

**BOROUGH OF CLOSTER**  
**BERGEN COUNTY, NEW JERSEY**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**YEAR ENDED DECEMBER 31, 2009**

# BOROUGH OF CLOSTER

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## **INTRODUCTORY SECTION**



**BOROUGH OF CLOSTER**  
295 Closter Dock Road, Closter, New Jersey 07624

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Sophie Heymann, Mayor  
Quentin Wiest, Borough Administrator

201-784-0600  
Fax 201-784-9727

June 30, 2010

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, 2009, 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, 2009.

| <u>Revenue</u>                                       | <u>Amount</u>            | <u>Percent<br/>of<br/>Total</u> | <u>Increase/<br/>(Decrease)<br/>from 2008</u> |
|--|--------------------------|---------------------------------|---|
| Fund Balance Anticipated                             | \$ 475,000               | 3.42 %                          | \$ (275,000)                                  |
| Miscellaneous Revenues                               | 546,880                  | 3.94                            | (112,329)                                     |
| State, Federal and County Aid                        | 1,833,613                | 13.20                           | (443,918)                                     |
| Other Special Items                                  | 565,384                  | 4.07                            | 144,671                                       |
| Receipts from Delinquent Taxes                       | 470,768                  | 3.39                            | 177,870                                       |
| Local Taxes - Municipal                              | <u>10,001,940</u>        | <u>71.99</u>                    | <u>329,841</u>                                |
| <br>Budget Totals                                    | <br>13,893,585           | <br><u>100.00</u> %             | <br><u>\$ (178,865)</u>                       |
| <br>Other Credits to Income                          | <br>499,842              |                                 |   |
| Taxes Allocated to Schools,<br>County and Open Space | <u>31,085,305</u>        |                                 |   |
| <br>Total  | <br><u>\$ 45,478,732</u> |                                 |   |

The following is a summary of the Current Fund expenditures for the year ended December 31, 2009.

| <u>Expenditures</u>                                  | <u>Amount</u>            | <u>Percent<br/>of<br/>Total</u> | <u>Increase/<br/>(Decrease)<br/>from 2008</u> |
|--|--------------------------|---------------------------------|---|
| General Government                                   | \$ 2,479,359             | 17.98 %                         | (83,162)                                      |
| Public Safety  | 4,089,951                | 29.66                           | 83,623  |
| Streets and Roads                                    | 2,453,636                | 17.79                           | (76,990)                                      |
| Health and Welfare                                   | 139,787                  | 1.01                            | (29,413)                                      |
| Recreation and Education                             | 939,545                  | 6.81                            | 395   |
| Deferred Charges and<br>Statutory Expenditures       | 1,124,726                | 8.16                            | 151,880                                       |
| State and Federal Grants                             | 50,938                   | 0.37                            | (65,844)                                      |
| Capital Improvements                                 | 115,000                  | 0.83                            | 90,000  |
| Debt Service   | 1,140,271                | 8.27                            | 47,187  |
| Other  | 444,900                  | 3.23                            | (123,600)                                     |
| Reserve for Uncollected Taxes                        | <u>811,436</u>           | <u>5.88</u>                     | <u>23,301</u>                                 |
| <br>Municipal Budget Totals                          | <br>13,789,549           | <br><u>100.00</u> %             | <br><u>\$ 17,377</u>                          |
| <br>Non Budget Expenditures                          | <br>209,909              |                                 |   |
| Taxes Allocated to Schools,<br>County and Open Space | <u>31,085,305</u>        |                                 |   |
| <br>Total  | <br><u>\$ 45,084,763</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 2009 INITIATIVES**

During 2009, 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. These improvements included the following:

The Borough made facilities improvements to the Senior Citizens Center. Currently there are ongoing improvements to provide more storage space; improvements to Borough Hall to upgrade the building and avoid replacement; stairwell refinishing, space to accommodate the building department in-house, repairs to air conditioner systems to make it more responsive and more efficient, the acquisition of a new fire pumper, etc. New traffic lights were installed at Piermont/Homans and Ruckman/Homans Roads. The remaining traffic lights that have not been converted to LED will be completed during 2010. Since the beginning of 2009, the Borough has planted 209 trees, removed 135 hazardous trees, and pruned 130 trees. The Borough has hired a certified arborist to enforce our local tree ordinance. The Borough has nearly completed the Cross-Closter trail, as well as auxiliary trails, using Federal and County Grants and the Borough's Open Space funds. The Borough negotiated a shared service plan for gasoline with the Borough of Harrington Park. The Borough outsourced the responsibilities of Health Officer in a shared service agreement. Improvements have been made to various parks, using Open Space funds and Grants: Tennis courts have been totally upgraded, basketball courts are about to be resurfaced, and bathroom and storage facilities are about to be built at Ruckman Park, using Open Space funds and volunteer labor.

## **LOCAL ECONOMIC EVENTS**

For 2009, the Borough continued to demonstrate important indicators of continued financial strength as follows:

- A Current Fund surplus balance at December 31, 2009 of \$610,894.
- The Borough underwent a reassessment of real property which decreased the Borough's ratables from \$2,374,626,044 in 2008 to \$2,068,998,188 in 2009.

## **LOCAL ECONOMIC EVENTS (Continued)**

During 2009 total real estate tax revenues increased by \$1,541,419 or 4.0% to \$40,275,809. The current collection rate (cash basis) of real estate tax revenue (an important indicator of fiscal health) was 98.65% in 2009 and has averaged 98.67% over the past 3 years. The Borough has maintained a stable collection rate and currently has no properties 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 2009 tax rate for municipal open space was .010 which generated \$207,134 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. The Borough made its last payment to United Water in December 2009.

## **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 issued \$4,062,000 general obligation bonds in May, 2010. The Borough has \$4,499,464 in bond anticipation notes outstanding at December 31, 2009. This is an increase of over \$2.6 million from December 31, 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, 2009, \$6,865,955 were in registered depositories and were covered by these insurers, and \$346,938 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 2009, 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,

*Quentin W. West*

**BOROUGH OF CLOSTER**  
**BERGEN COUNTY, NEW JERSEY**  
**ROSTER OF OFFICIALS AND PROFESSIONALS**  
**DECEMBER 31, 2009**

**MAYOR**

Sophie Heymann

**BOROUGH COUNCIL**

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

**BOROUGH ADMINISTRATOR**

Quentin Wiest, 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

17 - 17 ROUTE 208  
FAIR LAWN, NJ 07410  
TELEPHONE (201) 791-7100  
FACSIMILE (201) 791-3035  
WWW.LVHCPA.COM

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

ELIZABETH A. SHICK, CPA, RMA, PSA  
ANDREW PARENTE, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
DEBORAH 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 - regulatory basis of the various funds and account group of the Borough of Closter as of December 31, 2009 and 2008. 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 regulatory 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 regulatory 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) Trust 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 Trust Fund financial statements as part of our audit of the Borough's financial statements. The LOSAP Trust Fund financial activities are included in the Borough's Trust Fund, and represent 12 percent and 10 percent of the assets and liabilities, respectively, of the Borough's Trust Funds as of December 31, 2009 and 2008.

## 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, 2009 and 2008, 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.

However, 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 - regulatory basis referred to previously present fairly, in all material respects, the financial position - regulatory basis of the various funds and account group of the Borough of Closter as of December 31, 2009 and 2008 and the results of operations and changes in fund balance of the current fund for the year ended December 31, 2009 on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated July 21, 2010 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 considered in assessing 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  
July 21, 2010

**SUPPLEMENTARY SCHEDULES**

**BOROUGH OF CLOSTER**  
**COMBINED BALANCE SHEET - REGULATORY BASIS**  
**AS OF DECEMBER 31, 2009**  
**(With Comparative Totals for December 31, 2008)**

|  | <u>Current Fund</u> | <u>Trust Funds</u>  | <u>General<br/>Capital Fund</u> | <u>General<br/>Fixed Assets<br/>Account<br/>Group</u> | <u>Totals<br/>(Memorandum Only)</u> |                       |
|--|---------------------|---------------------|---------------------------------|---|-------------------------------------|-----------------------|
|  |                     |                     |                                 |   | <u>2009</u>                         | <u>2008</u>           |
| <b>ASSETS</b>  |                     |                     |                                 |   |                                     |                       |
| Cash and Cash Equivalents                            | \$ 1,984,660        | \$ 2,384,632        | \$ 1,090,113                    |   | \$ 5,459,405                        | \$ 4,475,641          |
| Investments  | 43,909              | 303,029             |                                 |   | 346,938                             | 519,464               |
| Intergovernmental Receivable                         | 45,617              |                     | 342,498                         |   | 388,115                             | 498,874               |
| Other Receivables                                    |                     | 36,500              |                                 |   | 36,500                              | 31,550                |
| Receivables and Other Assets                         |                     |                     |                                 |   |                                     |                       |
| Delinquent Property Taxes Receivable                 | 495,089             |                     |                                 |   | 495,089                             | 496,059               |
| Tax Title Liens Receivable                           | -                   |                     |                                 |   | -                                   | 41,526                |
| Property Acquired for Taxes - Assessed Value         | 130,531             |                     |                                 |   | 130,531                             | 130,531               |
| Interfunds Receivable                                | 3,242               | 112,398             | 812,611                         |   | 928,251                             | 722,612               |
| Revenue Accounts Receivable                          | 97,978              |                     |                                 |   | 97,978                              |                       |
| Accounts Receivable                                  | 4,000               |                     | 3,105                           |   | 7,105                               | 16,016                |
| Prepaid School Tax                                   | 196,920             |                     |                                 |   | 196,920                             | -                     |
| Deferred Charges                                     | 70,485              |                     | 12,749,946                      |   | 12,820,431                          | 11,582,567            |
| Fixed Assets   | -                   | -                   | -                               | \$ 92,293,231   | 92,293,231                          | 91,666,384            |
| <b>Total Assets</b>                                  | <b>\$ 3,072,431</b> | <b>\$ 2,836,559</b> | <b>\$ 14,998,273</b>            | <b>\$ 92,293,231</b>                                  | <b>\$113,200,494</b>                | <b>\$ 110,181,224</b> |
| <b>LIABILITIES, RESERVES AND FUND BALANCE</b>        |                     |                     |                                 |   |                                     |                       |
| Appropriation Reserves                               | \$ 557,894          |                     |                                 |   | \$ 557,894                          | \$ 793,009            |
| Other Liabilities and Reserves                       | 838,931             | \$ 2,023,683        | \$ 19,082                       |   | 2,881,696                           | 3,833,349             |
| Intergovernmental Payable                            | 20,884              | 1                   |                                 |   | 20,885                              | 41,153                |
| Interfunds Payable                                   | 116,068             | 812,183             | -                               |   | 928,251                             | 722,612               |
| Improvement Authorizations                           |                     |                     | 2,236,823                       |   | 2,236,823                           | 716,921               |
| Serial Bonds Payable                                 |                     |                     | 8,104,000                       |   | 8,104,000                           | 8,834,000             |
| Loans Payable  |                     |                     | 32,310                          |   | 32,310                              | 40,512                |
| Bond Anticipation Notes Payable                      |                     |                     | 4,499,464                       |   | 4,499,464                           | 1,864,000             |
| Reserve for Receivables and Other Assets             | 927,760             |                     |                                 |   | 927,760                             | 897,878               |
| Investment in Fixed Assets                           |                     |                     |                                 | \$ 92,293,231   | 92,293,231                          | 91,666,384            |
| Fund Balance   | 610,894             | 692                 | 106,594                         | -   | 718,180                             | 771,406               |
| <b>Total Liabilities, Reserves and Fund Balances</b> | <b>\$ 3,072,431</b> | <b>\$ 2,836,559</b> | <b>\$ 14,998,273</b>            | <b>\$ 92,293,231</b>                                  | <b>\$113,200,494</b>                | <b>\$ 110,181,224</b> |

See Accompanying Notes to Financial Statements

**BOROUGH OF CLOSTER  
COMBINED BALANCE SHEET - REGULATORY BASIS  
AS OF DECEMBER 31, 2008**

|   | <u>Current Fund</u> | <u>Trust Funds</u>  | <u>General<br/>Capital Fund</u> | <u>General<br/>Fixed Assets<br/>Account<br/>Group</u> | <u>Totals<br/>(Memorandum<br/>Only) 2008</u> |
|---|---------------------|---------------------|---------------------------------|---|--|
| <b>ASSETS</b>                                   |                     |                     |                                 |   |  |
| 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 with Full Reserves |                     |                     |                                 |   |  |
| 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                                      | 213,746             | 649                 | 508,217                         |   | 722,612                                      |
| Accounts  | 16,016              |                     |                                 |   | 16,016                                       |
| Revenue   |                     |                     |                                 |   | -  |
| Deferred Charges                                | 110,643             |                     | 11,471,924                      |   | 11,582,567                                   |
| Fixed Assets                                    | -                   | -                   | -                               | \$ 91,666,384   | 91,666,384                                   |
|   | <u>\$ 3,319,947</u> | <u>\$ 2,688,778</u> | <u>\$ 12,506,115</u>            | <u>\$ 91,666,384</u>                                  | <u>\$ 110,181,224</u>                        |
| <b>LIABILITIES, RESERVES AND FUND BALANCE</b>   |                     |                     |                                 |   |  |
| 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                                    | <u>666,925</u>      | <u>692</u>          | <u>103,789</u>                  | <u>-</u>  | <u>771,406</u>                               |
|   | <u>\$ 3,319,947</u> | <u>\$ 2,688,778</u> | <u>\$ 12,506,115</u>            | <u>\$ 91,666,384</u>                                  | <u>\$ 110,181,224</u>                        |

See Accompanying Notes to Financial Statements

**BOROUGH OF CLOSTER**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

|   | <u>2009</u>           | <u>2008</u>           |
|---|-----------------------|-----------------------|
| <b>REVENUES</b>   |                       |                       |
| Fund Balance Anticipated  | \$ 475,000            | \$ 750,000            |
| Miscellaneous Revenues  | 546,880               | 659,209               |
| State, Federal and County Aid                                   | 1,833,613             | 2,277,531             |
| Other Special Items   | 565,384               | 420,713               |
| Receipts From Delinquent Taxes                                  | 470,768               | 292,898               |
| Amount to be Raised by Taxes for Support<br>of Municipal Budget |                       |                       |
| Local Tax for Municipal Purposes                                | <u>10,001,940</u>     | <u>9,672,099</u>      |
| <br>Total Budget Revenues                                       | <br>13,893,585        | <br>14,072,450        |
| <br>Other Credits to Income                                     | <br><u>31,585,147</u> | <br><u>30,148,888</u> |
| <br>Total Revenues and Other Credits to Income                  | <br><u>45,478,732</u> | <br><u>44,221,338</u> |
| <br><b>EXPENDITURES</b>   |                       |                       |
| General Government  | 2,479,359             | 2,562,521             |
| Public Safety   | 4,089,951             | 4,006,328             |
| Streets and Roads   | 2,453,636             | 2,530,626             |
| Health and Welfare  | 139,787               | 169,200               |
| Recreation and Education  | 939,545               | 939,150               |
| Deferred Charges and Statutory Expenditures                     | 1,124,726             | 972,846               |
| State and Federal Grants  | 50,938                | 116,782               |
| Capital Improvements  | 115,000               | 25,000                |
| Debt Service  | 1,140,271             | 1,093,084             |
| Other   | 444,900               | 568,500               |
| Reserve For Uncollected Taxes                                   | <u>811,436</u>        | <u>788,135</u>        |
| <br>Total Budget Expenditures                                   | <br>13,789,549        | <br>13,772,172        |
| <br>Other Debits to Income                                      | <br><u>31,295,214</u> | <br><u>30,074,723</u> |
| <br>Total Expenditures and Other Debits to Income               | <br><u>45,084,763</u> | <br><u>43,846,895</u> |
| <br>Excess of Revenues Over Expenditures (Carried forward)      | <br>393,969           | <br>374,443           |

**BOROUGH OF CLOSTER**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

|  | <u>2009</u>       | <u>2008</u>       |
|--|-------------------|-------------------|
| Excess of Revenues Over Expenditures (Brought forward) | \$ 393,969        | \$ 374,443        |
| Adjustment To Income Before Fund Balance:              |                   |                   |
| Expenditures Above Which Are By Statute                |                   |                   |
| Deferred Charges To Succeeding Years Budget            | <u>25,000</u>     | <u>60,643</u>     |
| Statutory Excess to Fund Balance                       | 418,969           | 435,086           |
| Fund Balance, January 1,                               | <u>666,925</u>    | <u>981,839</u>    |
|  | 1,085,894         | 1,416,925         |
| Decreased by   |                   |                   |
| Utilized in Budget                                     | <u>475,000</u>    | <u>750,000</u>    |
| Fund Balance, December 31,                             | <u>\$ 610,894</u> | <u>\$ 666,925</u> |

**BOROUGH OF CLOSTER**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**REGULATORY BASIS**  
**BUDGET AND ACTUAL - CURRENT FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

|   | 2009                  |                   |                | 2008                  |                   |                |
|---|-----------------------|-------------------|----------------|-----------------------|-------------------|----------------|
|   | Budget As<br>Modified | Actual            | Variance       | Budget As<br>Modified | Actual            | Variance       |
| <b>REVENUES</b>   |                       |                   |                |                       |                   |                |
| Fund Balance Anticipated  | \$ 475,000            | \$ 475,000        |                | \$ 750,000            | \$ 750,000        |                |
| Miscellaneous Revenues  | 717,636               | 546,880           | \$ (170,756)   | 779,900               | 659,209           | \$ (120,691)   |
| State and Federal Aid   | 1,833,613             | 1,833,613         |                | 2,277,531             | 2,277,531         | -              |
| Other Special Items   | 666,380               | 565,384           | (100,996)      | 432,983               | 420,713           | (12,270)       |
| Receipts From Delinquent Taxes                                  | 375,000               | 470,768           | 95,768         | 288,000               | 292,898           | 4,898          |
| Amount to be Raised by Taxes for Support<br>of Municipal Budget |                       |                   |                |                       |                   |                |
| Local Tax for Municipal Purposes                                | <u>9,696,941</u>      | <u>10,001,940</u> | <u>304,999</u> | <u>9,183,136</u>      | <u>9,672,099</u>  | <u>488,963</u> |
| <b>Total Budget Revenues</b>                                    | <b>13,764,570</b>     | <b>13,893,585</b> | <b>129,015</b> | <b>13,711,550</b>     | <b>14,072,450</b> | <b>360,900</b> |
| Other Credits to Income   | <u>31,085,305</u>     | <u>31,585,147</u> | <u>499,842</u> | <u>29,850,426</u>     | <u>30,148,888</u> | <u>298,462</u> |
| <b>Total Revenues and Other Credits to Income</b>               | <b>44,849,875</b>     | <b>45,478,732</b> | <b>628,857</b> | <b>43,561,976</b>     | <b>44,221,338</b> | <b>659,362</b> |
| <b>EXPENDITURES</b>   |                       |                   |                |                       |                   |                |
| General Government  | 2,479,359             | 2,479,359         |                | 2,562,521             | 2,562,521         |                |
| Public Safety   | 4,089,951             | 4,089,951         |                | 4,006,328             | 4,006,328         |                |
| Streets and Roads   | 2,453,636             | 2,453,636         |                | 2,530,626             | 2,530,626         |                |
| Health and Welfare  | 139,787               | 139,787           |                | 169,200               | 169,200           |                |
| Recreation and Education  | 939,545               | 939,545           |                | 932,507               | 939,150           |                |
| Deferred Charges and Statutory Expenditures                     | 1,124,726             | 1,124,726         |                | 972,846               | 972,846           |                |
| State and Federal Grants  | 50,938                | 50,938            |                | 116,782               | 116,782           |                |
| Capital Improvements  | 115,000               | 115,000           |                | 25,000                | 25,000            |                |
| Debt Service  | 1,140,292             | 1,140,271         | 21             | 1,093,105             | 1,093,084         | 21             |
| Other   | 444,900               | 444,900           |                | 568,500               | 568,500           |                |
| Reserve For Uncollected Taxes                                   | 811,436               | 811,436           | -              | 788,135               | 788,135           | -              |
| <b>Total Budget Expenditures (Carried forward)</b>              | <b>13,789,570</b>     | <b>13,789,549</b> | <b>21</b>      | <b>13,765,550</b>     | <b>13,772,172</b> | <b>21</b>      |

See Accompanying Notes to Financial Statements

**BOROUGH OF CLOSTER**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**REGULATORY BASIS**  
**BUDGET AND ACTUAL - CURRENT FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

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|   | 2009                      |                   |                   | 2008                      |                   |                   |
|---|---------------------------|-------------------|-------------------|---------------------------|-------------------|-------------------|
|   | <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)   | \$ 13,789,570             | \$ 13,789,549     | \$ 21             | \$ 13,765,550             | \$ 13,772,172     | \$ (6,622)        |
| Other Debits to Income  | <u>31,085,305</u>         | <u>31,295,214</u> | <u>(209,909)</u>  | <u>29,850,426</u>         | <u>30,074,723</u> | <u>(224,297)</u>  |
| Total Expenditures and Other Debits to Income   | <u>44,874,875</u>         | <u>45,084,763</u> | <u>(209,888)</u>  | <u>43,615,976</u>         | <u>43,846,895</u> | <u>(230,919)</u>  |
| Excess of Revenues Over Expenditures  | (25,000)                  | 393,969           | 418,969           | (54,000)                  | 374,443           | 428,443           |
| Adjustment To Income Before Fund Balance:<br>Expenditures Above Which Are By Statute<br>Deferred Charges To Succeeding Years Budget | <u>-</u>                  | <u>25,000</u>     | <u>(25,000)</u>   | <u>-</u>                  | <u>60,643</u>     | <u>(60,643)</u>   |
| Statutory Excess to Fund Balance  | (25,000)                  | 418,969           | 443,969           | (54,000)                  | 435,086           | 489,086           |
| Fund Balance, January 1,  | <u>666,925</u>            | <u>666,925</u>    | <u>-</u>          | <u>981,839</u>            | <u>981,839</u>    | <u>-</u>          |
|   | 641,925                   | 1,085,894         | 443,969           | 927,839                   | 1,416,925         | 489,086           |
| Decreased by<br>Utilized in Budget  | <u>475,000</u>            | <u>475,000</u>    | <u>-</u>          | <u>750,000</u>            | <u>750,000</u>    | <u>-</u>          |
| Fund Balance, December 31,  | <u>\$ 166,925</u>         | <u>\$ 610,894</u> | <u>\$ 443,969</u> | <u>\$ 177,839</u>         | <u>\$ 666,925</u> | <u>\$ 489,086</u> |

**NOTES TO FINANCIAL STATEMENTS**

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2009 AND 2008**

**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 regulatory 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, or 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, 2009 AND 2008**

**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 (LOSAP) Fund – 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 and other capital assets, other than those acquired in the Current Fund.

General Fixed Assets Account Group - This account group is used to account for all general 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 (“regulatory 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, 2009 AND 2008**

**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 standard tax sale. The Borough also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11<sup>th</sup> day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. 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.

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2009 AND 2008**

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

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

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 2009 and 2008 the Borough Council increased the original budget by \$31,000 and \$122,711. The increases were attributable to additional aid allotted to the Borough, an emergency authorization in 2009 for planning board expenses, and special emergencies in 2008 for the reassessment of real property and the preparation of the Borough's master plan. In addition, the governing body approved several budget transfers during 2009 and 2008.

**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.

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2009 AND 2008**

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

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

**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.

**Excess Expenditures Over Appropriations**

The following is a summary of expenditures in excess of available appropriations. The overexpended appropriations resulted in unfavorable variances.

| <b>2009</b>                                       | <u>Available<br/>Budget</u> | <u>Actual</u> | <u>Unfavorable<br/>Variance</u> |
|---|-----------------------------|---------------|---------------------------------|
| Current Fund                                      |                             |               |                                 |
| Appropriation Reserves                            |                             |               |                                 |
| Planning Board-Other Expenses                     | \$ 1,757                    | \$ 2,937      | \$ 1,180                        |
| Master Plan                                       | 112                         | 398           | 286                             |
| Fire Prevention-Clothing Allowance                | 461                         | 505           | 44                              |
| Shade Tree  |                             | 110           | 110                             |
| Telephone and Telegraph                           | 2,184                       | 2,849         | 665                             |
| General Capital Fund                              |                             |               |                                 |
| Improvement Authorizations                        |                             |               |                                 |
| Ord. No. 976 Various Improvements                 |                             | 639           | 639                             |
| Ord. No. 1044 West Street Section<br>Improvements | 150,000                     | 160,235       | 10,235                          |
| <b>2008</b>                                       |                             |               |                                 |
| Current Fund                                      |                             |               |                                 |
| Appropriations                                    |                             |               |                                 |
| Board of Recreation Commissioners                 |                             |               |                                 |
| Other Expenses                                    | 31,000                      | 37,643        | 6,643                           |
| General Capital Fund                              |                             |               |                                 |
| Improvement Authorizations                        |                             |               |                                 |
| Ord. No. 976 Various Improvements                 | 177,485                     | 181,171       | 3,686                           |

In accordance with the regulatory basis of accounting, the above variances or overexpenditures were recorded as deferred charges on the balance sheet of the respective fund at year end and are required to be funded in the succeeding year's budget. GAAP does not permit the deferral of overexpenditures at year end.

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2009 AND 2008**

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

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

**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.

**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.

**Prepaid Items** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items in the current fund, except for prepaid debt service, are offset by a reserve, created by a charge to operations. GAAP does not require the establishment of a reserve for prepaid items.

**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 NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the Borough of Closter has developed a fixed assets accounting and reporting system. Fixed assets are defined by the Borough as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years.

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, and streets and sidewalks are not capitalized.

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2009 AND 2008**

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

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

**General Fixed Assets (Continued)**

Fixed Assets 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.

**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, 2008 balances to conform to the December 31, 2009 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.

**BOROUGH OF CLOSTER  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2009 AND 2008**

**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 Borough is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to 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.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$100,000 for each failed brokerage firm. At December 31, 2009 and 2008, the book value of the Borough's deposits were \$5,459,405 and \$4,475,641 and bank and brokerage firm balances of the Borough's deposits amounted to \$6,865,955 and \$4,596,721, 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>2009</u>         | <u>2008</u>  |
| Insured                   | \$ 6,865,955        | \$ 4,596,721 |

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, 2009 and 2008, 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.

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2009 AND 2008**

**NOTE 2 DEPOSITS AND INVESTMENTS (Continued)**

As of December 31, 2009 and 2008, the Borough had the following investments:

|   | <u>Fair Value</u> |                   |
|---|-------------------|-------------------|
|   | <u>2009</u>       | <u>2008</u>       |
| Investment in M.B.I.A.<br>Class Account | \$ 43,909         | \$ 291,839        |
| Investment in Lincoln Financial         | <u>303,029</u>    | <u>227,625</u>    |
|   | <u>\$ 346,938</u> | <u>\$ 519,464</u> |

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Borough does not have a policy for custodial risk. As of December 31, 2009 and 2008, \$346,938 and \$519,464 of the Borough's investments was exposed to custodial credit risk as follows:

|  | <u>Fair Value</u> |                   |
|--|-------------------|-------------------|
|  | <u>2009</u>       | <u>2008</u>       |
| Uninsured and Collateralized:<br>Collateral held by pledging financial institution's trust department<br>but not in the Borough's name | <u>\$ 346,938</u> | <u>\$ 519,464</u> |

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

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

Interest earned in the General Capital Fund and certain Trust Funds are assigned to the Current Fund in accordance with the regulatory basis of accounting.

**NOTE 3 TAXES RECEIVABLE**

Receivables at December 31, 2009 and 2008 consisted of the following:

|                 | <u>2009</u>       | <u>2008</u>       |
|-----------------|-------------------|-------------------|
| <u>Current</u>  |                   |                   |
| Property Taxes  | \$ 495,089        | \$ 496,059        |
| Tax Title Liens | <u>-</u>          | <u>41,526</u>     |
|                 | <u>\$ 495,089</u> | <u>\$ 537,585</u> |

In 2009 and 2008, the Borough collected \$470,768 and \$292,898 from delinquent taxes, which represented 87.5% and 85% of the prior year delinquent taxes receivable balance.

**BOROUGH OF CLOSTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2009 AND 2008**

**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. 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.

The Borough's debt is summarized as follows:

|   | <u>2009</u>          | <u>2008</u>          |
|---|----------------------|----------------------|
| Issued  |                      |                      |
| General   |                      |                      |
| Bonds, Notes and Loans                                      | \$ 12,635,774        | \$ 10,738,512        |
| Less Funds Temporarily Held to Pay Bonds<br>and Notes       | <u>175,964</u>       | <u>106,536</u>       |
| Net Debt Issued   | 12,459,810           | 10,631,976           |
| Authorized But Not Issued                                   |                      |                      |
| General   |                      |                      |
| Bonds and Notes   | <u>279,262</u>       | <u>836,262</u>       |
| Net Bonds and Notes Issued and Authorized<br>But Not Issued | <u>\$ 12,739,072</u> | <u>\$ 11,468,238</u> |

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2009 AND 2008**

**NOTE 4 MUNICIPAL DEBT (Continued)**

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of .55% and .50% at December 31, 2009 and 2008, respectively.

|                    | <u>Gross Debt</u>    | <u>Deductions</u>    | <u>Net Debt</u>      |
|--------------------|----------------------|----------------------|----------------------|
| <b><u>2009</u></b> |                      |                      |                      |
| General Debt       | \$ 12,915,036        | \$ 175,964           | \$ 12,739,072        |
| School Debt        | <u>27,427,448</u>    | <u>27,427,448</u>    | <u>-</u>             |
| Total              | <u>\$ 40,342,484</u> | <u>\$ 27,603,412</u> | <u>\$ 12,739,072</u> |
| <br>               |                      |                      |                      |
| <b><u>2008</u></b> |                      |                      |                      |
| 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> |

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

|   | <u>2009</u>          | <u>2008</u>          |
|---|----------------------|----------------------|
| 3-1/2% of Equalized Valuation Basis (Municipal) | \$ 80,126,370        | \$ 79,786,305        |
| Net Debt  | <u>12,739,072</u>    | <u>11,468,238</u>    |
| Remaining Borrowing Power                       | <u>\$ 67,387,298</u> | <u>\$ 68,318,067</u> |

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2009 AND 2008**

**NOTE 4 MUNICIPAL DEBT (Continued)**

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>2009</u>         | <u>2008</u>         |
|---|---------------------|---------------------|
| \$4,860,000, 2001 Bonds, due in annual installments of \$440,000 to \$460,000 through July, 2014, interest at 4.125% to 4.250%    | \$ 2,270,000        | \$ 2,700,000        |
| \$6,909,000, 2005 Bonds, due in annual installments of \$320,000 to \$1,054,000 through October, 2018, interest at 3.75% to 3.80% | <u>5,834,000</u>    | <u>6,134,000</u>    |
|   | <u>\$ 8,104,000</u> | <u>\$ 8,834,000</u> |

**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 multi-purpose improvements and the acquisition of Conrail property. The Borough levies ad valorem taxes to pay debt service on general intergovernmental loans issued. General intergovernmental loans outstanding at December 31 are as follows:

|  | <u>2009</u>      | <u>2008</u>      |
|--|------------------|------------------|
| \$82,755, 1990 Loan, due in Semi-annual installments of \$2,548 through April, 2010, interest at 2.0%            | \$ 2,548         | \$ 7,567         |
| \$62,798, 1997 Loan, due in Semi-annual installments of \$1,615 to \$1,894 through March, 2018, interest at 2.0% | <u>29,762</u>    | <u>32,945</u>    |
|  | <u>\$ 32,310</u> | <u>\$ 40,512</u> |

**BOROUGH OF CLOSTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2009 AND 2008**

**NOTE 4 MUNICIPAL DEBT (Continued)**

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2009 is as follows:

| Calendar<br>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> |                     |
| 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             | 895,000                         | 187,092             | 3,515                          | 310             | 1,085,917           |
| 2015-18          | <u>3,974,000</u>                | <u>385,168</u>      | <u>12,866</u>                  | <u>521</u>      | <u>4,372,555</u>    |
|                  | <u>\$ 8,104,000</u>             | <u>\$ 1,652,158</u> | <u>\$ 32,310</u>               | <u>\$ 2,776</u> | <u>\$ 9,791,244</u> |

**Changes in Long-Term Municipal Debt**

The Borough's long-term capital debt activity for the years 2009 and 2008 were as follows:

|  | Balance,<br>December 31,<br><u>2008</u> | <u>Additions</u> | <u>Reductions</u> | Balance,<br>December 31,<br><u>2009</u> | Due<br>Within<br><u>One Year</u> |
|--|---|------------------|-------------------|---|----------------------------------|
| <b><u>2009</u></b>                         |   |                  |                   |   |                                  |
| General Capital Fund                       |   |                  |                   |   |                                  |
| Bonds Payable                              | \$ 8,834,000                            |                  | \$ 730,000        | \$ 8,104,000                            | \$ 760,000                       |
| Intergovernmental Loans Payable            | <u>40,512</u>                           | <u>-</u>         | <u>8,202</u>      | <u>32,310</u>                           | <u>5,794</u>                     |
| General Capital Fund Long-Term Liabilities | <u>\$ 8,874,512</u>                     | <u>\$ -</u>      | <u>\$ 738,202</u> | <u>\$ 8,136,310</u>                     | <u>\$ 765,794</u>                |
|  | Balance,<br>December 31,<br><u>2007</u> | <u>Additions</u> | <u>Reductions</u> | Balance,<br>December 31,<br><u>2008</u> | Due<br>Within<br><u>One Year</u> |
| <b><u>2008</u></b>                         |   |                  |                   |   |                                  |
| 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>                |

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2009 AND 2008**

**NOTE 4 MUNICIPAL DEBT (Continued)**

**Short-Term Debt**

The Borough's short-term capital debt activity for the years 2009 and 2008 was as follows:

|                         | Balance,<br>December 31,<br><u>2008</u> | <u>Increases</u> | <u>Decreases</u> | Balance,<br>December 31,<br><u>2009</u> |
|-------------------------|---|------------------|------------------|---|
| <b><u>2009</u></b>      |   |                  |                  |   |
| Bond Anticipation Notes | \$ 1,864,000                            | \$ 4,499,464     | \$ 1,864,000     | \$ 4,499,464                            |
|                         |   |                  |                  |   |
|                         | Balance,<br>December 31,<br><u>2007</u> | <u>Increases</u> | <u>Decreases</u> | Balance,<br>December 31,<br><u>2008</u> |
| <b><u>2008</u></b>      |   |                  |                  |   |
| Bond Anticipation Notes | \$ 1,864,000                            | \$ 1,864,000     | \$ 1,864,000     | \$ 1,864,000                            |

**NOTE 5 FIXED ASSETS**

**General Fixed Assets**

The following is a summary of changes in the general fixed assets account group for the years 2009 and 2008.

|                                | Balance<br>December 31,<br><u>2008</u> | <u>Additions</u>  | <u>Retirements</u> | Balance,<br>December 31,<br><u>2009</u> |
|--------------------------------|--|-------------------|--------------------|---|
| <b><u>2009</u></b>             |  |                   |                    |   |
| Land                           | \$ 78,567,100                          | \$ 208,500        |                    | \$ 78,775,600                           |
| Buildings and Building Impvts. | 5,155,199                              | 84,095            |                    | 5,239,294                               |
| Machinery and Equipment        | 7,944,085                              | 545,052           | \$ 210,800         | 8,278,337                               |
|                                | <u>\$ 91,666,384</u>                   | <u>\$ 837,647</u> | <u>\$ 210,800</u>  | <u>\$ 92,293,231</u>                    |
|                                |  |                   |                    |   |
|                                | Balance<br>December 31,<br><u>2007</u> | <u>Additions</u>  | <u>Retirements</u> | Balance,<br>December 31,<br><u>2008</u> |
| <b><u>2008</u></b>             |  |                   |                    |   |
| 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>                    |

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2009 AND 2008**

**NOTE 6 DUE TO/FROM OTHER FUNDS**

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

|                       | <u>2009</u>                     |                               | <u>2008</u>                     |                               |
|-----------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
|                       | <u>Due From<br/>Other Funds</u> | <u>Due To<br/>Other Funds</u> | <u>Due From<br/>Other Funds</u> | <u>Due To<br/>Other Funds</u> |
| Current Fund          | \$ 3,242                        | \$ 116,068                    | \$ 213,746                      | \$ 649                        |
| Trust Fund            |                                 |                               |                                 |                               |
| Open Space Trust Fund | 883                             | 808,941                       | 649                             | 508,217                       |
| Other Trust Fund      | 111,515                         |                               |                                 | 562                           |
| Animal Control Fund   |                                 | 3,242                         |                                 | 750                           |
| General Capital Fund  | <u>812,611</u>                  | <u>-</u>                      | <u>508,217</u>                  | <u>212,434</u>                |
| <br>Total             | <br><u>\$ 928,251</u>           | <br><u>\$ 928,251</u>         | <br><u>\$ 722,612</u>           | <br><u>\$ 722,612</u>         |

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

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

**NOTE 7 FUND BALANCES APPROPRIATED**

Under the regulatory basis of accounting, fund balances in the Current Fund is 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<br>Balance<br>December 31,<br><u>2009</u> | Utilized in<br>Subsequent<br><u>Year's Budget</u> | Fund<br>Balance<br>December 31,<br><u>2008</u> | Utilized in<br>Subsequent<br><u>Year's Budget</u> |
|------------------|--|---|--|---|
| Current Fund     |  |   |  |   |
| Cash Surplus     | \$ 494,792                                     | \$ 425,000  | \$ 486,962                                     | \$ 475,000  |
| Non-Cash Surplus | <u>116,102</u>                                 | <u>-</u>  | <u>179,963</u>                                 | <u>-</u>  |
|                  | <br><u>\$ 610,894</u>                          | <br><u>\$ 425,000</u>                             | <br><u>\$ 666,925</u>                          | <br><u>\$ 475,000</u>                             |

**BOROUGH OF CLOSTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2009 AND 2008**

**NOTE 8 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><br><u>December 31,</u> | <u>Subsequent Year</u><br><u>Budget</u><br><u>Appropriation</u> | <u>Balance to</u><br><u>Succeeding</u><br><u>Budgets</u> |
|---|---------------------------------------|---|--|
| <b><u>2009</u></b>                          |                                       |   |  |
| Current Fund                                |                                       |   |  |
| Special Emergency Authorizations (40A:4-55) | \$ 43,200                             | \$ 10,800   | \$ 32,400  |
| Emergency Authorizations                    | 25,000                                | 25,000  |  |
| Overexpenditures of Appropriation Reserves  | 2,285                                 | 2,285   |  |
| General Capital Fund                        |                                       |   |  |
| Overexpenditure of Ordinance                | <u>10,874</u>                         | <u>10,874</u>   | <u>-</u>   |
|   | <u>\$ 81,359</u>                      | <u>\$ 48,959</u>  | <u>\$ 32,400</u>   |
| <br>  |                                       |   |  |
| <b><u>2008</u></b>                          |                                       |   |  |
| 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>   |

**NOTE 9 COMPENSATED ABSENCES**

Under the existing policies and labor agreements of the Borough, employees are allowed to accumulate (with certain restrictions) unused vacation benefits, personal, and 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 \$1,704,605 and \$1,639,159 at December 31, 2009 and 2008, respectively. These amounts which are considered material to the financial statements, are not reported either as an expenditure or liability.

As of December 31, 2009 and 2008, the Borough has reserved \$100,697 and \$85,001, respectively to fund compensated absences in accordance with NJSA 40A:4-39.

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2009 AND 2008**

**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.

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

**Other Pension Funds**

The state established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local 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 accessed via the New Jersey Division of Pensions and Benefits website at [www.state.nj.us/treasury/pension](http://www.state.nj.us/treasury/pension).

**Basis of Accounting**

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

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2009 AND 2008**

**NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (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 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**

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

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

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

**Funded Status and Funding Progress**

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

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2009 AND 2008**

**NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

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

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

**Actuarial Methods and Assumptions**

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

**Employer and Employee Pension Contributions**

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 5.5% for PERS and 8.50% for PFRS of employees' annual compensation.

**Annual Pension Cost (APC)**

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2009 for PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made. During the years ended December 31, 2009, 2008 and 2007, 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</u><br><u>December 31,</u> | <u>PFRS</u> | <u>PERS</u> |
|--|-------------|-------------|
| 2009                                     | \$ 591,395  | \$ 217,202  |
| 2008                                     | 527,100     | 170,033     |
| 2007                                     | 360,905     | 85,505      |

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2009 AND 2008**

**NOTE 11 POST-RETIREMENT MEDICAL BENEFITS**

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 the Teachers Pension and Annuity (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 Health Benefits Program Fund – State Class. 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 post-retirement benefit programs had a total of 484 state and local participating employers and contributing entities for Fiscal Year 2009.

The State of New Jersey, 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 Funds. The financial reports may be assessed via, the New Jersey, Division of Pensions and Benefits website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**Basis of Accounting**

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

**Investment Valuation**

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

**Funded Status and Funding Progress**

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

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

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

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2009 AND 2008**

**NOTE 11 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

**Actuarial Methods and Assumptions**

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

**Post-Retirement Medical Benefits Contribution**

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, 2009, there were 84,590 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 \$87.0 million for 7,255 eligible retired members for fiscal year 2009.

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 \$24.4 million in fiscal year 2009 to provide benefits under Chapter 330 to qualified retirees.

The State sets the employer contribution rate based on a pay-as-you-go basis rather than 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 years ended December 31, 2009 and 2008 were \$123,460 and \$137,456, respectively, which equaled the required contributions for each year.

**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.

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2009 AND 2008**

**NOTE 12 RISK MANAGEMENT (Continued)**

The Borough of Closter is a member of the Bergen County Municipal Joint Insurance Fund (BJIF). The joint insurance fund is 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 Fund also provides excess coverages through the Municipal Excess Liability Joint Insurance Fund (MEL). The Fund is a 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. In the opinion of the Borough's Attorney, the potential claims against the Borough not covered by insurance policies would not materially affect the financial condition of the Borough.

**Pending Tax Appeals** - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2009 and 2008. 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 material. As of December 31, 2009 and 2008, the Borough reserved \$111,572 and \$127,410, 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.

**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, 2009 and 2008, 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.

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2009 AND 2008**

**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, 2009 and 2008, Borough has not estimated its estimated arbitrage earnings due to the IRS, if any.

**NOTE 15 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED**

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 of Alpine. The Borough of Alpine is required to contribute a portion to LOSAP.

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 \$32,250 and \$31,350 for 2009 and 2008, respectively, into the Plan. The Borough of Alpine has contributed \$4,250 and \$6,000 for 2009 and 2008, respectively into the Plan.

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.

Lincoln Financial is the administrator of the plan. The Borough's practical involvement in administering the plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the plan administrator.

**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.

**BOROUGH OF CLOSTER  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2009 AND 2008**

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

**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.

**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<br/>Date of<br/>Completion</u> |
|------------------------------------|-------------------|---|
| <u>2008</u>                        |                   |   |
| <u>Capital Project</u>             |                   |   |
| Acquisition of Fire Rescue Vehicle | \$ 468,678        | 2009  |

**NOTE 17 OPERATING LEASES**

The Borough leases police vehicles under noncancelable operating leases. Lease payments for the years ended December 31, 2009 and 2008 were \$56,291 and \$30,704, 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> |

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2009 AND 2008**

**NOTE 18 SUBSEQUENT EVENTS**

**General Obligation Bonds**

On May 10, 2010 the Borough issued General Obligation Bonds in the amount of \$4,062,000. The bonds dated May 1, 2010 were issued by the Bergen County Improvement Authority with Wells Fargo Bank as the Trustee. The bonds mature on February 15 annually beginning in 2012 and ending in 2020, with annual principal payments ranging from \$250,000 to \$502,000 and interest ranging from three to five percent.

**CURRENT FUND**

**BOROUGH OF CLOSTER**  
**COMPARATIVE BALANCE SHEETS - STATUTORY BASIS**  
**CURRENT FUND**  
**AS OF DECEMBER 31, 2009 AND 2008**

|  | <u>2009</u>         | <u>2008</u>         |
|--|---------------------|---------------------|
| <b>ASSETS</b>  |                     |                     |
| Cash and Cash Equivalents                                | \$ 1,984,660        | \$ 1,950,267        |
| Investments  | 43,909              | 291,839             |
| Intergovernmental Receivable                             | 45,617              | 69,320              |
| Deferred Charges   |                     |                     |
| Overexpenditure of Appropriation                         |                     | 6,643               |
| Overexpenditure of Appropriation Reserves                | 2,285               |                     |
| Emergency Authorizations                                 | 25,000              |                     |
| Special Emergency Authorizations (40A:4-55)              | <u>43,200</u>       | <u>104,000</u>      |
| Sub-total  | <u>2,144,671</u>    | <u>2,422,069</u>    |
| Receivables and Other Assets with Full Reserves          |                     |                     |
| Delinquent Property Taxes Receivable                     | 495,089             | 496,059             |
| Tax Title Liens Receivable                               | -                   | 41,526              |
| Property Acquired for Taxes - Assessed Value             | 130,531             | 130,531             |
| Prepaid School Tax                                       | 196,920             |                     |
| Interfunds   | 3,242               | 213,746             |
| Revenue Accounts Receivable                              | 97,978              |                     |
| Accounts   | <u>4,000</u>        | <u>16,016</u>       |
|  | <u>927,760</u>      | <u>897,878</u>      |
| Total Assets   | <u>\$ 3,072,431</u> | <u>\$ 3,319,947</u> |
| <b>LIABILITIES, RESERVES AND FUND BALANCE</b>            |                     |                     |
| Appropriation Reserves                                   | \$ 557,894          | \$ 793,009          |
| Encumbrances Payable                                     | 203,205             | 466,750             |
| Accounts Payable   | 6,341               | 453                 |
| Intergovernmental Payables                               |                     |                     |
| Due to State of New Jersey Senior and Veteran Deductions | 14,215              | 11,894              |
| Due to State Dept. of Human Services                     | 300                 | 280                 |
| State of New Jersey Training Fees                        | 1,253               | 2,131               |
| County Taxes Payable                                     | 5,116               | 26,846              |
| Interfund Payable  | 116,068             | 649                 |
| Prepaid Taxes  | 160,291             | 140,950             |
| Tax Overpayments   | 188,700             | 86,788              |
| Miscellaneous Reserves and Deposits                      | 15,614              | 213                 |
| Other Liabilities  | 255                 | 255                 |
| Reserve for Tax Appeals                                  | 111,572             | 127,410             |
| Reserve for Appropriated Grants                          | 131,793             | 85,390              |
| Reserve for Unappropriated Grants                        | <u>21,160</u>       | <u>12,126</u>       |
|  | 1,533,777           | 1,755,144           |
| Reserve for Receivables and Other Assets                 | 927,760             | 897,878             |
| Fund Balance   | <u>610,894</u>      | <u>666,925</u>      |
| Total Liabilities, Reserves and Fund Balance             | <u>\$ 3,072,431</u> | <u>\$ 3,319,947</u> |

**BOROUGH OF CLOSTER**  
**STATEMENT OF REVENUES AND OTHER CREDITS TO INCOME**  
**STATUTORY BASIS - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

|   | Budget<br>As<br>Modified | Realized         | Excess<br>or<br>(Deficit) |
|---|--------------------------|------------------|---------------------------|
| FUND BALANCE ANTICIPATED                      | \$ 475,000               | \$ 475,000       | -                         |
| <br>MISCELLANEOUS REVENUES                    |                          |                  |                           |
| Licenses                                      |                          |                  |                           |
| Alcoholic Beverages                           | 28,268                   | 28,028           | \$ (240)                  |
| Other   | 18,257                   | 17,073           | (1,184)                   |
| Fees and Permits                              |                          |                  |                           |
| Other   | 141,590                  | 67,148           | (74,442)                  |
| Uniform Construction Code Fees                | 185,034                  | 154,690          | (30,344)                  |
| Fines and Costs                               |                          |                  |                           |
| Municipal Court                               | 91,445                   | 77,385           | (14,060)                  |
| Interest and Cost on Taxes                    | 75,042                   | 94,007           | 18,965                    |
| Interest on Investments and Deposits          | 100,000                  | 28,256           | (71,744)                  |
| Cable Franchise Fees                          | 78,000                   | 80,293           | 2,293                     |
|   | <u>717,636</u>           | <u>546,880</u>   | <u>(170,756)</u>          |
| <br>STATE, FEDERAL AND COUNTY AID             |                          |                  |                           |
| Energy Receipts Tax                           | 1,773,186                | 1,773,186        |                           |
| Watershed Moratorium Offset Aid               | 13,489                   | 13,489           |                           |
| Clean Communities                             | 13,312                   | 13,312           |                           |
| Police Body Armor                             | 2,142                    | 2,142            |                           |
| Recreation Opportunity - 2009                 | 10,000                   | 10,000           |                           |
| Recreation Opportunity - 2008                 | 9,984                    | 9,984            |                           |
| COPS in Shops                                 | 3,500                    | 3,500            |                           |
| GDL 2009 Enforcement                          | 2,000                    | 2,000            |                           |
| NJ DEP - Hazardous Discharge Site Remediation | 6,000                    | 6,000            | -                         |
|   | <u>1,833,613</u>         | <u>1,833,613</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, 2009**

|   | Budget<br>As<br><u>Modified</u> | <u>Realized</u>          | Excess<br>or<br><u>(Deficit)</u> |
|---|---------------------------------|--------------------------|----------------------------------|
| <b>OTHER SPECIAL ITEMS</b>  |                                 |                          |                                  |
| Cell Tower Rental   | \$ 57,000                       | \$ 46,655                | \$ (10,345)                      |
| Inter-Borough Police Radio  | 343,946                         | 245,968                  | (97,978)                         |
| Due from General Capital Fund   | 212,434                         | 212,434                  |                                  |
| General Capital Fund Surplus  | 25,000                          | 25,000                   |                                  |
| Uniform Fire Safety Act   | <u>28,000</u>                   | <u>35,327</u>            | <u>7,327</u>                     |
| <br>Total Other Special Items   | <br><u>666,380</u>              | <br><u>565,384</u>       | <br><u>(100,996)</u>             |
| <br><b>RECEIPTS FROM DELINQUENT TAXES</b>                                   | <br><u>375,000</u>              | <br><u>470,768</u>       | <br><u>95,768</u>                |
| <br><b>AMOUNT TO BE RAISED BY TAXES FOR<br/>SUPPORT OF MUNICIPAL BUDGET</b> | <br><u>9,696,941</u>            | <br><u>10,001,940</u>    | <br><u>304,999</u>               |
| <br>Total Budget Revenues   | <br><u>13,764,570</u>           | <br><u>13,893,585</u>    | <br><u>129,015</u>               |
| <br><b>OTHER CREDITS TO INCOME</b>  |                                 |                          |                                  |
| Non Budget Revenues   |                                 | 128,707                  | 128,707                          |
| Unexpended Balance of Appropriation Reserves                                |                                 | 369,991                  | 369,991                          |
| Cancelled Payables  |                                 | 332                      | 332                              |
| Prior Year Interfunds Returned  |                                 | 562                      | 562                              |
| Prior Year Senior Citizens and Veterans Allowed                             |                                 | 250                      | 250                              |
| Taxes Allocated to Municipal Open Space Preservation                        | 207,134                         | 207,134                  |                                  |
| Taxes Allocated to School and County  | <u>30,878,171</u>               | <u>30,878,171</u>        | <u>-</u>                         |
| <br>Total Other Credits to Income   | <br><u>31,085,305</u>           | <br><u>31,585,147</u>    | <br><u>499,842</u>               |
| <br>Total Revenues and Other Credits to Income                              | <br><u>\$ 44,849,875</u>        | <br><u>\$ 45,478,732</u> | <br><u>\$ 628,857</u>            |

**BOROUGH OF CLOSTER**  
**STATEMENT OF EXPENDITURES AND OTHER DEBITS TO INCOME -**  
**STATUTORY BASIS - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

|                                       | <u>Appropriated</u> |                                      | <u>Expended</u>            |                 | <u>Unexpended<br/>Balance<br/>Cancelled</u> | <u>Overexpended</u> |
|---------------------------------------|---------------------|--------------------------------------|----------------------------|-----------------|---|---------------------|
|                                       | <u>Budget</u>       | <u>Budget After<br/>Modification</u> | <u>Paid or<br/>Charged</u> | <u>Reserved</u> |   |                     |
| <b>OPERATIONS - WITHIN "CAPS"</b>     |                     |                                      |                            |                 |   |                     |
| <b>GENERAL GOVERNMENT</b>             |                     |                                      |                            |                 |   |                     |
| General Administration                |                     |                                      |                            |                 |   |                     |
| Salaries and Wages                    |                     |                                      |                            |                 |   |                     |
| Other Expenses                        | \$ 26,500           | \$ 26,500                            | \$ 24,421                  | \$ 2,079        |   |                     |
| <b>Administrative and Executive</b>   |                     |                                      |                            |                 |   |                     |
| <b>Municipal Clerk's Office</b>       |                     |                                      |                            |                 |   |                     |
| Salaries and Wages                    | 138,503             | 138,503                              | 134,446                    | 4,057           |   |                     |
| Other Expenses                        | 16,500              | 16,500                               | 16,343                     | 157             |   |                     |
| Codification of Ordinances            | 7,000               | 7,500                                | 7,420                      | 80              |   |                     |
| Elections                             | 7,000               | 7,000                                | 1,251                      | 5,749           |   |                     |
| <b>Financial Administration</b>       |                     |                                      |                            |                 |   |                     |
| Salaries and Wages                    | 219,027             | 180,027                              | 179,776                    | 251             |   |                     |
| Other Expenses                        | 59,750              | 59,750                               | 54,499                     | 5,251           |   |                     |
| <b>Audit Services</b>                 |                     |                                      |                            |                 |   |                     |
| Other Expenses                        | 42,000              | 42,000                               | 42,000                     |                 |   |                     |
| <b>Data Processing</b>                |                     |                                      |                            |                 |   |                     |
| Salaries and Wages                    | 8,605               | 10,105                               | 9,930                      | 175             |   |                     |
| Other Expenses                        | 10,000              | 10,000                               | 9,720                      | 280             |   |                     |
| <b>Assessment of Taxes</b>            |                     |                                      |                            |                 |   |                     |
| Salaries and Wages                    | 51,031              | 55,531                               | 55,446                     | 85              |   |                     |
| Other Expenses                        | 3,825               | 3,825                                | 2,995                      | 830             |   |                     |
| <b>Revenue Administration</b>         |                     |                                      |                            |                 |   |                     |
| Salaries and Wages                    | 122,891             | 122,891                              | 122,132                    | 759             |   |                     |
| Other Expenses                        | 14,300              | 19,300                               | 18,300                     | 1,000           |   |                     |
| <b>Legal Services and Costs</b>       |                     |                                      |                            |                 |   |                     |
| Other Expenses                        | 140,000             | 135,300                              | 102,347                    | 32,953          |   |                     |
| <b>Engineering Services and Costs</b> |                     |                                      |                            |                 |   |                     |
| Other Expenses                        | 33,000              | 33,000                               | 18,673                     | 14,327          |   |                     |
| Monitoring Wells                      | 16,775              | 19,500                               | 19,475                     | 25              |   |                     |
| <b>Economic Development</b>           |                     |                                      |                            |                 |   |                     |
| Closter Improvement Committee         | 9,925               | 9,925                                | 6,070                      | 3,855           |   |                     |
| <b>Historical Commission</b>          |                     |                                      |                            |                 |   |                     |
| Other Expenses                        | 6,750               | 6,750                                | 2,215                      | 4,535           |   |                     |

**BOROUGH OF CLOSTER**  
**STATEMENT OF EXPENDITURES AND OTHER DEBITS TO INCOME -**  
**STATUTORY BASIS - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

|  | <u>Appropriated</u> |                                      | <u>Expended</u>            |                 | <u>Unexpended<br/>Balance<br/>Cancelled</u> | <u>Overexpended</u> |
|--|---------------------|--------------------------------------|----------------------------|-----------------|---|---------------------|
|  | <u>Budget</u>       | <u>Budget After<br/>Modification</u> | <u>Paid or<br/>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                     | \$ 25,688           | \$ 28,688                            | \$ 28,685                  | \$ 3            |   |                     |
| Other Expenses                         | 8,000               | 34,000                               | 8,099                      | 25,901          |   |                     |
| Zoning Board of Adjustment             |                     |                                      |                            |                 |   |                     |
| Other Expenses                         | 9,150               | 9,150                                | 4,374                      | 4,776           |   |                     |
| Insurance                              |                     |                                      |                            |                 |   |                     |
| Unemployment Insurance                 | 12,000              | 12,000                               | 10,834                     | 1,166           |   |                     |
| Other Insurance Premiums               | 13,013              | 9,213                                | 9,119                      | 94              |   |                     |
| General Liability                      | 168,000             | 179,000                              | 151,260                    | 27,740          |   |                     |
| Workers' Compensation Insurance        | 197,000             | 190,000                              | 186,398                    | 3,602           |   |                     |
| Group Insurance Plan for<br>Employees  | 885,000             | 845,500                              | 695,823                    | 149,677         |   |                     |
| Municipal Court                        |                     |                                      |                            |                 |   |                     |
| Salaries and Wages                     | 87,601              | 87,601                               | 87,107                     | 494             |   |                     |
| Other Expenses                         | 2,000               | 3,500                                | 3,077                      | 423             |   |                     |
| Public Defender (P.L. 1997, C. 256)    |                     |                                      |                            |                 |   |                     |
| Other Expenses                         | 1,800               | 1,800                                | 1,800                      | -               | -   | -                   |
| Subtotal General Government            | <u>2,342,634</u>    | <u>2,304,359</u>                     | <u>2,014,035</u>           | <u>290,324</u>  | <u>-</u>                                    | <u>-</u>            |
| PUBLIC SAFETY                          |                     |                                      |                            |                 |   |                     |
| Fire Prevention                        |                     |                                      |                            |                 |   |                     |
| Salaries and Wages                     | 32,312              | 29,812                               | 27,249                     | 2,563           |   |                     |
| Other Expenses                         | 2,000               | 4,500                                | 4,262                      | 238             |   |                     |
| Fire Protection                        |                     |                                      |                            |                 |   |                     |
| Other Expenses                         | 60,575              | 60,575                               | 60,575                     |                 |   |                     |
| Clothing Allowance                     | 16,000              | 11,000                               | 5,959                      | 5,041           |   |                     |
| Fire Hydrant Service                   | 140,000             | 140,000                              | 128,302                    | 11,698          |   |                     |
| Municipal Prosecutor                   |                     |                                      |                            |                 |   |                     |
| Other Expenses                         | 8,000               | 8,000                                | 5,980                      | 2,020           |   |                     |
| Police                                 |                     |                                      |                            |                 |   |                     |
| Salaries and Wages                     | 2,910,129           | 3,093,654                            | 3,084,339                  | 9,315           |   |                     |
| Other Expenses                         | 68,300              | 68,300                               | 56,712                     | 11,588          |   |                     |
| Acq. of Police Vehicles                | 48,500              | 29,500                               | 22,846                     | 6,654           |   |                     |
| First Aid Organization - Contribution  | 12,000              | 12,000                               | 12,000                     |                 |   |                     |
| Emergency Management                   |                     |                                      |                            |                 |   |                     |
| Salaries and Wages                     | 6,980               | 6,980                                | 6,949                      | 31              |   |                     |
| Other Expenses                         | 9,000               | 7,000                                | 6,042                      | 958             |   |                     |

**BOROUGH OF CLOSTER**  
**STATEMENT OF EXPENDITURES AND OTHER DEBITS TO INCOME -**  
**STATUTORY BASIS - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

|  | <u>Appropriated</u> |                                      | <u>Expended</u>            |                 | <u>Unexpended<br/>Balance<br/>Cancelled</u> | <u>Overexpended</u> |
|--|---------------------|--------------------------------------|----------------------------|-----------------|---|---------------------|
|  | <u>Budget</u>       | <u>Budget After<br/>Modification</u> | <u>Paid or<br/>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                     | \$ 152,206          | \$ 152,206                           | \$ 148,813                 | \$ 3,393        |   |                     |
| Other Expenses                         | 10,000              | 7,000                                | 6,263                      | 737             |   |                     |
|  |                     |                                      |                            |                 |   |                     |
| Zoning Officer                         |                     |                                      |                            |                 |   |                     |
| Other Expenses                         | 100                 | 100                                  |                            | 100             |   |                     |
|  |                     |                                      |                            |                 |   |                     |
| Sub-Code Officials                     |                     |                                      |                            |                 |   |                     |
| Plumbing Inspector                     |                     |                                      |                            |                 |   |                     |
| Salaries and Wages                     | 17,158              | 19,658                               | 19,565                     | 93              |   |                     |
|  |                     |                                      |                            |                 |   |                     |
| Electrical Inspector                   |                     |                                      |                            |                 |   |                     |
| Salaries and Wages                     | 11,797              | 11,797                               | 11,212                     | 585             |   |                     |
|  |                     |                                      |                            |                 |   |                     |
| Elevator Inspector                     |                     |                                      |                            |                 |   |                     |
| Salaries and Wages                     | 2,503               | 2,503                                | 2,495                      | 8               |   |                     |
|  |                     |                                      |                            |                 |   |                     |
| Code Enforcement                       |                     |                                      |                            |                 |   |                     |
| Salaries and Wages                     | 12,047              | 32,047                               | 26,385                     | 5,662           |   |                     |
| Other Expenses                         |                     | 1,000                                | 381                        | 619             |   |                     |
|  |                     |                                      |                            |                 |   |                     |
| Fire Inspector                         |                     |                                      |                            |                 |   |                     |
| Salaries and Wages                     | 6,873               | 7,873                                | 7,534                      | 339             | -   | -                   |
|  |                     |                                      |                            |                 |   |                     |
| Subtotal Public Safety                 | 3,526,480           | 3,705,505                            | 3,643,863                  | 61,642          | -   | -                   |
|  |                     |                                      |                            |                 |   |                     |
| STREETS AND ROADS                      |                     |                                      |                            |                 |   |                     |
|  |                     |                                      |                            |                 |   |                     |
| Road Repairs and Maintenance           |                     |                                      |                            |                 |   |                     |
| Salaries and Wages                     | 809,368             | 809,368                              | 774,254                    | 35,114          |   |                     |
| Other Expenses                         | 72,000              | 37,000                               | 35,399                     | 1,601           |   |                     |
|  |                     |                                      |                            |                 |   |                     |
| Snow Removal                           |                     |                                      |                            |                 |   |                     |
| Other Expenses                         | 10,000              | 10,000                               |                            | 10,000          |   |                     |
|  |                     |                                      |                            |                 |   |                     |
| Shade Tree Committee                   |                     |                                      |                            |                 |   |                     |
| Salaries and Wages                     | 2,600               | 2,700                                | 2,621                      | 79              |   |                     |
| Other Expenses                         | 50,000              | 46,000                               | 43,425                     | 2,575           |   |                     |
|  |                     |                                      |                            |                 |   |                     |
| Public Buildings and Grounds           |                     |                                      |                            |                 |   |                     |
| Other Expenses                         | 58,050              | 38,050                               | 35,093                     | 2,957           |   |                     |

**BOROUGH OF CLOSTER  
STATEMENT OF EXPENDITURES AND OTHER DEBITS TO INCOME -  
STATUTORY BASIS - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2009**

|   | <u>Appropriated</u> |                     | <u>Expended</u>  |                 | <u>Unexpended</u> |                     |
|---|---------------------|---------------------|------------------|-----------------|-------------------|---------------------|
|   | <u>Budget</u>       | <u>Budget After</u> | <u>Paid or</u>   | <u>Reserved</u> | <u>Balance</u>    | <u>Overexpended</u> |
|   |                     | <u>Modification</u> | <u>Charged</u>   |                 | <u>Cancelled</u>  |                     |
| OPERATIONS - WITHIN "CAPS" (Continued)                  |                     |                     |                  |                 |                   |                     |
| STREETS AND ROADS (Continued)                           |                     |                     |                  |                 |                   |                     |
| Solid Waste Collection                                  |                     |                     |                  |                 |                   |                     |
| Salaries and Wages                                      | \$ 315,051          | \$ 315,051          | \$ 292,575       | \$ 22,476       |                   |                     |
| Other Expenses  | 5,000               | 2,900               | 2,821            | 79              |                   |                     |
| Solid Waste Recycling Landfill and<br>Contingency Taxes | 275,000             | 263,500             | 236,683          | 26,817          |                   |                     |
| Recycling   |                     |                     |                  |                 |                   |                     |
| Salaries and Wages                                      | 48,063              | 48,063              | 48,023           | 40              |                   |                     |
| Other Expenses  | 5,000               | 1,000               | 905              | 95              |                   |                     |
| Repair to Municipal Vehicles                            |                     |                     |                  |                 |                   |                     |
| Salaries and Wages                                      | 91,259              | 91,259              | 87,750           | 3,509           |                   |                     |
| Other Expenses  | 128,900             | 103,900             | 90,119           | 13,781          | -                 | -                   |
| Subtotal Streets and Roads                              | <u>1,870,291</u>    | <u>1,768,791</u>    | <u>1,649,668</u> | <u>119,123</u>  | -                 | -                   |
| HEALTH AND WELFARE                                      |                     |                     |                  |                 |                   |                     |
| Board of Health   |                     |                     |                  |                 |                   |                     |
| Salaries and Wages                                      | 56,867              | 60,367              | 60,306           | 61              |                   |                     |
| Other Expenses  | 61,970              | 61,970              | 58,376           | 3,594           |                   |                     |
| Environmental Commission                                |                     |                     |                  |                 |                   |                     |
| Other Expenses  | 4,500               | 4,500               | 3,656            | 844             |                   |                     |
| Animal Control  |                     |                     |                  |                 |                   |                     |
| Other Expenses  | 12,500              | 12,750              | 12,742           | 8               |                   |                     |
| Administration of Public Assistance                     |                     |                     |                  |                 |                   |                     |
| Other Expenses  | 200                 | 200                 | -                | 200             | -                 | -                   |
| Subtotal Health and Welfare                             | <u>136,037</u>      | <u>139,787</u>      | <u>135,080</u>   | <u>4,707</u>    | -                 | -                   |
| RECREATION AND EDUCATION                                |                     |                     |                  |                 |                   |                     |
| Recreation Services and Programs                        |                     |                     |                  |                 |                   |                     |
| Other Expenses  |                     |                     |                  |                 |                   |                     |
| Maintenance of Parks                                    | 8,500               | 8,500               | 4,716            | 3,784           |                   |                     |
| Parks and Playgrounds                                   | 24,000              | 35,000              | 30,312           | 4,688           |                   |                     |
| Senior Citizens   |                     |                     |                  |                 |                   |                     |
| Other Expenses  | 4,000               | 4,000               | 4,000            | -               |                   |                     |

**BOROUGH OF CLOSTER**  
**STATEMENT OF EXPENDITURES AND OTHER DEBITS TO INCOME -**  
**STATUTORY BASIS - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

|  | <u>Appropriated</u> |  | <u>Expended</u>                  |                 | Unexpended                         |                     |
|--|---------------------|--|----------------------------------|-----------------|------------------------------------|---------------------|
|  | <u>Budget</u>       | <u>Budget After</u><br><u>Modification</u> | <u>Paid or</u><br><u>Charged</u> | <u>Reserved</u> | <u>Balance</u><br><u>Cancelled</u> | <u>Overexpended</u> |
| OPERATIONS - WITHIN "CAPS" (Continued)   |                     |  |                                  |                 |                                    |                     |
| RECREATION AND EDUCATION (Continued)   |                     |  |                                  |                 |                                    |                     |
| Board of Recreation Commissioners<br>(NJSA 40:12-1 et seq.)                          |                     |  |                                  |                 |                                    |                     |
| Salaries and Wages   | \$ 60,126           | \$ 60,626                                  | \$ 60,569                        | \$ 57           |                                    |                     |
| Other Expenses   | 35,000              | 35,000                                     | 28,027                           | 6,973           |                                    |                     |
| Contribution to Belskie Museum   | 7,500               | 7,500                                      | 7,500                            |                 |                                    |                     |
| Celebration of Public Events,<br>Anniversary or Holiday<br>Other Expenses            | <u>3,000</u>        | <u>3,100</u>                               | <u>3,100</u>                     | <u>-</u>        | <u>-</u>                           | <u>-</u>            |
| Subtotal Recreation and Education  | <u>142,126</u>      | <u>153,726</u>                             | <u>138,224</u>                   | <u>15,502</u>   | <u>-</u>                           | <u>-</u>            |
| UNCLASSIFIED:  |                     |  |                                  |                 |                                    |                     |
| Utilities:   |                     |  |                                  |                 |                                    |                     |
| Gasoline   | 130,000             | 100,000                                    | 89,256                           | 10,744          |                                    |                     |
| Electricity  | 96,000              | 132,500                                    | 132,405                          | 95              |                                    |                     |
| Telephone and Telegraph  | 95,000              | 95,000                                     | 85,803                           | 9,197           |                                    |                     |
| Natural Gas  | 25,000              | 25,000                                     | 17,682                           | 7,318           |                                    |                     |
| Street Lighting  | 105,000             | 77,000                                     | 56,518                           | 20,482          |                                    |                     |
| Sewer System   | 19,000              | 4,000                                      | 1,584                            | 2,416           |                                    |                     |
| Water  | <u>10,000</u>       | <u>11,400</u>                              | <u>10,717</u>                    | <u>683</u>      | <u>-</u>                           | <u>-</u>            |
| Subtotal Unclassified  | <u>480,000</u>      | <u>444,900</u>                             | <u>393,965</u>                   | <u>50,935</u>   | <u>-</u>                           | <u>-</u>            |
| Total Operations Within "CAPS"   | <u>8,497,568</u>    | <u>8,517,068</u>                           | <u>7,974,835</u>                 | <u>542,233</u>  | <u>-</u>                           | <u>-</u>            |
| DEFERRED CHARGES AND<br>STATUTORY EXPENDITURES -<br>MUNICIPAL WITHIN "CAPS"          |                     |  |                                  |                 |                                    |                     |
| Deferred Charges   |                     |  |                                  |                 |                                    |                     |
| Overexpenditure of Appropriation Res   | 6,643               | 6,643                                      | 6,643                            |                 |                                    |                     |
| Overexpenditure of General Capital Ord   | 3,686               | 3,686                                      | 3,686                            |                 |                                    |                     |
| Statutory Charges  |                     |  |                                  |                 |                                    |                     |
| Social Security System (O.A.S.I.)  | 245,000             | 245,000                                    | 239,014                          | 5,986           |                                    |                     |
| Police and Fireman's Retirement<br>System of NJ                                      | 591,395             | 591,395                                    | 591,395                          |                 |                                    |                     |
| Public Employees Retirement System   | <u>217,202</u>      | <u>217,202</u>                             | <u>217,202</u>                   | <u>-</u>        | <u>-</u>                           | <u>-</u>            |
| Subtotal Deferred Charges and Statutory<br>Expenditures - Municipal Within<br>"CAPS" | <u>1,063,926</u>    | <u>1,063,926</u>                           | <u>1,057,940</u>                 | <u>5,986</u>    | <u>-</u>                           | <u>-</u>            |
| Total General Appropriations for<br>Municipal Purposes Within "CAPS"                 | <u>9,561,494</u>    | <u>9,580,994</u>                           | <u>9,032,775</u>                 | <u>548,219</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, 2009**

|   | <u>Appropriated</u> | <u>Expended</u>                      | <u>Unexpended</u>          |                 |                              |
|---|---------------------|--------------------------------------|----------------------------|-----------------|------------------------------|
|   | <u>Budget</u>       | <u>Budget After<br/>Modification</u> | <u>Paid or<br/>Charged</u> | <u>Reserved</u> | <u>Balance<br/>Cancelled</u> |
|   |                     |                                      |                            |                 | <u>Overexpended</u>          |
| OPERATIONS - EXCLUDED FROM "CAPS"                               |                     |                                      |                            |                 |                              |
| GENERAL GOVERNMENT  |                     |                                      |                            |                 |                              |
| Reserve for Tax Appeals   | \$ 175,000          | \$ 175,000                           | \$ 175,000                 | -               | -                            |
| Subtotal General Government                                     | <u>175,000</u>      | <u>175,000</u>                       | <u>175,000</u>             | -               | -                            |
| PUBLIC SAFETY   |                     |                                      |                            |                 |                              |
| Interlocal Municipal Service Agreement                          |                     |                                      |                            |                 |                              |
| Inter-Borough Police Radio -                                    |                     |                                      |                            |                 |                              |
| Other Municipalities  |                     |                                      |                            |                 |                              |
| Salaries and Wages  | 280,284             | 283,784                              | 283,754                    | \$ 30           |                              |
| Other Expenses  | 63,662              | 65,662                               | 65,319                     | 343             |                              |
| Length of Service Awards Program<br>(LOSAP)                     | <u>35,000</u>       | <u>35,000</u>                        | <u>33,750</u>              | <u>1,250</u>    | -                            |
| Subtotal Public Safety  | <u>378,946</u>      | <u>384,446</u>                       | <u>382,823</u>             | <u>1,623</u>    | -                            |
| STREETS AND ROADS   |                     |                                      |                            |                 |                              |
| Bergen County Utilities Authority -<br>Contractual              | <u>684,845</u>      | <u>684,845</u>                       | <u>684,481</u>             | <u>364</u>      | -                            |
| Subtotal Streets and Roads                                      | <u>684,845</u>      | <u>684,845</u>                       | <u>684,481</u>             | <u>364</u>      | -                            |
| RECREATION AND EDUCATION  |                     |                                      |                            |                 |                              |
| Maintenance of Free Public Library<br>(Chap. 82, 541 P.L. 1985) | <u>785,819</u>      | <u>785,819</u>                       | <u>785,818</u>             | <u>1</u>        | -                            |
| Subtotal Recreation and Education                               | <u>785,819</u>      | <u>785,819</u>                       | <u>785,818</u>             | <u>1</u>        | -                            |

**BOROUGH OF CLOSTER**  
**STATEMENT OF EXPENDITURES AND OTHER DEBITS TO INCOME -**  
**STATUTORY BASIS - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

|   | <u>Appropriated</u> |                                      | <u>Expended</u>            |                 | <u>Unexpended<br/>Balance<br/>Cancelled</u> | <u>Overexpended</u> |
|---|---------------------|--------------------------------------|----------------------------|-----------------|---|---------------------|
|   | <u>Budget</u>       | <u>Budget After<br/>Modification</u> | <u>Paid or<br/>Charged</u> | <u>Reserved</u> |   |                     |
| <b>PUBLIC AND PRIVATE PROGRAMS<br/>OFFSET BY REVENUES</b> |                     |                                      |                            |                 |   |                     |
| Police Body Armor - State Share                           | \$ 2,142            | \$ 2,142                             | \$ 1,700                   | \$ 442          |   |                     |
| Recreation Opportunity 2009                               |                     |                                      |                            |                 |   |                     |
| State Share   | 10,000              | 10,000                               | 10,000                     | -               |   |                     |
| Local Share   | 2,000               | 2,000                                | 2,000                      | -               |   |                     |
| Recreation Opportunity 2008                               |                     |                                      |                            |                 |   |                     |
| State Share   | 9,984               | 9,984                                | 9,984                      | -               |   |                     |
| Local Share   | 2,000               | 2,000                                | 2,000                      | -               |   |                     |
| COPS in Shops   |                     |                                      |                            |                 |   |                     |
| State Share   | 3,500               | 3,500                                | 497                        | 3,003           |   |                     |
| Clean Communities Grant                                   |                     |                                      |                            |                 |   |                     |
| State Share   | 13,312              | 13,312                               | 13,294                     | 18              |   |                     |
| GDL 2009 Enforcement                                      |                     |                                      |                            |                 |   |                     |
| State Share   | 2,000               | 2,000                                | 2,000                      |                 |   |                     |
| NJ DEP - Hazardous Discharge Remed                        |                     |                                      |                            |                 |   |                     |
| State Share   | -                   | 6,000                                | 1,776                      | 4,224           | -   | -                   |
| Total Public and Private Programs<br>Offset by Revenues   | <u>44,938</u>       | <u>50,938</u>                        | <u>43,251</u>              | <u>7,687</u>    | -   | -                   |
| Total Operations Excluded from "CAPS"                     | <u>2,069,548</u>    | <u>2,081,048</u>                     | <u>2,071,373</u>           | <u>9,675</u>    | -   | -                   |
| <b>CAPITAL IMPROVEMENTS -<br/>EXCLUDED FROM "CAPS"</b>    |                     |                                      |                            |                 |   |                     |
| Capital Improvement Fund                                  | <u>115,000</u>      | <u>115,000</u>                       | <u>115,000</u>             | <u>-</u>        | <u>-</u>                                    | <u>-</u>            |
| Total Capital Improvements -<br>Excluded from "CAPS"      | <u>115,000</u>      | <u>115,000</u>                       | <u>115,000</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, 2009**

|  | <u>Appropriated</u>  |                                      | <u>Expended</u>            |                      | Unexpended<br>Balance<br>Cancelled | <u>Overexpended</u> |
|--|----------------------|--------------------------------------|----------------------------|----------------------|------------------------------------|---------------------|
|  | <u>Budget</u>        | <u>Budget After<br/>Modification</u> | <u>Paid or<br/>Charged</u> | <u>Reserved</u>      |                                    |                     |
| MUNICIPAL DEBT SERVICE -<br>EXCLUDED FROM "CAPS"                               |                      |                                      |                            |                      |                                    |                     |
| Payment of Bond Principal  | \$ 730,000           | \$ 730,000                           | \$ 730,000                 |                      |                                    |                     |
| Interest on Bonds  | 345,400              | 345,400                              | 345,380                    |                      | \$ 20                              |                     |
| Interest on Notes  | 55,920               | 55,920                               | 55,920                     |                      |                                    |                     |
| Green Trust Loan Program   | 8,972                | 8,972                                | 8,971                      | -                    | 1                                  | -                   |
| Total Municipal Debt Service -<br>Excluded from "CAPS"                         | <u>1,140,292</u>     | <u>1,140,292</u>                     | <u>1,140,271</u>           | <u>-</u>             | <u>21</u>                          | <u>-</u>            |
| DEFERRED CHARGES MUNICIPAL -<br>EXCLUDED FROM "CAPS"                           |                      |                                      |                            |                      |                                    |                     |
| Special Emergency Authorizations   | <u>60,800</u>        | <u>60,800</u>                        | <u>60,800</u>              | <u>-</u>             | <u>-</u>                           | <u>-</u>            |
| Subtotal Deferred Charges - Municipal<br>Excluded from "CAPS"                  | <u>60,800</u>        | <u>60,800</u>                        | <u>60,800</u>              | <u>-</u>             | <u>-</u>                           | <u>-</u>            |
| Total General Appropriations for<br>Municipal Purposes Excluded<br>from "CAPS" | <u>3,385,640</u>     | <u>3,397,140</u>                     | <u>3,387,444</u>           | <u>\$ 9,675</u>      | <u>21</u>                          | <u>-</u>            |
| Subtotal General Appropriations  | 12,947,134           | 12,978,134                           | 12,420,219                 | 557,894              | 21                                 | -                   |
| Reserve for Uncollected Taxes  | <u>811,436</u>       | <u>811,436</u>                       | <u>811,436</u>             | <u>-</u>             | <u>-</u>                           | <u>-</u>            |
| Total General Appropriations   | <u>\$ 13,758,570</u> | <u>\$ 13,789,570</u>                 | 13,231,655                 | <u>\$ 557,894</u>    | <u>\$ 21</u>                       | <u>\$ -</u>         |
| Budget as Adopted  |                      | \$ 13,758,570                        |                            |                      |                                    |                     |
| Added by N.J.S. 40A:4-55   |                      | 25,000                               |                            |                      |                                    |                     |
| Added by N.J.S. 40A:4-87   |                      | <u>6,000</u>                         |                            |                      |                                    |                     |
|  |                      | <u>\$ 13,789,570</u>                 |                            |                      |                                    |                     |
| Other Expenditures and Charges to Income                                       |                      |                                      |                            |                      |                                    |                     |
| County Taxes   |                      | \$ 4,577,329                         |                            |                      |                                    |                     |
| Local School Taxes   |                      | 16,140,445                           |                            |                      |                                    |                     |
| Regional School Taxes  |                      | 10,160,397                           |                            |                      |                                    |                     |
| Municipal Open Space Preservation  |                      | 207,134                              |                            |                      |                                    |                     |
| Interfund Advance  |                      | 2,492                                |                            |                      |                                    |                     |
| Refund of Prior Year Revenue   |                      | 22,513                               |                            |                      |                                    |                     |
| Establish Reserve for Prepaid School Tax (net)                                 |                      | <u>184,904</u>                       |                            |                      |                                    |                     |
| Total Other Expenditures and Charges to Income                                 |                      |                                      | <u>31,295,214</u>          |                      |                                    |                     |
|  |                      |                                      | Sub-Total Paid or Charged  | 44,526,869           |                                    |                     |
|  |                      |                                      | Reserved                   | <u>557,894</u>       |                                    |                     |
|  |                      |                                      | Total Expenditures         | <u>\$ 45,084,763</u> |                                    |                     |

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

| <u>Year</u> | Balance,<br>December 31,<br><u>2008</u> | 2009<br><u>Levy</u>  | Senior<br>Citizens' and<br>Veterans'<br>Deductions<br><u>Disallowed</u> | <u>Collected In</u> |                      | Senior<br>Citizens' and<br>Veterans'<br>Deductions<br><u>Allowed</u> | Remitted<br>or<br><u>Cancelled</u> | Balance,<br>December 31,<br><u>2009</u> |
|-------------|---|----------------------|---|---------------------|----------------------|--|------------------------------------|---|
|             |   |                      |   | <u>2008</u>         | <u>2009</u>          |  |                                    |   |
| 2007        | \$ 11,396                               |                      |   | \$ 11,396           |                      |  |                                    |   |
| 2008        | 484,663                                 |                      |   | 459,372             | \$ 250               | \$ 16,823  | \$ 8,468                           |   |
| 2008        | <u>-</u>                                | <u>\$ 40,825,490</u> | <u>\$ 2,071</u>   | <u>\$ 140,950</u>   | <u>40,057,930</u>    | <u>79,000</u>  | <u>62,810</u>                      | <u>486,871</u>                          |
|             | <u>\$ 496,059</u>                       | <u>\$ 40,825,490</u> | <u>\$ 2,071</u>   | <u>\$ 140,950</u>   | <u>\$ 40,528,698</u> | <u>\$ 79,250</u>   | <u>\$ 79,633</u>                   | <u>\$ 495,339</u>                       |

Analysis of 2009 Property Tax Levy

|                                       |                      |
|---------------------------------------|----------------------|
| Tax Yield                             |                      |
| General Purpose Tax                   | \$ 40,779,956        |
| Added Taxes (R.S. 54:4-36.1 et. seq.) | <u>45,534</u>        |
|                                       | <u>\$ 40,825,490</u> |
| Tax Levy                              |                      |
| Regional High School Tax              | \$ 10,160,397        |
| Local District School Tax             | 16,140,445           |
| County Tax                            | \$ 4,333,726         |
| County Open Space Preservation        | 238,487              |
| County Tax for Added Taxes            | <u>5,116</u>         |
|                                       | 4,577,329            |
| Local Tax for Municipal Purposes      | 9,696,941            |
| Municipal Open Space Preservation     | 207,134              |
| Add Additional Tax Levy               | <u>43,244</u>        |
|                                       | <u>9,947,319</u>     |
|                                       | <u>\$ 40,825,490</u> |

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

|                            |           |
|----------------------------|-----------|
| Balance, December 31, 2008 | \$ 41,526 |
| Decreased by:              |           |
| Cancellations              | 41,526    |
| Balance, December 31, 2009 | \$ -      |

**STATEMENT OF DEFERRED CHARGES**

| <u>Purpose</u>                            | Balance,<br>December 31,<br><u>2008</u> | Increased<br>in <u>2009</u> | Raised by<br>2009<br>Budget<br><u>Appropriation</u> | Balance,<br>December 31,<br><u>2009</u> |
|---|---|-----------------------------|---|---|
| Emergency Appropriations                  |   | \$ 25,000                   |   | \$ 25,000                               |
| Special Emergency Authorization -         |   |                             |   |   |
| Revaluation of Real Property              | \$ 50,000                               |                             | \$ 50,000   |   |
| Preparation of Master Plan                | 15,000                                  |                             | 3,000   | 12,000                                  |
| Reassessment of Real Property             | 39,000                                  |                             | 7,800   | 31,200                                  |
| Overexpenditure of Appropriations         | 6,643                                   |                             | 6,643   |   |
| Overexpenditure of Appropriation Reserves | -                                       | 2,285                       | -   | 2,285                                   |
| Total                                     | \$ 110,643                              | \$ 27,285                   | \$ 67,443   | \$ 70,485                               |

**BOROUGH OF CLOSTER  
STATEMENT OF 2008 APPROPRIATION RESERVES**

|                                      | Balance,<br>December 31,<br>2008 | Budget After<br>Transfer or<br>Modification | Paid or<br>Charged | Transferred<br>to<br>Reserves | Balance<br>Lapsed | Overexpended |
|--------------------------------------|----------------------------------|---|--------------------|-------------------------------|-------------------|--------------|
| <b>Salaries and Wages</b>            |                                  |   |                    |                               |                   |              |
| Municipal Clerk's Office             | \$ 5,926                         | \$ 5,926                                    |                    | \$ 5,926                      |                   |              |
| Financial Administration             | 896                              | 896   | \$ 70              | 826                           |                   |              |
| Data Processing                      | 26                               | 26  |                    | 26                            |                   |              |
| Assessment of Taxes                  | 308                              | 308   | 53                 | 255                           |                   |              |
| Revenue Administration               | 42                               | 42  |                    | 42                            |                   |              |
| Planning Board                       | 8,877                            | 8,877                                       | 543                | 8,334                         |                   |              |
| Municipal Court                      | 602                              | 602   |                    | 602                           |                   |              |
| Fire Prevention                      | 5,878                            | 5,878                                       | 3,510              | 2,368                         |                   |              |
| Police                               | 108,332                          | 82,111                                      | 47,701             | 34,410                        |                   |              |
| Emergency Management                 | 38                               | 38  |                    | 38                            |                   |              |
| Construction Code Official           | 2,879                            | 2,879                                       |                    | 2,879                         |                   |              |
| Zoning Officer                       | 550                              | 550   |                    | 550                           |                   |              |
| Sub-Code Officials                   |                                  |   |                    |                               |                   |              |
| Plumbing Inspector                   | 202                              | 360   | 360                |                               |                   |              |
| Electrical Inspector                 | 157                              | 240   | 240                |                               |                   |              |
| Elevator Inspector                   | 93                               | 93  | 60                 | 33                            |                   |              |
| Code Enforcement                     | 330                              | 615   | 615                |                               |                   |              |
| Fire Inspector                       | 191                              | 191   |                    | 191                           |                   |              |
| Road Repairs and Maintenance         | 51,897                           | 51,897                                      | 10,984             | 40,913                        |                   |              |
| Solid Waste Collection               | 8,179                            | 8,179                                       | 5,547              | 2,632                         |                   |              |
| Recycling                            | 121                              | 121   |                    | 121                           |                   |              |
| Board of Health                      | 160                              | 160   |                    | 160                           |                   |              |
| Board of Recreation Commissioners    | 390                              | 390   | -                  | 390                           | -                 | -            |
|                                      | <u>196,074</u>                   | <u>170,379</u>                              | <u>69,683</u>      | <u>100,696</u>                | <u>-</u>          | <u>-</u>     |
| <b>Other Expenses</b>                |                                  |   |                    |                               |                   |              |
| General Administration               | 159                              | 159   |                    |                               | \$ 159            |              |
| Administrative and Executive         |                                  |   |                    |                               |                   |              |
| Municipal Clerk's Office             | 2,472                            | 2,472                                       | 2,374              |                               | 98                |              |
| Codification of Ordinances           | 4,735                            | 4,735                                       |                    |                               | 4,735             |              |
| Elections                            | 97                               | 97  |                    |                               | 97                |              |
| Financial Administration             | 575                              | 6,141                                       |                    |                               | 6,141             |              |
| Audit Services                       | 25,280                           | 32,780                                      | 14,661             |                               | 18,119            |              |
| Data Processing                      | 148                              | 148   | 30                 |                               | 118               |              |
| Assessment of Taxes                  | 652                              | 652   |                    |                               | 652               |              |
| Revenue Administration               | 6,257                            | 6,757                                       | 6,634              |                               | 123               |              |
| Legal Services and Costs             | 8,373                            | 8,373                                       |                    |                               | 8,373             |              |
| Engineering Services and Costs       | 10,828                           | 10,828                                      |                    |                               | 10,828            |              |
| Monitoring Wells                     | 12,225                           | 12,225                                      | 4,970              |                               | 7,255             |              |
| Closter Improvement Committee        | 766                              | 766   |                    |                               | 766               |              |
| Historical Commission                | 2,183                            | 2,183                                       |                    |                               | 2,183             |              |
| Planning Board                       | 1,757                            | 1,757                                       | 2,937              |                               |                   | \$ 1,180     |
| Revaluation                          | 39,000                           | 39,000                                      | 39,000             |                               |                   |              |
| Zoning Board of Adjustment           | 344                              | 3,344                                       | 2,873              |                               | 471               |              |
| Master Plan                          | 112                              | 112   | 398                |                               |                   | 286          |
| Insurance                            |                                  |   |                    |                               |                   |              |
| Unemployment Insurance               | 863                              | 863   |                    |                               | 863               |              |
| Other Insurance Premiums             | 3,761                            | 3,761                                       | 1,086              |                               | 2,675             |              |
| General Liability                    | 2,699                            | 2,699                                       | 1,772              |                               | 927               |              |
| Workers' Compensation Insurance      | 26                               | 457   |                    |                               | 457               |              |
| Group Insurance Plan for Employees   | 87,686                           | 87,686                                      |                    |                               | 87,686            |              |
| Municipal Court                      | 1,105                            | 1,105                                       |                    |                               | 1,105             |              |
| Public Defender (P.L. 1997, C. 256)  | 1,800                            | 1,800                                       | 1,800              |                               |                   |              |
| Fire Prevention                      | 2,196                            | 2,196                                       | 777                |                               | 1,419             |              |
| Fire Prevention - Clothing Allowance | 461                              | 461   | 505                |                               |                   | 44           |
| Fire Protection                      | 11,148                           | 11,193                                      | 8,023              |                               | 3,170             |              |
| Fire Hydrant Service                 | 805                              | 805   |                    |                               | 805               |              |
| Municipal Prosecutor                 | 645                              | 645   |                    |                               | 645               |              |
| Police                               | 11,700                           | 11,700                                      | 9,174              |                               | 2,526             |              |
| Police - Acq. of Police Vehicles     | 79                               | 109   |                    |                               | 109               |              |
| Emergency Management                 | 3,122                            | 3,122                                       | 369                |                               | 2,753             |              |
| Construction Code Official           | 1,520                            | 3,273                                       |                    |                               | 3,273             |              |

**BOROUGH OF CLOSTER  
STATEMENT OF 2008 APPROPRIATION RESERVES**

|  | Balance,<br>December 31,<br>2008 | Budget After<br>Transfer or<br>Modification | Paid or<br>Charged | Transferred<br>to<br>Reserves | Balance<br>Lapsed | Overexpended    |
|--|----------------------------------|---|--------------------|-------------------------------|-------------------|-----------------|
| <b>Other Expenses (Continued)</b>                                |                                  |   |                    |                               |                   |                 |
| Road Repairs and Maintenance                                     | \$ 1,300                         | \$ 1,300                                    |                    |                               | \$ 1,300          |                 |
| Snow Removal   | 4,466                            | 4,466                                       |                    |                               | 4,466             |                 |
| Shade Tree Committee   |                                  |   | \$ 110             |                               |                   | \$ 110          |
| Public Buildings and Grounds                                     | 591                              | 741   | 741                |                               |                   |                 |
| Solid Waste Collection   | 852                              | 852   |                    |                               | 852               |                 |
| Solid Waste Recycling Landfill and<br>Contingency Taxes          | 95,079                           | 95,079                                      | 21,896             |                               | 73,183            |                 |
| Repair to Municipal Vehicles                                     | 669                              | 1,778                                       |                    |                               | 1,778             |                 |
| Board of Health  | 155                              | 1,805                                       | 1,688              |                               | 117               |                 |
| Environmental Commission   | 390                              | 390   | 320                |                               | 70                |                 |
| Animal Control   | 177                              | 177   |                    |                               | 177               |                 |
| Administration of Public Assistance                              | 70                               | 70  |                    |                               | 70                |                 |
| Recreation Services and Programs                                 |                                  |   |                    |                               |                   |                 |
| Maintenance of Parks   | 6,597                            | 6,597                                       |                    |                               | 6,597             |                 |
| Parks and Playgrounds  | 1,336                            | 1,336                                       | 393                |                               | 943               |                 |
| Senior Citizens  | 1,080                            | 1,080                                       |                    |                               | 1,080             |                 |
| Board of Recreation Commissioners                                |                                  | 1,019                                       |                    |                               | 1,019             |                 |
| Celebration of Public Events,<br>Anniversary or Holiday          | 3,919                            | 3,919                                       |                    |                               | 3,919             |                 |
| Utilities  |                                  |   |                    |                               |                   |                 |
| Gasoline   | 23,202                           | 23,202                                      | 576                |                               | 22,626            |                 |
| Electricity  | 861                              | 8,711                                       | 8,664              |                               | 47                |                 |
| Telephone and Telegraph  | 2,184                            | 2,184                                       | 2,849              |                               |                   | 665             |
| Natural Gas  | 3,921                            | 3,921                                       |                    |                               | 3,921             |                 |
| Street Lighting  | 36,050                           | 36,050                                      | 10,289             |                               | 25,761            |                 |
| Sewer System   | 6,075                            | 6,075                                       |                    |                               | 6,075             |                 |
| Water  | 18,943                           | 18,943                                      |                    |                               | 18,943            |                 |
| Social Security System (O.A.S.I.)                                | 20,481                           | 20,481                                      |                    |                               | 20,481            |                 |
| Recycling Tax Appropriation                                      | 8,900                            | 8,900                                       | 8,346              |                               | 554               |                 |
| Inter-Borough Police Radio -<br>Length of Service Awards Program | 35,000                           | 35,000                                      | 31,750             |                               | 3,250             |                 |
| Bergen County Utilities Authority                                | 260                              | 260   |                    |                               | 260               |                 |
| Recycling Tonnage Grant - State Share                            | 2,289                            | 2,289                                       |                    | \$ 2,289                      |                   |                 |
| Municipal Alliance   |                                  |   |                    |                               |                   |                 |
| State Share  | 1,000                            | 1,000                                       |                    | 1,000                         |                   |                 |
| Local Share  | 4,200                            | 4,200                                       |                    | 4,200                         |                   |                 |
| Drunk Driving Enforcement Fund                                   | 4,590                            | 4,590                                       |                    | 4,590                         |                   |                 |
| Pandemic Influenza Preparedness Grant                            | 4,847                            | 4,847                                       | 597                | 4,250                         |                   |                 |
| E-911 Grant - State Share  | 28,019                           | 28,019                                      |                    | 28,019                        |                   |                 |
| Domestic Violence  | 300                              | 300   |                    | 300                           |                   |                 |
| Reserve for Municipal Recycling Assistant                        | 108                              | 108   |                    | 108                           |                   |                 |
| Clean Communities Grant  | 20,564                           | 20,564                                      | 903                | 19,661                        |                   |                 |
| Highway Safety Patrol - State Share                              | 1,178                            | 1,178                                       |                    | 1,178                         |                   |                 |
| Municipal Recycling Assistance Grant                             | 8,011                            | 8,011                                       | -                  | 8,011                         |                   |                 |
|  | <u>596,935</u>                   | <u>627,817</u>                              | <u>186,505</u>     | <u>73,606</u>                 | <u>369,991</u>    | <u>2,285</u>    |
|  | <u>\$ 793,009</u>                | <u>\$ 798,196</u>                           | <u>\$ 256,188</u>  | <u>\$ 174,302</u>             | <u>\$ 369,991</u> | <u>\$ 2,285</u> |

Balance December 31, 2008 \$ 793,009  
Cancelled Payables 5,187  
\$ 798,196

Accumulated Leave \$ 100,696  
Appropriated Grants 73,606  
\$ 174,302

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

|                                     |                   |
|-------------------------------------|-------------------|
| Increased by:                       |                   |
| Levy, Calendar Year 2009            | \$ 16,140,445     |
| Decreased by:                       |                   |
| Payments                            | <u>16,337,365</u> |
| Balance December 31, 2009 (Prepaid) | <u>\$ 196,920</u> |

EXHIBIT B-8

**STATEMENT OF REGIONAL HIGH SCHOOL DISTRICT TAXES PAYABLE**

|                                      |                   |
|--------------------------------------|-------------------|
| Balance December 31, 2008 (Due From) | \$ (12,016)       |
| Increased by:                        |                   |
| Levy, Calendar Year 2009             | <u>10,160,397</u> |
|                                      | 10,148,381        |
| Decreased by:                        |                   |
| Payments                             | <u>10,148,381</u> |
| Balance December 31, 2009            | <u>\$ -</u>       |

EXHIBIT B-9

**STATEMENT OF GRANTS RECEIVABLE**

|                          | Balance<br>December 31,<br><u>2008</u> | Revenue<br><u>Realized</u> | <u>Received</u>  | Balance<br>December 31,<br><u>2009</u> |
|--------------------------|--|----------------------------|------------------|--|
| Stormwater Management    | \$ 2,117                               |                            |                  | \$ 2,117                               |
| Barrier Free - CDBG      | 40,000                                 |                            |                  | 40,000                                 |
| Bergen County Open Space | 27,203                                 |                            | \$ 27,203        |  |
| Recreation Opportunity   |  | \$ 10,000                  | 10,000           |  |
| Clean Communities        |  | 13,312                     | 13,312           |  |
| GDL 2009 Enforcement     |  | 2,000                      | 2,000            |  |
| COPS in Shops            | -                                      | 3,500                      | -                | 3,500                                  |
|                          | <u>\$ 69,320</u>                       | <u>\$ 28,812</u>           | <u>\$ 52,515</u> | <u>\$ 45,617</u>                       |

**BOROUGH OF CLOSTER  
STATEMENT OF RESERVE FOR APPROPRIATED GRANTS**

|                                | Balance,<br>December 31,<br><u>2008</u> | Transferred<br>From 2008<br>Appropriation<br><u>Reserves</u> | <u>Expended</u>  | Balance,<br>December 31,<br><u>2009</u> |
|--------------------------------|---|--|------------------|---|
| Drunk Driving Enforcement Fund | \$ 9,428                                | \$ 4,590   |                  | \$ 14,018                               |
| Historical Commission Grant    | 7,153                                   |  |                  | 7,153                                   |
| Municipal Alliance Grant       | 3,380                                   | 5,200  |                  | 8,580                                   |
| Municipal Recycling Assistance | 10,288                                  | 8,119  |                  | 18,407                                  |
| Alcohol Education              | 345                                     |  |                  | 345                                     |
| Domestic Violence              |   | 300  |                  | 300                                     |
| School Safety                  | 403                                     |  |                  | 403                                     |
| Community Dev-Barrier Free     | 20,817                                  |  |                  | 20,817                                  |
| E-911 Grant                    | 1,583                                   | 28,019   |                  | 29,602                                  |
| Bergen County - Open Space     | 27,203                                  |  | \$ 27,203        |   |
| Recycling Tonnage Grant        |   | 2,289  |                  | 2,289                                   |
| Clean Communities Grant        |   | 19,661   |                  | 19,661                                  |
| Highway Safety                 |   | 1,178  |                  | 1,178                                   |
| Pandemic Influenza             | 4,790                                   | 4,250  | -                | 9,040                                   |
|                                | <u>\$ 85,390</u>                        | <u>\$ 73,606</u>   | <u>\$ 27,203</u> | <u>\$ 131,793</u>                       |

**STATEMENT OF RESERVE FOR UNAPPROPRIATED GRANTS**

|                                  | Balance,<br>December 31,<br><u>2008</u> | Cash<br><u>Receipts</u> | Appropriated<br><u>in 2009</u> | Balance,<br>December 31,<br><u>2009</u> |
|----------------------------------|---|-------------------------|--------------------------------|---|
| Solid Waste Administration Grant |   | \$ 16,060               |                                | \$ 16,060                               |
| Police Body Armor                | \$ 2,142                                |                         | \$ 2,142                       |   |
| Smart Growth Grant               |   | 4,500                   |                                | 4,500                                   |
| Historical Commission Grant      |   | 600                     |                                | 600                                     |
| Recreation Opportunity Grant     | 9,984                                   | -                       | 9,984                          | -                                       |
|                                  | <u>\$ 12,126</u>                        | <u>\$ 21,160</u>        | <u>\$ 12,126</u>               | <u>\$ 21,160</u>                        |

**BOROUGH OF CLOSTER**  
**STATEMENT OF MISCELLANEOUS RESERVES AND DEPOSITS**

|                                  | Balance,<br>December 31,<br><u>2008</u> | Cash<br><u>Receipts</u> | Balance,<br>December 31,<br><u>2009</u> |
|----------------------------------|---|-------------------------|---|
| Reserve for Insurance Recoveries | \$ 213                                  | \$ 15,401               | \$ 15,401                               |
| Reserve for Revaluation          | <u>213</u>                              | <u>-</u>                | <u>213</u>                              |
|                                  | <u>\$ 213</u>                           | <u>\$ 15,401</u>        | <u>\$ 15,614</u>                        |

**TRUST FUNDS**

**BOROUGH OF CLOSTER**  
**COMBINING BALANCE SHEET - STATUTORY BASIS**  
**TRUST FUNDS**  
**AS OF DECEMBER 31, 2009**  
**(With Comparative Totals as of December 31, 2008)**

|   | <u>Animal<br/>Control</u> | <u>Other Trust</u>  | <u>Open Space<br/>Trust</u> | <u>Public<br/>Assistance</u> | <u>Length of<br/>Service<br/>Awards Program<br/>(LOSAP)<br/>(Unaudited)</u> | <u>Totals<br/>2009</u> | <u>2008</u>         |
|---|---------------------------|---------------------|-----------------------------|------------------------------|---|------------------------|---------------------|
| <b>ASSETS</b>                                 |                           |                     |                             |                              |   |                        |                     |
| Cash and Cash Equivalents                     | \$ 11,363                 | \$ 1,526,068        | \$ 836,719                  | \$ 10,482                    |   | \$ 2,384,632           | \$ 2,428,954        |
| Investments                                   |                           |                     |                             |                              | \$ 303,029  | 303,029                | 227,625             |
| Interfund Receivable                          |                           | 111,515             | 883                         |                              |   | 112,398                | 649                 |
| Contribution Receivable                       | -                         | -                   | -                           | -                            | 36,500  | 36,500                 | 31,550              |
| Total Assets                                  | <u>\$ 11,363</u>          | <u>\$ 1,637,583</u> | <u>\$ 837,602</u>           | <u>\$ 10,482</u>             | <u>\$ 339,529</u>   | <u>\$ 2,836,559</u>    | <u>\$ 2,688,778</u> |
| <b>LIABILITIES, RESERVES AND FUND BALANCE</b> |                           |                     |                             |                              |   |                        |                     |
| Liabilities and Reserves                      |                           |                     |                             |                              |   |                        |                     |
| Miscellaneous Reserves and Deposits           |                           | \$ 1,598,551        |                             |                              |   | \$ 1,598,551           | \$ 1,341,297        |
| Payroll Deductions Payable                    |                           | 38,340              |                             |                              |   | 38,340                 | 45,113              |
| Interfund Payable                             | \$ 3,242                  |                     | \$ 808,941                  |                              |   | 812,183                | 509,529             |
| Due to State of New Jersey                    | 1                         |                     |                             |                              |   | 1                      | 2                   |
| Reserve for Expenditures                      | 8,120                     | -                   | 28,661                      | \$ 10,482                    | 339,529   | 386,792                | 792,145             |
|   | <u>11,363</u>             | <u>1,636,891</u>    | <u>837,602</u>              | <u>10,482</u>                | <u>339,529</u>  | <u>2,835,867</u>       | <u>2,688,086</u>    |
| Fund Balance                                  | -                         | 692                 | -                           | -                            | -   | 692                    | 692                 |
| Total Liabilities, Reserves and Fund Balance  | <u>\$ 11,363</u>          | <u>\$ 1,637,583</u> | <u>\$ 837,602</u>           | <u>\$ 10,482</u>             | <u>\$ 339,529</u>   | <u>\$ 2,836,559</u>    | <u>\$ 2,688,778</u> |

**BOROUGH OF CLOSTER  
COMPARATIVE STATEMENTS OF FUND BALANCE - STATUTORY BASIS  
OTHER TRUST FUND  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

|                       | <u>2009</u>   | <u>2008</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>2009<br/>Anticipated</u> | <u>2009<br/>Realized</u> | <u>Excess</u>   |
|---------------------------------|-----------------------------|--------------------------|-----------------|
| Amount to be Raised by Taxation | \$ 206,900                  | \$ 207,134               | \$ 234          |
| Interest Earned                 | <u>-</u>                    | <u>3,680</u>             | <u>3,680</u>    |
|                                 | <u>\$ 206,900</u>           | <u>\$ 210,814</u>        | <u>\$ 3,914</u> |

EXHIBIT C-3

**STATEMENT OF EXPENDITURES - STATUTORY BASIS  
OPEN SPACE TRUST FUND**

|                        | <u>2009<br/>Appropriated</u> | <u>2009<br/>Expended</u> | <u>2009<br/>Reserved</u> |
|------------------------|------------------------------|--------------------------|--------------------------|
| Reserve for Future Use | \$ <u>206,900</u>            | \$ <u>-</u>              | \$ <u>206,900</u>        |
|                        | <u>\$ 206,900</u>            | <u>\$ -</u>              | <u>\$ 206,900</u>        |

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

|                                      |          |          |
|--------------------------------------|----------|----------|
| Balance, December 31, 2008           |          | \$ 5,866 |
| Increased by:                        |          |          |
| Fees Collected                       |          | 7,215    |
|                                      |          | 13,081   |
| Decreased by:                        |          |          |
| Animal Control Expenditures          | \$ 2,469 |          |
| Statutory Excess Due to Current Fund | 2,492    |          |
|                                      |          | 4,961    |
| Balance, December 31, 2009           |          | \$ 8,120 |

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

|                                   | Balance<br>December 31,<br><u>2008</u> | <u>Receipts</u> | <u>Disbursements</u> | Balance<br>December 31,<br><u>2009</u> |
|-----------------------------------|--|-----------------|----------------------|--|
| Special Recreation                | \$ 23,555                              | \$ 187,628      | \$ 158,189           | \$ 52,994                              |
| Affordable Housing                | 868,902                                | 62,698          | 23,083               | 908,517                                |
| Escrow Deposits and Miscellaneous | 448,840                                | 560,750         | 372,550              | 637,040                                |
|                                   | \$ 1,341,297                           | \$ 811,076      | \$ 553,822           | \$ 1,598,551                           |

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

|                            |    |        |
|----------------------------|----|--------|
| Balance, December 31, 2008 | \$ | 9,157  |
| Increased by:              |    |        |
| Donations                  |    | 2,542  |
|                            |    | 11,699 |
| Decreased by:              |    |        |
| Expenditures               |    | 1,217  |
| Balance, December 31, 2009 | \$ | 10,482 |

**STATEMENT OF PUBLIC ASSISTANCE EXPENDITURES**

|                  |    |                    |
|------------------|----|--------------------|
|                  |    | <u>Food Locker</u> |
| Local Assistance | \$ | 1,217              |

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

|           | <u>Food Locker</u> |
|-----------|--------------------|
| Donations | \$ <u>2,542</u>    |

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

|   |                |                  |
|---|----------------|------------------|
| Balance, December 31, 2008                      |                | \$ 517,947       |
| Increased by:                                   |                |                  |
| 2009 Municipal Open Space Levy Tax              | \$ 206,900     |                  |
| 2009 Municipal Open Space Added Taxes           | 234            |                  |
| Cash Received from State Recreation Grants      | 31,500         |                  |
| Interest Earned                                 | <u>3,680</u>   |                  |
|   |                | <u>242,314</u>   |
|   |                | 760,261          |
| Decreased by:                                   |                |                  |
| 2009 Budget Appropriation                       | 16,999         |                  |
| Appropriated to Fund Improvement Authorizations | <u>714,601</u> |                  |
|   |                | <u>731,600</u>   |
| Balance, December 31, 2009                      |                | <u>\$ 28,661</u> |

**CAPITAL FUND**

**BOROUGH OF CLOSTER**  
**COMPARATIVE BALANCE SHEETS - STATUTORY BASIS**  
**GENERAL CAPITAL FUND**  
**AS OF DECEMBER 31, 2009 AND 2008**

|   | <u>2009</u>              | <u>2008</u>              |
|---|--------------------------|--------------------------|
| <b>ASSETS</b>                                     |                          |                          |
| Cash and Cash Equivalents                         | \$ 1,090,113             | \$ 96,420                |
| Intergovernmental Receivables                     | 342,498                  | 429,554                  |
| Interfund Receivable                              | 812,611                  | 508,217                  |
| Other Receivable                                  | 3,105                    |                          |
| Deferred Charge - Overexpenditure                 | 10,874                   | 3,686                    |
| Deferred Charges to Future Taxation               |                          |                          |
| Funded  | 8,136,310                | 8,874,512                |
| Unfunded  | <u>4,602,762</u>         | <u>2,593,726</u>         |
| <br>Total Assets                                  | <br><u>\$ 14,998,273</u> | <br><u>\$ 12,506,115</u> |
| <br><b>LIABILITIES, RESERVES AND FUND BALANCE</b> |                          |                          |
| Serial Bonds                                      | \$ 8,104,000             | \$ 8,834,000             |
| Bond Anticipation Notes                           | 4,499,464                | 1,864,000                |
| Green Acres Loan Payable                          | 32,310                   | 40,512                   |
| Improvement Authorization                         |                          |                          |
| Funded  | 1,429,298                | 535,986                  |
| Unfunded  | 807,525                  | 180,935                  |
| Interfund Payable                                 |                          | 212,434                  |
| Other Liabilities and Reserves                    |                          |                          |
| Encumbrances and Contracts Payable                | 3,598                    | 543,011                  |
| Capital Improvement Fund                          | 4,484                    | 4,484                    |
| Miscellaneous Reserves                            | 11,000                   | 10,000                   |
| Grants Receivable                                 |                          | 176,964                  |
| Fund Balance                                      | <u>106,594</u>           | <u>103,789</u>           |
| <br>Total Liabilities, Reserves and Fund Balance  | <br><u>\$ 14,998,273</u> | <br><u>\$ 12,506,115</u> |

There were bonds and notes authorized but not issued of \$279,262 and \$836,262 on December 31, 2009 and 2008.  
(Exhibit D-9).

**BOROUGH OF CLOSTER**  
**COMPARATIVE STATEMENTS OF FUND BALANCE - STATUTORY BASIS**  
**GENERAL CAPITAL FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

|                                     | <u>2009</u>       | <u>2008</u>       |
|-------------------------------------|-------------------|-------------------|
| Balance, January 1,                 | \$ 103,789        | \$ 90,536         |
| Increased by:                       |                   |                   |
| Premium on Sale of Notes            | <u>27,805</u>     | <u>13,253</u>     |
|                                     | 131,594           | 103,789           |
| Decreased by:                       |                   |                   |
| Appropriated to 2009 Budget Revenue | <u>25,000</u>     | <u>-</u>          |
| Balance, December 31,               | <u>\$ 106,594</u> | <u>\$ 103,789</u> |

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

|  |   | Balance,<br>December 31,<br><u>2009</u> |
|--|---|---|
| Capital Improvement Fund                   |   | \$ 4,484                                |
| Fund Balance                               |   | 106,594                                 |
| Encumbrances and Contracts Payable         |   | 3,598                                   |
| Reserve for North Parking Lot              |   | 10,000                                  |
| Other Reserves                             |   | 1,000                                   |
| Reserve for Payment of Notes               |   | 175,964                                 |
| Intergovernmental Receivable               |   | (342,498)                               |
| Due from Current Fund                      |   | (3,670)                                 |
| Due from Open Space Trust                  |   | (808,941)                               |
| Other Receivables                          |   | (3,105)                                 |
| Overexpenditure of Ordinance Appropriation |   | (10,874)                                |
| <br>                                       |   |   |
| Ordinance                                  |   |   |
| <u>Number</u>                              | <u>Improvement Authorizations</u>             |   |
| 843  | Various Improvements                          | (275,123)                               |
| 919  | Various Capital Improvements                  | (174)                                   |
| 925  | Open Space Improvements                       | 2,697                                   |
| 941  | Various Improvements                          | 7,636                                   |
| 954  | E-911 Telephone Upgrade                       | 18,854                                  |
| 957  | Park and Historic Preservation Improvements   | 89,226                                  |
| 975  | Various Improvements                          | 111,297                                 |
| 992  | Acquisition of Interboro Communications Equip | 71,413                                  |
| 995  | Various Improvements                          | 28,461                                  |
| 996  | Improvements to Homans & Oakland              | 37,199                                  |
| 998  | Park, Playground and Farmland Impvt.          | 43,800                                  |
| 1015                                       | Various Improvements                          | 20,150                                  |
| 1016                                       | Acquisition of Pumper (Supp Ord 995)          | 49,885                                  |
| 1022                                       | Park and Historic Preservation Improvements   | 50,658                                  |
| 1030                                       | 2009 Road Improvement Program                 | 670,250                                 |
| 1035                                       | Improvements to Borough Hall                  | 14,641                                  |
| 1037                                       | Park and Historic Preservation Improvements   | 68,100                                  |
| 1043                                       | Park and Historic Preservation Improvements   | 68,100                                  |
| 1055                                       | Park and Historic Preservation Improvements   | 170,990                                 |
| 1057                                       | Acquisition of Property                       | 709,501                                 |
|  |   | <hr/>                                   |
|  |   | \$ 1,090,113                            |
|  |   | <hr/>                                   |



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

| Ord. No. | Improvement Description              | Balance,<br>December 31,<br>2008 | 2009<br>Authorizations | State Aid<br>Proceeds | Balance,<br>December 31,<br>2009 | Analysis of Balance<br>December 31, 2009                    |                     | Unexpended<br>Balance of<br>Improvement<br>Authorizations |
|----------|--------------------------------------|----------------------------------|------------------------|-----------------------|----------------------------------|---|---------------------|---|
|          |                                      |                                  |                        |                       |                                  | Bond<br>Anticipation<br>Notes                               | Expenditures        |   |
| 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            |                                  |   |                     |   |
| 976      | Various Improvements                 | 97,714                           |                        | 43,464                | 54,250                           | 54,250  |                     |   |
| 995      | Various Improvements                 | 1,362,845                        |                        |                       | 1,362,845                        | 1,360,000   |                     | 2,845   |
| 996      | Improvements to Homans & Oakland     | 142,855                          |                        |                       | 142,855                          | 142,855   |                     |   |
| 1015     | Various Improvements                 | 366,645                          |                        |                       | 366,645                          | 366,645   |                     |   |
| 1016     | Acquisition of Pumper (Supp Ord 995) | 47,615                           |                        |                       | 47,615                           | 47,500  |                     | 115   |
| 1030     | 2009 Road Improvement Program        | -                                | \$ 2,185,000           | -                     | 2,185,000                        | 2,185,000   | -                   | -   |
|          |                                      | <u>\$ 2,593,726</u>              | <u>\$ 2,185,000</u>    | <u>\$ 175,964</u>     | <u>\$ 4,602,762</u>              | <u>\$ 4,323,500</u>   | <u>\$ 275,297</u>   | <u>\$ 3,965</u>   |
|          |                                      |                                  |                        |                       |                                  | Bond Anticipation Notes                                     | \$ 4,499,464        |   |
|          |                                      |                                  |                        |                       |                                  | Less: Excess Proceeds                                       |                     |   |
|          |                                      |                                  |                        |                       |                                  | Ord. 961 Acquisition of Land                                | (132,500)           |   |
|          |                                      |                                  |                        |                       |                                  | Ord. 976 Various Improvements                               | (43,464)            |   |
|          |                                      |                                  |                        |                       |                                  |   | <u>\$ 4,323,500</u> |   |
|          |                                      |                                  |                        |                       |                                  | Improvement Authorizations - Unfunded                       |                     | \$ 807,525  |
|          |                                      |                                  |                        |                       |                                  | Less: Unexpended Proceeds on Bond Anticipation Notes Issued |                     |   |
|          |                                      |                                  |                        |                       |                                  | Ord. 995 Various Improvements                               |                     | (28,461)  |
|          |                                      |                                  |                        |                       |                                  | Ord. 996 Improvements to Homans and Oakland                 |                     | (37,199)  |
|          |                                      |                                  |                        |                       |                                  | Ord. 1015 Various Improvements                              |                     | (20,150)  |
|          |                                      |                                  |                        |                       |                                  | Ord. 1016 Acquisition of Pumper                             |                     | (47,500)  |
|          |                                      |                                  |                        |                       |                                  | Ord. 1030 2009 Road Improvement Program                     |                     | (670,250)   |
|          |                                      |                                  |                        |                       |                                  |   |                     | <u>\$ 3,965</u>   |

**BOROUGH OF CLOSTER  
STATEMENT OF INTERGOVERNMENTAL RECEIVABLE**

|                            | <u>Total</u>      | Upgrade<br>E-911 Telephone<br><u>Ord. No. 954</u> | Acquisition<br>Of Land<br><u>Ord. No. 961</u> | Various<br>Improvements<br><u>Ord. No. 976</u> | Park &<br>Historical Pres.<br><u>Ord. No. 957</u> | Park &<br>Historical Pres.<br><u>Ord. No. 1043</u> | West Street<br>Improvements<br><u>Ord. No. 1044</u> | Acquisition<br>of Property<br><u>Ord. No. 1057</u> |
|----------------------------|-------------------|---|---|--|---|--|---|--|
| Balance, December 31, 2008 | \$ 429,554        | \$ 90   | \$ 266,000                                    | \$ 43,464                                      | \$ 120,000  |  |   |  |
| Increased by:              |                   |   |   |  |   |  |   |  |
| Grant Awards               | <u>463,100</u>    | <u>-</u>  | <u>-</u>                                      | <u>-</u>                                       | <u>-</u>  | <u>\$ 68,100</u>                                   | <u>\$ 150,000</u>                                   | <u>\$ 245,000</u>                                  |
|                            | 892,654           | 90  | 266,000                                       | 43,464   | 120,000   | 68,100   | 150,000   | 245,000  |
| Decreased By:              |                   |   |   |  |   |  |   |  |
| Receipts                   | <u>550,156</u>    | <u>-</u>  | <u>266,000</u>                                | <u>43,464</u>                                  | <u>94,340</u>                                     | <u>-</u>   | <u>146,352</u>                                      | <u>-</u>   |
| Balance, December 31, 2009 | <u>\$ 342,498</u> | <u>\$ 90</u>                                      | <u>\$ -</u>                                   | <u>\$ -</u>                                    | <u>\$ 25,660</u>                                  | <u>\$ 68,100</u>                                   | <u>\$ 3,648</u>                                     | <u>\$ 245,000</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 December 31, 2009</u> |               | <u>Interest Rate</u> |                     | <u>Balance, December 31, 2008</u> | <u>Decreased</u>    | <u>Balance, December 31, 2009</u> |
|----------------------|----------------------|-----------------------|--|---------------|----------------------|---------------------|-----------------------------------|---------------------|-----------------------------------|
|                      |                      |                       | <u>Date</u>  | <u>Amount</u> |                      |                     |                                   |                     |                                   |
| General Improvement  | 8/1/2001             | \$ 4,860,000          | 7/1/2010   | \$ 440,000    | 4.125                | %                   |                                   |                     |                                   |
|                      |                      |                       | 7/1/2011   | 450,000       | 4.125                |                     |                                   |                     |                                   |
|                      |                      |                       | 7/1/12-14  | 460,000       | 4.250                | \$ 2,700,000        | \$ 430,000                        | \$ 2,270,000        |                                   |
| General Improvements | 10/15/2005           | 6,909,000             | 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                |                     |                                   |                     |                                   |
|                      |                      |                       | 10/15/18   | 1,054,000     | 3.800                |                     |                                   |                     |                                   |
|                      |                      |                       |  |               |                      | <u>6,134,000</u>    | <u>300,000</u>                    | <u>5,834,000</u>    |                                   |
|                      |                      |                       |  |               |                      | <u>\$ 8,834,000</u> | <u>\$ 730,000</u>                 | <u>\$ 8,104,000</u> |                                   |



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

|                            |    |        |
|----------------------------|----|--------|
| Balance, December 31, 2008 | \$ | 40,512 |
| Decreased by:              |    |        |
| 2009 Budget Appropriations |    | 8,202  |
| Balance, December 31, 2009 | \$ | 32,310 |

EXHIBIT D-9

**STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED**

| <u>Ord.<br/>No.</u> | <u>Improvement Description</u>       | <u>Balance,<br/>December 31,<br/>2008</u> | <u>2009<br/>Authorizations</u> | <u>Bond<br/>Anticipation<br/>Notes Issued</u> | <u>Balance,<br/>December 31,<br/>2009</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                                    |                                | 47,500  | 115                                       |
| 1030                | 2009 Road Improvement Program        | -   | \$ 2,185,000                   | 2,185,000                                     | -   |
|                     |                                      | \$ 836,262                                | \$ 2,185,000                   | \$ 2,742,000                                  | \$ 279,262                                |

### **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, 2009 AND 2008**

|                                     | <u>2009</u>          | <u>2008</u>          |
|-------------------------------------|----------------------|----------------------|
| <b>ASSETS</b>                       |                      |                      |
| Land                                | \$ 78,775,600        | \$ 78,567,100        |
| Buildings and Building Improvements | 5,239,294            | 5,155,199            |
| Machinery and Equipment             | <u>8,278,337</u>     | <u>7,944,085</u>     |
|                                     | <u>\$ 92,293,231</u> | <u>\$ 91,666,384</u> |
| <b>FUND BALANCE</b>                 |                      |                      |
| Investment in General Fixed Assets  | <u>\$ 92,293,231</u> | <u>\$ 91,666,384</u> |

**STATISTICAL SECTION**

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

| <u>Year</u> | <u>General<br/>Government</u> | <u>Public<br/>Safety</u> | <u>Streets &amp; Roads<br/>Works</u> | <u>Health and<br/>Welfare</u> | <u>Recreation<br/>and<br/>Education</u> | <u>Deferred<br/>Charges<br/>and Statutory<br/>Expenditures</u> | <u>State<br/>Federal<br/>Grants</u> | <u>Capital<br/>Improvements</u> | <u>Debt<br/>Service</u> | <u>Other</u> | <u>Reserve for<br/>Uncollected<br/>Taxes</u> | <u>Total</u>  |
|-------------|-------------------------------|--------------------------|--------------------------------------|-------------------------------|---|--|-------------------------------------|---------------------------------|-------------------------|--------------|--|---------------|
| 2009        | \$ 2,479,359                  | \$ 4,089,951             | \$ 2,453,636                         | \$ 139,787                    | \$ 939,545                              | \$ 1,124,726   | \$ 50,938                           | \$ 115,000                      | \$ 1,140,271            | \$ 444,900   | \$ 811,436                                   | \$ 13,789,549 |
| 2008        | 2,562,521                     | 4,006,328                | 2,530,626                            | 169,200                       | 939,150                                 | 972,846  | 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     |

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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)**

| <u>Year</u> | <u>Fund<br/>Balance<br/>Anticipated</u> | <u>Miscellaneous<br/>Revenues</u> | <u>State and<br/>Federal<br/>Aid</u> | <u>Other<br/>Special<br/>Items</u> | <u>Delinquent<br/>Taxes</u> | <u>Taxes(1)</u> | <u>Total</u>  |
|-------------|---|-----------------------------------|--------------------------------------|------------------------------------|-----------------------------|-----------------|---------------|
| 2009        | \$ 475,000                              | \$ 546,880                        | \$ 1,833,613                         | \$ 565,384                         | \$ 470,768                  | \$ 10,001,940   | \$ 13,893,585 |
| 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    |

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(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<br/>Open<br/>Space</u> | <u>County</u> | <u>County<br/>Open<br/>Space</u> | <u>Local<br/>School</u> | <u>Regional<br/>High<br/>School</u> |
|-------------|--------------|------------------|-------------------------------------|---------------|----------------------------------|-------------------------|-------------------------------------|
| 2009        | \$ 1.971     | \$ 0.468         | \$ 0.010                            | \$ 0.210      | \$ 0.012                         | \$ 0.780                | \$ 0.491                            |
| 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                               |

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<br>Year | <u>Tax Levy</u>   |               |                         |                                 |               | Realized<br>Revenue** | Percentage<br>of<br>Realized |
|------------------|-------------------|---------------|-------------------------|---------------------------------|---------------|-----------------------|------------------------------|
|                  | <u>Municipal*</u> | <u>County</u> | <u>Local<br/>School</u> | <u>Regional<br/>High School</u> | <u>Total</u>  |                       |                              |
| 2009             | \$ 9,947,319      | \$ 4,577,329  | \$ 16,140,445           | \$ 10,160,397                   | \$ 40,825,490 | \$ 40,275,809         | 98.65%                       |
| 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%                       |

\*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<br>Valuation<br><u>Taxable</u> | Estimated<br>True<br><u>Valuation</u> | Percent of<br>Net Assessed<br>Value to<br>Estimated True<br><u>Valuation</u> |
|-------------|---|---------------------------------------|--|
| 2009        | \$ 2,068,998,188                            | \$ 2,384,873,282                      | 86.76%   |
| 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%  |

Source: County Abstract of Ratables

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

| <u>Taxpayer</u>                 | <u>Type of Business</u> | <u>Assessed<br/>Valuation<br/>2009</u> | <u>As of Percent<br/>of Total Net<br/>Assessed<br/>Valuation<br/>Taxable</u> |
|---------------------------------|-------------------------|--|--|
| Irani-Aspi - Closter Plaza Met. | Retail Shopping Center  | \$ 31,500,000                          | 1.52%  |
| Closter Grocery                 | Food Market             | 8,645,300                              | 0.42%  |
| Heidenberg Plaza                | Shopping Mall           | 7,368,000                              | 0.36%  |
| Closter Golf                    | Golf Driving Range      | 6,999,700                              | 0.34%  |
| Verizon                         | Utility                 | 6,112,619                              | 0.30%  |
| United Water New Jersey         | Utility                 | 5,891,200                              | 0.28%  |
| Reuten Associates               | Warehouse/Office        | 4,581,700                              | 0.22%  |
| DWL Monmouth                    | Retail Shopping Center  | 4,553,500                              | 0.22%  |
| Fred Reuten, Inc.               | Warehouse/Office        | 4,492,400                              | 0.22%  |
| BR NJ LLC                       | Warehouse               | 4,167,400                              | 0.20%  |
|                                 |                         | <u>\$ 84,311,819</u>                   | 4.08%  |

Source: Tax Assessor Records

**BOROUGH OF CLOSTER  
COMPUTATION OF LEGAL DEBT MARGIN AND OVERLAPPING DEBT  
FOR YEAR ENDED DECEMBER 31, 2009  
(UNAUDITED)**

|   |                      |                         |                      |
|---|----------------------|-------------------------|----------------------|
| Average Equalized Valuation                           |                      | <u>\$ 2,289,324,849</u> |                      |
| Borrowing Power 3 1/2% of Average Equalized Valuation |                      | 80,126,370              |                      |
| Net Debt  |                      | <u>12,739,072</u>       |                      |
| Remaining Borrowing Power                             |                      | <u>\$ 67,387,298</u>    |                      |
|   | <u>Gross Debt</u>    | <u>Deductions</u>       | <u>Net Debt</u>      |
| Municipal Debt  |                      |                         |                      |
| Borough of Closter                                    | <u>\$ 12,915,036</u> | <u>\$ 175,964</u>       | \$ 12,739,072        |
| Overlapping Debt Apportioned to the Borough:          |                      |                         |                      |
| County of Bergen (A)                                  |                      |                         | 8,669,292            |
| Bergen County Utilities Authority                     |                      |                         |                      |
| Wastewater (B)  |                      |                         | <u>3,616,279</u>     |
|   |                      |                         | <u>\$ 25,024,643</u> |

(A) Overlapping Debt was computed based upon the 2009 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<br/>Equalized<br/>Valuation</u> | <u>Gross<br/>Debt</u> | <u>Gross<br/>Debt Per<br/>Capita</u> | <u>Ratio of<br/>Gross Debt<br/>to Equalized<br/>Valuation</u> | <u>Net<br/>Debt</u> | <u>Ratio of<br/>Net Debt<br/>to Equalized<br/>Valuation</u> | <u>Net<br/>Debt per<br/>Capita</u> |
|-------------|-------------------|--|-----------------------|--------------------------------------|---|---------------------|---|------------------------------------|
| 2009        | 8,383             | \$ 2,289,324,849                           | \$ 12,915,036         | \$ 1,541                             | 0.56%   | \$ 12,739,072       | 0.56%   | \$ 1,520                           |
| 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                                |

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<br/>Debt<br/>Service</u> | <u>Total<br/>Current Fund<br/>Expenditures</u> | <u>Ratio of Debt<br/>Service to<br/>Current Fund<br/>Expenditures</u> |
|-------------|------------------|-----------------|-----------------------------------|--|---|
| 2009        | \$ 738,202       | \$ 402,069      | \$ 1,140,271                      | \$ 13,789,549                                  | 8.27%   |
| 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  |

Source: Borough Financial Statements  
Includes Bonds and Loans

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

| <u>Year</u> | <u>Population</u> | <u>Percentage<br/>Increase<br/>(Decrease)</u> |
|-------------|-------------------|---|
| 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

2009 Density - 2,620 per square mile

Source: U.S. Bureau of the Census

Table 11

**BOROUGH OF CLOSTER  
ANNUAL AVERAGE EMPLOYMENT AND  
UNEMPLOYMENT FIGURES  
FOR THE YEARS 2000 THROUGH 2009  
(UNAUDITED)**

|                        | <u>Bergen<br/>County</u> | <u>Borough<br/>of<br/>Closter</u> |
|------------------------|--------------------------|-----------------------------------|
| 2000 Employed          | 422,163                  | 4,102                             |
| 2000 Unemployed        | 13,420                   | 101                               |
| 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        | 15,678                   | 118                               |
| 2001 Labor Force       | <u>430,004</u>           | <u>4,144</u>                      |
| 2001 Unemployment Rate | <u>3.6%</u>              | <u>2.8%</u><br><u>2.8%</u>        |
| 2002 Employed          | 426,471                  | 4,144                             |
| 2002 Unemployed        | 22,406                   | 169                               |
| 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        | 22,048                   | 167                               |
| 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        | 19,602                   | 78                                |
| 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        | 17,200                   | 74                                |
| 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        | 18,445                   | 86                                |
| 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        | 16,261                   | 77                                |
| 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        | 21,362                   | 101                               |
| 2008 Labor Force       | <u>476,981</u>           | <u>4,134</u>                      |
| 2008 Unemployment Rate | <u>4.5%</u>              | <u>2.4</u>                        |
| 2009 Employed          | 442,500                  | 3,920                             |
| 2009 Unemployed        | 38,000                   | 182                               |
| 2009 Labor Force       | <u>480,500</u>           | <u>4,102</u>                      |
| 2009 Unemployment Rate | <u>7.9%</u>              | <u>4.4</u>                        |

**BOROUGH OF CLOSTER  
MISCELLANEOUS STATISTICS  
DECEMBER 31, 2009  
(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 Sworn Officers  
7 Marked Vehicles  
5 Unmarked Vehicles

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

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

Library  
55,685 Volumes

Recreation  
Director  
2 Assistant Directors  
Board of Commissioners (Volunteers)  
1 Camp Director  
1 Secretary

Department of Public Works  
Sanitation  
Streets and Roads  
Park Maintenance  
Sewer  
Building Maintenance  
Vehicle Maintenance

**SUPPLEMENTARY SCHEDULES**  
**GOVERNMENT AUDITING STANDARDS**

# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

17 - 17 ROUTE 208

FAIR LAWN, NJ 07410

TELEPHONE (201) 791-7100

FACSIMILE (201) 791-3035

WWW.LVHCPA.COM

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

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

## 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 – regulatory basis of the Borough of Closter as of and for the year ended December 31, 2010, and have issued our report dated July 21, 2010 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 regulatory 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 Trust 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed in the accompanying schedule of findings and responses we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2009-1 and 2009-3 to be material weaknesses.

A significant deficiency is a deficiency, or combination of significant deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2009-2 and 2009-4 to be significant deficiencies.

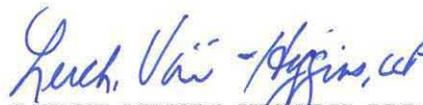
### **Compliance and Other Matters**

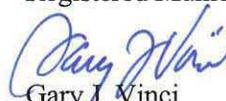
As part of obtaining reasonable assurance about whether the Borough of Closter's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and 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 and which are described in the accompanying schedule of findings and responses as items 2009-1 through 2009-4.

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

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  
July 21, 2010

**BOROUGH OF CLOSTER  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

| <u>Grant Program</u>                                | <u>Grant Numbe</u> | <u>Grant Year</u> | <u>Grant Receipts</u> | <u>Balance, January 1, 2009</u> | <u>Revenue</u>    | <u>Expended</u>   | <u>Balance, December 31, 2009</u> | <u>Cumulative Expenditures</u> |
|---|--------------------|-------------------|-----------------------|---------------------------------|-------------------|-------------------|-----------------------------------|--------------------------------|
| Community Development Block Grant                   |                    |                   |                       |                                 |                   |                   |                                   |                                |
| Barrier Free Curbs                                  | 14.219             | 2006              |                       | \$ 6,614                        |                   |                   | \$ 6,614                          | \$ 40,386                      |
| Barrier Free Curbs                                  | 14.219             | 2007              |                       | 14,203                          |                   |                   | 14,203                            | 25,797                         |
| Recreation Trails Program                           |                    |                   |                       |                                 |                   |                   |                                   |                                |
| National Recreation Trails                          | 20.219             | 2006              | \$ 25,000             |                                 | \$ 25,000         | \$ 25,000         |                                   | 25,000                         |
| National Recreation Trails                          | 20.219             | 2007              | 6,500                 |                                 | 6,500             | 6,500             |                                   | 6,500                          |
| State and Community Highway Safety                  |                    |                   |                       |                                 |                   |                   |                                   |                                |
| Highway Traffic Safety                              |                    |                   |                       |                                 |                   |                   |                                   |                                |
| GDL Enforcement                                     | 20.600             | 2009              | 2,000                 |                                 | 2,000             | 2,000             |                                   | 2,000                          |
| Highway Planning and Construction                   |                    |                   |                       |                                 |                   |                   |                                   |                                |
| Department of Transportation                        |                    |                   |                       |                                 |                   |                   |                                   |                                |
| Local Aid to Municipalities - West Street Section 4 | 20.205             | 2009              | 146,352               |                                 | 146,352           | 146,352           |                                   | 146,352                        |
| Local Aid to Municipalities - West Street Section 3 | 20.205             | 2008              | 43,464                | -                               | 43,464            | 43,464            | -                                 | 150,000                        |
|   |                    |                   |                       | <u>\$ 20,817</u>                | <u>\$ 223,316</u> | <u>\$ 223,316</u> | <u>\$ 20,817</u>                  | <u>\$ 66,183</u>               |

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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, 2009**

| <u>State Grant Program</u>   | <u>Grant Number</u> | <u>Grant Year</u>  | <u>Grant Award Receipts</u> | <u>Balance, January 1, 2009</u>   | <u>Revenue</u> | <u>Expended</u> | <u>Adjustments</u> | <u>Balance, December 31, 2009</u>   | <u>Cumulative Expenditures</u> |
|--|---------------------|--|-----------------------------|---|----------------|-----------------|--------------------|---|--------------------------------|
| Recycling Tonnage Grant  | 4830-752-050550-50  | 2008<br>2007   |                             | \$ 8,011<br>2,289   |                |                 |                    | \$ 8,011<br>2,289   | \$ 2,076                       |
| Drunk Driving Enforcement Fund   | 1110-448-031020-22  | 2008<br>2007<br>2006<br>2005<br>2004<br>2002<br>2001<br>2000<br>1997<br>1995 |                             | 4,590<br>1,635<br>-<br>2,026<br>715<br>810<br>1,435<br>54<br>2,435<br>318 |                |                 |                    | 4,590<br>1,635<br>-<br>2,026<br>715<br>810<br>1,435<br>54<br>2,435<br>318 | 925<br>2,856<br>600            |
| Department of Environmental Protection<br>Solid Waste Administration Recycling | 4900-752-001        | 2009   | \$ 16,060                   |   | \$ 16,060      |                 |                    | 16,060  |                                |
| Hazardous Discharge Remediation  |                     | 2009   | 6,000                       |   | 6,000          | \$ 1,776        |                    | 4,224   | 1,776                          |
| Green Trust Grant  | 4800-533-003        | 2009   | 266,000                     |   | 266,000        | 266,000         |                    |   | 266,000                        |
| State Forestry Grant   | 4870-100-074        | 2009   | 28,000                      |   | 28,000         | 28,000          |                    |   | 28,000                         |
| Municipal Recycling Assistance Program<br>(Passed through County of Bergen)    | 4910-759-690-50     | 2007<br>2006<br>2005   |                             | 108<br>2,169<br>8,119   |                |                 |                    | 108<br>2,169<br>8,119   | 3,776<br>3,970<br>1,847        |
| Historical Commission Grant  | 8700-024-5837-M004  | 2006<br>prior yrs.   |                             | 6,347<br>1  |                |                 |                    | 6,347<br>1  | 2,053                          |
| Historical Commission Grant<br>Assistance and Mentoring                        | 8700-024-5837-M004  | 2006   |                             | 805   |                |                 |                    | 805   | 6,195                          |
| Clean Communities Program  | 4900-765-178900     | 2009<br>2008<br>2007<br>2006   | 13,312                      |   | 13,312         | 13,294<br>903   |                    | 18<br>9,541<br>10,120   | 13,294<br>903<br>2,628         |
| Municipal Alliance Program   | Not Available       | 2008<br>2006<br>2004<br>2002<br>2001<br>2000                                 |                             | 1,000<br>3<br>1,012<br>970<br>1,352<br>43                                 |                |                 |                    | 1,000<br>3<br>1,012<br>970<br>1,352<br>43                                 | 1,000<br>11,497                |
| Police Body Armor - State Share  | N/A                 | 2008<br>2007   |                             | 2,142   |                | 1,700           |                    | 442   | 1,700<br>2,459                 |

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**BOROUGH OF CLOSTER**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

| <u>State Grant Program</u>  | <u>Grant Number</u> | <u>Grant Year</u>    | <u>Grant Award Receipts</u> | <u>Balance, January 1, 2009</u> | <u>Revenue</u>    | <u>Expended</u>   | <u>Adjustments</u> | <u>Balance, December 31, 2009</u> | <u>Cumulative Expenditures</u> |
|---|---------------------|----------------------|-----------------------------|---------------------------------|-------------------|-------------------|--------------------|-----------------------------------|--------------------------------|
| Pandemic Influenza Preparedness Grant   | N/A                 | 2008<br>2006         |                             | \$ 4,847<br>4,790               |                   | \$ 597            |                    | \$ 4,250<br>4,790                 | \$ 2,097                       |
| Alcohol Education and Rehabilitation Fund                                       | N/A                 | 2007<br>2006         |                             | 118<br>227                      |                   |                   |                    | 118<br>227                        |                                |
| E-911 Grant - State Share   | N/A                 | 2008<br>2007<br>2006 |                             | 28,019<br><br>1,583             |                   |                   |                    | 28,019<br><br>1,583               | 28,019<br><br>12,427           |
| Department of Transportation<br>Highway Safety Program<br>School Safety Program | Not Available       | 2008                 |                             | 1,178<br>403                    |                   |                   |                    | 1,178<br>403                      |                                |
| Domestic Violence   |                     | 2008                 |                             | 300                             |                   |                   |                    | 300                               |                                |
| COPS in Shops   |                     | 2009                 |                             |                                 | \$ 3,500          | 497               |                    | 3,003                             | 497                            |
| Recreation Opportunity  |                     | 2009<br>2008         | \$ 10,000                   | <u>9,984</u>                    | <u>10,000</u>     | <u>6,395</u>      | <u>-</u>           | <u>9,984</u>                      | <u>6,395</u>                   |
|   |                     |                      |                             | <u>\$ 120,402</u>               | <u>\$ 342,872</u> | <u>\$ 319,162</u> | <u>\$ -</u>        | <u>\$ 140,507</u>                 |                                |

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

**BOROUGH OF CLOSTER  
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
YEAR ENDED DECEMBER 31, 2009**

**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 awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

**NOTE 2 BASIS OF ACCOUNTING**

The accompanying schedules are presented using the regulatory 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               | \$ 2,000              | \$ 48,872             | \$ 50,872             |
| Open Space Trust Fund      | 31,500                |                       | 31,500                |
| General Capital Fund       | <u>189,816</u>        | <u>294,000</u>        | <u>483,816</u>        |
| <br>Total Financial Awards | <br><u>\$ 223,316</u> | <br><u>\$ 342,872</u> | <br><u>\$ 566,188</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.

**BOROUGH OF CLOSTER**  
**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
**YEAR ENDED DECEMBER 31, 2009**

**NOTE 5 FEDERAL AND STATE LOANS OUTSTANDING**

The Borough's federal and state loans outstanding at December 31, 2009, which are not required to be reported on the schedules of expenditures of federal awards and state financial assistance, are as follows:

Loan Program

N.J. Dept. of Environmental Protection

Multipurpose Improvements \$ 2,548

Conrail Land Acquisition 29,762

\$ 32,310

**BOROUGH OF CLOSTER  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

*Part I – Summary of Auditor’s Results*

**Financial Statements**

Type of auditors' report issued on financial statements Qualified

Internal control over financial reporting:

1) Material weakness(es) identified     X     yes            no

2) Significant deficiency(ies) that are not considered to be material weakness(es)?     X     yes            none

Noncompliance material to the financial statements noted?     X     yes            no

**Federal Awards Section**

**NOT APPLICABLE**

**State Awards Section**

**NOT APPLICABLE**

**BOROUGH OF CLOSTER  
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)  
FOR THE YEAR ENDED DECEMBER 31, 2009**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Chapter 5.18-5.20 of *Government Auditing Standards*.

**Finding 2009-1**

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. The improvement authorization balances were not in agreement with the audited balances. In addition, the Borough does not maintain general ledgers for certain Other Trust Funds nor were certain other Trust Fund beginning balances entered into the general ledger.

**Criteria or Specific Requirement**

NJAC 5:30-5.6.  
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  
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)  
FOR THE YEAR ENDED DECEMBER 31, 2009**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Chapter 5.18-5.20 of *Government Auditing Standards*.

**Finding 2009-2**

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

**Criteria or Specific Requirement:**

NJAC 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  
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)  
FOR THE YEAR ENDED DECEMBER 31, 2009**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Chapter 5.18-5.20 of *Government Auditing Standards*.

**Finding 2009-3**

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

**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  
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)  
FOR THE YEAR ENDED DECEMBER 31, 2009**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Chapter 5.18-5.20 of *Government Auditing Standards*.

**Finding 2009-4**

Our audit revealed that the Borough's fixed asset accounting ledger was not updated for assets acquired during 2009. 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:**

NJAC 5:30-5.6 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 New Jersey Administrative Code 5:30-5.6.

**Management's Response:**

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

**BOROUGH OF CLOSTER  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

This section identifies the status of prior-year findings related to the financial statements are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*.

**STATUS OF PRIOR YEAR FINDINGS**

**Finding 2008-1**

The Borough maintains a cash basis general ledger for the Current Fund, General Capital Fund, 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.

**Current Status**

See Finding 2009-1.

**Finding 2008-2**

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

**Current Status**

See Finding 2009-2.

**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.

**Current Status**

See Finding 2009-3.

**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.

**Current Status**

See Finding 2009-4.

**BOROUGH OF CLOSTER**



**SUPPLEMENTARY DATA**

**LETTER OF COMMENTS AND RECOMMENDATIONS**

**YEAR ENDED DECEMBER 31, 2009**

**BOROUGH OF CLOSTER  
SUPPLEMENTARY DATA**

**GENERAL COMMENTS**

**Current Year**

At December 31, 2009 there was a balance of approximately \$188,000 in tax overpayments from 2008 and 2009 taxes. It is recommended that tax overpayment balances be reviewed and either refunded or applied to the subsequent year taxes receivable.

Our audit of the Other Trust Fund revealed that dedication by riders were not obtained for certain trust fund reserves. It is recommended that all trust fund reserves be reviewed and approval to expend dedicated funds be obtained from the Division of Local Government Services or balances be transferred in accordance with state statute.

Our audit noted that in certain instances, police outside services pay was incorrectly calculated. In addition, the administrative fee is not segregated in the accounting records. It is recommended that greater care be exercised in the billing and accounting of police off duty services.

**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 of municipal departments revealed that:

- a) The Zoning Board did not currently maintain a cash receipts ledger.
- b) Construction Code deposits are made once a week.

It is recommended that:

- a) The Zoning Board maintains a cash receipts ledger.
- b) Monies collected by Construction Code be deposited within forty-eight hours of receipt.

Our audit noted that several appropriation reserve line items totaling \$2,285 were overexpended as of December 31, 2009. In addition, two general capital ordinances totaling \$10,874 were overexpended. It is recommended that budget appropriation and improvement authorization ledgers be continually monitored to ensure sufficient appropriations exist prior to the commitment of funds.

Our audit of the Recreation Department revealed certain 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 maintained in a timely manner and were not always in agreement with the reconciled amounts per the Treasurer's office. It is recommended that the Recreation Department maintain the cash receipt and disbursement ledgers in a timely manner and be reconciled with amounts recorded in the Treasurer's office.

**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:

West Street Improvements – Section 4  
2009 Road Improvement Program

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 did not always advertise the award of professional service contracts in accordance with the requirements of the local public contracts law. It is recommended that the Borough advertise all professional service contracts in accordance with requirements of the Local Public Contracts Law.

**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 5, 2009 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**

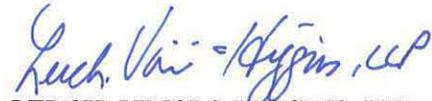
It is recommended that:

- \* 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. Master/blanket orders be issued for monthly recurring expenditures.
- 4. The Borough maintain a fixed asset accounting ledger in accordance with New Jersey Administrative Code 5:30-5.6.
- 5. The Borough advertise all professional service contracts in accordance with requirements of the Local Public Contracts Law.
- \* 6. 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.
- \* 7. In regards to the Municipal departments:
  - a) The Zoning Board maintains a cash receipt ledger.
  - b) Monies collected by Construction Code be deposited within forty-eight hours of receipt.
  - c) The Recreation Department maintain the cash receipt and cash disbursement ledgers in a timely manner and be reconciled with amounts recorded in the Treasurer's office.
- \* 8. Budget appropriation ledgers and improvement authorization ledgers be continually monitored to ensure sufficient appropriations exist prior to the commitment of funds.
- 9. Tax overpayment balances be reviewed and either refunded or applied to the subsequent year taxes receivable.
- 10. All trust fund reserves be reviewed and approval to expend dedicated funds be obtained from the Division of Local Government Services or balances be transferred in accordance with State statute.
- 11. Greater care be exercised in the billing and accounting of police off duty services.

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.



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



Gary J. Vinci  
Registered Municipal Accountant  
RMA Number CR00411