	\$ 5,867,349	\$ 6,392,442
Restricted	304,815	478,361	1,568,506	528,878	98,734	252,826	532,393	984,293
Unrestricted	155,151	(90,508)	(93,266)	(137,724)	711,532	1,317,477	1,093,449	1,014,668
Total district net assets	\$ 2,293,982	\$ 2,565,170	\$ 3,985,778	\$ 4,887,925	\$ 5,729,634	\$ 6,667,871	\$ 7,493,191	\$ 8,391,403

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

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

(accrual basis of accounting)

	Fiscal Year Ended June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
Expenses								
Governmental activities								
Instruction								
Regular	\$ 6,504,949	\$ 6,830,754	\$ 7,013,642	\$ 7,743,978	\$ 7,992,233	\$ 8,195,185	\$ 7,877,844	\$ 8,240,288
Special education	1,396,366	1,748,468	1,872,441	1,935,974	2,080,565	2,261,842	2,258,068	2,378,069
Other instruction	431,734	486,153	465,048	552,436	639,104	665,095	800,088	864,669
School Sponsored Activities and Athletics	51,333	58,915	57,563	56,360	73,307	65,978	71,845	78,481
Support Services:								
Student & instruction related services	1,853,265	2,005,716	2,140,203	2,147,051	2,244,067	2,199,194	2,259,022	2,295,601
General Administration Services	551,536	636,979	604,682	672,458	586,400	626,271	683,875	645,485
School Administration services	429,100	536,984	596,495	729,709	872,519	908,975	952,592	950,387
Business / Central Services	163,710	180,934	175,704	192,710	210,049	209,113	212,980	212,795
Plant operations and maintenance	1,056,168	1,118,963	1,209,548	1,243,636	1,350,210	1,459,950	1,581,380	1,577,500
Pupil transportation	246,034	339,155	362,946	331,825	404,215	442,340	396,712	319,614
Interest on long-term debt	263,017	289,925	383,993	379,476	353,978	327,202	298,897	268,907
Total governmental activities expenses	<u>12,947,212</u>	<u>14,232,946</u>	<u>14,882,265</u>	<u>15,985,613</u>	<u>16,806,647</u>	<u>17,361,145</u>	<u>17,393,303</u>	<u>17,831,796</u>
Business-type activities:								
Food service	30,804	32,494	33,012	30,669	16,034	62,602	45,139	33,311
Total business-type activities expense	<u>30,804</u>	<u>32,494</u>	<u>33,012</u>	<u>30,669</u>	<u>16,034</u>	<u>62,602</u>	<u>45,139</u>	<u>33,311</u>
Total district expenses	<u>\$ 12,978,016</u>	<u>\$ 14,265,440</u>	<u>\$ 14,915,277</u>	<u>\$ 16,016,282</u>	<u>\$ 16,822,681</u>	<u>\$ 17,423,747</u>	<u>\$ 17,438,442</u>	<u>\$ 17,865,107</u>
Program Revenues								
Governmental activities:								
Charges for services:								
Instruction (tuition)	\$ 147,600	\$ 127,027	\$ 105,445	\$ 101,385	\$ 75,673	\$ 55,295	\$ 67,500	\$ 101,625
Operating grants and contributions	1,639,451	1,857,084	1,895,248	2,095,797	2,592,224	2,585,080	1,971,803	2,139,415
Capital grants and contributions	34,608	7,118	1,050,422	483,938	14,705	2,072	-	-
Total governmental activities program revenues	<u>1,821,659</u>	<u>1,991,229</u>	<u>3,051,115</u>	<u>2,681,120</u>	<u>2,682,602</u>	<u>2,642,447</u>	<u>2,039,303</u>	<u>2,241,040</u>
Business-type activities:								
Charges for services								
Food service	\$ 19,585	\$ 20,302	\$ 20,298	\$ 19,298	\$ 20,225	\$ 15,633	\$ 24,172	\$ 24,322
Operating grants and contributions	11,643	11,074	14,243	13,546	13,671	23,756	17,188	14,983
Total business type activities program revenues	<u>31,228</u>	<u>31,376</u>	<u>34,541</u>	<u>32,844</u>	<u>33,896</u>	<u>39,389</u>	<u>41,360</u>	<u>39,305</u>
Total district program revenues	<u>\$ 1,852,887</u>	<u>\$ 2,022,605</u>	<u>\$ 3,085,656</u>	<u>\$ 2,713,964</u>	<u>\$ 2,716,498</u>	<u>\$ 2,681,836</u>	<u>\$ 2,080,663</u>	<u>\$ 2,280,345</u>
Net (Expense)/Revenue								
Governmental activities	\$ (11,125,553)	\$ (12,241,717)	\$ (11,831,150)	\$ (13,304,493)	\$ (14,124,045)	\$ (14,718,698)	\$(15,354,000)	\$ (15,590,756)
Business-type activities	424	(1,118)	1,529	2,175	17,862	(23,213)	(3,779)	5,994
Total district-wide net expense	<u>\$ (11,125,129)</u>	<u>\$ (12,242,835)</u>	<u>\$ (11,829,621)</u>	<u>\$ (13,302,318)</u>	<u>\$ (14,106,183)</u>	<u>\$ (14,741,911)</u>	<u>\$(15,357,779)</u>	<u>\$ (15,584,762)</u>
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Property taxes levied for general purposes	\$ 10,880,722	\$ 11,605,911	\$ 12,139,047	\$ 12,976,541	\$ 13,720,585	\$ 14,399,550	\$ 14,924,026	\$ 15,225,195
Taxes levied for debt service	773,667	767,264	893,570	1,014,088	1,022,877	1,061,587	1,063,336	1,068,333
Unrestricted grants and contributions	23,501	73,370	94,398	129,088	94,525	112,509	128,468	55,154
Investment earnings	14,466	21,408	86,333	65,668	96,500	80,136	32,361	18,378
Miscellaneous income	109,257	46,045	36,773	14,627	10,172	15,225	34,629	44,634
Donation of Capital Assets	-	-	-	4,095	2,100	9,798	-	71,104
Total governmental activities	<u>11,801,613</u>	<u>12,513,998</u>	<u>13,250,121</u>	<u>14,204,107</u>	<u>14,946,759</u>	<u>15,678,805</u>	<u>16,182,820</u>	<u>16,482,798</u>
Business-type activities:								
Investment earnings	18	25	108	358	1,133	1,343	279	176
Total business-type activities	<u>18</u>	<u>25</u>	<u>108</u>	<u>358</u>	<u>1,133</u>	<u>1,343</u>	<u>279</u>	<u>176</u>
Total district-wide	<u>\$ 11,801,631</u>	<u>\$ 12,514,023</u>	<u>\$ 13,250,229</u>	<u>\$ 14,204,465</u>	<u>\$ 14,947,892</u>	<u>\$ 15,680,148</u>	<u>\$ 16,183,099</u>	<u>\$ 16,482,974</u>
Change in Net Assets								
Governmental activities	\$ 676,060	\$ 272,281	\$ 1,418,971	\$ 899,614	\$ 822,714	\$ 960,107	\$ 828,820	\$ 892,042
Business-type activities	442	(1,093)	1,637	2,533	18,995	(21,870)	(3,500)	6,170
Total district	<u>\$ 676,502</u>	<u>\$ 271,188</u>	<u>\$ 1,420,608</u>	<u>\$ 902,147</u>	<u>\$ 841,709</u>	<u>\$ 938,237</u>	<u>\$ 825,320</u>	<u>\$ 898,212</u>

Note:

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

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

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

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

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

	Fiscal Year Ended June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
Revenues								
Tax levy	\$ 11,654,389	\$ 12,373,175	\$ 13,032,617	\$ 13,990,629	\$ 14,743,462	\$ 15,461,137	\$ 15,987,362	\$ 16,293,528
Tuition charges	147,600	127,027	105,445	101,385	75,673	55,295	67,500	101,625
Interest earnings	14,466	21,408	86,333	65,668	96,500	80,136	32,361	18,378
Miscellaneous	110,556	59,214	42,372	19,142	12,660	21,532	34,629	49,091
State sources	1,521,870	1,724,467	2,788,947	2,449,919	2,466,671	2,456,997	1,863,890	1,860,296
Federal sources	171,173	207,536	245,522	254,389	232,295	236,357	236,381	329,816
Total revenue	13,620,054	14,512,827	16,301,236	16,881,132	17,627,261	18,311,454	18,222,123	18,652,734
Expenditures								
Instruction								
Regular instruction	6,402,915	6,613,335	6,814,595	7,469,050	7,973,335	7,874,366	7,803,806	8,042,627
Special education instruction	1,383,317	1,733,995	1,859,000	1,917,440	2,074,827	2,213,922	2,026,672	2,336,912
Other instruction	438,855	490,476	461,054	547,026	626,531	638,468	781,082	837,620
School sponsored activities and athletics	51,333	58,915	57,563	56,360	71,577	63,492	69,525	76,247
Support Services:								
Student & inst. related services	1,871,783	1,962,813	2,098,561	2,104,272	2,221,013	2,117,914	2,190,659	2,247,660
General administration Services	548,577	633,187	586,526	647,977	639,353	604,008	664,922	638,311
School Administration services	441,564	530,553	597,192	719,164	840,523	870,634	918,309	933,556
Business / Central Services	163,251	180,349	175,058	191,802	205,216	202,008	207,166	207,277
Plant operations and maintenance	1,054,657	1,108,261	1,219,805	1,251,305	1,345,556	1,422,397	1,549,630	1,546,264
Pupil transportation	246,034	339,155	362,946	331,825	403,331	441,225	395,836	319,321
Capital outlay	53,785	514,540	4,225,614	1,659,110	89,000	45,751	504,562	250,840
Debt service:								
Principal	503,057	514,755	505,893	678,305	700,289	727,352	759,537	852,302
Interest and other charges	272,009	289,418	388,865	385,782	360,587	334,235	306,405	276,899
Total expenditures	13,431,137	14,969,752	19,352,672	17,959,418	17,551,138	17,555,772	18,178,111	18,565,836
Excess (Deficiency) of revenues over (under) expenditures	188,917	(456,925)	(3,051,436)	(1,078,286)	76,123	755,682	44,012	86,898
Other Financing sources (uses)								
Serial Bond Proceeds		4,600,000						
Prior year grant receivable cancelled		(7,600)						
Capital Lease Proceeds								181,641
Transfers in	52,834	274,260	115,739	12,296	56,891	322	2	
Transfers out	(52,834)	(274,260)	(115,739)	(12,296)	(56,891)	(322)	(2)	
Total other financing sources (uses)	-	4,592,400	-	-	-	-	-	181,641
Net change in fund balances	\$ 188,917	\$ 4,135,475	\$ (3,051,436)	\$ (1,078,286)	\$ 76,123	\$ 755,682	\$ 44,012	\$ 268,539
Debt service as a percentage of noncapital expenditures	5.79%	5.56%	5.91%	6.53%	6.08%	6.06%	6.03%	6.17%

* Noncapital expenditures are total expenditures less capital outlay.

Note:

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

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

Fiscal Year Ended June 30	<u>Tuition</u>	<u>Interest on Investments</u>	<u>Misc.</u>	<u>Total</u>
2001	\$ 44,100	\$ 71,036	\$ 45,929	\$ 161,065
2002	101,320	21,507	66,994	189,821
2003	147,600	13,545	106,039	267,184
2004	127,027	10,548	53,645	191,220
2005	105,445	20,553	36,773	162,771
2006	101,385	52,620	14,627	168,632
2007	75,673	94,274	10,172	180,119
2008	55,295	79,814	15,225	150,334
2009	67,500	32,359	34,629	134,488
2010	101,625	18,378	44,634	164,637

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

Calendar Year Ended December 31,	Vacant Land	Residential	Farm Reg.	Ofarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate ^a
2001	\$ 14,632,600	\$ 952,535,700	\$ 2,864,300	\$ 28,500	\$ 132,996,700	\$ 17,470,800	\$ 539,200	\$ 1,121,067,800	\$ 4,318,315	\$ 1,125,386,115	\$ 1,235,893,097	0.948
2002	11,899,400	964,483,600	2,819,800	28,500	135,234,700	15,111,600	539,200	1,130,116,800	4,314,551	1,134,431,351	1,329,932,146	1.005
2003	12,805,600	973,583,400	2,819,800	28,500	135,333,100	14,267,500	539,200	1,139,377,100	4,314,551	1,143,691,651	1,372,783,222	1.050
2004	13,188,700	986,169,500	2,819,800	28,500	135,056,600	14,267,500	539,200	1,152,069,800	3,829,663	1,155,899,463	1,532,548,483	1.100
2005	15,035,600	1,000,581,600	2,819,800	28,500	135,618,900	14,267,500	539,200	1,168,891,100	3,730,935	1,172,622,035	1,764,818,118	1.152
2006	35,029,400	2,086,295,000	4,930,100	32,500	216,771,800	18,963,600	1,005,700	2,363,028,100	5,482,708	2,368,510,808	2,014,471,104	0.607
2007	40,014,800	2,088,854,600	4,930,100	30,500	214,440,600	18,309,800	1,005,700	2,367,586,100	5,522,116	2,373,108,216	2,230,624,189	0.636
2008	37,719,700	2,098,226,600	4,930,100	30,500	208,793,300	18,309,800	1,005,700	2,369,015,700	5,610,344	2,374,626,044	2,284,098,351	0.662
2009	25,624,300	1,780,304,800	5,471,800	31,500	228,504,900	21,689,700	959,600	2,062,586,600	6,411,588	2,068,998,188	2,074,488,644	0.780
2010	23,558,800	1,786,602,200	5,471,800	31,500	224,680,900	15,782,200	959,600	2,057,087,000	6,112,619	2,063,199,619	2,063,199,619	0.800

Source: County Abstract of Rates

^a Tax rates are per \$100

N/A = Not Available

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

<u>Calendar Year</u>	<u>Total Direct Tax Rate</u>	<u>Overlapping Rates</u>				<u>Total</u>
		<u>Regional High School District</u>	<u>Municipality</u>	<u>County</u>		
2001	\$.948	\$.542	\$.494	\$.246	\$2.23	
2002	1.005	.606	.518	.261	2.39	
2003	1.050	.698	.548	.254	2.55	
2004	1.100	.681	.595	.265	2.64	
2005	1.152	.709	.623	.286	2.77	
2006 (1)	.607	.367	.357	.159	1.49	
2007	.636	.387	.376	.171	1.57	
2008	.662	.406	.397	.177	1.64	
2009 (2)	.780	.491	.478	.222	1.97	
2010	.800	.506	.495	.212	2.013	

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

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

Source: Borough of Closter

EXHIBIT J-8

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

Taxpayer	2010		2001	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Irani-Aspi-Closter Plaza Met. Reuten Associates	\$ 31,500,000	1.53%	\$ 25,232,400	2.24%
United Water New Jersey	9,337,500	0.45%	13,528,500	1.20%
Closter Grocery	8,141,300	0.39%		
Weyerhaeuser Co.			7,679,200	0.68%
Closter Golf	7,535,000	0.37%		
Heidenberg Closter Assoc.	7,343,600	0.36%		
Verizon	5,610,344	0.27%		
Weyerhaeuser	5,424,000	0.26%		
A & P			5,000,000	0.44%
Closter SHP/Stop & Shop	4,553,500	0.22%		
Heidenberg Plaza			4,351,000	0.39%
United Water New Jersey			4,265,400	0.38%
Fred Reuten, Inc.	4,200,000	0.20%		
Reuten Associates	4,009,000	0.19%		
Closter Golf			3,828,400	0.34%
Fred Reuten, Inc. Resident			3,363,400	0.30%
JADCO, Inc.			2,951,500	0.26%
			2,744,100	0.24%
	\$ 87,654,244	4.25%	\$ 72,943,900	6.47%

**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	
2001	\$ 10,181,706	\$ 10,181,706	100.00%	N/A
2002	11,164,113	11,164,113	100.00%	N/A
2003	11,654,389	11,654,389	100.00%	N/A
2004	12,373,175	12,373,175	100.00%	N/A
2005	13,032,617	13,032,617	100.00%	N/A
2006	13,990,629	13,990,629	100.00%	N/A
2007	14,743,462	14,743,462	100.00%	N/A
2008	15,461,137	15,461,137	100.00%	N/A
2009	15,987,362	15,987,362	100.00%	N/A
2010	16,293,528	16,293,528	100.00%	N/A

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

Governmental Activities

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

Source: District records

Note:

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

A = Estimated

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

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

Source: District records

Note:

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

CLOSTER BOARD OF EDUCATION
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2009
(Unaudited)

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Municipal Debt: (1)			
Regional School District	\$ 20,761,083	\$ 20,761,083	
Borough of Closter Board of Education	6,666,365	6,666,365	
Borough of Closter	<u>12,915,036</u>	<u>175,964</u>	<u>\$ 12,739,072</u>
	<u>\$ 40,342,484</u>	<u>\$ 27,603,412</u>	<u>12,739,072</u>
Overlapping Debt Apportioned to the Municipality:			
Bergen County:			
County of Bergen (A)			8,669,292
Bergen County Utilities Authority - Waste Water(B)			<u>3,616,279</u>
			<u>12,285,571</u>
 Total Direct and Overlapping Debt			 <u>\$ 25,024,643</u>

Source:

(1) Borough of Closter's 2009 Annual Debt Statement

(A) The debt for this entity was apportioned to the Borough of Closter by dividing the municipality's 2009 equalized value by the total 2009 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 SIX FISCAL YEARS
(Unaudited)**

Legal Debt Margin Calculation for Fiscal Year 2009

Equalized valuation basis		
2009	\$ 2,244,625,748	
2008	2,351,847,215	
2007	2,271,501,583	
	<u>\$ 6,867,974,546</u>	[A]
Average equalized valuation of taxable property		[A/3] \$ 2,289,324,849
Debt limit (3% of average equalization value)		[B] 68,679,745
Total Net Debt Applicable to Limit		[C] <u>6,461,365</u>
Legal debt margin		[B-C] <u>\$ 62,218,380</u>

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

Source: Annual Debt Statements

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

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

<u>Year</u>	<u>Population</u>	<u>County Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2001	8,409	\$ 52,189	2.80%
2002	8,421	51,620	3.90%
2003	8,453	50,820	3.90%
2004	8,507	54,288	3.20%
2005	8,528	56,877	1.70%
2006	8,549	62,007	2.10%
2007	8,590	67,125	1.90%
2008	8,621	N/A	2.40%
2009	8,675	N/A	4.40%
2100	8,675 (A)	N/A	N/A

A - Estimated

Source: New Jersey State Department of Education

N/A = Not Available

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

Employer	2010		2001	
	Employees	Percentage of Total Municipal Employment	Employees	Percentage of Total Municipal Employment

NOT AVAILABLE

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

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Instruction						
Regular	75.8	74.5	73.5	74.5	74.5	69.0
Special education	11.6	12.6	11.4	11.6	11.6	12.8
Other instruction (ESL, Basic)	4.6	4.6	5.4	5.5	7.5	6.5
Co-curricular activities	0.2	0.2	0.2	0.2	0.2	0.2
Support Services:						
Student and instruction related services	26.2	29.8	27.6	28.6	13.9	10.9
General administration	4.8	4.8	4.8	4.8	4.8	4.8
School administrative services	6.0	7.0	7.0	7.0	7.0	7.0
Central services	1.0	1.0	1.0	1.0	1.0	1.0
Plant operations and maintenance	14.3	15.4	15.0	15.0	11.0	11.0
Pupil transportation	1.7	1.1	1.2	1.2	-	-
Total	<u>146.20</u>	<u>151.00</u>	<u>147.10</u>	<u>149.40</u>	<u>131.50</u>	<u>123.20</u>

Source: District Personnel Records

Note:

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

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

Fiscal Year	Enrollment ^a	Operating Expenditures ^b	Cost Per Pupil ^c	Percentage Change	Teacher/Pupil Ratio			Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
					Teaching Staff ^b	Elementary	Middle School			
2001	1,126	\$ 11,043,097	\$ 9,807	6.50%	87.1	12.9	13.0	1,078.3	2.38%	96.13%
2002	1,147	11,592,468	10,107	3.05%	87.6	13.3	13.2	1,091.3	1.16%	96.18%
2003	1,202	12,602,286	10,484	3.74%	89.7	13.4	13.4	1,154.4	5.89%	96.08%
2004	1,232	13,721,672	11,138	6.23%	92.8	13.3	13.3	1,179.9	1.73%	96.53%
2005	1,231	14,232,300	11,562	3.81%	92.6	12.7	14.3	1,186.9	0.82%	96.32%
2006	1,218	15,235,706	12,509	8.19%	100.3	11.6	12.8	1,170.0	-1.57%	96.46%
2007	1,205	16,401,262	13,611	8.81%	99.3	11.7	12.7	1,160.0	-2.47%	98.06%
2008	1,182	16,448,434	13,916	2.24%	99.3	11.8	12.8	1,125.0	-1.69%	96.73%
2009	1,191	16,607,607	13,944	0.20%	98.2	11.8	12.8	1,135.0	1.03%	96.60%
2010	1,155	17,185,795	14,879	6.71%	98.2	11.8	12.8	1,112.0	-2.38%	96.95%

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 SIX FISCAL YEARS
(Unaudited)**

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

Number of Schools at June 30, 2010

- Elementary = 1
- Middle School = 1

Source: District Records

Note:

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

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

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
UNDISTRIBUTED EXPENDITURES - REQUIRED MAINTENANCE FOR SCHOOL FACILITIES 11-000-261-XXX											
*School Facilities	Project # (s)										
Hillside School	N/A	\$ 80,779	\$ 117,407	\$ 113,774	\$ 128,353	\$ 110,273	\$ 138,249	\$ 159,543	\$ 146,596	\$ 203,620	\$ 168,375
Tenakill School	N/A	121,169	112,297	141,921	131,849	132,477	146,731	184,484	179,153	186,654	212,627
Grand Total		<u>\$ 201,948</u>	<u>\$ 229,704</u>	<u>\$ 255,695</u>	<u>\$ 260,202</u>	<u>\$ 242,750</u>	<u>\$ 284,980</u>	<u>\$ 344,027</u>	<u>\$ 325,749</u>	<u>\$ 390,274</u>	<u>\$ 381,002</u>

Source: District Records

**CLOSTER BOARD OF EDUCATION
INSURANCE SCHEDULE
JUNE 30, 2010
(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - Selectiveway Insurance Co. Property-Blanket Building/Contents	\$ 33,834,327	\$ 5,000
Comprehensive General Liability - General Aggregate	2,000,000	
Boiler and Machinery - Selective Insurance Company Blanket Property Damage	100,000,000	1,000
Umbrella Excess Liability - Firemen's Fund Ins. Co.	50,000,000	
Umbrella Liability - American Alternatives Insurance Company (each occurrence)	9,000,000	10,000
Educator's Legal Liability - ACE USA	1,000,000	
Public Employee Dishonesty - Selective Insurance Co. of America (per employee)	100,000	5,000
(per loss)	400,000	
Commercial Automobile Liability - Selective Way Insurance Co.	1,000,000	250

Source: School Insurance Records

SINGLE AUDIT SECTION

LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-1

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Closter Board of Education as of and for the fiscal year ended June 30, 2010, which collectively comprise the Closter Board of Education's basic financial statements and have issued our report thereon dated November 23, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

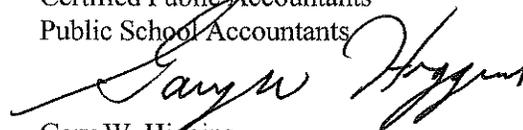
As part of obtaining reasonable assurance about whether the Closter Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct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

However, we noted certain matters that we have reported to management of the Closter Board of Education in a separate report entitled, "Auditors' Management Report on Administrative Findings – Financial, Compliance and Performance" dated November 23, 2010.

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



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



Gary W. Higgins
 Public School Accountant
 PSA Number CS00814

Fair Lawn, New Jersey
 November 23, 2010

LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-2

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

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

Compliance

We have audited the Closter Board of Education's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the New Jersey OMB Circular 04-04 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of Closter Board of Education's major state programs for the fiscal year ended June 30, 2010. Closter Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirement of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Closter Board of Education's management. Our responsibility is to express an opinion on Closter Board of Education's compliance based on our audit.

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

In our opinion, Closter Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2010

Internal Control Over Compliance

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

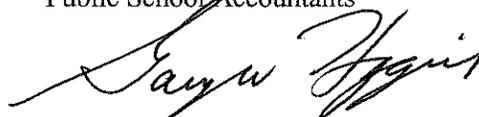
A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a state program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

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

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



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



Gary W. Higgins
 Public School Accountant
 PSA Number CS00814

Fair Lawn, New Jersey
 November 23, 2010

**CLOSTER BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL OF AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Federal/Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2009	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Balance, June 30, 2010 (Accounts Receivable)	Deferred Revenue	Due to Grantor
U.S. Department of Education											
Passed-Through State Department of Education											
Special Revenue Fund:											
Title III	84.365A	NCLB0930-10	9/1/09-8/31/10	\$ 8,644	-	-	\$ 8,644	-	-	-	-
Title IV	84.186A	NCLB0930-10	9/1/09-8/31/10	796	-	-	796	-	-	-	-
ARRA Part B - Basic	84.391	ARRA-10	9/1/09-8/31/10	239,893	-	-	74,562	93,165	(18,603)	-	-
ARRA - Preschool	84.392	ARRA-10	9/1/09-8/31/10	8,683	-	-	5,216	5,216	(5,216)	-	-
I.D.E.A. Part B, Basic	84.027	IDEA093009	9/1/09-8/31/10	227,214	-	-	211,614	227,214	(15,600)	-	-
I.D.E.A. Part B, Preschool	84.173	IDEA093009	9/1/09-8/31/10	10,221	-	-	10,221	-	-	-	-
Total U.S. Department of Education				305,837	-	-	305,837	345,256	(39,419)	-	-
U.S. Department of Agriculture											
Passed-Through State Department of Education											
Enterprise Fund:											
Special Milk Program	10.556	N/A	7/1/08-6/30/09	17,187	(1,528)	-	1,528	-	-	-	-
Special Milk Program	10.556	N/A	7/1/09-6/30/10	14,983	-	-	13,719	14,983	(1,264)	-	-
Total U.S. Department of Agriculture				15,247	(1,528)	-	15,247	14,983	(1,264)	-	-
Total Federal Awards				\$ 321,084	\$ -	\$ -	\$ 321,084	\$ 360,239	\$ (40,683)	\$ -	\$ -

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

**CLOSTER BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Received	Balance, June 30, 2009		Carryover (Wallover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance, June 30, 2010		MEMO
				Deferred Revenue (Accounts Receivable)	Due to Grantor						Accounts Receivable	Deferred Revenue	
State Department of Education													
General Fund													
Special Education Aid	10-495-0344-5120-089	7/1/09-6/30/10	\$ 469,213	\$	\$	\$ 277,583	\$ 321,895				\$ (44,312)	\$	\$ 321,895
Special Education Aid	09-495-0344-5120-089	7/1/09-6/30/09	\$ 569,979	\$ (55,611)	\$ 35,611	\$ 68,995	\$ 80,009				\$ (11,014)		\$ 80,009
Transportation Aid	10-495-0344-5120-014	7/1/09-6/30/10	123,091	(6,941)	6,941	49,080	56,915				(7,835)		56,915
Transportation Aid	09-495-0344-5120-014	7/1/09-6/30/09	97,042	(6,074)	6,074	136,430	176,048				(176,048)		176,048
Security Aid	10-495-0344-5120-084	7/1/09-6/30/10	87,361	(136,430)	14,423	14,423	7,752				(7,752)	\$	7,752
Security Aid	09-495-0344-5120-084	7/1/09-6/30/09	39,467	(14,423)	634,446	667,721	667,721				(33,275)		667,721
Extraordinary Aid	10-100-0344-5120-473	7/1/09-6/30/10	176,048	(31,722)	30,539	573,570	30,539						30,539
Extraordinary Aid	09-100-0344-5120-473	7/1/09-6/30/09	136,430			573,570	573,570						573,570
Non Public Transportation Reimb.	N/A	7/1/09-6/30/10	7,752			1,865,414	1,914,449				(380,236)		1,914,449
Non Public Transportation Reimb.	10-495-0344-5095-402	7/1/09-6/30/10	14,423										
TPAF Soc. Sec. Cont.	09-495-0344-5095-402	7/1/09-6/30/09	667,721										
TPAF Soc. Sec. Cont.	09-495-0344-5095-402	7/1/09-6/30/09	573,966										
On-Behalf Pension N/C/G	09-495-0344-5095-407	7/1/09-6/30/10	30,539										
On-Behalf Pension PRM Cont.	09-495-0344-5095-401	7/1/09-6/30/10	573,570										
Total General Fund			(231,201)			1,865,414	1,914,449				(380,236)		(41,027)
Special Revenue Fund													
New Jersey Nonpublic Aid	09-100-0344-5120-406	7/1/09-6/30/09	3,066										
Handicapped Services (Ch. 193)													
Corrective Speech													
Total Special Revenue Fund			3,066										
Total State Financial Assistance			(231,201)			1,865,414	1,914,449				(380,236)		(41,027)
State Financial Assistance													
Not Subject to Single Audit Determination													
General Fund													
On-Behalf TPAF Pension System Contributions	10-495-0344-51095-007	7/1/09-6/30/10	30,539			(30,539)	(30,539)						(30,539)
On-Behalf TPAF Post-Retirement Medical Contributions	10-495-0344-5095-401	7/1/09-6/30/10	573,570			(573,570)	(573,570)						(573,570)
Total State Financial Assistance Subject to Single Audit			(231,201)			1,561,305	1,310,340				(380,236)		(41,027)

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

**CLOSTER BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

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

NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$54,153 for the general fund and \$15,446 for the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 1,860,296	\$ 1,860,296
Special Revenue Fund	\$ 329,816		329,816
Food Service Fund	<u>14,983</u>	<u>-</u>	<u>14,983</u>
Total Financial Assistance	<u>\$ 344,799</u>	<u>\$ 1,860,296</u>	<u>\$ 2,205,095</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, 2010**

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 FEDERAL AND STATE LOANS OUTSTANDING

The District’s state loans outstanding at June 30, 2010, which are not required to be reported on the schedule of state financial assistance, are as follows:

<u>Loan Program</u>	<u>State</u>
Safe Loan	\$ 62,994
Small Project Loan	249,569
Facility Program Loan	<u>939,802</u>
	<u>\$ 1,252,365</u>

NOTE 6 OTHER INFORMATION

TPAF Social Security contributions in the amount of \$667,721 represents the amount reimbursed by the State for the employer’s share of social security contributions for TPAF members for the year ended June 30, 2010. The amount reported as TPAF Pension System Contributions in the amount of \$30,539 and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$573,570 represents the amount paid by the State on behalf of the District for the year ended June 30, 2010.

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

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

**CLOSTER BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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, 2010**

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

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

CURRENT YEAR FEDERAL AWARDS

Not applicable.

CURRENT YEAR STATE AWARDS

There are none.

**CLOSTER BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

STATUS OF PRIOR YEAR FINDINGS

No prior findings.