

BOROUGH OF CLOSTER
BERGEN COUNTY, NEW JERSEY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2010

BOROUGH OF CLOSTER

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INTRODUCTORY SECTION



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

Sophie Heymann, Mayor
Quentin Wiest, Borough Administrator

201-784-0600
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June 30, 2011

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, 2010, 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, 2010.

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) from 2009</u>
Fund Balance Anticipated	\$ 425,000	2.99 %	\$ (50,000)
Miscellaneous Revenues	731,824	5.14	184,944
State, Federal and County Aid	1,634,284	11.49	(199,329)
Other Special Items	1,040,462	7.31	475,078
Receipts from Delinquent Taxes	490,132	3.45	19,364
Local Taxes - Municipal	<u>9,903,942</u>	<u>69.62</u>	<u>(97,998)</u>
 Budget Totals	 14,225,644	 <u>100.00</u> %	 <u>\$ 332,059</u>
 Other Credits to Income	 432,198		
Taxes Allocated to Schools, County and Open Space	<u>31,529,744</u>		
 Total	 <u>\$ 46,187,586</u>		

The following is a summary of the Current Fund expenditures for the year ended December 31, 2010.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) from 2009</u>
General Government	\$ 2,578,128	18.49 %	98,769
Public Safety	3,948,869	28.32	(141,082)
Streets and Roads	2,656,151	19.05	202,515
Health and Welfare	138,220	0.99	(1,567)
Recreation and Education	896,404	6.43	(43,141)
Deferred Charges and Statutory Expenditures	1,156,217	8.29	31,491
State and Federal Grants	80,293	0.58	29,355
Capital Improvements	92,000	0.66	(23,000)
Debt Service	1,129,697	8.10	(10,574)
Other	465,000	3.34	20,100
Reserve for Uncollected Taxes	<u>800,337</u>	<u>5.74</u>	<u>(11,099)</u>
 Municipal Budget Totals	 13,941,316	 <u>100.00</u> %	 <u>\$ 151,767</u>
 Non Budget Expenditures	 217,590		
Taxes Allocated to Schools, County and Open Space	<u>31,529,744</u>		
 Total	 <u>\$ 45,688,650</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 decreased over the last ten years from 8,383 to 8,373.

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 2010 INITIATIVES

During 2010, 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 stairwell at Borough Hall has been completely refinished by in-house staff. Computer upgrades have been accomplished in numerous departments and a state certified document scanning system, which was purchased by grant funds at no cost to the Borough, has been installed in the Construction Office. New, state-of-the-art accounting software has significantly improved our capabilities to manage Borough finances. Two aging police vehicles were replaced and equipped with the latest technology. State and federal funding paid for \$100,000 of energy upgrades to Borough buildings. The installation of historic street signs has continued to highlight our community. Improvements along West St. continued and were paid for by federal grant funds and numerous ADA ramps were installed under a program paid for by Bergen County. Major improvements were made in Borough parks including: trail improvements at the Closter Nature Center, upgrades to several recreation fields, development of the park behind the Library, and improvements to the Cross Closter Trail. During the year, we planted 121 new shade trees, removed 95 deteriorated trees, and pruned 22 healthy trees. Thanks to a federal stimulus grant, an arboretum was designed and constructed at Pollack Square. Also, a shade-tree, sidewalk maintenance demonstration was installed along Trautwein Crescent. Finally, the year was highlighted by a two month-long celebration of Closter's 300th Anniversary.

LOCAL ECONOMIC EVENTS

For 2010, the Borough continued to demonstrate important indicators of continued financial strength as follows:

- A Current Fund surplus balance at December 31, 2010 of \$684,830, an increase of \$73,936.
- The Borough's ratables remained strong, although there was a slight decrease from \$2,068,998,188 in 2009 to \$2,063,199,619 in 2010.
- Building permits increased 40% from 2009 to 2010.

LOCAL ECONOMIC EVENTS (Continued)

During 2010 total real estate tax revenues increased by \$357,540 or less than 1% to \$40,633,349. The current collection rate (cash basis) of real estate tax revenue (an important indicator of fiscal health) was 97.54% in 2010 and has averaged 98.28% 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 2010 tax rate for municipal open space was .010 which generated \$206,939 in revenue for the open space trust fund.

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.

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.

ACCOUNTING AND BUDGET INFORMATION (Continued)

Budget (Continued)

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 has \$11,406,000 in outstanding general obligation bonds at December 31, 2010.

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, 2010, \$5,676,199 were in registered depositories and were covered by these insurers, and \$365,736 was deposited Lincoln Financial. Although these investments are not insured, they are considered to be extremely low risk.

The Borough invests all surplus funds for appropriate periods of time as determined by the Borough Administrator. 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,

Justin W. West

BOROUGH OF CLOSTER
BERGEN COUNTY, NEW JERSEY
ROSTER OF OFFICIALS AND PROFESSIONALS
DECEMBER 31, 2010

MAYOR

Sophie Heymann

BOROUGH COUNCIL

Victoria Roti Amitai	Dr. David Barad
John Glidden	Arthur Dolson
Alissa Latner	John Kashwick

BOROUGH ADMINISTRATOR

Quentin Wiest, Borough Administrator

BOROUGH CLERK

Loretta Castano

CHIEF FINANCIAL OFFICER

Michael Mariniello, Jr.

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

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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, 2010 and 2009 and the related statements of operations and changes in fund balance - regulatory basis for the years then ended and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the Current Fund for the year ended December 31, 2010. 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 12 percent of the assets and liabilities, respectively, of the Borough's Trust Funds as of December 31, 2010 and 2009.

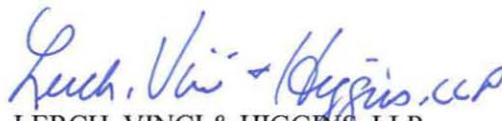
INDEPENDENT AUDITORS' REPORT (Continued)

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, 2010 and 2009, 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, 2010 and 2009 and the results of operations and changes in fund balance - regulatory basis of the Current Fund for the years then ended and the revenues - regulatory basis and the expenditures - regulatory basis of the Current Fund for the year ended December 31, 2010 on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated June 30, 2011 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
June 30, 2011

BOROUGH OF CLOSTER
COMBINED BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31, 2010
(With Comparative Totals for December 31, 2009)

	<u>Current Fund</u>	<u>Trust Funds</u>	<u>General Capital Fund</u>	<u>General Fixed Assets Account Group</u>	<u>Totals (Memorandum Only)</u>	
					<u>2010</u>	<u>2009</u>
ASSETS						
Cash and Cash Equivalents	\$ 2,313,723	\$ 2,740,363	\$ 607,537		\$ 5,661,623	\$ 5,459,405
Investments	-	365,736			365,736	346,938
Intergovernmental Receivable	127,319		703,998		831,317	388,115
Other Receivables		37,700			37,700	36,500
Receivables and Other Assets						
Delinquent Property Taxes Receivable	933,794				933,794	495,089
Property Acquired for Taxes - Assessed Value	130,531				130,531	130,531
Interfunds Receivable	5,727	220,403	109,145		335,275	928,251
Revenue Accounts Receivable	-				-	97,978
Accounts Receivable	4,000		-		4,000	7,105
Prepaid School Tax	182,986				182,986	196,920
Deferred Charges	32,400		12,321,779		12,354,179	12,820,431
Fixed Assets	-	-	-	\$ 92,632,611	92,632,611	92,293,231
Total Assets	\$ 3,730,480	\$ 3,364,202	\$ 13,742,459	\$ 92,632,611	\$ 113,469,752	\$ 113,200,494
LIABILITIES, RESERVES AND FUND BALANCE						
Appropriation Reserves	\$ 491,529				\$ 491,529	\$ 557,894
Other Liabilities and Reserves	1,044,739	\$ 3,248,839	\$ 417,384		4,710,962	2,881,696
Intergovernmental Payable	31,736	4			31,740	20,885
Interfunds Payable	220,608	114,667			335,275	928,251
Improvement Authorizations			1,810,058		1,810,058	2,236,823
Serial Bonds Payable			11,406,000		11,406,000	8,104,000
Loans Payable			26,517		26,517	32,310
Bond Anticipation Notes Payable			-		-	4,499,464
Reserve for Receivables and Other Assets	1,257,038				1,257,038	927,760
Investment in Fixed Assets				\$ 92,632,611	92,632,611	92,293,231
Fund Balance	684,830	692	82,500	-	768,022	718,180
Total Liabilities, Reserves and Fund Balances	\$ 3,730,480	\$ 3,364,202	\$ 13,742,459	\$ 92,632,611	\$ 113,469,752	\$ 113,200,494

**BOROUGH OF CLOSTER
COMBINED BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31, 2009**

ASSETS	<u>Current Fund</u>	<u>Trust Funds</u>	<u>General Capital Fund</u>	<u>General Fixed Assets Account Group</u>	<u>Totals (Memorandum Only) 2009</u>
Cash and Cash Equivalents	\$ 1,984,660	\$ 2,384,632	\$ 1,090,113		\$ 5,459,405
Investments	43,909	303,029			346,938
Intergovernmental Receivable	45,617		342,498		388,115
Other Receivables		36,500			36,500
Receivables and Other Assets with Full Reserves					
Delinquent Property Taxes Receivable	495,089				495,089
Tax Title Liens Receivable					-
Property Acquired for Taxes - Assessed Value	130,531				130,531
Interfunds Receivable	3,242	112,398	812,611		928,251
Revenue Accounts Receivable	97,978				97,978
Accounts Receivable	4,000		3,105		7,105
Prepaid School Tax	196,920				196,920
Deferred Charges	70,485		12,749,946		12,820,431
Fixed Assets	-	-	-	\$ 92,293,231	92,293,231
Total Assets	<u>\$ 3,072,431</u>	<u>\$ 2,836,559</u>	<u>\$ 14,998,273</u>	<u>\$ 92,293,231</u>	<u>\$ 113,200,494</u>
 LIABILITIES, RESERVES AND FUND BALANCE					
Appropriation Reserves	\$ 557,894				\$ 557,894
Other Liabilities and Reserves	838,931	\$ 2,023,683	\$ 19,082		2,881,696
Intergovernmental Payable	20,884	1			20,885
Interfunds Payable	116,068	812,183			928,251
Improvement Authorizations			2,236,823		2,236,823
Serial Bonds Payable			8,104,000		8,104,000
Loans Payable			32,310		32,310
Bond Anticipation Notes Payable			4,499,464		4,499,464
Reserve for Receivables and Other Assets	927,760				927,760
Investment in Fixed Assets				\$ 92,293,231	92,293,231
Fund Balance	610,894	692	106,594	-	718,180
Total Liabilities, Reserves and Fund Balances	<u>\$ 3,072,431</u>	<u>\$ 2,836,559</u>	<u>\$ 14,998,273</u>	<u>\$ 92,293,231</u>	<u>\$ 113,200,494</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, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
REVENUES		
Fund Balance Anticipated	\$ 425,000	\$ 475,000
Miscellaneous Revenues	731,824	546,880
State, Federal and County Aid	1,634,284	1,833,613
Other Special Items	1,040,462	565,384
Receipts From Delinquent Taxes	490,132	470,768
Amount to be Raised by Taxes for Support of Municipal Budget		
Local Tax for Municipal Purposes	<u>9,903,942</u>	<u>10,001,940</u>
 Total Budget Revenues	 14,225,644	 13,893,585
 Other Credits to Income	 <u>31,961,942</u>	 <u>31,585,147</u>
 Total Revenues and Other Credits to Income	 <u>46,187,586</u>	 <u>45,478,732</u>
EXPENDITURES		
General Government	2,578,128	2,479,359
Public Safety	3,948,869	4,089,951
Streets and Roads	2,656,151	2,453,636
Health and Welfare	138,220	139,787
Recreation and Education	896,404	939,545
Deferred Charges and Statutory Expenditures	1,156,217	1,124,726
State and Federal Grants	80,293	50,938
Capital Improvements	92,000	115,000
Debt Service	1,129,697	1,140,271
Other	465,000	444,900
Reserve For Uncollected Taxes	<u>800,337</u>	<u>811,436</u>
 Total Budget Expenditures	 13,941,316	 13,789,549
 Other Debits to Income	 <u>31,747,334</u>	 <u>31,295,214</u>
 Total Expenditures and Other Debits to Income	 <u>45,688,650</u>	 <u>45,084,763</u>
 Excess of Revenues Over Expenditures (Carried forward)	 498,936	 393,969

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, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Excess of Revenues Over Expenditures (Brought forward)	\$ 498,936	\$ 393,969
Adjustment To Income Before Fund Balance:		
Expenditures Above Which Are By Statute		
Deferred Charges To Succeeding Years Budget	<u>-</u>	<u>25,000</u>
Statutory Excess to Fund Balance	498,936	418,969
Fund Balance, January 1,	<u>610,894</u>	<u>666,925</u>
	1,109,830	1,085,894
Decreased by		
Utilized in Budget	<u>425,000</u>	<u>475,000</u>
Fund Balance, December 31,	<u>\$ 684,830</u>	<u>\$ 610,894</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, 2010 AND 2009

	2010			2009		
	Budget As Modified	Actual	Variance	Budget As Modified	Actual	Variance
REVENUES						
Fund Balance Anticipated	\$ 425,000	\$ 425,000		\$ 475,000	\$ 475,000	
Miscellaneous Revenues	570,471	731,824	\$ 161,353	717,636	546,880	\$ (170,756)
State and Federal Aid	1,634,284	1,634,284		1,833,613	1,833,613	-
Other Special Items	1,027,635	1,040,462	12,827	666,380	565,384	(100,996)
Receipts From Delinquent Taxes	400,000	490,132	90,132	375,000	470,768	95,768
Amount to be Raised by Taxes for Support of Municipal Budget						
Local Tax for Municipal Purposes	<u>10,008,979</u>	<u>9,903,942</u>	<u>(105,037)</u>	<u>9,696,941</u>	<u>10,001,940</u>	<u>304,999</u>
5 Total Budget Revenues	14,066,369	14,225,644	159,275	13,764,570	13,893,585	129,015
Other Credits to Income	<u>31,529,744</u>	<u>31,961,942</u>	<u>432,198</u>	<u>31,085,305</u>	<u>31,585,147</u>	<u>499,842</u>
Total Revenues and Other Credits to Income	<u>45,596,113</u>	<u>46,187,586</u>	<u>591,473</u>	<u>44,849,875</u>	<u>45,478,732</u>	<u>628,857</u>
EXPENDITURES						
General Government	2,703,128	2,578,128	125,000	2,479,359	2,479,359	
Public Safety	3,948,869	3,948,869		4,089,951	4,089,951	
Streets and Roads	2,656,151	2,656,151		2,453,636	2,453,636	
Health and Welfare	138,220	138,220		139,787	139,787	
Recreation and Education	896,404	896,404		939,545	939,545	
Deferred Charges and Statutory Expenditures	1,156,217	1,156,217		1,124,726	1,124,726	
State and Federal Grants	80,293	80,293		50,938	50,938	
Capital Improvements	92,000	92,000		115,000	115,000	
Debt Service	1,129,750	1,129,697	53	1,140,292	1,140,271	21
Other	465,000	465,000		444,900	444,900	
Reserve For Uncollected Taxes	<u>800,337</u>	<u>800,337</u>	<u>-</u>	<u>811,436</u>	<u>811,436</u>	<u>-</u>
Total Budget Expenditures (Carried forward)	<u>14,066,369</u>	<u>13,941,316</u>	<u>125,053</u>	<u>13,789,570</u>	<u>13,789,549</u>	<u>21</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, 2010 AND 2009

	2010			2009		
	Budget As Modified	Actual	Variance	Budget As Modified	Actual	Variance
Total Budget Expenditures (Brought forward)	\$ 14,066,369	\$ 13,941,316	\$ 125,053	\$ 13,789,570	\$ 13,789,549	\$ 21
Other Debits to Income	<u>31,529,744</u>	<u>31,747,334</u>	<u>(217,590)</u>	<u>31,085,305</u>	<u>31,295,214</u>	<u>(209,909)</u>
Total Expenditures and Other Debits to Income	<u>45,596,113</u>	<u>45,688,650</u>	<u>(92,537)</u>	<u>44,874,875</u>	<u>45,084,763</u>	<u>(209,888)</u>
Excess of Revenues Over Expenditures	-	498,936	498,936	(25,000)	393,969	418,969
Adjustment To Income Before Fund Balance: Expenditures Above Which Are By Statute Deferred Charges To Succeeding Years Budget	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>(25,000)</u>
Statutory Excess to Fund Balance	-	498,936	498,936	(25,000)	418,969	443,969
Fund Balance, January 1,	<u>610,894</u>	<u>610,894</u>	<u>-</u>	<u>666,925</u>	<u>666,925</u>	<u>-</u>
	610,894	1,109,830	498,936	641,925	1,085,894	443,969
Decreased by Utilized in Budget	<u>425,000</u>	<u>425,000</u>	<u>-</u>	<u>475,000</u>	<u>475,000</u>	<u>-</u>
Fund Balance, December 31,	<u>\$ 185,894</u>	<u>\$ 684,830</u>	<u>\$ 498,936</u>	<u>\$ 166,925</u>	<u>\$ 610,894</u>	<u>\$ 443,969</u>

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NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

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, 2010 AND 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Financial Statement 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, 2010 AND 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Financial Statement 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 11th 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, 2010 AND 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Financial Statement 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 2010 and 2009 the Borough Council increased the original budget by \$69,077 and \$31,000. The increases were attributable to additional aid allotted to the Borough and an emergency authorization in 2009 for planning board expenses. In addition, the governing body approved several budget transfers during 2010 and 2009.

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

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

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

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Excess Expenditures Over Appropriations

The following is a summary of expenditures in excess of available appropriations for the year ended December 31, 2009. The overexpended appropriations resulted in unfavorable variances.

	<u>Appropriation</u>	<u>Expended</u>	<u>Unfavorable Variance</u>
2009			
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	<u>2,184</u>	<u>2,849</u>	<u>665</u>
	<u>\$ 4,514</u>	<u>\$ 6,799</u>	<u>\$ 2,285</u>
General Capital Fund			
Improvement Authorizations			
Ord. No. 976 Various Improvements		\$ 639	\$ 639
Ord. No. 1044 West Street Section Improvements	<u>\$ 150,000</u>	<u>160,235</u>	<u>10,235</u>
	<u>\$ 150,000</u>	<u>\$ 160,874</u>	<u>\$ 10,874</u>

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.

There were no expenditures in excess of available appropriations for the year ended December 31, 2010.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Financial Statement 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, 2010 AND 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Financial Statement 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 General Capital Fund until such time as the construction is completed and put into operation for general fixed assets

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, 2009 balances to conform to the December 31, 2010 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, 2010 AND 2009**

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 pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of 75% of its capital funds or \$200 million 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 \$250,000 for each failed brokerage firm. At December 31, 2010 and 2009, the book value of the Borough's deposits were \$5,661,623 and \$5,459,405 and bank and brokerage firm balances of the Borough's deposits amounted to \$5,676,199 and \$6,865,955, 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>2010</u>	<u>2009</u>
Insured	\$ 5,676,199	\$ 6,865,955

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, 2010 and 2009, the Borough’s bank balances were 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, 2010 AND 2009**

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

As of December 31, 2010 and 2009, the Borough had the following investments:

	<u>Fair Value</u>	
	<u>2010</u>	<u>2009</u>
Investment in M.B.I.A.		
Class Account		\$ 43,909
Investment in Lincoln Financial	\$ 365,736	303,029
	<u>\$ 365,736</u>	<u>\$ 346,938</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, 2010 and 2009, \$365,736 and \$346,938 of the Borough’s investments was exposed to custodial credit risk as follows:

	<u>Fair Value</u>	
	<u>2010</u>	<u>2009</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department but not in the Borough's name	\$ 365,736	\$ 346,938

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

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

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, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2008</u>
<u>Current</u>		
Property Taxes	\$ 933,794	\$ 495,089
	<u>\$ 933,794</u>	<u>\$ 495,089</u>

In 2010 and 2009, the Borough collected \$490,132 and \$470,768 from delinquent taxes, which represented 99% and 87.5% of the prior year delinquent taxes receivable balance.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 4 MUNICIPAL DEBT

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

The Borough's debt is summarized as follows:

	<u>2010</u>	<u>2009</u>
Issued		
General		
Bonds, Notes and Loans	\$ 11,432,517	\$ 12,635,774
Less Funds Temporarily Held to Pay Bonds and Notes	<u>178,526</u>	<u>175,964</u>
Net Debt Issued	11,253,991	12,459,810
Authorized But Not Issued		
General		
Bonds and Notes	<u>889,262</u>	<u>279,262</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 12,143,253</u>	<u>\$ 12,739,072</u>

Statutory Net Debt

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of .54% and .55% at December 31, 2010 and 2009, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2010</u>			
General Debt	\$ 12,321,779	\$ 178,526	\$ 12,143,253
School Debt	<u>10,204,315</u>	<u>10,204,315</u>	<u>-</u>
Total	<u>\$ 22,526,094</u>	<u>\$ 10,382,841</u>	<u>\$ 12,143,253</u>
<u>2009</u>			
General Debt	\$ 12,915,036	\$ 175,964	\$ 12,739,072
School Debt	<u>11,287,135</u>	<u>11,287,135</u>	<u>-</u>
Total	<u>\$ 24,202,171</u>	<u>\$ 11,463,099</u>	<u>\$ 12,739,072</u>

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 4 MUNICIPAL DEBT (Continued)

Statutory Borrowing Power

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

	<u>2010</u>	<u>2009</u>
3-1/2% of Equalized Valuation Basis (Municipal) Net Debt	\$ 78,394,767 <u>12,143,253</u>	\$ 80,126,370 <u>12,739,072</u>
Remaining Borrowing Power	<u>\$ 66,251,514</u>	<u>\$ 67,387,298</u>

Long-Term Debt

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>2010</u>	<u>2009</u>
\$4,860,000, 2001 Bonds, due in annual installments of \$450,000 to \$460,000 through July, 2014, interest at 4.125% to 4.250%	\$ 1,830,000	\$ 2,270,000
\$6,909,000, 2005 Bonds, due in annual installments of \$340,000 to \$1,054,000 through October, 2018, interest at 3.75% to 3.80%	5,514,000	5,834,000
\$4,062,000, 2010 Bonds, due in annual installments of \$200,000 to \$502,000 through February 2020 interest at 3.00% to 5.00%	<u>4,062,000</u>	<u>-</u>
	<u>\$ 11,406,000</u>	<u>\$ 8,104,000</u>

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 4 MUNICIPAL DEBT (Continued)

General Intergovernmental Loans Payable

The Borough has entered into a loan agreement with the New Jersey Department of Environmental Protection for the financing relating to 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>2010</u>	<u>2009</u>
\$82,755, 1990 Loan, due in Semi-annual installments of \$2,548 through April, 2010, interest at 2.0%		\$ 2,548
\$62,798, 1997 Loan, due in Semi-annual installments of \$1,647 to \$1,894 through March, 2018, interest at 2.0%	\$ 26,517	29,762
	<u>\$ 26,517</u>	<u>\$ 32,310</u>

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2010 is as follows:

Calendar Year	<u>General Obligation Bonds</u>		<u>Intergovernmental Loans</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2011	\$ 790,000	\$ 486,752	\$ 3,311	\$ 514	\$ 1,280,577
2012	1,210,000	407,815	3,378	447	1,621,640
2013	1,259,000	360,822	3,446	379	1,623,647
2014	1,311,000	309,772	3,515	310	1,624,597
2015	1,370,000	254,497	3,586	240	1,628,323
2016-2020	<u>5,466,000</u>	<u>496,761</u>	<u>9,281</u>	<u>281</u>	<u>5,972,323</u>
	<u>\$ 11,406,000</u>	<u>\$ 2,316,419</u>	<u>\$ 26,517</u>	<u>\$ 2,171</u>	<u>\$ 13,751,107</u>

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 4 MUNICIPAL DEBT (Continued)

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years ended December 31, 2010 and 2009 were as follows:

	Balance, December 31, <u>2009</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2010</u>	Due Within <u>One Year</u>
<u>2010</u>					
General Capital Fund					
Bonds Payable	\$ 8,104,000	\$ 4,062,000	\$ 760,000	\$ 11,406,000	\$ 790,000
Intergovernmental Loans Payable	<u>32,310</u>	<u>-</u>	<u>5,793</u>	<u>26,517</u>	<u>3,311</u>
General Capital Fund Long-Term Liabilities	<u>\$ 8,136,310</u>	<u>\$ 4,062,000</u>	<u>\$ 765,793</u>	<u>\$ 11,432,517</u>	<u>\$ 793,311</u>
	December 31, <u>2008</u>	<u>Additions</u>	<u>Reductions</u>	December 31, <u>2009</u>	Within <u>One Year</u>
<u>2009</u>					
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>5,793</u>
General Capital Fund Long-Term Liabilities	<u>\$ 8,874,512</u>	<u>\$ -</u>	<u>\$ 738,202</u>	<u>\$ 8,136,310</u>	<u>\$ 765,793</u>

Short-Term Debt

The Borough's short-term capital debt activity for the years ended December 31, 2010 and 2009 was as follows:

	Balance, December 31, <u>2009</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2010</u>
<u>2010</u>				
Bond Anticipation Notes	\$ 4,499,464	\$ -	\$ 4,499,464	\$ -
	Balance, December 31, <u>2008</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2009</u>
<u>2009</u>				
Bond Anticipation Notes	\$ 1,864,000	\$ 4,499,464	\$ 1,864,000	\$ 4,499,464

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 5 FIXED ASSETS

General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2010 and 2009.

	Balance December 31, <u>2009</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2010</u>
<u>2010</u>				
Land	\$ 78,775,600			\$ 78,775,600
Buildings and Building Impvts.	5,239,294	\$ 112,567		5,351,861
Machinery and Equipment	<u>8,278,337</u>	<u>226,813</u>	<u>-</u>	<u>8,505,150</u>
	<u>\$ 92,293,231</u>	<u>\$ 339,380</u>	<u>\$ -</u>	<u>\$ 92,632,611</u>
	Balance December 31, <u>2008</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2009</u>
<u>2009</u>				
Land	\$ 78,567,100	\$ 208,500		\$ 78,775,600
Buildings and Building Impvts.	5,155,199	84,095		5,239,294
Machinery and Equipment	<u>7,944,085</u>	<u>545,052</u>	<u>\$ 210,800</u>	<u>8,278,337</u>
	<u>\$ 91,666,384</u>	<u>\$ 837,647</u>	<u>\$ 210,800</u>	<u>\$ 92,293,231</u>

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>2010</u>		<u>2009</u>	
	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Current Fund	\$ 5,727	\$ 220,608	\$ 3,242	\$ 116,068
Trust Fund				
Open Space Trust Fund	206,939	108,940	883	808,941
Other Trust Fund	13,464	431	111,515	
Animal Control Fund		5,296		3,242
General Capital Fund	<u>109,145</u>	<u>-</u>	<u>812,611</u>	<u>-</u>
 Total	 <u>\$ 335,275</u>	 <u>\$ 335,275</u>	 <u>\$ 928,251</u>	 <u>\$ 928,251</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.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 7 FUND BALANCES APPROPRIATED

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

	Fund Balance December 31, <u>2010</u>	Utilized in Subsequent <u>Year's Budget</u>	Fund Balance December 31, <u>2009</u>	Utilized in Subsequent <u>Year's Budget</u>
Current Fund				
Cash Surplus	\$ 525,111	\$ 500,000	\$ 494,792	\$ 425,000
Non-Cash Surplus	<u>159,719</u>	<u>-</u>	<u>116,102</u>	<u>-</u>
	<u>\$ 684,830</u>	<u>\$ 500,000</u>	<u>\$ 610,894</u>	<u>\$ 425,000</u>

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 December 31,</u>	<u>Subsequent Year Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
<u>2010</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	<u>\$ 32,400</u>	<u>\$ 10,800</u>	<u>\$ 21,600</u>
<u>2009</u>			
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>

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

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 \$1,887,000 and \$1,704,000 at December 31, 2010 and 2009, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

As of December 31, 2010 and 2009, the Borough has reserved \$62,962 and \$100,697, respectively to fund a portion of the compensated absences in accordance with NJSA 40A:4-39.

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 if applicable, 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.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS

Other Pension Funds (Continued)

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.

Basis of Accounting

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

Investment Valuation

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

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. The financial reports may be obtained 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. 2010, c.1, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, special retirement under the PFRS, and employer contributions to the retirement systems.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Significant Legislation (Continued)

This new legislation changed the membership eligibility criteria for new members of PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to 1/60 from 1/55, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. For new members of the PFRS, the law capped the maximum compensation that can be used to calculate a pension from this plan at the annual wage contribution base for Social Security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary. This law also closed the prosecutor's part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time five years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined as 1/7th of the required amount, beginning in Fiscal Year 2012.

P.L. 2010, c.3, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS and PFRS, is 66.0 percent with an unfunded actuarial accrued liability of \$45.8 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 62.0 percent and \$30.7 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 72.1 percent and \$15.1 billion.

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

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for 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.

**BOROUGH OF CLOSTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Actuarial Methods and Assumptions

In the June 30, 2009 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 5.50% 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, 2010 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, 2010, 2009 and 2008, 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> <u>December 31,</u>	<u>PFRS</u>	<u>PERS</u>
2010	\$ 617,039	\$ 235,418
2009	591,395	217,202
2008	527,100	170,033

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

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.

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 Classified as a cost sharing multiple-employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF-Local are combined and reported as Health Benefits Program Fund –Local Government classified as a cost sharing multiple-employer plan. The post-retirement benefit programs had a total of 514 state and local participating employers and contributing entities for Fiscal Year 2010.

The State of New Jersey sponsors and administers the following health benefit program covering substantially all local government employees from local participating employers.

Health Benefits Program Fund (HBPF) – Local Government (including Prescription Drug Program Fund) – Certain local employers who participate in the State Health Benefits Program provide health insurance coverage to their employees at retirement. Under provisions of P.L. 1997, c.330, the State of New Jersey provides partially funded benefits to local police officers and firefighters who retire with 25 years of service (or on disability) from an employer who does not provide coverage. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program by paying the cost of the insurance for themselves and their covered dependents. Also, local employees are eligible for the PDP coverage after 60 days of employment.

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

Basis of Accounting

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

Investment Valuation

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

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 11 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the State had a \$56.8 billion unfunded actuarial liability for other postemployment benefits (OPEB) which is made up of \$20.5 billion for state active and retired members and \$36.3 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.

Actuarial Methods and Assumptions

In the June 30, 2009 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, 2010, there were 87,288 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 \$97.6 million for 7,667 eligible retired members for Fiscal Year 2010.

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 \$28.8 million in Fiscal Year 2010 to provide benefits under Chapter 330 to qualified retirees.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 11 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Post-Retirement Medical Benefits Contribution (Continued)

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, 2010, 2009 and 2008 were \$137,690, \$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.

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

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

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, 2010 and 2009. 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, 2010 and 2009, the Borough reserved \$143,249 and \$111,572, 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, 2010 and 2009, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

NOTE 14 FEDERAL ARBITRAGE REGULATIONS

The Borough is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2010 and 2009, Borough has not estimated its estimated arbitrage earnings due to the IRS, if any.

NOTE 15 LENGTH OF SERVICE AWARDS PROGRAM (LOSAP)-UNAUDITED

The Borough of Closter Length of Service Awards 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 Awards 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.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 15 LENGTH OF SERVICE AWARDS PROGRAM (LOSAP)-UNAUDITED (Continued)

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

The Borough of Closter has contributed \$32,700 and \$32,250 for 2010 and 2009, respectively, into the Plan. The Borough of Alpine has contributed \$5,000 and \$4,250 for 2010 and 2009, 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.

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 OPERATING LEASES

The Borough leases police vehicles under noncancelable operating leases. Lease payments for the years ended December 31, 2010 and 2009 were \$22,656 and \$56,291, respectively.

SUPPLEMENTARY SCHEDULES

CURRENT FUND

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

BOROUGH OF CLOSTER
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and Cash Equivalents	\$ 2,313,723	\$ 1,984,660
Investments		43,909
Intergovernmental Receivable	127,319	45,617
Deferred Charges		
Overexpenditure of Appropriation Reserves		2,285
Emergency Authorizations		25,000
Special Emergency Authorizations (40A:4-55)	<u>32,400</u>	<u>43,200</u>
Sub-Total	<u>2,473,442</u>	<u>2,144,671</u>
Receivables and Other Assets with Full Reserves		
Delinquent Property Taxes Receivable	933,794	495,089
Property Acquired for Taxes - Assessed Value	130,531	130,531
Prepaid School Tax	182,986	196,920
Interfunds	5,727	3,242
Revenue Accounts Receivable	-	97,978
Accounts	<u>4,000</u>	<u>4,000</u>
	<u>1,257,038</u>	<u>927,760</u>
Total Assets	<u>\$ 3,730,480</u>	<u>\$ 3,072,431</u>
LIABILITIES, RESERVES AND FUND BALANCE		
Appropriation Reserves	\$ 491,529	\$ 557,894
Encumbrances Payable	426,453	203,205
Accounts Payable	1,750	6,341
Intergovernmental Payables		
Due to State of New Jersey Senior and Veteran Deductions	15,354	14,215
Due to State Dept. of Human Services	335	300
State of New Jersey Training Fees	2,900	1,253
County Taxes Payable	13,147	5,116
Interfund Payable	220,608	116,068
Prepaid Taxes	182,141	160,291
Tax Overpayments	168,818	188,700
Miscellaneous Reserves and Deposits	15,614	15,614
Other Liabilities	255	255
Reserve for Tax Appeals	143,249	111,572
Reserve for Appropriated Grants	90,462	131,793
Reserve for Unappropriated Grants	<u>15,997</u>	<u>21,160</u>
	<u>1,788,612</u>	<u>1,533,777</u>
Reserve for Receivables and Other Assets	1,257,038	927,760
Fund Balance	<u>684,830</u>	<u>610,894</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 3,730,480</u>	<u>\$ 3,072,431</u>

BOROUGH OF CLOSTER
STATEMENT OF REVENUES AND OTHER CREDITS TO INCOME
REGULATORY BASIS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budget As <u>Modified</u>	<u>Realized</u>	Excess or <u>(Deficit)</u>
FUND BALANCE ANTICIPATED	\$ 425,000	\$ 425,000	-
 MISCELLANEOUS REVENUES			
Licenses			
Alcoholic Beverages	28,000	27,548	\$ (452)
Other	17,000	13,184	(3,816)
Fees and Permits			
Other	67,148	116,126	48,978
Uniform Construction Code Fees	154,690	154,690	-
Uniform Construction Code Fees - Additional Fees - 2010	15,000	138,010	123,010
Fines and Costs			
Municipal Court	77,385	91,209	13,824
Interest and Cost on Taxes	94,000	94,289	289
Interest on Investments and Deposits	28,250	7,771	(20,479)
Cable Franchise Fees	88,998	88,997	(1)
	<u>570,471</u>	<u>731,824</u>	<u>161,353</u>
 STATE, FEDERAL AND COUNTY AID			
Energy Receipts Tax	1,491,991	1,491,991	
ADA Handicap Ramp Program	62,000	62,000	
Clean Communities	11,440	11,440	
Police Body Armor	3,090	3,090	
Solid Waste Administration	16,060	16,060	
Smart Growth Grant	4,500	4,500	
Historical Commission	600	600	
Recreation Opportunity	10,000	10,000	
Business Stimulus Fund Grant - Tree Planting	7,000	7,000	
Alcohol Education and Rehabilitation	603	603	
GDL 2009 Enforcement - Click It or Ticket	4,000	4,000	
Master Plan Historic Preservation Grant	20,000	20,000	
Bergen County Prosecutor's Office - Forfeiture of Funds	3,000	3,000	-
	<u>1,634,284</u>	<u>1,634,284</u>	<u>-</u>

BOROUGH OF CLOSTER
STATEMENT OF REVENUES AND OTHER CREDITS TO INCOME
REGULATORY BASIS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budget As <u>Modified</u>	<u>Realized</u>	Excess or <u>(Deficit)</u>
OTHER SPECIAL ITEMS			
Cell Tower Rental	\$ 46,655	\$ 59,402	\$ 12,747
Inter-Borough Police Radio - 2009	97,978	97,978	
Inter-Borough Police Radio 2010	376,752	379,180	2,428
Borough of Harrington Park - Gasoline	50,000	36,334	(13,666)
Prepaid School Tax	196,920	196,920	
General Capital Fund Surplus	25,000	25,000	
Uniform Fire Safety Act	35,300	39,331	4,031
Reimbursement from Library - 2009	60,645	60,645	
Reimbursement from Library - 2010	60,645	59,000	(1,645)
Employee Reimbursement for Group Health Insurance	10,780	21,772	10,992
Donation - Trust	47,240	47,240	
Alpine Sewer Connection Fees	8,720	6,660	(2,060)
Rental Payments	11,000	11,000	-
Total Other Special Items	<u>1,027,635</u>	<u>1,040,462</u>	<u>12,827</u>
RECEIPTS FROM DELINQUENT TAXES	<u>400,000</u>	<u>490,132</u>	<u>90,132</u>
AMOUNT TO BE RAISED BY TAXES FOR SUPPORT OF MUNICIPAL BUDGET	<u>10,008,979</u>	<u>9,903,942</u>	<u>(105,037)</u>
Total Budget Revenues	<u>14,066,369</u>	<u>14,225,644</u>	<u>159,275</u>
OTHER CREDITS TO INCOME			
Non Budget Revenues		284,774	284,774
Unexpended Balance of Appropriation Reserves		137,841	137,841
Cancelled Payables		6,341	6,341
Prior Year Interfunds Returned		3,242	3,242
Taxes Allocated to Municipal Open Space Preservation	206,939	206,939	-
Taxes Allocated to School and County	31,322,805	31,322,805	-
Total Other Credits to Income	<u>31,529,744</u>	<u>31,961,942</u>	<u>432,198</u>
Total Revenues and Other Credits to Income	<u>\$ 45,596,113</u>	<u>\$ 46,187,586</u>	<u>\$ 591,473</u>

BOROUGH OF CLOSTER
STATEMENT OF EXPENDITURES AND OTHER DEBITS TO INCOME -
REGULATORY BASIS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT					
General Administration					
Salaries and Wages	\$ 136,515	\$ 136,515	\$ 136,332	\$ 183	
Other Expenses	16,500	16,500	4,333	12,167	
Administrative and Executive					
Municipal Clerk's Office					
Salaries and Wages	149,140	146,140	145,740	400	
Other Expenses	16,500	16,500	13,333	3,167	
Codification of Ordinances	3,000			-	
Elections	7,550	7,550	7,437	113	
Financial Administration					
Salaries and Wages	81,669	78,449	73,847	4,602	
Other Expenses	43,400	38,100	28,427	9,673	
Audit Services					
Other Expenses	39,300	41,700	41,700		
Data Processing					
Salaries and Wages	10,179	10,329	10,285	44	
Other Expenses	4,500	4,500	2,543	1,957	
Assessment of Taxes					
Salaries and Wages	52,129	52,229	52,201	28	
Other Expenses	3,150	3,150	2,638	512	
Revenue Administration					
Salaries and Wages	124,242	129,542	129,503	39	
Other Expenses	20,600	20,600	16,938	3,662	
Legal Services and Costs					
Other Expenses	152,000	147,000	97,925	49,075	
Engineering Services and Costs					
Other Expenses	25,500	23,000	20,515	2,485	
Monitoring Wells	15,000	15,000	14,608	392	
Economic Development					
Closter Improvement Committee	4,500	4,500	4,500	-	
Historical Commission					
Other Expenses	4,000	4,000	2,044	1,956	

BOROUGH OF CLOSTER
STATEMENT OF EXPENDITURES AND OTHER DEBITS TO INCOME -
REGULATORY BASIS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Continued)					
GENERAL GOVERNMENT (Continued)					
Municipal Land Use Law (NJS 40:55D-1)					
Planning Board					
Salaries and Wages	\$ 11,590	\$ 21,087	\$ 21,057	\$ 30	
Other Expenses	27,500	37,500	36,238	1,262	
Zoning Board of Adjustment					
Salaries and Wages	15,602	7,355	7,354	1	
Other Expenses	17,700	17,700	6,901	10,799	
Insurance					
Unemployment Insurance	12,000	13,200	13,160	40	
Other Insurance Premiums	10,000	10,000	1,023	8,977	
General Liability	224,632	224,632	193,547	31,085	
Workers' Compensation Insurance	188,000	188,000	188,000	-	
Group Insurance Plan for Employees	894,320	887,320	887,320	-	
Municipal Court					
Salaries and Wages	89,750	89,750	88,304	1,446	
Other Expenses	3,300	3,800	3,589	211	
Public Defender (P.L. 1997, C. 256)					
Other Expenses	1,800	1,800	-	1,800	-
Subtotal General Government	<u>2,405,568</u>	<u>2,397,448</u>	<u>2,251,342</u>	<u>146,106</u>	<u>-</u>
PUBLIC SAFETY					
Fire Prevention					
Salaries and Wages	31,400	31,400	30,459	941	
Other Expenses	4,000	3,500	2,206	1,294	
Fire Protection					
Other Expenses	39,400	34,400	30,975	3,425	
Clothing Allowance	16,000	16,000	14,358	1,642	
Fire Hydrant Service	150,000	150,000	148,404	1,596	
Municipal Prosecutor					
Other Expenses	6,500	6,500	6,500	-	
Police					
Salaries and Wages	2,894,758	2,914,758	2,887,726	27,032	
Other Expenses	63,250	63,250	63,250		
Acq. of Police Vehicles	27,192	27,192	25,966	1,226	
First Aid Organization - Contribution	11,400	11,400	11,400		
Emergency Management					
Salaries and Wages	7,122	7,322	7,315	7	
Other Expenses	6,900	6,900	6,177	723	

BOROUGH OF CLOSTER
STATEMENT OF EXPENDITURES AND OTHER DEBITS TO INCOME -
REGULATORY BASIS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Continued)					
PUBLIC SAFETY (Continued)					
Uniform Construction Code					
Appropriations Offset by Dedicated					
Revenues (N.J.A.C. 5:23-4-17)					
Construction Code Official					
Salaries and Wages	\$ 113,162	\$ 105,162	\$ 103,971	\$ 1,191	
Other Expenses	7,550	7,550	3,234	4,316	
Zoning Officer					
Salaries and Wages	23,340	23,340	22,768	572	
Other Expenses	100	100	55	45	
Sub-Code Officials					
Plumbing Inspector					
Salaries and Wages	22,584	22,584	22,584	-	
Electrical Inspector					
Salaries and Wages	11,481	11,681	11,655	26	
Elevator Inspector					
Salaries and Wages	2,555	2,565	2,555	10	
Property Maintenance					
Salaries and Wages	34,201	34,201	33,262	939	
Other Expenses	500	500	156	344	
Fire Inspector					
Salaries and Wages	7,012	7,312	7,291	21	-
Subtotal Public Safety	3,480,407	3,487,617	3,442,267	45,350	-
STREETS AND ROADS					
Road Repairs and Maintenance					
Salaries and Wages	850,309	850,309	837,488	12,821	
Other Expenses	42,700	36,700	26,755	9,945	
Snow Removal					
Other Expenses	16,500	16,500	12,907	3,593	
Shade Tree Committee					
Salaries and Wages	3,836	4,136	4,066	70	
Other Expenses	32,000	34,500	34,306	194	
Public Buildings and Grounds					
Salaries and Wages	53,342	54,442	54,354	88	
Other Expenses	24,000	24,200	24,118	82	

BOROUGH OF CLOSTER
STATEMENT OF EXPENDITURES AND OTHER DEBITS TO INCOME -
REGULATORY BASIS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Continued)					
STREETS AND ROADS (Continued)					
Solid Waste Collection					
Salaries and Wages	\$ 332,786	\$ 332,786	\$ 266,324	\$ 66,462	
Other Expenses	3,500	3,500	2,723	777	
Solid Waste Recycling Landfill and Contingency Taxes	268,200	268,200	234,346	33,854	
Recycling					
Salaries and Wages	49,183	50,483	50,466	17	
Other Expenses	1,000	1,000	303	697	
Repair to Municipal Vehicles					
Salaries and Wages	94,561	94,561	93,988	573	
Other Expenses	117,000	117,000	113,767	3,233	-
Subtotal Streets and Roads	<u>1,888,917</u>	<u>1,888,317</u>	<u>1,755,911</u>	<u>132,406</u>	<u>-</u>
HEALTH AND WELFARE					
Board of Health					
Salaries and Wages	56,150	56,160	56,150	10	
Other Expenses	64,132	64,132	64,096	36	
Environmental Commission					
Other Expenses	3,850	3,850	2,632	1,218	
Animal Control					
Other Expenses	13,078	13,078	13,077	1	
Aid to Mental Health Center	1,000	1,000	1,000	-	-
Subtotal Health and Welfare	<u>138,210</u>	<u>138,220</u>	<u>136,955</u>	<u>1,265</u>	<u>-</u>
RECREATION AND EDUCATION					
Recreation Services and Programs					
Other Expenses					
Maintenance of Parks				-	
Parks and Playgrounds	37,000	39,000	38,779	221	
Senior Citizens					
Other Expenses	3,800	3,800	3,800	-	

BOROUGH OF CLOSTER
STATEMENT OF EXPENDITURES AND OTHER DEBITS TO INCOME -
REGULATORY BASIS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Continued)					
RECREATION AND EDUCATION (Continued)					
Board of Recreation Commissioners (NJSA 40:12-1 et seq.)					
Salaries and Wages	\$ 62,534	\$ 62,534	\$ 61,551	\$ 983	
Other Expenses	31,500	31,500	17,585	13,915	
Contribution to Belskie Museum	7,125	7,125	7,125		
Celebration of Public Events, Anniversary or Holiday Other Expenses	2,100	2,100	2,100	-	-
Subtotal Recreation and Education	<u>144,059</u>	<u>146,059</u>	<u>130,940</u>	<u>15,119</u>	<u>-</u>
UNCLASSIFIED:					
Utilities:					
Gasoline	120,000	120,000	116,193	3,807	
Electricity	142,000	127,000	127,000	-	
Telephone and Telegraph	89,500	89,500	76,168	13,332	
Natural Gas	25,000	23,000	17,193	5,807	
Street Lighting	75,000	85,000	81,578	3,422	
Sewer System	2,500	2,500	1,415	1,085	
Water	11,500	18,000	17,521	479	-
Subtotal Unclassified	<u>465,500</u>	<u>465,000</u>	<u>437,068</u>	<u>27,932</u>	<u>-</u>
Total Operations Within "CAPS"	<u>8,522,661</u>	<u>8,522,661</u>	<u>8,154,483</u>	<u>368,178</u>	<u>-</u>
DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS"					
Deferred Charges					
Overexpenditure of Appropriation Res	2,285	2,285	2,285		
Overexpenditure of General Capital Ord	10,874	10,874	10,874		
Statutory Charges					
Social Security System (O.A.S.I.)	254,800	254,800	252,914	1,886	
Police and Fireman's Retirement System of NJ	617,040	617,040	617,039	1	
Public Employees Retirement System	227,889	227,889	227,889	-	-
Subtotal Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	<u>1,112,888</u>	<u>1,112,888</u>	<u>1,111,001</u>	<u>1,887</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>9,635,549</u>	<u>9,635,549</u>	<u>9,265,484</u>	<u>370,065</u>	<u>-</u>

BOROUGH OF CLOSTER
STATEMENT OF EXPENDITURES AND OTHER DEBITS TO INCOME -
REGULATORY BASIS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - EXCLUDED FROM "CAPS"					
GENERAL GOVERNMENT					
Reserve for Tax Appeals	\$ 200,000	\$ 200,000	\$ 75,000	-	\$ 125,000
Subtotal General Government	200,000	200,000	75,000	-	125,000
PUBLIC SAFETY					
Interlocal Municipal Service Agreement					
Inter-Borough Police Radio -					
Other Municipalities					
Salaries and Wages	309,402	309,402	309,177	\$ 225	
Other Expenses	67,350	67,350	49,308	18,042	
Borough of Harrington Park					
Gasoline	50,000	50,000	36,334	13,666	
Length of Service Awards Program (LOSAP)	34,500	34,500	1,500	33,000	-
Subtotal Public Safety	461,252	461,252	396,319	64,933	-
STREETS AND ROADS					
Bergen County Utilities Authority -					
Contractual					
	767,834	767,834	767,834	-	-
Subtotal Streets and Roads	767,834	767,834	767,834	-	-
RECREATION AND EDUCATION					
Maintenance of Free Public Library (Chap. 82, 541 P.L. 1985)					
	750,345	750,345	750,345	-	-
Subtotal Recreation and Education	750,345	750,345	750,345	-	-
INSURANCE					
Employee Group Health					
	105,680	105,680	78,647	27,033	-
Subtotal Insurance	105,680	105,680	78,647	27,033	-
STATUTORY EXPENDITURES					
Public Employees Retirement System					
	7,529	7,529	7,529	-	-
Subtotal Statutory Expenditures	7,529	7,529	7,529	-	-

**BOROUGH OF CLOSTER
STATEMENT OF EXPENDITURES AND OTHER DEBITS TO INCOME -
REGULATORY BASIS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Appropriated</u>	<u>Expended</u>	<u>Unexpended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
				<u>Balance Cancelled</u>
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES				
Police Body Armor - State Share	\$ 1,013	\$ 3,090	\$ 1,013	\$ 2,077
Recreation Opportunity 2009 State Share		10,000	8,141	1,859
Solid Waste Administration	16,060	16,060		16,060
Smart Growth Grant	4,500	4,500		4,500
Clean Communities Grant	11,440	11,440	11,440	
Historical Commission	600	600		600
Highway Safety Traffic Grant-Police		4,000	4,000	
Bergen County Prosecutor - Confiscated Funds		3,000	3,000	
Business Stimulus Fund Grant - Tree Planting	7,000	7,000	6,785	215
Alcohol Education and Rehabilitation	603	603	348	255
Master Plan Historic Preservation Grant	<u>20,000</u>	<u>20,000</u>	<u>17,550</u>	<u>2,450</u>
Total Public and Private Programs Offset by Revenues	<u>61,216</u>	<u>80,293</u>	<u>52,277</u>	<u>28,016</u>
Total Operations Excluded from "CAPS"	<u>2,353,856</u>	<u>2,372,933</u>	<u>2,127,951</u>	<u>119,982</u>
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"				
Capital Improvement Fund	30,000	30,000	30,000	
ADA Handicap Ramp Program	<u>12,000</u>	<u>62,000</u>	<u>60,518</u>	<u>1,482</u>
Total Capital Improvements - Excluded from "CAPS"	<u>42,000</u>	<u>92,000</u>	<u>90,518</u>	<u>1,482</u>

BOROUGH OF CLOSTER
STATEMENT OF EXPENDITURES AND OTHER DEBITS TO INCOME -
REGULATORY BASIS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	\$ 760,000	\$ 760,000	\$ 760,000		
Interest on Bonds	316,563	316,563	316,542		\$ 21
Interest on Notes	46,787	46,787	46,765		22
Green Trust Loan Program	<u>6,400</u>	<u>6,400</u>	<u>6,390</u>	<u>-</u>	<u>10</u>
Total Municipal Debt Service - Excluded from "CAPS"	<u>1,129,750</u>	<u>1,129,750</u>	<u>1,129,697</u>	<u>-</u>	<u>53</u>
DEFERRED CHARGES MUNICIPAL - EXCLUDED FROM "CAPS"					
Emergency Authorizations	25,000	25,000	25,000		
Special Emergency Authorizations	<u>10,800</u>	<u>10,800</u>	<u>10,800</u>	<u>-</u>	<u>-</u>
Subtotal Deferred Charges - Municipal Excluded from "CAPS"	<u>35,800</u>	<u>35,800</u>	<u>35,800</u>	<u>-</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>3,561,406</u>	<u>3,630,483</u>	<u>3,383,966</u>	<u>\$ 121,464</u>	<u>125,053</u>
Subtotal General Appropriations	13,196,955	13,266,032	12,649,450	491,529	125,053
Reserve for Uncollected Taxes	<u>800,337</u>	<u>800,337</u>	<u>800,337</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 13,997,292</u>	<u>\$ 14,066,369</u>	<u>\$ 13,449,787</u>	<u>\$ 491,529</u>	<u>\$ 125,053</u>
Budget as Adopted		\$ 13,997,292			
Added by N.J.S. 40A:4-87		<u>69,077</u>			
		<u>\$ 14,066,369</u>			
Other Expenditures and Charges to Income					
County Taxes		\$ 4,371,843			
Local School Taxes		16,503,848			
Regional School Taxes		10,447,114			
Municipal Open Space Preservation		206,939			
Interfund Advance		5,727			
Refund of Prior Year Revenue		28,877			
Establish Reserve for Prepaid School Tax		<u>182,986</u>			
Total Other Expenditures and Charges to Income			<u>31,747,334</u>		
			Sub-Total Paid or Charged	45,197,121	
			Reserved	<u>491,529</u>	
			Total Expenditures	<u>\$ 45,688,650</u>	

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

<u>Year</u>	Balance, December 31, <u>2009</u>	2010 <u>Levy</u>	Senior Citizens' and Veterans' Deductions <u>Disallowed</u>	<u>Collected In</u>		Senior Citizens' and Veterans' Deductions <u>Allowed</u>	Remitted or <u>Cancelled</u>	Balance, December 31, <u>2010</u>
				<u>2009</u>	<u>2010</u>			
2008	\$ 8,218				\$ 3,857		\$ 4,361	
2009	486,871				486,275		596	
2010	-	\$ 41,656,780	\$ 1,139	\$ 160,291	40,397,197	\$ 77,000	89,637	\$ 933,794
	<u>\$ 495,089</u>	<u>\$ 41,656,780</u>	<u>\$ 1,139</u>	<u>\$ 160,291</u>	<u>\$ 40,887,329</u>	<u>\$ 77,000</u>	<u>\$ 94,594</u>	<u>\$ 933,794</u>

Analysis of 2010 Property Tax Levy

Tax Yield	
General Purpose Tax	\$ 41,532,210
Added Taxes (R.S. 54:4-36.1 et. seq.)	<u>124,570</u>
	<u>\$ 41,656,780</u>
Tax Levy	
Regional High School Tax	\$ 10,447,114
Local District School Tax	16,503,848
County Tax	\$ 4,303,054
County Open Space Preservation	55,642
County Tax for Added Taxes	<u>13,147</u>
	4,371,843
Local Tax for Municipal Purposes	10,008,979
Municipal Open Space Preservation	206,939
Add Additional Tax Levy	<u>118,057</u>
	<u>10,333,975</u>
	<u>\$ 41,656,780</u>

**BOROUGH OF CLOSTER
STATEMENT OF DEFERRED CHARGES**

<u>Purpose</u>	Balance, December 31, <u>2009</u>	Raised by 2010 Budget <u>Appropriation</u>	Balance, December 31, <u>2010</u>
Emergency Appropriations	\$ 25,000	\$ 25,000	
Special Emergency Authorization -			
Preparation of Master Plan	12,000	3,000	\$ 9,000
Reassessment of Real Property	31,200	7,800	23,400
Overexpenditure of Appropriation Reserves	<u>2,285</u>	<u>2,285</u>	<u>-</u>
Total	<u>\$ 70,485</u>	<u>\$ 38,085</u>	<u>\$ 32,400</u>

**BOROUGH OF CLOSTER
STATEMENT OF 2009 APPROPRIATION RESERVES**

	Balance, December 31, <u>2009</u>	Budget After Transfer or <u>Modification</u>	Paid or <u>Charged</u>	Transferred to Appropriated Grant Reserves and Trust <u>Reserves</u>	Balance <u>Lapsed</u>
Salaries and Wages					
Municipal Clerk's Office	\$ 4,057	\$ 2,057	\$ 600		\$ 1,457
Financial Administration	251	1,851	1,592		259
Data Processing	175	175			175
Assessment of Taxes	85	85			85
Revenue Administration	759	759			759
Planning Board	3	3			3
Municipal Court	494	494			494
Police	9,315	48,915	48,839		76
Interborough Police	30	30			30
Streets and Roads					
Road Repairs and Maintenance	35,114	45,614	45,538		76
Shade Tree	79	79			79
Sanitation					
Garbage and Trash Removal	22,476	22,476	21,388		1,088
Repair to Municipal Vehicles	3,509	3,509	3,438		71
Fire Prevention Bureau					
Uniform Fire Safety	2,563	3,463	3,377		86
Emergency Management	31	31			31
Recycling	40	40			40
Public Health Service	61	61			61
Recreation	57	57			57
Uniform Construction Code					
Construction Code Official	3,393	3,393	865		2,528
Fire Sub Code	339	339			339
Plumbing	93	293	210		83
Code Enforcement	5,662	1,162	870		292
Elevator Sub Code	8	8			8
Electrical Inspector	585	585	-	-	585
	<u>89,179</u>	<u>135,479</u>	<u>126,717</u>	<u>-</u>	<u>8,762</u>
Other Expenses					
General Administration	2,079	2,079	1,875		204
Administration and Executive					-
Municipal Clerk's Office	157	357	242		115
Codification of Ordinances	5,749	5,749	5,299		450
Elections	80	80			80
Financial Administration	5,251	7,451	7,207		244
Data Processing	280	280	129		151
Assessment of Taxes	830	926			926
Engineering	14,327	6,327			6,327
Revenue Administration	1,000	1,000	980		20
Legal	32,953	43,353	40,767		2,587
Monitoring Wells	25	25			25
Closter Improvement Committee	3,855	2,855			2,855
Historical Commission	4,535	3,535			3,535

BOROUGH OF CLOSTER
STATEMENT OF 2009 APPROPRIATION RESERVES

	Balance, December 31, <u>2009</u>	Budget After Transfer or <u>Modification</u>	Paid or <u>Charged</u>	Transferred to Appropriated Grant Reserves and Trust <u>Reserves</u>	Balance <u>Lapsed</u>
Other Expenses (Continued)					
Planning Board	\$ 25,901	\$ 26,001	\$ 25,414		\$ 587
Zoning Board	4,776	2,776	41		2,735
Unemployment Insurance	1,166	1,166			1,166
Group Insurance Plan for Employees	149,677	107,177	99,883		7,294
General Liability Insurance	27,740	28,841			28,841
Workers Compensation Insurance	3,602	4,894			4,894
Other Insurance Premiums	94	94			94
Construction Code Official	737	737	168		569
Code Enforcement	619	619			619
Zoning Officer	100	100			100
Public Safety					
Fire Prevention	238	290			290
Fire Protection	5,041	5,041	3,589		1,452
Fire Hydrant	11,698	12,198	12,170		28
Municipal Prosecutor	2,020	2,020			2,020
Police	11,588	7,488	323		7,165
Acquisition of Vehicles	6,654	6,654	6,600		54
Emergency Management	958	958			958
Streets and Roads					
Road Repairs and Maintenance	1,601	1,601	1,341		260
Snow Removal	10,000	7,000	4,832	\$ 2,168	
Shade Tree	2,575	2,575	1,750		825
Public Buildings & Grounds	2,957	3,457	3,421		36
Sanitation	79	979	835		144
Solid Waste Recycling Landfill	26,817	26,817	24,094		2,723
Recycling	95	95			95
Board of Health	3,594	3,637	600		3,037
Environmental Commission	844	844			844
Animal Control	8	8			8
Administration of Public Assistance	200	200	108		92
Recreation and Education					
Other Expenses	4,688	4,688			4,688
Maintenance of Parks	3,784	3,784			3,784
Board of Recreation Commissioners	6,973	6,973	6,900		73
Repair to Municipal Vehicles	13,781	14,281	13,675		606
Utilities:					
Gasoline	10,744	10,744			10,744
Electricity	95	9,095	9,095		-
Natural Gas	7,318	7,318	2,241		5,077
Telephone and Telegraph	9,197	9,197	712		8,485
Street Lighting	20,482	11,482	11,328		154
Sewer System	2,416	2,416			2,416
Water	683	683	229		454

**BOROUGH OF CLOSTER
STATEMENT OF 2009 APPROPRIATION RESERVES**

	Balance, December 31, <u>2009</u>	Budget After Transfer or <u>Modification</u>	Paid or <u>Charged</u>	Transferred to Appropriated Grant Reserves and Trust <u>Reserves</u>	Balance <u>Lapsed</u>
Other Expenses (Continued)					
Social Security System	\$ 5,986	\$ 5,986			\$ 5,986
BCUA	364	364			364
Library	1	1			1
Municipal Court	423	423	\$ 145		278
Length of Service Awards Program	1,250	1,250			1,250
Interboro Police	343	1,270	1,000		270
COPS in Shops	3,003	3,003	693	\$ 2,310	
Clean Communities	18	18		18	
Hazardous Discharge Site Remediation	4,224	4,224	1,422	2,802	
Police Body Armor	442	442	-	442	-
	<u>468,715</u>	<u>425,926</u>	<u>289,108</u>	<u>7,740</u>	<u>129,079</u>
	<u>\$ 557,894</u>	<u>\$ 561,405</u>	<u>\$ 415,825</u>	<u>\$ 7,740</u>	<u>\$ 137,841</u>
Balance, December 31, 2009		\$ 557,894			
Encumbrances Restored to Appropriation		<u>3,511</u>			
		<u>\$ 561,405</u>			
Appropriated Grant Reserves				\$ 5,572	
Due to Other Trust Fund				<u>2,168</u>	
				<u>\$ 7,740</u>	

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

Increased by:		
Levy, Calendar Year 2010		<u>\$ 16,503,848</u>
		16,503,848
Decreased by:		
Prior Year Prepaid Applied	\$ 196,920	
Payments	<u>16,489,914</u>	
		<u>16,686,834</u>
Balance December 31, 2010 (Prepaid)		<u>\$ 182,986</u>

EXHIBIT B-7

STATEMENT OF REGIONAL HIGH SCHOOL DISTRICT TAXES PAYABLE

Increased by:		
Levy, Calendar Year 2010		<u>\$ 10,447,114</u>
Payments		<u>\$ 10,447,114</u>

EXHIBIT B-8

STATEMENT OF GRANTS RECEIVABLE

	Balance December 31, <u>2009</u>	Revenue <u>Realized</u>	<u>Received</u>	Balance December 31, <u>2010</u>
Stormwater Management	\$ 2,117			\$ 2,117
Barrier Free - CDBG	40,000			40,000
COPS in Shops	3,500		\$ 3,284	216
Recreation Opportunity		\$ 10,000	6,742	3,258
Historic Preservation		20,000	1,950	18,050
Business Stimulus		7,000	6,785	215
Clean Communities		11,440	11,440	
Police Body Armor		3,090	3,090	
Alcohol Education		603	603	
Handicap Ramps		62,000	1,537	60,463
Bergen County Prosecutor Office - Forfeiture of Funds	-	3,000	-	3,000
	<u>\$ 45,617</u>	<u>\$ 117,133</u>	<u>\$ 35,431</u>	<u>\$ 127,319</u>

BOROUGH OF CLOSTER
STATEMENT OF RESERVE FOR APPROPRIATED GRANTS

	Balance, December 31, <u>2009</u>	Transferred From 2009 Appropriation <u>Reserves</u>	<u>Expended</u>	<u>Adjustment</u>	Balance, December 31, <u>2010</u>
Drunk Driving Enforcement Fund	\$ 14,018		\$ 5,515		\$ 8,503
Historical Commission Grant	7,153				7,153
Municipal Alliance Grant	8,580				8,580
Municipal Recycling Assistance	18,407			\$ (8,011)	10,396
Alcohol Education	345		345		
Domestic Violence	300				300
School Safety	403				403
Community Dev-Barrier Free	20,817				20,817
E-911 Grant	29,602		29,602		
Recycling Tonnage Grant	2,289			8,011	10,300
Clean Communities Grant	19,661	\$ 18	11,441		8,238
Highway Safety	1,178				1,178
Pandemic Influenza	9,040				9,040
COPS in Shops		2,310			2,310
Hazardous Discharge Remediation		2,802			2,802
Police Body Armor	-	442	-	-	442
	<u>\$ 131,793</u>	<u>\$ 5,572</u>	<u>\$ 46,903</u>	<u>\$ -</u>	<u>\$ 90,462</u>

EXHIBIT B-10

STATEMENT OF RESERVE FOR UNAPPROPRIATED GRANTS

	Balance, December 31, <u>2009</u>	Cash <u>Receipts</u>	Appropriated <u>in 2010</u>	Balance, December 31, <u>2010</u>
Solid Waste Administration Grant	\$ 16,060		\$ 16,060	
Smart Growth Grant	4,500		4,500	
Historical Commission Grant	600		600	
Clean Communities		\$ 2,508		\$ 2,508
Watershed	-	13,489	-	13,489
	<u>\$ 21,160</u>	<u>\$ 15,997</u>	<u>\$ 21,160</u>	<u>\$ 15,997</u>

BOROUGH OF CLOSTER
STATEMENT OF MISCELLANEOUS RESERVES AND DEPOSITS

	Balance, December 31, <u>2009</u>	Balance, December 31, <u>2010</u>
Reserve for Insurance Recoveries	\$ 15,401	\$ 15,401
Reserve for Revaluation	<u>213</u>	<u>213</u>
	<u>\$ 15,614</u>	<u>\$ 15,614</u>

TRUST FUNDS

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

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

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

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

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

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

BOROUGH OF CLOSTER
COMBINING BALANCE SHEET - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2010
(With Comparative Totals as of December 31, 2009)

	<u>Animal Control</u>	<u>Other Trust</u>	<u>Open Space Trust</u>	<u>Public Assistance</u>	<u>Length of Service Awards Program (LOSAP) (Unaudited)</u>	<u>Totals 2010</u>	<u>2009</u>
ASSETS							
Cash and Cash Equivalents	\$ 13,996	\$ 1,861,704	\$ 855,416	\$ 9,247		\$ 2,740,363	\$ 2,384,632
Investments					\$ 365,736	365,736	303,029
Interfund Receivable		13,464	206,939			220,403	112,398
Contribution Receivable	-	-	-	-	37,700	37,700	36,500
Total Assets	\$ 13,996	\$ 1,875,168	\$ 1,062,355	\$ 9,247	\$ 403,436	\$ 3,364,202	\$ 2,836,559
LIABILITIES, RESERVES AND FUND BALANCE							
Liabilities and Reserves							
Miscellaneous Reserves and Deposits		\$ 1,872,318				\$ 1,872,318	\$ 1,598,551
Payroll Deductions Payable		1,727				1,727	38,340
Interfund Payable	\$ 5,296	431	\$ 108,940			114,667	812,183
Due to State of New Jersey	4					4	1
Reserve for Expenditures	8,696	-	953,415	\$ 9,247	\$ 403,436	1,374,794	386,792
	13,996	1,874,476	1,062,355	9,247	403,436	3,363,510	2,835,867
Fund Balance	-	692	-	-	-	692	692
Total Liabilities, Reserves and Fund Balance	\$ 13,996	\$ 1,875,168	\$ 1,062,355	\$ 9,247	\$ 403,436	\$ 3,364,202	\$ 2,836,559

**BOROUGH OF CLOSTER
COMPARATIVE STATEMENTS OF FUND BALANCE - REGULATORY BASIS
OTHER TRUST FUND
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
Balance, January 1,	\$ 692	\$ 692
Balance, December 31,	<u>\$ 692</u>	<u>\$ 692</u>

EXHIBIT C-2

**STATEMENT OF REVENUES - REGULATORY BASIS
OPEN SPACE TRUST FUND**

	<u>2010 Anticipated</u>	<u>2010 Realized</u>	<u>Excess</u>
Amount to be Raised by Taxation	\$ 206,320	\$ 206,939	\$ 619
Interest Earned	<u>-</u>	<u>2,714</u>	<u>2,714</u>
	<u>\$ 206,320</u>	<u>\$ 209,653</u>	<u>\$ 3,333</u>

EXHIBIT C-3

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

	<u>2010 Appropriated</u>	<u>2010 Expended</u>	<u>2010 Reserved</u>
Reserve for Future Use	\$ 206,320	\$ -	\$ 206,320
	<u>\$ 206,320</u>	<u>\$ -</u>	<u>\$ 206,320</u>

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

Balance, December 31, 2009		\$ 8,120
Increased by:		
Fees Collected		<u>9,016</u>
		17,136
Decreased by:		
Animal Control Expenditures	\$ 2,365	
Statutory Excess Due to Current Fund	<u>6,075</u>	
		<u>8,440</u>
Balance, December 31, 2010		<u>\$ 8,696</u>

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

	Balance December 31, <u>2009</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance December 31, <u>2010</u>
Special Recreation	\$ 52,994	\$ 166,596	\$ 155,948	\$ 63,642
Affordable Housing	908,517	125,447	15,077	1,018,887
Escrow Deposits and Miscellaneous	<u>637,040</u>	<u>696,889</u>	<u>544,140</u>	<u>789,789</u>
	<u>\$ 1,598,551</u>	<u>\$ 988,932</u>	<u>\$ 715,165</u>	<u>\$ 1,872,318</u>

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

Balance, December 31, 2009	\$ 10,482
Increased by:	
Donations	<u>4,348</u>
	14,830
Decreased by:	
Expenditures	<u>5,583</u>
Balance, December 31, 2010	<u>\$ 9,247</u>

STATEMENT OF PUBLIC ASSISTANCE EXPENDITURES

	<u>Food Locker</u>
Local Assistance	<u>\$ 5,583</u>

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

	<u>Food Locker</u>
Donations	\$ <u>4,348</u>

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

Balance, December 31, 2009		\$ 28,661
Increased by:		
2010 Municipal Open Space Levy Tax	\$ 206,320	
2010 Municipal Open Space Added Taxes	619	
Cash Received from State Recreation Grants	15,100	
Restoration from Cancelled General Capital Ordinances	700,001	
Interest Earned	<u>2,714</u>	
		<u>924,754</u>
Balance, December 31, 2010		\$ <u>953,415</u>

GENERAL CAPITAL FUND

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

BOROUGH OF CLOSTER
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2010 AND 2009

ASSETS	<u>2010</u>	<u>2009</u>
Cash and Cash Equivalents	\$ 607,537	\$ 1,090,113
Intergovernmental Receivables	703,998	342,498
Interfund Receivable	109,145	812,611
Other Receivable		3,105
Deferred Charge - Overexpenditure		10,874
Deferred Charges to Future Taxation		
Funded	11,432,517	8,136,310
Unfunded	<u>889,262</u>	<u>4,602,762</u>
 Total Assets	 <u>\$ 13,742,459</u>	 <u>\$ 14,998,273</u>
 LIABILITIES, RESERVES AND FUND BALANCE		
 Serial Bonds	 \$ 11,406,000	 \$ 8,104,000
Bond Anticipation Notes	-	4,499,464
Green Acres Loan Payable	26,517	32,310
Improvement Authorization		
Funded	1,330,823	1,429,298
Unfunded	479,235	807,525
Other Liabilities and Reserves		
Encumbrances and Contracts Payable	223,374	3,598
Capital Improvement Fund	4,484	4,484
Miscellaneous Reserves	11,000	11,000
Reserve for Payment of Bonds	178,526	
Fund Balance	<u>82,500</u>	<u>106,594</u>
 Total Liabilities, Reserves and Fund Balance	 <u>\$ 13,742,459</u>	 <u>\$ 14,998,273</u>

There were bonds and notes authorized but not issued of \$889,262 and \$279,262 on December 31, 2010 and 2009.
(Exhibit D-9).

BOROUGH OF CLOSTER
COMPARATIVE STATEMENTS OF FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Balance, January 1,	\$ 106,594	\$ 103,789
Increased by:		
Premium on Sale of Notes	-	27,805
Premium on Sale of Bonds	<u>906</u>	<u>-</u>
	107,500	131,594
Decreased by:		
Appropriated to Budget Revenue	<u>25,000</u>	<u>25,000</u>
Balance, December 31,	<u>\$ 82,500</u>	<u>\$ 106,594</u>

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

		Balance, December 31, <u>2010</u>
Capital Improvement Fund		\$ 4,484
Fund Balance		82,500
Encumbrances and Contracts Payable		223,374
Reserve for North Parking Lot		10,000
Other Reserves		1,000
Reserve for Payment of Bonds		178,526
Intergovernmental Receivable		(703,998)
Due from Current Fund		(205)
Due from Open Space Trust Fund		(108,940)
<u>Ordinance</u>		
<u>Number</u>	<u>Improvement Authorizations</u>	
843	Various Improvements	(275,123)
919	Various Capital Improvements	(174)
941	Various Improvements	7,935
954	E-911 Telephone Upgrade	18,854
957	Park and Historic Preservation Improvements	89,226
975	Various Improvements	55
992	Acquisition of Interboro Communications Equipment	71,413
995	Various Improvements	(323)
996	Improvements to Homans & Oakland	21,699
998	Park, Playground and Farmland Impvt.	30,427
1015	Various Improvements	1,500
1016	Acquisition of Pumper (Supp Ord 995)	18,702
1022	Park and Historic Preservation Improvements	38,634
1030	2010 Road Improvement Program	104,777
1035	Improvements to Borough Hall	36
1037	Park and Historic Preservation Improvements	68,100
1043	Park and Historic Preservation Improvements	68,100
1055	Park and Historic Preservation Improvements	85,192
1070	Safe Sidewalks to Tenakill School	273,990
1074	Financial Software and Computer Equipment	3,192
1075	Various Improvements	(134,407)
1077	Reconstruction of Basketball Courts and Purchase of Bleachers and Picnic Tables	35,255
1078	Barrier Free Curb Ramps	50,000
1082	Equipment for DPW	736
1084	Equipment for DPW	343,000
		<hr/>
		\$ 607,537

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

<u>Ord. No.</u>	<u>Improvement Description</u>	Balance, December 31, 2009	2010 <u>Authorizations</u>	Bonds Cancelled at <u>Closing</u>	Serial Bonds <u>Issued</u>	Balance, December 31, 2010	Analysis of Balance December 31, 2010	
							<u>Expenditures</u>	Unexpended Balance of Improvement <u>Authorizations</u>
843	Various Improvements	\$ 275,123				\$ 275,123	\$ 275,123	
919	Various Capital Improvements	167,424		\$ 10,116	\$ 157,134	174	174	
941	Various Improvements	1,005				1,005		\$ 1,005
961	Acquisition of Land							
976	Various Improvements	54,250		3,281	50,969			
995	Various Improvements	1,362,845		82,258	1,277,742	2,845	323	2,522
996	Improvements to Homans & Oakland	142,855		8,640	134,215			
1015	Various Improvements	366,645		22,176	344,469			
1016	Acquisition of Pumper (Supp Ord 995)	47,615		2,873	44,627	115		115
1030	2009 Road Improvement Program	2,185,000		132,156	2,052,844			
1070	Safe Sidewalks		\$ 40,000			40,000		40,000
1075	Various Improvements	-	570,000	-	-	570,000	134,407	435,593
		<u>\$ 4,602,762</u>	<u>\$ 610,000</u>	<u>\$ 261,500</u>	<u>\$ 4,062,000</u>	<u>\$ 889,262</u>	<u>\$ 410,027</u>	<u>\$ 479,235</u>

**BOROUGH OF CLOSTER
STATEMENT OF INTERGOVERNMENTAL RECEIVABLE**

	<u>Total</u>	<u>Upgrade E-911 Telephone Ord. No. 954</u>	<u>Park & Historical Pres. Ord. No. 957</u>	<u>Park & Historical Pres. Ord. No. 1043</u>	<u>West Street Improvements Ord. No. 1044</u>	<u>Acquisition of Property Ord. No. 1057</u>	<u>West Street Section 5 Ord. No. 1030</u>	<u>Safe Routes To Schools Ord. No. 1070</u>	<u>County of Bergen - ADA Ramps Ord. No. 1078</u>	<u>County of Bergen - Open Space Ord. No. 1077</u>
Balance, December 31, 2009	\$ 342,498	\$ 90	\$ 25,660	\$ 68,100	\$ 3,648	\$ 245,000				
Increased by:										
Grant Awards	<u>556,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 195,000</u>	<u>\$ 275,000</u>	<u>\$ 50,000</u>	<u>\$ 36,500</u>
	898,998	90	25,660	68,100	3,648	245,000	195,000	275,000	50,000	36,500
Decreased By:										
Cancelled	<u>16,473</u>						<u>16,473</u>			
Receipts	<u>178,527</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>178,527</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, December 31, 2010	<u>\$ 703,998</u>	<u>\$ 90</u>	<u>\$ 25,660</u>	<u>\$ 68,100</u>	<u>\$ 3,648</u>	<u>\$ 245,000</u>	<u>\$ -</u>	<u>\$ 275,000</u>	<u>\$ 50,000</u>	<u>\$ 36,500</u>
Pledged to:										
Ordinance	<u>\$ 703,998</u>									

**BOROUGH OF CLOSTER
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ord. No.	Improvement Description	Ordinance Amount	2010 Authorizations																	
			Balance, December 31, 2009		Capital Improvement Fund	Deferred Charges Future Taxation Unfunded	Funded by Open Space Fund and/or Grants	Re-Authorized	Expended	Encumbrances Cancelled	Authorizations Cancelled	Balance, December 31, 2010								
			Funded	Unfunded								Funded	Unfunded							
925	Open Space Improvements	\$ 110,000	\$ 2,697									\$ 2,697								
941	Various Improvements	2,100,000	7,636	\$ 1,005								201	\$ 500		\$ 7,935	\$ 1,005				
954	E-911 Telephone Upgrade	180,000	18,854												18,854					
957	Park and Historic Preservation Improvements	120,000	89,226												89,226					
975	Various Improvements	213,000	111,297									111,242			55					
992	Acquisition of Interboro Communication Equip	183,180	71,413												71,413					
995	Various Improvements	1,780,000		31,306								28,784								2,522
996	Improvements to Homans & Oakland	150,000		37,199								15,500			21,699					
998	Park, Playground & Farm Land Improvements	158,125	43,800									13,373			30,427					
1015	Various Improvements	385,000		20,150				\$ (17,200)				1,450			1,500					
1016	Acquisition of Pumper (Supp Ord 995)	50,000	2,385	47,615				(31,183)							18,702					115
1022	Park and Historic Preservation Improvements	96,692	50,658									12,024			38,634					
1030	2009 Road Improvement Program	2,300,000		670,250				(343,000)				222,473			104,777					
1035	Improvements to Borough Hall	45,000	14,641									14,605			36					
1037	Park and Historic Preservation Improvements	68,100	68,100												68,100					
1043	Park and Historic Preservation Improvements	68,100	68,100												68,100					
1055	Park and Historic Preservation Improvements	182,000	170,990									85,798			85,192					
1057	Acquisition of Property	709,501	709,501									9,500		\$ 700,001						
1070	Safe Sidewalks to Tenakill School	315,000				\$ 40,000	\$ 275,000					1,010			273,990					40,000
1074	Financial Software and Computer Equipment	31,183								31,183		27,991			3,192					
1075	Various Improvements	600,000		\$ 30,000	570,000							164,407								435,593
1077	Reconstruction of Basketball Courts, and Purchase of Bleachers and Picnic Tables	36,500										36,500	1,245		35,255					
1078	Barrier Free Curb Ramps	50,000										50,000			50,000					-
1082	Equipment for DPW	17,200									17,200	16,464			736					-
1084	Equipment for DPW	343,000	-	-	-	-	-	-	343,000			-			343,000					-
		\$ 1,429,298	\$ 807,525	\$ 30,000	\$ 610,000	\$ 361,500	\$ -	\$ 728,764	\$ 500	\$ 700,001	\$ 1,330,823	\$ 479,235								

County Open Space \$ 36,500
 Community Development 50,000
 Department of Transportation 275,000
\$ 361,500

**BOROUGH OF CLOSTER
STATEMENT OF SERIAL BONDS**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding</u>		<u>Interest Rate</u>	<u>Balance, December 31, 2009</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance, December 31, 2010</u>
			<u>Date</u>	<u>Amount</u>					
General Improvement	8/1/2001	\$ 4,860,000	7/1/2011	\$ 450,000	4.125 %	\$ 2,270,000		\$ 440,000	\$ 1,830,000
			7/1/12-14	460,000	4.250				
General Improvements	10/15/2005	6,909,000	10/15/11	340,000	3.750	5,834,000		320,000	5,514,000
			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				
General Improvements	5/10/2010	4,062,000	2/15/12	385,000	3.000	-	\$ 4,062,000	-	4,062,000
			2/15/13	399,000	4.000				
			2/15/14	416,000	4.000				
			2/15/15	435,000	5.000				
			2/15/16	452,000	3.000				
			2/15/17	466,000	3.000				
			2/15/18	281,000	3.000				
			2/15/18	200,000	4.000				
			2/15/19	502,000	5.000				
			2/15/20	250,000	5.000				
			2/15/20	276,000	4.000				
						<u>\$ 8,104,000</u>	<u>\$ 4,062,000</u>	<u>\$ 760,000</u>	<u>\$ 11,406,000</u>

**BOROUGH OF CLOSTER
STATEMENT OF BOND ANTICIPATION NOTES**

Ord. No.	<u>Improvement Description</u>	Date of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance, December 31, 2009	Decreased	Balance, December 31, 2010
919	Various Capital Improvements	7/6/2007	5/11/2009	5/11/2010	1.25%	\$ 167,250	\$ 167,250	
961	Acquisition of Land	7/6/2007	5/11/2009	5/11/2010	1.25%	132,500	132,500	
976	Various Improvements	7/6/2007	5/11/2009	5/11/2010	1.25%	97,714	97,714	
995	Various Improvements	12/21/2007	5/11/2009	5/11/2010	3.00%	1,360,000	1,360,000	
996	Improvements to Homans and Oakland	10/30/2009	5/11/2009	5/11/2010	1.25%	142,855	142,855	
1015	Various Improvements	10/30/2009	5/11/2009	5/11/2010	1.25%	366,645	366,645	
1016	Acquisition of Pumper	10/30/2009	5/11/2009	5/11/2010	1.25%	47,500	47,500	
1030	2009 Road Improvement Program	5/11/2009	5/11/2009	5/11/2010	1.25%	1,650,000	1,650,000	
1030	2009 Road Improvement Program	10/30/2009	5/11/2009	5/11/2010	0.72%	<u>535,000</u>	<u>535,000</u>	-
						<u>\$ 4,499,464</u>	<u>\$ 4,499,464</u>	<u>\$ -</u>
							\$ 437,464	
							<u>4,062,000</u>	
							<u>\$ 4,499,464</u>	

Paid by Capital Cash
Bonds Issued

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

Balance, December 31, 2009	\$	32,310
Decreased by:		
2010 Budget Appropriations		5,793
Balance, December 31, 2010	\$	26,517

STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

<u>Ord. No.</u>	<u>Improvement Description</u>	Balance, December 31, <u>2009</u>	2010 <u>Authorizations</u>	Balance, December 31, <u>2010</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
1016	Acquisition of Pumper (Supp Ord 995)	115		115
1070	Safe Sidewalks to Tenakill Middle School		\$ 40,000	40,000
1075	Various Improvements	-	570,000	570,000
		\$ 279,262	\$ 610,000	\$ 889,262

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 - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Land	\$ 78,775,600	\$ 78,775,600
Buildings and Building Improvements	5,351,861	5,239,294
Machinery and Equipment	<u>8,505,150</u>	<u>8,278,337</u>
	<u>\$ 92,632,611</u>	<u>\$ 92,293,231</u>
FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 92,632,611</u>	<u>\$ 92,293,231</u>

STATISTICAL SECTION

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

<u>Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Streets & Roads Works</u>	<u>Health and Welfare</u>	<u>Recreation and Education</u>	<u>Deferred Charges and Statutory Expenditures</u>	<u>State Federal Grants</u>	<u>Capital Improvements</u>	<u>Debt Service</u>	<u>Other</u>	<u>Reserve for Uncollected Taxes</u>	<u>Total</u>
2010	\$ 2,578,128	\$ 3,948,869	\$ 2,656,151	\$ 138,220	\$ 896,404	\$ 1,156,217	\$ 80,293	\$ 92,000	\$ 1,129,697	\$ 465,000	\$ 800,337	\$ 13,941,316
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

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 Balance Anticipated</u>	<u>Miscellaneous Revenues</u>	<u>State and Federal Aid</u>	<u>Other Special Items</u>	<u>Delinquent Taxes</u>	<u>Taxes(1)</u>	<u>Total</u>
2010	\$ 425,000	\$ 731,824	\$ 1,634,284	\$ 1,040,462	\$ 490,132	\$ 9,903,942	\$ 14,225,644
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

76

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

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

<u>Year</u>	<u>Total</u>	<u>Municipal</u>	<u>Municipal Open Space</u>	<u>County</u>	<u>County Open Space</u>	<u>Local School</u>	<u>Regional High School</u>
2010	\$ 2.013	\$ 0.485	\$ 0.010	\$ 0.209	\$ 0.003	\$ 0.800	\$ 0.506
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	1.570	0.366	0.010	0.161	0.010	0.636	0.387
2006	1.490	0.347	0.010	0.149	0.010	0.607	0.367
2005	2.790	0.623	0.010	0.286	0.010	1.152	0.709
2004	2.660	0.595	0.010	0.265	0.010	1.099	0.681
2003	2.550	0.538	0.010	0.249	0.005	1.050	0.698
2002	2.390	0.508	0.010	0.256	0.005	1.005	0.606
2001	2.230	0.484	0.010	0.241	0.005	0.948	0.542

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

Source: Tax Duplicate, Borough of Closter

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

Calendar Year	<u>Tax Levy</u>					<u>Realized Revenue**</u>	Percentage of <u>Realized</u>
	<u>Municipal*</u>	<u>County</u>	<u>Local School</u>	<u>Regional High School</u>	<u>Total</u>		
2010	\$ 10,333,975	\$ 4,371,843	\$ 16,503,848	\$ 10,447,114	\$ 41,656,780	\$ 40,633,349	97.54%
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%

*Includes rounding on final tax billings per county and Municipal Open Space Tax

**Includes collections of current year taxes only

Source: Tax Duplicate, Borough of Closter
Borough Financial Statements

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

<u>Year</u>	Net Assessed Valuation <u>Taxable</u>	Estimated True <u>Valuation</u>	Percent of Net Assessed Value to Estimated True <u>Valuation</u>
2010	\$ 2,063,199,619	\$ 2,225,664,998	92.70%
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%

Source: County Abstract of Ratables

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

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation 2010</u>	<u>As of Percent of Total Net Assessed Valuation 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	<u>4,167,400</u>	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, 2010
(UNAUDITED)

Average Equalized Valuation		\$ 2,239,850,486	
Borrowing Power (3 1/2% of Average Equalized Valuation)		78,394,767	
Net Debt		<u>12,143,253</u>	
Remaining Borrowing Power		<u>\$ 66,251,514</u>	
	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Municipal Debt			
Borough of Closter	<u>\$ 12,321,779</u>	<u>\$ 178,526</u>	\$ 12,143,253
Overlapping Debt Apportioned to the Borough:			
County of Bergen (A)			8,274,407
Bergen County Utilities Authority			
Wastewater (B)			<u>3,260,671</u>
			<u>\$ 23,678,331</u>

(A) Overlapping Debt was computed based upon the 2010 Bergen County Equalization Table published by the Bergen County Board of Taxation.

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

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

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

<u>Year</u>	<u>Population</u>	<u>Average</u> <u>Equalized</u> <u>Valuation</u>	<u>Gross</u> <u>Debt</u>	<u>Gross</u> <u>Debt Per</u> <u>Capita</u>	<u>Ratio of</u> <u>Gross Debt</u> <u>to Equalized</u> <u>Valuation</u>	<u>Net</u> <u>Debt</u>	<u>Ratio of</u> <u>Net Debt</u> <u>to Equalized</u> <u>Valuation</u>	<u>Net</u> <u>Debt per</u> <u>Capita</u>
2010	8,675	(A) \$ 2,239,850,486	\$ 12,321,779	\$ 1,420	0.55%	\$ 12,143,253	0.54%	\$ 1,400
2009	8,675	2,289,324,849	12,915,036	1,541	0.56%	12,739,072	0.56%	1,468
2008	8,621	2,279,608,703	11,574,774	1,343	0.51%	11,468,238	0.50%	1,330
2007	8,590	2,146,453,629	11,868,554	1,382	0.55%	11,851,044	0.55%	1,380
2006	8,549	1,966,331,163	10,773,639	1,260	0.55%	10,756,129	0.55%	1,258
2005	8,528	1,730,342,519	11,293,275	1,324	0.65%	11,293,725	0.65%	1,324
2004	8,507	1,530,476,939	9,992,377	1,175	0.65%	9,478,025	0.62%	1,114
2003	8,453	1,362,148,460	9,934,305	1,175	0.73%	9,738,824	0.71%	1,152
2002	8,421	1,238,885,810	7,766,818	922	0.63%	7,721,259	0.62%	917
2001	8,409	1,136,142,584	6,122,091	730	0.54%	6,025,091	0.53%	719

(A) Estimated

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

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total Current Fund Expenditures</u>	<u>Ratio of Debt Service to Current Fund Expenditures</u>
2010	\$ 765,793	\$ 363,904	\$ 1,129,697	\$ 13,941,316	8.10
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

Source: Borough Financial Statements
Includes Bonds and Loans

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

<u>Year</u>	<u>Population</u>	<u>Percentage Increase (Decrease)</u>
2010	8,675 (A)	(.1) %
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

2010 Density - 2,646 per square mile

(A) Estimated

Source: U.S. Bureau of the Census

BOROUGH OF CLOSTER
ANNUAL AVERAGE EMPLOYMENT AND
UNEMPLOYMENT FIGURES
FOR THE YEARS 2001 THROUGH 2010
(UNAUDITED)

	Bergen County	Borough of Closter
2010 Employed	438,700	
2010 Unemployed	38,700	3,885
2010 Labor Force	<u>477,400</u>	<u>4,070</u>
2010 Unemployment Rate	<u>8.1%</u>	<u>4.5%</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>
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>
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>
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>
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>
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>
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>
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>
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>

**BOROUGH OF CLOSTER
MISCELLANEOUS STATISTICS
DECEMBER 31, 2010
(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
8 Marked Vehicles
4 Unmarked Vehicles

Fire Department
42 Volunteers
2 Pumpers
1 Ladder Truck
1 Emergency Support Vehicle
2 Chief's Vehicle
1 Pickup Support Vehicle

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

Library
58,472 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

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

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

We have audited the financial statements – regulatory basis of the Borough of Closter as of and for the year ended December 31, 2010, and have issued our report dated June 30, 2011 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 deficiency described in the accompanying schedule of findings and responses as item 2010-1 to be a material weakness.

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 2010-2 and 2010-3 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 2010-1 through 2010-3.

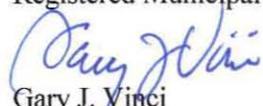
We also noted certain matters that we reported to management of the Borough of Closter in Part III of this report of audit entitled "Letter of Comments and Recommendations".

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
June 30, 2011

BOROUGH OF CLOSTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

<u>Grant Program</u>	<u>Grant Numbe</u>	<u>Grant Year</u>	<u>Grant Receipts</u>	<u>Balance, January 1, 2010</u>	<u>Revenue</u>	<u>Expended</u>	<u>Balance, December 31, 2010</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
ADA Handicap Ramp	14.219	2010	\$ 1,537		\$ 1,537	\$ 17,550	(16,013)	17,550
Law and Public Safe								
Highway Traffic Safety								
Occupant Protection Incentive Grants	20.602	2010	4,000		4,000	4,000		4,000
Alcohol Beverage Control								
Enforcing Underage Drinking	16.727		3,284					
Highway Planning and Construction								
Department of Transportation								
Local Aid to Municipalities - West Street Section 5	20.205	2010	178,526		178,526	178,526		178,526
§ Environmental Protection								
Wildland Fire Management ARRA	10.688	2010	6,785	-	7,000	6,785	215	6,785
				<u>\$ 20,817</u>	<u>\$ 191,063</u>	<u>\$ 206,861</u>	<u>\$ 5,019</u>	<u>\$ 273,044</u>

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, 2010

<u>State Grant Program</u>	<u>Grant Number</u>	<u>Grant Year</u>	<u>Grant Award Receipts</u>	<u>Balance, January 1, 2010</u>	<u>Revenue</u>	<u>Expended</u>	<u>Adjustments</u>	<u>Balance, December 31, 2010</u>	<u>Cumulative Expenditures</u>
Recycling Tonnage Grant	4830-752-050550-50	2008		\$ 8,011				\$ 8,011	
		2007		2,289				2,289	\$ 2,076
Drunk Driving Enforcement Fund	1110-448-031020-22	2008		4,590				4,590	
		2007		1,635				1,635	925
		2005		2,026				2,026	600
		2004		715		\$ 463		252	463
		2002		810		810			810
		2001		1,435		1,435			1,435
		2000		54		54			54
		1997		2,435		2,435			2,435
		1995		318		318			318
Department of Environmental Protection Solid Waste Administration Recycling	4900-752-001	2009		16,060				16,060	
06 Hazardous Discharge Remediation		2009		4,224		1,422		2,802	3,198
Municipal Recycling Assistance Program (Passed through County of Bergen)	4910-759-690-50	2007		108				108	3,776
		2006		2,169				2,169	3,970
		2005		8,119				8,119	1,847
Historical Commission Grant	8700-024-5837-M004	2006		6,347				6,347	2,053
		prior yrs.		1				1	
Historical Commission Grant Assistance and Mentoring	8700-024-5837-M004	2010			\$ 600			600	
		2006		805				805	6,195
Clean Communities Program	4900-765-178900	2010	\$ 13,948		13,948	11,440		2,508	11,440
		2009		18				18	13,294
		2008		9,541		1,321		8,220	903
		2007		10,120		10,120			10,120
Municipal Alliance Program	Not Available	2008		1,000				1,000	1,000
		2006		3				3	
		2004		1,012				1,012	11,497
		2002		970				970	
		2001		1,352				1,352	
		2000		43				43	
Police Body Armor - State Share	N/A	2008		442				442	1,700
		2010	3,090		3,090	1,013		2,077	1,013
State Parks Service Historic Preservation	4875-100-042	2010			20,000	1,950		18,050	1,950

BOROUGH OF CLOSTER
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2010

<u>State Grant Program</u>	<u>Grant Number</u>	<u>Grant Year</u>	<u>Grant Award Receipts</u>	<u>Balance, January 1, 2010</u>	<u>Revenue</u>	<u>Expended</u>	<u>Adjustments</u>	<u>Balance, December 31, 2010</u>	<u>Cumulative Expenditures</u>
Pandemic Influenza Preparedness Grant	N/A	2008 2006		\$ 4,250 4,790				\$ 4,250 4,790	\$ 2,097
Alcohol Education and Rehabilitation Fund	N/A	2010 2007 2006	\$ 603		\$ 603	\$ 348 118 227		255	348 118 227
E-911 Grant - State Share	N/A	2008 2007 2006		28,019		28,019			28,019
Department of Transportation Highway Safety Program	Not Available	2008		1,178				1,178	
School Safety Program				403				403	
Domestic Violence	N/A	2008		300				300	
COPS in Shops	N/A	2009		3,003		693		2,310	1,190
Recreation Opportunity	N/A	2009 2008	\$ 10,000		10,000	8,141		1,859	8,141
				9,984	-	-	\$ (9,984)		
Smart Growth	N/A			-	4,500	-	-	4,500	
				<u>\$ 140,507</u>	<u>\$ 52,741</u>	<u>\$ 71,910</u>	<u>\$ (9,984)</u>	<u>\$ 111,354</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, 2010**

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	\$ 12,537	\$ 52,741	\$ 65,278
General Capital Fund	<u>178,526</u>	<u>-</u>	<u>178,526</u>
Total Financial Awards	<u>\$ 191,063</u>	<u>\$ 52,741</u>	<u>\$ 243,804</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, 2010**

NOTE 5 FEDERAL AND STATE LOANS OUTSTANDING

The Borough's federal and state loans outstanding at December 31, 2010, 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	
Conrail Land Acquisition	\$ <u>26,517</u>

**BOROUGH OF CLOSTER
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2010**

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	<u> X </u> yes	<u> </u> no
2) Significant deficiency(ies) that are not considered to be material weakness(es)?	<u> X </u> yes	<u> </u> none
Noncompliance material to the financial statements noted?	<u> X </u> yes	<u> </u> 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, 2010

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 2010-1

The Borough maintains a cash basis general ledger for the Current Fund, General Capital, Other Trust and Animal Control Funds. The general ledgers were not always reconciled with subsidiary revenue and expenditure ledgers and bank reconciliations on a monthly basis. The revenue report was not reconciled with the daily cash receipts reports. Certain receipts were not posted to correct revenue account codes and there were instances receipts were not posted in the financial accounting software. The improvement authorization balances in the General Capital Fund were not in agreement with the audited balances. In addition, the Borough does not maintain general ledgers for certain Other Trust Funds nor were the Other Trust Fund beginning balances entered into the general ledger. Developer escrow and Other Trust Fund subsidiary ledgers were not in agreement with audited balances.

Criteria or Specific Requirement

NJAC 5:30-5.7.
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 Current Fund general ledger did not contain numerous cash receipts. The general ledger for the General Capital Fund does not include general journal entries to record bond ordinances; pay down of debt and other financial items. In addition, the general ledgers were not reconciled with subsidiary revenue and expenditure (appropriations, appropriation reserves, and improvement authorization) ledgers and bank reconciliations on a monthly basis. General ledgers are not maintained for the open space and public assistance trust funds. Furthermore, the Borough's listing of escrow balances did not agree with audited balances.

Cause

Unknown.

Effect

The general ledger and subsidiary reports are 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 and revenue reports are complete and reconciled with the subsidiary ledgers and bank reconciliations 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, 2010**

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 2010-2

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.

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, 2010**

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 2010-3

Our audit revealed that the Borough's fixed asset accounting ledger was not updated for assets acquired during 2010. 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 2010. 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, 2010**

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 2009-1

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 2010-1.

Finding 2009-2

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

Current Status

See Finding 2010-2.

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.

Current Status

See Finding 2010-1.

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.

Current Status

See Finding 2010-3.

BOROUGH OF CLOSTER



SUPPLEMENTARY DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2010

**BOROUGH OF CLOSTER
SUPPLEMENTARY DATA**

GENERAL COMMENTS

Current Year

Our audit noted that the IRS Form 1099 was not always issued to vendors who were paid in excess of \$600 from the Borough. The Finance Department upgraded their financial reporting software in February, 2010, and vendors paid prior to this date did not receive the required IRS Form. It is recommended that all payments made in excess of \$600, to non-incorporated vendors be reported to the IRS on Form 1099.

Our audit revealed that the address on IRS Form 941 is the address for the Borough's payroll service provider. It is recommended that all payroll tax remittance forms contain the address of the Borough.

Our audit noted that the Housing and Open Space trust accounts required only one authorized signature on checks disbursed from the account. It is recommended that at least two authorized signatures be obtained on all checks disbursed from the Housing and Open Space Trust accounts.

Our audit of the Borough's Current Fund noted that there are numerous appropriated grants which have not been expended. In addition, there are several grant receivable balances in the Current and General Capital Funds which remain uncollected. It is recommended that appropriated grants and grant receivable balances be reviewed and action taken to clear of record.

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 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, the billing for police outside services was incorrectly calculated. The differences noted were immaterial. 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.

Our audit of municipal departments revealed that:

- The Construction Code department is not depositing monies in a timely manner.
- We were unable to trace the Recreation Department cash receipts to a registration form and/or were unable to verify that the proper fee was charged.
- The cash receipts ledger maintained by the Recreation Department was not always in agreement with the amounts per the Treasurer's office.

It is recommended that:

- All monies collected by Construction Code be deposited within forty-eight hours of receipt.
- The Recreation Department registration forms be available for audit.
- The Recreation Department's cash receipt ledger be reconciled with the Treasurer's office on a monthly basis.

**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

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.

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 4, 2010 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

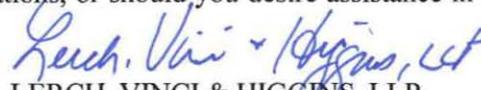
It is recommended that:

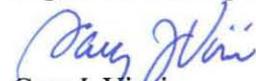
- * 1. Internal controls regarding the preparation of the Borough's general ledgers and financial reports be reviewed to ensure that the general ledgers and revenue reports are complete and reconciled with the subsidiary ledgers and bank reconciliations on a monthly basis.
- * 2. The encumbrance system be enhanced to ensure that purchase orders are issued prior to incurring expenditures.
- * 3. The Borough maintain a fixed asset accounting ledger in accordance with New Jersey Administrative Code 5:30-5.6.
- 4. All payments, made in excess of \$600, to non-incorporated vendors, be reported to the IRS on Form 1099.
- 5. All payroll tax remittance forms contain the address of the Borough.
- 6. At least two authorized signatures be obtained on all checks disbursed from the Housing and Open Space Trust accounts.
- 7. Appropriated grants and grant receivable balances be reviewed and action taken to clear of record.
- * 8. 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.
- * 9. Greater care be exercised in the billing and accounting of police off duty services.
- * 10. In regards to the Municipal departments:
 - a) All monies collected by Construction Code be deposited within forty-eight hours of receipt.
 - b) The Recreation Department registration forms be available for audit.
 - c) The Recreation Department's cash receipt ledger be reconciled with amounts recorded in the Treasurer's office on a monthly basis.

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