

**BOROUGH OF CLOSTER**  
**BERGEN COUNTY, NEW JERSEY**  
**REPORT OF AUDIT**  
**YEAR ENDED DECEMBER 31, 2012**

# BOROUGH OF CLOSTER

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**BOROUGH OF CLOSTER**

**BERGEN COUNTY**

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**PART I**

**REPORT OF AUDIT OF FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2012**

# LERCH, VINCI & HIGGINS, LLP

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

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, 2012 and 2011, 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, 2012, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial accounting and reporting principles and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. 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 the 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the financial statements are prepared and presented by the Borough of Closter on the basis of financial accounting and reporting principles and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of New Jersey for municipal government entities.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the requirement that the Borough of Closter prepare and present its financial statements on the regulatory basis of accounting as discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph above, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of Closter as of December 31, 2012 and 2011, or changes in financial position for the years then ended.

***Basis for Qualified Opinion on Regulatory Basis of Accounting***

As discussed in Note 1 of the financial statements, the financial statements – regulatory basis 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, Department of Community Affairs, State of New Jersey, 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 as of and for the years ended December 31, 2012 and 2011. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 15 percent and 14 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2012 and 2011.

***Qualified Opinion on Regulatory Basis of Accounting***

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited as described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph above, the financial statements – regulatory basis referred to above 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, 2012 and 2011, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the revenues – regulatory basis and expenditures – regulatory basis of the various funds for the year ended December 31, 2012 in accordance with the basis of financial accounting and reporting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

## *Other Matters*

### *Required Supplementary Information*

The Borough has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. A management discussion and analysis is not required by the financial accounting and reporting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to supplement the regulatory basis financial statements and therefore it has not been presented by management. Our opinion on the financial statements – regulatory basis is not affected by this missing information.

### *Other Information*

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, schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, schedule of expenditures of state financial assistance as required by NJ OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid and the letter of comments and recommendations section 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 listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of 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. Such 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 supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the financial statements as a whole on the basis of accounting described in Note 1.

The letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated June 25, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Closter's internal control over financial reporting and compliance.

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

  
Gary J. Vinci  
Registered Municipal Accountant  
RMA Number CR00411

Fair Lawn, New Jersey  
June 25, 2013

**BOROUGH OF CLOSTER**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**CURRENT FUND**  
**AS OF DECEMBER 31, 2012 AND 2011**

<b>ASSETS</b>	<u>Reference</u>	<u>2012</u>	<u>2011</u>
Cash	A-4	\$ 3,375,423	\$ 3,089,079
Change Fund	A-6	250	250
Grants Receivable	A-11	<u>89,238</u>	<u>135,497</u>
		<u>3,464,911</u>	<u>3,224,826</u>
Receivables and Other Assets with Full Reserves			
Delinquent Property Taxes Receivable	A-8	356,718	414,583
Property Acquired for Taxes - Assessed Value	A	130,531	130,531
Due from Animal Control Fund	B-8	16,366	11,891
Due from Other Trust Fund - Payroll	B	431	431
Other Accounts Receivable	A	<u>4,000</u>	<u>4,000</u>
		<u>508,046</u>	<u>561,436</u>
Deferred Charges			
Special Emergency Authorizations (40A:4-55)	A-10	<u>474,800</u>	<u>601,600</u>
Total Assets		<u>\$ 4,447,757</u>	<u>\$ 4,387,862</u>
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Special Emergency Notes Payable	A-12	\$ 464,000	\$ 580,000
Appropriation Reserves	A-3,A-13	569,523	906,086
Encumbrances Payable	A-14	376,548	236,935
Accounts Payable	A-15		50,000
Due to State of New Jersey			
Senior Citizens and Veterans Deductions	A-7	14,526	14,864
Department of Human Services - Marriage License Fees	A-25	675	300
State Training Fees	A-25	2,201	2,250
Due to Open Space Trust Fund	B-12	206,497	85
Due to Other Trust Fund	B-5	12,910	13,464
Due to General Capital Fund	C-7	21,047	45
Prepaid Taxes	A-17	217,668	241,422
Tax Overpayments	A-18	19,674	27,332
County Taxes Payable	A-20	18,195	2,029
Miscellaneous Reserves and Deposits	A-16	125,922	15,614
Other Liabilities	A	255	255
Reserve for Tax Appeals	A-24	141,225	210,304
Reserve for Appropriated Grants	A-22	18,183	87,478
Reserve for Unappropriated Grants	A-23	<u>18,504</u>	<u>31,673</u>
Total Liabilities		2,227,553	2,420,136
Reserve for Receivables and Other Assets		508,046	561,436
Fund Balance	A-1	<u>1,712,158</u>	<u>1,406,290</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 4,447,757</u>	<u>\$ 4,387,862</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, 2012 AND 2011**

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
<b>REVENUES AND OTHER INCOME REALIZED</b>			
Surplus Anticipated	A-2	\$ 925,000	\$ 500,000
Miscellaneous Revenues Anticipated	A-2	2,863,370	3,007,854
Receipts from Delinquent Taxes	A-2	407,878	933,718
Receipts from Current Taxes	A-2	42,389,636	41,672,678
Non-Budget Revenues	A-2	320,304	365,776
Other Credits to Income			
Cancelled Appropriated Grant Reserves	A-22	24,702	
Unexpended Balance of Appropriation Reserves	A-13	<u>229,651</u>	<u>211,561</u>
 Total Revenues		 <u>47,160,541</u>	 <u>46,691,587</u>
 <b>EXPENDITURES</b>			
Municipal Budget	A-3	13,496,671	13,990,692
Local School District Taxes	A-19	16,868,252	16,753,492
County Taxes	A-20	4,602,002	4,484,170
Regional School District Taxes	A-21	10,740,969	10,608,557
Municipal Open Space Taxes	A-8,B-2	206,412	206,621
Interfund Advance	A,B-7	4,475	6,595
Refund of Prior Year Revenue	A-1	3,177	
Prior Year Senior Citizens and Veterans Allowed	A-7	215	
Prior Year Cancelled Receivable	A-7	<u>7,500</u>	<u>-</u>
 Total Expenditures		 <u>45,929,673</u>	 <u>46,050,127</u>
 Excess in Revenues		 1,230,868	 641,460
 Expenditures Included Above Which are by Statute Deferred Charges to Budget of Succeeding Year	 A-1	 <u>-</u>	 <u>580,000</u>
 Statutory Excess to Fund Balance		 1,230,868	 1,221,460
 Fund Balance, January 1	 A	 <u>1,406,290</u>	 <u>684,830</u>
		2,637,158	1,906,290
Decreased by:			
Utilization as Anticipated Revenue	A-1,A-2	<u>925,000</u>	<u>500,000</u>
 Fund Balance, December 31	 A	 <u>\$ 1,712,158</u>	 <u>\$ 1,406,290</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, 2012**

	<u>Reference</u>	<u>Budget</u>	<u>Anticipated Special N.J.S. 40A:4-87</u>	<u>Realized in 2012</u>	<u>Excess or (Deficit)</u>
Fund Balance Utilized	A-1	\$ 925,000	-	\$ 925,000	-
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A-9	28,000		28,508	\$ 508
Other	A-2,A-9	18,500		12,864	(5,636)
Fees and Permits	A-9	129,000		146,152	17,152
Fines and Costs - Municipal Court	A-9	127,000		165,702	38,702
Interest on Costs on Taxes	A-9	90,000		87,704	(2,296)
Interest on Investments and Deposits	A-2,A-9	8,300		10,897	2,597
Cable Television Franchise Fees	A-9	97,761		103,092	5,331
Energy Receipts Tax	A-9	1,491,991		1,491,991	
Watershed Moratorium Offset Aid	A-9	13,489		13,489	
Uniform Construction Code Fees	A-9	256,800		385,627	128,827
Borough of Harrington Park - Gasoline	A-9	54,696		79,678	24,982
Clean Communities Grant	A-3	13,231			
Clean Communities Grant	A-11		\$ 12,964	12,964	
Recreation Opportunity	A-11	5,000		5,000	
Click It or Ticket	A-11		4,000	4,000	
County of Bergen - Barrier Free - Library	A-11		20,000	20,000	
Community Development - ADA Ramps	A-11		65,000	65,000	
Recycling Tonnage Grant	A-23	31,673		31,673	
Drunk Driving Enforcement Fund	A-11	10,250		10,250	
Uniform Fire Safety Act	A-9	13,500		12,938	(562)
Cell Tower Rental	A-9	59,247		71,181	11,934
General Capital Surplus	C-1	25,000		25,000	
Rental Payments	A-9	11,000		11,000	
Alpine Sewer Connection Fees	A-9	9,156		9,660	504
Reserve for Payment of Debt	C-15	59,000	-	59,000	-
<b>Total Miscellaneous Revenues</b>		<u>2,552,594</u>	<u>101,964</u>	<u>2,863,370</u>	<u>208,812</u>
Receipts from Delinquent Taxes	A-8	400,000	-	407,878	7,878
Amount to be Raised by Taxes for Support of Municipal Budget	A-2	10,437,700	-	10,834,001	396,301
<b>Total General Revenues</b>	A-3	<u>\$ 14,315,294</u>	<u>\$ 101,964</u>	15,030,249	<u>\$ 612,991</u>
Non-Budget Revenues	A-1,A-2			320,304	
				<u>\$ 15,350,553</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, 2012**  
**(Continued)**

	<u>Reference</u>	
Analysis of Realized Revenues		
Allocation of Current Tax Collections		
Revenues from Collections	A-1,A-8	\$ 42,389,636
Less: Allocation to School, County, and Municipal Open Space Taxes	A-19,A-20,A-21,B-2	<u>32,417,635</u>
Balance for Support of Municipal Budget Appropriation		9,972,001
Add Appropriation - "Reserve for Uncollected Taxes"	A-3	<u>862,000</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 10,834,001</u>
Licenses-Other		
Borough Clerk	A-9	\$ 925
Board of Health	A-9	<u>11,939</u>
	A-2	<u>\$ 12,864</u>
Fees and Permits-Other		
Borough Clerk	A-9	\$ 14,010
Fire Prevention	A-9	23,017
Police	A-9	39,941
Planning	A-9	14,354
Zoning	A-9	7,610
Public Works	A-9	25,907
Building Department	A-9	6,068
Board of Health	A-9	<u>15,245</u>
	A-2	<u>\$ 146,152</u>
Interest on Investments and Deposits		
Revenue Accounts Receivable	A-9	\$ 9,928
Due from General Capital Fund	C-7	415
Due from Other Trust Fund	B-5	<u>554</u>
	A-2	<u>\$ 10,897</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, 2012**  
**(Continued)**

	<u>Reference</u>	
Non-Budget Revenue		
Tax Collector / Treasurer		\$ 6,803
Special Tax Assessment - Spectrum		42,290
DPW		1,687
Reimbursement from Library		49,710
Borough Clerk		396
Construction Code		9,233
Administration Fee - Senior Citizens and Veterans		1,345
Sale of Vehicles - Auction		26,710
DMV Inspection Fines		1,100
Statutory Excess - Animal Control		4,475
Sewer Connection Fee Rebate		905
FEMA Reimbursements - 10/29/11 Storm (FEMA)		118,256
Insurance Reimbursements and Recoveries		43,782
Miscellaneous		<u>13,612</u>
	A-2	<u>\$ 320,304</u>
Analysis of Non-Budget Revenue		
Cash Receipts	A-4	\$ 315,829
Statutory Excess - Animal Control	B-6	<u>4,475</u>
		<u>\$ 320,304</u>

**BOROUGH OF CLOSTER**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Appropriated</u>		<u>Expended</u>		
	<u>2012 Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
<b>OPERATIONS WITHIN "CAPS"</b>					
<b>GENERAL GOVERNMENT FUNCTIONS</b>					
General Administration					
Salaries and Wages	\$ 160,000	\$ 155,100	\$ 154,856	\$ 244	
Other Expenses	17,450	12,450	10,346	2,104	
Municipal Clerk's Office					
Salaries and Wages	161,000	159,200	159,165	35	
Other Expenses	15,250	15,250	12,894	2,356	
Elections	10,000	8,000	7,955	45	
Financial Administration					
Salaries and Wages	137,250	117,250	111,239	6,011	
Other Expenses	55,600	50,600	44,530	6,070	
Audit Services					
Other Expenses	39,800	39,800	38,444	1,356	
Information Technology					
Salaries and Wages	10,800	10,900	10,851	49	
Other Expenses	4,600	3,600	2,181	1,419	
Tax Assessment Administration					
Salaries and Wages	55,810	55,810	55,803	7	
Other Expenses	3,450	3,450	3,329	121	
Revenue Administration					
Salaries and Wages	113,300	117,300	117,257	43	
Other Expenses	16,250	16,250	14,770	1,480	
Legal Services and Costs					
Other Expenses	146,000	139,000	133,687	5,313	
Engineering Services					
Other Expenses	30,000	18,000	18,000	-	
Monitoring Wells	15,000	9,550	2,000	7,550	
Economic Development					
Closter Improvement Committee	4,800	4,800	4,249	551	
Historical Commission					
Other Expenses	2,900	2,900	1,885	1,015	
Municipal Land Use Law (NJSA 40:44D-1)					
Planning Board					
Salaries and Wages	14,000	14,150	14,132	18	
Other Expenses	40,000	38,000	20,221	17,779	
Zoning Board of Adjustment					
Salaries and Wages	17,600	17,650	17,621	29	
Other Expenses	18,350	16,350	14,335	2,015	
Insurance					
Unemployment Insurance	15,500	15,500	14,608	892	
Other Insurance Premiums	10,000	10,000	7,722	2,278	
General Liability	200,000	190,000	186,933	3,067	
Workers Compensation Insurance	202,700	202,700	202,664	36	
Employee Group Health	1,057,000	1,057,000	1,040,635	16,365	
Health Benefit Waiver	10,000	5,000		5,000	
<b>PUBLIC SAFETY FUNCTIONS</b>					
Police Department					
Salaries and Wages	2,563,690	2,553,690	2,497,469	56,221	
Other Expenses	112,050	112,050	97,013	15,037	
Acq. Of Police Vehicles	18,100	18,100	18,090	10	
Office of Emergency Management					
Salaries and Wages	7,600	7,600	7,592	8	
Other Expenses	9,250	9,250	8,544	706	
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, 2012**

	<u>Appropriated</u>		<u>Expended</u>		
	<u>2012 Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
<b>OPERATIONS WITHIN "CAPS"</b>					
<b>PUBLIC SAFETY FUNCTIONS (Continued)</b>					
Fire Prevention Bureau/Uniform Fire Safety					
Salaries and Wages	\$ 36,875	\$ 36,875	\$ 33,544	\$ 3,331	
Other Expenses	3,050	3,050	2,171	879	
Fire Protection					
Other Expenses	38,350	38,350	34,937	3,413	
Clothing Allowance	17,500	17,500	15,472	2,028	
Fire Hydrant Services	158,500	158,500	145,101	13,399	
Municipal Prosecutor					
Other Expenses	6,500	6,500	6,240	260	
<b>PUBLIC WORKS FUNCTIONS</b>					
Streets and Road Maintenance					
Salaries and Wages	897,500	887,500	858,077	29,423	
Other Expenses	50,050	45,550	25,043	20,507	
Snow Removal					
Other Expenses	16,250	16,250	4,396	11,854	
Shade Tree Commission					
Salaries and Wages	4,300	4,300	3,229	1,071	
Other Expenses	38,500	38,500	38,500	-	
Solid Waste Collection					
Salaries and Wages	310,700	310,700	272,696	38,004	
Other Expenses	4,000	4,000	2,600	1,400	
Recycling					
Salaries and Wages	45,140	54,640	27,066	27,574	
Other Expenses	1,000	1,000		1,000	
Public Building and Grounds					
Salaries and Wages	59,856	60,856	60,490	366	
Other Expenses	37,900	35,900	33,861	2,039	
Vehicle Maintenance					
Salaries and Wages	98,720	98,720	98,713	7	
Other Expenses	104,500	104,500	85,411	19,089	
<b>HEALTH AND HUMAN SERVICES FUNCTIONS</b>					
Public Health Services					
Salaries and Wages	59,760	61,160	59,956	1,204	
Other Expenses	71,486	71,486	70,817	669	
Environmental Commission					
Other Expenses	2,950	2,950	1,834	1,116	
Animal Control					
Other Expenses	13,565	13,565	13,564	1	
Aid to Mental Health Center	1,000	1,000	1,000		
<b>PARKS AND RECREATION FUNCTIONS</b>					
Maintenance of Parks and Playgrounds	42,500	39,000	32,830	6,170	
Senior Citizens					
Other Expenses	3,800	3,800	3,800		
Board of Recreation Commissioners					
Salaries and Wages	63,750	65,150	65,114	36	
Other Expenses	35,000	35,000	24,973	10,027	
<b>EDUCATION FUNCTIONS</b>					
Contribution to Belskie Museum	7,125	7,125	7,125		
<b>OTHER COMMON OPERATING FUNCTIONS</b>					
Celebration of Public Events					
Other Expenses	2,500	2,500	90	2,410	

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, 2012**

	<u>Appropriated</u>		<u>Expended</u>		<u>Cancelled</u>
	<u>2012 Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS WITHIN "CAPS"					
LANDFILL/SOLID WASTE DISPOSAL COSTS					
Solid Waste Recycling Landfill and Contingency Taxes	\$ 249,000	\$ 249,000	\$ 215,707	\$ 33,293	
MUNICIPAL COURT					
Salaries and Wages	89,500	89,500	89,115	385	
Other Expenses	4,550	5,550	4,325	1,225	
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	173,800	173,800	172,540	1,260	
Other Expenses	6,350	3,850	2,137	1,713	
Other Code Enforcement Functions					
Zoning Officer					
Salaries and Wages	24,900	25,000	24,950	50	
Other Expenses	300	300		300	
Property Maintenance					
Salaries and Wages	38,600	40,300	40,200	100	
Other Expenses	300	300	52	248	
UNCLASSIFIED					
Utilities					
Electricity	94,000	89,000	69,214	19,786	
Street Lighting	100,000	100,000	91,518	8,482	
Telephone and Telegraph	85,000	85,000	75,227	9,773	
Water	18,000	23,000	21,164	1,836	
Natural Gas	23,000	22,000	10,944	11,056	
Sewer System	4,200	4,200	198	4,002	
Gasoline	165,000	230,000	164,577	65,423	-
Total Operations Within "CAPS"	<u>8,617,427</u>	<u>8,586,177</u>	<u>8,061,538</u>	<u>524,639</u>	<u>-</u>
Detail:					
Salaries and Wages	5,154,451	5,122,151	4,951,675	170,476	-
Other Expenses	<u>3,462,976</u>	<u>3,464,026</u>	<u>3,109,863</u>	<u>354,163</u>	<u>-</u>
DEFERRED CHARGES AND REGULATORY					
EXPENDITURES-MUNICIPAL-WITHIN "CAPS"					
STATUTORY EXPENDITURES					
Contribution to:					
Social Security System (O.A.S.I.)	240,000	240,000	232,555	7,445	
Police and Firemen's Retirement Fund of NJ	611,931	642,931	642,706	225	
Public Employees' Retirement System	295,388	295,538	295,532	6	
Defined Contribution Retirement Plan	1,500	1,600	1,547	53	-
Total Deferred Charges and Statutory					
Expenditures - Within "CAPS"	<u>1,148,819</u>	<u>1,180,069</u>	<u>1,172,340</u>	<u>7,729</u>	<u>-</u>
Total General Appropriations for					
Municipal Purposes within "CAPS"	<u>9,766,246</u>	<u>9,766,246</u>	<u>9,233,878</u>	<u>532,368</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, 2012**

	<u>Appropriated</u>		<u>Expended</u>		
	<u>2012 Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
<b>OPERATIONS - EXCLUDED FROM "CAPS"</b>					
<b>UTILITY EXPENSES AND BULK PURCHASES</b>					
Bergen County Utilities Authority					
Operations	\$ 581,758	\$ 581,758	\$ 581,757	\$ 1	
Debt Service	254,515	254,515	254,515		
<b>EDUCATION FUNCTIONS</b>					
Maintenance of Free Public Library	728,000	728,000	727,929	71	
<b>GENERAL GOVERNMENT FUNCTIONS</b>					
Reserve for Tax Appeals	50,000	50,000	50,000		
<b>PUBLIC SAFETY FUNCTIONS</b>					
Length of Service Awards Program (LOSAP)	35,000	35,000	30,500	4,500	
911 Dispatch Services - Contractual	103,119	103,119	103,119	-	-
Total Other Operations - Excluded from "CAPS"	<u>1,752,392</u>	<u>1,752,392</u>	<u>1,747,820</u>	<u>4,572</u>	<u>-</u>
<b>INTERLOCAL MUNICIPAL SERVICE AGREEMENTS</b>					
Borough of Harrington Park					
Gasoline	54,696	54,696	54,696	-	-
Total Interlocal Municipal Service Agreements	<u>54,696</u>	<u>54,696</u>	<u>54,696</u>	<u>-</u>	<u>-</u>
<b>PUBLIC AND PRIVATE PROGRAMS</b>					
<b>OFFSET BY REVENUES</b>					
<b>FEDERAL AND STATE GRANTS</b>					
Clean Communities Grant	13,231	13,231			\$ 13,231
Clean Communities Grant		12,964		12,964	
Recreation Opportunity					
State Share	5,000	5,000	4,485	515	
Bergen County Grant-Barrier Free-Library		20,000	20,000		
BC ADA Sidewalk Grant		65,000	65,000		
Click It or Ticket		4,000	3,854	146	
Recycling Tonnage Grant	31,673	31,673	16,991	14,682	
Drunk Driving Enforcement Fund	10,250	10,250	5,974	4,276	-
Total Public and Private Programs Offset by Revenues	<u>60,154</u>	<u>162,118</u>	<u>116,304</u>	<u>32,583</u>	<u>13,231</u>
Total Operations Excluded from "CAPS"	<u>1,867,242</u>	<u>1,969,206</u>	<u>1,918,820</u>	<u>37,155</u>	<u>13,231</u>
Detail:					
Other Expenses	<u>1,867,242</u>	<u>1,969,206</u>	<u>1,918,820</u>	<u>37,155</u>	<u>13,231</u>

**BOROUGH OF CLOSTER**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Appropriated</u>		<u>Expended</u>		
	<u>2012 Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
<b>CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"</b>					
Capital Improvement Fund	\$ 43,900	\$ 43,900	\$ 43,900	-	-
Total Capital Improvements - Excluded from "CAPS"	<u>43,900</u>	<u>43,900</u>	<u>43,900</u>	-	-
<b>MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"</b>					
Payment of Bond Principal	1,210,000	1,210,000	1,210,000		
Interest on Bonds	407,815	407,815	362,460		\$ 45,355
Interest on Notes	27,465	27,465	27,465		
Green Trust Loan Program	3,826	3,826	3,825	-	1
Total Municipal Debt Service - Excluded from "CAPS"	<u>1,649,106</u>	<u>1,649,106</u>	<u>1,603,750</u>	-	<u>45,356</u>
<b>DEFERRED CHARGES</b>					
Special Emergency Authorizations - 5 yrs. (N.J.S. 40A:4-55)	126,800	126,800	126,800	-	-
Total Deferred Charges - Municipal Excluded from "CAPS"	<u>126,800</u>	<u>126,800</u>	<u>126,800</u>	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>3,687,048</u>	<u>3,789,012</u>	<u>3,693,270</u>	\$ 37,155	<u>58,587</u>
Subtotal General Appropriations	13,453,294	13,555,258	12,927,148	569,523	58,587
RESERVE FOR UNCOLLECTED TAXES	<u>862,000</u>	<u>862,000</u>	<u>862,000</u>	-	-
Total General Appropriations	<u>\$ 14,315,294</u>	<u>\$ 14,417,258</u>	<u>\$ 13,789,148</u>	<u>\$ 569,523</u>	<u>\$ 58,587</u>

Reference

	A-2		A
Adopted Budget	A-2	\$ 14,315,294	
N.J.S.A. 40A:4-87	A-2	<u>101,964</u>	
		<u>\$ 14,417,258</u>	
Cash Disbursements	A-4		\$ 12,373,800
Encumbrances Payable	A-14		376,548
Reserve for Tax Appeals	A-24		50,000
Special Emergency Authorizations	A-10		126,800
Reserve for Uncollected Taxes	A-3		<u>862,000</u>
			<u>\$ 13,789,148</u>

**BOROUGH OF CLOSTER**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**TRUST FUNDS**  
**AS OF DECEMBER 31, 2012 AND 2011**

<b>ASSETS</b>	<u>Reference</u>	<u>2012</u>	<u>2011</u>
Animal Control Fund			
Cash	B-3	\$ 24,105	\$ 19,857
		<u>24,105</u>	<u>19,857</u>
Other Trust Fund			
Cash	B-3	1,750,827	1,760,138
Due From Current Fund	B-5	<u>12,910</u>	<u>13,464</u>
		<u>1,763,737</u>	<u>1,773,602</u>
Open Space Preservation Trust Fund			
Cash	B-3	582,375	871,639
Due From Current Fund	B-12	<u>206,497</u>	<u>85</u>
		<u>788,872</u>	<u>871,724</u>
Length of Service Awards Program Fund (Unaudited)			
Investment	B	427,024	385,019
Contribution Receivable	B	<u>36,850</u>	<u>38,650</u>
		<u>463,874</u>	<u>423,669</u>
 Total Assets		 <u>\$ 3,040,588</u>	 <u>\$ 3,088,852</u>

**BOROUGH OF CLOSTER**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**TRUST FUNDS**  
**AS OF DECEMBER 31, 2012 AND 2011**

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<b>Animal Control Fund</b>			
Due to State of New Jersey	B-7	\$ 4	\$ 14
Due to Current Fund	B-8	16,366	11,891
Reserve for Animal Control Expenditures	B-6	<u>7,735</u>	<u>7,952</u>
		<u>24,105</u>	<u>19,857</u>
<b>Other Trust Fund</b>			
Escrow and Miscellaneous Reserves	B-9	1,716,432	1,730,941
Reserve for Payroll and Payroll Liabilities	B-10	46,182	41,538
Due to Current Fund - Payroll	B	431	431
Fund Balance	B-1	<u>692</u>	<u>692</u>
		<u>1,763,737</u>	<u>1,773,602</u>
<b>Open Space Preservation Trust Fund</b>			
Due to General Capital Fund	C-8	245,527	
Reserve for Open Space Expenditures	B-11	<u>543,345</u>	<u>871,724</u>
		<u>788,872</u>	<u>871,724</u>
<b>Length of Service Awards Program Fund (Unaudited)</b>			
Reserve for Length of Service Award Program	B	<u>463,874</u>	<u>423,669</u>
<b>Total Liabilities, Reserves and Fund Balance</b>		<u>\$ 3,040,588</u>	<u>\$ 3,088,852</u>

**BOROUGH OF CLOSTER**  
**STATEMENT OF FUND BALANCE - REGULATORY BASIS - OTHER TRUST FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</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 PRESERVATION TRUST FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Reference</u>	2012 Modified Budget	2012 Realized	Excess or (Deficit)
Amount to be Raised by Taxation	B-12	\$205,603	\$ 206,412	\$ 809
		<u>\$205,603</u>	206,412	<u>\$ 809</u>
Non-Budget	B-11		1,336	
			<u>\$ 207,748</u>	

EXHIBIT B-3

**STATEMENT OF EXPENDITURES - REGULATORY BASIS - OPEN SPACE PRESERVATION TRUST FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Reference</u>	2012 Modified Budget	Paid or Charged	Excess or (Deficit)
Maintenance of Land for Recreation and Conservation		\$205,603	\$ -	\$ 205,603
	B-1		B-12	

**BOROUGH OF CLOSTER**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**GENERAL CAPITAL FUND**  
**AS OF DECEMBER 31, 2012 AND 2011**

<b>ASSETS</b>	<u>Reference</u>	<u>2012</u>	<u>2011</u>
Cash	C-2, C-3	\$ 547,073	\$ 759,441
Grants Receivable	C-6	422,142	744,614
Due From Current Fund	C-7	21,047	45
Due from Open Space Preservation Trust Fund	C-8	245,527	
Deferred Charges to Future Taxation			
Funded	C-4	9,521,827	10,639,205
Unfunded	C-5	<u>2,567,775</u>	<u>1,119,262</u>
 Total Assets		 <u>\$ 13,325,391</u>	 <u>\$ 13,262,567</u>
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Serial Bonds	C-10	\$ 9,502,000	\$ 10,616,000
Green Acres Trust Fund Loan Payable	C-9	19,827	23,205
Bond Anticipation Notes Payable	C-11	2,356,965	840,000
Improvement Authorizations			
Funded	C-12	465,479	536,261
Unfunded	C-12	109,811	242,669
Encumbrances Payable	C-13	635,790	712,922
Capital Improvement Fund	C-14	10,049	44,484
Miscellaneous Reserves	C	11,000	11,000
Reserve for Payment of Debt	C-15	141,588	178,526
Fund Balance	C-1	<u>72,882</u>	<u>57,500</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 13,325,391</u>	 <u>\$ 13,262,567</u>

There were bonds and notes authorized but not issued of \$278,257 and \$279,262 at December 31, 2012 and 2011, respectively (Exhibit C-16).

**BOROUGH OF CLOSTER**  
**COMPARATIVE STATEMENTS OF FUND BALANCE - REGULATORY BASIS**  
**GENERAL CAPITAL FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
Balance, January 1	C	\$ 57,500	\$ 82,500
Increased by:			
Improvement Authorizations Cancelled	C-1,C-12	34,936	90,267
Premium on Sale of Notes	C-1	<u>5,446</u>	<u>-</u>
		<u>97,882</u>	<u>172,767</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>25,000</u>	<u>115,267</u>
Balance, December 31	C	<u>\$ 72,882</u>	<u>\$ 57,500</u>

**BOROUGH OF CLOSTER  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
PUBLIC ASSISTANCE FUND  
AS OF DECEMBER 31, 2012 AND 2011**

<b>ASSETS</b>	<u>Reference</u>	<u>2012</u>	<u>2011</u>
Cash	D-1	\$ <u>11,605</u>	\$ <u>6,838</u>
		<u>\$ 11,605</u>	<u>\$ 6,838</u>
 <b>LIABILITIES</b>			
Reserve for Expenditures	D-2	\$ <u>11,605</u>	\$ <u>6,838</u>
		<u>\$ 11,605</u>	<u>\$ 6,838</u>

**BOROUGH OF CLOSTER  
GENERAL FIXED ASSETS ACCOUNT GROUP  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
AS OF DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Land and Land Improvements	\$ 78,775,600	\$ 78,775,600
Buildings and Building Improvements	5,388,561	5,388,561
Vehicles and Equipment	<u>7,709,822</u>	<u>7,382,644</u>
	<u>\$ 91,873,983</u>	<u>\$ 91,546,805</u>
<b>FUND BALANCE</b>		
Investment in General Fixed Assets	<u>\$ 91,873,983</u>	<u>\$ 91,546,805</u>

**NOTES TO FINANCIAL STATEMENTS**

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Regulatory Basis of Accounting**

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.

**B. 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, 2012 AND 2011**

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

**C. 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 - These 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.

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

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

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.

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 accounting and financial reporting treatment is determined by the accounting principles and practices prescribed by the Division in accordance with the regulatory basis of accounting. Measurement focus indicates the type of resources being measured. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

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

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

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:

**Property Tax Revenues** - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. A penalty of up to 6% of the delinquency may be imposed on a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the fiscal year in which the charges become delinquent. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The Borough also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11<sup>th</sup> day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The Borough may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

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

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

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

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

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

**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 as per N.J.S.A. 40A:4 et seq.

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

Trust Funds (except Open Space Preservation Trust Fund)  
General Capital Fund  
Public Assistance 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 2012 and 2011 the Borough Council increased the original budget by \$101,964 and \$632,154. The increases were funded by additional aid allotted to the Borough in 2012 and 2011 and a special emergency authorization in 2011 for employee severance liabilities. In addition, the governing body approved several budget transfers during 2012 and 2011.

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

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

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

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

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

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

**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.

**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 \$500 and an estimated useful life in excess of two years.

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

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

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

**General Fixed Assets (Continued)**

Fixed assets used in governmental operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks are not capitalized.

Fixed Assets purchased after December 31, 2011 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, 2011 are stated as follows:

Land and Buildings	Assessed Value
Machinery and Equipment	Historical Value

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, 2011 balances to conform to the December 31, 2012 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.

**BOROUGH OF CLOSTER  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2012 AND 2011**

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

**D. Financial Statements – Regulatory Basis**

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 regulatory basis financial statements listed in the table of contents which are required by the Division and which differ from the basic financial statements required by GAAP. In addition, the Division requires the regulatory basis financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from reporting requirements under GAAP.

**NOTE 2 DEPOSITS AND INVESTMENTS**

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

**Deposits**

The Borough's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The 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 for interest bearing accounts are insured up to \$250,000 in the aggregate by the FDIC for each bank. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, temporary unlimited deposit insurance coverage was provided for non-interest bearing accounts from December 31, 2010 through December 31, 2012. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2012 and 2011, the book value of the Borough's deposits were \$6,291,658 and \$6,507,242 and bank and brokerage firm balances of the Borough's deposits amounted to \$7,724,075 and \$6,653,097, 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>2012</u>	<u>2011</u>
Insured	\$ <u>7,724,075</u>	\$ <u>6,653,097</u>

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

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

**Deposits (Continued)**

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, 2012 and 2011, 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.

As of December 31, 2012 and 2011, the Borough had the following investments:

	<u>Fair Value</u>	
	<u>2012</u>	<u>2011</u>
Investment		
Length of Service Awards Program		
Lincoln Financial (Unaudited)	\$ 427,024	\$ 385,019
	<u>\$ 427,024</u>	<u>\$ 385,019</u>

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

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

**Investments (Continued)**

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, 2012 and 2011, \$427,024 and \$385,019 of the Borough’s investments was exposed to custodial credit risk as follows:

	<u>Fair Value</u>	
	<u>2012</u>	<u>2011</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department but not in the Borough's name (Unaudited)	\$ 427,024	\$ 385,019

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, Animal Control Fund and certain Other Trust Funds are assigned to the Current Fund in accordance with the regulatory basis of accounting.

**NOTE 3 TAXES RECEIVABLE**

Receivables at December 31, 2012 and 2011 consisted of the following:

	<u>2012</u>	<u>2011</u>
<u>Current</u>		
Property Taxes	<u>\$356,718</u>	<u>\$414,583</u>

In 2012 and 2011, the Borough collected \$407,878 and \$933,718 from delinquent taxes, which represented 98% and 100% of the prior year delinquent taxes receivable balance.

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

**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 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>2012</u>	<u>2011</u>
Issued		
General		
Bonds, Notes and Loans	\$ 11,878,792	\$ 11,479,205
Less Funds Temporarily Held to Pay Bonds and Notes	<u>209,035</u>	<u>178,526</u>
Net Debt Issued	11,669,757	11,300,679
Authorized But Not Issued		
General		
Bonds and Notes	<u>278,257</u>	<u>279,262</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 11,948,014</u>	<u>\$ 11,579,941</u>

**Statutory Net Debt**

The statement of debt condition that follows indicates a statutory net debt of .57% and .54% at December 31, 2012 and 2011, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2012</u></b>			
General Debt	\$ 12,157,049	\$ 209,035	\$ 11,948,014
School Debt	<u>7,922,589</u>	<u>7,922,589</u>	<u>-</u>
Total	<u>\$ 20,079,638</u>	<u>\$ 8,131,624</u>	<u>\$ 11,948,014</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2011</u></b>			
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>

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

**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>2012</u>	<u>2011</u>
3-1/2% of Equalized Valuation Basis (Municipal) Net Debt	\$ 73,100,752 <u>11,948,014</u>	\$ 75,377,035 <u>11,579,941</u>
Remaining Borrowing Power	<u>\$ 61,152,738</u>	<u>\$ 63,797,094</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>2012</u>	<u>2011</u>
\$4,860,000, 2001 Bonds, due in annual installment of \$460,000 through July, 2014, interest at 4.250%	\$ 920,000	\$ 1,380,000
\$6,909,000, 2005 Bonds, due in annual installments of \$400,000 through October, 2013, interest at 3.80%	400,000	5,174,000
\$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%	3,677,000	4,062,000
\$4,505,000, 2012 Refunding Bonds, due in annual installments of \$35,000 to \$1,045,000 through October 15, 2018, interest at 1.00% to 3.00%	<u>4,505,000</u>	<u>-</u>
	<u>\$ 9,502,000</u>	<u>\$ 10,616,000</u>

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 4 MUNICIPAL DEBT (Continued)**

**Long-Term Debt (Continued)**

**General Intergovernmental Loans Payable**

The Borough has entered into a loan agreement with the New Jersey Department of Environmental Protection for the financing relating to the 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>2012</u>	<u>2011</u>
\$62,798, 1997 Loan, due in Semi-annual installments of \$1,714 to \$1,894 through March, 2018, interest at 2.0%	\$ 19,827	\$ 23,205
	<u>\$ 19,827</u>	<u>\$ 23,205</u>

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2012 is as follows:

<u>Calendar Year</u>	<u>General Obligation Bonds</u>		<u>Intergovernmental Loans</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2013	\$ 1,294,000	\$ 308,530	\$ 3,445	\$ 380	\$ 1,606,355
2014	1,346,000	257,130	3,515	311	1,606,956
2015	1,395,000	208,985	3,585	240	1,607,810
2016	1,432,000	172,130	3,657	168	1,607,955
2017	1,481,000	133,860	3,731	94	1,618,685
2018-2022	<u>2,554,000</u>	<u>136,065</u>	<u>1,894</u>	<u>57</u>	<u>2,692,016</u>
	<u>\$ 9,502,000</u>	<u>\$ 1,216,700</u>	<u>\$ 19,827</u>	<u>\$ 1,250</u>	<u>\$ 10,739,777</u>

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 4 MUNICIPAL DEBT (Continued)**

**Changes in Long-Term Municipal Debt (Continued)**

The Borough's long-term capital debt activity for the years ended December 31, 2012 and 2011 were as follows:

	Balance, December 31, <u>2011</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2012</u>	Due Within <u>One Year</u>
<b><u>2012</u></b>					
General Capital Fund					
Bonds Payable	\$ 10,616,000	\$ 4,505,000	\$ 5,619,000	\$ 9,502,000	\$ 1,294,000
Intergovernmental Loans Payable	<u>23,205</u>	<u>-</u>	<u>3,378</u>	<u>19,827</u>	<u>3,445</u>
General Capital Fund Long-Term Liabilities	<u>\$ 10,639,205</u>	<u>\$ 4,505,000</u>	<u>\$ 5,622,378</u>	<u>\$ 9,521,827</u>	<u>\$ 1,297,445</u>
	Balance, December 31, <u>2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2011</u>	Due Within <u>One Year</u>
<b><u>2011</u></b>					
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, 2012 AND 2011**

**NOTE 4 MUNICIPAL DEBT (Continued)**

**Short-Term Debt**

The Borough's short-term debt activity for the years ended December 31, 2012 and 2011 was as follows:

**Bond Anticipation Notes**

<u>Improvement Description</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	Balance, December 31, <u>2011</u>	<u>Increased</u>	<u>Decreased</u>	Balance, December 31, <u>2012</u>
Safe Sidewalks to Tenakill	12/14/2012	1.61%	\$ 40,000		\$ 40,000	
	9/27/2013	1.36%		\$ 40,000		\$ 40,000
Various Improvements	12/14/2012	1.61%	570,000		570,000	
	9/27/2013	1.36%		570,000		570,000
Reconstruction of Herbert Avenue - Section IV	12/14/2012	1.61%	40,000		40,000	
	9/27/2013	1.36%		40,000		40,000
Acquisition of Various Equipment	12/14/2012	1.61%	190,000		190,000	
	9/27/2013	1.36%		190,000		190,000
Acquisition of Ladder Truck and Pickup	9/27/2013	1.25%		1,072,550		1,072,550
Reconstruction of Various Roadways	9/27/2013	1.25%		294,500		294,500
Acquisition of Various Equipment	9/27/2013	1.25%	-	149,915	-	149,915
			<u>\$ 840,000</u>	<u>\$ 2,356,965</u>	<u>\$ 840,000</u>	<u>\$ 2,356,965</u>

<u>Improvement Description</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	Balance, December 31, <u>2010</u>	<u>Increased</u>	<u>Decreased</u>	Balance, December 31, <u>2011</u>
Safe Sidewalks to Tenakill	12/14/2012	1.61%		\$ 40,000		\$ 40,000
Various Improvements	12/14/2012	1.61%		570,000		570,000
Reconstruction of Herbert Avenue - Section IV	12/14/2012	1.61%		40,000		40,000
Acquisition of Various Equipment	12/14/2012	1.61%	-	190,000	-	190,000
			<u>\$ -</u>	<u>\$ 840,000</u>	<u>\$ -</u>	<u>\$ 840,000</u>

The purpose of these short-time borrowings was to provide resources for capital construction, acquisitions or improvement projects and other purposes permitted by State Local Bond Law NJSA 40A:2 et. seq. The amounts issued for governmental activities are accounted for in the General Capital Fund.

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 4 MUNICIPAL DEBT (Continued)**

**Short-Term Debt (Continued)**

**Bond Anticipation Notes (Continued)**

State law requires that notes are to be issued for a period not exceeding one year and may be renewed from time to time for additional periods, none of which shall exceed one year. All bond anticipation notes, including renewals, shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original notes. In addition any note renewed beyond the third anniversary date of the original note, requires one legally payable installment to be paid.

In addition to the debt shown in the above schedule, municipalities may issue debt to finance special emergency appropriations. This debt which is not included in the Borough's statutory debt limit calculation is reported in the Current Fund for the years 2012 and 2011 as follows:

**Special Emergency Notes**

Following the adoption of an ordinance or resolution for special emergency appropriations, the Borough may borrow money and issue special emergency notes which may be renewed from time to time, but at least 1/5 of all such notes and the renewal thereof, shall mature and be paid in each year so that all notes have been paid by the end of the fifth year following the date of the special emergency resolution.

**2012**

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, December 31, 2011</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance, December 31, 2012</u>
Employee Severage Liabilities	1.80%	9/27/13	\$ 580,000	\$ 464,000	\$ 580,000	\$ 464,000

**2011**

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, December 31, 2011</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance, December 31, 2012</u>
Employee Severage Liabilities	2.43%	12/14/12	\$ -	\$ 580,000	\$ -	\$ 580,000

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

**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, 2012 and 2011.

	Balance December 31, <u>2011</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2012</u>
<b><u>2012</u></b>				
Land and Land Impvts.	\$ 78,775,600			\$ 78,775,600
Buildings and Building Impvts.	5,388,561			5,388,561
Machinery and Equipment	7,382,644	\$ 545,432	\$ 218,254	7,709,822
	<u>\$ 91,546,805</u>	<u>\$ 545,432</u>	<u>\$ 218,254</u>	<u>\$ 91,873,983</u>

	Balance December 31, <u>2010</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2011</u>
<b><u>2011</u></b>				
Land	\$ 78,775,600			\$ 78,775,600
Buildings and Building Impvts.	5,351,861	\$ 36,700		5,388,561
Machinery and Equipment	8,505,150	-	\$ 1,122,506	7,382,644
	<u>\$ 92,632,611</u>	<u>\$ 36,700</u>	<u>\$ 1,122,506</u>	<u>\$ 91,546,805</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>2012</u>		<u>2011</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	\$ 16,797	\$ 240,454	\$ 12,322	\$ 13,594
Trust Fund				
Open Space Trust Fund	206,497	245,527	85	
Other Trust Fund	12,910	431	13,464	431
Animal Control Fund		16,366		11,891
General Capital Fund	266,574	-	45	-
Total	<u>\$ 502,778</u>	<u>\$ 502,778</u>	<u>\$ 25,916</u>	<u>\$ 25,916</u>

The balances on the previous page 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, 2012 AND 2011**

**NOTE 7 FUND BALANCES APPROPRIATED**

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

	Fund Balance December 31, <u>2012</u>	Utilized in Subsequent <u>Year's Budget</u>	Fund Balance December 31, <u>2011</u>	Utilized in Subsequent <u>Year's Budget</u>
Current Fund				
Cash Surplus	\$ 1,612,120	\$ 1,040,000	\$ 1,249,193	\$ 925,000
Non-Cash Surplus	<u>100,038</u>	<u>-</u>	<u>157,097</u>	<u>-</u>
	<u>\$ 1,712,158</u>	<u>\$ 1,040,000</u>	<u>\$ 1,406,290</u>	<u>\$ 925,000</u>

**NOTE 8 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS**

Under the regulatory basis of accounting, 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 <u>December 31,</u>	Subsequent Year Budget <u>Appropriation</u>	Balance to Succeeding <u>Budgets</u>
<b><u>2012</u></b>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	<u>\$ 474,800</u>	<u>\$ 126,800</u>	<u>\$ 348,000</u>
<b><u>2011</u></b>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	<u>\$ 601,600</u>	<u>\$ 126,800</u>	<u>\$ 474,800</u>

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

**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 \$1,846,097 and \$1,426,603 at December 31, 2012 and 2011, respectively. These amounts which are considered material to the financial statements, are not reported either as an expenditure or liability.

As of December 31, 2012 and 2011, the Borough has reserved \$111,270 and \$360,962, respectively to fund a portion of 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.

**Defined Contribution Retirement Program (DCRP)** – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership.

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

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

**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, but are currently suspended as a result of reform legislation.

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](http://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.

**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:

- For new members of PERS hired on or after June 28, 2011 (Tier 5 members), the years of creditable service needed for early retirement benefits increased from 25 to 30 years and the early retirement age increased from 55 to 65.
- The eligibility age to qualify for a service retirement in the PERS 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), decreased from 65 percent of final compensation to 60 percent of final compensation after 25 years of service and from 70 percent of final compensation to 65 percent of final compensation after 30 or more years of service.
- It increased the active member contribution rates as follows: 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 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.

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

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

**Significant Legislation (Continued)**

- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries was suspended. COLA increases may be reactivated at a future date as permitted by this law.
- It changed the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay method).

**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.

**Funded Status and Funding Progress**

As of July 1, 2011, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS and PFRS is 67.5 percent with an unfunded actuarial accrued liability of \$41.7 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 60.8 percent and \$30.1 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 77.5 percent and \$11.6 billion, respectively.

The funded status and funding progress of the retirement systems includes 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 funding limitations on the pattern of cost sharing between the employer and members in the future.

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

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

**Actuarial Methods and Assumptions**

In the July 1, 2011 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: (a) a revised investment rate of return for all the retirement systems from 8.25 percent to 7.95 percent; and (b) revised projected salary increases which vary by fund (6.32% for PFRS and 4.52% for PERS).

**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, 10.0% for PFRS and 5.50% for DCRP of employees' annual compensation.

**Annual Pension Cost (APC)**

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2012 for PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended December 31, 2012, 2011 and 2010, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension contributions, and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended</u> <u>December 31,</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2012	\$ 642,706	\$ 295,532	\$ 1,547
2011	703,742	271,233	
2010	617,039	235,418	

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

**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 Teacher's 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 single 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 566 state and local participating employers and contributing entities for Fiscal Year 2012.

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

**Basis of Accounting**

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

**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.

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

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

**Investment Valuation**

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

**Funded Status and Funding Progress**

As of July 1, 2011, the most recent actuarial valuation date, the State had a \$48.9 billion unfunded actuarial liability for other postemployment benefits (OPEB) which is made up of \$18.0 billion for state active and retired members and \$30.9 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, 2011 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included 4.50 percent for investment rate of return for the OPEB.

**Post-Retirement Medical Benefits Contribution**

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Public Employees' Retirement System to fund post-retirement medical benefits for those State and participating local government employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2012, there were 97,661 retirees receiving post-retirement medical benefits, and the State contributed \$958.9 million on their behalf. 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 \$112.6 million for 8,810 eligible retired members for Fiscal Year 2012. This benefit covers the Police and Firemen's Retirement System.

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

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

**Post-Retirement Medical Benefits Contribution (Continued)**

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 \$36.6 million in Fiscal Year 2012 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 post-retirement medical benefits for the years ended December 31, 2012, 2011 and 2010 were \$243,152, \$159,014 and \$137,690, respectively.

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

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

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

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

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

**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, 2012 and 2011. 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, 2012 and 2011, the Borough reserved \$141,225 and \$210,304, 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, 2012 and 2011, 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, 2012 and 2011, the Borough has not estimated its estimated arbitrage earnings due to the IRS, if any.

**NOTE 15 DEFEASANCE OF DEBT**

On June 15, 2012, the Borough issued \$4,505,000 in General Obligation Refunding Bonds having an interest rate of 1.00% to 3.00%. These bonds were issued in order to advance refund certain principal maturities and certain interest payments of various General Improvement Bonds of the Borough. The total bond principal defeased was \$4,409,000 and the total interest payments defeased was \$804,023. The net proceeds of \$4,690,964 (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments. As a result, the advance refunding met the requirements of an in-substance debt defeasance and the refunded bond liability was removed from the General Capital Fund. This advance refunding resulted in the issuance of an additional \$96,000 in bonds and resulted in an increase of cash flows over the life of these bond issues in the amount \$154,506; the economic gain (difference between the present value of the old and new debt service payments) was \$149,458. The advanced refunding was undertaken to reduce total debt service payments over the next 7 years by \$154,506.

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 16 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

As of December 31, 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>
<u>2012</u>		
2009 Safe Route to School	\$ 36,796	2013
Acquisition of Ladder Fire Truck	375,464	2013
Road Improvements	126,086	2013
DPW Leaf Collection Equipment	23,132	2013
Emergency Services – Radios	23,522	2013
<u>2011</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 17 OPERATING LEASES**

The Borough leases police vehicles under noncancelable operating leases. Lease payments for the years ended December 31, 2012 and 2011 were \$18,090 and \$18,090, respectively.

**NOTE 18 HURRICANE SANDY**

On October 29, 2012 Hurricane Sandy, the largest Atlantic hurricane on record made landfall in New Jersey and resulted in severe damage in numerous communities and a federal disaster was declared throughout the State. The Borough has incurred significant costs in the clean up and recovery from this federal disaster. The Federal Emergency Management Agency (“FEMA”) provides emergency grant assistance (voluntary nonexchange transaction) to help government’s cope with losses. Although the Borough has applied for reimbursement from FEMA, the total amount to be received in conjunction with this event is not considered to be measurable with sufficient reliability and therefore has not been recognized in the financial statements as of December 31, 2012. As of December 31, 2012, the Borough has not received any FEMA reimbursements relating to Hurricane Sandy.

**NOTE 19 SUBSEQUENT EVENTS**

**Debt Authorized**

On May 8, 2013 the Borough adopted a Bond Ordinance authorizing the issuance of \$1,294,850 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.

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 20 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED**

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

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

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

The Borough of Closter has contributed \$36,000 and \$33,150 for 2012 and 2011, respectively, into the Plan. The Borough of Alpine has contributed \$5,500 and \$5,500 for 2012 and 2011, respectively for each eligible volunteer first aid squad members 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.

**CURRENT FUND**

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

Balance, December 31, 2011		\$ 3,089,079
Increased by Receipts:		
Taxes Receivable	\$ 42,477,279	
Revenue Accounts Receivable	2,629,514	
Non Budget Revenue	315,829	
Prepaid Taxes	217,668	
Grants Receivable	142,184	
Petty Cash Returned	500	
Due to State of New Jersey	18,317	
General Capital Fund Receipt Deposited in Current Fund	21,022	
Receipts from General Capital Fund	84,395	
Receipts from Other Trust Fund		
Unappropriated Reserves for Grants	18,504	
Special Emergency Notes Payable	464,000	
Tax Overpayments	81,579	
Senior Citizens' and Veterans' Deductions	59,750	
	<u>46,530,541</u>	
		49,619,620
Decreased by Disbursements:		
2012 Appropriations	12,373,800	
2011 Appropriation Reserves	564,122	
Encumbrances Payable	233,993	
Accounts Payable	50,000	
Petty Cash Issued	500	
Tax Overpayments	78,227	
County Taxes	4,585,836	
Local District School Taxes	16,868,252	
Regional School Taxes	10,740,969	
Appropriated Grant Reserves	28,251	
Reserve for Tax Appeals	119,079	
Special Emergency Notes Payable	580,000	
Due to State of New Jersey	17,991	
Refund of Prior Year Revenue	3,177	
	<u>46,244,197</u>	
Balance, December 31, 2012		<u>\$ 3,375,423</u>

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

<u>Office</u>	Balance, December 31, <u>2011</u>	Petty Cash <u>Issued</u>	Petty Cash <u>Returned</u>	Balance, December 31, <u>2012</u>
Borough Clerk		\$ 150	\$ 150	
Department of Public Works		100	100	
Detective Bureau		100	100	
Police Department	-	150	150	-
	<u>-</u>	<u>500</u>	<u>500</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>2011</u>	Balance, December 31, <u>2012</u>
Tax Collector - Treasurer	\$ 250	\$ 250
	<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, 2011		\$ 14,864
Increased by:		
Deductions Disallowed by Tax Collector	\$ 197	
Deductions Disallowed by Tax Collector - Prior Year	215	
State Taxation Audit - Senior Citizens and Veterans	7,500	
Cash Receipts	<u>59,750</u>	
		<u>67,662</u>
		82,526
Decreased by:		
Senior Citizen Deductions Allowed by Tax Collector	500	
Senior Citizen and Veteran's Deductions Per Tax Billings	<u>67,500</u>	
		<u>68,000</u>
Balance, December 31, 2012		<u>\$ 14,526</u>

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

Year	Balance, December 31, 2011	2012 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, 2012
				2011	2012				
2011	\$ 414,583		\$ 215	\$	407,878			\$ 6,920	
2012	-	\$ 43,017,020	197	\$ 241,422	42,069,401	\$ 68,000	\$ 11,010	270,666	\$ 356,718
	<u>\$ 414,583</u>	<u>\$ 43,017,020</u>	<u>\$ 412</u>	<u>\$ 241,422</u>	<u>\$ 42,477,279</u>	<u>\$ 68,000</u>	<u>\$ 11,010</u>	<u>\$ 277,586</u>	<u>\$ 356,718</u>

Analysis of 2012 Property Tax Levy

TAX YIELD

General Property Tax	
Real Property Tax	\$ 42,847,654
Added Taxes (54:4-63.1 et seq.)	169,366
	<u>\$ 43,017,020</u>

TAX LEVY

Local School Tax (Abstract)	\$ 16,868,252
Regional School Tax (Abstract)	10,740,969
County Taxes (Abstract)	4,583,807
Duc County for Added Taxes (54:4-63.1)	18,195
Municipal Open Space	206,412
	<u>\$ 32,417,635</u>
Local Tax for Municipal Purposes	10,437,700
Add Additional Tax Levied	161,685
	<u>10,599,385</u>
	<u>\$ 43,017,020</u>

**BOROUGH OF CLOSTER**  
**STATEMENT OF REVENUE ACCOUNTS RECEIVABLE**

	Balance, December 31, <u>2011</u>	<u>Accrued</u>	<u>Collected</u>	Balance, December 31, <u>2012</u>
Licenses				
Alcoholic Beverages		\$ 28,508	\$ 28,508	
Board of Health		11,939	11,939	
Borough Clerk		925	925	
Construction Code Official		385,627	385,627	
Fees and Permits - Other				
Borough Clerk		14,010	14,010	
Fire Prevention		23,017	23,017	
Police		39,941	39,941	
Planning		14,354	14,354	
Zoning		7,610	7,610	
Public Works		25,907	25,907	
Building Department		6,068	6,068	
Board of Health		15,245	15,245	
Fines and Costs - Municipal Court		165,702	165,702	
Interest and Cost on Taxes		87,704	87,704	
Interest on Investments and Deposits		9,928	9,928	
Cable Television Franchise Fees		103,092	103,092	
Energy Receipts Tax		1,491,991	1,491,991	
Watershed Moratorium Offset Aid		13,489	13,489	
Borough of Harrington Park - Gasoline		79,678	79,678	
Uniform Fire Safety Act		12,938	12,938	
Cell Tower Rental		71,181	71,181	
Rental Payments		11,000	11,000	
Alpine Sewer Connection Fees	\$ -	9,660	9,660	\$ -
	<u>\$ -</u>	<u>\$ 2,629,514</u>	<u>\$ 2,629,514</u>	<u>\$ -</u>

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

	Balance December 31, <u>2011</u>	Authorized in <u>2012</u>	Budget Appropriation	Balance December 31, <u>2012</u>
Preparation of Master Plan	\$ 6,000		\$ 3,000	\$ 3,000
Reassessment of Real Property	15,600		7,800	7,800
Employee Severance Liabilities	<u>580,000</u>	<u>-</u>	<u>116,000</u>	<u>464,000</u>
	<u>\$ 32,400</u>	<u>\$ -</u>	<u>\$ 126,800</u>	<u>\$ 474,800</u>

EXHIBIT A-11

**STATEMENT OF GRANTS RECEIVABLE**

	Balance, December 31, <u>2011</u>	Realized as Budget <u>Revenue</u>	Decreased by <u>Receipts</u>	<u>Cancelled</u>	Balance, December 31, <u>2012</u>
Stormwater Management	\$ 2,117				\$ 2,117
Barrier Free - CDBG	40,000	\$ 65,000	\$ 65,000	\$ 20,817	19,183
COPS in Shops	216			216	
Recreation Opportunity	5,378	5,000	5,226		5,152
Historic Preservation	500		488		12
Business Stimulus	215			215	
Handicap Ramps	60,463				60,463
Clean Communities		12,964	12,964		
Drunk Driving Enforcement Fund		10,250	10,250		
Click It or Ticket		4,000	3,689		311
Homeland Security - Buffer Zone	24,608		24,567	41	
Barrier Free - CDBG - Library		20,000	20,000		
Bergen County Prosecutor Office - Forfeiture of Funds	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000</u>
	<u>\$ 135,497</u>	<u>\$ 117,214</u>	<u>\$ 142,184</u>	<u>\$ 21,289</u>	<u>\$ 89,238</u>
				\$ 21,248	
				<u>41</u>	
				<u>\$ 21,289</u>	

**BOROUGH OF CLOSTER**  
**STATEMENT OF EMERGENCY NOTES PAYABLE**

	Interest Rate	Date of Maturity	Balance, December 31, 2011	Increased	Decreased	Balance, December 31, 2012
Employee Severance Liabilities	2.43%	12/14/2012	\$ 580,000		\$ 580,000	
	1.80%	9/27/2013	-	\$ 464,000	-	\$ 464,000
			<u>\$ 580,000</u>	<u>\$ 464,000</u>	<u>\$ 580,000</u>	<u>\$ 464,000</u>

**BOROUGH OF CLOSTER  
STATEMENT OF 2011 APPROPRIATION RESERVES**

	Balance, December 31, 2011	Encumbrances Cancelled	Budget Transfers	Budget After Transfer or Modification	Paid or Charged	Adjustments	Balance Lapsed
Salaries and Wages							
General Administration				-			-
Municipal Clerk's Office	\$ 2,910			\$ 2,910			\$ 2,910
Financial Administration	3,252			3,252	\$ 704		2,548
Data Processing	1			1			1
Revenue Administration	999			999			999
Planning Board	87			87			87
Zoning Board	84			84			84
Municipal Court	3,758			3,758			3,758
Public Safety							
Fire Prevention	70		\$ 200	270	265		5
Police	22,021		19,100	41,121	36,756		4,365
Office of Emergency Management	92			92			92
Streets and Roads							
Road Repairs and Maintenance	571		16,300	16,871	16,781		90
Shade Tree	51			51			51
Public Buildings & Grounds	2,001			2,001			2,001
Solid Waste Collection	72,591		(56,900)	15,691	2,175		13,516
Recycling	100			100			100
Board of Health	82			82			82
Recreation	95			95			95
Uniform Construction Code	626			626	200		426
Property Maintenance	1,938			1,938	1,149		789
InterBorough	2			2			2
	<u>111,331</u>	<u>-</u>	<u>(21,300)</u>	<u>90,031</u>	<u>58,030</u>	<u>-</u>	<u>32,001</u>
Other Expenses							
General Administration	56	\$ 64	200	320			320
Municipal Clerk's Office	3,579			3,579	414		3,165
Elections	390			390			390
Financial Administration	58		3,200	3,258	3,246		12
Audit Services	500			500	500		-
Data Processing	1,679			1,679			1,679
Assessment of Taxes	662			662	149		513
Engineering							
Other Expenses	5,764			5,764			5,764
Monitoring Wells	4,500		(4,500)	-			-
Revenue Administration	11,284		(6,400)	4,884	313		4,571
Legal	27,814		4,000	31,814	31,403		411
Historical Commission	990			990			990
Economic Development							
Closter Improvement Committee	3,681			3,681	2,840		841
Planning Board	24,714			24,714	2,822		21,892
Zoning Board	109			109	11		98
Insurance							
Unemployment Insurance	358			358			358
Workers Compensation Insurance	5,221			5,221			5,221
General Liability Insurance	8,077			8,077	3,489		4,588
Other Insurance Premiums	1,663			1,663	248		1,415
Employee Group Health	193,967			193,967	123,755		70,212
Health Benefit Waiver	8,000			8,000			8,000
Construction Code Official	563			563			563
Zoning Officer	500			500			500
Property Maintenance	495			495			495

**BOROUGH OF CLOSTER**  
**STATEMENT OF 2011 APPROPRIATION RESERVES**

	Balance, December 31, <u>2011</u>	Encumbrances Cancelled	Budget Transfers	Budget After Transfer or Modification	Paid or Charged	Adjustments	Balance Lapsed
Other Expenses (Continued)							
Public Safety				-			
Fire Prevention	\$ 1,163			\$ 1,163	-		\$ 1,163
Fire Protection							
Other Expenses	15,167			15,167	\$ 1,639		13,528
Clothing Allowance	490			490			490
Fire Hydrant	43			43			43
Municipal Prosecutor	520			520			520
Police				-			
Police-Other Expense	2,475			2,475	625		1,850
Acq.Of Police Vehicles	3,010			3,010			3,010
Emergency Management	862			862	7		855
Streets and Roads							
Road Repairs and Maintenance	4,082		\$ 11,500	15,582	11,653		3,929
Snow Removal	570			570	-		570
Shade Tree	3,153			3,153	-		3,153
Public Buildings & Grounds	2,064			2,064	731		1,333
Solid Waste Collection	24			24			24
Vehicle Maintenance	2,071	\$ 132		2,203			2,203
Recycling				-			-
Board of Health	339		400	739	656		83
Environmental Commission	1,074			1,074			1,074
Recreation and Education							
Parks and Playgrounds	96		900	996	957		39
Board of Recreation Commissioners	4,792	931		5,723			5,723
Celebration of Public Events	314			314	11		303
Landfill Solid Waste Disposal Costs							
Solid Waste Recycling Landfill and Contingency	3,482		15,500	18,982	18,869		113
Accumulated Leave	360,000			360,000	249,692	\$ 110,308	
Utilities:							
Gasoline	6,923	1,719		8,642			8,642
Electricity	23,112		(13,500)	9,612	9,276		336
Natural Gas	3,473	96		3,569			3,569
Telephone and Telegraph	700			700	253		447
Street Lighting			10,000	10,000	9,807		193
Sewer System	1,747			1,747			1,747
Water	3,034			3,034			3,034
Social Security System	5,239			5,239			5,239
Police and Fireman's Retirement System of NJ				-			-
Borough of Harrington Park - Gasoline	161			161	105		56
Municipal Court	924			924			924
Length of Service Awards Program	34,000			34,000	32,550		1,450
Interboro Police	9			9			9
Recreation Opportunity	1,119			1,119		1,119	
Alcohol Education and Rehabilitation	2,133			2,133		2,133	
Police Body Armor	1,354	-	-	1,354		1,354	
Library	71			71	71		
Buffer Zone Protection Program	41			41		41	
Green Team Mini Grant	300	-	-	300	-	300	-
	<u>794,755</u>	<u>2,942</u>	<u>21,300</u>	<u>818,997</u>	<u>506,092</u>	<u>115,255</u>	<u>197,650</u>
	<u>\$ 906,086</u>	<u>\$ 2,942</u>	<u>\$ -</u>	<u>\$ 909,028</u>	<u>\$ 564,122</u>	<u>\$ 115,255</u>	<u>\$ 229,651</u>

Balance, December 31, 2011  
Encumbrances Restored to Appropriation

\$ 906,086  
2,942  
\$ 909,028

Transferred to Appropriated Grant Reserves	\$ 4,906
Transferred to Reserve for Severance Liabilities	110,308
Cancelled	<u>41</u>
	<u>\$ 115,255</u>

**BOROUGH OF CLOSTER  
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2011		\$	236,935
Increased by:			
Transfer from 2012 Budget Appropriations			376,548
			613,483
Decreased by:			
Encumbrances Payables Restored to Appropriation Reserves	\$	2,942	
Cash Disbursements		233,993	
			236,935
Balance, December 31, 2012		\$	376,548

EXHIBIT A-15

**STATEMENT OF ACCOUNTS PAYABLE**

Balance, December 31, 2011		\$	50,000
Decreased by:			
Cash Disbursements			50,000
Balance, December 31, 2012		\$	-

EXHIBIT A-16

**STATEMENT OF MISCELLANEOUS RESERVES**

	Balance, December 31, <u>2011</u>	Transferred from Appropriation <u>Reserves</u>	Balance, December 31, <u>2012</u>
Reserve for Insurance Recoveries	\$ 15,401		\$ 15,401
Reserve for Revaluation	213		213
Reserve for Severance Liabilities	-	\$ 110,308	110,308
	\$ 15,614	\$ 110,308	\$ 125,922

**BOROUGH OF CLOSTER  
STATEMENT OF PREPAID TAXES**

Balance, December 31, 2011	\$	241,422
Increased by:		
Collection of 2013 Taxes		<u>217,668</u>
		459,090
Decreased by:		
Application to 2012 Taxes		<u>241,422</u>
Balance, December 31, 2012	\$	<u>217,668</u>

**STATEMENT OF TAX OVERPAYMENTS**

Balance, December 31, 2011	\$	27,332
Increased by:		
Cash Receipts		<u>81,579</u>
		108,911
Decreased by:		
Overpayments Applied - Taxes Receivable	\$	11,010
Cash Disbursements		<u>78,227</u>
		<u>89,237</u>
Balance, December 31, 2012	\$	<u>19,674</u>

**STATEMENT OF LOCAL SCHOOL DISTRICT TAX PAYABLE**

Increased by:		
Levy - Calendar Year	\$	<u>16,868,252</u>
Decreased by:		
Payments	\$	<u>16,868,252</u>

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

Balance, January 1, 2011		\$ 2,029
Increased by:		
2012 Tax Levy - General	\$ 4,531,453	
2012 Tax Levy - Open Space	52,354	
Added Taxes (54:4-63.1)	<u>18,195</u>	
		<u>4,602,002</u>
		4,604,031
Decreased by:		
Payments		<u>4,585,836</u>
Balance, December 31, 2012		<u>\$ 18,195</u>

EXHIBIT A-21

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

Increased by:		
Levy, Calendar Year 2012		<u>\$ 10,740,969</u>
Decreased by:		
Payments		<u>\$ 10,740,969</u>

EXHIBIT A-22

**SCHEDULE OF APPROPRIATED GRANT RESERVES**

	Balance December 31, <u>2011</u>	Transferred From 2011 Appropriation <u>Reserves</u>	<u>Expended</u>	<u>Cancelled</u>	Balance, December 31, <u>2012</u>
Recreation Opportunity Grant		\$ 1,119			\$ 1,119
Historical Commission Grant	\$ 7,753				7,753
Municipal Alliance Grant					
State Share	4,380			\$ 4,380	
Local Share	4,200			4,200	
Municipal Recycling Assistance	4,746		\$ 4,746		
Alcohol Education	255	2,133			2,388
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	22,327		22,327		
Green Team Mini Grant		300			300
Highway Safety	1,178		1,178		
Pandemic Influenza	9,040			9,040	
COPS in Shops	1,813			1,813	
Hazardous Discharge Remediation	582			582	
Smart Growth	4,500			4,500	
2009 Stimulus Grant	215			215	
Police Body Armor	<u>2,519</u>	<u>1,354</u>	-	-	<u>3,873</u>
	<u>\$ 87,478</u>	<u>\$ 4,906</u>	<u>\$ 28,251</u>	<u>\$ 45,950</u>	<u>\$ 18,183</u>

Fund Balance	\$ 24,702
Grant Receivables	<u>21,248</u>
	<u>\$ 45,950</u>

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

	Balance, December 31, <u>2011</u>	Increased by <u>Receipts</u>	Realized as Budget <u>Revenue</u>	Balance, December 31, <u>2012</u>
Police Body Armor		\$ 2,076		\$ 2,076
Recycling Tonnage Grant	\$ 31,673	14,755	\$ 31,673	14,755
Drunk Driving Enforcement Fund	<u>-</u>	<u>1,673</u>	<u>-</u>	<u>1,673</u>
	<u>\$ 31,673</u>	<u>\$ 18,504</u>	<u>\$ 31,673</u>	<u>\$ 18,504</u>

EXHIBIT A-24

**STATEMENT OF RESERVE FOR TAX APPEALS**

Balance, December 31, 2011	\$ 210,304
Increased by:	
2012 Budget Appropriation	<u>50,000</u>
	260,304
Decreased by:	
Payments	<u>119,079</u>
Balance, December 31, 2012	<u>\$ 141,225</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	\$ 300	\$ 2,250	\$ 2,550
Increased by:			
Cash Receipts	<u>1,250</u>	<u>17,067</u>	<u>18,317</u>
	1,550	19,317	20,867
Decreased by:			
Cash Disbursements	<u>875</u>	<u>17,116</u>	<u>17,991</u>
Balance, December 31, 2012	<u>\$ 675</u>	<u>\$ 2,201</u>	<u>\$ 2,876</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, 2011	\$ 19,857	\$ 1,760,138	\$ 871,639
Increased by Receipts:			
Interest on Investments and Deposits		\$ 554	\$ 1,336
Escrow and Miscellaneous Reserves		1,161,728	
License Fees Collected	\$ 6,388		
Due to State of New Jersey	808		
Payroll and Payroll Deductions	-	7,114,148	-
	<u>7,196</u>	<u>8,276,430</u>	<u>1,336</u>
	27,053	10,036,568	872,975
Decreased by Disbursements:			
Payment to General Capital Fund			290,600
Payments to State of NJ	818		
Animal Control Expenditures	2,130		
Payroll and Payroll Deductions Payable		7,109,504	
Escrow and Miscellaneous Reserves	-	1,176,237	-
	<u>2,948</u>	<u>8,285,741</u>	<u>290,600</u>
Balance, December 31, 2012	<u>\$ 24,105</u>	<u>\$ 1,750,827</u>	<u>\$ 582,375</u>

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

Balance, December 31, 2011	\$	13,464
Decreased by:		
Interest on Investments and Deposits		554
Balance, December 31, 2012	\$	12,910

EXHIBIT B-6

**STATEMENT OF RESERVE FOR ANIMAL CONTROL EXPENDITURES**

Balance, December 31, 2011	\$	7,952
Increased by:		
Animal Control Fees		6,388
		14,340
Decreased by:		
Statutory Excess Due to Current Fund	\$	4,475
Cash Disbursements		2,130
		6,605
Balance, December 31, 2012	\$	7,735

EXHIBIT B-7

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

Balance, December 31, 2011	\$	14
Increased by:		
Registration Fees - Due State of New Jersey		808
		822
Decreased by:		
Payments		818
Balance, December 31, 2012	\$	4

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

Balance, December 31, 2011	\$ 11,891
Increased by:	
Statutory Excess	4,475
Balance, December 31, 2012	\$ 16,366

EXHIBIT B-9

**STATEMENT OF ESCROW AND MISCELLANEOUS RESERVES - OTHER TRUST FUND**

	Balance, December 31, <u>2011</u>	<u>Increased</u>	<u>Decreased</u>	Balance, December 31, <u>2012</u>
Escrow	\$ 163,561	\$ 526,666	\$ 511,281	\$ 178,946
Special Recreation	91,081	154,205	166,323	78,963
Housing	1,074,453	84,535	225,462	933,526
Fire Protect & Prev.	15,758	57,404	6,369	66,793
Miscellaneous Trusts	35,292	1,210	1,898	34,604
Street & Driveway Open.	7,026	3,000		10,026
Sidewalk Construction	13,302	11,700		25,002
Sewer Hookup	1,424			1,424
Parking Authority	58,309			58,309
Police Outside Employ.	63,845	179,916	146,187	97,574
Court Parking	1,264	208	1,000	472
Accumulated Leave	962			962
Snow Removal Trust	7,309			7,309
Tax Sale Premiums	169,035	123,100	112,300	179,835
Closter 300th Anniversary	4,957			4,957
Challenger Donations	3,515	40		3,555
Trees	17,710	14,120	5,400	26,430
Found Money - Police	43	324	17	350
Closter Improvement Comm.	595			595
Police Donations - Training		5,000		5,000
Environmental Commission		300		300
Nature Center Donations	1,500	-	-	1,500
	\$ 1,730,941	\$ 1,161,728	\$ 1,176,237	\$ 1,716,432

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

Balance, December 31, 2011	\$ 41,538
Increased by:	
Cash Receipts	<u>7,114,148</u>
	7,155,686
Decreased by:	
Cash Disbursements	<u>7,109,504</u>
Balance, December 31, 2012	<u>\$ 46,182</u>

EXHIBIT B-11

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

Balance, December 31, 2011	\$ 871,724
Increased by:	
Interest on Deposits	\$ 1,336
2012 Tax Levy	205,603
Added Tax Levy	809
Due from General Capital Fund - Cancelled Improvement Authorizations	<u>119,473</u>
	<u>327,221</u>
	1,198,945
Decreased by:	
Appropriated to Fund General Capital Ordinances	
Payments to General Capital Fund	290,600
Due to General Capital Fund	120,000
Prior Year Adjustment	<u>245,000</u>
	<u>655,600</u>
Balance, December 31, 2012	<u>\$ 543,345</u>

EXHIBIT B-12

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

Balance, December 31, 2011	\$ 85
Increased by:	
2012 Tax Levy	\$ 205,603
Added Tax Levy	<u>809</u>
	<u>206,412</u>
Balance, December 31, 2012	<u>\$ 206,497</u>

**GENERAL CAPITAL FUND**

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

Balance, December 31, 2011		\$ 759,441
Increased by Receipts:		
Budget Appropriation - Capital Improvement Fund	\$ 43,900	
Grants Receivable	141,053	
Bond Anticipation Notes Issued	1,516,965	
Reserve for Payment of Debt	22,062	
Interest on Investments and Deposits	415	
Premium on Sale of Notes	5,446	
Receipts from Open Space Trust Fund	<u>290,600</u>	
		<u>2,020,441</u>
		2,779,882
Decreased by:		
Improvement Authorizations	1,437,439	
Contracts Payable	710,975	
Payments to Current Fund	<u>84,395</u>	
		<u>2,232,809</u>
Balance, December 31, 2012		<u><u>\$ 547,073</u></u>

**BOROUGH OF CLOSTER  
ANALYSIS OF GENERAL CAPITAL CASH  
AS OF DECEMBER 31, 2012**

Capital Improvement Fund	\$ 10,049
Fund Balance	72,882
Encumbrances and Contracts Payable	635,790
Reserve for North Parking Lot	10,000
Other Reserves	1,000
Reserve for Payment of Debt	141,588
Grants Receivable	(667,142)
Due from Current Fund	(21,047)
Due from Open Space Trust Fund	(527)
Reserve for Payment of Notes	67,447

## Improvement Authorizations:

<u>Ord. No.</u>	<u>Improvement Description</u>	
843	Various Improvements	(275,123)
919	Various Capital Improvements	(174)
995	Various Improvements	(2,845)
1015	Various Improvements	764
1016	Acquisition of Pumper (Supp Ord. 995)	13,907
1043	Park and Historic Preservation Improvements	31,854
1055	Park and Historic Preservation Improvements	16,795
1074	Financial Software and Computer Equipment	3,192
1075	Various Improvements	73,984
1077	Reconstruction of Basketball Courts and Purchase of Bleachers and Picnic Tables	19,704
1078	Barrier Free Curb Ramps	186
1082	Equipment for DPW	736
1088	Park, Farmland and Historic Preservation	57,203
1091	Reconstruction of Herbert Avenue - Sect IV	3,899
1103	Acquisition of Various Equipment	9,144
1120	Acquisition of Ladder Truck and Pickup	6,860
1121	Park, Farmland and Historic Preservation	201,138
1125	Reconstruction of Various Roadways	1,760
1129	Acquisition of Various Equipment	14,049
1131	Park, Farmland and Historic Preservation	55,000
1132	Park, Farmland and Historic Preservation	65,000
		<u>\$ 547,073</u>

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

Balance, December 31, 2011		\$10,639,205
Increased by:		
Refunding Bonds Issued		<u>4,505,000</u>
		15,144,205
Decreased by:		
Budget Appropriations		
Serial Bonds	\$ 1,210,000	
Green Trust Loans	3,378	
Bonds Refunded	<u>4,409,000</u>	
		<u>5,622,378</u>
Balance, December 31, 2012		<u>\$ 9,521,827</u>

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

Ord. No.	Improvement Description	Balance, December 31, 2011	2012		Balance, December 31, 2012	Analysis of Balance.		Unexpended Improvement Authorizations
			Authorizations	Cancelled		Bond Anticipation Notes	Expenditures	
843	Various Improvements	\$ 275,123			\$ 275,123		\$ 275,123	
919	Various Capital Improvements	174			174		174	
941	Various Improvements	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	-			
1075	Various Improvements	570,000		27,244	542,756	\$ 542,756		
1091	Reconstruction of Herbert Ave - Sect. IV	40,000			40,000	40,000		
1103	Acquisition of Various Equipment	190,000			190,000	190,000		
1120	Acquisition of Ladder Truck and Pickup		\$ 1,072,550	203	1,072,347	1,072,347		
1125	Reconstruction of Various Roadways		294,500		294,500	294,500		
1129	Acquisition of Various Equipment	-	149,915	-	149,915	149,915	-	-
		<u>\$ 1,119,262</u>	<u>\$ 1,516,965</u>	<u>\$ 68,452</u>	<u>\$ 2,567,775</u>	<u>\$ 2,289,518</u>	<u>\$ 278,142</u>	<u>\$ 115</u>
						\$ 2,356,965		
						Less: Excess Proceeds		
					\$ 40,000	Ord.No. 1070		
					27,244	Ord. No. 1075		
					203	Ord. No. 1120		
						<u>67,447</u>		
						<u>\$ 2,289,518</u>		
								\$ 109,811
								Less: Unexpended Proceeds on Bond Anticipation Notes
							\$ 73,984	Ord. No. 1075
							3,899	Ord. No. 1091
							9,144	Ord. No. 1103
							6,860	Ord. No. 1120
							1,760	Ord. No. 1125
							<u>14,049</u>	Ord. No. 1129
								<u>109,696</u>
								<u>\$ 115</u>

**BOROUGH OF CLOSTER  
STATEMENT OF GRANTS RECEIVABLE**

	<u>Total</u>	<u>Upgrade E-911 Telephone Ord. No. 954</u>	<u>Park &amp; Historical Pres. Ord. No. 957</u>	<u>Park &amp; 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>	<u>Dept. of Transportation Ord. No. 1125</u>
Balance, December 31, 2011	\$ 744,614	\$ 90	\$ 25,660	\$ 68,100	\$ 3,648	\$ 245,000	\$ 40,616	\$ 275,000	\$ 50,000	\$ 36,500	
Increased by:											
Grant Awards	<u>146,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 146,500</u>
	891,114	90	25,660	68,100	3,648	245,000	40,616	275,000	50,000	36,500	146,500
Decreased By:											
Cancelled	82,919		25,660					57,259			
Adjustment - Due from Open Space Trust Fund Receipts	<u>141,053</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,777</u>	<u>45,063</u>	<u>46,234</u>	<u>21,979</u>	<u>-</u>
Balance, December 31, 2012	<u>\$ 422,142</u>	<u>\$ 90</u>	<u>\$ -</u>	<u>\$ 68,100</u>	<u>\$ 3,648</u>	<u>\$ -</u>	<u>\$ 12,839</u>	<u>\$ 172,678</u>	<u>\$ 3,766</u>	<u>\$ 14,521</u>	<u>\$ 146,500</u>

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

Balance, December 31, 2011		\$	45
Increased by:			
General Capital Reimbursement Deposited in Current Fund		\$	21,022
Payments to Current Fund			<u>84,395</u>
			<u>105,417</u>
			105,462
Decreased by:			
Anticipated as Current Fund Revenue			84,000
Interest on Deposits			<u>415</u>
			<u>84,415</u>
Balance, December 31, 2012		\$	<u>21,047</u>

EXHIBIT C-8

**STATEMENT OF DUE FROM OPEN SPACE TRUST FUND**

Increased by:			
Appropriated for Improvement Authorizations		\$	410,600
Adjustment - Prior Year			<u>245,000</u>
			655,600
Decreased by:			
Cancelled Improvement Authorizations		\$	119,473
Receipts from Open Space Trust Fund			<u>290,600</u>
			<u>410,073</u>
Balance, December 31, 2012		\$	<u>245,527</u>

EXHIBIT C-9

**STATEMENT OF GREEN TRUST FUND LOAN PAYABLE**

Balance, December 31, 2011		\$	23,205
Decreased by:			
Budget Appropriation			<u>3,378</u>
Balance, December 31, 2012		\$	<u>19,827</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, 2012</u>		<u>Interest Rate</u>	<u>Balance, December 31, 2011</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance, December 31, 2012</u>
			<u>Date</u>	<u>Amount</u>					
General Improvements	8/1/2001	\$ 4,860,000	7/1/13-14	\$ 460,000	4.250 %	\$ 1,380,000		\$ 460,000	\$ 920,000
General Improvements	10/15/2005	6,909,000	10/15/13	400,000	3.800	5,174,000		4,774,000	400,000
General Improvements	5/10/2010	4,062,000	2/15/13	399,000	4.000				
			2/15/14	416,000	4.000				
			2/15/15	435,000	5.000				
			2/15/16	452,000	3.000				
			2/15/17	466,000	3.000				
			2/15/18	281,000	3.000				
			2/15/18	200,000	4.000				
			2/15/19	502,000	5.000				
			2/15/20	250,000	5.000				
			2/15/20	276,000	4.000	4,062,000	-	385,000	3,677,000
Refunding Bonds	6/15/2012	4,505,000	10/15/13	35,000	1.000				
			10/15/14	470,000	2.000				
			10/15/15	960,000	2.000				
			10/15/16	980,000	2.500				
			10/15/17	1,015,000	3.000				
			10/15/18	1,045,000	3.000				
						-	\$ 4,505,000	-	4,505,000
						<u>\$ 10,616,000</u>	<u>\$ 4,505,000</u>	<u>\$ 5,619,000</u>	<u>\$ 9,502,000</u>
								\$ 1,210,000	
								<u>4,409,000</u>	
								<u>\$ 5,619,000</u>	

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

Ord. No.	Improvement Description	Date of Issue of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance, December 31, 2011	Increased	Decreased	Balance, December 31, 2012
1070	Safe Sidewalks to Tenakill	12/16/2011	12/16/2011 12/14/2012	12/14/2012 9/27/2013	1.61% 1.36%	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000
1075	Various Improvements	12/16/2011	12/16/2011 12/14/2012	12/14/2012 9/27/2013	1.61% 1.36%	570,000	570,000	570,000	570,000
1091	Reconstruction of Herbert Avenue - Section IV	12/16/2011	12/16/2011 12/14/2012	12/14/2012 9/27/2013	1.61% 1.36%	40,000	40,000	40,000	40,000
1103	Acquisition of Various Equipment	12/16/2011	12/16/2011 12/14/2012	12/14/2012 9/27/2013	1.61% 1.36%	190,000	190,000	190,000	190,000
1120	Acquisition of Ladder Truck and Pickup	9/28/2012	9/28/2012	9/27/2013	1.25%		1,072,550		1,072,550
1125	Reconstruction of Various Roadways	9/28/2012	9/28/2012	9/27/2013	1.25%		294,500		294,500
1129	Acquisition of Various Equipment	9/28/2012	9/28/2012	9/27/2013	1.25%	-	149,915	-	149,915
						<u>\$ 840,000</u>	<u>\$ 2,356,965</u>	<u>\$ 840,000</u>	<u>\$ 2,356,965</u>
							\$ 1,516,965		
							<u>840,000</u>	<u>\$ 840,000</u>	
							<u>\$ 2,356,965</u>	<u>\$ 840,000</u>	

Notes Issued  
Renewals

**BOROUGH OF CLOSTER  
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ord. No.	Improvement Description	Ordinance Amount	Balance, December 31, 2011		Capital Impvt. Fund	2012 Authorizations		Expended	Contracts Payable Cancelled	Authorizations Cancelled	Balance, December 31, 2012	
			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						\$ 8,940		
957	Park and Historic Preservation Improvements	120,000	89,226							89,226		
975	Various Improvements	213,000	618							618		
996	Improvements to Homans & Oakland	150,000	21,699				\$ 3,390			18,309		
998	Park, Playground & Farm Land Improvements	158,125	25,910				2,500			23,410		
1015	Various Improvements	385,000	764								\$ 764	
1016	Acquisition of Pumper (Supp Ord 995)	50,000	13,907	115							13,907	\$ 115
1022	Park and Historic Preservation Improvements	96,692	5,691							5,691		
1030	2009 Road Improvement Program	2,300,000	23,115				20,150			2,965		
1035	Improvements to Borough Hall	45,000	36							36		
1043	Park and Historic Preservation Improvements	68,100	52,869				21,015				31,854	
1055	Park and Historic Preservation Improvements	182,000	21,704				4,909				16,795	
1070	Safe Sidewalks to Tenakill School	315,000	85,379	40,000			28,120			97,259		
1074	Financial Software and Computer Equipment	31,183	3,192								3,192	
1075	Various improvements	600,000		176,279			75,051			27,244		73,984
1077	Reconstruction of Basketball Courts, and Purchase of Bleachers and Picnic Tables	36,500	22,146				2,704	\$ 262			19,704	
1078	Barrier Free Curb Ramps	50,000	3,776				3,590				186	
1082	Equipment for DPW	17,200	736								736	
1088	Park, Farmland and Historic Preservation	244,750	152,085				94,882				57,203	
1091	Reconstruction of Herbert Avenue - Sect IV	190,000		9,235			7,021		1,685			3,899
1095	Park, Farmland and Historic Preservation	28,000	3,375				3,375				-	
1101	Acquisition of Land	18,000	2,098				322			1,776		
1103	Acquisition of Various Equipment	200,000		16,035			6,891					9,144
1120	Acquisition of Ladder Truck and Pickup	1,129,000			\$ 56,450		\$ 1,072,550	1,121,937		203		6,860
1121	Park, Farmland and Historic Preservation	290,600				\$ 290,600		59,359		30,103	201,138	
1125	Reconstruction of Various Roadways	455,000			14,000	146,500	294,500	453,240				1,760
1129	Acquisition of Various Equipment	157,800			7,885		149,915	143,751				14,049
1131	Park, Farmland and Historic Preservation	55,000				55,000					55,000	
1132	Park, Farmland and Historic Preservation	65,000				65,000					65,000	
			<u>\$ 536,261</u>	<u>\$ 242,669</u>	<u>\$ 78,335</u>	<u>\$ 557,100</u>	<u>\$ 1,516,965</u>	<u>\$ 2,052,207</u>	<u>\$ 1,947</u>	<u>\$ 305,780</u>	<u>\$ 465,479</u>	<u>\$ 109,811</u>
	Open Space Trust Fund					\$ 410,600		Open Space Trust		\$ 119,473		
	Department of Transportation Grant					146,500		Capital Surplus		34,936		
						<u>\$ 557,100</u>		Deferred Charges Unfunded		68,452		
								Grants Receivable		<u>82,919</u>		
								Cash Disbursed	\$ 1,437,439	<u>\$ 305,780</u>		
								Reimbursement	(21,022)			
								Contracts Payable	635,790			
									<u>\$ 2,052,207</u>			

**BOROUGH OF CLOSTER  
STATEMENT OF CONTRACTS PAYABLE**

Balance, December 31, 2011		\$ 712,922
Increased by:		
Charges to Improvement Authorization		<u>635,790</u>
		1,348,712
Decreased by:		
Payments	\$ 710,975	
Cancellations	<u>1,947</u>	
		<u>712,922</u>
Balance, December 31, 2012		<u>\$ 635,790</u>

**STATEMENT OF CAPITAL IMPROVEMENT FUND**

Balance, December 31, 2011		\$ 44,484
Increased by:		
Budget Appropriation		<u>43,900</u>
		88,384
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>78,335</u>
Balance, December 31, 2012		<u>\$ 10,049</u>

**STATEMENT OF RESERVE FOR PAYMENT OF DEBT**

Balance, December 31, 2011		\$ 178,526
Increased by:		
Cash Receipts		<u>22,062</u>
		200,588
Decreased by:		
Anticipated as Current Fund Revenue		<u>59,000</u>
Balance, December 31, 2012		<u>\$ 141,588</u>

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

Ordinance Number	Improvement Description	Balance, December 31, 2011	2012 Improvement Authorizations	Bond Anticipation Notes Issued	Authorization Cancelled	Balance, December 31, 2012
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
1120	Acquisition of Ladder Truck and Pickup		\$ 1,072,550	\$ 1,072,550		
1125	Reconstruction of Various Roadways		294,500	294,500		
1129	Acquisition of Various Equipment	-	149,915	149,915	-	-
		<u>\$ 279,262</u>	<u>\$ 1,516,965</u>	<u>\$ 1,516,965</u>	<u>\$ 1,005</u>	<u>\$ 278,257</u>

**PUBLIC ASSISTANCE FUND**

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

Balance, December 31, 2011	\$ 6,838
Increased by:	
Donations	<u>10,313</u>
	17,151
Decreased by:	
Payments - Local Assistance	<u>5,546</u>
Balance, December 31, 2012	<u>\$ 11,605</u>

**STATEMENT OF RESERVE FOR PUBLIC ASSISTANCE EXPENDITURES**

Balance, December 31, 2011	\$ 6,838
Increased by:	
Donations	<u>10,313</u>
	17,151
Decreased by:	
Expenditures	<u>5,546</u>
Balance, December 31, 2012	<u>\$ 11,605</u>

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

Revenues	
Donations	<u>\$ 10,313</u>

**STATEMENT OF PUBLIC ASSISTANCE EXPENDITURES**

Expenditures	
Local Assistance	<u>\$ 5,546</u>

**BOROUGH OF CLOSTER**  
**COUNTY OF BERGEN**

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**PART II**  
**GOVERNMENT AUDITING STANDARDS**

# LERCH, VINCI & HIGGINS, LLP

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ELIZABETH A. SHICK, CPA, RMA, PSA  
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DEBORAH K. LERCH, CPA, PSA  
DEBRA GOLLE, CPA  
CINDY JANACEK, CPA, RMA  
RALPH M. PICONE, CPA, RMA, PSA  
EDWARD N. KERE, CPA

## 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

### INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the 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, the financial statements – regulatory basis of the Borough of Closter, as of and for the year ended December 31, 2012, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2013. Our report on the financial statements – regulatory basis indicated that the financial statements were not prepared and presented in accordance with accounting principles generally accepted in the United States of America but rather prepared and presented in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the requirements of the State of New Jersey for municipal government entities as described in Note 1. In addition, our report on the financial statements – regulatory basis was qualified on the regulatory basis of accounting because of the presentation of the unaudited LOSAP Trust Fund.

#### **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 of the financial statements, we considered the Borough of Closter's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances 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 of Closter's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Closter's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Borough's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2012-1 that we consider to be a significant deficiency in internal control over financial reporting.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Borough of Closter's financial statements are free from 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 an instance 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 is described in the accompanying schedule of findings and responses as item 2012-1.

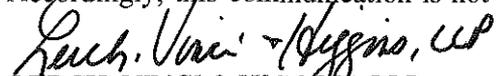
We also noted certain matters that we reported to management of the Borough of Closter in Part III of this report of audit entitled; "Letter of Comments and Recommendations".

### **Borough of Closter's Responses to Findings**

The Borough of Closter's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Borough of Closter's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough of Closter's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Closter's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

  
Gary J. Vinci  
Registered Municipal Accountant  
RMA Number CR00411

Fair Lawn, New Jersey  
June 25, 2013

**BOROUGH OF CLOSTER  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

<u>Federal Program</u>	<u>CFDA Number</u>	<u>Grant Year</u>	<u>Grant Receipts</u>	<u>Balance, January 1, 2012</u>	<u>Revenue</u>	<u>Expended</u>	<u>Adjustment</u>	<u>Cancelled</u>	<u>Balance, December 31, 2012</u>	<u>Cumulative Expenditures</u>
Community Development Block Grant:										
Barrier Free Curbs	14.219	2006		\$ 6,614				\$ 6,614		\$ 40,386
Barrier Free Curbs	14.219	2007		14,203				14,203		25,797
ADA Handicap Ramp (General Capital Fund)	14.219	2010	\$ 46,234	(16,013)		\$ 3,590	\$ 19,789		\$ 186	49,814
Barrier Free	14.219	2012	65,000		\$ 65,000	65,000				65,000
Barrier Free - Library	14.219	2012	20,000		20,000	20,000				20,000
Department of Homeland Security										
Federal Emergency Management Agency										
Snowstorm 10-29-11	97.036	2012	118,256		118,256	118,256				118,256
Homeland Security - Buffer Zone Protection	97.078	2011	24,567				41	41		24,567
Department of Transportation										
Herbert Avenue Section IV - Ord. No. 1091	20.205	2011	27,777	40,615		27,776			12,839	137,161
Reconstruction of Various Roadways	20.205	2012			146,500				146,500	
Occupant Protection Program (Click It or Ticket)	20.602	2012	3,689		4,000	3,854			146	3,854
Safe Routes to School (Ord. No. 1070)	20.205		45,063			217,741	217,741			217,741
Environmental										
Wildland Fire Management ARRA	10.688	2010		215	-	-	-	215	-	3,785
				<u>\$ 45,634</u>	<u>\$ 353,756</u>	<u>\$ 456,217</u>	<u>\$ 237,571</u>	<u>\$ 21,073</u>	<u>\$ 159,671</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, 2012

<u>State Grant Program</u>	<u>Grant Number</u>	<u>Grant Year</u>	<u>2012 Grant Receipts</u>	<u>Balance, January 1, 2012</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Adjustments</u>	<u>Balance, December 31, 2012</u>	<u>Cumulative Expenditures</u>
Recycling Tonnage Grant	4830-752-050550-50	2008		\$ 8,011		\$ 8,011			\$ 8,011
		2007		2,289		2,289			4,857
		2010		12,027		12,027			12,027
		2011			\$ 31,673	16,991		\$ 14,682	16,991
		2012	\$ 14,755						
Drunk Driving Enforcement Fund	1110-448-031020-22	2011		10,250	10,250	5,974		4,276	5,974
		2012		1,673					
Department of Environmental Protection Solid Waste Administration Recycling	4900-752-001	2009		16,060			\$ 16,060		
Hazardous Discharge Remediation		2009		582			582		5,418
Municipal Recycling Assistance Program (Passed through County of Bergen)	4910-759-690-50	2005		4,746		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		600				600	
		2006		805				805	6,195
Clean Communities Program	4900-765-178900	2012	12,964		12,964			12,964	
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		1,354				1,354	850
		2012	2,076						
State Parks Service Historic Preservation	4875-100-042	2010		2,450				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		2,133				2,133	260
Department of Transportation Highway Safety Program	Not Available	2008		1,178		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, 2012**

<u>State Grant Program</u>	<u>Account Number</u>	<u>Grant Year</u>	<u>2012 Grant Receipts</u>	<u>Balance, January 1, 2012</u>	<u>Revenue</u>	<u>Expended</u>	<u>Adjustments</u>	<u>Balance, December 31, 2012</u>	<u>Cumulative Expenditures</u>
Domestic Violence	N/A	2008		\$ 300				\$ 300	
COPS in Shops	N/A	2009		1,813			\$ 1,813		\$ 1,687
Recreation Opportunity	N/A	2010 2012	5,226	1,119	\$ 5,000	\$ 4,485		1,119 515	8,881
Green Team	N/A	2011		300				300	
Smart Growth	N/A			4,500	-	-	4,500	-	
<b>Total State Financial Assistance</b>				<u>\$ 83,212</u>	<u>\$ 59,887</u>	<u>\$ 55,701</u>	<u>\$ 36,778</u>	<u>\$ 50,620</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, 2012**

**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 prepared and presented using the regulatory basis of accounting as prescribed 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 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	\$ 207,256	\$ 59,887	\$ 267,143
General Capital Fund	<u>146,500</u>	<u>-</u>	<u>146,500</u>
Total Financial Awards	<u>\$ 353,756</u>	<u>\$ 59,887</u>	<u>\$ 413,643</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, 2012**

**NOTE 5 STATE LOANS OUTSTANDING**

The Borough's state loans outstanding at December 31, 2012, 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. Department of Environmental Protection  
Conrail Land Acquisition

\$19,827

**BOROUGH OF CLOSTER  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

*Part I – Summary of Auditor's Results*

**Financial Statements**

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

Internal control over financial reporting:

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

**Federal Awards Section**

**NOT APPLICABLE**

**State Awards Section**

**NOT APPLICABLE**

**BOROUGH OF CLOSTER  
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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 2012-1**

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 recorded 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 and General Capital 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 certain 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 recorded 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.

**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  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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 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.

**Current Status**

See Finding 2012-1.

**Finding 2011-2**

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

**Current Status**

Corrective action has been taken.

**BOROUGH OF CLOSTER**

**COUNTY OF BERGEN**

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**PART III**

**SUPPLEMENTARY DATA**

**LETTER OF COMMENTS AND RECOMMENDATIONS**

**YEAR ENDED DECEMBER 31, 2012**

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

	<u>Year 2012</u>		<u>Year 2011</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>				
Fund Balance Utilized	\$ 925,000	1.96 %	\$ 500,000	1.07 %
Miscellaneous - From Other Than Local				
Property Tax Levies	3,183,674	6.75	3,373,630	7.23
Collection of Delinquent Taxes and Tax Title Liens	407,878	0.86	933,718	2.00
Collection of Current Tax Levy	42,389,636	89.88	41,672,678	89.25
Other Credits	<u>254,353</u>	<u>0.54</u>	<u>211,561</u>	<u>0.45</u>
 Total Income	 <u>47,160,541</u>	 <u>100.00</u> %	 <u>46,691,587</u>	 <u>100.00</u> %
 <b>EXPENDITURES</b>				
Budget Expenditures				
Municipal Purposes	13,496,671	29.39	13,990,692	30.38 %
County Taxes	4,602,002	10.02	4,484,170	9.74
Local and Regional School Taxes	27,609,221	60.11	27,362,049	59.42
Municipal Open Space Tax	206,412	0.45	206,621	0.45
Other Expenditures	<u>15,367</u>	<u>0.03</u>	<u>6,595</u>	<u>0.01</u>
 Total Expenditures	 <u>45,929,673</u>	 <u>100.00</u> %	 <u>46,050,127</u>	 <u>100.00</u> %
 Excess in Revenue	 1,230,868		 641,460	
 Expenditures Included Above which are by Statute Deferred Charges to Budget of Succeeding Year	 <u>-</u>		 <u>580,000</u>	
	1,230,868		1,221,460	
 Fund Balance, January 1	 <u>1,406,290</u>		 <u>684,830</u>	
	2,637,158		1,906,290	
 Less Utilization as Anticipated Revenue	 <u>925,000</u>		 <u>500,000</u>	
 Fund Balance, December 31	 <u>\$ 1,712,158</u>		 <u>\$ 1,406,290</u>	

**BOROUGH OF CLOSTER  
SUPPORTING DATA**

**COMPARATIVE SCHEDULE OF TAX RATE INFORMATION**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>Tax Rate</u>	<u>\$2.084</u>	<u>\$2.046</u>	<u>\$2.013</u>
 <u>Apportionment of Tax Rate</u>			
Municipal	.473	.459	.449
Municipal Library	.034	.035	.036
Municipal Open Space Tax	.010	.009	.010
Regional High School	.522	.514	.506
Local School	.821	.811	.800
County (Includes County Open Space Tax)	.224	.218	.212

Assessed Valuation Basis

2012	<u>\$2,056,029,477</u>	
2011		<u>\$2,065,362,860</u>
2010		<u>\$2,063,199,619</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>
2012	\$ 43,017,020	\$ 42,389,636	98.54%
2011	42,276,395	41,672,678	98.57%
2010	41,656,780	40,633,349	97.54%

**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>
2012	\$ 356,718	0.83%
2011	414,583	0.98%
2010	933,794	2.24%

**BOROUGH OF CLOSTER  
SUPPORTING DATA**

**Property Acquired By Tax Title Lien Foreclosure**

No properties have been acquired in 2012 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>
2012	\$130,531
2011	130,531
2010	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	2012	\$1,712,158	\$1,040,000
	2011	1,406,290	925,000
	2010	684,830	500,000
	2009	610,894	425,000
	2008	666,925	475,000

**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 (January 1 to May 31)	
Richard Sheola	Borough Administrator (June 4 to December 31)	
	Chief Financial Officer, Treasurer	
Michael Mariniello, Jr.	Chief Financial Officer and Treasurer (January 1 to May 31)	
Dee Woods	Deputy Treasurer	
Maria Passafaro	Tax Collector	
Angela Mattiace	Tax Assessor	
Dennis Kaine	Police Chief	
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	
Thomas R. Betancourt	Municipal Court Judge	
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**

The Borough utilizes a payroll service provider to prepare its payroll tax returns and file returns and payments with the required federal and state agencies. The Borough does not independently verify that the respective payments were made by the required due dates. It is recommended that the Borough verify that all payroll tax payments remitted by the service provider are made by the required due dates.

Our audit revealed that the service provider which processes the Borough's payroll did not submit a 2012 report on internal controls (SSAE No. 16) to the Borough. It is recommended that the Borough obtain a current report on internal controls (SSAE No. 16) from their payroll service provider.

Our audit of contracts awarded by the Borough revealed that Political Contribution Disclosure ("PCD") forms were not always obtained from vendors who were awarded contracts in excess of \$17,500. It is recommended that the Borough implement procedures to ensure that all vendors who are awarded contracts between \$17,500 and \$36,000 file a PCD form as required with the Borough.

Our audit of fixed assets revealed that there were approximately two hundred sixty-three thousand of unrecorded additions. In addition, although the Borough purchased the fixed asset module for their financial reporting software, the additions were not entered in this module. It is recommended that internal control procedures regarding the recording and maintenance of the fixed asset records be reviewed and enhanced.

Our audit of the Recreation Department noted that in certain instances we were unable to verify whether the proper fee was charged because either the registration form was not available for audit or the registration form did not detail the local charges. It is recommended that all Recreation registration forms be made available for audit and furthermore, the registration form include an itemized listing of charges.

#### **Prior Year Unresolved Findings**

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 there are several grant receivable balances in the Current and General Capital Funds which remain uncollected. It is recommended that 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 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.

### **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."

**BOROUGH OF CLOSTER  
SUPPLEMENTARY DATA**

**GENERAL COMMENTS (Continued)**

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

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:

Ladder Truck	Construction of Herbert Avenue, Section 5
Schauble Walking Path	Blanch Avenue Improvements
2012 Road Improvements	

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

**COLLECTION OF INTEREST ON DELINQUENT TAXES AND ASSESSMENTS**

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

The Governing Body on January 3, 2012 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**

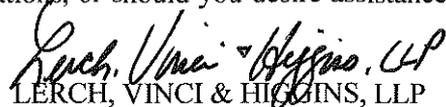
It is recommended that:

- \* 1. The Borough's general ledger accounts be reviewed and reconciled to the subsidiary ledgers and supporting documentation on a monthly basis.
- \* 2. Grant receivable balances be reviewed and action taken to clear of record.
- \* 3. 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.
- 4. Two signatures be required on checks issued from the Municipal Court bank accounts.
- 5. The Borough verify that all payroll tax payments remitted by the service provider are made by the required due dates.
- 6. The Borough obtain a current report on internal controls (SSAE No. 16) from their payroll service provider.
- 7. The Borough implement procedures to ensure that all vendors who are awarded contracts between \$17,500 and \$36,000 file a Political Contribution Disclosure (PCD) form as required with the Borough.
- 8. Internal control procedures regarding the recording and maintenance of the fixed asset records be reviewed and enhanced.
- 9. All Recreation registration forms be made available for audit and furthermore, the registration form include an itemized listing of charges.

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