

BOROUGH OF CLOSTER
BERGEN COUNTY, NEW JERSEY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2008

BOROUGH OF CLOSTER

TABLE OF CONTENTS

<u>Exhibits</u>		<u>Page</u>
<u>Introductory Section</u>		
	Letter of Transmittal	1-7
	Roster of Officials and Professionals	8
<u>Financial Section</u>		
	Independent Auditors' Report	9-10
A	Combined Balance Sheet – Statutory Basis	11-12
A-1	Comparative Statements of Revenues, Expenditures and Changes in Fund Balance – Statutory Basis – Current Fund	13-14
A-2	Comparative Statements of Revenues, Expenditures and Changes in Fund Balance – Statutory Basis – Budget and Actual – Current Fund	15-16
	Notes to Financial Statements	17-39
<u>Current Fund</u>		
B	Comparative Balance Sheets – Statutory Basis – Current Fund	40
B-1	Statement of Revenues and Other Credits to Income – Statutory Basis – Budget and Actual	41-42
B-2	Statement of Expenditures and Other Debits to Income – Statutory Basis – Budget and Actual	43-50
B-3	Statement of Taxes Receivable and Analysis of Property Tax Levy	51
B-4	Statement of Tax Title Liens Receivable	52
B-5	Statement of Deferred Charges	52
B-6	Statement of 2007 Appropriation Reserves	53-54
B-7	Statement of Local School Taxes Payable	55
B-8	Statement of Regional High School District Taxes Payable	55
B-9	Statement of Grants Receivable	55
B-10	Statement of Reserve for Appropriated Grants	56
B-11	Statement of Reserve for Unappropriated Grants	56
B-12	Statement of Miscellaneous Reserves and Deposits	57
<u>Trust Funds</u>		
C	Combining Balance Sheet – Statutory Basis – Trust Funds	58
C-1	Comparative Statements of Fund Balance – Statutory Basis – Other Trust Fund	59
C-2	Statement of Revenues – Statutory Basis – Open Space Trust Fund	59
C-3	Statement of Expenditures – Statutory Basis – Open Space Trust Fund	59
C-4	Statement of Reserve for Expenditures – Animal Control Fund	60
C-5	Statement of Miscellaneous Reserves and Deposits – Other Trust Fund	60
C-6	Statement of Reserve for Expenditures – Public Assistance Fund	61
C-7	Statement of Public Assistance Expenditures – Public Assistance Fund	61
C-8	Statement of Revenues – Public Assistance Fund	62
C-9	Statement of Reserve for Expenditures – Open Space Trust Fund	62

BOROUGH OF CLOSTER

TABLE OF CONTENTS

<u>Exhibits</u>		<u>Page</u>
<u>General Capital Fund</u>		
D	Comparative Balance Sheets – Statutory Basis – General Capital Fund	63
D-1	Comparative Statements of Fund Balance – Statutory Basis – General Capital Fund	64
D-2	Analysis of General Capital Cash	65
D-3	Statement of Improvement Authorizations	66
D-4	Statement of Deferred Charges to Future Taxation – Unfunded	67
D-5	Statement of Intergovernmental Receivable	68
D-6	Statement of Serial Bonds	69
D-7	Statement of Green Acres Loans Payable	70
D-8	Statement of Bonds and Notes Authorized But Not Issued	71
<u>General Fixed Assets Account Group</u>		
E	Comparative Balance Sheet – Statutory Basis – General Fixed Assets Account Group	72
<u>Statistical Section (Unaudited)</u>		
Table 1	Current Fund Expenditures by Function – Last Ten Calendar Years	73
Table 2	Current Fund Budget Revenues by Source – Last Ten Calendar Years	74
Table 3	Ten Year Comparison of Tax Rate	75
Table 4	Ten Year History of Tax Levy	76
Table 5	Assessed Value and Estimate of Total Value – Last Ten Calendar Years	77
Table 6	Schedule of Ten Largest Taxpayers	78
Table 7	Computation of Legal Debt Margin and Overlapping Debt	79
Table 8	Ratio of Bonded Debt, Notes and Loans Outstanding to Equalized Value and Debt Per Capita – Last Ten Calendar Years	80
Table 9	Ratio of General Obligation Debt Service Expenditures To Current Fund Actual Expenditures - Last Ten Calendar Years	81
Table 10	Demographic Statistics	82
Table 11	Annual Average Employment and Unemployment Figures	83
Table 12	Miscellaneous Statistics	84
<u>Supplementary Schedules – Government Auditing Standards</u>		
	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	85-86
	Schedule of Expenditures of Federal Awards for the Year Ended December 31, 2008	87
	Schedule of Expenditures of State Financial Assistance For the Year Ended December 31, 2008	88-89
	Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	90
<u>Letters of Comments and Recommendations</u>		
	Schedule of Findings and Responses	91-95
	General Comments	95-97
	Recommendations	98-99

INTRODUCTORY SECTION

Borough of Closter

BERGEN COUNTY
295 CLOSTER DOCK ROAD
CLOSTER, NEW JERSEY 07624



June 26, 2009

Honorable Mayor and Members
of the Borough Council
Borough of Closter
County of Bergen, New Jersey

The comprehensive annual financial report of the Borough of Closter as of and for the year ended December 31, 2008, is hereby submitted. New Jersey Statutes require that all municipalities issue annually a report on its financial position and activity, and that this report be audited by an independent Registered Municipal Accountant. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Borough. To the best of our knowledge and belief, the enclosed data are accurate in all material respects. All disclosures necessary to enable the reader to gain an understanding of the Borough of Closter's activities have been included.

The comprehensive annual financial report is presented in the following sections: introductory, financial, statistical, supplementary schedules and general comments/recommendations. The introductory section includes this letter of transmittal, an organizational chart and a list of the Borough of Closter's advisors and consultants. The financial section includes the comparative financial statements, the individual fund and account group financial statements as well as the independent auditors' report on these financial statements. The statistical section, which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis. The supplementary schedules include information required by the Division of Local Government Services of the State of New Jersey for regulatory purposes as well as the schedules of expenditures of federal awards and state financial assistance. The general comments and recommendations include findings as reported by our independent auditor where corrective action is required by the Borough.

The financial reporting entity (the government) includes all the funds and the account group of the Borough of Closter. The government provides a full range of services including police and fire protection; sanitation services, the maintenance and construction of roads and related infrastructure; and recreation.

REPORTING ENTITY

The Borough of Closter was incorporated in 1904 under the "borough" form of government. The Governing Body is comprised of a Mayor and a six-member council.

The Mayor is elected to serve a four-year term and may succeed that term by re-election. She is empowered, amongst her legal powers as head of the municipal government, to: (i) provide for the proper execution of local and State laws; (ii) recommend to the Borough Council measures she deems in the best interest of the Borough; (iii) nominate and, with the advice and consent of the Borough Council, appoint most subordinate officers of the Borough; and (iv) maintain peace and order. Although she presides over meetings of the Borough Council, the Mayor votes only in case of a tie.

The six Council members are elected at-large, two each year, for terms of three years. The Council exercises general legislative powers conferred upon it by State law to protect and promote the general welfare of the Borough. Among these are the rights to enact ordinances, approve resolutions, approve mayoral appointments, adopt the annual budget and determine the tax levy. The Council, acting in committees, oversees the various departments and functions of the borough government.

The Borough of Closter comprises an area of approximately 3.2 square miles, located in the Northern Valley section of Bergen County, New Jersey. Surrounding municipalities include the Boroughs of Norwood, Harrington Park, Haworth, Demarest and Alpine.

FINANCIAL INFORMATION

Management of the government is responsible for establishing and maintaining internal controls designed to insure that the assets of the Borough are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles prescribed by the Division of Local Government Services, State of New Jersey. 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 state and local financial assistance, the Borough is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management.

In addition the Borough maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Borough Council. The Current Fund has a legally adopted budget in accordance with state statute. Project length budgets are established via ordinance for the General Capital Fund. An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are considered a liability at the end of the year and are expended in the subsequent year.

FINANCIAL INFORMATION (Continued)

The following is a summary of the Current Fund revenues for the year ended December 31, 2008.

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) from 2007</u>
Fund Balance Anticipated	\$ 750,000	5.33 %	\$ (590,000)
Miscellaneous Revenues	659,209	4.68	(128,936)
State, Federal and County Aid	2,277,531	16.18	223,787
Other Special Items	420,713	2.99	(22,424)
Receipts from Delinquent Taxes	292,898	2.08	121,108
Local Taxes - Municipal	<u>9,672,099</u>	<u>68.73</u>	<u>577,242</u>
 Budget Totals	 14,072,450	 <u>100.00</u> %	 <u>\$ 180,777</u>
 Other Credits to Income	 298,462		
Taxes Allocated to Schools, County and Open Space	<u>29,850,426</u>		
 Total	 <u>\$ 44,221,338</u>		

The following is a summary of the Current Fund expenditures for the year ended December 31, 2008.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) from 2007</u>
General Government	\$ 3,230,263	23.46 %	133,226
Public Safety	4,006,328	29.09	65,775
Streets and Roads	2,530,626	18.37	60,676
Health and Welfare	169,200	1.23	15,475
Recreation and Education	939,150	6.82	15,980
Deferred Charges and Statutory Expenditures	305,104	2.22	(15,509)
State and Federal Grants	116,782	0.85	18,611
Capital Improvements	25,000	0.18	(90,000)
Debt Service	1,093,084	7.94	14,516
Other	568,500	4.13	69,192
Reserve for Uncollected Taxes	<u>788,135</u>	<u>5.72</u>	<u>50,197</u>
 Municipal Budget Totals	 13,772,172	 <u>100.00</u> %	 <u>\$ 338,139</u>
 Non Budget Expenditures	 224,297		
Taxes Allocated to Schools, County and Open Space	<u>29,850,426</u>		
 Total	 <u>\$ 43,846,895</u>		

MAJOR ACTIVITIES AFFECTING BUDGET/FINANCIAL CONDITIONS

The Borough comprises an area of approximately 3.2 square miles. The Oradell reservoir occupies and provides a buffer of approximately 283 acres in the Borough, which today is largely undeveloped. This area will be used in perpetuity for public recreation and other compatible low-density uses. Closter is a suburban residential community with its working population represented principally by white collar and professional people who commute to New York City and the commercial and industrial areas of Bergen, Passaic, and Morris Counties. The Borough's population has risen 3.9% over the last ten years from 8,356 to 8,681.

In order to meet the needs of the residents, the Borough's facilities consist of over 56 miles of well-paved and lighted roads, a modern firehouse, a library, a municipal building, a senior citizens facility, a public works building, and a large recreation complex with football, baseball and tennis courts. The Borough had a general area sewer system installed in the 1970's.

Over the last ten years, the Borough's budget has increased to meet the needs of its residents. The Governing Body has provided increased funds in programs for public safety, public works, recycling, recreation and other services for our citizens. Our goal for the next three years is the continual resurfacing and rehabilitation of our streets, improvement to the parking facilities in the business zone and upgrading municipal recreation facilities.

ACCOUNTABILITY ON THE 2008 INITIATIVES

During 2008, the Governing Body and the Administration took a number of actions, which improved services to our taxpayers and at the same time will, over the long term, reduce costs.

The Borough made facilities improvements to the senior citizens center and to the Borough Hall.

The Borough installed a new traffic light on Homans Avenue.

The Borough's shade tree program continued with Arbor Day plantings. In addition, the Borough is utilizing a tree expert to improve enforcement of its tree ordinance.

The Borough continues to enhance its Trail system utilizing monies from Grants and Open Space Funds.

LOCAL ECONOMIC EVENTS

For 2008, the Borough continued to demonstrate important indicators of continued financial strength as follows:

- A Current Fund surplus balance of \$666,925.
- The Borough has continued to maintain an excellent credit rating. The Borough received a rating of Aa3 on October 17, 2005 by Moody's Investor's Services.
- The Borough underwent a revaluation of real property which increased the Borough's ratables from \$1,172,622,035 to \$2,368,510,808 in 2006. The Borough's assessed value for 2008 increased slightly to \$2,374,626,044.

LOCAL ECONOMIC EVENTS (Continued)

During 2008 total real estate tax revenues increased by \$1,809,456 or 4.9% to \$38,734,390. The current collection rate (cash basis) of real estate tax revenue (an important indicator of fiscal health) was 98.65% in 2008 and has averaged 98.79% over the past 3 years. The Borough has maintained a stable collection rate, and has only one property in tax title lien.

The voters of Closter approved a local "Open Space-Tax" that establishes a municipal trust fund for the acquisition, development, maintenance, and preservation of lands for recreation and conservation purposes. It also provides for the possible acquisition of farmland and historic properties for preservation purposes. The 2008 tax rate for municipal open space was .010 which generated \$238,975 in revenue for the open space trust fund.

In 1998, a tax court settlement was reached with the Borough's largest taxpayer, United Water NJ. The tax appeal resulted in a major reduction in the assessed valuation of property held by United Water from \$33,711,300 in 1992 to \$9,241,798 in 1998. This resulted in a refund due to United Water in the amount of \$2,805,000. The Borough has been able to structure its payment to United Water over a twelve-year period, thus minimizing the tax increase caused by the refund.

PROSPECTS FOR THE FUTURE

After many years of little development the Borough is experiencing an increase in redevelopment. Many older residential units are being demolished and replaced with larger structures which are causing changes in the water table.

Borough Officials will need to plan for this growth in order to maintain the existing quality of life in the Borough. The Borough received State of New Jersey Council of Affordable Housing certification of its Affordable Housing Plan in 2004.

ACCOUNTING AND BUDGET INFORMATION

Accounting

The Borough maintains an on line; real time computerized accounting system to record all financial transactions.

In developing and evaluating the Borough's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that (1) the most of controls should not exceed the benefits expected to be derived; and (2) the evaluation of costs and benefits require estimates and judgement by management.

During the year, financial reports, accompanied by supporting schedules, are prepared monthly and are distributed to the Mayor, Council Members, the Borough Administrator and Department Heads. The reports detail the monthly transactions and summarize the balance in the appropriations allocated for goods and services.

Management of the Borough is responsible for establishing and maintaining an adequate internal control structure.

ACCOUNTING AND BUDGET INFORMATION (Continued)

Budget

The local budget law for the State of New Jersey requires every local unit to adopt an Operating Budget in the form required by the Division of Local Government Services (the "Division"), Department of Community Affairs of the State of New Jersey. Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the Director of the Division prior to final adoption. The Budget Law requires each local unit to appropriate sufficient funds for the payment of current debt service, and the Director is required to review the adequacy of such appropriations, unless a specific amount is required by law. The review function, focusing on anticipated revenues, serves to protect the solvency of all local units.

Section 5:30-4 of the New Jersey Administrative Code provides that every local unit that proposed to spend \$25,000 or more on capital equipment, construction, or improvements must prepare a Capital Budget. If the Borough's population exceeds 10,000, the Capital Program shall include by title all projects anticipated for the budget year and the five succeeding years, with the estimated costs and the anticipated financing by sources and amounts.

A Capital Budget Section included with the Annual Budget does not in itself confer any authorization to raise or expend funds. Rather, it is a document used as part of the local unit's planning and management program. Specific authorization to expend funds for purposes described in the Capital Budget must be granted separately, through the adoption of a bond ordinance, by appropriating funds from the Capital Improvement Fund, or other lawful means.

The budget of the Borough is categorized into appropriations by function. Each appropriation represents a service program or division with the Borough. Funds are appropriated to each of the budget lines by the Mayor and Council in accordance with procedures prescribed by the State of New Jersey Local Budget Law.

District appropriations are required for "salaries and wages" and for "other expenses". The Borough's internal accounting records delineate each appropriation into subaccounts by budget codes.

The Mayor and Council monitor expenditures throughout the fiscal year to ensure that spending remains within the amounts of funds authorized. Budget modifications are processed in the last two months of the year to transfer funds from one area to another as needed.

DEBT ADMINISTRATION

The authorized bonded indebtedness of municipalities in the State of New Jersey is limited by statute to an amount equal to 3-1/2% of their equalized value. The equalized valuation basis of the Borough is set by statute as the average for the last three years of the equalized value of all taxable real property and improvements and certain railroad property within its boundaries as annually determined by the State Board of Taxation.

The Borough has managed its debt well and has outstanding debt equal to less than one percent of its equalized value.

The Borough did not issue any general obligation bonds or additional bond anticipation notes during 2008.

CASH MANAGEMENT

Bank balances are insured up to \$250,000 in the aggregate by the Federal Deposit Insurance Corporation for each bank. In addition, New Jersey's Governmental Unit Deposit Protection Act insures the remaining balance of funds on deposit in registered depositories. At December 31, 2008, \$4,522,075 were in registered depositories and were covered by these insurers, and \$519,464 was deposited with M.B.I.A. Class Account and Lincoln Financial. Although these investments are not insured, they are considered to be extremely low risk.

CASH MANAGEMENT (Continued)

The Borough invests all surplus funds for appropriate periods of time as determined by the Borough Administrator. During 2008, idle funds were invested with M.B.I.A. which is a Cash Management Fund (the "Fund"). The Fund is permitted to invest in a variety of securities, including, in the case of short-term investments, obligations of the U.S. Government and certain of its agencies, commercial paper, certificates of deposit, repurchase agreements, banker's acceptances and loan participation notes. All such investments must fall within the guidelines set forth by the regulations of the Fund's Investment Council. Historically, the rate of return in the Fund is greater than the return earned with our local depositories. The Borough has not entered into a compensating balance arrangement.

RISK MANAGEMENT

The Borough, like many other municipalities in the early 1980's, was faced with an insurance crisis. It was unable to obtain coverage at any price. The Borough banded together with other municipalities to form the Bergen County Municipal Joint Insurance and the New Jersey Municipal Excess Liability Funds. These funds procure insurance on a pooled basis, generally self-insuring the initial level of loss for worker's compensation, property, general liability and automobile. The Funds provide their members with risk management services, including the defense of and settlement of claims and establish reasonable and necessary loss reduction and prevention procedures to be followed by the members. Since the inception of the Funds, the Borough has realized a substantial budget savings with regard to insurance costs.

The Borough's medical insurance is provided by the New Jersey State Health Benefits Plan.

Other Information

Independent Audit – State statute requires an annual audit by an independent Registered Municipal Accountant. The accounting firm of Lerch, Vinci & Higgins, LLP, CPA's was selected by the Borough Council. The auditors' report on the financial statements and individual fund and account group statements is included in the financial section of this report.

Acknowledgments

We wish to thank the employees of the Borough for their faithful service to the members of the community and to the Mayor and Council for their continual support.

Respectfully submitted,


Joseph Luppino, CFO

BOROUGH OF CLOSTER
BERGEN COUNTY, NEW JERSEY
ROSTER OF OFFICIALS AND PROFESSIONALS
FOR THE YEAR ENDED DECEMBER 31, 2008

MAYOR

Sophie Heymann

BOROUGH COUNCIL

Victoria Roti Amitai	David Barad
John Glidden	Thomas Hennessey
Cynthia L. Tutoli	John Kashwick

BOROUGH ADMINISTRATOR

John Di Stefano, Acting Borough Administrator

BOROUGH CLERK

Loretta Castano

CHIEF FINANCIAL OFFICER

Joseph Luppino

BOROUGH ATTORNEY

Edward Rogan, Esq.

BOROUGH AUDITOR

Lerch, Vinci & Higgins, LLP
Fair Lawn, New Jersey

BOND COUNSEL

DeCotiis, Fitzpatrick, Cole & Wisler, LLP
Trenton, New Jersey

FINANCIAL SECTION

LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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DEBORAH KOZAK, CPA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
RALPH M. PICONE, CPA, RMA, PSA

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Closter
Closter, New Jersey

We have audited the accompanying balance sheets - statutory basis of the various funds and account group of the Borough of Closter as of December 31, 2008 and 2007. These financial statements are the responsibility of the Borough of Closter's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the following paragraph, we conducted our audits 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 prescribed by the Division of Local Government Services, Department of Community Affairs, 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 Borough of Closter'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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, the Borough has prepared these financial statements using accounting practices that demonstrate compliance with the statutory basis of accounting and budget laws prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. In addition, the financial statements of the Length of Service Awards Program (LOSAP) Fund have not been audited, and we were not required by the Division of Local Government Services to audit nor were we engaged to audit the LOSAP Fund financial statements as part of our audit of the Borough's financial statements. The LOSAP Fund financial activities are included in the Borough's Trust Fund, and represent 10 percent and 13 percent of the assets and liabilities, respectively, of the Borough's Trust Funds as of December 31, 2008 and 2007.

INDEPENDENT AUDITORS' REPORT (Continued)

In our opinion, because of the effects of the Borough preparing its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough of Closter as of December 31, 2008 and 2007, or the changes in its financial position for the years then ended. Further, the Borough has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Fund financial statements been audited, the financial statements - statutory basis referred to above present fairly, in all material respects, the financial position - statutory basis of the various funds and account group of the Borough of Closter as of December 31, 2008 and 2007 and the results of operations and changes in fund balance of the current fund for the year ended December 31, 2008 on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated June 26, 2009 on our consideration of the Borough of Closter'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 read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of Closter. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of Closter. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been necessary had the LOSAP Fund financial statements been audited, is fairly stated, in all material respects, in relation to the financial statements taken as a whole on the basis of accounting described in Note 1.


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants


Gary J. Vinci
Registered Municipal Accountant
RMA Number CR00411

Fair Lawn, New Jersey
June 26, 2009

BOROUGH OF CLOSTER
COMBINED BALANCE SHEET - STATUTORY BASIS
AS OF DECEMBER 31, 2008
(With Comparative Totals for December 31, 2007)

	<u>Current Fund</u>	<u>Trust Funds</u>	<u>General Capital Fund</u>	<u>General Fixed Assets Account Group</u>	<u>Totals (Memorandum Only)</u>
					<u>2008</u>
					<u>2007</u>
ASSETS					
Cash and Cash Equivalents	\$ 1,950,267	\$ 2,428,954	\$ 96,420		\$ 4,475,641
Investments	291,839	227,625			519,464
Intergovernmental Receivable	69,320		429,554		498,874
Other Receivables		31,550			31,550
Receivables and Other Assets					
Delinquent Property Taxes Receivable	496,059				496,059
Tax Title Liens Receivable	41,526				41,526
Property Acquired for Taxes - Assessed Value	130,531				130,531
Interfunds Receivable	213,746	649	508,217		722,612
Accounts Receivable	16,016				16,016
Revenue Accounts Receivable					4,000
Deferred Charges	110,643		11,471,924		11,582,567
Fixed Assets	-	-	-	\$ 91,666,384	91,666,384
Total Assets	\$ 3,319,947	\$ 2,688,778	\$ 12,506,115	\$ 91,666,384	\$ 110,181,224
					\$ 111,256,424
LIABILITIES, RESERVES AND FUND BALANCE					
Appropriation Reserves	\$ 793,009				\$ 793,009
Other Liabilities and Reserves	920,335	\$ 2,178,555	\$ 734,459		3,833,349
Intergovernmental Payable	41,151	2			41,153
Interfunds Payable	649	509,529	212,434		722,612
Improvement Authorizations			716,921		716,921
Serial Bonds Payable			8,834,000		8,834,000
Loans Payable			40,512		40,512
Bond Anticipation Notes Payable			1,864,000		1,864,000
Reserve for Receivables and Other Assets	897,878				897,878
Investment in Fixed Assets				\$ 91,666,384	91,666,384
Fund Balance	666,925	692	103,789		771,406
Total Liabilities, Reserves and Fund Balances	\$ 3,319,947	\$ 2,688,778	\$ 12,506,115	\$ 91,666,384	\$ 110,181,224
					\$ 111,256,424

**BOROUGH OF CLOSTER
COMBINED BALANCE SHEET - STATUTORY BASIS
AS OF DECEMBER 31, 2007**

	<u>Current Fund</u>	<u>Trust Funds</u>	<u>General Capital Fund</u>	<u>General Fixed Assets Account Group</u>	<u>Totals (Memorandum Only) 2007</u>
ASSETS					
Cash and Cash Equivalents	\$ 368,906	\$ 2,090,869	\$ 1,826,483		\$ 4,286,258
Investments	1,949,690	268,237			2,217,927
Intergovernmental Receivable	81,600		286,340		367,940
Other Receivables		38,150			38,150
Receivables and Other Assets with Full Reserves					
Delinquent Property Taxes Receivable	308,349				308,349
Tax Title Liens Receivable	38,100				38,100
Property Acquired for Taxes - Assessed Value	130,531				130,531
Interfunds	1,548	649	519,265		521,462
Accounts	4,000				4,000
Revenue	50,000				50,000
Deferred Charges	100,000		11,868,553		11,968,553
Fixed Assets	-	-	-	\$ 91,325,154	91,325,154
Total Assets	\$ 3,032,724	\$ 2,397,905	\$ 14,500,641	\$ 91,325,154	\$ 111,256,424
LIABILITIES, RESERVES AND FUND BALANCE					
Appropriation Reserves	\$ 529,904				\$ 529,904
Other Liabilities and Reserves	746,590	\$ 1,909,140	\$ 272,088		2,927,818
Intergovernmental Payable	208,474				208,474
Interfunds Payable	33,389	488,073			521,462
Improvement Authorizations			2,691,465		2,691,465
Serial Bonds Payable			9,534,000		9,534,000
Loans Payable			48,552		48,552
Bond Anticipation Notes Payable			1,864,000		1,864,000
Reserve for Receivables and Other Assets	532,528				532,528
Investment in Fixed Assets				\$ 91,325,154	91,325,154
Fund Balance	981,839	692	90,536	-	1,073,067
Total Liabilities, Reserves and Fund Balances	\$ 3,032,724	\$ 2,397,905	\$ 14,500,641	\$ 91,325,154	\$ 111,256,424

BOROUGH OF CLOSTER
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - STATUTORY BASIS
CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
REVENUES		
Fund Balance Anticipated	\$ 750,000	\$ 1,340,000
Miscellaneous Revenues	659,209	788,145
State, Federal and County Aid	2,277,531	2,053,744
Other Special Items	420,713	443,137
Receipts From Delinquent Taxes	292,898	171,790
Amount to be Raised by Taxes for Support of Municipal Budget		
Local Tax for Municipal Purposes	<u>9,672,099</u>	<u>9,094,857</u>
 Total Budget Revenues	 14,072,450	 13,891,673
 Other Credits to Income	 <u>30,148,888</u>	 <u>28,786,542</u>
 Total Revenues and Other Credits to Income	 <u>44,221,338</u>	 <u>42,678,215</u>
 EXPENDITURES		
General Government	3,230,263	3,097,037
Public Safety	4,006,328	3,940,553
Streets and Roads	2,530,626	2,469,950
Health and Welfare	169,200	153,725
Recreation and Education	939,150	923,170
Deferred Charges and Statutory Expenditures	305,104	320,613
State and Federal Grants	116,782	98,171
Capital Improvements	25,000	115,000
Debt Service	1,093,084	1,078,568
Other	568,500	499,308
Reserve For Uncollected Taxes	<u>788,135</u>	<u>737,938</u>
 Total Budget Expenditures	 13,772,172	 13,434,033
 Other Debits to Income	 <u>30,074,723</u>	 <u>28,569,447</u>
 Total Expenditures and Other Debits to Income	 <u>43,846,895</u>	 <u>42,003,480</u>
 Excess of Revenues Over Expenditures (Carried forward)	 374,443	 674,735

BOROUGH OF CLOSTER
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - STATUTORY BASIS
CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Excess of Revenues Over Expenditures (Brought forward)	\$ 374,443	\$ 674,735
Adjustment To Income Before Fund Balance:		
Expenditures Above Which Are By Statute		
Deferred Charges To Succeeding Years Budget	<u>60,643</u>	<u>-</u>
Statutory Excess to Fund Balance	435,086	674,735
Fund Balance, January 1,	<u>981,839</u>	<u>1,647,104</u>
	1,416,925	2,321,839
Decreased by		
Utilized in Budget	<u>750,000</u>	<u>1,340,000</u>
Fund Balance, December 31,	<u>\$ 666,925</u>	<u>\$ 981,839</u>

**BOROUGH OF CLOSTER
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
STATUTORY BASIS
BUDGET AND ACTUAL - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	2008			2007		
	Budget As Modified	Actual	Variance	Budget As Modified	Actual	Variance
REVENUES						
Fund Balance Anticipated	\$ 750,000	\$ 750,000		\$ 1,340,000	\$ 1,340,000	
Miscellaneous Revenues	779,900	659,209	\$ (120,691)	879,000	788,145	\$ (90,855)
State and Federal Aid	2,277,531	2,277,531		2,103,744	2,053,744	(50,000)
Other Special Items	432,983	420,713	(12,270)	432,680	443,137	10,457
Receipts From Delinquent Taxes	288,000	292,898	4,898	170,000	171,790	1,790
Amount to be Raised by Taxes for Support of Municipal Budget						
Local Tax for Municipal Purposes	9,183,136	9,672,099	488,963	8,508,631	9,094,857	586,226
Total Budget Revenues	13,711,550	14,072,450	360,900	13,434,055	13,891,673	457,618
Other Credits to Income	29,850,426	30,148,888	298,462	28,568,015	28,786,542	218,527
Total Revenues and Other Credits to Income	43,561,976	44,221,338	659,362	42,002,070	42,678,215	676,145
EXPENDITURES						
General Government	3,230,263	3,230,263		3,097,037	3,097,037	
Public Safety	4,006,328	4,006,328		3,940,553	3,940,553	
Streets and Roads	2,530,626	2,530,626		2,469,950	2,469,950	
Health and Welfare	169,200	169,200		153,725	153,725	
Recreation and Education	932,507	939,150	6,643	923,170	923,170	
Deferred Charges and Statutory Expenditures	305,104	305,104		320,613	320,613	
State and Federal Grants	116,782	116,782		98,171	98,171	
Capital Improvements	25,000	25,000		115,000	115,000	
Debt Service	1,093,105	1,093,084	21	1,078,590	1,078,568	22
Other	568,500	568,500		499,308	499,308	
Reserve For Uncollected Taxes	788,135	788,135	-	737,938	737,938	-
Total Budget Expenditures (Carried forward)	13,765,550	13,772,172	21	13,434,055	13,434,033	22

BOROUGH OF CLOSTER
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
STATUTORY BASIS
BUDGET AND ACTUAL - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008			2007		
	<u>Budget As Modified</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget As Modified</u>	<u>Actual</u>	<u>Variance</u>
Total Budget Expenditures (Brought forward)	\$ 13,765,550	\$ 13,772,172	\$ (6,622)	\$ 13,434,055	\$ 13,434,033	\$ 22
Other Debits to Income	<u>29,850,426</u>	<u>30,074,723</u>	<u>(224,297)</u>	<u>28,568,015</u>	<u>28,569,447</u>	<u>(1,432)</u>
Total Expenditures and Other Debits to Income	<u>43,615,976</u>	<u>43,846,895</u>	<u>(230,919)</u>	<u>42,002,070</u>	<u>42,003,480</u>	<u>(1,410)</u>
Excess of Revenues Over Expenditures	(54,000)	374,443	428,443	-	674,735	674,735
Adjustment To Income Before Fund Balance: Expenditures Above Which Are By Statute Deferred Charges To Succeeding Years Budget	-	<u>60,643</u>	<u>(60,643)</u>	-	-	-
Statutory Excess to Fund Balance	(54,000)	435,086	489,086	-	674,735	674,735
Fund Balance, January 1,	<u>981,839</u>	<u>981,839</u>	-	<u>1,647,104</u>	<u>1,647,104</u>	-
Decreased by Utilized in Budget	927,839	1,416,925	489,086	1,647,104	2,321,839	674,735
	<u>750,000</u>	<u>750,000</u>	-	<u>1,340,000</u>	<u>1,340,000</u>	-
Fund Balance, December 31,	<u>\$ 177,839</u>	<u>\$ 666,925</u>	<u>\$ 489,086</u>	<u>\$ 307,104</u>	<u>\$ 981,839</u>	<u>\$ 674,735</u>

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Borough of Closter have been prepared on a basis of accounting in conformity with accounting principles and practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a statutory basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough accounts for its financial transactions through separate funds, which differ from the fund structure required by GAAP.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB has adopted accounting statements to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America. (GAAP). The municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements.

A. Reporting Entity

The Borough of Closter (the "Borough") was incorporated in 1904 and operates under an elected Mayor/Council form of government. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

GASB requires the financial reporting entity to include both the primary government and component units. Component units are legally separate organizations for which the Borough is financially accountable. The Borough is financially accountable for an organization if the Borough appoints a voting majority of the organization's governing board and (1) the Borough is able to significantly influence the programs or services performed or provided by the organization; or (2) the Borough is legally entitled to or can otherwise access the organization's resources; the Borough is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Borough is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Borough in that the Borough approves the budget, the issuance of debt or the levying of taxes. The Borough is not includable in any other reporting entity as a component unit.

The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Borough do not include the municipal library, volunteer fire department, volunteer ambulance squad, which are considered component units under GAAP. Complete financial statements of the above component units can be obtained by contacting the Treasurer of the respective entity.

BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The Borough uses funds, as required by the Division, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial administration by segregating transactions related to certain Borough functions or activities. The Borough also uses an account group, which is designed to provide accountability for certain assets that are not recorded in those Funds.

The Borough has the following funds and account group:

Current Fund – This fund is used to account for the revenues and expenditures for governmental operations of a general nature and the assets and liabilities related to such activities, including Federal and State grants not accounted for in another fund.

Trust Funds - Trust Funds are used to account for assets held by the government in a trustee capacity. Funds held by the Borough as an agent for individuals, private organizations, or other governments are recorded in the Trust Funds.

Animal Control Fund - This fund is used to account for fees collected from dog and cat licenses and expenditures which are regulated by NJS 4:19-15.11.

Other Trust Fund - This fund is established to account for the assets and resources, which are held by the Borough as a trustee or agent for individuals, private organizations, other governments and/or other funds. These funds include dedicated fees/proceeds collected, developer deposits, payroll related deposits and funds deposited with the Borough as collateral.

Open Space Trust Fund - This fund is used to account for the resources which have accumulated from a dedicated tax, to be used for the preservation of open space, recreation and farmland property.

Public Assistance Fund - This fund is used to account for the receipt and disbursement of funds that provide assistance to certain residents of the Borough pursuant to Title 44 of New Jersey Statutes.

Length of Service Awards Program Fund (LOSAP) – This fund is established to account for the tax-deferred income benefits to active volunteer members of emergency service organizations of the Borough.

General Capital Fund – This fund is used to account for the receipt and disbursement of funds used and related financial transactions related to the acquisition or improvement of general capital facilities, other than those acquired in the Current Fund.

General Fixed Assets Account Group - This account group is used to account for all fixed assets of the Borough. The Borough's infrastructure is not reported in the account group.

The Borough of Closter follows a modified accrual basis of accounting. Under this method of accounting, revenues, except State/Federal Aid, are recognized when received and expenditures are recorded when incurred. The accounting principles and practices prescribed or permitted for municipalities by the Division (“statutory basis of accounting”) differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. The more significant differences are as follows:

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Property Tax Revenues - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. A penalty of up to 6% of the delinquency may be imposed on a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the fiscal year in which the charges become delinquent. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a tax sale. The Borough may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

Miscellaneous Revenues - Miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both measurable and available).

Grant and Similar Award Revenues - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough's budget. GAAP requires such revenues to be recognized as soon as all eligibility requirements imposed by the grantor or provider have been met.

Budgets and Budgetary Accounting - An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Borough and approved by the State Division of Local Government Services per N.J.S.A. 40A:4 et seq.

The Borough is not required to adopt budgets for the following funds:

Trust Funds (except Open Space Trust Fund)
General Capital Fund

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Budgets and Budgetary Accounting (Continued)

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2008 and 2007 the Borough Council increased the original budget by \$122,711 and \$16,570. The increases were funded by special emergencies in 2008 for reassessment of real property and preparation of a master plan and additional aid allotted to the Borough in 2008 and 2007. In addition, the governing body approved several budget transfers during 2008 and 2007.

Expenditures – Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with an encumbrance accounting system. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations, at December 31, are reported as expenditures through the establishment of appropriation reserves unless cancelled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, as well as expenditures related to compensated absences and claims and judgements, which are recognized when due.

Encumbrances - Contractual orders outstanding at December 31 are reported as expenditures and liabilities through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures or liabilities under GAAP.

Appropriation Reserves – Appropriation reserves are recorded as liabilities and are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as additions to income. Appropriation reserves do not exist under GAAP.

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick leave are not recorded until paid; however, municipalities may establish and budget reserve funds subject to NJSA 40A:4-39 for the future payment of compensated absences. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations are recorded as a long-term obligation in the government-wide financial statements.

Property Acquired for Taxes – Property acquired for taxes is recorded in the Current Fund at the assessed valuation when such property was acquired, and is fully reserved. GAAP requires such property to be recorded as a capital asset in the government-wide financial statements at fair value on the date of acquisition.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves, which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve for interfunds and, therefore, does not recognize income in the year liquidated.

Inventories - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires inventories to be recorded as assets in proprietary-type funds.

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. Investments are reported at cost and are limited by N.J.S.A. 40A:5-15.1 et seq. with the exception of LOSAP Trust Fund investments which are reported at fair value and are limited by N.J.A.C. 5:30-14.19. GAAP requires that all investments be reported at fair value.

Tax Appeals and Other Contingent Losses - Losses arising from tax appeals and other contingent losses are recognized at the time a decision is rendered by an administrative or judicial body; however, municipalities may establish reserves transferred from tax collections or by budget appropriation for future payments of tax appeal losses. GAAP requires such amounts to be recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

General Fixed Assets - In accordance with Technical Accounting Directive No. 85-2, Accounting for Governmental Fixed Assets, the Borough of Closter has developed a fixed assets accounting and reporting system.

Fixed assets used in governmental operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks.

Fixed Assets purchased are stated as follows:

Land and Buildings	Assessed Value
Machinery and Equipment	Replacement Cost

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation.

GAAP requires that capital assets be recorded in proprietary-type funds as well as the government-wide financial statement at historical or estimated historical cost if actual historical cost is not available. In addition, GAAP requires depreciation on capital assets to be recorded in proprietary-type funds as well as in the government-wide financial statements.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Use of Estimates - The preparation of financial statements requires management of the Borough to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of accrued revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

Reclassifications - Certain reclassifications have been made to the December 31, 2007 balances to conform to the December 31, 2008 presentation.

Comparative Data - Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Borough's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

C. Basic Financial Statements

The GASB Codification also requires the financial statements of a governmental unit to be presented in the basic financial statements in accordance with GAAP. The Borough presents the financial statements listed in the table of contents which are required by the Division and which differ from the financial statements required by GAAP. In addition, the Division requires the financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from reporting requirements under GAAP.

NOTE 2 DEPOSITS AND INVESTMENTS

The Borough considers petty cash, change funds, cash in banks, certificates of deposit and deposits with the New Jersey Cash Management Fund as cash and cash equivalents.

Deposits

The Borough'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 New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to maintain additional collateral in the amount of 5% of the average public deposits and to deposit these amounts with the Federal Reserve Bank for all deposits not covered by the FDIC.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

Bank balances are insured up to \$250,000 and \$100,000 for the years ended December 31, 2008 and 2007, respectfully in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$100,000 for each failed brokerage firm. At December 31, 2008 and 2007, the book value of the Borough's deposits were \$4,475,641 and \$4,286,258 and bank and brokerage firm balances of the Borough's deposits amounted to \$4,596,721 and \$4,509,647, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash and cash equivalents" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2008</u>	<u>2007</u>
Insured	\$ 4,596,721	\$ 4,509,647

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 Borough does not have a formal policy for custodial credit risk. As of December 31, 2008 and 2007, the Borough's bank balance was not exposed to custodial credit risk.

Investments

The Borough is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include 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 Borough or bonds or other obligations of the school districts which are a part of the Borough or school districts located within the Borough, Local Government investment pools, and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e). In addition, the Borough is permitted to invest LOSAP Funds with the types of eligible investments authorized in NJAC 5:30-14.19. LOSAP investments include interest bearing accounts or securities, in which savings banks of New Jersey are authorized to invest their funds, New Jersey Cash Management Fund, fixed and variable individual or group annuity contracts, mutual fund shares or fixed and variable life insurance contracts.

As of December 31, 2008 and 2007, the Borough had the following investments:

	<u>Fair Value</u>	
	<u>2008</u>	<u>2007</u>
Investment in M.B.I.A.		
Class Account	\$ 291,839	\$ 1,949,690
Investment in Lincoln Financial	227,625	268,237
	<u>\$ 519,464</u>	<u>\$ 2,217,927</u>

**BOROUGH OF CLOSTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

The fair value of the above-listed investments were based on quoted market prices.

NOTE 3 TAXES RECEIVABLE

Receivables at December 31, 2008 and 2007 consisted of the following:

	<u>2008</u>	<u>2007</u>
<u>Current</u>		
Property Taxes	\$ 496,059	\$ 308,349
Tax Title Liens	<u>41,526</u>	<u>38,100</u>
	<u>\$ 537,585</u>	<u>\$ 346,449</u>

In 2008 and 2007, the Borough collected \$292,898 and \$171,790 from delinquent taxes, which represented 85% and 99% of the prior year delinquent taxes receivable balance.

NOTE 4 MUNICIPAL DEBT

The Local Bond Law governs the issuance of bonds and notes used to finance capital expenditures. General obligation bonds have been issued for the general capital fund projects. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond anticipation notes, which are issued to temporarily finance capital projects, must be paid off within ten years and four months or retired by the issuance of bonds.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 4 MUNICIPAL DEBT (Continued)

The Borough's debt is summarized as follows:

	<u>2008</u>	<u>2007</u>
Issued		
General		
Bonds, Notes and Loans	\$ 10,738,512	\$ 11,446,552
Less Funds Temporarily Held to Pay Bonds and Notes	<u>106,536</u>	<u>17,510</u>
Net Debt Issued	10,631,976	11,429,042
Authorized But Not Issued		
General		
Bonds and Notes	<u>836,262</u>	<u>422,002</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 11,468,238</u>	<u>\$ 11,851,044</u>

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of .50% and .55% at December 31, 2008 and 2007, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2008</u>			
General Debt	\$ 11,574,774	\$ 106,536	\$ 11,468,238
School Debt	<u>11,848,960</u>	<u>11,848,960</u>	<u>-</u>
Total	<u>\$ 23,423,734</u>	<u>\$ 11,955,496</u>	<u>\$ 11,468,238</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2007</u>			
General Debt	\$ 11,868,554	\$ 17,510	\$ 11,851,044
School Debt	<u>12,850,106</u>	<u>12,850,106</u>	<u>-</u>
Total	<u>\$ 24,718,660</u>	<u>\$ 12,867,616</u>	<u>\$ 11,851,044</u>

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 4 MUNICIPAL DEBT (Continued)

The Borough's remaining borrowing power under N.J.S. 40A:2-6, as amended, at December 31, was as follows:

	<u>2008</u>	<u>2007</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 79,786,305	\$ 75,125,877
Net Debt	<u>11,468,238</u>	<u>11,851,044</u>
Remaining Borrowing Power	<u>\$ 68,318,067</u>	<u>\$ 63,274,833</u>

The Borough's long-term debt consisted of the following at December 31:

General Obligation Bonds

The Borough levies ad valorem taxes to pay debt service on general obligation bonds. General obligation bonds outstanding at December 31 are as follows:

	<u>2008</u>	<u>2007</u>
\$4,860,000, 2001 Bonds, due in annual installments of \$430,000 to \$460,000 through July, 2014, interest at 4.125% to 4.250%	\$ 2,700,000	\$ 3,120,000
\$6,909,000, 2005 Bonds, due in annual installments of \$300,000 to \$1,054,000 through October, 2018, interest at 3.70% to 3.80%	<u>6,134,000</u>	<u>6,414,000</u>
	<u>\$ 8,834,000</u>	<u>\$ 9,534,000</u>

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 4 MUNICIPAL DEBT (Continued)

General Intergovernmental Loans Payable

The Borough has entered into a loan agreement with the New Jersey Department of Environmental Protection for the financing relating to the Tenakill Brook Tract, multi-purpose improvements and the acquisition of Conrail property. General intergovernmental loans outstanding at December 31 are as follows:

	<u>2008</u>	<u>2007</u>
\$82,755, 1990 Loan, due in Semi-annual installments of \$2,497 to \$2,548 through April, 2010, interest at 2.0%	\$ 7,567	\$ 12,488
\$62,798, 1997 Loan, due in Semi-annual installments of \$1,583 to \$1,894 through March, 2018, interest at 2.0%	<u>32,945</u>	<u>36,064</u>
	<u>\$ 40,512</u>	<u>\$ 48,552</u>

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2008 is as follows:

Calendar Year	<u>General Obligation Bonds</u>		<u>Intergovernmental Loans</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2009	\$ 730,000	\$ 345,400	\$ 8,201	\$ 770	\$ 1,084,371
2010	760,000	316,563	5,794	605	1,082,962
2011	790,000	286,413	3,311	514	1,080,238
2012	825,000	255,080	3,378	447	1,083,905
2013	860,000	221,842	3,446	379	1,085,667
2014-18	<u>4,869,000</u>	<u>572,260</u>	<u>16,382</u>	<u>831</u>	<u>5,458,473</u>
	<u>\$ 8,834,000</u>	<u>\$ 1,997,558</u>	<u>\$ 40,512</u>	<u>\$ 3,546</u>	<u>\$ 10,875,616</u>

BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 4 MUNICIPAL DEBT (Continued)

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years 2008 and 2007 were as follows:

	Balance, December 31, <u>2007</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2008</u>	Due Within <u>One Year</u>
<u>2008</u>					
General Capital Fund					
Bonds Payable	\$ 9,534,000		\$ 700,000	\$ 8,834,000	\$ 730,000
Intergovernmental Loans Payable	<u>48,552</u>	<u>-</u>	<u>8,040</u>	<u>40,512</u>	<u>8,202</u>
General Capital Fund Long-Term Liabilities	<u>\$ 9,582,552</u>	<u>\$ -</u>	<u>\$ 708,040</u>	<u>\$ 8,874,512</u>	<u>\$ 738,202</u>
	Balance, December 31, <u>2006</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2007</u>	Due Within <u>One Year</u>
<u>2007</u>					
General Capital Fund					
Bonds Payable	\$ 10,204,000		\$ 670,000	\$ 9,534,000	\$ 700,000
Intergovernmental Loans Payable	<u>56,434</u>	<u>-</u>	<u>7,882</u>	<u>48,552</u>	<u>8,040</u>
General Capital Fund Long-Term Liabilities	<u>\$ 10,260,434</u>	<u>\$ -</u>	<u>\$ 677,882</u>	<u>\$ 9,582,552</u>	<u>\$ 708,040</u>

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 4 MUNICIPAL DEBT (Continued)

Short-Term Debt

The Borough's short-term capital debt activity for the years 2008 and 2007 was as follows:

	Balance, December 31, <u>2007</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2008</u>
<u>2008</u>				
Bond Anticipation Notes	\$ 1,864,000	\$ 1,864,000	\$ 1,864,000	\$ 1,864,000

	Balance, December 31, <u>2006</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2007</u>
<u>2007</u>				
Bond Anticipation Notes	\$ -	\$ 1,864,000	\$ -	\$ 1,864,000

NOTE 5 FIXED ASSETS

The following is a summary of changes in the general fixed assets account group for the years 2008 and 2007.

	Balance December 31, <u>2007</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2008</u>
<u>2008</u>				
Land	\$ 78,567,100			\$ 78,567,100
Buildings and Building Impvts.	5,105,499	\$ 49,700		5,155,199
Machinery and Equipment	7,652,555	291,530	-	7,944,085
	<u>\$ 91,325,154</u>	<u>\$ 341,230</u>	<u>\$ -</u>	<u>\$ 91,666,384</u>

	Balance December 31, <u>2006</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2007</u>
<u>2007</u>				
Land	\$ 78,567,100			\$ 78,567,100
Buildings and Building Impvts.	5,105,499			5,105,499
Machinery and Equipment	7,426,499	\$ 329,725	\$ 103,669	7,652,555
	<u>\$ 91,099,098</u>	<u>\$ 329,725</u>	<u>\$ 103,669</u>	<u>\$ 91,325,154</u>

BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 6 FUND BALANCES APPROPRIATED

Under the statutory basis of accounting, fund balances in the Current Fund are comprised of cash surplus (fund balance) and non-cash surplus (fund balance). All or part of cash surplus as of December 31 may be anticipated in the subsequent year's budget. The non-cash surplus portion of fund balance may be utilized in the subsequent year's budget with the prior written consent of the Director of the Division of Local Government Services if certain guidelines are met as to its availability. Fund balances at December 31, which were appropriated and included as anticipated revenue in their own respective fund's budget for the succeeding year were as follows:

	Fund Balance December 31, <u>2008</u>	Utilized in Subsequent <u>Year's Budget</u>	Fund Balance December 31, <u>2007</u>	Utilized in Subsequent <u>Year's Budget</u>
Current Fund				
Cash Surplus	\$ 486,962	\$ 475,000	\$ 800,239	\$ 750,000
Non-Cash Surplus	<u>179,963</u>	<u>-</u>	<u>181,600</u>	<u>-</u>
	<u>\$ 666,925</u>	<u>\$ 475,000</u>	<u>\$ 981,839</u>	<u>\$ 750,000</u>

NOTE 7 DUE TO/FROM OTHER FUNDS

As of December 31, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>2008</u>		<u>2007</u>	
	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Current Fund	\$ 213,746	\$ 649	\$ 1,548	\$ 33,389
Trust Fund				
Open Space Trust Fund	649	508,217	649	411,525
LOSAP Trust Fund				
Other Trust Fund		562		75,798
Animal Control Fund		750		750
Public Assistance Fund				
General Capital Fund	<u>508,217</u>	<u>212,434</u>	<u>519,265</u>	<u>-</u>
Total	<u>\$ 722,612</u>	<u>\$ 722,612</u>	<u>\$ 521,462</u>	<u>\$ 521,462</u>

The above balances are the result of expenditures being paid by one fund on behalf of another and revenues received in one fund on behalf of another fund.

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

BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 8 COMPENSATED ABSENCES

Under the existing policies and labor agreements of the Borough, employees are allowed to accumulate (with certain restrictions) unused vacation benefits, personal, sick leave over the life of their working careers and to redeem such unused leave time in cash (with certain limitations) upon death, retirement or by extended absence immediately preceding retirement.

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$1,639,159 and \$1,703,289 at December 31, 2008 and 2007, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability. As of December 31, 2008 the Borough has reserved \$85,001 in its Accumulated Leave Trust Fund to fund compensated absences in accordance with NJSA 40A:4-39.

NOTE 9 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, the following deferred charges are reported on the balance sheets of the following funds:

	<u>Balance</u> <u>December 31,</u>	<u>Subsequent Year</u> <u>Budget</u> <u>Appropriation</u>	<u>Balance to</u> <u>Succeeding</u> <u>Budgets</u>
<u>2008</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$ 104,000	\$ 60,800	\$ 43,200
Overexpenditures of Appropriations	6,643	6,643	
General Capital Fund			
Overexpenditure of Ordinance	<u>3,686</u>	<u>3,686</u>	<u>-</u>
	<u>\$ 114,329</u>	<u>\$ 71,129</u>	<u>\$ 43,200</u>
<u>2007</u>			
Current Fund			
Special Emergency Authorization	<u>\$ 100,000</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>
	<u>\$ 100,000</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>

BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all state and local government employees which includes those Borough employees who are eligible for pension coverage.

Police and Firemen's Retirement System (PFRS) – established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after June 30, 1944. Membership is mandatory for such employees with vesting occurring after 10 years of membership.

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 healthcare for those eligible employees whose local employers elected to do so, 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 healthcare 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 governmental employers do not appropriate funds to SACT.

The cost of living increase for PFRS and PERS are funded directly by each of the respective systems and are considered in the annual actuarial calculation of the required contributions 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, funds, and trust. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

Basis of Accounting

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

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.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Investment Valuation (Continued)

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 by 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

Chapter 108, P.L. 2003, effective July 1, 2003 provided that the State Treasurer shall reduce the normal and accrued liability contributions payable by employers other than the State, excluding the contribution payable from the benefit enhancement fund, to a percentage of the amount certified annually by the retirement system, which for PERS will be as follows: for payments due in the State fiscal year ending June 30, 2005, 20 percent; for payments due in the State fiscal year ending June 30, 2006, not more than 40 percent; for payments due in the State fiscal year ending June 30, 2007, not more than 60 percent; and for payments due in the State fiscal year ending June 30, 2008, not more than 80 percent. The law provides that local employers' PFRS normal and accrued liability contributions shall be as follows: for payments due in the State fiscal year ending June 30, 2004, 20 percent; for payments due in the State fiscal year ending June 30, 2005, not more than 40 percent; for payments due in the State fiscal year ending June 30, 2006, not more than 60 percent; for payments due in the State fiscal year ending June 30, 2007, not more than 80 percent.

Chapter 42, P.L. 2002 permitted local government units to issue refunding bonds to retire unfunded accrued liability resulting from early retirement benefits under PERS or PFRS, effective July 12, 2002.

Chapter 92, P.L. 2007 implements certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform which establishes a DCRP for elected and certain appointed officials, effective July 1, 2007.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.5% for PERS and 8.50% for PFRS of the employees' annual compensation, as defined. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PFRS and PERS. In the PERS, the employer contribution includes funding for post-retirement medical premiums for participating local governments.

For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, the annual pension cost differs from the annual required contribution due to the enactment of Chapter 114, P.L. 1997.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Contribution Requirement (Continued)

During the years ended December 31, 2008, 2007 and 2006, the Borough was required to contribute for normal cost pension contributions the following amounts which equaled the required contributions for each year:

<u>Year Ended December 31,</u>	<u>PFRS</u>	<u>PERS</u>
2008	\$ 527,100	\$ 170,033
2007	360,905	85,505
2006	216,072	43,600

NOTE 11 POST-RETIREMENT MEDICAL BENEFITS

Funding Policy

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for participating municipalities including the Borough. 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 fund (Health Benefits Program Fund - State). The SHBP-Local, PDP-Local, and the PRM of the TPAF are combined and reported as a separate fund (Health Benefits Program Fund -Local) in the State's CAFR. The health benefit programs had a total of 454 state and local participating employers and contributing entities for Fiscal Year 2007.

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 trusts. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

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.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 11 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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 Treasury, Division of Investment, issues publicly available financial reports. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 2909, Trenton, New Jersey 08625-0290.

Funding Policy

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Public Employees' Retirement System to fund post-retirement medical benefits for those State and participating local government employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2007, there were 75,860 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contributions by the State and participating local governments 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.

P.L. 1977, c. 136 provides for the State and participating local governments to pay health benefits on a pay-as-you-go basis for all enrolled retired employees, regardless of retirement date, under two provisions. The first is for employees whose pensions are based on 25 years or more of credited service (except those who elect a deferred retirement). The second is for retired employees who are eligible for a disability retirement regardless of years of service. The State and participating local governments contributed \$64.6 million for 6,304 eligible retired members for Fiscal Year 2007.

PERS retirees are excluded from the provisions set forth in P.L. 1977, c. 136 since their health benefits coverage is funded through each of their respective pension fund systems via an annual appropriation. The State and participating local governments made post-retirement medical (PRM) contributions of \$224.3 million for PERS in Fiscal Year 2007.

P.L. 1997, c. 330 provides paid post-retirement health benefits to qualified retirees of the Police and Firemen's Retirement System and to dependents of qualified retirees. The State and participating local governments are responsible for 80 percent of the premium for the category of coverage elected by the retiree under the State managed care plan or a health maintenance organization participating in the program, whichever provides the lower charge. The State and participating local governments contributed \$20.8 million in fiscal year 2007 to provide benefits under Chapter 330 to qualified retirees.

The State will set in fiscal year 2008 the employer contribution rate based 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 Borough's contributions to the State Health Benefits Program Fund for post-retirement benefits for the year ended December 31, 2008 were \$137,456.

BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 12 RISK MANAGEMENT

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

The Borough of Closter is a member of the Bergen County Municipal Joint Insurance Fund (BJIF) and Municipal Excess Liability Joint Insurance Fund (MEL). The joint insurance funds are both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and worker's compensation. The Funds are risk-sharing public entity pools. The BJIF and MEL coverage amounts are on file with the Borough.

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

The funds provide its members with risk management services, including the defense of and settlement of claims, and established reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the funds can be obtained by contacting the respective fund's Treasurer.

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

NOTE 13 CONTINGENT LIABILITIES

The Borough is a party defendant in some lawsuits, none of a kind unusual for a municipality of its size and scope of operation. The Borough currently has a claim pending against it for an alleged hostile work environment. The former employee is seeking \$140,000 in financial damages. The Borough is vigorously defending this matter as it does not believe any such hostile work environment existed. A portion of any award or settlement arising from this case would be paid by the Borough's Joint Insurance Fund policy, however, there is potential exposure for "lost future income".

In 2009, the Borough has settled with a police officer who alleged he was retaliated against for potential promotion. Although the Borough did not acknowledge any wrongdoing in the matter, the Borough did agree to pay \$90,000 in exchange for his early retirement which is already in effect.

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2008 and 2007. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be immaterial. As of December 31, 2008 and 2007 the Borough reserved \$127,410 and \$109,924 respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years' budget or from fund balance.

**BOROUGH OF CLOSTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 13 CONTINGENT LIABILITIES (Continued)

Pending Tax Appeals (Continued)

In November, 2000 the Borough approved a stipulation of settlement with the Hackensack Water Company/United Water for tax assessments levied from 1992 through 2000. The settlement set forth a refund and payment schedule as follows:

<u>Year Ended</u> <u>Due Date</u>	<u>Amount</u>
12/31/1998	\$ 800,000
3/31/1999	450,000
12/31/99-03	180,500 per year
12/31/04-09	130,500 per year

Federal and State Awards - The Borough 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 Borough may be required to reimburse the grantor government. As of December 31, 2008 and 2007, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

NOTE 14 FEDERAL ARBITRAGE REGULATIONS

The Borough 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 December 31, 2008 and 2007, the Borough had no estimated arbitrage earnings due to the IRS.

NOTE 15 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

The Borough of Closter Length of Service Award Program (the Plan) was created by a Borough ordinance adopted on August 20, 1999 pursuant to 457 (e)(11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of the Borough of Closter approved the adoption of the Plan at the general election held on November 2, 1999.

The first year of eligibility for entrance into the Plan was calendar year 2000. The tax deferred income benefits for emergency services volunteers, consisting of the Volunteer Fire Department and the First Aid Organization, come from contributions made solely by the Borough on behalf of those volunteers who meet the criteria of a plan created by the governing body. In addition, the Borough has an agreement with the Borough of Alpine, whereby ambulance services are provided to the Borough by Alpine. The Borough of Alpine is required to contribute a portion to LOSAP.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 15 LENGTH OF SERVICE AWARD PROGRAM (LOSAP) (Continued)

If an active member meets the year of active service requirement, a LOSAP must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,150 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services issues the permitted maximum increase annually.

The Borough of Closter has contributed \$31,350 and \$32,400 for 2008 and 2007, respectively. The Borough of Alpine has contributed \$6,000 and \$5,750 for 2008 and 2007, respectively.

In accordance with the amendments to Section 457 of the Internal Revenue Code and the State Deferred Revenue Regulations, the Borough has placed the amounts deferred, including earnings, in a trust for the exclusive benefit of the plan participants and their beneficiaries.

All earnings, dividends and other distributions of the account shall be automatically reinvested.

Vesting and Benefits

A volunteer is eligible to receive a distribution of funds upon completing 5 (five) cumulative years as an active member of the volunteer organization. Certain restrictions and tax implications may result in the event of a withdrawal of funds from the Plan.

If a volunteer member does not vest and terminates their association with the emergency service organization, the funds are returned to the sponsoring agency's surplus.

Reporting Requirements

The New Jersey Administrative Code NJAC 5:30-14.49 requires that the Borough perform a separate review report of the plan in accordance with the American Institute of Certified Public Accountants (AICPA) Statements on Standards for Accounting and Auditing Review Services. Since a review does not constitute an audit, the financial statements pertaining to the Plan are presented as unaudited in this report as part of the Borough's Trust Fund.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

NOTE 16 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of December 31, the Borough had the following commitments with respect to unfinished capital projects:

	<u>Commitment</u>	<u>Estimated Date of Completion</u>
<u>2008</u>		
<u>Capital Project</u>		
Acquisition of Fire Rescue Vehicle	\$ 468,678	2009
<u>2007</u>		
<u>Capital Project</u>		
Signal Improvements	\$ 74,523	2008

NOTE 17 OPERATING LEASES

The Borough leases police vehicles under noncancelable operating leases. Lease payments for the years ended December 31, 2008 and 2007 were \$30,704 and \$42,829, respectively. The future minimum lease payments for these leases are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2009	\$ 30,704
2010	<u>25,587</u>
	<u>\$ 56,291</u>

NOTE 18 SUBSEQUENT EVENTS

Debt Authorized

On February 25, 2009, the Borough adopted a bond ordinance authorizing the issuance of \$2,185,000 in bonds or bond anticipation notes to fund the 2009 Road Program. As of the date of this report the Borough has issued \$1,650,000 of bond anticipation notes.

Bond Anticipation Notes

On May 11, 2009 the Bergen County Improvement Authority issued \$3,407,464 of bond anticipation notes on behalf of the Borough. The notes mature on May 11, 2010 with an interest rate of 1.25%.

SUPPLEMENTARY SCHEDULES

CURRENT FUND

The Current Fund accounts for the resources and expenditures for governmental operations of a general nature including Federal and State Grants.

**BOROUGH OF CLOSTER
COMPARATIVE BALANCE SHEETS - STATUTORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,950,267	\$ 368,906
Investments	291,839	1,949,690
Intergovernmental Receivable	69,320	81,600
Deferred Charges		
Overexpenditure of Appropriation	6,643	
Special Emergency Authorizations (40A:4-55)	<u>104,000</u>	<u>100,000</u>
Sub-total	<u>2,422,069</u>	<u>2,500,196</u>
Receivables and Other Assets with Full Reserves		
Delinquent Property Taxes Receivable	496,059	308,349
Tax Title Liens Receivable	41,526	38,100
Property Acquired for Taxes - Assessed Value	130,531	130,531
Revenue Accounts Receivable		50,000
Interfunds	213,746	1,548
Accounts	<u>16,016</u>	<u>4,000</u>
	<u>897,878</u>	<u>532,528</u>
Total Assets	<u>\$ 3,319,947</u>	<u>\$ 3,032,724</u>
LIABILITIES, RESERVES AND FUND BALANCE		
Appropriation Reserves	\$ 793,009	\$ 529,904
Encumbrances Payable	466,750	251,635
Accounts Payable	453	7,009
Intergovernmental Payables		
Due to State of New Jersey Senior and Veteran Deductions	11,894	11,693
Due to State Dept. of Human Services	280	370
State of New Jersey Training Fees	2,131	677
County Taxes Payable	26,846	16,315
Local School Taxes Payable		179,419
Interfund Payable	649	33,389
Prepaid Taxes	140,950	243,753
Tax Overpayments	86,788	21,115
Miscellaneous Reserves and Deposits	213	29,604
Other Liabilities	255	
Reserve for Tax Appeals	127,410	109,924
Reserve for Appropriated Grants	85,390	38,479
Reserve for Unappropriated Grants	<u>12,126</u>	<u>45,071</u>
	1,755,144	1,518,357
Reserve for Receivables and Other Assets	897,878	532,528
Fund Balance	<u>666,925</u>	<u>981,839</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 3,319,947</u>	<u>\$ 3,032,724</u>

BOROUGH OF CLOSTER
STATEMENT OF REVENUES AND OTHER CREDITS TO INCOME
STATUTORY BASIS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	Budget As <u>Modified</u>	<u>Realized</u>	Excess or <u>(Deficit)</u>
FUND BALANCE ANTICIPATED	\$ 750,000	\$ 750,000	-
MISCELLANEOUS REVENUES			
Licenses			
Alcoholic Beverages	27,000	28,268	\$ 1,268
Other	17,900	18,257	357
Fees and Permits			
Other	124,000	141,590	17,590
Uniform Construction Code Fees	256,000	185,034	(70,966)
Fines and Costs			
Municipal Court	97,000	91,445	(5,555)
Interest and Cost on Taxes	58,000	75,042	17,042
Interest on Investments and Deposits	<u>200,000</u>	<u>119,573</u>	<u>(80,427)</u>
Total Miscellaneous Revenues	<u>779,900</u>	<u>659,209</u>	<u>(120,691)</u>
STATE, FEDERAL AND COUNTY AID			
Energy Receipts Tax	1,832,750	1,832,750	
Extraordinary Aid	250,000	250,000	
Watershed Moratorium Offset Aid	13,489	13,489	
Homeland Security	50,000	50,000	
Drunk Driving Enforcement Fund	4,590	4,590	
Municipal Recycling Assistance Program	108	108	
Clean Communities	20,564	20,564	
Police Body Armor	2,459	2,459	
Municipal Alliance Program	2,000	2,000	
Recycling Tonnage Grant	12,376	12,376	
Highway Safety Program	9,000	9,000	
Domestic Violence	300	300	
E-911 Grant	56,038	56,038	
Pandemic Influenza Preparedness Grant	6,347	6,347	
Reserve for Payment of Debt Service	<u>17,510</u>	<u>17,510</u>	<u>-</u>
Total State and Federal Aid	<u>2,277,531</u>	<u>2,277,531</u>	<u>-</u>

BOROUGH OF CLOSTER
STATEMENT OF REVENUES AND OTHER CREDITS TO INCOME
STATUTORY BASIS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	Budget As <u>Modified</u>	<u>Realized</u>	Excess or <u>(Deficit)</u>
OTHER SPECIAL ITEMS			
Cell Tower Rental	\$ 57,000	\$ 57,490	\$ 490
Inter-Borough Police Radio	355,178	327,535	(27,643)
Joint Health Services	6,600	6,600	
Uniform Fire Safety Act	<u>14,205</u>	<u>29,088</u>	<u>14,883</u>
Total Other Special Items	<u>432,983</u>	<u>420,713</u>	<u>(12,270)</u>
RECEIPTS FROM DELINQUENT TAXES	<u>288,000</u>	<u>292,898</u>	<u>4,898</u>
AMOUNT TO BE RAISED BY TAXES FOR SUPPORT OF MUNICIPAL BUDGET	<u>9,183,136</u>	<u>9,672,099</u>	<u>488,963</u>
Total Budget Revenues	<u>13,711,550</u>	<u>14,072,450</u>	<u>360,900</u>
OTHER CREDITS TO INCOME			
Non Budget Revenues		143,538	143,538
Unexpended Balance of Appropriation Reserves		154,309	154,309
Cancelled Payables		615	615
Taxes Allocated to Municipal Open Space Preservation	238,975	238,975	
Taxes Allocated to School and County	<u>29,611,451</u>	<u>29,611,451</u>	<u>-</u>
Total Other Credits to Income	<u>29,850,426</u>	<u>30,148,888</u>	<u>298,462</u>
Total Revenues and Other Credits to Income	<u>\$ 43,561,976</u>	<u>\$ 44,221,338</u>	<u>\$ 659,362</u>

BOROUGH OF CLOSTER
STATEMENT OF EXPENDITURES AND OTHER DEBITS TO INCOME -
STATUTORY BASIS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>	<u>Overexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>		
OPERATIONS - WITHIN "CAPS"						
GENERAL GOVERNMENT						
General Administration						
Salaries and Wages						
Other Expenses	\$ 10,000	\$ 6,000	\$ 5,841	\$ 159		
Administrative & Executive						
Municipal Clerk's Office						
Salaries and Wages	163,000	163,000	157,074	5,926		
Other Expenses	18,000	12,665	10,193	2,472		
Codification of Ordinances	6,000	6,000	1,265	4,735		
Elections	7,521	12,856	12,759	97		
Financial Administration						
Salaries and Wages	147,000	147,000	146,104	896		
Other Expenses	61,000	61,000	60,425	575		
Audit Services						
Other Expenses	33,000	48,000	22,720	25,280		
Data Processing						
Salaries and Wages	8,300	8,300	8,274	26		
Other Expenses	8,000	17,000	16,852	148		
Assessment of Taxes						
Salaries and Wages	50,500	44,800	44,492	308		
Other Expenses	3,800	3,800	3,148	652		
Revenue Administration						
Salaries and Wages	120,000	120,000	119,958	42		
Other Expenses	20,000	20,000	13,743	6,257		
Legal Services & Costs						
Other Expenses	155,000	140,000	131,627	8,373		
Engineering Services & Costs						
Other Expenses	40,000	40,000	29,172	10,828		
Monitoring Wells	25,000	25,000	12,775	12,225		
Economic Development						
Closter Improvement Committee	8,000	8,000	7,234	766		
Historical Commission						
Salaries and Wages						
Other Expenses	4,500	4,500	2,317	2,183		

BOROUGH OF CLOSTER
STATEMENT OF EXPENDITURES AND OTHER DEBITS TO INCOME -
STATUTORY BASIS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>	<u>Overexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>		
OPERATIONS - WITHIN "CAPS" (Continued)						
GENERAL GOVERNMENT (Continued)						
Municipal Land Use Law (NJSA 40:55D-1)						
Planning Board						
Salaries and Wages	\$ 39,300	\$ 39,300	\$ 30,423	\$ 8,877		
Other Expenses	9,000	9,000	7,243	1,757		
Revaluation		39,000		39,000		
Zoning Board of Adjustment						
Salaries and Wages						
Other Expenses	7,800	7,800	7,456	344		
Master Plan		15,000	14,888	112		
Insurance						
Unemployment Insurance	12,000	12,000	11,137	863		
Other Insurance Premiums	22,000	12,000	8,239	3,761		
General Liability	166,000	166,000	163,301	2,699		
Workers' Compensation Insurance	191,300	191,300	191,274	26		
Group Insurance Plan for Employees	875,000	885,000	797,314	87,686		
Municipal Court						
Salaries and Wages	85,000	85,000	84,398	602		
Other Expenses	2,500	2,500	1,395	1,105		
Public Defender (P.L. 1997, C. 256)						
Other Expenses	1,800	1,800	-	1,800	-	-
Subtotal General Government	<u>2,300,321</u>	<u>2,353,621</u>	<u>2,123,041</u>	<u>230,580</u>	<u>-</u>	<u>-</u>
PUBLIC SAFETY						
Salaries and Wages	32,000	32,000	26,122	5,878		
Other Expenses	3,500	3,500	1,304	2,196		
Clothing Allowance	16,000	16,000	15,539	461		
Fire Protection						
Other Expenses	68,000	68,000	56,852	11,148		
Fire Hydrant Service	125,000	125,000	124,195	805		
Municipal Prosecutor						
Other Expenses	8,000	8,000	7,355	645		
Police						
Salaries and Wages	2,997,000	2,958,220	2,849,888	108,332		
Other Expenses	75,000	86,465	74,765	11,700		
Acq. of Police Vehicles	27,000	28,715	28,636	79		
First Aid Organization - Contribution	12,000	12,000	12,000			
Emergency Management						
Salaries and Wages	6,750	6,750	6,712	38		
Other Expenses	12,000	12,000	8,878	3,122		

BOROUGH OF CLOSTER
STATEMENT OF EXPENDITURES AND OTHER DEBITS TO INCOME -
STATUTORY BASIS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>	<u>Overexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>		
OPERATIONS - WITHIN "CAPS" (Continued)						
PUBLIC SAFETY (Continued)						
Uniform Construction Code						
Appropriations Offset by Dedicated						
Revenues (N.J.A.C. 5:23-4-17)						
Construction Code Official						
Salaries and Wages	\$ 164,000	\$ 168,000	\$ 165,121	\$ 2,879		
Other Expenses	35,000	35,000	33,480	1,520		
Zoning Officer						
Salaries and Wages	400	400	(150)	550		
Sub-Code Officials						
Plumbing Inspector						
Salaries and Wages	15,000	16,700	16,498	202		
Electrical Inspector						
Salaries and Wages	10,200	11,500	11,343	157		
Elevator Inspector						
Salaries and Wages	2,300	2,500	2,407	93		
Code Enforcement						
Salaries and Wages	10,000	12,000	11,670	330		
Other Expenses						
Fire Inspector						
Salaries and Wages	6,500	6,800	6,609	191	-	-
Subtotal Public Safety	<u>3,625,650</u>	<u>3,609,550</u>	<u>3,459,224</u>	<u>150,326</u>	<u>-</u>	<u>-</u>
STREETS AND ROADS						
Road Repairs and Maintenance						
Salaries and Wages	965,000	927,500	875,603	51,897		
Other Expenses	69,000	69,000	67,700	1,300		
Snow Removal						
Other Expenses	10,000	10,000	5,534	4,466		
Shade Tree Committee						
Other Expenses	35,000	35,000	35,000	-		
Public Buildings and Grounds						
Other Expenses	45,500	57,000	56,409	591		

BOROUGH OF CLOSTER
STATEMENT OF EXPENDITURES AND OTHER DEBITS TO INCOME -
STATUTORY BASIS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>	<u>Overexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>		
OPERATIONS - WITHIN "CAPS" (Continued)						
STREETS AND ROADS (Continued)						
Solid Waste Collection						
Salaries and Wages	\$ 293,000	\$ 306,000	\$ 297,821	\$ 8,179		
Other Expenses	15,000	15,000	14,148	852		
Solid Waste Recycling Landfill and Contingency Taxes	346,100	326,800	231,721	95,079		
Recycling						
Salaries and Wages	47,000	47,000	46,879	121		
Repair to Municipal Vehicles						
Other Expenses	<u>80,000</u>	<u>70,000</u>	<u>69,331</u>	<u>669</u>	<u>-</u>	<u>-</u>
Subtotal Streets and Roads	<u>1,905,600</u>	<u>1,863,300</u>	<u>1,700,146</u>	<u>163,154</u>	<u>-</u>	<u>-</u>
HEALTH AND WELFARE						
Board of Health						
Salaries and Wages	120,400	131,000	130,840	160		
Other Expenses	18,000	18,500	18,345	155		
Environmental Commission						
Other Expenses	4,500	4,500	4,110	390		
Animal Control						
Other Expenses	12,500	12,500	12,323	177		
Administration of Public Assistance						
Other Expenses	200	200	130	70		
Aid to Mental Health Center	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal Health and Welfare	<u>158,100</u>	<u>169,200</u>	<u>168,248</u>	<u>952</u>	<u>-</u>	<u>-</u>
RECREATION AND EDUCATION						
Recreation Services and Programs						
Other Expenses						
Maintenance of Parks	11,000	11,000	4,403	6,597		
Parks and Playgrounds	22,000	22,200	20,864	1,336		
Senior Citizens						
Other Expenses	4,000	4,000	2,920	1,080		

BOROUGH OF CLOSTER
STATEMENT OF EXPENDITURES AND OTHER DEBITS TO INCOME -
STATUTORY BASIS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>	
	<u>Budget</u>	<u>Budget After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Reserved</u>	<u>Balance</u> <u>Cancelled</u>	<u>Overexpended</u>
OPERATIONS - WITHIN "CAPS" (Continued)						
RECREATION AND EDUCATION (Continued)						
Board of Recreation Commissioners (NJSA 40:12-1 et seq.)						
Salaries and Wages	\$ 42,000	\$ 55,800	\$ 55,410	\$ 390		
Other Expenses	31,000	31,000	37,643			\$ 6,643
Contribution to Belskie Museum	7,500	7,500	7,500			
Celebration of Public Events, Anniversary or Holiday						
Other Expenses	7,000	7,000	3,081	3,919		
Accumulated Leave Compensation	1,000	35,000	35,000	-	-	-
Subtotal Recreation and Education	<u>125,500</u>	<u>173,500</u>	<u>166,821</u>	<u>13,322</u>	<u>-</u>	<u>6,643</u>
UNCLASSIFIED:						
Utilities:						
Gasoline	155,000	155,000	131,798	23,202		
Electricity	92,000	92,000	91,139	861		
Telephone and Telegraph	105,000	105,000	102,816	2,184		
Natural Gas	30,000	30,000	26,079	3,921		
Street Lighting	140,000	140,000	103,950	36,050		
Sewer System	19,000	19,000	12,925	6,075		
Water	27,500	27,500	8,557	18,943	-	-
Subtotal Unclassified	<u>568,500</u>	<u>568,500</u>	<u>477,264</u>	<u>91,236</u>	<u>-</u>	<u>-</u>
Total Operations Within "CAPS"	<u>8,683,671</u>	<u>8,737,671</u>	<u>8,094,744</u>	<u>649,570</u>	<u>-</u>	<u>6,643</u>
DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS"						
Deferred Charges						
Deficit in Animal Control Fund	104	104	104			
Statutory Charges						
Social Security System (O.A.S.I.)	255,000	255,000	234,519	20,481	-	-
Subtotal Deferred Charges & Statutory Expenditures - Municipal Within "CAPS"	<u>255,104</u>	<u>255,104</u>	<u>234,623</u>	<u>20,481</u>	<u>-</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>8,938,775</u>	<u>8,992,775</u>	<u>8,329,367</u>	<u>670,051</u>	<u>-</u>	<u>6,643</u>

BOROUGH OF CLOSTER
STATEMENT OF EXPENDITURES AND OTHER DEBITS TO INCOME -
STATUTORY BASIS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>	<u>Overexpended</u>
OPERATIONS - EXCLUDED FROM "CAPS"						
GENERAL GOVERNMENT						
Reserve for Tax Appeals	\$ 200,000	\$ 200,000	\$ 200,000			
Recycling Tax Appropriation	8,900	8,900		\$ 8,900		
Contribution to Police and Fireman's Retirement System of NJ	497,709	497,709	497,709			
Public Employees Retirement System	<u>170,033</u>	<u>170,033</u>	<u>170,033</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal General Government	<u>876,642</u>	<u>876,642</u>	<u>867,742</u>	<u>8,900</u>	<u>-</u>	<u>-</u>
PUBLIC SAFETY						
Interlocal Municipal Service Agreement Inter-Borough Police Radio - Other Municipalities						
Salaries and Wages	293,100	293,100	293,100			
Other Expenses	62,078	62,078	58,386	3,692		
Length of Service Awards Program (LOSAP)	35,000	35,000		35,000		
Joint Communications - Haworth Salaries and Wages	<u>6,600</u>	<u>6,600</u>	<u>6,600</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal Public Safety	<u>396,778</u>	<u>396,778</u>	<u>358,086</u>	<u>38,692</u>	<u>-</u>	<u>-</u>
STREETS AND ROADS						
Bergen County Utilities Authority - Contractual	<u>667,326</u>	<u>667,326</u>	<u>667,066</u>	<u>260</u>	<u>-</u>	<u>-</u>
Subtotal Streets and Roads	<u>667,326</u>	<u>667,326</u>	<u>667,066</u>	<u>260</u>	<u>-</u>	<u>-</u>
RECREATION AND EDUCATION						
Maintenance of Free Public Library (Chap. 82, 541 P.L. 1985)	<u>759,007</u>	<u>759,007</u>	<u>759,007</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal Recreation and Education	<u>759,007</u>	<u>759,007</u>	<u>759,007</u>	<u>-</u>	<u>-</u>	<u>-</u>

BOROUGH OF CLOSTER
STATEMENT OF EXPENDITURES AND OTHER DEBITS TO INCOME -
STATUTORY BASIS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Appropriated</u>		<u>Expended</u>		Unexpended Balance Cancelled	<u>Overexpended</u>
	<u>Budget</u>	Budget After <u>Modification</u>	Paid or <u>Charged</u>	<u>Reserved</u>		
PUBLIC AND PRIVATE PROGRAMS						
OFFSET BY REVENUES						
Recycling Tonnage Grant - State Share	\$ 4,365	\$ 4,365	\$ 2,076	\$ 2,289		
Municipal Alliance						
State Share		2,000	1,000	1,000		
Local Share	3,000	3,000	(1,200)	4,200		
Drunk Driving Enforcement Fund						
State Share		4,590		4,590		
Police Body Armor - State Share	2,459	2,459	2,459			
Pandemic Influenza Preparedness Grant - State Share		6,347	1,500	4,847		
E-911 Grant - State Share	28,019	56,038	28,019	28,019		
Bergen County Open Space Grant					-	
Domestic Violence		300		300		
Reserve for Municipal Recycling Assistant - State Share	108	108		108		
Clean Communities Grant State Share	10,120	20,564		20,564		
Highway Safety Patrol - State Share		9,000	7,822	1,178		
Municipal Recycling Assistance Grant State Share	-	8,011	-	8,011	-	-
Total Public and Private Programs Offset by Revenues	<u>48,071</u>	<u>116,782</u>	<u>41,676</u>	<u>75,106</u>	<u>-</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>2,747,824</u>	<u>2,816,535</u>	<u>2,693,577</u>	<u>122,958</u>	<u>-</u>	<u>-</u>
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"						
Capital Improvement Fund	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Improvements - Excluded from "CAPS"	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

BOROUGH OF CLOSTER
STATEMENT OF EXPENDITURES AND OTHER DEBITS TO INCOME -
STATUTORY BASIS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>	<u>Overexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>	
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"						
Payment of Bond Principal	\$ 700,000	\$ 700,000	\$ 700,000			
Interest on Bonds	373,085	373,085	373,065		\$ 20	
Interest on Notes	11,048	11,048	11,048			
Green Trust Loan Program	8,972	8,972	8,971	-	1	-
Total Municipal Debt Service - Excluded from "CAPS"	<u>1,093,105</u>	<u>1,093,105</u>	<u>1,093,084</u>	<u>-</u>	<u>21</u>	<u>-</u>
DEFERRED CHARGES MUNICIPAL - EXCLUDED FROM "CAPS"						
Emergency Authorizations	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal Deferred Charges - Municipal Excluded from "CAPS"	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>3,915,929</u>	<u>3,984,640</u>	<u>3,861,661</u>	<u>\$ 122,958</u>	<u>21</u>	<u>-</u>
Subtotal General Appropriations	12,854,704	12,977,415	12,191,028	793,009	21	\$ 6,643
Reserve for Uncollected Taxes	<u>788,135</u>	<u>788,135</u>	<u>788,135</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 13,642,839</u>	<u>\$ 13,765,550</u>	12,979,163	<u>\$ 793,009</u>	<u>\$ 21</u>	<u>\$ 6,643</u>
Budget as Adopted		\$ 13,642,839				
Added by N.J.S. 40A:4-55		54,000				
Added by N.J.S. 40A:4-87		<u>68,711</u>				
		<u>\$ 13,765,550</u>				
Other Expenditures and Charges to Income						
County Taxes		\$ 4,237,869				
Local School Taxes		15,724,249				
Regional School Taxes		9,649,333				
Municipal Open Space Preservation		238,975				
Interfund Advance		212,198				
Prior Year Senior Citizen Disallowed		83				
Establish Reserve for Receivables		<u>12,016</u>				
Total Other Expenditures and Charges to Income			<u>30,074,723</u>			
Sub-Total Paid or Charged			43,053,886			
Reserved			<u>793,009</u>			
Total Expenditures			<u>\$ 43,846,895</u>			

**BOROUGH OF CLOSTER
STATEMENT OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY**

Year	Balance, December 31, 2007	2008 Levy	Senior Citizens' and Veterans' Deductions Disallowed	Senior Citizens' and Veterans' Deductions Allowed	Transfer to Tax Title Liens	Remitted or Cancelled	Balance, December 31, 2008
2007	\$ 308,349		\$ 83	\$ 292,898		\$ 4,138	\$ 11,396
2008	-	\$ 39,262,822	118	\$ 243,753	\$ 3,426	40,343	484,663
	<u>\$ 308,349</u>	<u>\$ 39,262,822</u>	<u>\$ 201</u>	<u>\$ 243,753</u>	<u>\$ 3,426</u>	<u>\$ 44,481</u>	<u>\$ 496,059</u>

Analysis of 2008 Property Tax Levy

Tax Yield	
General Purpose Tax	\$ 39,015,107
Added Taxes (R.S. 54:4-36.1 et. seq.)	<u>247,715</u>
	<u>\$ 39,262,822</u>
Tax Levy	
Regional High School Tax	\$ 9,649,333
Local District School Tax	15,724,249
County Tax	\$ 3,982,613
County Open Space Preservation	228,410
County Tax for Added Taxes	<u>26,846</u>
	4,237,869
Local Tax for Municipal Purposes	9,183,136
Municipal Open Space Preservation	238,975
Add Additional Tax Levy	<u>229,260</u>
	<u>9,651,371</u>
	<u>\$ 39,262,822</u>

**BOROUGH OF CLOSTER
STATEMENT OF TAX TITLE LIENS RECEIVABLE**

Balance, December 31, 2007	\$ 38,100
Increased by:	
Transferred from Taxes Receivable	3,426
Balance, December 31, 2008	\$ 41,526

STATEMENT OF DEFERRED CHARGES

<u>Purpose</u>	Balance, December 31, <u>2007</u>	Increased in <u>2008</u>	Raised by 2008 Budget <u>Appropriation</u>	Balance, December 31, <u>2008</u>
Special Emergency Authorization -				
Revaluation of Real Property	\$ 100,000		\$ 50,000	\$ 50,000
Preparation of Master Plan		\$ 15,000		15,000
Reassessment of Real Property		39,000		39,000
Overexpenditure of Appropriations	-	6,643	-	6,643
Total	\$ 100,000	\$ 60,643	\$ 50,000	\$ 110,643

BOROUGH OF CLOSTER
STATEMENT OF 2007 APPROPRIATION RESERVES

	Balance, December 31, <u>2007</u>	Budget After Transfer or <u>Modification</u>	Paid or <u>Charged</u>	Transferred to Grant <u>Reserve</u>	Balance <u>Lapsed</u>
Salaries and Wages					
Municipal Clerk's Office	\$ 419	\$ 827	\$ 826		\$ 1
Financial Administration	1,149	1,149	165		984
Assessment of Taxes	762	762	690		72
Revenue Administration	438	438			438
Planning Board	15	15			15
Zoning Board	16	16			16
Municipal Court	1	1			1
Police	8,751	43,625	43,624		1
Streets and Roads					
Road Repairs and Maintenance	45,318	17,318	17,106		212
Sanitation					
Garbage and Trash Removal	1,055	2,684	2,683		1
Fire Prevention Bureau					
Uniform Fire Safety	7,935	7,935	5,269		2,666
Recycling	463	463	421		42
Public Health Service	432	432	375		57
Board of Recreation Commissioners	352	352			352
Uniform Construction Code					
Construction Code Official	1,017	1,017	96		921
Zoning Officer	23	191	168		23
Fire Sub Code	25	97	96		1
Plumbing	670	670	175		495
Code Enforcement	138	1,677	1,677		
Elevator Sub Code	25	25			25
Electrical Inspector	1,470	1,470	805	-	665
	<u>70,474</u>	<u>81,164</u>	<u>74,176</u>	<u>-</u>	<u>6,988</u>
Other Expenses					
General Administration	375	375			375
Administration and Executive	913	1,558	32		1,526
Codification of Ordinances	5,670	5,670	5,670		
Financial Administration	13,381	1,986	1,329		657
Audit Services	15,505	15,505	15,380		125
Data Processing	1,559	1,561	780		781
Assessment of Taxes	423	423			423
Revenue Administration	273	1,351	1,078		273
Legal Services and Costs	4,344	11,075	11,075		
Engineering	28,249	4,749	4,500		249
Shade Tree Commission Committee	4,933	46,633	42,340		4,293
Monitoring Wells	14,044	14,044	4,908		9,136
Closter Improvement Committee	1,577	1,577	1,577		
Historical Commission	1,645	2,294	1,576		718
Planning Board	938	1,671	1,659		12
Zoning Board	850	905	57		848
Unemployment Insurance	2,333	2,333			2,333
Fire Prevention/Uniform Fire Safety	11	1,090	929		161
Group Insurance Plan for Employees	80,325	123,143	121,544		1,599
Other Insurance Premiums	7,863	10,314	2,451		7,863
General Liability	235	36,772	35,314		1,458
Worker's Compensation		45,778	45,778		
Construction Code Official	1,359	27,561	837		26,724

BOROUGH OF CLOSTER
STATEMENT OF 2007 APPROPRIATION RESERVES

	Balance, December 31, <u>2007</u>	Budget After Transfer or <u>Modification</u>	Paid or <u>Charged</u>	Transferred to Grant <u>Reserve</u>	Balance <u>Lapsed</u>
Other Expenses (Continued)					
Public Safety					
Fire Protection	\$ 180	\$ 15,955	\$ 15,954		\$ 1
Fire Clothing Allowance	28	28			28
Fire Hydrant	10,277	10,350	10,350		
Police	758	12,436	11,984		452
Acquisition of Vehicles	2,611	23,310	13,959		9,351
Emergency Management	30	2,994	2,833		161
Municipal Prosecutor	467	467			467
Streets and Roads					
Road Repairs and Maintenance	4,575	9,836	6,852		2,984
Snow Removal	116	1,226	895		331
Public Buildings & Grounds	684	3,444	3,235		209
Sanitation	3,688	3,921	621		3,300
Solid Waste Recycling Landfill	53,913	53,913	20,029		33,884
Board of Health	487	6,067	5,459		608
Environmental Commission	1	1			1
Administration of Public Assistance	129	129			129
Recreation and Education					
Other Expenses	759	1,150	1,149		1
Maintenance of Parks	1,704	1,704			1,704
Celebration of Public Events	2,313	2,313	2,313		
Board of Recreation Commissioners	237	2,778	623		2,155
Repair to Municipal Vehicles	4,331	7,886	787		7,099
Utilities:					
Gasoline	14,352	5,952	5,904		48
Electricity	7,197	7,389	1,439		5,950
Natural Gas	2,302	561			561
Telephone and Telegraph	9,037	2,137	2,044		93
Street Lighting	1,187	10,237	10,237		
Sewer System	158	6,158	6,000		158
Water	10,525	25			25
Social Security System	10,954	10,954			10,954
Municipal Court	604	907	273		634
Length of Service Awards Program	35,000	35,000	32,300		2,700
Interboro Police	1,136	1,346	210		1,136
Capital Improvement Fund	2,048	2,048			2,048
Bergen County Open Space Grant	27,203	27,203		\$ 27,203	
Drunk Driving Enforcement Fund	4,491	4,491	2,856	1,635	
Highway Safety Patrol	3,550	3,550	3,550		
Municipal Alliance - State Share		1,450	1,450		
Municipal Alliance - Local Share	1,395	1,395	800		595
Clean Communities	5,205	7,833	7,833		
E-911 Grant	1,583	1,583		1,583	
Alcohol Education	118	118		118	
Pandemic		1,847	1,847		
Municipal Recycling Assistance	6,139	6,139	3,970	2,169	
Community Development Barrier Free	40,000	40,000	25,797	14,203	
Municipal Recycling Assistance	1,153	3,776	3,776	-	-
	<u>459,430</u>	<u>700,375</u>	<u>506,143</u>	<u>46,911</u>	<u>147,321</u>
	<u>\$ 529,904</u>	<u>\$ 781,539</u>	<u>\$ 580,319</u>	<u>\$ 46,911</u>	<u>\$ 154,309</u>
Appropriation Reserves		\$ 529,904			
Encumbrances Payable		<u>251,635</u>			
	54	<u>\$ 781,539</u>			

**BOROUGH OF CLOSTER
STATEMENT OF LOCAL SCHOOL TAXES PAYABLE**

Balance December 31, 2007	\$ 179,419
Increased by:	
Levy, Calendar Year 2008	<u>15,724,249</u>
	15,903,668
Decreased by:	
Payments	<u>15,903,668</u>
Balance December 31, 2008	<u>\$ -</u>

STATEMENT OF REGIONAL HIGH SCHOOL DISTRICT TAXES PAYABLE

Increased by:	
Levy, Calendar Year 2008	\$ 9,649,333
Decreased by:	
Payments	<u>9,661,349</u>
Balance December 31, 2008 (Due From)	<u>\$ 12,016</u>

STATEMENT OF GRANTS RECEIVABLE

	Balance December 31, <u>2007</u>	Revenue <u>Realized</u>	<u>Received</u>	Balance December 31. <u>2008</u>
Stormwater Management	\$ 2,117			\$ 2,117
Barrier Free - CDBG	40,000			40,000
Bergen County Open Space	27,203			27,203
Municipal Alliance Program	8,880	\$ 2,000	\$ 10,880	
Clean Communities		10,444	10,444	
Highway Safety	3,400	9,000	12,400	
Recycling Tonnage		8,011	8,011	
E-911 Grant		28,019	28,019	
Drunk Driving Enforcement Fund		4,590	4,590	
Domestic Violence Training		300	300	
Pandemic Influenza	-	6,347	6,347	-
	<u>\$ 81,600</u>	<u>\$ 68,711</u>	<u>\$ 80,991</u>	<u>\$ 69,320</u>

BOROUGH OF CLOSTER
STATEMENT OF RESERVE FOR APPROPRIATED GRANTS

	Balance, December 31, <u>2007</u>	Transferred From 2007 Appropriation <u>Reserves</u>	Balance, December 31, <u>2008</u>
Drunk Driving Enforcement Fund	\$ 7,793	\$ 1,635	\$ 9,428
Historical Commission Grant	7,153		7,153
Municipal Alliance Grant	3,380		3,380
Municipal Recycling Assistance	8,119	2,169	10,288
Alcohol Education	227	118	345
School Safety	403		403
Community Dev-Barrier Free	6,614	14,203	20,817
E-911 Grant		1,583	1,583
Bergen County - Open Space		27,203	27,203
Pandemic Influenza	4,790	-	4,790
	<u>\$ 38,479</u>	<u>\$ 46,911</u>	<u>\$ 85,390</u>

EXHIBIT B-11

STATEMENT OF RESERVE FOR UNAPPROPRIATED GRANTS

	Balance, December 31, <u>2007</u>	Cash <u>Receipts</u>	Appropriated <u>in 2008</u>	Balance, December 31, <u>2008</u>
Clean Communities Grant	\$ 10,120		\$ 10,120	
Police Body Armor	2,459	\$ 2,142	2,459	\$ 2,142
Municipal Recycling	108		108	
Recycling Tonnage	4,365		4,365	
Emergency 911	28,019		28,019	
Recreation Opportunity Grant	-	9,984	-	9,984
	<u>\$ 45,071</u>	<u>\$ 12,126</u>	<u>\$ 45,071</u>	<u>\$ 12,126</u>

BOROUGH OF CLOSTER
STATEMENT OF MISCELLANEOUS RESERVES AND DEPOSITS

	Balance, December 31, <u>2007</u>	Cash <u>Disbursements</u>	Balance, December 31, <u>2008</u>
Reserve for Police and Firemen's Retirement System (PFRS)	\$ 29,391	\$ 29,391	
Reserve for Revaluation	<u>213</u>	<u>-</u>	<u>\$ 213</u>
	<u>\$ 29,604</u>	<u>\$ 29,391</u>	<u>\$ 213</u>

TRUST FUNDS

Trust funds are used to account for assets held by the government in a trustee capacity. Funds held by the Borough as an agent for individual, private organizations, or other governments are recorded in the Trust Funds.

Animal Control Fund – This fund is used to account for fees collected from dog and cat licenses and expenditures which are regulated by N.J.S. 4:19-15.11.

Other Trust Fund – This fund is established to account for the assets and resources, which are also held by the Borough as a trustee or agent for individuals, private organizations, other governments and/or other funds. These funds include dedicated fees/proceeds collected, developer deposits and deposited funds with the Borough as collateral.

Open Space Trust Fund – This fund is used to account for the resources, which have accumulated from a dedicated tax, to be used for the preservation of open space, recreation and farmland property.

Public Assistance Fund – This fund is used to account for the receipt and disbursement of funds that provide assistance to certain residents of the Borough pursuant to Title 44 of New Jersey Statutes.

Length of Service Awards Program (LOSAP) Fund – This fund is established to account for the tax-deferred income benefits to active volunteer members of an emergency service organization of the Borough.

**BOROUGH OF CLOSTER
COMBINING BALANCE SHEET - STATUTORY BASIS
TRUST FUNDS**

AS OF DECEMBER 31, 2008

(With Comparative Totals as of December 31, 2007)

	<u>Animal Control</u>	<u>Other Trust</u>	<u>Open Space Trust</u>	<u>Public Assistance</u>	<u>Length of Service Awards Program (LOSAP) (Unaudited)</u>	<u>Totals</u>	<u>2008</u>	<u>2007</u>
ASSETS								
Cash and Cash Equivalents	\$ 6,618	\$ 1,387,664	\$ 1,025,515	\$ 9,157		\$ 2,428,954	\$ 2,090,869	
Investments					\$ 227,625	227,625	268,237	
Interfund Receivable			649			649	649	
Contribution Receivable	-	-	-	-	31,550	31,550	38,150	
Total Assets	<u>\$ 6,618</u>	<u>\$ 1,387,664</u>	<u>\$ 1,026,164</u>	<u>\$ 9,157</u>	<u>\$ 259,175</u>	<u>\$ 2,688,778</u>	<u>\$ 2,397,905</u>	

LIABILITIES, RESERVES AND FUND BALANCE

LIABILITIES AND RESERVES								
Miscellaneous Reserves and Deposits		\$ 1,341,297				\$ 1,341,297	\$ 1,182,707	
Payroll Deductions Payable		45,113				45,113	38,501	
Interfund Payable	\$ 750	562	\$ 508,217			509,529	488,073	
Due to State of New Jersey	2					2	1	
Reserve for Expenditures	5,866		517,947	\$ 9,157		532,970	381,544	
Reserve for LOSAP	-	-	-	-	\$ 259,175	259,175	306,387	
Fund Balance								
	-	692	-	-	-	692	692	
Total Liabilities, Reserves and Fund Balance	<u>\$ 6,618</u>	<u>\$ 1,387,664</u>	<u>\$ 1,026,164</u>	<u>\$ 9,157</u>	<u>\$ 259,175</u>	<u>\$ 2,688,778</u>	<u>\$ 2,397,905</u>	

BOROUGH OF CLOSTER
COMPARATIVE STATEMENTS OF FUND BALANCE - STATUTORY BASIS
OTHER TRUST FUND
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Balance, January 1,	\$ <u>692</u>	\$ <u>692</u>
Balance, December 31,	\$ <u>692</u>	\$ <u>692</u>

EXHIBIT C-2

STATEMENT OF REVENUES - STATUTORY BASIS
OPEN SPACE TRUST FUND

	<u>2008</u> <u>Anticipated</u>	<u>2008</u> <u>Realized</u>	<u>Excess</u>
Amount to be Raised by Taxation	\$ 237,463	\$ 238,975	\$ 1,512
Interest Earned	<u>-</u>	<u>15,060</u>	<u>15,060</u>
	<u>\$ 237,463</u>	<u>\$ 254,035</u>	<u>\$ 16,572</u>

EXHIBIT C-3

STATEMENT OF EXPENDITURES - STATUTORY BASIS
OPEN SPACE TRUST FUND

	<u>2008</u> <u>Appropriated</u>	<u>2008</u> <u>Expended</u>	<u>2008</u> <u>Reserved</u>
Maintenance of Lands for Recreation and Conservation			
Salaries and Wages	\$ 5,800	\$ 5,800	
Other Expenses	6,200	6,200	
Reserve for Future Use	<u>225,463</u>	<u>-</u>	<u>\$ 225,463</u>
	<u>\$ 237,463</u>	<u>\$ 12,000</u>	<u>\$ 225,463</u>

**BOROUGH OF CLOSTER
STATEMENT OF RESERVE FOR EXPENDITURES
ANIMAL CONTROL FUND**

Balance, December 31, 2007		\$	(104)
Increased by:			
Animal Control Fees Collected		\$	7,196
Budget Appropriation			<u>104</u>
			<u>7,300</u>
			7,196
Decreased by:			
Animal Control Expenditures			<u>1,330</u>
Balance, December 31, 2008		\$	<u>5,866</u>

**STATEMENT OF MISCELLANEOUS RESERVES AND DEPOSITS
OTHER TRUST FUND**

	Balance December 31, <u>2007</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance December 31, <u>2008</u>
Special Recreation	\$ 40,487	\$ 169,461	\$ 186,393	\$ 23,555
Housing	800,488	98,062	29,648	868,902
Escrow Deposits and Miscellaneous	<u>341,732</u>	<u>685,340</u>	<u>578,232</u>	<u>448,840</u>
	<u>\$ 1,182,707</u>	<u>\$ 952,863</u>	<u>\$ 794,273</u>	<u>\$ 1,341,297</u>

**BOROUGH OF CLOSTER
STATEMENT OF RESERVE FOR EXPENDITURES
PUBLIC ASSISTANCE FUND**

Balance, December 31, 2007	\$	9,044
Increased by:		
Donations		1,090
		10,134
Decreased by:		
Expenditures		977
Balance, December 31, 2008	\$	9,157

STATEMENT OF PUBLIC ASSISTANCE EXPENDITURES

	<u>Total</u>	<u>Account #1</u>	<u>Food Locker</u>
Local Assistance	\$ 750	\$ -	\$ 750

**BOROUGH OF CLOSTER
STATEMENT OF REVENUES
PUBLIC ASSISTANCE FUND**

	<u>Total</u>	<u>Account #1</u>	<u>Food Locker</u>
Donations	\$ 1,090	\$ -	\$ 1,090

**STATEMENT OF RESERVE FOR EXPENDITURES
OPEN SPACE TRUST FUND**

Balance, December 31, 2007		\$ 372,604
Increased by:		
2008 Municipal Open Space Levy Tax	\$ 237,463	
2008 Municipal Open Space Added Taxes	1,512	
Interest Earned	<u>15,060</u>	
		<u>254,035</u>
		626,639
Decreased by:		
2008 Budget Appropriation	12,000	
Appropriated in General Capital Fund	<u>96,692</u>	
		<u>108,692</u>
Balance, December 31, 2008		<u>\$ 517,947</u>

GENERAL CAPITAL FUND

The General Capital Fund accounts for the receipt and disbursement of funds used for acquisition or improvement of general capital facilities, other than those acquired in the Current Fund.

BOROUGH OF CLOSTER
COMPARATIVE BALANCE SHEETS - STATUTORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2008 AND 2007

ASSETS	<u>2008</u>	<u>2007</u>
Cash and Cash Equivalents	\$ 96,420	\$ 1,826,483
Intergovernmental Receivables	429,554	286,340
Interfund Receivable	508,217	519,265
Deferred Charge - Overexpenditure	3,686	
Deferred Charges to Future Taxation		
Funded	8,874,512	9,582,551
Unfunded	<u>2,593,726</u>	<u>2,286,002</u>
 Total Assets	 <u>\$ 12,506,115</u>	 <u>\$ 14,500,641</u>
 LIABILITIES, RESERVES AND FUND BALANCE		
Serial Bonds	\$ 8,834,000	\$ 9,534,000
Bond Anticipation Notes	1,864,000	1,864,000
Green Acres Loan Payable	40,512	48,552
Improvement Authorization		
Funded	535,986	1,110,368
Unfunded	180,935	1,581,097
Interfund Payable	212,434	
Other Liabilities and Reserves		
Encumbrances and Contracts Payable	543,011	244,354
Capital Improvement Fund	4,484	224
Miscellaneous Reserves	10,000	27,510
Grants Receivable	176,964	
Fund Balance	<u>103,789</u>	<u>90,536</u>
 Total Liabilities, Reserves and Fund Balance	 <u>\$ 12,506,115</u>	 <u>\$ 14,500,641</u>

There were bonds and notes authorized but not issued of \$836,262 and \$422,002 on December 31, 2008 and 2007.
(Exhibit D-9).

BOROUGH OF CLOSTER
COMPARATIVE STATEMENTS OF FUND BALANCE - STATUTORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Balance, January 1,	\$ 90,536	\$ 20,436
Increased by:		
Premium on Sale of Notes	13,253	
Funded Improvement Authorizations Cancelled	<u>-</u>	<u>364,100</u>
	103,789	384,536
Decreased by:		
Appropriated to Finance Improvement Authorizations		274,000
Appropriated to 2008 Budget Revenue	<u>-</u>	<u>20,000</u>
	<u>-</u>	<u>294,000</u>
Balance, December 31,	<u>\$ 103,789</u>	<u>\$ 90,536</u>

**BOROUGH OF CLOSTER
ANALYSIS OF GENERAL CAPITAL CASH**

		Balance, December 31, <u>2008</u>
Capital Improvement Fund		\$ 4,484
Fund Balance		103,789
Encumbrances and Contracts Payable		543,011
Reserve for North Parking Lot		10,000
Reserve for Payment of Notes		106,536
Intergovernmental Receivable		(252,590)
Due to Current Fund		212,434
Due from Open Space Trust		(508,217)
Overexpenditure of Ordinance Appropriation		(3,686)
<u>Ordinance</u>		
<u>Number</u>	<u>Improvement Authorizations</u>	
843	Various Improvements	(275,123)
866	Historic Preservation Improvements	
919	Various Capital Improvements	(174)
925	Open Space Improvements	7,252
941	Various Improvements	101,710
954	E-911 Telephone Upgrade	18,854
957	Park and Historic Preservation Improvements	89,126
975	Various Improvements	84,094
976	Various Improvements	
992	Acquisition of Interboro Communications Equip	73,853
995	Various Improvements	66,337
996	Improvements to Homans & Oakland	(109,549)
998	Park, Playground and Farmland Impvt.	71,420
1015	Various Improvements	(336,818)
1016	Acquisition of Pumper (Supp Ord 995)	2,385
1022	Park and Historic Preservation Improvements	87,292
		<hr/>
		\$ <u>96,420</u>

**BOROUGH OF CLOSTER
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ord. No.	Improvement Description	2008 Authorizations									
		Balance, December 31, 2007		Capital Improvement Fund	Deferred Charges		Funded by Open Space Trust	Expended	Encumbrances Cancelled	Balance, December 31, 2008	
		Funded	Unfunded		Future Taxation	Unfunded				Funded	Unfunded
866	Historic Preservation Improvements	\$ 200,000	\$ 42,819		\$ 42,819						
925	Open Space Improvements	110,000	85,689		78,437						
941	Various Improvements	2,100,000	146,160	1,005	67,870	23,420				1,005	
954	E-911 Telephone Upgrade	180,000	18,854							18,854	
957	Park and Historic Preservation Improvements	120,000	218,620		131,174	1,680				89,126	
975	Various Improvements	213,000	119,642		35,548					84,094	
976	Various Improvements	350,000		177,485	181,906	735					3,686
992	Acquisition of Interboro Communication Equip	183,180	73,853							73,853	
995	Various Improvements	1,780,000	246,948	1,362,845	1,540,611					69,182	
996	Improvements to Homans & Oakland	150,000		39,762	6,456					33,306	
998	Park, Playground & Farm Land Improvements	158,125	157,783		86,363					71,420	
1015	Various Improvements	385,000			355,173					29,827	
1016	Acquisition of Pumper (Supp Ord 995)	50,000			2,385					2,385	
1022	Park and Historic Preservation Improvements	96,692			9,400					87,292	
		\$ 1,110,368	\$ 1,581,097	\$ 20,740	\$ 414,260	\$ 96,692	\$ 2,535,757	\$ 25,835	\$ 535,986	\$ 180,935	\$ 3,686

Cash Disbursements \$ 1,992,747
Encumbrances and Contracts Payable 543,010
\$ 2,535,757

**BOROUGH OF CLOSTER
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED**

Ord. No.	Improvement Description	Balance, December 31, 2007	2008 Authorizations	State Aid Proceeds	Balance, December 31, 2008	Bond Anticipation Notes	Expenditures	Unexpended Balance of Improvement Authorizations
843	Various Improvements	\$ 275,123			\$ 275,123		\$ 275,123	
919	Various Capital Improvements	167,424			167,424	\$ 167,250	174	
941	Various Improvements	1,005			1,005			\$ 1,005
961	Acquisition of Land	132,500			132,500	132,500		
976	Various Improvements	204,250		\$ 106,536	97,714	97,714		
995	Various Improvements	1,362,845			1,362,845	1,360,000		
996	Improvements to Homans & Oakland	142,855			142,855		109,549	2,845
1015	Various Improvements		\$ 366,645		366,645		336,818	29,827
1016	Acquisition of Pumper (Supp Ord 995)	-	47,615	-	47,615	-	-	47,615
		<u>\$ 2,286,002</u>	<u>\$ 414,260</u>	<u>\$ 106,536</u>	<u>\$ 2,593,726</u>	<u>\$ 1,757,464</u>	<u>\$ 721,664</u>	<u>\$ 114,598</u>
						Bond Anticipation Notes		
						Less: Excess Proceeds		
						Ord. 976 Various Improvements		
						<u>(106,536)</u>		
						<u>\$ 1,757,464</u>		
						Improvement Authorizations - Unfunded		\$ 180,935
						Less: Unexpended Proceeds on Bond Anticipation Notes Issued		
						Ord. 995		<u>(66,337)</u>
								<u>\$ 114,598</u>

BOROUGH OF CLOSTER
STATEMENT OF INTERGOVERNMENTAL RECEIVABLE

	<u>Total</u>	<u>Upgrade E-911 Telephone Ord. No. 954</u>	<u>Acquisition Of Land Ord. No. 961</u>	<u>Various Improvements Ord. No. 976</u>	<u>Park & Historical Pres. Ord. No. 957</u>
Balance, December 31, 2007	\$ 286,340	\$ 90	\$ 132,500	\$ 33,750	\$ 120,000
Increased by:					
Grant Awards	<u>283,500</u>	<u>-</u>	<u>133,500</u>	<u>150,000</u>	<u>-</u>
	569,840	90	266,000	183,750	120,000
Decreased By:					
Receipts	<u>140,286</u>	<u>-</u>	<u>-</u>	<u>140,286</u>	<u>-</u>
Balance, December 31, 2008	<u>\$ 429,554</u>	<u>\$ 90</u>	<u>\$ 266,000</u>	<u>\$ 43,464</u>	<u>\$ 120,000</u>
Pledged to Ordinance Reserve for Receivables	<u>\$ 252,590</u> <u>176,964</u>				
	<u>\$ 429,554</u>				

**BOROUGH OF CLOSTER
STATEMENT OF SERIAL BONDS**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding</u>			<u>Interest Rate</u>	<u>Balance, December 31, 2007</u>	<u>Decreased</u>	<u>Balance, December 31, 2008</u>
			<u>Date</u>	<u>Amount</u>	<u>Rate</u>				
General Improvement	8/1/2001	\$ 4,860,000	7/1/2009	\$ 430,000	4.125				
			7/1/2010	440,000	4.125				
			7/1/2011	450,000	4.125				
			7/1/12-14	460,000	4.250	\$ 3,120,000	\$ 420,000	\$ 2,700,000	
General Improvements	10/15/2005	6,909,000	10/15/09	300,000	3.700				
			10/15/10	320,000	3.750				
			10/15/11	340,000	3.750				
			10/15/12	365,000	3.750				
			10/15/13	400,000	3.800				
			10/15/14	435,000	3.800				
			10/15/15	935,000	3.800				
			10/15/16	970,000	3.800				
			10/15/17	1,015,000	3.800	6,414,000	280,000	6,134,000	
			10/15/18	1,054,000	3.800				
						<u>\$ 9,534,000</u>	<u>\$ 700,000</u>	<u>\$ 8,834,000</u>	

**BOROUGH OF CLOSTER
STATEMENT OF GREEN ACRES LOANS PAYABLE**

Balance, December 31, 2007	\$ 48,552
Decreased by:	
2008 Budget Appropriations	<u>8,040</u>
Balance, December 31, 2008	<u><u>\$ 40,512</u></u>

BOROUGH OF CLOSTER
STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Ord. No.	<u>Improvement Description</u>	Balance, December 31, <u>2007</u>	2008 <u>Authorizations</u>	Balance, December 31, <u>2008</u>
843	Various Improvements	\$ 275,123		\$ 275,123
919	Various Capital Improvements	174		174
941	Various Improvements	1,005		1,005
995	Various Improvements	2,845		2,845
996	Improvements to Homans & Oak	142,855		142,855
1015	Various Improvements		\$ 366,645	366,645
1016	Acquisition of Pumper (Supp Ord 995)	-	47,615	47,615
		<u>\$ 422,002</u>	<u>\$ 414,260</u>	<u>\$ 836,262</u>

GENERAL FIXED ASSETS ACCOUNT GROUP

General Fixed Assets is a balanced account group used to establish control and accountability for the costs of all real property, buildings and moveable equipment owned by the Borough. The investment in General Fixed Assets is carried until the disposition of the property and ownership is relinquished. Depreciation on fixed assets is not recorded.

**BOROUGH OF CLOSTER
COMPARATIVE BALANCE SHEET - STATUTORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
ASSETS		
Land	\$ 78,567,100	\$ 78,567,100
Buildings and Building Improvements	5,155,199	5,105,499
Machinery and Equipment	<u>7,944,085</u>	<u>7,652,555</u>
	<u>\$ 91,666,384</u>	<u>\$ 91,325,154</u>
FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 91,666,384</u>	<u>\$ 91,325,154</u>

STATISTICAL SECTION

BOROUGH OF CLOSTER
CURRENT FUND EXPENDITURES BY FUNCTION (1)
LAST TEN CALENDAR YEARS
(UNAUDITED)

Year	General Government	Public Safety	Streets & Roads Works	Health and Welfare	Recreation and Education	Deferred Charges and Statutory Expenditures	State Federal Grants	Capital Improvements	Debt Service	Other	Reserve for Uncollected Taxes	Total
2008	\$ 3,230,263	\$ 4,006,328	\$ 2,530,626	\$ 169,200	\$ 939,150	\$ 305,104	\$ 116,782	\$ 25,000	\$ 1,093,084	\$ 568,500	\$ 788,135	\$ 13,772,172
2007	3,097,037	3,940,553	2,469,950	153,725	923,170	320,613	98,171	115,000	1,078,568	499,308	737,938	13,434,033
2006	2,897,024	3,792,211	2,531,529	150,611	814,286	297,501	125,887	92,000	1,084,417	403,014	987,639	13,176,119
2005	2,462,528	3,567,981	2,390,474	144,502	731,124	275,100	103,386	220,609	845,755	353,807	902,568	11,997,834
2004	2,398,114	3,295,132	2,349,876	148,348	668,122	243,559	270,356	113,750	751,532	338,200	930,000	11,506,989
2003	2,022,889	3,088,745	2,141,066	144,582	602,064	286,603	137,410	123,800	751,029	300,251	843,177	10,441,616
2002	1,853,727	2,905,263	2,011,001	137,624	558,815	224,521	49,036	166,500	768,148	299,345	791,886	9,765,866
2001	1,905,234	2,651,580	1,990,434	129,688	508,533	297,838	39,284	296,869	780,739	286,985	756,453	9,643,637
2000	1,906,262	2,424,286	1,913,991	127,279	472,998	374,637	60,942	227,000	841,710	269,461	712,058	9,330,624
1999	1,777,683	2,257,076	1,886,690	115,605	456,519	407,364	66,693	123,750	719,969	260,600	720,795	8,792,744

Source: Borough's Financial Statements

(1) Includes paid or charged and reserves

BOROUGH OF CLOSTER
CURRENT FUND BUDGET REVENUES BY SOURCE
LAST TEN CALENDAR YEARS
(UNAUDITED)

Year	Fund Balance Anticipated	Miscellaneous Revenues	State and Federal Aid	Other Special Items	Delinquent Taxes	Taxes(1)	Total
2008	\$ 750,000	\$ 659,209	\$ 2,277,531	\$ 420,713	\$ 292,898	\$ 9,672,099	\$ 14,072,450
2007	1,340,000	788,145	2,053,744	443,137	171,790	9,094,857	13,891,673
2006	1,330,000	882,759	2,088,308	514,171	254,709	8,990,426	14,060,373
2005	1,180,000	821,132	2,140,230	526,916	240,953	8,190,873	13,100,104
2004	1,030,000	751,984	2,084,961	561,479	224,820	7,816,741	12,469,985
2003	1,030,000	651,172	1,958,717	520,476	302,690	6,903,574	11,366,629
2002	1,030,000	575,078	1,903,648	427,783	226,816	6,365,843	10,529,168
2001	1,200,000	529,017	2,006,384	378,099	241,670	6,100,838	10,456,008
2000	993,000	604,554	2,029,794	405,934	320,805	5,695,006	10,049,093
1999	750,000	554,917	1,940,168	456,029	372,267	5,555,621	9,629,002

(1) excludes taxes allocated to open space, county, local and regional schools.

Source: Borough's Financial Statements

BOROUGH OF CLOSTER
TEN YEAR COMPARISON OF TAX RATE
(PER \$100 OF ASSESSED VALUE)
(EXCLUSIVE OF OVERLAPPING GOVERNMENTS)
(UNAUDITED)

<u>Year</u>	<u>Total</u>	<u>Municipal</u>	<u>Municipal Open Space</u>	<u>County</u>	<u>County Open Space</u>	<u>Local School</u>	<u>Regional High School</u>
2008	\$ 1.643	\$ 0.387	\$ 0.010	\$ 0.168	\$ 0.010	\$ 0.662	\$ 0.406
2007	1.57	0.366	0.010	0.161	0.010	0.636	0.387
2006	1.49	0.347	0.010	0.149	0.010	0.607	0.367
2005	2.79	0.623	0.010	0.286	0.010	1.152	0.709
2004	2.66	0.595	0.010	0.265	0.010	1.099	0.681
2003	2.55	0.538	0.010	0.249	0.005	1.050	0.698
2002	2.39	0.508	0.010	0.256	0.005	1.005	0.606
2001	2.23	0.484	0.010	0.241	0.005	0.948	0.542
2000	2.12	0.465	0.010	0.219	0.005	0.892	0.529
1999	2.87	0.638	0.010	0.308	0.005	1.204	0.705

The Borough underwent a revaluation of real property which impacted the years 2000 and 2006.

Source: Tax Duplicate, Borough of Closter

**BOROUGH OF CLOSTER
TEN YEAR HISTORY OF TAX LEVY
(UNAUDITED)**

Calendar Year	Tax Levy				Regional High School	Total	Realized Revenue**	Percentage of Realized
	Municipal*	County	Local School					
2008	\$ 9,651,371	\$ 4,237,869	\$ 15,724,249	\$ 9,649,333	\$ 39,262,822	\$ 38,734,390	98.65%	
2007	9,077,921	4,053,388	15,102,300	9,174,060	37,407,669	36,924,934	98.71%	
2006	8,529,263	3,728,971	14,367,046	8,698,473	35,323,753	35,035,411	99.18%	
2005	7,829,905	3,579,379	13,511,623	8,305,782	33,226,689	32,804,184	98.73%	
2004	7,273,807	3,246,893	12,702,896	7,868,880	31,092,476	30,822,320	99.13%	
2003	6,433,234	2,936,166	12,013,782	7,980,650	29,363,832	29,105,495	99.12%	
2002	6,003,513	2,982,246	11,409,251	6,871,184	27,266,194	26,950,138	98.84%	
2001	5,732,071	2,799,246	10,669,585	6,103,385	25,304,287	25,029,100	98.91%	
2000	5,405,518	2,506,175	9,949,365	5,896,730	23,757,788	23,446,718	98.69%	
1999	5,300,185	2,483,669	9,369,637	5,481,932	22,635,423	22,247,864	98.28%	

*Includes rounding on final tax billings per county and Municipal Open Space Tax
**Includes collections of current year taxes only

Source: Tax Duplicate, Borough of Closter
Borough Financial Statements

BOROUGH OF CLOSTER
ASSESSED VALUE AND ESTIMATE OF TOTAL VALUE
LAST TEN CALENDAR YEARS
(UNAUDITED)

<u>Year</u>	Net Assessed Valuation <u>Taxable</u>	Estimated True <u>Valuation</u>	Percent of Net Assessed Value to Estimated True <u>Valuation</u>
2008	\$ 2,374,626,044	\$ 2,284,098,351	103.96%
2007	2,373,108,216	2,230,624,189	106.39%
2006	2,368,510,808	2,014,471,404	117.92%
2005	1,172,622,035	1,764,818,118	66.55%
2004	1,155,899,463	1,532,548,483	75.58%
2003	1,143,691,651	1,372,783,222	83.54%
2002	1,134,431,351	1,329,932,146	85.30%
2001	1,125,386,115	1,235,893,097	91.34%
2000	1,114,901,477	1,065,204,026	105.15%
1999	777,978,255	1,120,536,540	69.55%

Source: County Abstract of Ratables

**BOROUGH OF CLOSTER
SCHEDULE OF TEN LARGEST TAXPAYERS
(UNAUDITED)**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation 2008</u>	<u>As of Percent of Total Net Assessed Valuation Taxable</u>
Irani-Aspi - Closter Plaza Met.	Retail Shopping Center	\$ 35,000,000	1.47%
United Water New Jersey	Utility	9,337,500	0.39%
Heidenberg Plaza	Shopping Mall	8,143,600	0.34%
Closter Grocery	Food Market	8,141,300	0.34%
Closter Golf	Golf Driving Range	7,535,000	0.32%
Verizon	Utility	5,522,116	0.23%
Weyerhaeuser Co.	Warehouse	5,424,000	0.23%
Closter Commons	Retail Shopping Center	4,553,500	0.19%
Fred Reuten, Inc.	Warehouse/Office	4,500,000	0.19%
Reuten Associates	Warehouse/Office	<u>4,009,000</u>	0.17%
		<u>\$ 92,166,016</u>	3.88%

Source: Tax Assessor Records

BOROUGH OF CLOSTER
COMPUTATION OF LEGAL DEBT MARGIN AND OVERLAPPING DEBT
FOR YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)

Average Equalized Valuation		\$ 2,279,608,703	
Borrowing Power 3 1/2% of Average Equalized Valuation		79,786,305	
Net Debt		<u>11,468,238</u>	
Remaining Borrowing Power		<u>\$ 68,318,067</u>	
	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Municipal Debt			
Borough of Closter	\$ <u>11,574,774</u>	\$ <u>106,536</u>	\$ 11,468,238
Overlapping Debt Apportioned to the Borough:			
County of Bergen (A)			7,961,305
Bergen County Utilities Authority			
Wastewater (B)			<u>3,643,156</u>
			<u>\$ 23,072,699</u>

(A) Overlapping Debt was computed based upon the 2008 Bergen County Equalization Table published by the Bergen County Board of Taxation.

(B) Overlapping Debt was computed based upon the flow of all municipalities served by the Authority.

Source: County Financial Statements
 Borough Financial Statements
 County Abstract of Ratables

BOROUGH OF CLOSTER
RATIO OF BONDED DEBT, NOTES, AND LOANS OUTSTANDING TO EQUALIZED VALUATION
AND DEBT PER CAPITA
LAST TEN CALENDAR YEARS
(UNAUDITED)

<u>Year</u>	<u>Population</u>	<u>Average</u> <u>Equalized</u> <u>Valuation</u>	<u>Gross</u> <u>Debt</u>	<u>Gross</u> <u>Debt Per</u> <u>Capita</u>	Ratio of		Ratio of		<u>Net</u> <u>Debt per</u> <u>Capita</u>
					<u>Gross Debt</u> to <u>Equalized</u> <u>Valuation</u>	<u>Gross Debt</u> to <u>Equalized</u> <u>Valuation</u>	<u>Net Debt</u> to <u>Equalized</u> <u>Valuation</u>	<u>Net Debt</u> to <u>Equalized</u> <u>Valuation</u>	
2008	8,383	\$ 2,279,608,703	\$ 11,574,774	\$ 1,381	0.51%	\$ 11,468,238	0.50%	\$	1,368
2007	8,383	2,146,453,629	11,868,554	1,416	0.55%	11,851,044	0.55%		1,414
2006	8,383	1,966,331,163	10,773,639	1,285	0.55%	10,756,129	0.55%		1,283
2005	8,383	1,730,342,519	11,293,275	1,347	0.65%	11,293,725	0.65%		1,347
2004	8,383	1,530,476,939	9,992,377	1,192	0.65%	9,478,025	0.62%		1,131
2003	8,383	1,362,148,460	9,934,305	1,185	0.73%	9,738,824	0.71%		1,162
2002	8,383	1,238,885,810	7,766,818	926	0.63%	7,721,259	0.62%		921
2001	8,383	1,136,142,584	6,122,091	730	0.54%	6,025,091	0.53%		719
2000	8,383	1,072,751,958	5,936,607	708	0.55%	5,792,673	0.54%		708
1999	8,094	1,016,416,617	5,965,396	737	0.59%	5,622,344	0.55%		695

Source: Census, State of New Jersey,
Borough's Financial Statements

BOROUGH OF CLOSTER
RATIO OF GENERAL OBLIGATION DEBT SERVICE EXPENDITURES TO
CURRENT FUND ACTUAL EXPENDITURES
LAST TEN CALENDAR YEARS
(UNAUDITED)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total Current Fund Expenditures</u>	<u>Ratio of Debt Service to Current Fund Expenditures</u>
2008	\$ 708,040	\$ 385,044	\$ 1,093,084	\$ 13,772,172	7.94%
2007	677,882	400,686	1,078,568	13,434,033	8.03
2006	657,915	426,502	1,084,417	13,176,119	8.23
2005	516,798	328,957	845,755	11,997,834	7.05
2004	517,447	234,085	751,532	11,506,989	6.53
2003	517,103	233,926	751,029	10,441,616	7.19
2002	511,767	256,381	768,148	9,765,866	7.87
2001	551,436	76,541	627,977	9,643,637	6.51
2000	536,112	106,015	642,127	9,330,624	6.88
1999	505,795	134,493	640,288	8,792,744	7.28

Source: Borough Financial Statements
Includes Bonds and Loans

**BOROUGH OF CLOSTER
DEMOGRAPHIC STATISTICS
(UNAUDITED)**

<u>Year</u>	<u>Population</u>	Percentage Increase (Decrease)
2000	8,383	3.6 %
1990	8,094	(0.8)
1980	8,164	(5.1)
1970	8,604	10.8
1960	7,767	130
1950	3,378	

Area in square miles - 3.2

2008 Density - 2,620 per square mile

Source: U.S. Bureau of the Census

**BOROUGH OF CLOSTER
ANNUAL AVERAGE EMPLOYMENT AND
UNEMPLOYMENT FIGURES
FOR THE YEARS 1999 THROUGH 2008
(UNAUDITED)**

	Bergen County	Borough of Closter
1999 Employed	430,939	4,188
1999 Unemployed	<u>16,381</u>	<u>124</u>
1999 Labor Force	<u>447,320</u>	<u>4,312</u>
1999 Unemployment Rate	<u>3.7%</u>	<u>2.9%</u>
2000 Employed	422,163	4,102
2000 Unemployed	<u>13,420</u>	<u>101</u>
2000 Labor Force	<u>435,583</u>	<u>4,203</u>
2000 Unemployment Rate	<u>3.1%</u>	<u>2.4%</u>
2001 Employed	414,326	4,026
2001 Unemployed	<u>15,678</u>	<u>118</u>
2001 Labor Force	<u>430,004</u>	<u>4,144</u>
2001 Unemployment Rate	<u>3.6%</u>	<u>2.8%</u>
2002 Employed	426,471	4,144
2002 Unemployed	<u>22,406</u>	<u>169</u>
2002 Labor Force	<u>448,877</u>	<u>4,313</u>
2002 Unemployment Rate	<u>5.0%</u>	<u>3.9%</u>
2003 Employed	425,709	4,137
2003 Unemployed	<u>22,048</u>	<u>167</u>
2003 Labor Force	<u>447,757</u>	<u>4,304</u>
2003 Unemployment Rate	<u>4.9%</u>	<u>3.9%</u>
2004 Employed	445,229	3,935
2004 Unemployed	<u>19,602</u>	<u>78</u>
2004 Labor Force	<u>464,831</u>	<u>4,013</u>
2004 Unemployment Rate	<u>4.2%</u>	<u>1.9%</u>
2005 Employed	451,700	4,239
2005 Unemployed	<u>17,200</u>	<u>74</u>
2005 Labor Force	<u>468,900</u>	<u>4,313</u>
2005 Unemployment Rate	<u>3.7%</u>	<u>1.7%</u>
2006 Employed	458,573	4,058
2006 Unemployed	<u>18,445</u>	<u>86</u>
2006 Labor Force	<u>477,018</u>	<u>4,144</u>
2006 Unemployment Rate	<u>3.9%</u>	<u>2.1%</u>
2007 Employed	457,820	4,048
2007 Unemployed	<u>16,261</u>	<u>77</u>
2007 Labor Force	<u>474,081</u>	<u>4,125</u>
2007 Unemployment Rate	<u>3.4%</u>	<u>1.9%</u>
2008 Employed	455,619	4,033
2008 Unemployed	<u>21,362</u>	<u>101</u>
2008 Labor Force	<u>476,981</u>	<u>4,134</u>
2008 Unemployment Rate	<u>4.5%</u>	<u>2.4</u>

**BOROUGH OF CLOSTER
MISCELLANEOUS STATISTICS
DECEMBER 31, 2008
(UNAUDITED)**

UTILITIES

Electric	Rockland Electric
Gas	Public Service Electric & Gas
Water	United Water New Jersey
Sewers	Disposal provided by the Bergen
Sanitation	County Utilities Authority
Cable	Cablevision, Verizon

MUNICIPAL SERVICES

Police Department
20 Regular Officers
2 Detectives
7 Marked Vehicles
5 Unmarked Vehicles

Fire Department
36 Volunteers
2 Pumpers
1 Ladder Truck
1 Rescue Truck
3 Chief's Vehicle

Ambulance Corps
2 Ambulances
28 Volunteers
1 Rescue Truck
1 First Responder Vehicle

Library
53,355 Volumes

Recreation
Director
Board of Commissioners (Volunteers)

Department of Public Works
Sanitation
Streets and Roads
Park Maintenance
Sewer

SUPPLEMENTARY SCHEDULES
GOVERNMENT AUDITING STANDARDS

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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 Mayor and Members
of the Borough Council
Borough of Closter
Closter, New Jersey

We have audited the financial statements – statutory basis of the Borough of Closter as of and for the year ended December 31, 2008, and have issued are report dated June 26, 2009 which indicated that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared using the statutory basis of accounting prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1. In addition, our report on the financial statements was qualified because of the presentation of the unaudited LOSAP Fund financial statements. Except as discussed in the preceding sentence, 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 prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Borough of Closter’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 Borough’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough’s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Borough's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the statutory basis of accounting such that there is more than a remote likelihood that a misstatement of the Borough's financial statements that is more than inconsequential will not be prevented or detected by the Borough's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2008-1 through 2008-4 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Borough's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above we consider items 2008-1 through 2008-4 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Closter'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 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 Local Government Services, Department of Community Affairs, State of New Jersey which are described in the accompanying schedule of findings and responses as items 2008-1, 2008-2 and 2008-4.

We also noted certain matters that we reported to management of the Borough of Closter in Part III of this report of audit entitled "Letter of Comments and Recommendations".

The Borough of Closter's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Borough's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the governing body, management, New Jersey Department of Community Affairs 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
Registered Municipal Accountants

Gary J. Vinci
Registered Municipal Accountant
RMA Number CR00411

Fair Lawn, New Jersey
June 26, 2009

SCHEDULE A

BOROUGH OF CLOSTER
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2008

<u>Grant Program</u>	<u>Grant Numbe</u>	<u>Grant Year</u>	<u>Grant Receipts</u>	<u>Balance, January 1, 2008</u>	<u>Revenue</u>	<u>Expended</u>	<u>Balance, December 31, 2008</u>	<u>Cumulative Expenditures</u>
Community Development Block Grant	14-219	2006		\$ 6,614			\$ 6,614-	\$ 40,386
Barrier Free Curbs	14-219	2007		40,000		\$ 25,797 -	14,203 -	25,797
Barrier Free Curbs								
Department of Transportation								
Local Aid to Municipalities - West Street Section 3		2008	\$ 106,536		\$ 106,536	106,536		106,536
Local Aid to Municipalities - West Street Section 2		2007	33,750	-	33,750	33,750		135,000
				\$ 46,614	\$ 140,286	\$ 166,083	\$ 20,817	\$ 66,183

This schedule is not subject to the requirements of OMB A-133

**BOROUGH OF CLOSTER
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2008**

<u>State Grant Program</u>	<u>Grant Number</u>	<u>Grant Year</u>	<u>Grant Award Receipts</u>	<u>Balance, January 1, 2008</u>	<u>Revenue</u>	<u>Expended</u>	<u>Adjustments</u>	<u>Balance, December 31, 2008</u>	<u>Cumulative Expenditures</u>
Recycling Tonnage Grant	4830-752-050550-50	2008	\$ 8,011	\$ 4,365	\$ 8,011	\$ 2,076		\$ 8,011	\$ 2,076
		2007	4,365					2,289	
Drunk Driving Enforcement Fund	1110-448-031020-22	2008	4,590	2,560	4,590	925		4,590	925
		2007	2,560					1,635	
		2006	2,856	1,931		1,931		-	2,856
		2005	2,626	2,026				2,026	600
		2004		715				715	
		2002		810				810	
		2001		1,435				1,435	
		2000		54				54	
		1997		2,435				2,435	
		1995		318				318	
Municipal Recycling Assistance Program (Passed through County of Bergen)	4910-759-690-50	2007	3,884	1,261		1,153		108	3,776
		2006				3,970	\$ 6,139	2,169	3,970
		2005		8,119				8,119	1,847
Historical Commission Grant	8700-024-5837-M004	2006	5,040	2,987			3,360	6,347	2,053
		prior yrs.		1				1	
Historical Commission Grant Assistance and Mentoring	8700-024-5837-M004	2006	7,000	805				805	6,195
Clean Communities Program	4900-765-178900	2008	10,444		10,444			10,444	
		2007	10,120	10,120				10,120	
		2006		5,205		5,205			2,628
Municipal Alliance Program	Not Available	2008	2,000		2,000	1,000		1,000	1,000
		2006		3				3	
		2004		1,012				1,012	11,497
		2002		970				970	
		2001		1,352				1,352	
		2000		43				43	
Police Body Armor - State Share	N/A	2008	2,142		2,142			2,142	2,459
		2007	2,459	2,459		2,459			
E-911 Grant - State Share	N/A	2008	28,019		28,019			28,019	28,019
		2007	28,019	28,019		28,019			12,427
		2006		1,583				1,583	
Pandemic Influenza Preparedness Grant	N/A	2008	6,347		6,347			4,847	1,500
		2006	4,790	4,790		1,500		4,790	
Alcohol Education and Rehabilitation Fund	N/A	2007	118	118				118	118
		2006		227				227	227

**BOROUGH OF CLOSTER
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2008**

<u>State Grant Program</u>	<u>Grant Number</u>	<u>Grant Year</u>	<u>Grant Award Receipts</u>	<u>Balance, January 1, 2008</u>	<u>Revenue</u>	<u>Expended</u>	<u>Adjustments</u>	<u>Balance, December 31, 2008</u>	<u>Cumulative Expenditures</u>
Department of Transportation Highway Safety Program		2008	\$ 9,000		\$ 9,000	\$ 7,822		\$ 1,178	\$ 7,822
Highway Safety Program	Not Available	2007	6,200	\$ 3,550		3,550			
Highway Safety Program	6310-480	1999					\$ 403	403	\$ 9,600
Railroad Avenue South School Safety Program	Not Available								
Domestic Violence		2008	300		300			300	
Recreation Opportunity		2008	9,984		9,984			9,984	
				<u>\$ 89,273</u>	<u>\$ 80,837</u>	<u>\$ 59,610</u>	<u>\$ 9,902</u>	<u>\$ 120,402</u>	

This schedule is not subject to the requirements of OMB 04-04.

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

BOROUGH OF CLOSTER
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are presented using the statutory basis of accounting as prescribed or permitted for municipalities by the Division of Local Government Services, Department of Community Affairs, State of New Jersey which differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. This basis of accounting is described in Note 1(B) to the Borough's financial statements.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules agree with amounts reported in the Borough's financial statements. Financial assistance revenues are reported in the Borough's financial statements on a basis of accounting described above as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current Fund		\$ 80,837	\$ 80,837
General Capital Fund	\$ 140,286	-	140,286
 Total Financial Awards	 <u>\$ 140,286</u>	 <u>\$ 80,837</u>	 <u>\$ 221,123</u>

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 Borough's fiscal year and grant program year.

NOTE 5 FEDERAL AND STATE LOANS OUTSTANDING

The Borough's federal and state loans outstanding at December 31, 2008, which are not required to be reported on the schedules of expenditures of federal awards and state financial assistance, are as follows:

<u>Loan Program</u>	
N.J. Dept. of Environmental Protection	
Multipurpose Improvements	\$ 7,567
Conrail Land Acquisition	<u>32,945</u>
	 <u>\$ 40,512</u>

BOROUGH OF CLOSTER



SUPPLEMENTARY DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2008

**BOROUGH OF CLOSTER
SUPPLEMENTARY DATA**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2008-1

The Borough maintains a cash basis general ledger for the Current Fund, General Capital, Other Trust and Animal Control Funds. The general ledgers are not always reconciled with subsidiary revenue and expenditure ledgers on a monthly basis. In addition, the Borough does not maintain general ledgers for certain Other Trust Funds.

Criteria or Specific Requirement

Technical Accounting Directive No. 85-3.
Statement of Auditing Standards (SAS) No. 112

Condition

The general ledger for the Current Fund does not include general journal entries to record the tax levy, municipal budget, and other items. The general ledger for the General Capital Fund does not include general journal entries to record bond ordinances, pay down of debt and other items. In addition, the general ledgers are not always reconciled with subsidiary revenue and expenditure (appropriations, appropriation reserves, and improvement authorization) ledgers on a monthly basis. General ledgers are not maintained for the open space and public assistance trust funds.

Cause

Unknown.

Effect

The general ledger is not utilized to analyze the Borough's financial position on a monthly basis.

Recommendation

Internal controls regarding the preparation of the Borough's general ledgers and financial reports be reviewed to ensure that the general ledgers are complete and reconciled with the subsidiary ledgers on a monthly basis.

Response

Borough personnel will continue to receive training with regards to recording and reconciling the various general ledgers to the subsidiary ledgers.

**BOROUGH OF CLOSTER
SUPPLEMENTARY DATA**

SCHEDULE OF FINDINGS AND RESPONSES (Continued)

Finding 2008-2

Our audit revealed that purchase orders are not always issued prior to commitments being incurred.

Criteria or Specific Requirement:

Technical Accounting Directive 85-1 requires the Borough to maintain an encumbrance accounting system.

Condition:

Certain municipal departments are ordering goods and services prior to the issuance of a purchase order. In addition, contracts are not always encumbered when awarded by the governing body.

Cause:

Unknown.

Effect:

Commitments may exist and not be recorded in the financial statements.

Recommendation:

The encumbrance system be enhanced to ensure that purchase orders are issued prior to incurring expenditures.

Management's Response:

Management has reviewed this finding and has indicated appropriate corrective action will be implemented.

**BOROUGH OF CLOSTER
SUPPLEMENTARY DATA**

SCHEDULE OF FINDINGS AND RESPONSES (Continued)

Finding 2008-3

Our audit revealed that the Developer's escrow and other trust fund ledger maintained by the Borough is not in agreement with the reconciled bank balances.

Criteria or Specific Requirement:

New Jersey Statutes
Technical Accounting Directive 85-3

Condition:

The detailed escrow ledger balances in the internal accounting ledger are not in agreement with the reconciled balances of the Borough's bank accounts.

Cause:

Beginning balances were not reconciled prior to the computerization of the escrow ledger. In addition, the individual ledger accounts have not been reconciled with the monthly bank reconciliations.

Effect:

Differences exist between the ledger and amounts on deposit with financial institutions.

Recommendation:

The Developer's escrow and other trust fund ledger be in agreement with audit balances and be reconciled to applicable bank reconciliations on a monthly basis.

Management's Response:

Management has reviewed this finding and has indicated appropriate corrective action will be implemented.

**BOROUGH OF CLOSTER
SUPPLEMENTARY DATA**

SCHEDULE OF FINDINGS AND RESPONSES (Continued)

Finding 2008-4

Our audit revealed that the Borough's fixed asset accounting ledger was not updated for assets acquired during 2008. In addition, prior year fixed asset balances as reported in the Borough's internal accounting/budget records are not in agreement with the audit balances.

Criteria or Specific Requirement:

Technical Accounting Directive 85-2 requires that the Borough implement and maintain a fixed asset accounting system.

Condition:

The Borough's fixed asset accounting system was not updated for assets acquired or disposed of during 2008. Furthermore, the prior year balances were not in agreement with audited balances.

Cause:

Accounting records were not updated by Borough personnel.

Effect:

The value of Borough assets may be under or overstated.

Recommendation:

The Borough maintain a fixed asset accounting ledger in accordance with Technical Accounting Directive 85-2.

**BOROUGH OF CLOSTER
SUPPLEMENTARY DATA**

Status of Prior Year Findings

Finding 2007-1

The Borough maintains a cash basis general ledger for the Current Fund and the General Capital Fund. The general ledgers are not always reconciled with subsidiary revenue and expenditure ledgers on a monthly basis. In addition, the Borough does not maintain general ledgers for the individual trust funds.

Current Status

See Finding 2008-1.

Finding 2007-2

Our audit revealed that purchase orders are not always issued prior to commitments being incurred.

Current Status

See Finding 2008-2.

GENERAL COMMENTS

Current Year

Our audit revealed that a payment made to the State Health Benefits Program for \$116,450 was posted twice in the Borough's budget appropriation ledger. In addition, a payment for \$43,576 was not posted to the ledger. Furthermore, it was noted that several months' health benefits payments were made late and the Borough incurred interest charges of approximately \$1,455 on these late payments. It is recommended that greater care be taken in the recording of health insurance payments and furthermore, all health insurance payments be made in a timely manner.

Our audit noted that a transfer resolution approved by the Borough Council, was not included in the Borough's budget appropriation ledger. It is recommended that all transfer resolutions be recorded in the Borough's budget appropriation ledger upon approval of the resolutions by the governing body.

Our audit noted several employees were not removed from dental benefits in a timely manner. These employees were subsequently adjusted in August 2008 therefore a recommendation is not warranted.

Our audit revealed that in certain instances, the vendor name on the open purchase order report was entered as "Unknown". Subsequent to year end, the "Unknown", was changed to an actual vendor. It is recommended that internal controls be reviewed to ensure that only purchase orders for goods or services ordered or contracts awarded to specific vendors be included as a valid open purchase order/encumbrance.

Our audit noted that the Borough's improvement authorization was not in agreement with audited balances. It is recommended that the Borough's improvement authorization ledger be reconciled and be in agreement with the audited balances.

**BOROUGH OF CLOSTER
SUPPLEMENTARY DATA**

GENERAL COMMENTS (Continued)

Current Year (Continued)

Our audit of municipal departments revealed that:

- a) The Zoning Board and Borough Clerk did not currently maintain a cash receipts ledger.
- b) Prenumbered receipts were not issued for all monies collected (cash and check) by the Board of Health, Police Department, Borough Clerk and Construction Code.
- c) Construction Code deposits are made once a week.
- d) Construction Code fees are not always charged in accordance with the Borough's fee ordinance.

It is recommended that:

- a) The Zoning Board and Borough Clerk maintain a cash receipts ledger.
- b) Prenumbered receipts, where practical, be issued for all monies (cash and check) received by municipal departments.
- c) Monies collected by Construction Code be deposited within forty-eight hours of receipt.
- d) Construction Code fees be charged in accordance with the existing Borough ordinances.

Our audit noted that the recreation other expense line item was overexpended by \$6,643. In addition, a capital ordinance was overexpended by \$3,686. It is recommended that budget appropriation ledgers and improvement authorization ledgers be continually monitored to prevent overexpenditures of budget line items and improvement authorizations.

Prior Year

The following comments were reported in the prior year's audit and are also reported in the current year's audit.

Our audit revealed that documentation supporting state contract vendors utilized by the Borough was not attached to the respective purchase orders. In addition, purchases made through State contract vendors were not submitted to the governing body for their approval, nor included in the official minutes. It is recommended that documentation pertaining to state contracts be attached to the respective purchase order. Furthermore, purchases made through the utilization of State contract vendors be approved by the governing body and included in the official minutes.

Our audit noted that individual purchase orders are not issued for monthly recurring expenditures. It is recommended that master/blanket orders be issued for monthly recurring expenditures.

Our audit noted that certain purchase orders and supporting documents were not made available for audit. It is recommended that documentation supporting all paid vouchers be available for audit.

Our audit of the Recreation Department revealed instances where we were unable to trace individual cash receipts to a registration form and/or were unable to verify that the proper fee was charged. In addition, receipts and disbursement ledgers maintained by the Department were not in agreement with the reconciled amounts per the Treasurer's office. It is recommended that continued efforts be made to enhance the Recreation Department's internal accounting controls.

**BOROUGH OF CLOSTER
SUPPLEMENTARY DATA**

GENERAL COMMENTS (Continued)

CONTRACTS AND AGREEMENTS REQUIRED TO BE ADVERTISED FOR N.J.S. 40A:11-4

N.J.S. 40A:11-4 states "Every contract or agreement, for the performance of work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate of \$21,000, except by contract or agreement."

The governing body of the municipality has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Borough Attorney's opinion should be sought before a commitment is made.

The minutes indicate that bids were requested by public advertising and awarded for the following items:

2007 Road Improvement Program	2007 Curb and Sidewalk
Closter Nature Trail	West Street Program Improvements
Triple Combination Pumper	

The minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S. 40A:11-5. Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishings or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear violations existed.

Our audit revealed that the Borough expended funds in excess of the bid threshold for certain purchases without previously advertising for public bids. It is recommended that the Borough solicit public bids for purchases which in the aggregate will exceed the public bid threshold.

COLLECTION OF INTEREST ON DELINQUENT TAXES AND ASSESSMENTS

The statute provides the method for authorizing interest and the maximum rates to be charged for the non-payment of taxes or assessments on or before the date when they would become delinquent.

The Governing Body on January 2, 2008 adopted the following resolution authorizing interest to be charged on delinquent taxes:

"WHEREAS, N.J.S.A. 54:4-67 provides that the Governing Body of municipality is to fix the rate of interest to be charged for the delinquent payment of real estate taxes.

THEREFORE, BE IT RESOLVED, by the Mayor and Council of the Borough of Closter, County of Bergen, New Jersey that interest shall be charged at the rate of 8% per annum on the first \$1,500 of delinquent real estate taxes and 18% per annum on any amount in the excess of \$1,500, to be calculated from the date the tax or assessment was payable until the date of actual payment. In connection with any delinquency of taxes, assessments or municipal charges exceeding \$10,000 which has not been paid prior to the end of a calendar year, there shall be imposed a penalty in a sum equal to six (6%) percent of the delinquency".

**BOROUGH OF CLOSTER
SUPPLEMENTARY DATA**

RECOMMENDATIONS

It is recommended that:

- * 1. Internal controls regarding the preparation of the Borough's general ledgers and financial reports be reviewed to ensure that the general ledgers are complete and reconciled with the subsidiary ledgers on a monthly basis.
- * 2. The encumbrance system be enhanced to ensure that purchase orders are issued prior to incurring expenditures.
- * 3. Documentation pertaining to state contracts be attached to the respective purchase order. Furthermore, purchases made through the utilization of State contract vendors be approved by the governing body and included in the official minutes.
- * 4. Documentation supporting all paid vouchers be available for audit.
- * 5. Master/blanket orders be issued for monthly recurring expenditures.
- * 6. Continued efforts be made to enhance the Recreation Department's internal accounting controls.
- 7. The Borough maintain a fixed asset accounting ledger in accordance with Technical Accounting Directive 85-2.
- * 8. The Borough solicit public bids for purchases which in the aggregate will exceed the public bid threshold.
- 9. Greater care be taken in the recording of health insurance payments and furthermore, all health insurance payments be made in a timely manner.
- 10. All transfer resolutions be recorded in the Borough's budget appropriation ledger upon approval of the resolutions by the governing body.
- 11. The Developer's Escrow and Other Trust Fund ledger be in agreement with audit balances and be reconciled to applicable bank reconciliations on a monthly basis.
- 12. Internal controls be reviewed to ensure that only purchase orders for goods or services ordered or contracts awarded to specific vendors be included as a valid open purchase order/encumbrance.
- 13. In regards to the Municipal departments:
 - a) The Zoning Board and Borough Clerk maintain a cash receipt ledger.
 - b) Prenumbered receipts, where practical, be issued for all monies (cash and check) received by municipal departments.
 - c) Monies collected by Construction Code be deposited within forty-eight hours of receipt.
 - d) Construction Code fees be charged in accordance with the existing Borough ordinances.
- 14. Budget appropriation ledgers and improvement authorization ledgers be continually monitored to prevent overexpenditure of budget line items and improvement authorizations.
- 15. The Borough's improvement authorization ledger be reconciled and be in agreement with the audited balances.

A review was performed on all prior year's recommendations. Those recommendations which have not been corrected and which are repeated in this audit are denoted with an asterisk (*).

The recommendations noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to our comments and recommendations, or should you desire assistance in implementing our recommendations, please do not hesitate to call us.


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