

BOROUGH OF CLOSTER
BERGEN COUNTY, NEW JERSEY
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2011

BOROUGH OF CLOSTER

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BOROUGH OF CLOSTER

BERGEN COUNTY

PART I

REPORT OF AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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INDEPENDENT AUDITOR'S 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, 2011 and 2010 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 various funds for the year ended December 31, 2011. 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 14 percent and 12 percent of the assets and liabilities, respectively, of the Borough's Trust Funds as of December 31, 2011 and 2010.

INDEPENDENT AUDITOR'S 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, 2011 and 2010, 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.

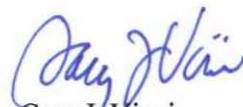
In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Fund financial statements been audited, the financial statements - regulatory basis referred to previously present fairly, in all material respects, the financial position - regulatory basis of the various funds and account group of the Borough of Closter as of December 31, 2011 and 2010 and the results of operations and changes in fund balance - regulatory basis of the various funds for the years then ended and the statements of revenues - regulatory basis and the expenditures - regulatory basis of the various funds for the year ended December 31, 2011 on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated July 13, 2012 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 as a whole. 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. The supplementary schedules and schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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

BOROUGH OF CLOSTER
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2011 AND 2010

ASSETS	<u>Reference</u>	<u>2011</u>	<u>2010</u>
Cash	A-4	\$ 3,089,079	\$ 2,313,473
Change Fund	A-6	250	250
Grants Receivable	A-11	<u>135,497</u>	<u>127,319</u>
		<u>3,224,826</u>	<u>2,441,042</u>
Receivables and Other Assets with Full Reserves			
Delinquent Property Taxes Receivable	A-8	414,583	933,794
Property Acquired for Taxes - Assessed Value	A	130,531	130,531
Prepaid School Tax	A-19		182,986
Due from Animal Control Fund	B-8	11,891	5,296
Due from Other Trust Fund - Payroll	B	431	431
Other Accounts Receivable	A	<u>4,000</u>	<u>4,000</u>
		<u>561,436</u>	<u>1,257,038</u>
Deferred Charges			
Special Emergency Authorizations (40A:4-55)	A-10	<u>601,600</u>	<u>32,400</u>
Total Assets		<u>\$ 4,387,862</u>	<u>\$ 3,730,480</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
Special Emergency Notes Payable	A-12	\$ 580,000	
Appropriation Reserves	A-3,A-13	906,086	\$ 491,529
Encumbrances Payable	A-14	236,935	426,453
Accounts Payable	A-15	50,000	1,750
Due to State of New Jersey			
Senior Citizens and Veterans Deductions	A-7	14,864	15,354
Department of Human Services - Marriage License Fees	A-25	300	335
State Training Fees	A-25	2,250	2,900
Due to Open Space Trust Fund	B-13	85	206,939
Due to Other Trust Fund	B-5	13,464	13,464
Due to General Capital Fund	C-7	45	205
Prepaid Taxes	A-17	241,422	182,141
Tax Overpayments	A-18	27,332	168,818
County Taxes Payable	A-20	2,029	13,147
Miscellaneous Reserves and Deposits	A-16	15,614	15,614
Other Liabilities	A	255	255
Reserve for Tax Appeals	A-24	210,304	143,249
Reserve for Appropriated Grants	A-22	87,478	90,462
Reserve for Unappropriated Grants	A-23	<u>31,673</u>	<u>15,997</u>
Total Liabilities		2,420,136	1,788,612
Reserve for Receivables and Other Assets		561,436	1,257,038
Fund Balance	A-1	<u>1,406,290</u>	<u>684,830</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 4,387,862</u>	<u>\$ 3,730,480</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF CLOSTER
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
REVENUES AND OTHER INCOME REALIZED			
Surplus Anticipated	A-2	\$ 500,000	\$ 425,000
Miscellaneous Revenues Anticipated	A-2	3,007,854	3,406,570
Receipts from Delinquent Taxes	A-2	933,718	490,132
Receipts from Current Taxes	A-2	41,672,678	40,633,349
Non-Budget Revenues	A-2	365,776	284,774
Other Credits to Income			
Interfunds Returned	A-1		3,242
Cancelled Payables	A-1		6,341
Unexpended Balance of Appropriation Reserves	A-13	<u>211,561</u>	<u>137,841</u>
 Total Revenues		 <u>46,691,587</u>	 <u>45,387,249</u>
 EXPENDITURES			
Municipal Budget	A-3	13,990,692	13,140,979
County Taxes	A-20	4,484,170	4,371,843
Local School District Taxes	A-19	16,753,492	16,503,848
Regional School District Taxes	A-21	10,608,557	10,447,114
Municipal Open Space Taxes	A-8,B-2	206,621	206,939
Interfund Advance	A,B-7	6,595	5,727
Refund of Prior Year Revenue	A-1		28,877
Establish Reserve for Prepaid School Tax	A-1	<u>-</u>	<u>182,986</u>
 Total Expenditures		 <u>46,050,127</u>	 <u>44,888,313</u>
 Excess in Revenues		 641,460	 498,936
 Expenditures Included Above Which are by Statute Deferred Charges to Budget of Succeeding Year	 A-10	 <u>580,000</u>	 <u>-</u>
 Statutory Excess to Fund Balance		 1,221,460	 498,936
 Fund Balance, January 1	 A	 <u>684,830</u>	 <u>610,894</u>
		1,906,290	1,109,830
Decreased by:			
Utilization as Anticipated Revenue	A-1,A-2	<u>500,000</u>	<u>425,000</u>
 Fund Balance, December 31	 A	 <u>\$ 1,406,290</u>	 <u>\$ 684,830</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF CLOSTER
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Reference	Budget	Anticipated Special N.J.S. 40A:4-87	Realized in 2011	Excess or (Deficit)
Fund Balance Utilized	A-1	\$ 500,000	-	\$ 500,000	-
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A-9	27,000		28,028	\$ 1,028
Other	A-2	13,000		18,774	5,774
Fees and Permits		116,000		129,565	13,565
Fines and Costs - Municipal Court	A-9	91,000		127,033	36,033
Interest on Costs on Taxes	A-9	94,000		200,217	106,217
Interest on Investments and Deposits	A-2	7,771		8,366	595
Cable Television Franchise Fees	A-9	97,761		97,761	
Energy Receipts Tax	A-9	1,491,991		1,491,991	
Watershed Moratorium Offset Aid-2010	A-9	13,489		13,489	
Watershed Moratorium Offset Aid-2011	A-23	13,489		13,489	
Uniform Construction Code Fees	A-9	292,000		256,868	(35,132)
Inter-Borough Police Radio	A-9	143,625		157,360	13,735
Borough of Harrington Park - Gasoline	A-9	36,334		54,696	18,362
Clean Communities Grant	A-23	2,508		2,508	
Clean Communities Grant	A-11		\$ 13,192	13,192	
Police Body Armor Replacement	A-11		2,204	2,204	
Recreation Opportunity	A-11		10,000	10,000	
Alcohol Education and Rehabilitation	A-11	1,530	863	863	1,530
Green Team Mini Grant	A-11		300	300	
Bergen County 200 Club	A-11		987	987	
Office of Homeland Security - Buffer Zone Protection	A-11		24,608	24,608	
Uniform Fire Safety Act	A-9	39,300		13,572	(25,728)
Cell Tower Rental	A-9	59,400		59,247	(153)
Prepaid School Tax	A-9	182,986		182,986	
General Capital Surplus	C-1	25,000		25,000	
Reimbursement from Library	A-9	59,000			(59,000)
Rental Payments	A-9	11,000		13,750	2,750
Alpine Sewer Connection Fees	A-9	6,660		9,156	2,496
Insurance Recovery	A-9	49,517	-	51,844	2,327
Total Miscellaneous Revenues		2,874,361	52,154	3,007,854	81,339
Receipts from Delinquent Taxes	A-8	625,000	-	933,718	308,718
Amount to be Raised by Taxes for Support of Municipal Budget	A-2	10,204,154	-	10,464,813	260,659
Total General Revenues	A-3	\$ 14,203,515	\$ 52,154	14,906,385	\$ 650,716
Non-Budget Revenues	A-1,A-2			365,776	
				<u>\$ 15,272,161</u>	

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF CLOSTER
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

	<u>Reference</u>	
Analysis of Realized Revenues		
Allocation of Current Tax Collections		
Revenues from Collections	A-1,A-8	\$ 41,672,678
Less: Allocation to School, County, and Municipal Open Space Taxes	A-19,A-20,A-21,B-2	<u>32,052,840</u>
Balance for Support of Municipal Budget Appropriation		9,619,838
Add Appropriation - "Reserve for Uncollected Taxes"	A-3	<u>844,975</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 10,464,813</u>
Licenses-Other		
Borough Clerk	A-9	\$ 1,575
Board of Health	A-9	<u>17,199</u>
	A-2	<u>\$ 18,774</u>
Fees and Permits-Other		
Borough Clerk	A-9	\$ 2,378
Tax Collector / Treasurer	A-9	100
Police	A-9	33,575
Planning	A-9	12,289
Zoning	A-9	13,494
Public Works	A-9	55,559
Board of Health	A-9	<u>12,170</u>
	A-2	<u>\$ 129,565</u>
Interest on Investments and Deposits		
Revenue Accounts Receivable	A-9	\$ 2,619
Due from General Capital Fund	C-7	461
Due from Other Trust Fund	B-5	<u>5,286</u>
	A-2	<u>\$ 8,366</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF CLOSTER
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

	<u>Reference</u>	
Non-Budget Revenue		
Tax Collector / Treasurer		\$ 35,438
Special Tax Assessment - Spectrum		37,684
DPW		36,816
Tax Penalties		55,322
Borough Clerk		961
Construction Code		8,331
Administration Fee - Senior Citizens and Veterans		1,419
Administration Fees - Police Outside Services		87,064
Tax Overpayments Cancelled		58,896
Statutory Excess - Animal Control		6,595
FEMA Reimbursement - Snow Storm		31,398
Miscellaneous		<u>5,852</u>
	A-2	<u>\$ 365,776</u>
Analysis of Non-Budget Revenue		
Cash Receipts	A-4	\$ 359,181
Statutory Excess - Animal Control	B-6	<u>6,595</u>
		<u>\$ 365,776</u>

**BOROUGH OF CLOSTER
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Appropriated</u>		<u>Expended</u>		
	<u>2011 Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS WITHIN "CAPS"					
GENERAL GOVERNMENT FUNCTIONS					
General Administration					
Salaries and Wages	\$ 147,103	\$ 147,103	\$ 147,103		
Other Expenses	16,500	16,500	16,444	\$ 56	
Municipal Clerk's Office					
Salaries and Wages	154,719	154,719	151,809	2,910	
Other Expenses	15,750	15,750	12,171	3,579	
Elections	7,500	7,500	7,110	390	
Financial Administration					
Salaries and Wages	85,213	85,213	81,961	3,252	
Other Expenses	49,631	49,731	49,673	58	
Audit Services					
Other Expenses	39,300	39,300	38,800	500	
Information Technology					
Salaries and Wages	10,536	10,536	10,535	1	
Other Expenses	4,200	4,200	2,521	1,679	
Tax Assessment Administration					
Salaries and Wages	54,102	54,102	54,102		
Other Expenses	3,450	3,450	2,788	662	
Revenue Administration					
Salaries and Wages	134,103	134,103	133,104	999	
Other Expenses	21,650	21,650	10,366	11,284	
Legal Services and Costs					
Other Expenses	164,000	154,000	126,186	27,814	
Engineering Services					
Other Expenses	28,000	28,000	22,236	5,764	
Monitoring Wells	4,500	4,500		4,500	
Economic Development					
Closter Improvement Committee	5,870	5,870	2,189	3,681	
Historical Commission					
Other Expenses	3,000	3,000	2,010	990	
Municipal Land Use Law (NJSA 40:44D-1)					
Planning Board					
Salaries and Wages	13,650	13,650	13,563	87	
Other Expenses	48,100	43,100	18,386	24,714	
Zoning Board of Adjustment					
Salaries and Wages	17,025	17,375	17,291	84	
Other Expenses	17,100	18,100	17,991	109	
Insurance					
Unemployment Insurance	14,000	15,500	15,142	358	
Other Insurance Premiums	10,000	10,000	8,337	1,663	
General Liability	199,600	199,600	191,523	8,077	
Workers Compensation Insurance	195,500	195,500	190,279	5,221	
Employee Group Health	1,010,077	1,010,077	836,033	174,044	
Health Benefit Waiver	8,000	8,000		8,000	
PUBLIC SAFETY FUNCTIONS					
Police Department					
Salaries and Wages	2,861,044	2,861,044	2,839,023	22,021	
Other Expenses	75,500	88,875	86,400	2,475	
Acq. Of Police Vehicles	21,100	21,100	18,090	3,010	
911 Dispatch Services - Contractual					
Office of Emergency Management					
Salaries and Wages	7,372	7,472	7,380	92	
Other Expenses	6,750	8,750	7,888	862	
First Aid Organization - Contribution	11,400	11,400	11,400		

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF CLOSTER
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Appropriated</u>		<u>Expended</u>		
	<u>2011 Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS WITHIN "CAPS"					
PUBLIC SAFETY FUNCTIONS (Continued)					
Fire Prevention Bureau/Uniform Fire Safety					
Salaries and Wages	\$ 31,600	\$ 35,600	\$ 35,530	\$ 70	
Other Expenses	3,350	3,350	2,187	1,163	
Fire Protection					
Other Expenses	38,600	38,600	23,433	15,167	
Clothing Allowance	16,000	16,000	15,510	490	
Fire Hydrant Services	153,000	153,100	153,057	43	
Municipal Prosecutor					
Other Expenses	6,500	6,500	5,980	520	
PUBLIC WORKS FUNCTIONS					
Streets and Road Maintenance					
Salaries and Wages	875,339	877,339	876,768	571	
Other Expenses	39,200	39,200	35,118	4,082	
Snow Removal					
Other Expenses	16,250	16,250	15,680	570	
Shade Tree Commission					
Salaries and Wages	4,325	5,875	5,824	51	
Other Expenses	40,000	38,700	35,547	3,153	
Solid Waste Collection					
Salaries and Wages	340,961	340,961	268,370	72,591	
Other Expenses	3,500	3,500	3,476	24	
Recycling					
Salaries and Wages	51,229	51,329	51,229	100	
Other Expenses	1,000	1,000	1,000		
Public Building and Grounds					
Salaries and Wages	56,799	56,799	54,798	2,001	
Other Expenses	25,000	29,000	26,936	2,064	
Vehicle Maintenance					
Salaries and Wages	95,838	95,838	95,838		
Other Expenses	165,000	165,000	162,929	2,071	
HEALTH AND HUMAN SERVICES FUNCTIONS					
Public Health Services					
Salaries and Wages	58,012	58,112	58,030	82	
Other Expenses	69,889	69,889	69,550	339	
Environmental Commission					
Other Expenses	3,250	3,250	2,176	1,074	
Animal Control					
Other Expenses	13,329	13,329	13,329		
Aid to Mental Health Center	1,000	1,000	1,000		
PARKS AND RECREATION FUNCTIONS					
Maintenance of Parks and Playgrounds	39,000	41,800	41,704	96	
Senior Citizens					
Other Expenses	3,800	3,800	3,800		
Board of Recreation Commissioners					
Salaries and Wages	63,705	63,805	63,710	95	
Other Expenses	35,000	35,000	30,208	4,792	
EDUCATION FUNCTIONS					
Contribution to Belskie Museum	7,125	7,125	7,125		
OTHER COMMON OPERATING FUNCTIONS					
Celebration of Public Events					
Other Expenses	2,500	2,500	2,186	314	

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF CLOSTER
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Appropriated</u>		<u>Expended</u>		
	<u>2011 Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS WITHIN "CAPS"					
LANDFILL/SOLID WASTE DISPOSAL COSTS					
Solid Waste Recycling Landfill and Contingency Taxes	\$ 243,200	\$ 243,200	\$ 239,718	\$ 3,482	
MUNICIPAL COURT					
Salaries and Wages	93,122	91,422	87,664	3,758	
Other Expenses	3,600	4,600	3,676	924	
Public Defender (P.L. 1997, C.256)					
Other Expenses	1,800	1,800	1,800		
UNIFORM CONSTRUCTION CODE APPROPRIATIONS OFFSET BY DEDICATED REVENUES (N.J.A.C. 5:23-4-17)					
Uniform Construction Code Enforcement Functions					
Salaries and Wages	160,846	160,846	160,220	626	
Other Expenses	8,200	8,200	7,637	563	
Other Code Enforcement Functions					
Zoning Officer					
Salaries and Wages	24,157	24,157	24,157		
Other Expenses	500	500		500	
Property Maintenance					
Salaries and Wages	37,522	37,522	35,584	1,938	
Other Expenses	500	500	5	495	
UNCLASSIFIED					
Accumulated Leave		580,000	220,000	360,000	
Utilities					
Electricity	120,000	102,300	79,188	23,112	
Street Lighting	75,000	85,000	85,000		
Telephone and Telegraph	77,000	89,700	89,000	700	
Water	18,000	18,000	14,966	3,034	
Natural Gas	23,000	23,000	19,527	3,473	
Sewer System	2,500	2,500	753	1,747	
Gasoline	154,700	144,700	137,777	6,923	-
Total Operations Within "CAPS"	<u>8,769,093</u>	<u>9,360,268</u>	<u>8,518,534</u>	<u>841,734</u>	<u>-</u>
Detail:					
Salaries and Wages	5,378,322	5,964,922	5,493,593	471,329	-
Other Expenses	3,390,771	3,395,346	3,024,941	370,405	-
DEFERRED CHARGES AND REGULATORY EXPENDITURES-MUNICIPAL-WITHIN "CAPS"					
STATUTORY EXPENDITURES					
Contribution to:					
Social Security System (O.A.S.I.)	259,250	246,450	241,211	5,239	
Police and Firemen's Retirement Fund of NJ	703,742	703,742	703,742		
Public Employees' Retirement System	271,233	271,233	271,233	-	-
Total Deferred Charges and Statutory Expenditures - Within "CAPS"	<u>1,234,225</u>	<u>1,221,425</u>	<u>1,216,186</u>	<u>5,239</u>	<u>-</u>
Total General Appropriations for Municipal Purposes within "CAPS"	<u>10,003,318</u>	<u>10,581,693</u>	<u>9,734,720</u>	<u>846,973</u>	<u>-</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF CLOSTER
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Appropriated</u>	<u>Expended</u>			
	<u>2011 Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
UTILITY EXPENSES AND BULK PURCHASES					
Bergen County Utilities Authority-Contractual	\$ 792,074	\$ 792,074	\$ 792,074		
EDUCATION FUNCTIONS					
Maintenance of Free Public Library	717,944	717,944	717,873	\$ 71	
GENERAL GOVERNMENT FUNCTIONS					
Reserve for Tax Appeals	150,000	150,000	150,000		
PUBLIC SAFETY FUNCTIONS					
Length of Service Awards Program (LOSAP)	35,500	35,500	1,500	34,000	
INSURANCE					
Employee Group Health	<u>19,923</u>	<u>19,923</u>	<u>-</u>	<u>19,923</u>	<u>-</u>
Total Other Operations - Excluded from "CAPS"	<u>1,715,441</u>	<u>1,715,441</u>	<u>1,661,447</u>	<u>53,994</u>	<u>-</u>
INTERLOCAL MUNICIPAL SERVICE AGREEMENTS					
Inter-Borough Police Radio - Other Municipalities					
Salaries and Wages	138,252	138,252	138,250	2	
Other Expenses	5,373	6,998	6,989	9	
Inter-Borough Police Radio - Other Municipalities					
911 Dispatch Services - Contractual	114,426	114,426	114,426		
Borough of Harrington Park					
Gasoline	<u>36,334</u>	<u>36,334</u>	<u>36,173</u>	<u>161</u>	<u>-</u>
Total Interlocal Municipal Service Agreements	<u>294,385</u>	<u>296,010</u>	<u>295,838</u>	<u>172</u>	<u>-</u>
PUBLIC AND PRIVATE PROGRAMS					
OFFSET BY REVENUES					
FEDERAL AND STATE GRANTS					
Clean Communities Grant	2,508	2,508	2,508		
Clean Communities Grant		13,192	13,192		
Police Body Armor Grant		2,204	850	1,354	
Bergen County 200 Club		987	987		
Recreation Opportunity 2011					
State Share		10,000	8,881	1,119	
Office of Homeland Security					
Buffer Zone Protection Program		24,608	24,567	41	
Green Team Mini Grant		300	300		
Alcohol Education and Rehabilitation	<u>1,530</u>	<u>2,393</u>	<u>260</u>	<u>2,133</u>	<u>-</u>
Total Public and Private Programs Offset by Revenues	<u>4,038</u>	<u>56,192</u>	<u>51,245</u>	<u>4,947</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>2,013,864</u>	<u>2,067,643</u>	<u>2,008,530</u>	<u>59,113</u>	<u>-</u>
Detail:					
Salaries and Wages	138,252	138,252	138,250	2	-
Other Expenses	<u>1,875,612</u>	<u>1,929,391</u>	<u>1,870,280</u>	<u>59,111</u>	<u>-</u>

BOROUGH OF CLOSTER
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Appropriated</u>		<u>Expended</u>		
	<u>2011 Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	\$ 50,000	\$ 50,000	\$ 50,000	-	-
Total Capital Improvements - Excluded from "CAPS"	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	-	-
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	790,000	790,000	790,000		
Interest on Bonds	486,732	486,732	486,731		\$ 1
Green Trust Loan Program	3,826	3,826	3,825	-	1
Total Municipal Debt Service - Excluded from "CAPS"	<u>1,280,558</u>	<u>1,280,558</u>	<u>1,280,556</u>	-	2
DEFERRED CHARGES					
Special Emergency Authorizations - 5 yrs. (N.J.S. 40A:4-55)	10,800	10,800	10,800	-	-
Total Deferred Charges - Municipal Excluded from "CAPS"	<u>10,800</u>	<u>10,800</u>	<u>10,800</u>	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>3,355,222</u>	<u>3,409,001</u>	<u>3,349,886</u>	\$ 59,113	2
Subtotal General Appropriations	13,358,540	13,990,694	13,084,606	906,086	2
RESERVE FOR UNCOLLECTED TAXES	<u>844,975</u>	<u>844,975</u>	<u>844,975</u>	-	-
Total General Appropriations	<u>\$ 14,203,515</u>	<u>\$ 14,835,669</u>	<u>\$ 13,929,581</u>	<u>\$ 906,086</u>	<u>\$ 2</u>

	<u>Reference</u>		
	A-2		A
Adopted Budget	A-2	\$ 14,203,515	
N.J.S.A. 40A:4-87	A-2	52,154	
Special Emergency Appropriation	A-10	<u>580,000</u>	
		<u>\$ 14,835,669</u>	
Cash Disbursements	A-4		\$ 12,686,871
Encumbrances Payable	A-14		236,935
Special Emergency Authorizations	A-10		10,800
Reserve for Tax Appeals	A-24		150,000
Reserve for Uncollected Taxes	A-3		<u>844,975</u>
			<u>\$ 13,929,581</u>

BOROUGH OF CLOSTER
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2011 AND 2010

ASSETS	<u>Reference</u>	<u>2011</u>	<u>2010</u>
Animal Control Fund			
Cash	B-3	\$ 19,857	\$ 13,996
		<u>19,857</u>	<u>13,996</u>
Other Trust Fund			
Cash	B-3	1,760,138	1,861,704
Due From Current Fund	B-5	<u>13,464</u>	<u>13,464</u>
		<u>1,773,602</u>	<u>1,875,168</u>
Open Space Preservation Trust Fund			
Cash	B-3	871,639	855,416
Due From Current Fund	B-13	<u>85</u>	<u>206,939</u>
		<u>871,724</u>	<u>1,062,355</u>
Length of Service Awards Program Fund (Unaudited)			
Investment	B	385,019	365,736
Contribution Receivable	B	<u>38,650</u>	<u>37,700</u>
		<u>423,669</u>	<u>403,436</u>
 Total Assets		 <u>\$ 3,088,852</u>	 <u>\$ 3,354,955</u>

**BOROUGH OF CLOSTER
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2011 AND 2010**

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Animal Control Fund			
Due to State of New Jersey	B-7	\$ 14	\$ 4
Due to Current Fund	B-8	11,891	5,296
Reserve for Animal Control Expenditures	B-6	<u>7,952</u>	<u>8,696</u>
		<u>19,857</u>	<u>13,996</u>
Other Trust Fund			
Escrow and Miscellaneous Reserves	B-9	1,730,941	1,872,318
Reserve for Payroll and Payroll Liabilities	B-10	41,538	1,727
Due to Current Fund - Payroll	B	431	431
Fund Balance	B-1	<u>692</u>	<u>692</u>
		<u>1,773,602</u>	<u>1,875,168</u>
Open Space Preservation Trust Fund			
Due to General Capital Fund	C-8		108,940
Reserve for Open Space Expenditures	B-12	<u>871,724</u>	<u>953,415</u>
		<u>871,724</u>	<u>1,062,355</u>
Length of Service Awards Program Fund (Unaudited)			
Reserve for Length of Service Award Program	B	<u>423,669</u>	<u>403,436</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 3,088,852</u>	<u>\$ 3,354,955</u>

BOROUGH OF CLOSTER
STATEMENT OF FUND BALANCE - OTHER TRUST FUND
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Balance, January 1	\$ <u>692</u>	\$ <u>692</u>
Balance, December 31	\$ <u>692</u>	\$ <u>692</u>

BOROUGH OF CLOSTER
STATEMENT OF REVENUES - REGULATORY BASIS - OPEN SPACE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Reference</u>	2011 Modified Budget	2011 Realized	Excess or (Deficit)
Amount to be Raised by Taxation	B-12	\$206,621	\$ 206,621	\$ -
		<u>\$206,621</u>	206,621	<u>\$ -</u>
Non-Budget	B-12		<u>2,438</u>	
			<u>\$ 209,059</u>	

EXHIBIT B-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS - OPEN SPACE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Reference</u>	2011 Modified Budget	Paid or Charged	Excess or (Deficit)
Maintenance of Land for Recreation and Conservation		\$206,621	\$ 206,621	\$ -
	B-1		B-12	

BOROUGH OF CLOSTER
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2011 AND 2010

ASSETS	<u>Reference</u>	<u>2011</u>	<u>2010</u>
Cash	C-2, C-3	\$ 759,441	\$ 607,537
Grants Receivable	C-6	744,614	703,998
Due From Current Fund	C-7	45	205
Due From Open Space Trust Fund	C-8		108,940
Deferred Charges to Future Taxation			
Funded	C-4	10,639,205	11,432,517
Unfunded	C-5	<u>1,119,262</u>	<u>889,262</u>
 Total Assets		 <u>\$ 13,262,567</u>	 <u>\$ 13,742,459</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
Serial Bonds	C-10	\$ 10,616,000	\$ 11,406,000
Green Acres Trust Fund Loan Payable	C-9	23,205	26,517
Bond Anticipation Notes Payable	C-11	840,000	
Improvement Authorizations			
Funded	C-12	536,261	1,330,823
Unfunded	C-12	242,669	479,325
Encumbrances Payable	C-13	712,922	223,374
Capital Improvement Fund	C-14	44,484	4,484
Miscellaneous Reserves	C	11,000	11,000
Reserve for Payment of Bonds	C	178,526	178,526
Fund Balance	C-1	<u>57,500</u>	<u>82,500</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 13,262,567</u>	 <u>\$ 13,742,549</u>

There were bonds and notes authorized but not issued of \$279,262 and \$889,262 at December 31, 2011 and 2010, respectively (Exhibit C-15).

BOROUGH OF CLOSTER
COMPARATIVE STATEMENTS OF FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
Balance, January 1	C	\$ 82,500	\$ 106,594
Increased by:			
Improvement Authorizations Cancelled	C-1	90,267	
Premium on Sale of Bonds	C-1	<u>-</u>	<u>906</u>
		<u>172,767</u>	<u>107,500</u>
Decreased by:			
Refund to Interboro Municipalities	C-1	90,267	
Anticipated as Current Fund Revenue	C-1,C-7	<u>25,000</u>	<u>25,000</u>
		<u>115,267</u>	<u>25,000</u>
Balance, December 31	C	<u>\$ 57,500</u>	<u>\$ 82,500</u>

**BOROUGH OF CLOSTER
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
PUBLIC ASSISTANCE FUND
AS OF DECEMBER 31, 2011 AND 2010**

ASSETS	<u>Reference</u>	<u>2011</u>	<u>2010</u>
Cash	D-1	\$ <u>6,838</u>	\$ <u>9,247</u>
		<u>\$ 6,838</u>	<u>\$ 9,247</u>
 LIABILITIES			
Reserve for Expenditures	D-2	\$ <u>6,838</u>	\$ <u>9,247</u>
		<u>\$ 6,838</u>	<u>\$ 9,247</u>

**BOROUGH OF CLOSTER
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
AS OF DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
ASSETS		
Land and Land Improvements	\$ 78,775,600	\$ 78,775,600
Buildings and Building Improvements	5,388,561	5,351,861
Vehicles and Equipment	<u>7,382,644</u>	<u>8,505,150</u>
	<u>\$ 91,546,805</u>	<u>\$ 92,632,611</u>
FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 91,546,805</u>	<u>\$ 92,632,611</u>

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

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, 2011 AND 2010**

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 Preservation 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, 2011 AND 2010**

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, 2011 AND 2010**

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 2011 and 2010 the Borough Council increased the original budget by \$632,154 and \$69,077. The increases were attributable to additional aid allotted to the Borough and a special emergency authorization in 2011 for employee severance liabilities. In addition, the governing body approved several budget transfers during 2011 and 2010.

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 unmaturing 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, 2011 AND 2010**

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, 2011 AND 2010**

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 purchased after December 31, 1989 are stated as cost. Donated fixed assets are recorded at estimated fair market value at the date of donation.

Fixed Assets purchased prior to December 31, 1989 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 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 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, 2010 balances to conform to the December 31, 2011 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, 2011 AND 2010**

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 the lesser 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, 2011 and 2010, the book value of the Borough's deposits were \$6,507,242 and \$5,661,623 and bank and brokerage firm balances of the Borough's deposits amounted to \$6,653,097 and \$5,676,199, respectively. The Borough's deposits which are displayed on the various fund balance sheets as “cash” are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2011</u>	<u>2010</u>
Insured	<u>\$ 6,653,097</u>	<u>\$ 5,676,199</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2011 and 2010, 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, 2011 AND 2010**

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

As of December 31, 2011 and 2010, the Borough had the following investments:

Investment	<u>Fair Value</u>	
	<u>2011</u>	<u>2010</u>
Length of Service Awards Program Lincoln Financial (Unaudited)	\$ 385,019	\$ 365,736
	<u>\$ 385,019</u>	<u>\$ 365,736</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, 2011 and 2010, \$385,019 and \$365,736 of the Borough's investments was exposed to custodial credit risk as follows:

Uninsured and Collateralized:	<u>Fair Value</u>	
	<u>2011</u>	<u>2010</u>
Collateral held by pledging financial institution's trust department but not in the Borough's name (Unaudited)	\$ 385,019	\$ 365,736

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

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

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

NOTE 3 TAXES RECEIVABLE

Receivables at December 31, 2011 and 2010 consisted of the following:

<u>Current</u>	<u>2011</u>	<u>2010</u>
Property Taxes	\$ 414,583	\$ 933,794
	<u>\$ 414,583</u>	<u>\$ 933,794</u>

In 2011 and 2010, the Borough collected \$933,718 and \$490,132 from delinquent taxes, which represented 100% and 99% of the prior year delinquent taxes receivable balance.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

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>2011</u>	<u>2010</u>
Issued		
General		
Bonds, Notes and Loans	\$ 11,479,205	\$ 11,432,517
Less Funds Temporarily Held to Pay Bonds and Notes	<u>178,526</u>	<u>178,526</u>
Net Debt Issued	11,300,679	11,253,991
Authorized But Not Issued		
General		
Bonds and Notes	<u>279,262</u>	<u>889,262</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 11,579,941</u>	<u>\$ 12,143,253</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 .53% and .54% at December 31, 2011 and 2010, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2011</u>			
General Debt	\$ 11,758,467	\$ 178,526	\$ 11,579,941
School Debt	<u>9,095,631</u>	<u>9,095,631</u>	<u>-</u>
Total	<u>\$ 20,854,098</u>	<u>\$ 9,274,157</u>	<u>\$ 11,579,941</u>
	<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>

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

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>2011</u>	<u>2010</u>
3-1/2% of Equalized Valuation Basis (Municipal) Net Debt	\$ 75,377,035 <u>11,579,941</u>	\$ 78,394,767 <u>12,143,253</u>
Remaining Borrowing Power	<u>\$ 63,797,094</u>	<u>\$ 66,251,514</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>2011</u>	<u>2010</u>
\$4,860,000, 2001 Bonds, due in annual installment of \$460,000 through July, 2014, interest at 4.250%	\$ 1,380,000	\$ 1,830,000
\$6,909,000, 2005 Bonds, due in annual installments of \$365,000 to \$1,054,000 through October, 2018, interest at 3.75% to 3.80%	5,174,000	5,514,000
\$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>4,062,000</u>
	<u>\$ 10,616,000</u>	<u>\$ 11,406,000</u>

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

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>2011</u>	<u>2010</u>
\$62,798, 1997 Loan, due in Semi-annual installments of \$1,680 to \$1,894 through March, 2018, interest at 2.0%	\$ 23,205	\$ 26,517
	<u>\$ 23,205</u>	<u>\$ 26,517</u>

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2011 is as follows:

Calendar Year	<u>General Obligation Bonds</u>		<u>Intergovernmental Loans</u>		Total
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
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	1,422,000	201,312	3,657	168	1,627,137
2017-2021	<u>4,044,000</u>	<u>295,449</u>	<u>5,623</u>	<u>113</u>	<u>4,345,185</u>
	<u>\$ 10,616,000</u>	<u>\$ 1,829,667</u>	<u>\$ 23,205</u>	<u>\$ 1,657</u>	<u>\$ 12,470,529</u>

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years ended December 31, 2011 and 2010 were as follows:

	Balance, December 31, <u>2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2011</u>	Due Within <u>One Year</u>
<u>2011</u>					
General Capital Fund					
Bonds Payable	\$ 11,406,000		\$ 790,000	\$ 10,616,000	\$ 1,210,000
Intergovernmental Loans Payable	<u>26,517</u>	<u>-</u>	<u>3,312</u>	<u>23,205</u>	<u>3,378</u>
General Capital Fund Long-Term Liabilities	<u>\$ 11,432,517</u>	<u>\$ -</u>	<u>\$ 793,312</u>	<u>\$ 10,639,205</u>	<u>\$ 1,213,378</u>

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 4 MUNICIPAL DEBT (Continued)

Changes in Long-Term Municipal Debt (Continued)

	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>3,312</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>\$ 793,312</u>

Short-Term Debt

The Borough's short-term capital debt activity for the years ended December 31, 2011 and 2010 was as follows:

	Balance, December 31, <u>2010</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2011</u>
<u>2011</u>				
General Capital Fund				
Bond Anticipation Notes	<u>\$ -</u>	<u>\$ 840,000</u>	<u>\$ -</u>	<u>\$ 840,000</u>
	Balance, December 31, <u>2009</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2010</u>
<u>2010</u>				
General Capital Fund				
Bond Anticipation Notes	<u>\$ 4,499,464</u>	<u>\$ -</u>	<u>\$ 4,499,464</u>	<u>\$ -</u>

In addition to the debt shown in the above schedule, municipalities may issue debt to finance special emergency appropriations to temporarily finance operating expenditures. This debt which is not included in the Borough's statutory debt limit calculation is reported in the Current Fund for the year 2011 as follows:

	Balance, December 31, <u>2010</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2011</u>
<u>2011</u>				
Current Fund				
Special Emergency Notes	<u>\$ -</u>	<u>\$ 580,000</u>	<u>\$ -</u>	<u>\$ 580,000</u>

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

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, 2011 and 2010.

	Balance December 31, <u>2010</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2011</u>
<u>2011</u>				
Land	\$ 78,775,600			\$ 78,775,600
Buildings and Building Impvts.	5,351,861	\$ 36,700		5,388,561
Machinery and Equipment	<u>8,505,150</u>	<u>-</u>	<u>\$ 1,122,506</u>	<u>7,382,644</u>
	<u>\$ 92,632,611</u>	<u>\$ 36,700</u>	<u>\$ 1,122,506</u>	<u>\$ 91,546,805</u>
	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>

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>2011</u>		<u>2010</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	\$ 12,322	\$ 13,594	\$ 5,727	\$ 220,608
Trust Fund				
Open Space Trust Fund	85		206,939	108,940
Other Trust Fund	13,464	431	13,464	431
Animal Control Fund		11,891		5,296
General Capital Fund	<u>45</u>	<u>-</u>	<u>109,145</u>	<u>-</u>
Total	<u>\$ 25,916</u>	<u>\$ 25,916</u>	<u>\$ 335,275</u>	<u>\$ 335,275</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, 2011 AND 2010**

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>2011</u>	Utilized in Subsequent Year's Budget	Fund Balance December 31, <u>2010</u>	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	\$ 1,249,193	\$ 925,000	\$ 525,111	\$ 500,000
Non-Cash Surplus	<u>157,097</u>	<u>-</u>	<u>159,719</u>	<u>-</u>
	<u>\$ 1,406,290</u>	<u>\$ 925,000</u>	<u>\$ 684,830</u>	<u>\$ 500,000</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:

	Balance December 31,	Subsequent Year Budget Appropriation	Balance to Succeeding Budgets
<u>2011</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	<u>\$ 601,600</u>	<u>\$ 126,800</u>	<u>\$ 474,800</u>
	Balance December 31,	Subsequent Year Budget Appropriation	Balance to Succeeding Budgets
<u>2010</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	<u>\$ 32,400</u>	<u>\$ 10,800</u>	<u>\$ 21,600</u>

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

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 \$1,426,603 and \$1,887,000 at December 31, 2011 and 2010, 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, 2011 and 2010, the Borough has reserved \$360,962 and \$62,962, 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 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, 2011 AND 2010**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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/pensions.

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. 2011, c.78, effective June 28, 2011, made various changes to the manner in which PERS and PFRS operate and to the benefit provisions of those systems.

This new legislation's provisions impacting employee pension and health benefits include:

- New members of PERS hired on or after June 28, 2011 (Tier 5 members), will need 30 years of creditable service and to attain age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1 percent for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 62 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60 percent instead of 65 percent of the member's final compensation plus 1 percent for each year of creditable service over 25 years but not to exceed 30 years.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Significant Legislation (Continued)

- Active member contribution rates will increase. PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years, PFRS and PERS Prosecutors Part active member rates increase from 8.5 percent to 10 percent. For Fiscal Year 2012, the member contribution rates increase in October 2011. The phase-in of the additional incremental member contributions for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.

In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS and PFRS, is 70.5 percent with an unfunded actuarial accrued liability of \$36.3 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 65.2 percent and \$25.6 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 78.5 percent and \$10.7 billion, respectively.

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

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

Actuarial Methods and Assumptions

In the July 1, 2010 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 6.50% for PERS and 8.50% for PFRS of employees' annual compensation.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2011 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, 2011, 2010 and 2009, 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>
2011	\$ 703,742	\$ 271,233
2010	617,039	235,418
2009	591,395	217,202

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 547 state and local participating employers and contributing entities for Fiscal Year 2011.

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.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 11 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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.

Significant Legislation

P.L. 2011, c.78, effective October 2011, sets new employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to this new legislation's effective date with a minimum contribution required to be at least 1.5% of salary.

Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date, the State had a \$59.3 billion unfunded actuarial liability for other postemployment benefits (OPEB) which is made up of \$21.1 billion for state active and retired members and \$38.2 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 July 1, 2010 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.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 11 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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, 2011, there were 93,323 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 \$108.1 million for 8,161 eligible retired members for Fiscal Year 2011. This benefit covers the PFRS.

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 \$34.2 million in Fiscal Year 2011 to provide benefits under Chapter 330 to qualified retirees.

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The Borough's contributions to the State Health Benefits Program Fund for post-retirement benefits for the years ended December 31, 2011, 2010 and 2009 were \$159,014, \$137,690 and \$123,460, 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.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 12 RISK MANAGEMENT (Continued)

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

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

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

NOTE 13 CONTINGENT LIABILITIES

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

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2011 and 2010. 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, 2011 and 2010, the Borough reserved \$210,304 and \$143,249, 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, 2011 and 2010, 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, 2011 and 2010, Borough has not estimated its estimated arbitrage earnings due to the IRS, if any.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

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.

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 \$33,150 and \$32,700 for 2011 and 2010, respectively, into the Plan. The Borough of Alpine has contributed \$5,500 and \$5,000 for 2011 and 2010, 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.

**BOROUGH OF CLOSTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 16 OPERATING LEASES

The Borough leases police vehicles under noncancelable operating leases. Lease payments for the years ended December 31, 2011 and 2010 were \$18,090 and \$22,656, respectively.

NOTE 17 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of December 31, 2011, the Borough had the following commitments with respect to unfinished capital projects:

<u>Capital Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
2009 SAFE Sidewalks Project	\$184,178	2012
Acquisition of a Roll Off Truck	129,000	2012
Acquisition of DPW Equipment, Hook Lift, Plow	88,576	2012
Acquisition of Street Sweeper	170,335	2012

NOTE 18 SUBSEQUENT EVENTS

Refunding Bonds

On March 14, 2012, the Borough adopted a resolution for the issuance of refunding bonds for the refunding of a portion of the Borough's 2005 General Improvement Bonds. On May 22, 2012, the Borough awarded the sale of said bonds to Janney Montgomery Scott, LLC at an interest rate of 1.00-3.00%. These bonds dated June 15, 2012 will mature over 6 years with the first maturity due October 15, 2013.

Debt Authorized

On April 25, 2012 the Borough adopted a Bond Ordinance authorizing the issuance of \$1,072,550 in Bonds or Bond Anticipation Notes to fund certain capital projects. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.

On April 25, 2012 the Borough adopted a Bond Ordinance authorizing the issuance of \$290,600 from the Closter Open Space, Recreation, Farmland, and Historic Preservation Improvements.

On May 23, 2012 the Borough adopted a Bond Ordinance authorizing the issuance of \$294,500 in Bonds or Bond Anticipation Notes to fund certain capital projects. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.

SUPPLEMENTAL SCHEDULES

CURRENT FUND

BOROUGH OF CLOSTER
STATEMENT OF CASH AND INVESTMENTS - COLLECTOR-TREASURER

Balance, December 31, 2010		\$ 2,313,473
Increased by Receipts:		
Taxes Receivable	\$ 42,313,696	
Revenue Accounts Receivable	2,725,970	
Non Budget Revenue	359,181	
Prepaid Taxes	241,422	
Grants Receivable	43,976	
Petty Cash Returned	500	
Due to State of New Jersey	9,253	
Receipts from General Capital Fund	25,506	
Receipts from Other Trust Fund	5,286	
Unappropriated Reserves for Grants	31,673	
Special Emergency Notes Payable	580,000	
Tax Overpayments	100,074	
Senior Citizens' and Veterans' Deductions	70,941	
	<u>46,507,478</u>	46,507,478
		48,820,951
Decreased by Disbursements:		
2011 Appropriations	12,686,871	
2010 Appropriation Reserves	208,956	
Encumbrances Payable	425,341	
Petty Cash Issued	500	
Tax Overpayments	202,432	
County Taxes	4,495,288	
Local District School Taxes	16,570,506	
Regional School Taxes	10,608,557	
Accounts Payable	1,750	
Appropriated Grant Reserves	25,108	
Payments to General Capital Fund	205	
Reserve for Tax Appeals	82,945	
Due to State of New Jersey	9,938	
Payments to Open Space Preservation Trust Fund	413,475	
	<u>45,731,872</u>	45,731,872
Balance, December 31, 2011		<u>\$ 3,089,079</u>

**BOROUGH OF CLOSTER
STATEMENT OF PETTY CASH FUNDS**

<u>Office</u>	Balance, December 31, <u>2010</u>	Petty Cash <u>Issued</u>	Petty Cash <u>Returned</u>	Balance, December 31, <u>2011</u>
Borough Clerk		\$ 150	\$ 150	
Department of Public Works		100	100	
Detective Bureau		100	100	
Police Department	-	150	150	-
	<u> -</u>	<u> 150</u>	<u> 150</u>	<u> -</u>
	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ -</u>

EXHIBIT A-6

STATEMENT OF CHANGE FUNDS

<u>Office</u>	Balance, December 31, <u>2010</u>	Balance, December 31, <u>2011</u>
Tax Collector - Treasurer	\$ 250	\$ 250
	<u> 250</u>	<u> 250</u>
	<u>\$ 250</u>	<u>\$ 250</u>

EXHIBIT A-7

**STATEMENT OF DUE TO STATE OF NEW JERSEY
SENIOR CITIZENS' AND VETERANS' DEDUCTIONS**

Balance, December 31, 2010		\$ 15,354
Increased by:		
Deductions Disallowed by Tax Collector	\$ 1,069	
Cash Receipts	<u>70,941</u>	<u>72,010</u>
		87,364
Decreased by:		
Senior Citizen Deductions Allowed by Tax Collector	750	
Senior Citizen and Veteran's Deductions Per Tax Billings	<u>71,750</u>	<u>72,500</u>
Balance, December 31, 2011		<u>\$ 14,864</u>

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

Year	Balance, December 31, 2010	2011 Levy	Senior Citizens' and Veterans' Deductions Disallowed	Collections		Senior Citizens' and Veterans' Deductions Allowed	Tax Overpayment Applied	Taxes Cancelled Remitted or Abated	Balance, December 31, 2011
				2010	2011				
2010	\$ 933,794				\$ 932,109		\$ 1,609	\$ 76	
2011	<u>-</u>	<u>\$ 42,276,395</u>	<u>\$ 1,069</u>	<u>\$ 182,141</u>	<u>41,381,587</u>	<u>\$ 72,500</u>	<u>37,519</u>	<u>189,134</u>	<u>\$ 414,583</u>
	<u>\$ 933,794</u>	<u>\$ 42,276,395</u>	<u>\$ 1,069</u>	<u>\$ 182,141</u>	<u>\$ 42,313,696</u>	<u>\$ 72,500</u>	<u>\$ 39,128</u>	<u>\$ 189,210</u>	<u>\$ 414,583</u>

Analysis of 2011 Property Tax Levy

TAX YIELD

General Property Tax	
Real Property Tax	\$ 42,257,324
Added Taxes (54:4-63.1 et seq.)	<u>19,071</u>
	<u>\$ 42,276,395</u>

TAX LEVY

Local School Tax (Abstract)	\$ 16,753,492
Regional School Tax (Abstract)	10,608,557
County Taxes (Abstract)	4,482,141
Due County for Added Taxes (54:4-63.1)	2,029
Municipal Open Space	<u>206,621</u>
	\$ 32,052,840
Local Tax for Municipal Purposes	10,204,154
Add Additional Tax Levied	<u>19,401</u>
	<u>10,223,555</u>
	<u>\$ 42,276,395</u>

BOROUGH OF CLOSTER
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, December 31, <u>2010</u>	<u>Accrued</u>	<u>Collected</u>	Balance, December 31, <u>2011</u>
Licenses				
Alcoholic Beverages		\$ 28,028	\$ 28,028	
Board of Health		17,199	17,199	
Borough Clerk		1,575	1,575	
Construction Code Official		256,868	256,868	
Fees and Permits - Other				
Borough Clerk		2,378	2,378	
Tax Collector/Treasurer		100	100	
Police		33,575	33,575	
Planning		12,289	12,289	
Zoning		13,494	13,494	
Public Works		55,559	55,559	
Board of Health		12,170	12,170	
Fines and Costs - Municipal Court		127,033	127,033	
Interest and Cost on Taxes		200,217	200,217	
Interest on Investments and Deposits		2,619	2,619	
Cable Television Franchise Fees		97,761	97,761	
Energy Receipts Tax		1,491,991	1,491,991	
Watershed Moratorium Offset Aid - 2011		13,489	13,489	
Inter-Borough Police Radio		157,360	157,360	
Borough of Harrington Park - Gasoline		54,696	54,696	
Uniform Fire Safety Act		13,572	13,572	
Cell Tower Rental		59,247	59,247	
Rental Payments		13,750	13,750	
Alpine Sewer Connection Fees		9,156	9,156	
Insurance Recovery	-	51,844	51,844	-
	<u>-</u>	<u>\$ 2,725,970</u>	<u>\$ 2,725,970</u>	<u>-</u>
	\$ -	\$ 2,725,970	\$ 2,725,970	\$ -

BOROUGH OF CLOSTER
STATEMENT OF DEFERRED CHARGES
N.J.S. 40A:4-53 SPECIAL EMERGENCY AUTHORIZATIONS

	Balance December 31, <u>2010</u>	Authorized in <u>2011</u>	Budget Appropriation	Balance December 31, <u>2011</u>
Special Emergency Appropriations -				
Preparation of Master Plan	\$ 9,000		\$ 3,000	\$ 6,000
Reassessment of Real Property	23,400		7,800	15,600
Employee Severance Liabilities	<u>-</u>	<u>\$ 580,000</u>	<u>-</u>	<u>580,000</u>
	<u>\$ 32,400</u>	<u>\$ 580,000</u>	<u>\$ 10,800</u>	<u>\$ 601,600</u>

EXHIBIT A-11

STATEMENT OF GRANTS RECEIVABLE

	Balance, December 31, <u>2010</u>	Realized as Budget <u>Revenue</u>	Decreased by <u>Receipts</u>	Balance, December 31, <u>2011</u>
Stormwater Management	\$ 2,117			\$ 2,117
Barrier Free - CDBG	40,000			40,000
COPS in Shops	216			216
Recreation Opportunity	3,258	\$ 10,000	\$ 7,880	5,378
Historic Preservation	18,050		17,550	500
Business Stimulus	215			215
Handicap Ramps	60,463			60,463
Clean Communities		13,192	13,192	
Police Body Armor		2,204	2,204	
Alcohol Education		863	863	
Green Team		300	300	
Homeland Security - Buffer Zone		24,608		24,608
Bergen County 200 Club		987	987	
Bergen County Prosecutor Office - Forfeiture of Funds	<u>3,000</u>	<u>-</u>	<u>1,000</u>	<u>2,000</u>
	<u>\$ 127,319</u>	<u>\$ 52,154</u>	<u>\$ 43,976</u>	<u>\$ 135,497</u>

EXHIBIT A-12

STATEMENT OF EMERGENCY NOTES PAYABLE

Increased by:	
Cash Receipts	<u>\$ 580,000</u>
Balance, December 31, 2011	<u>\$ 580,000</u>

BOROUGH OF CLOSTER
STATEMENT OF 2010 APPROPRIATION RESERVES

	Balance, December 31, <u>2010</u>	Budget After Transfer or <u>Modification</u>	Paid or <u>Charged</u>	Transferred to Appropriated <u>Grant Reserves</u>	Balance <u>Lapsed</u>
Salaries and Wages					
General Administration	\$ 183	\$ 183			\$ 183
Municipal Clerk's Office	400	800	\$ 750		50
Financial Administration	4,602	4,602	338		4,264
Data Processing	44	149			149
Assessment of Taxes	28	28			28
Revenue Administration	39	39			39
Planning Board	30	30			30
Zoning Board	1	1			1
Municipal Court	1,446	1,446			1,446
Public Safety					
Fire Prevention	941	941	299		642
Police	27,032	33,032	31,996		1,036
Interborough Police	225	12,625	12,613		12
Streets and Roads					
Road Repairs and Maintenance	12,821	20,821	20,687		134
Shade Tree	70	70			70
Public Buildings & Grounds	88	88			88
Solid Waste Collection	66,462	66,462	11,676		54,786
Repair to Municipal Vehicles	573	573			573
Emergency Management	7	200			200
Recycling	17	17			17
Board of Health	10	10			10
Recreation	983	983			983
Uniform Construction Code					
Construction Code Official	1,191	1,191			1,191
Zoning Officer	572	572			572
Fire Inspector	21	21			21
Elevator Sub Code	10	10			10
Property Maintenance	939	989	974		15
Electrical Inspector	26	26	-	-	26
	<u>118,761</u>	<u>145,909</u>	<u>79,333</u>	<u>-</u>	<u>66,576</u>
Other Expenses					
General Administration	12,167	12,167	1,509		10,658
Municipal Clerk's Office	3,167	2,767	263		2,504
Elections	113	113			113
Financial Administration	9,673	6,673	6,562		111
Data Processing	1,957	1,957	180		1,777
Assessment of Taxes	512	512			512
Engineering					
Other Expenses	2,485	2,485	2,485		-
Monitoring Wells	392	392	392		-
Revenue Administration	3,662	3,662	2,205		1,457
Legal	49,075	46,075	43,810		2,265
Historical Commission	1,956	1,956			1,956

BOROUGH OF CLOSTER
STATEMENT OF 2010 APPROPRIATION RESERVES

	Balance, December 31, <u>2010</u>	Budget After Transfer or <u>Modification</u>	Paid or <u>Charged</u>	Transferred to Appropriated <u>Grant Reserves</u>	Balance <u>Lapsed</u>
Other Expenses (Continued)					
Planning Board	\$ 1,262	\$ 3,262	\$ 3,259		\$ 3
Zoning Board	10,799	7,799	5,502		2,297
Unemployment Insurance	40	40			40
Group Insurance Plan for Employees	27,033	27,033	60		26,973
General Liability Insurance	31,085	31,085	30,000		1,085
Other Insurance Premiums	8,977	8,977	231		8,746
Construction Code Official	4,316	4,316	50		4,266
Zoning Officer	45	45			45
Property Maintenance	344	344			344
Public Safety					
Fire Prevention	1,294	1,394			1,394
Fire Protection					
Other Expenses	3,425	425	73		352
Clothing Allowance	1,642	1,642	1,642		
Fire Hydrant	1,596	1,596	1,596		
Police	1,226	6,226	4,977		1,249
Emergency Management	723	723	482		241
Streets and Roads					
Road Repairs and Maintenance	9,945	9,945	481		9,464
Snow Removal	3,593	3,593	100		3,493
Shade Tree	194	194			194
Public Buildings & Grounds	82	1,082	1,018		64
Solid Waste Collection	777	777			777
Solid Waste Recycling Landfill	33,854	16,104	16,100		4
Recycling	697	697			697
Board of Health	36	36			36
Environmental Commission	1,218	1,218			1,218
Animal Control	1	1			1
Recreation and Education					
Parks and Playgrounds	221	221			221
Board of Recreation Commissioners	13,915	13,915	4,330		9,585
Repair to Municipal Vehicles	3,233	3,233	3,194		39
Utilities:					
Gasoline	3,807	3,807			3,807
Electricity		300	274		26
Natural Gas	5,807	5,807			5,807
Telephone and Telegraph	13,332	9,046			9,046
Street Lighting	3,422	3,422			3,422
Sewer System	1,085	1,085			1,085
Water	479	479	446		33

**BOROUGH OF CLOSTER
STATEMENT OF 2010 APPROPRIATION RESERVES**

	Balance, December 31, <u>2010</u>	Budget After Transfer or <u>Modification</u>	Paid or <u>Charged</u>	Transferred to Appropriated <u>Grant Reserves</u>	Balance <u>Lapsed</u>
Other Expenses (Continued)					
Social Security System	\$ 1,886	\$ 1,886			\$ 1,886
Police and Fireman's Retirement System of NJ	1	1			1
Borough of Harrington Park - Gasoline	13,666	13,666			13,666
Municipal Court	211	211	\$ 105		106
Public Defender	1,800	1,800	1,800		
Length of Service Awards Program	33,000	33,000	33,000		
Interboro Police	18,042	18,042	7,605		10,437
Recreation Opportunity	1,859	1,859	1,859		
Solid Waste Administration	16,060	16,060	4,033	\$ 12,027	
Smart Growth Grant	4,500	4,500		4,500	
Historical Commission	600	600		600	
Business Stimulus Fund Grant - Tree Planting	215	215		215	
Alcohol Education and Rehabilitation	255	255		255	
Master Plan Historic Preservation Grant	2,450	2,450		2,450	
Police Body Armor	2,077	2,077		2,077	
ADA Handicap Ramp Program	1,482	1,482	-	-	1,482
	<u>372,768</u>	<u>346,732</u>	<u>179,623</u>	<u>22,124</u>	<u>144,985</u>
	<u>\$ 491,529</u>	<u>\$ 492,641</u>	<u>\$ 258,956</u>	<u>\$ 22,124</u>	<u>\$ 211,561</u>
Balance, December 31, 2010		\$ 491,529			
Encumbrances Restored to Appropriation		<u>1,112</u>			
		<u>\$ 492,641</u>			
Cash Disbursements			\$ 208,956		
Transferred to Accounts Payable			<u>50,000</u>		
			<u>\$ 258,956</u>		

**BOROUGH OF CLOSTER
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2010		\$ 426,453
Increased by:		
Transfer from 2011 Budget Appropriations		<u>236,935</u>
		663,388
Decreased by:		
Encumbrances Payables Restored to Appropriation Reserves	\$ 1,112	
Cash Disbursements	<u>425,341</u>	
		<u>426,453</u>
Balance, December 31, 2011		<u>\$ 236,935</u>

STATEMENT OF ACCOUNTS PAYABLE

Balance, December 31, 2010		\$ 1,750
Increased by:		
Transfer from 2010 Appropriations/Reserves		<u>50,000</u>
		51,750
Decreased by:		
Cash Disbursements		<u>1,750</u>
Balance, December 31, 2011		<u>\$ 50,000</u>

STATEMENT OF MISCELLANEOUS RESERVES

	Balance, December 31, <u>2010</u>	Balance, December 31, <u>2011</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>

**BOROUGH OF CLOSTER
STATEMENT OF PREPAID TAXES**

Balance, December 31, 2010		\$ 182,141
Increased by:		
Collection of 2012 Taxes		241,422
		423,563
Decreased by:		
Application to 2011 Taxes		182,141
Balance, December 31, 2011		\$ 241,422

STATEMENT OF TAX OVERPAYMENTS

Balance, December 31, 2010		\$ 168,818
Increased by:		
Cash Receipts		100,074
		268,892
Decreased by:		
Overpayments Applied - Taxes Receivable	\$ 39,128	
Cash Disbursements	202,432	
		241,560
Balance, December 31, 2011		\$ 27,332

STATEMENT OF LOCAL SCHOOL DISTRICT TAX PAYABLE

Increased by:		
Levy - Calendar Year		16,753,492
Decreased by:		
Prepaid Applied	\$ 182,986	
Payments	16,570,506	
		16,753,492
Balance, December 31, 2011		\$ -

**BOROUGH OF CLOSTER
STATEMENT OF COUNTY TAXES PAYABLE**

Balance, January 1, 2011	\$	13,147
Increased by:		
2011 Tax Levy - General	\$	4,428,113
2011 Tax Levy - Open Space		54,028
Added Taxes (54:4-63.1)		<u>2,029</u>
		<u>4,484,170</u>
		4,497,317
Decreased by:		
Payments		<u>4,495,288</u>
Balance, December 31, 2011	\$	<u>2,029</u>

EXHIBIT A-21

STATEMENT OF REGIONAL HIGH SCHOOL DISTRICT TAXES PAYABLE

Increased by:		
Levy, Calendar Year 2011	\$	<u>10,608,557</u>
Payments	\$	<u>10,608,557</u>

EXHIBIT A-22

SCHEDULE OF APPROPRIATED GRANT RESERVES

	Balance December 31, <u>2010</u>	Transferred From 2010 Appropriation <u>Reserves</u>	<u>Expended</u>	Balance, December 31, <u>2011</u>
Drunk Driving Enforcement Fund	\$ 8,503		\$ 8,503	
Historical Commission Grant	7,153	\$ 600		\$ 7,753
Municipal Alliance Grant				
State Share	4,380			4,380
Local Share	4,200			4,200
Municipal Recycling Assistance	10,396		5,650	4,746
Alcohol Education		255		255
Domestic Violence	300			300
School Safety	403			403
Community Dev-Barrier Free	20,817			20,817
Master Plan - Historic Preservation		2,450		2,450
Recycling Tonnage Grant	10,300	12,027		22,327
Clean Communities Grant	8,238		8,238	
Highway Safety	1,178			1,178
Pandemic Influenza	9,040			9,040
COPS in Shops	2,310		497	1,813
Hazardous Discharge Remediation	2,802		2,220	582
Smart Growth		4,500		4,500
2009 Stimulus Grant		215		215
Police Body Armor	<u>442</u>	<u>2,077</u>	<u>-</u>	<u>2,519</u>
	<u>\$ 90,462</u>	<u>\$ 22,124</u>	<u>\$ 25,108</u>	<u>\$ 87,478</u>

**BOROUGH OF CLOSTER
STATEMENT OF UNAPPROPRIATED RESERVES FOR GRANTS**

	Balance, December 31, <u>2010</u>	Increased by <u>Receipts</u>	Realized as Budget <u>Revenue</u>	Balance, December 31, <u>2011</u>
Clean Communities	\$ 2,508		\$ 2,508	
Recycling Tonnage Grant		\$ 31,673		\$ 31,673
Watershed	<u>13,489</u>	<u>-</u>	<u>13,489</u>	<u>-</u>
	<u>\$ 15,997</u>	<u>\$ 31,673</u>	<u>\$ 15,997</u>	<u>\$ 31,673</u>

EXHIBIT A-24

STATEMENT OF RESERVE FOR TAX APPEALS

Balance, December 31, 2010	\$ 143,249
Increased by:	
2011 Budget Appropriation	<u>150,000</u>
	293,249
Decreased by:	
Payments	<u>82,945</u>
Balance, December 31, 2011	<u>\$ 210,304</u>

EXHIBIT A-25

STATEMENT OF DUE TO STATE OF NEW JERSEY

	Marriage License <u>Fees</u>	Training <u>Fees</u>	<u>Total</u>
Balance, January 1, 2011	\$ 335	\$ 2,900	\$ 3,235
Increased by:			
Cash Receipts	<u>940</u>	<u>8,313</u>	<u>9,253</u>
	1,275	11,213	12,488
Decreased by:			
Cash Disbursements	<u>975</u>	<u>8,963</u>	<u>9,938</u>
Balance, December 31, 2011	<u>\$ 300</u>	<u>\$ 2,250</u>	<u>\$ 2,550</u>

TRUST FUNDS

**BOROUGH OF CLOSTER
STATEMENT OF TRUST CASH**

	<u>Animal Control Fund</u>	<u>Other Trust Fund</u>	<u>Open Space Preservation Trust Fund</u>
Balance, December 31, 2010	\$ 13,996	\$ 1,861,704	\$ 855,416
Increased by Receipts:			
Interest on Investments and Deposits		\$ 5,286	\$ 2,438
Escrow and Miscellaneous Reserves		602,709	
License Fees Collected	\$ 5,851		
Receipts from Current Fund			413,475
Due to State of New Jersey	809		
Payroll and Payroll Deductions	-	7,641,685	-
	<u>6,660</u>	<u>8,249,680</u>	<u>415,913</u>
	20,656	10,111,384	1,271,329
Decreased by Disbursements:			
Payment to Current Fund		5,286	
Payment to General Capital Fund			399,690
Payments to State of NJ	799		
Payroll and Payroll Deductions Payable		7,601,874	
Escrow and Miscellaneous Reserves	-	744,086	-
	<u>799</u>	<u>8,351,246</u>	<u>399,690</u>
Balance, December 31, 2011	<u>\$ 19,857</u>	<u>\$ 1,760,138</u>	<u>\$ 871,639</u>

**BOROUGH OF CLOSTER
STATEMENT OF DUE FROM CURRENT FUND - OTHER TRUST FUND**

Balance, December 31, 2010	\$	13,464
Increased by:		
Payments to Current Fund		5,286
		18,750
Decreased by:		
Interest on Investments and Deposits		5,286
Balance, December 31, 2011	\$	13,464

EXHIBIT B-6

STATEMENT OF RESERVE FOR ANIMAL CONTROL EXPENDITURES

Balance, December 31, 2010	\$	8,696
Increased by:		
Animal Control Fees		5,851
		14,547
Decreased by:		
Statutory Excess Due to Current Fund		6,595
Balance, December 31, 2011	\$	7,952

EXHIBIT B-7

**STATEMENT OF DUE TO STATE OF NEW JERSEY
DOG REGULATION FEES**

Balance, December 31, 2010	\$	4
Increased by:		
Registration Fees - Due State of New Jersey		809
		813
Decreased by:		
Payments		799
Balance, December 31, 2011	\$	14

BOROUGH OF CLOSTER
STATEMENT OF DUE TO CURRENT FUND - ANIMAL CONTROL FUND

Balance, December 31, 2010	\$ 5,296
Increased by:	
Statutory Excess	6,595
Balance, December 31, 2011	\$ 11,891

EXHIBIT B-9

STATEMENT OF ESCROW AND MISCELLANEOUS RESERVES - OTHER TRUST FUND

	Balance, December 31, <u>2010</u>	<u>Increased</u>	<u>Decreased</u>	Balance, December 31, <u>2011</u>
Escrow	\$ 161,598	\$ 108,885	\$ 106,922	\$ 163,561
Special Recreation	63,642	140,429	112,990	91,081
Housing	1,018,887	60,609	5,043	1,074,453
Fire Protect & Prev.	45,487	7,706	37,435	15,758
Miscellaneous Trusts	35,808	5,727	6,243	35,292
Street & Driveway Open.	6,025	1,001		7,026
Sidewalk Construction	8,350	4,952		13,302
Sewer Hookup	1,424			1,424
Parking Authority	58,300	9		58,309
Police Outside Employ.	113,874	173,027	223,056	63,845
Court Parking	1,048	216		1,264
Accumulated Leave	62,962		62,000	962
Snow Removal Trust	7,309			7,309
Tax Sale Premiums	261,400	89,035	181,400	169,035
Closter 300th Anniversary	4,957			4,957
Challenger Donations	2,000	1,515		3,515
Trees	19,204	7,503	8,997	17,710
Found Money - Police	43			43
Closter Improvement Comm.		595		595
Nature Center Donations	-	1,500	-	1,500
	\$ 1,872,318	\$ 602,709	\$ 744,086	\$1,730,941

**BOROUGH OF CLOSTER
STATEMENT OF PAYROLL AND PAYROLL DEDUCTIONS PAYABLE -
OTHER TRUST FUND**

Balance, December 31, 2010	\$ 1,727
Increased by:	
Cash Receipts	<u>7,641,685</u>
	7,643,412
Decreased by:	
Cash Disbursements	<u>7,601,874</u>
Balance, December 31, 2011	<u>\$ 41,538</u>

**STATEMENT OF RESERVE FOR MUNICIPAL OPEN SPACE
MUNICIPAL OPEN SPACE FUND**

Balance, December 31, 2010	\$ 953,415
Increased by:	
Interest on Deposits	\$ 2,438
2011 Tax Levy	206,536
Added Tax Levy	<u>85</u>
	<u>209,059</u>
	1,162,474
Decreased by:	
Cash Disbursements - Transfer to General Capital Fund	<u>290,750</u>
Balance, December 31, 2011	<u>\$ 871,724</u>

**STATEMENT OF DUE FROM CURRENT FUND
MUNICIPAL OPEN SPACE FUND**

Balance, December 31, 2010	\$ 206,939
Increased by:	
2011 Tax Levy	\$ 206,536
Added Tax Levy	<u>85</u>
	<u>206,621</u>
	413,560
Decreased by:	
Receipts from Current Fund	<u>413,475</u>
Balance, December 31, 2011	<u>\$ 85</u>

GENERAL CAPITAL FUND

**BOROUGH OF CLOSTER
STATEMENT OF GENERAL CAPITAL CASH - TREASURER**

Balance, December 31, 2010		\$ 607,537
Increased by Receipts:		
Budget Appropriation - Capital Improvement Fund	\$ 50,000	
Grants Receivable	109,384	
Bond Anticipation Notes Issued	840,000	
Interest on Investments and Deposits	461	
Receipts from Current Fund	205	
Receipts from Open Space Trust Fund	<u>399,690</u>	
		<u>1,399,740</u>
		2,007,277
Decreased by:		
Improvement Authorizations	909,252	
Contracts Payable	222,811	
Payments to Current Fund	25,506	
Refund to Interboro Municipalities	<u>90,267</u>	
		<u>1,247,836</u>
Balance, December 31, 2011		<u>\$ 759,441</u>

**BOROUGH OF CLOSTER
ANALYSIS OF GENERAL CAPITAL CASH
AS OF DECEMBER 31, 2011**

Capital Improvement Fund	\$ 44,484
Fund Balance	57,500
Encumbrances and Contracts Payable	712,922
Reserve for North Parking Lot	10,000
Other Reserves	1,000
Reserve for Payment of Bonds	178,526
Grants Receivable	(744,614)
Due from Current Fund	(45)

Improvement Authorizations:

<u>Ord. No.</u>	<u>Improvement Description</u>	
843	Various Improvements	(275,123)
919	Various Capital Improvements	(174)
941	Various Improvements	7,935
957	Park and Historic Preservation Improvements	89,226
975	Various Improvements	618
995	Various Improvements	(2,845)
996	Improvements to Homans & Oakland	21,699
998	Park, Playground and Farmland Impvt.	25,910
1015	Various Improvements	764
1016	Acquisition of Pumper (Supp Ord. 995)	13,907
1022	Park and Historic Preservation Improvements	5,691
1030	2010 Road Improvement Program	23,115
1035	Improvements to Borough Hall	36
1043	Park and Historic Preservation Improvements	52,869
1055	Park and Historic Preservation Improvements	21,704
1070	Safe Sidewalks to Tenakill School	125,379
1074	Financial Software and Computer Equipment	3,192
1075	Various Improvements	176,279
1077	Reconstruction of Basketball Courts and Purchase of Bleachers and Picnic Tables	22,146
1078	Barrier Free Curb Ramps	3,776
1082	Equipment for DPW	736
1088	Park, Farmland and Historic Preservation	152,085
1091	Reconstruction of Herbert Avenue - Sect IV	9,235
1095	Park, Farmland and Historic Preservation	3,375
1101	Acquisition of Land	2,098
1103	Acquisition of Various Equipment	16,035
		<u>\$ 759,441</u>

BOROUGH OF CLOSTER
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance, December 31, 2010		\$11,432,517
Decreased by:		
Budget Appropriations		
Serial Bonds	\$ 790,000	
Green Trust Loans	<u>3,312</u>	
		<u>793,312</u>
Balance, December 31, 2011		<u>\$10,639,205</u>

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

Ord. No.	Improvement Description	Balance, December 31, 2010	2011 Authorizations	Balance, December 31, 2011	Bond Anticipation Notes	Analysis of Balance.	
						Expenditures	Unexpended Improvement Authorizations
843	Various Improvements	\$ 275,123		\$ 275,123		\$ 275,123	
919	Various Capital Improvements	174		174		174	
941	Various Improvements	1,005		1,005			\$ 1,005
995	Various Improvements	2,845		2,845		2,845	
1016	Acquisition of Pumper (Supp. Ord. 995)	115		115			115
1070	Safe Sidewalks	40,000		40,000	\$ 40,000		
1075	Various Improvements	570,000		570,000	570,000		
1091	Reconstruction of Herbert Ave - Sect. IV		\$ 40,000	40,000	40,000		
1103	Acquisition of Various Equipment	-	190,000	190,000	190,000	-	-
		<u>\$ 889,262</u>	<u>\$ 230,000</u>	<u>\$ 1,119,262</u>	<u>\$ 840,000</u>	<u>\$ 278,142</u>	<u>\$ 1,120</u>

Improvement Authorizations - Unfunded		\$ 242,669
Less: Unexpended Proceeds on Bond Anticipation Notes		
Ord. No. 1070	\$ 40,000	
Ord. No. 1075	176,279	
Ord. No. 1091	9,235	
Ord. No. 1103	16,035	
	<u>241,549</u>	
		<u>\$ 1,120</u>

**BOROUGH OF CLOSTER
STATEMENT OF GRANTS 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>Herbert Avenue Section IV Ord. No. 1091</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, 2010	\$ 703,998	\$ 90	\$ 25,660	\$ 68,100	\$ 3,648	\$ 245,000		\$ 275,000	\$ 50,000	\$ 36,500
Increased by:										
Grant Awards	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 150,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	853,998	90	25,660	68,100	3,648	245,000	150,000	275,000	50,000	36,500
Decreased By:										
Cancelled Receipts	<u>109,384</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>109,384</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, December 31, 2011	<u>\$ 744,614</u>	<u>\$ 90</u>	<u>\$ 25,660</u>	<u>\$ 68,100</u>	<u>\$ 3,648</u>	<u>\$ 245,000</u>	<u>\$ 40,616</u>	<u>\$ 275,000</u>	<u>\$ 50,000</u>	<u>\$ 36,500</u>
Pledged to Ordinance	<u>\$ 744,614</u>									

**BOROUGH OF CLOSTER
STATEMENT OF DUE FROM CURRENT FUND**

Balance, December 31, 2010		\$ 205
Increased by:		
Payments to Current Fund		<u>25,506</u>
		25,711
Decreased by:		
Anticipated as Current Fund Revenue	\$ 25,000	
Interest on Deposits	461	
Receipts from Current Fund	<u>205</u>	
		<u>25,666</u>
Balance, December 31, 2011		<u>\$ 45</u>

STATEMENT OF DUE FROM OPEN SPACE TRUST FUND

Balance, December 31, 2010		\$ 108,940
Increased by:		
Appropriated for Improvement Authorizations		<u>290,750</u>
		399,690
Decreased by:		
Receipts from Open Space Trust Fund		<u>399,690</u>
Balance, December 31, 2011		<u>\$ -</u>

STATEMENT OF GREEN TRUST FUND LOAN PAYABLE

Balance, December 31, 2010		\$ 26,517
Decreased by:		
Budget Appropriation		<u>3,312</u>
Balance, December 31, 2011		<u>\$ 23,205</u>

**BOROUGH OF CLOSTER
STATEMENT OF GENERAL SERIAL BONDS**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding December 31, 2011</u>		<u>Interest Rate</u>	<u>Balance, December 31, 2010</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance, December 31, 2011</u>
			<u>Date</u>	<u>Amount</u>					
General Improvements	8/1/2001	\$ 4,860,000	7/1/12-14	\$ 460,000	4.250 %	\$ 1,830,000		\$ 450,000	\$ 1,380,000
General Improvements	10/15/2005	6,909,000	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	5,514,000		340,000	5,174,000
General Improvements	5/10/2010	4,062,000	2/15/12	385,000	3.000				
			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	4,062,000	-	-	4,062,000
						<u>\$ 11,406,000</u>	<u>\$ -</u>	<u>\$ 790,000</u>	<u>\$ 10,616,000</u>

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

Ord. No.	<u>Improvement Description</u>	Date of Issue of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance, December 31, 2010	Increased	Decreased	Balance, December 31, 2011
1070	Safe Sidewalks to Tenakill	12/16/2011	12/16/2011	12/14/2012	1.61%		\$ 40,000		\$ 40,000
1075	Various Improvements	12/16/2011	12/16/2011	12/14/2012	1.61%		570,000		570,000
1091	Reconstruction of Herbert Avenue - Section IV	12/16/2011	12/16/2011	12/14/2012	1.61%		40,000		40,000
1103	Acquisition of Various Equipment	12/16/2011	12/16/2011	12/14/2012	1.61%	-	190,000	-	190,000
						<u>\$ -</u>	<u>\$ 840,000</u>	<u>\$ -</u>	<u>\$ 840,000</u>
							<u>\$ 840,000</u>		

Cash Receipts

\$ 840,000

**BOROUGH OF CLOSTER
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ord. No.	Improvement Description	Ordinance Amount	Balance, December 31, 2010		Capital Impvt. Fund	2011 Authorizations		Expended	Contracts Payable Cancelled	Authorizations Cancelled	Balance, December 31, 2011	
			Funded	Unfunded		Funded by Grants and Open Space Trust Fund	Deferred Charges to Future Taxation Unfunded				Funded	Unfunded
941	Various Improvements	\$ 2,100,000	\$ 7,935	\$ 1,005							\$ 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	55						\$ 563		618	
992	Acquisition of Interboro Communication Equip	183,180	71,413							71,413	-	
995	Various Improvements	1,780,000		2,522			\$ 2,522					
996	Improvements to Homans & Oakland	150,000	21,699								21,699	
998	Park, Playground & Farm Land Improvements	158,125	30,427				4,517				25,910	
1015	Various Improvements	385,000	1,500				736				764	
1016	Acquisition of Pumper (Supp Ord 995)	50,000	18,702	115			4,795				13,907	115
1022	Park and Historic Preservation Improvements	96,692	38,634				32,943				5,691	
1030	2009 Road Improvement Program	2,300,000	104,777				81,662				23,115	
1035	Improvements to Borough Hall	45,000	36								36	
1037	Park and Historic Preservation Improvements	68,100	68,100				68,100				-	
1043	Park and Historic Preservation Improvements	68,100	68,100				15,231				52,869	
1055	Park and Historic Preservation Improvements	182,000	85,192				63,488				21,704	
1070	Safe Sidewalks to Tenakill School	315,000	273,990	40,000			188,611				85,379	40,000
1074	Financial Software and Computer Equipment	31,183	3,192								3,192	
1075	Various Improvements	600,000		435,593				259,314				176,279
1077	Reconstruction of Basketball Courts, and Purchase of Bleachers and Picnic Tables	36,500	35,255				13,109				22,146	
1078	Barrier Free Curb Ramps	50,000	50,000				46,224				3,776	
1082	Equipment for DPW	17,200	736								736	
1084	Equipment for DPW	343,000	343,000				343,000					
1088	Park, Farmland and Historic Preservation	244,750				\$ 244,750	92,665				152,085	
1091	Reconstruction of Herbert Avenue - Sect IV	190,000				150,000	\$ 40,000	180,765				9,235
1095	Park, Farmland and Historic Preservation	28,000				28,000	24,625				3,375	
1101	Acquisition of Land	18,000				18,000	15,902				2,098	
1103	Acquisition of Various Equipment	200,000	-	-	\$ 10,000	-	190,000	183,965			-	16,035
			<u>\$ 1,330,823</u>	<u>\$ 479,235</u>	<u>\$ 10,000</u>	<u>\$ 440,750</u>	<u>\$ 230,000</u>	<u>\$ 1,622,174</u>	<u>\$ 563</u>	<u>\$ 90,267</u>	<u>\$ 536,261</u>	<u>\$ 242,669</u>
						Open Space Trust Fund	\$ 290,750					
						Department of Transportation Grant	150,000					
							<u>\$ 440,750</u>					
						Cash Disbursed		\$ 909,252				
						Contracts Payable		712,922				
								<u>\$ 1,622,174</u>				

**BOROUGH OF CLOSTER
STATEMENT OF CONTRACTS PAYABLE**

Balance, December 31, 2010		\$ 223,374
Increased by:		
Charges to Improvement Authorization		<u>712,922</u>
		936,296
Decreased by:		
Payments	\$ 222,811	
Cancellations	<u>563</u>	
		<u>223,374</u>
Balance, December 31, 2011		<u>\$ 712,922</u>

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, December 31, 2010		\$ 4,484
Increased by:		
Budget Appropriation		<u>50,000</u>
		54,484
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>10,000</u>
Balance, December 31, 2011		<u>\$ 44,484</u>

STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Ordinance Number	Improvement Description	Balance, December 31, 2010	2011 Improvement Authorizations	Bond Anticipation Notes Issued	Balance, December 31, 2011
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	
1091	Reconstruction of Herbert Ave - Sect. IV		\$ 40,000	40,000	
1103	Acquisition of Various Equipment	<u>-</u>	<u>190,000</u>	<u>190,000</u>	<u>-</u>
		<u>\$ 889,262</u>	<u>\$ 230,000</u>	<u>\$ 840,000</u>	<u>\$ 279,262</u>

PUBLIC ASSISTANCE FUND

**BOROUGH OF CLOSTER
STATEMENT OF PUBLIC ASSISTANCE CASH - TREASURER**

Balance, December 31, 2010	\$	9,247
Increased by:		
Donations		4,841
		14,088
Decreased by:		
Payments - Local Assistance		7,250
Balance, December 31, 2011	\$	6,838

STATEMENT OF RESERVE FOR PUBLIC ASSISTANCE EXPENDITURES

Balance, December 31, 2010	\$	9,247
Increased by:		
Donations		4,841
		14,088
Decreased by:		
Expenditures		7,250
Balance, December 31, 2011	\$	6,838

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

Revenues	
Donations	<u>\$ 4,841</u>

STATEMENT OF PUBLIC ASSISTANCE EXPENDITURES

Expenditures	
Local Assistance	<u>\$ 7,250</u>

BOROUGH OF CLOSTER
COUNTY OF BERGEN

PART II
GOVERNMENT AUDITING STANDARDS

LERCH, VINCI & HIGGINS, LLP

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

Honorable 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, 2011, and have issued a report dated July 13, 2012 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

Management of the Borough of Closter is responsible for establishing and maintaining effective 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 a material weakness 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 2011-1 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 deficiency described in the accompanying schedule of findings and responses as item 2011-2 to be a significant deficiency.

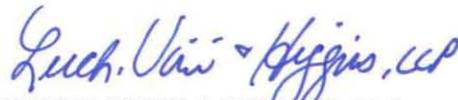
Compliance and Other Matters

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 2011-1 and 2011-2.

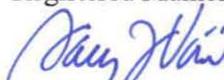
We also noted certain matters that we reported to management of the Borough of Closter in Part III of this report of audit entitled "Letter of Comments and Recommendations".

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 management, the governing body, others within the Borough, New Jersey Department of Community Affairs and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



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



Gary J. Vinci
Registered Municipal Accountant
RMA Number CR00411

Fair Lawn, New Jersey
July 13, 2012

SCHEDULE A

**BOROUGH OF CLOSTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

<u>Federal Program</u>	<u>CFDA Number</u>	<u>Grant Year</u>	<u>Grant Receipts</u>	<u>Balance, January 1, 2011</u>	<u>Revenue</u>	<u>Expended</u>	<u>Balance, December 31, 2011</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 Rump	14.219	2010		(16,013)			(16,013)	17,550
FEMA								
Storm Floods 3/12/10	97.036	2011	\$ 13,280		\$ 13,280	\$ 13,280		13,280
Severe Weather	97.036	2011	31,398		31,398	31,398		31,398
Hurricane	97.036	2011	44,661		44,661	44,661		44,661
Department of Transportation								
Herbert Avenue Section IV - Ord. No. 1091	20.205	2011	109,385		150,000	109,385	40,615	109,385
Environmental								
Wildland Fire Management ARRA	10.688	2010		215	-	-	215	3,785
				<u>\$ 5,019</u>	<u>\$ 239,339</u>	<u>\$ 198,724</u>	<u>\$ 45,634</u>	

This schedule is not subject to a single audit in accordance with OMB Circular A-133.

* Not Available

BOROUGH OF CLOSTER
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2011

<u>State Grant Program</u>	<u>Grant Number</u>	<u>Grant Year</u>	<u>2011 Grant Receipts</u>	<u>Balance, January 1, 2011</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Adjustments</u>	<u>Balance, December 31, 2011</u>	<u>Cumulative Expenditures</u>
Recycling Tonnage Grant	4830-752-050550-50	2008		\$ 8,011				\$ 8,011	
		2007		2,289				2,289	\$ 2,568
		2010			\$ 12,027			12,027	
Drunk Driving Enforcement Fund	1110-448-031020-22	2008		4,590		\$ 4,590			4,590
		2007		1,635		1,635			2,560
		2005		2,026		2,026			2,626
		2004		252		252			715
Department of Environmental Protection Solid Waste Administration Recycling	4900-752-001	2009		16,060				16,060	
Hazardous Discharge Remediation		2009		2,802		2,220		582	5,418
Municipal Recycling Assistance Program (Passed through County of Bergen)	4910-759-690-50	2007		108		108			3,884
		2006		2,169		2,169			6,139
		2005		8,119		3,373		4,746	5,220
Historical Commission Grant	8700-024-5837-M004	2006		6,348				6,348	2,053
Historical Commission Grant Assistance and Mentoring	8700-024-5837-M004	2010	\$ 17,550	600				600	
		2006		805				805	6,195
Clean Communities Program	4900-765-178900	2011	13,192		13,192	13,192			13,192
		2010		2,508		2,508			13,948
		2009		18		18			13,312
		2008		8,220		8,220			9,123
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		2,077				2,077	1,013
		2011	2,204		2,204	850		1,354	850
State Parks Service Historic Preservation	4875-100-042	2010		18,050			\$ (15,600)	2,450	17,550
Pandemic Influenza Preparedness Grant	N/A	2008		4,250				4,250	2,097
		2006		4,790				4,790	
Alcohol Education and Rehabilitation Fund	N/A	2010		255				255	348
		2011	863		2,393	260		2,133	260
Department of Transportation Highway Safety Program		2008		1,178				1,178	
School Safety Program	Not Available			403				403	

**BOROUGH OF CLOSTER
SCHEDULE OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2011**

<u>State Grant Program</u>	<u>Account Number</u>	<u>Grant Year</u>	<u>Grant Receipts</u>	<u>Balance, January 1, 2011</u>	<u>Revenue</u>	<u>Expended</u>	<u>Adjustments</u>	<u>Balance, December 31, 2011</u>	<u>Cumulative Expenditures</u>
Domestic Violence	N/A	2008		\$ 300				\$ 300	
COPS in Shops	N/A	2009		2,310		\$ 497		1,813	\$ 1,687
Recreation Opportunity	N/A	2009	\$ 3,258	1,859		1,859		-	10,000
		2010	4,622		\$ 10,000	8,881		1,119	8,881
Green Team	N/A	2011	300		300			300	
Homeland Security - Buffer Zone	N/A	2011			24,608	24,567		41	24,567
Smart Growth	N/A			4,500	-	-	-	4,500	
Total State Financial Assistance				<u>\$ 111,354</u>	<u>\$ 64,724</u>	<u>\$ 77,225</u>	<u>\$ (15,600)</u>	<u>\$ 83,253</u>	

This schedule is not subject to a state single audit in accordance with Circular 04-04.

**BOROUGH OF CLOSTER
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2011**

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	\$ 89,339	\$ 64,724	\$ 154,063
General Capital Fund	<u>150,000</u>	<u>-</u>	<u>150,000</u>
Total Financial Awards	<u>\$ 239,339</u>	<u>\$ 64,724</u>	<u>\$ 304,063</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, 2011**

NOTE 5 FEDERAL AND STATE LOANS OUTSTANDING

The Borough's state loans outstanding at December 31, 2011, 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>\$ 23,205</u>

**BOROUGH OF CLOSTER
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2011**

Part I – Summary of Auditor's Results

Financial Statements

Type of auditors' report issued on financial statements Qualified, Presentation of Unaudited LOSAP Fund

Internal control over financial reporting:

- 1) Material weakness(es) identified X yes no
- 2) Significant deficiency(ies) that are not considered to be material weakness(es)? X yes none
- Noncompliance material to the financial statements noted? X yes no

Federal Awards Section

NOT APPLICABLE

State Awards Section

NOT APPLICABLE

**BOROUGH OF CLOSTER
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2011**

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 2011-1

The Current Fund and General Capital Fund general ledgers were not always reconciled with the subsidiary revenue and expenditure ledgers, budget reports and bank reconciliations on a monthly basis. Certain receipts were not posted to correct revenue account codes and there were instances where the receipts were not posted in the financial accounting system. The improvement authorization balances in the General Capital Fund were not always in agreement with the audited balances. In addition, the Borough does not currently maintain general ledgers for certain Trust Funds. The developer escrow and Other Trust Fund subsidiary ledgers were not in agreement with the audited balances.

Criteria or Specific Requirement

NJAC 5:30-5.7.

Division of Local Government Services Technical Accounting Directive 85-3.

Condition

Numerous journal entries were required to reconcile the Current Fund general ledgers with the subsidiary revenue and expenditure (appropriations, appropriation reserves, and improvement authorization) ledgers and bank reconciliations. General ledgers are not currently maintained for Trust Funds. Furthermore, the Borough's listing of escrow balances did not agree with audited balances.

Cause

Unknown.

Effect

The accuracy of the Borough's financial statements could be compromised due to unposted or misposted transactions.

Recommendation

The Borough's general ledger accounts be reviewed and reconciled to the subsidiary ledgers and supporting documentation on a monthly basis for all funds.

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, 2011**

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 2011-2

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

Criteria or Specific Requirement:

Division of Local Government Services Technical Accounting Directive 85-1.

Condition:

Certain municipal departments are ordering goods and services prior to the approval and 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
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 2010-1

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 2011-1.

Finding 2010-2

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

Current Status

See Finding 2011-2.

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.

Current Status

Corrective action was taken.

BOROUGH OF CLOSTER

COUNTY OF BERGEN

PART III

SUPPLEMENTARY DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2011

**BOROUGH OF CLOSTER
SUPPORTING DATA
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE - CURRENT FUND**

	<u>Year 2011</u>		<u>Year 2010</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 500,000	1.07 %	\$ 425,000	0.94 %
Miscellaneous - From Other Than Local				
Property Tax Levies	3,373,630	7.23	3,691,344	8.13
Collection of Delinquent Taxes and Tax Title Liens	933,718	2.00	490,132	1.08
Collection of Current Tax Levy	41,672,678	89.25	40,633,349	89.53
Other Credits	<u>211,561</u>	<u>0.45</u>	<u>147,424</u>	<u>0.32</u>
 Total Income	 <u>46,691,587</u>	 <u>100.00</u> %	 <u>45,387,249</u>	 <u>100.00</u> %
EXPENDITURES				
Budget Expenditures				
Municipal Purposes	13,990,692	30.38	13,140,979	29.27 %
County Taxes	4,484,170	9.74	4,371,843	9.74
Local and Regional School Taxes	27,362,049	59.42	26,950,962	60.04
Municipal Open Space Tax	206,621	0.45	206,939	0.46
Other Expenditures	<u>6,595</u>	<u>0.01</u>	<u>217,590</u>	<u>0.49</u>
 Total Expenditures	 <u>46,050,127</u>	 <u>100.00</u> %	 <u>44,888,313</u>	 <u>100.00</u> %
 Excess in Revenue	 641,460		 498,936	
 Expenditures Included Above which are by Statute Deferred Charges to Budget of Succeeding Year	 <u>580,000</u>		 <u>610,894</u>	
	1,221,460		1,109,830	
 Fund Balance, January 1	 <u>684,830</u>		 <u>-</u>	
	1,906,290		1,109,830	
 Less Utilization as Anticipated Revenue	 <u>500,000</u>		 <u>425,000</u>	
 Fund Balance, December 31	 <u>\$ 1,406,290</u>		 <u>\$ 684,830</u>	

**BOROUGH OF CLOSTER
SUPPORTING DATA**

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>Tax Rate</u>	<u>\$2.046</u>	<u>\$2.013</u>	<u>\$1.971</u>
 <u>Apportionment of Tax Rate</u>			
Municipal	.494	.485	.468
Municipal Open Space Tax	.009	.010	.010
Regional High School	.514	.506	.491
Local School	.811	.800	.780
County (Includes County Open Space Tax)	.218	.212	.222
<u>Assessed Valuation Basis</u>			
2011	<u>\$2,065,362,860</u>		
2010		<u>\$2,063,199,619</u>	
2009			<u>\$2,068,998,188</u>

Comparison Of Tax Levies And Current Collections

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies.

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2011	\$ 42,276,395	\$ 41,672,678	98.57%
2010	41,656,780	40,633,349	97.54%
2009	40,825,490	40,275,809	98.65%

Delinquent Taxes

This tabulation includes a comparison, expressed in percentage, of the total of delinquent taxes in relation to the tax levies of the last three years.

<u>December 31 Year</u>	<u>Amount of Delinquent Taxes</u>	<u>Percentage of Tax Levy</u>
2011	\$ 414,583	0.98%
2010	933,794	2.24%
2009	495,089	1.21%

**BOROUGH OF CLOSTER
SUPPORTING DATA**

Property Acquired By Tax Title Lien Foreclosure

No properties have been acquired in 2011 by foreclosure or deed, as a result of liquidation of tax title liens.

The value of property acquired by liquidation of tax title liens on December 31, on the basis of the last assessed valuation of such properties, was as follows:

<u>Year</u>	<u>Amount</u>
2011	\$130,531
2010	130,531
2009	130,531

Comparative Schedule Of Fund Balance

	<u>Year</u>	<u>Balance, December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>
Current Fund	2011	\$1,406,290	\$925,000
	2010	684,830	500,000
	2009	610,894	425,000
	2008	666,925	475,000
	2007	981,839	750,000

**BOROUGH OF CLOSTER
SUPPLEMENTARY DATA**

OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office during the period under audit:

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
Sophie Heymann	Mayor	
Victoria R. Amitai	Councilwoman	
David H. Barad	Councilman	
Arthur B. Dolson	Councilman	
John C. Glidden, Jr.	Councilman	
John W. Kashwick, Jr.	Councilman	
Alissa J. Latner	Councilwoman	
Loretta Castano	Municipal Clerk	
Quentin W. Wiest	Borough Administrator	
Michael Mariniello, Jr.	Chief Financial Officer	
Michael Mariniello, Jr.	Treasurer	
Maria Passafaro	Tax Collector	
Angela Mattiace	Tax Assessor	
David R. Berrian	Chief (1/1/11-6/30/11)	
Dennis Kaine	Deputy Chief (6/16/11-12/31/11)	
Elvira Testa Caputo	Board of Health	
Michael Sartori	Construction Code Official	
Leonard Sinowitz	Construction Code Official	
Giuseppe LaMastra	Plumbing Subcode Official	
Peter DiCostanzo	Electrical Subcode Official	
Terry Paul Bottinelli	Municipal Court Judge (1/1/11-6/2011)	
Thomas R. Betancourt	Municipal Court Judge (6/2011-12/31/11)	
Bonnie Switzer	Municipal Court Administrator	

The Bergen County Municipal Excess Liability Insurance Fund provides public employee dishonesty and faithful performance coverage in the amount of \$1,000,000 for all employees.

**BOROUGH OF CLOSTER
SUPPLEMENTARY DATA**

GENERAL COMMENTS

Current Year

Our audit revealed that only one check signature was present on the Municipal Court checks. It is recommended that two signatures be required on checks issued from the Municipal Court bank accounts.

Our audit of the Municipal Court revealed sixty-seven (67) tickets were greater than 180 days old on the Tickets Assigned Not Issued Report. It is recommended that tickets assigned not issued for greater than 180 days should be recalled and reassigned.

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 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.

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 revealed that the Construction Code Department is not depositing monies in a timely manner. It is recommended that all monies collected by the Construction Code Department be deposited within forty-eight hours of receipt.

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 \$36,000, 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:

Sanitation/Trash Collection	Brush Chipper
Construction of Barrier Free Sidewalk Ramps	Loader
Construction of Herbert Avenue Improvements, Section 4 and Memorial Field Basketball Court Improvements	Installation of Replacement Roof for Closter Firehouse Deluxe International Truck Construction of Sidewalks

**BOROUGH OF CLOSTER
SUPPLEMENTARY DATA**

GENERAL COMMENTS (Continued)

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

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, 2011 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:

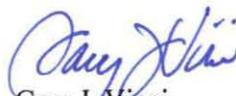
- * 1. The Borough's general ledger accounts be reviewed and reconciled to the subsidiary ledgers and supporting documentation on a monthly basis for all funds.
- * 2. The encumbrance system be enhanced to ensure that purchase orders are issued prior to incurring expenditures.
- * 3. Appropriated grants and grant receivable balances be reviewed and action taken to clear of record.
- * 4. 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.
- * 5. All monies collected by the Construction Code Department be deposited within forty-eight hours of receipt.
- 6. With respect to Municipal Court:
 - a. Two signatures be required on checks issued from the Municipal Court bank accounts.
 - b. Tickets assigned not issued for greater than 180 days should be recalled and reassigned.

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