

**BOROUGH OF CLOSTER**  
**BERGEN COUNTY, NEW JERSEY**  
**REPORT OF AUDIT**  
**YEAR ENDED DECEMBER 31, 2013**

# 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, 2013**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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MARK SACO, CPA

## 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, 2013 and 2012, 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, 2013, 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, 2013 and 2012, 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, 2013 and 2012. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 18 percent and 15 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2013 and 2012.

***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, 2013 and 2012, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the statement of revenues – regulatory basis and statement of expenditures – regulatory basis of the various funds for the year ended December 31, 2013 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*

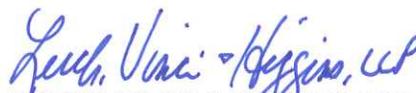
Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of Closter as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, schedule of expenditures of state financial assistance and the letter 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 supplementary data and 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 26, 2014 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 26, 2014

**BOROUGH OF CLOSTER**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**CURRENT FUND**  
**AS OF DECEMBER 31, 2013 AND 2012**

<b>ASSETS</b>	<u>Reference</u>	<u>2013</u>	<u>2012</u>
Cash	A-4	\$ 3,828,253	\$ 3,375,423
Change Fund	A-6	250	250
Grants Receivable	A-11	850	89,238
		<u>3,829,353</u>	<u>3,464,911</u>
Receivables and Other Assets with Full Reserves			
Delinquent Property Taxes Receivable	A-8	214,369	356,718
Property Acquired for Taxes - Assessed Value	A	130,531	130,531
Due from Animal Control Fund	B-8	20,920	16,366
Due from Other Trust Fund	B-5	1,045	431
Other Accounts Receivable	A	4,000	4,000
		<u>370,865</u>	<u>508,046</u>
Deferred Charges			
Special Emergency Authorizations (40A:4-55)	A-10	348,000	474,800
Overexpenditure of Appropriations	A-10	12,171	-
		<u>360,171</u>	<u>474,800</u>
Total Assets		<u>\$ 4,560,389</u>	<u>\$ 4,447,757</u>
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Special Emergency Notes Payable	A-13	\$ 348,000	\$ 464,000
Appropriation Reserves	A-3,A-14	651,099	569,523
Encumbrances Payable	A-15	442,670	376,548
Accounts Payable	A-16	2,543	
Due to State of New Jersey			
Senior Citizens and Veterans Deductions	A-7	14,821	14,526
Department of Human Services - Marriage License Fees	A-26	300	675
State Training Fees	A-26	2,832	2,201
Due to Open Space Trust Fund	B-12	206,588	206,497
Due to Other Trust Fund	B-5		12,910
Due to General Capital Fund	C-7	112,608	21,047
Prepaid Taxes	A-18	523,843	217,668
Tax Overpayments	A-19	105,118	19,674
County Taxes Payable	A-21	23,691	18,195
Miscellaneous Reserves and Deposits	A-17	16,027	125,922
Other Liabilities	A	255	255
Reserve for Tax Appeals	A-25	132,053	141,225
Appropriated Grants Reserves	A-23	8,981	18,183
Unappropriated Grants Reserves	A-24	1,267	18,504
Total Liabilities		2,592,696	2,227,553
Reserve for Receivables and Other Assets	A	370,865	508,046
Fund Balance	A-1	<u>1,596,828</u>	<u>1,712,158</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 4,560,389</u>	<u>\$ 4,447,757</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, 2013 AND 2012**

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
<b>REVENUES AND OTHER INCOME REALIZED</b>			
Surplus Anticipated	A-2	\$ 1,040,000	\$ 925,000
Miscellaneous Revenues Anticipated	A-2	2,714,661	2,863,370
Receipts from Delinquent Taxes	A-2	345,925	407,878
Receipts from Current Taxes	A-2	43,043,539	42,389,636
Non-Budget Revenues	A-2	314,445	320,304
Other Credits to Income			
Prior Year Senior Citizens and Veterans Allowed	A-7	750	
Cancelled Appropriated Grant Reserves	A-23	7,753	24,702
Unexpended Balance of Appropriation Reserves	A-14	<u>241,658</u>	<u>229,651</u>
 Total Revenues		 <u>47,708,731</u>	 <u>47,160,541</u>
 <b>EXPENDITURES</b>			
Municipal Budget	A-3	13,970,811	13,496,671
Local School District Taxes	A-20	17,133,890	16,868,252
County Taxes	A-21	4,666,201	4,602,002
Regional School District Taxes	A-22	10,693,393	10,740,969
Municipal Open Space Taxes	A-8,B-2	206,588	206,412
Interfund Advance	A	5,168	4,475
Refund of Prior Year Revenue	A-4	12,372	3,177
Prior Year Senior Citizens and Veterans Disallowed	A-7	1,524	215
Prior Year Adjustment - Tax Overpayments	A-19	81,995	
Prior Year Cancelled Receivable	A-11	<u>24,290</u>	<u>7,500</u>
 Total Expenditures		 <u>46,796,232</u>	 <u>45,929,673</u>
 Excess in Revenues		 912,499	 1,230,868
 Expenditures Included Above Which are by Statute Deferred Charges to Budget of Succeeding Year	 A-1	 <u>12,171</u>	 <u>-</u>
 Statutory Excess to Fund Balance		 924,670	 1,230,868
 Fund Balance, January 1	 A	 <u>1,712,158</u>	 <u>1,406,290</u>
		2,636,828	2,637,158
Decreased by:			
Utilization as Anticipated Revenue	A-1,A-2	<u>1,040,000</u>	<u>925,000</u>
 Fund Balance, December 31	 A	 <u>\$ 1,596,828</u>	 <u>\$ 1,712,158</u>

**BOROUGH OF CLOSTER**  
**STATEMENT OF REVENUES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Reference	Budget	Anticipated Special N.J.S. 40A:4-87	Realized in 2013	Excess or (Deficit)
<b>Fund Balance Utilized</b>	A-1	\$ 1,040,000	-	\$ 1,040,000	-
<b>Miscellaneous Revenues</b>					
Licenses					
Alcoholic Beverages	A-9	28,000		28,028	\$ 28
Other	A-2,A-9	12,000		18,794	6,794
Fees and Permits	A-2,A-9	140,000		125,802	(14,198)
Fines and Costs - Municipal Court	A-9	160,000		146,448	(13,552)
Interest on Costs on Taxes	A-9	87,000		66,487	(20,513)
Interest on Investments and Deposits	A-2,A-9	9,500		11,231	1,731
Cable Television Franchise Fees	A-9	100,000		103,880	3,880
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	370,000		323,442	(46,558)
Borough of Harrington Park - Gasoline	A-9	55,000		84,053	29,053
Other Municipalities - Gasoline	A-9	115,000		45,947	(69,053)
Clean Communities Grant	A-11		\$ 15,221	15,221	
Police Body Armor	A-11,A-24	2,076	2,555	4,631	
Drive Sober or Get Pulled Over	A-11		4,400	4,400	
Recycling Tonnage Grant	A-11,A-24	14,755	15,182	29,937	
Drunk Driving Enforcement Fund/Alcohol Education	A-11,A-24	1,673	5,220	6,893	
Uniform Fire Safety Act	A-9	12,724		13,163	(439)
Cell Tower Rental	A-9	70,000		62,753	7,247
General Capital Surplus	C-1	25,000		25,000	
Rental Payments	A-9	11,000		8,250	2,750
Alpine Sewer Connection Fees	A-9	9,500		10,621	(1,121)
Reserve for Payment of Debt	C-15	59,000		59,000	
Sale of Property	A-9	15,200	-	15,200	-
<b>Total Miscellaneous Revenues</b>		<b>2,802,908</b>	<b>42,578</b>	<b>2,714,661</b>	<b>(130,825)</b>
<b>Receipts from Delinquent Taxes</b>	A-2	<b>400,000</b>	<b>-</b>	<b>345,925</b>	<b>(54,075)</b>
<b>Amount to be Raised by Taxes for Support of Municipal Budget</b>					
Operations		9,871,361		10,541,629	670,268
Municipal Library		676,838	-	676,838	-
<b>Total Amount to be Raised</b>	A-2	<b>10,548,199</b>	<b>-</b>	<b>11,218,467</b>	<b>670,268</b>
<b>Total General Revenues</b>	A-3	<b>\$ 14,791,107</b>	<b>\$ 42,578</b>	<b>15,319,053</b>	<b>\$ 485,368</b>
<b>Non-Budget Revenues</b>	A-1,A-2			<b>314,445</b>	
				<b>\$ 15,633,498</b>	

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, 2013**  
**(Continued)**

	<u>Reference</u>	
Analysis of Realized Revenues		
Allocation of Current Tax Collections		
Revenues from Collections	A-1,A-8	\$ 43,043,539
Less: Allocation to School, County, and Municipal Open Space Taxes	A-20,A-21,A-22,B-2	<u>32,700,072</u>
Balance for Support of Municipal Budget Appropriation		10,343,467
Add Appropriation - "Reserve for Uncollected Taxes"	A-3	<u>875,000</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 11,218,467</u>
Licenses-Other		
Borough Clerk	A-9	\$ 17,794
Board of Health	A-9	<u>1,000</u>
	A-2	<u>\$ 18,794</u>
Fees and Permits-Other		
Borough Clerk	A-9	\$ 7,230
Fire Prevention	A-9	27,946
Police	A-9	36,588
Planning	A-9	4,308
Zoning	A-9	7,600
Public Works	A-9	28,717
Building Department	A-9	6,580
Board of Health	A-9	<u>6,833</u>
	A-2	<u>\$ 125,802</u>
Interest on Investments and Deposits		
Revenue Accounts Receivable	A-9	\$ 2,999
Due from General Capital Fund	C-7	369
Due from Other Trust Fund	B-5	<u>7,863</u>
	A-2	<u>\$ 11,231</u>
Delinquent Taxes		
Taxes Receivable	A-8	\$ 345,756
Tax Title Lien	A-12	<u>169</u>
		<u>\$ 345,925</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, 2013**  
**(Continued)**

	<u>Reference</u>	
Non-Budget Revenue		
Tax Collector / Treasurer		\$ 11,195
Special Tax Assessment - Spectrum		50,820
Property Maintenance Lien		35,000
Borough Clerk		464
Bid Specs		2,750
Police Department		450
Construction		8,776
Administration Fee - Senior Citizens and Veterans		1,285
Sale of Vehicles - Auction		19,800
DMV Inspection Fines		700
Police Overtime Reimbursement		11,081
FEMA Reimbursements - Hurricane Sandy		152,663
Insurance Dividend		12,539
Statutory Excess - Animal Control		4,554
Miscellaneous		<u>2,368</u>
	A-2	<u>\$ 314,445</u>
Analysis of Non-Budget Revenue		
Cash Receipts	A-4	\$ 309,891
Statutory Excess - Animal Control Fund	B-6	<u>4,554</u>
		<u>\$ 314,445</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, 2013**

	<u>Appropriated</u>		<u>Expended</u>		<u>Over-</u> <u>Expenditure</u>
	<u>2013 Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
<b>OPERATIONS WITHIN "CAPS"</b>					
<b>GENERAL GOVERNMENT FUNCTIONS</b>					
General Administration					
Salaries and Wages	\$ 143,514	\$ 148,914	\$ 148,372	\$ 542	
Other Expenses	17,450	18,050	17,970	80	
Municipal Clerk's Office					
Salaries and Wages	181,482	172,522	169,985	2,537	
Other Expenses	18,645	18,645	9,277	9,368	
Elections	8,500	8,500	7,108	1,392	
Financial Administration					
Salaries and Wages	118,506	126,206	129,716		\$ 3,510
Other Expenses	53,200	52,700	47,236	5,464	
Audit Services					
Other Expenses	39,800	39,800	39,800		
Information Technology					
Salaries and Wages	10,851	11,151	11,068	83	
Other Expenses	4,600	4,600	2,413	2,187	
Tax Assessment Administration					
Salaries and Wages	55,880	55,880	57,315		1,435
Other Expenses	3,450	3,450	3,366	84	
Revenue Administration					
Salaries and Wages	115,854	116,604	113,464	3,140	
Other Expenses	16,250	16,250	13,124	3,126	
Legal Services and Costs					
Other Expenses	146,000	146,000	121,212	24,788	
Engineering Services					
Other Expenses	30,000	30,000	18,000	12,000	
Monitoring Wells	15,000	15,000	13,531	1,469	
Economic Development					
Closter Improvement Committee	5,000	5,000	4,942	58	
Historical Commission					
Other Expenses	3,090	3,090	1,892	1,198	
Municipal Land Use Law (NJSA 40:44D-1)					
Planning Board					
Salaries and Wages	13,545	14,195	14,155	40	
Other Expenses	30,750	28,250	8,966	19,284	
Zoning Board of Adjustment					
Salaries and Wages	17,131	17,681	17,577	104	
Other Expenses	16,800	16,800	9,038	7,762	
Insurance					
Unemployment Insurance	15,000	15,000	14,157	843	
Other Insurance Premiums	9,500	9,500	4,199	5,301	
General Liability	194,419	194,419	188,659	5,760	
Workers Compensation Insurance	200,900	200,900	197,504	3,396	
Employee Group Health	1,031,386	1,031,386	1,012,558	18,828	
Health Benefit Waiver	10,000	10,000		10,000	
<b>PUBLIC SAFETY FUNCTIONS</b>					
Police Department					
Salaries and Wages	2,736,561	2,736,561	2,634,010	102,551	
Other Expenses	111,800	104,300	88,991	15,309	
Office of Emergency Management					
Salaries and Wages	7,592	7,792	7,744	48	
Other Expenses	7,400	7,400	5,076	2,324	
First Aid Organization - Contribution	11,400	11,400		11,400	

**BOROUGH OF CLOSTER**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Appropriated</u>		<u>Expended</u>		Over- <u>Expenditure</u>
	<u>2013 Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
<b>OPERATIONS WITHIN "CAPS"</b>					
<b>PUBLIC SAFETY FUNCTIONS (Continued)</b>					
Fire Prevention Bureau/Uniform Fire Safety					
Salaries and Wages	\$ 35,126	\$ 32,626	\$ 30,980	\$ 1,646	
Other Expenses	3,000	3,100	3,100		
Fire Protection					
Other Expenses	54,320	54,320	53,815	505	
Fire Hydrant Services	160,000	160,000	145,103	14,897	
Municipal Prosecutor					
Other Expenses	6,500	6,500	6,500		
<b>PUBLIC WORKS FUNCTIONS</b>					
Streets and Road Maintenance					
Salaries and Wages	1,072,831	1,089,331	972,447	116,884	
Other Expenses	49,250	54,250	39,184	15,066	
Snow Removal					
Other Expenses	16,250	16,250	6,786	9,464	
Shade Tree Commission					
Salaries and Wages	3,014	3,414	3,303	111	
Other Expenses	40,000	40,000	39,580	420	
Solid Waste Collection					
Salaries and Wages	222,110	230,610	236,008		\$ 5,398
Other Expenses	3,000	3,050	3,050		
Recycling					
Salaries and Wages	52,842	54,342	54,161	181	
Other Expenses	1,000	1,000		1,000	
Public Building and Grounds					
Salaries and Wages	59,970	60,470	60,384	86	
Other Expenses	29,000	32,242	31,874	368	
Vehicle Maintenance					
Salaries and Wages	98,712	100,712	100,687	25	
Other Expenses	105,000	123,758	123,758		
<b>HEALTH AND HUMAN SERVICES FUNCTIONS</b>					
Public Health Services					
Salaries and Wages	61,020	62,520	61,155	1,365	
Other Expenses	71,694	71,694	68,541	3,153	
Environmental Commission					
Other Expenses	3,000	3,000	2,920	80	
Animal Control					
Other Expenses	14,500	14,500	10,466	4,034	
Aid to Mental Health Center	1,000	1,000	1,000		
<b>PARKS AND RECREATION FUNCTIONS</b>					
Maintenance of Parks and Playgrounds	42,500	42,500	39,133	3,367	
Senior Citizens					
Other Expenses	4,000	4,000	4,000		
Board of Recreation Commissioners					
Salaries and Wages	66,247	63,747	61,636	2,111	
Other Expenses	35,000	35,700	37,513		1,813
<b>EDUCATION FUNCTIONS</b>					
Contribution to Belskie Museum	7,125	7,125	7,125		
Contribution to Nature Center	15,000	15,000	15,000		
<b>OTHER COMMON OPERATING FUNCTIONS</b>					
Celebration of Public Events					
Other Expenses	2,000	1,000	483	517	

**BOROUGH OF CLOSTER**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Appropriated</u>		<u>Expended</u>		<u>Cancelled</u>	<u>Over-</u> <u>Expenditure</u>
	<u>2013 Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>		
<b>OPERATIONS WITHIN "CAPS"</b>						
<b>LANDFILL/SOLID WASTE DISPOSAL COSTS</b>						
Solid Waste Recycling Landfill and Contingency Taxes	\$ 233,902	\$ 233,902	\$ 223,901	\$ 10,001		
<b>MUNICIPAL COURT</b>						
Salaries and Wages	90,803	91,553	91,319	234		
Other Expenses	4,550	5,050	4,960	90		
Public Defender (P.L. 1997, C.256)						
Other Expenses	1,800	1,800		1,800		
Salary Adjustments	75,000	20,750		20,750		
<b>UNIFORM CONSTRUCTION CODE</b>						
<b>APPROPRIATIONS OFFSET BY DEDICATED REVENUES (N.J.A.C. 5:23-4-17)</b>						
Uniform Construction Code Enforcement Functions						
Salaries and Wages	177,177	181,677	181,692			\$ 15
Other Expenses	23,500	23,500	21,080	2,420		
Other Code Enforcement Functions						
Zoning Officer						
Salaries and Wages	24,882	25,432	25,380	52		
Other Expenses	300	300		300		
Property Maintenance						
Salaries and Wages	38,923	40,712	40,712			
Other Expenses	300	300	7	293		
<b>UNCLASSIFIED</b>						
Utilities						
Electricity	90,000	83,400	75,160	8,240		
Street Lighting	103,000	99,000	94,529	4,471		
Telephone and Telegraph	80,000	80,000	77,092	2,908		
Water	23,000	24,821	24,537	284		
Natural Gas	23,000	23,000	18,295	4,705		
Sewer System	4,500	4,500	205	4,295		
Gasoline	160,000	160,000	136,466	23,534	-	-
Total Operations Within "CAPS"	<u>8,890,904</u>	<u>8,885,404</u>	<u>8,367,452</u>	<u>530,123</u>	<u>-</u>	<u>12,171</u>
Detail:						
Salaries and Wages	5,489,573	5,454,652	5,223,270	241,740	-	10,358
Other Expenses	3,401,331	3,430,752	3,144,182	288,383	-	1,813
<b>DEFERRED CHARGES AND REGULATORY EXPENDITURES-MUNICIPAL-WITHIN "CAPS" STATUTORY EXPENDITURES</b>						
Contribution to:						
Social Security System (O.A.S.I.)	270,000	270,000	239,699	30,301		
Police and Firemen's Retirement Fund of NJ	656,803	656,803	656,803			
Public Employees' Retirement System	277,940	277,940	277,940			
Defined Contribution Retirement Plan	2,000	2,000	1,717	283	-	-
Total Deferred Charges and Statutory Expenditures - Within "CAPS"	<u>1,206,743</u>	<u>1,206,743</u>	<u>1,176,159</u>	<u>30,584</u>	<u>-</u>	<u>-</u>
Total General Appropriations for Municipal Purposes within "CAPS"	<u>10,097,647</u>	<u>10,092,147</u>	<u>9,543,611</u>	<u>560,707</u>	<u>-</u>	<u>12,171</u>

**BOROUGH OF CLOSTER**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Appropriated</u>		<u>Expended</u>		<u>Cancelled</u>	<u>Over- Expenditure</u>
	<u>2013 Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>		
<b>OPERATIONS - EXCLUDED FROM "CAPS"</b>						
<b>UTILITY EXPENSES AND BULK PURCHASES</b>						
Bergen County Utilities Authority						
Operations	\$ 583,026	\$ 583,026	\$ 583,025	\$ 1		
Debt Service	266,809	266,809	266,809			
<b>EDUCATION FUNCTIONS</b>						
Maintenance of Free Public Library	705,220	705,220	705,220			
<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)	35,500	35,500	34,700	800		
911 Dispatch Services - Contractual	100,246	100,246	100,246	-	-	-
Total Other Operations - Excluded from "CAPS"	<u>1,740,801</u>	<u>1,740,801</u>	<u>1,740,000</u>	<u>801</u>	<u>-</u>	<u>-</u>
<b>INTERLOCAL MUNICIPAL SERVICE AGREEMENTS</b>						
Borough of Harrington Park						
Gasoline	55,000	55,000	54,284	716		
Other Municipalities						
Gasoline	115,000	115,000	72,860	42,140	-	-
Total Interlocal Municipal Service Agreements	<u>170,000</u>	<u>170,000</u>	<u>127,144</u>	<u>42,856</u>	<u>-</u>	<u>-</u>
<b>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES</b>						
<b>FEDERAL AND STATE GRANTS</b>						
Clean Communities Grant		15,221	129	15,092		
Police Body Armor Grant	2,076	4,631		4,631		
Drive Sober or Get Pulled Over		4,400	3,550	850		
Recycling Tonnage Grant	14,755	29,937	10,668	19,269		
Drunk Driving Enforcement Fund/Alcohol Education	1,673	6,893	-	6,893	-	-
Total Public and Private Programs Offset by Revenues	<u>18,504</u>	<u>61,082</u>	<u>14,347</u>	<u>46,735</u>	<u>-</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>1,929,305</u>	<u>1,971,883</u>	<u>1,881,491</u>	<u>90,392</u>	<u>-</u>	<u>-</u>
Detail:						
Other Expenses	<u>1,929,305</u>	<u>1,971,883</u>	<u>1,881,491</u>	<u>90,392</u>	<u>-</u>	<u>-</u>
<b>CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"</b>						
Capital Improvement Fund	\$ 127,000	\$ 127,000	\$ 127,000	-	-	-
Total Capital Improvements - Excluded from "CAPS"	<u>127,000</u>	<u>127,000</u>	<u>127,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

**BOROUGH OF CLOSTER**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Appropriated</u>		<u>Expended</u>			<u>Over-</u> <u>Expenditure</u>
	<u>2013 Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>	
<b>MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"</b>						
Payment of Bond Principal	\$ 1,294,000	\$ 1,294,000	\$ 1,294,000			
Interest on Bonds	308,530	308,530	308,530			
Interest on Notes	28,999	34,499	34,455		\$ 44	
Green Trust Loan Program	<u>3,826</u>	<u>3,826</u>	<u>3,825</u>	-	<u>1</u>	-
Total Municipal Debt Service - Excluded from "CAPS"	<u>1,635,355</u>	<u>1,640,855</u>	<u>1,640,810</u>	-	<u>45</u>	-
<b>DEFERRED CHARGES</b>						
Special Emergency Authorizations - 5 yrs. (N.J.S. 40A:4-55)	<u>126,800</u>	<u>126,800</u>	<u>126,800</u>	-	-	-
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>3,818,460</u>	<u>3,866,538</u>	<u>3,776,101</u>	<u>\$ 90,392</u>	<u>45</u>	-
Subtotal General Appropriations	13,916,107	13,958,685	13,319,712	651,099	45	\$ 12,171
<b>RESERVE FOR UNCOLLECTED TAXES</b>	<u>875,000</u>	<u>875,000</u>	<u>875,000</u>	-	-	-
Total General Appropriations	<u>\$ 14,791,107</u>	<u>\$ 14,833,685</u>	<u>\$ 14,194,712</u>	<u>\$ 651,099</u>	<u>\$ 45</u>	<u>\$ 12,171</u>
	<u>Referen</u>	A-2		A		
Adopted Budget	A-2		\$ 14,791,107			
N.J.S.A. 40A:4-87	A-2		<u>42,578</u>			
			<u>\$ 14,833,685</u>			
Cash Disbursements	A-4		\$ 12,700,242			
Encumbrances Payable	A-15		442,670			
Reserve for Tax Appeals	A-25		50,000			
Special Emergency Authorizations	A-10		126,800			
Reserve for Uncollected Taxes	A-3		<u>875,000</u>			
			<u>\$ 14,194,712</u>			

**BOROUGH OF CLOSTER**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**TRUST FUNDS**  
**AS OF DECEMBER 31, 2013 AND 2012**

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>			
Animal Control Fund			
Cash	B-4	\$ 28,536	\$ 24,105
		<u>28,536</u>	<u>24,105</u>
Other Trust Fund			
Cash	B-4	1,974,510	1,750,827
Due From Current Fund	B-5	-	12,910
		<u>1,974,510</u>	<u>1,763,737</u>
Open Space Preservation Trust Fund			
Cash	B-4	231,014	582,375
Due From Current Fund	B-12	206,588	206,497
		<u>437,602</u>	<u>788,872</u>
Length of Service Awards Program Fund (Unaudited)			
Investment	B	508,467	427,024
Contribution Receivable	B	43,700	36,850
		<u>552,167</u>	<u>463,874</u>
 Total Assets		 <u>\$ 2,992,815</u>	 <u>\$ 3,040,588</u>

**BOROUGH OF CLOSTER**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**TRUST FUNDS**  
**AS OF DECEMBER 31, 2013 AND 2012**

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<b>Animal Control Fund</b>			
Due to State of New Jersey	B-7	\$	4
Due to Current Fund	B-8	\$ 20,920	16,366
Reserve for Animal Control Expenditures	B-6	<u>7,616</u>	<u>7,735</u>
		<u>28,536</u>	<u>24,105</u>
<b>Other Trust Fund</b>			
Escrow and Miscellaneous Reserves	B-9	1,835,852	1,716,432
Payroll and Payroll Deductions Payable	B-10	136,921	46,182
Due to Current Fund	B-5	1,045	431
Fund Balance	B-1	<u>692</u>	<u>692</u>
		<u>1,974,510</u>	<u>1,763,737</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>437,602</u>	<u>543,345</u>
		<u>437,602</u>	<u>788,872</u>
<b>Length of Service Awards Program Fund (Unaudited)</b>			
Reserve for Length of Service Award Program	B	<u>552,167</u>	<u>463,874</u>
<b>Total Liabilities, Reserves and Fund Balance</b>		<u>\$ 2,992,815</u>	<u>\$ 3,040,588</u>

**BOROUGH OF CLOSTER**  
**COMPARATIVE STATEMENTS OF FUND BALANCE - REGULATORY BASIS - OTHER TRUST FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Balance, January 1	\$ 692	\$ 692
Balance, December 31	<u>\$ 692</u>	<u>\$ 692</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF CLOSTER  
STATEMENT OF REVENUES - REGULATORY BASIS - OPEN SPACE PRESERVATION TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Reference</u>	2013 <u>Modified Budget</u>	2013 <u>Realized</u>	<u>Excess or (Deficit)</u>
Amount to be Raised by Taxation	B-12	\$205,636	\$ 206,588	\$ 952
		<u>\$205,636</u>	206,588	<u>\$ 952</u>
Non-Budget	B-11		<u>919</u>	
			<u>\$ 207,507</u>	

EXHIBIT B-3

**STATEMENT OF EXPENDITURES - REGULATORY BASIS - OPEN SPACE PRESERVATION TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

		2013 <u>Modified Budget</u>	<u>Paid or Charged</u>	<u>Excess or (Deficit)</u>
Maintenance of Land for Recreation and Conservation		<u>\$205,636</u>	<u>\$ -</u>	<u>\$ 205,636</u>
	<u>Reference</u>		B-1	

**BOROUGH OF CLOSTER**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**GENERAL CAPITAL FUND**  
**AS OF DECEMBER 31, 2013 AND 2012**

<b>ASSETS</b>	<u>Reference</u>	<u>2013</u>	<u>2012</u>
Cash	C-2, C-3	\$ 1,241,511	\$ 547,073
Grants Receivable	C-6	201,787	422,142
Due From Current Fund	C-7	112,608	21,047
Due from Open Space Preservation Trust Fund	C-8		245,527
Deferred Charges to Future Taxation			
Funded	C-4	8,224,382	9,521,827
Unfunded	C-5	<u>3,750,125</u>	<u>2,567,775</u>
 Total Assets		 <u>\$ 13,530,413</u>	 <u>\$ 13,325,391</u>
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Serial Bonds	C-10	\$ 8,208,000	\$ 9,502,000
Green Acres Trust Fund Loan Payable	C-9	16,382	19,827
Bond Anticipation Notes Payable	C-11	3,858,000	2,356,965
Improvement Authorizations			
Funded	C-12	631,821	465,479
Unfunded	C-12	403,489	109,811
Contracts Payable	C-13	264,952	635,790
Capital Improvement Fund	C-14	5,299	10,049
Miscellaneous Reserves	C	11,000	11,000
Reserve for Grant Receivable	C-6	37,500	
Reserve for Payment of Debt	C-15	64,088	141,588
Fund Balance	C-1	<u>29,882</u>	<u>72,882</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 13,530,413</u>	 <u>\$ 13,325,391</u>

There were bonds and notes authorized but not issued of \$4,625 and \$278,257 at December 31, 2013 and 2012, respectively (Exhibit C-16).

**BOROUGH OF CLOSTER**  
**COMPARATIVE STATEMENTS OF FUND BALANCE - REGULATORY BASIS**  
**GENERAL CAPITAL FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
Balance, January 1	C	\$ 72,882	\$ 57,500
Increased by:			
Improvement Authorizations Cancelled	C-1		34,936
Premium on Sale of Notes	C-1	-	5,446
		<u>72,882</u>	<u>97,882</u>
Decreased by:			
Appropriated to Finance Improvement Authorizations	C-12	18,000	
Anticipated as Current Fund Revenue	C-1,C-7	25,000	25,000
		<u>43,000</u>	<u>25,000</u>
Balance, December 31	C	<u>\$ 29,882</u>	<u>\$ 72,882</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF CLOSTER  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
PUBLIC ASSISTANCE FUND  
AS OF DECEMBER 31, 2013 AND 2012**

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>			
Cash	D-1	\$ <u>12,287</u>	\$ <u>11,605</u>
		<u>\$ 12,287</u>	<u>\$ 11,605</u>
 <b>LIABILITIES</b>			
Reserve for Expenditures	D-2	\$ <u>12,287</u>	\$ <u>11,605</u>
		<u>\$ 12,287</u>	<u>\$ 11,605</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF CLOSTER  
GENERAL FIXED ASSETS ACCOUNT GROUP  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
AS OF DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</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>8,634,472</u>	<u>7,709,822</u>
	<u>\$ 92,798,633</u>	<u>\$ 91,873,983</u>
<b>FUND BALANCE</b>		
Investment in General Fixed Assets	<u>\$ 92,798,633</u>	<u>\$ 91,873,983</u>

**NOTES TO FINANCIAL STATEMENTS**

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

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

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

**B. 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.

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

**C. Basis of Presentation – Financial Statements**

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 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.

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

**C. Basis of Presentation – Financial Statements (Continued)**

**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.

**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.

**D. Measurement Focus and Basis of Accounting**

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.

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:

**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.

**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.

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

**D. Measurement Focus and Basis of Accounting (Continued)**

**Property Tax Revenues/Receivables** - 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/Receivables** - 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/Receivables** - 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.

**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.

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

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

**D. Measurement Focus and Basis of Accounting (Continued)**

**Deferred Charges** – Certain expenditures, operating deficits and other items are required to be deferred to budgets of succeeding years. GAAP requires expenditures, operating deficits and certain other items generally to be recognized when incurred, if measurable.

**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.

**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.

**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.

**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.

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 and sewerage and drainage systems 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.

**BOROUGH OF CLOSTER  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

**D. Measurement Focus and Basis of Accounting (Continued)**

**General Fixed Assets (Continued)**

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

Land and Buildings	Cost (Assets Acquired 1989-2011)
Land and Buildings	Assessed Value (Assets Acquired Prior to 1989)
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 proprietary-type funds as well as the government-wide financial statement at historical or estimated historical cost if actual historical cost is not available. In addition, GAAP requires depreciation on capital assets to be recorded in proprietary-type funds as well as in the government-wide financial statements.

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

**Reclassifications** – Certain reclassifications have been made to the December 31, 2012 balances to conform to the December 31, 2013 presentation.

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. 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

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**A. Budgets and Budgetary Accounting (Continued)**

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2013 and 2012 the Borough Council increased the original budget by \$42,578 and \$101,964. The increases were funded by additional aid allotted to the Borough. In addition, the governing body approved several budget transfers during 2013 and 2012.

**B. Excess Expenditures Over Appropriations**

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

<b>2013</b>	<b><u>Modified Budget</u></b>	<b><u>Actual</u></b>	<b><u>Unfavorable Variance</u></b>
Current Fund			
Financial Administration			
Salaries and Wages	\$126,206	\$129,716	\$3,510
Tax Assessment Administration			
Salaries and Wages	55,880	57,315	1,435
Solid Waste Collection			
Salaries and Wages	230,610	236,008	5,398
Board of Recreation Commissioners			
Other Expenses	35,700	37,513	1,813
Uniform Construction Code Enforcement			
Functions			
Salaries and Wages	181,677	181,692	15

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

**BOROUGH OF CLOSTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 3 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.

**A. 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, 2013 and 2012, the book value of the Borough's deposits were \$7,316,361 and \$6,291,658 and bank and brokerage firm balances of the Borough's deposits amounted to \$7,277,247 and \$7,724,075, 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>2013</u>	<u>2012</u>
Insured	\$ 7,277,247	\$ 7,724,075

**B. 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, 2013 and 2012, the Borough had the following investments:

	<u>Fair Value</u>	
	<u>2013</u>	<u>2012</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department but not in the Borough's name (Unaudited)	\$ 508,467	\$ 427,024

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 3 DEPOSITS AND INVESTMENTS (Continued)**

**B. 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, 2013 and 2012, \$508,467 and \$427,024 of the Borough’s investments was exposed to custodial credit risk as follows:

	<u>Fair Value</u>	
	<u>2013</u>	<u>2012</u>
Investment		
Length of Service Awards Program		
Lincoln Financial (Unaudited)	\$ 508,467	\$ 427,024

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 4 TAXES RECEIVABLE**

Receivables at December 31, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
<u>Current</u>		
Property Taxes	\$ 214,369	\$ 356,718

In 2013 and 2012, the Borough collected \$345,925 and \$407,878 from delinquent taxes, which represented 97% and 98% of the prior year delinquent taxes receivable balance.

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 5 DUE TO/FROM OTHER FUNDS**

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

	<u>2013</u>		<u>2012</u>	
	Due From <u>Other Funds</u>	Due To <u>Other Funds</u>	Due From <u>Other Funds</u>	Due To <u>Other Funds</u>
Current Fund	\$ 21,965	\$ 319,196	\$ 16,797	\$ 240,454
Trust Fund				
Open Space Trust Fund	206,588		206,497	245,527
Other Trust Fund		1,045	12,910	431
Animal Control Fund		20,920		16,366
General Capital Fund	<u>112,608</u>	<u>-</u>	<u>266,574</u>	<u>-</u>
Total	<u>\$ 341,161</u>	<u>\$ 341,161</u>	<u>\$ 502,778</u>	<u>\$ 502,778</u>

The above balances are the result of expenditures being paid by one fund on behalf of another and/or receipts deposited in one fund and owed to another.

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

**NOTE 6 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>
<u>2013</u>			
Current Fund			
Overexpenditure of Appropriations	\$ 12,171	\$ 12,171	-
Special Emergency Authorizations (40A:4-55)	<u>348,000</u>	<u>116,000</u>	<u>\$ 232,000</u>
	<u>\$ 360,171</u>	<u>\$ 128,171</u>	<u>\$ 232,000</u>
<u>2012</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	<u>\$ 474,800</u>	<u>\$ 126,800</u>	<u>\$ 348,000</u>

**BOROUGH OF CLOSTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 7 FUND BALANCES APPROPRIATED**

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

	Fund Balance December 31, <u>2013</u>	Utilized in Subsequent Year's Budget	Fund Balance December 31, <u>2012</u>	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	\$ 1,583,807	\$ 1,080,000	\$ 1,612,120	\$ 1,040,000
Non-Cash Surplus	<u>13,021</u>	<u>-</u>	<u>100,038</u>	<u>-</u>
	<u>\$ 1,596,828</u>	<u>\$ 1,080,000</u>	<u>\$ 1,712,158</u>	<u>\$ 1,040,000</u>

**NOTE 8 FIXED ASSETS**

**A. General Fixed Assets**

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2013 and 2012.

	Balance December 31, <u>2012</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2013</u>
<b><u>2013</u></b>				
Land	\$ 78,775,600			\$ 78,775,600
Buildings and Building Impvts.	5,388,561			5,388,561
Vehicles and Equipment	<u>7,709,822</u>	<u>\$ 1,434,540</u>	<u>\$ 509,890</u>	<u>8,634,472</u>
	<u>\$ 91,873,983</u>	<u>\$ 1,434,540</u>	<u>\$ 509,890</u>	<u>\$ 92,798,633</u>
	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
Vehicles and Equipment	<u>7,382,644</u>	<u>\$ 545,432</u>	<u>\$ 218,254</u>	<u>7,709,822</u>
	<u>\$ 91,546,805</u>	<u>\$ 545,432</u>	<u>\$ 218,254</u>	<u>\$ 91,873,983</u>

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 9 MUNICIPAL DEBT**

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

The Borough's debt is summarized as follows:

	<u>2013</u>	<u>2012</u>
Issued		
General		
Bonds, Notes and Loans	\$ 12,082,382	\$ 11,878,792
Less Funds Temporarily Held to Pay Bonds and Notes	<u>175,097</u>	<u>209,035</u>
Net Debt Issued	11,907,285	11,669,757
Authorized But Not Issued		
General		
Bonds and Notes	<u>4,625</u>	<u>278,257</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 11,911,910</u>	<u>\$ 11,948,014</u>

**Statutory Net Debt**

The statement of debt condition indicates a statutory net debt of .58% and .57% at December 31, 2013 and 2012, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2013</u></b>			
General Debt	\$ 12,087,007	\$ 175,097	\$ 11,911,910
School Debt	<u>6,739,070</u>	<u>6,739,070</u>	<u>-</u>
Total	<u>\$ 18,826,077</u>	<u>\$ 6,914,167</u>	<u>\$ 11,911,910</u>

	<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>

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 9 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>2013</u>	<u>2012</u>
3-1/2% of Equalized Valuation Basis (Municipal) Net Debt	\$ 71,567,959 <u>11,911,910</u>	\$ 73,100,752 <u>11,948,014</u>
Remaining Borrowing Power	<u>\$ 59,656,049</u>	<u>\$ 61,152,738</u>

**A. 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>2013</u>	<u>2012</u>
\$4,860,000, 2001 Bonds, due in annual installment of \$460,000 through July, 2014, interest at 4.250%	\$ 460,000	\$ 920,000
\$6,909,000, 2005 Bonds, due in annual installments of \$400,000 through October, 2013, interest at 3.80%		400,000
\$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%	3,278,000	3,677,000
\$4,505,000, 2012 Refunding Bonds, due in annual installments of \$470,000 to \$1,045,000 through October 15, 2018, interest at 2.00% to 3.00%	<u>4,470,000</u>	<u>4,505,000</u>
	<u>\$ 8,208,000</u>	<u>\$ 9,502,000</u>

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**A. 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 Council 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>2013</u>	<u>2012</u>
\$62,798, 1997 Loan, due in Semi-annual installments of \$1,714 to \$1,894 through March, 2018, interest at 2.0%	\$ 16,382	\$ 19,827

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2013 is as follows:

Calendar Year	<u>General Obligation Bonds</u>		<u>Intergovernmental Loans</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
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	1,526,000	88,205	1,894	57	1,616,156
2019-2020	1,028,000	47,860	-	-	1,075,860
	<u>\$ 8,208,000</u>	<u>\$ 908,170</u>	<u>\$ 16,382</u>	<u>\$ 870</u>	<u>\$ 9,133,422</u>

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 10 MUNICIPAL DEBT (Continued)**

**A. Long-Term Debt (Continued)**

**Changes in Long-Term Municipal Debt**

The Borough's long-term capital debt activity for the years ended December 31, 2013 and 2012 were as follows:

	Balance, December 31, <u>2012</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2013</u>	Due Within <u>One Year</u>
<b><u>2013</u></b>					
General Capital Fund					
Bonds Payable	\$ 9,502,000		\$ 1,294,000	\$ 8,208,000	\$ 1,346,000
Intergovernmental Loans Payable	<u>19,827</u>	<u>-</u>	<u>3,445</u>	<u>16,382</u>	<u>3,515</u>
General Capital Fund Long-Term Liabilities	<u>\$ 9,521,827</u>	<u>\$ -</u>	<u>\$ 1,297,445</u>	<u>\$ 8,224,382</u>	<u>\$ 1,349,515</u>
	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>

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**B. Short-Term Debt**

The Borough's short-term debt activity for the years ended December 31, 2013 and 2012 was as follows:

**Bond Anticipation Notes**

**2013**

<u>Improvement Description</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance, December 31, 2012</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance, December 31, 2013</u>
Safe Sidewalks to Tenakill	9/27/2013	1.36%	\$ 40,000		\$ 40,000	
Various Improvements	12/14/2012	1.36%	570,000		570,000	
	9/26/2014	0.62%		\$ 2,111,238		\$ 2,111,238
Reconstruction of Herbert Avenue - Section IV	12/14/2012	1.36%	40,000		40,000	
	9/26/2014	0.62%		40,000		40,000
Acquisition of Various Equipment	12/14/2012	1.36%	190,000		190,000	
	9/27/2013	1.25%	149,915		149,915	
	9/26/2014	0.62%		339,915		339,915
Acquisition of Ladder Truck and Pickup	9/27/2013	1.25%	1,072,550		1,072,550	
	9/26/2014	0.62%		1,072,347		1,072,347
Reconstruction of Various Roadways	9/27/2013	1.25%	294,500		294,500	
	9/26/2014	0.62%	-	294,500	-	294,500
			<u>\$ 2,356,965</u>	<u>\$ 3,858,000</u>	<u>\$ 2,356,965</u>	<u>\$ 3,858,000</u>

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**B. Short-Term Debt (Continued)**

**Bond Anticipation Notes (Continued)**

**2012**

<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
	9/27/2013	1.25%		149,915		149,915
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
			<u>\$ 840,000</u>	<u>\$ 2,356,965</u>	<u>\$ 840,000</u>	<u>\$ 2,356,965</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.

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.

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**B. Short-Term Debt (Continued)**

**Bond Anticipation Notes (Continued)**

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 2013 and 2012 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.

**2013**

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	Balance, December 31, <u>2012</u>	<u>Increased</u>	<u>Decreased</u>	Balance, December 31, <u>2013</u>
Employee Severance Liabilities	1.75%	9/26/14	\$ 464,000	\$ 348,000	\$ 464,000	\$ 348,000

**2012**

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

**NOTE 10 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>
<b><u>2013</u></b>		
Road Improvements	\$184,167	2014
Restroom Facilities at Mollicone and Schuble Parks	72,778	2014
<b><u>2012</u></b>		
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

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 11 OPERATING LEASES**

The Borough leases police vehicles under noncancelable operating leases. Lease payments for the years ended December 31, 2013 and 2012 were \$18,090 and \$18,090, respectively.

**NOTE 12 OTHER LONG-TERM LIABILITIES**

**A. 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 \$1,774,607 and \$1,846,097 at December 31, 2013 and 2012, respectively. These amounts which are considered material to the financial statements, are not reported either as an expenditure or liability.

As of December 31, 2013 and 2012, the Borough has reserved \$16,227 and \$111,270, respectively to fund compensated absences in accordance with NJSA 40A:4-39.

**Changes in Other Long-Term Liabilities**

The Borough's changes in other long-term liabilities for the years ended December 31, 2013 and 2012 were as follows:

	Balance, December 31, <u>2012</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2013</u>	Due Within <u>One Year</u>
<b><u>2013</u></b>					
Compensated Absences	\$ 1,846,097	\$ 69,953	\$ 141,443	\$ 1,774,607	\$ -
<b><u>2012</u></b>					
Compensated Absences	\$ 1,426,603	\$ 669,186	\$ 249,692	\$ 1,846,097	\$ -

**NOTE 13 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.

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**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. This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees (Tier 2) of the PFRS and new employers who would otherwise be eligible to participate in PERS and do not work the minimum required hours but earn a base salary of at least \$5,000 are eligible for participation in the DCRP.

**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 and refunds are recognized when due and payable in accordance with the terms of the retirement systems.

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**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 2013, the PERS member contribution rate was 6.64%. The phase-in of the additional incremental member contributions for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries 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. The financial report 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, or at [www.state.nj/treasury/doinvest](http://www.state.nj/treasury/doinvest).

**Funded Status and Funding Progress**

As of July 1, 2012, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS and PFRS, is 64.5 percent with an unfunded actuarial accrued liability of \$47.2 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 56.7 percent and \$34.4 billion, respectively and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 76.1 percent and \$12.8 billion, respectively.

**BOROUGH OF CLOSTER  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

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.

**Actuarial Methods and Assumptions**

In the July 1, 2012 actuarial valuations, the date of the most recent actuarial valuations, the projected unit credit was used as actuarial cost method, and the five year average of market value was used as asset valuation method for pension trust funds. The actuarial assumptions included (a) 7.90% for investment rate of return and (b) changes to projected salary increases, which vary by fund.

**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% plus an additional 1% phased-in over 7 years beginning in July 2012 for PERS, 10.0% for PFRS and 5.50% for DCRP of employees' annual compensation. The member contribution for PERS was 6.64% in fiscal year 2013.

**Annual Pension Cost (APC)**

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2013 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, 2013, 2012 and 2011, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension contributions, early retirement incentive program contributions, deferred pension obligation 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>
2013	\$ 656,803	\$ 277,940	\$ 1,717
2012	642,706	295,532	1,547
2011	703,742	271,233	

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 14 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 585 state and local participating employers and contributing entities for Fiscal Year 2013.

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

**State Health Benefits Program Funds (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. For those employed on or after June 28, 2011 the 4-year phase in does not apply, and contributions based on the full percentage rate of contribution are required.

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 14 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, 2012, the most recent actuarial valuation date, the State had a \$51.5 billion unfunded actuarial liability for other postemployment benefits (OPEB) which is made up of \$19.3 billion for state active and retired members and \$32.2 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

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

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

**Actuarial Methods and Assumptions**

In the July 1, 2012 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, 2013, there were 100,134 retirees receiving post-retirement medical benefits, and the State contributed \$1.07 billion 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 \$139.8 million for 9,404 eligible retired members for Fiscal Year 2013. This benefit covers the Police and Firemen's Retirement System.

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

P.L. 1997, c. 330 provides paid post-retirement health benefits to qualified retirees of the Police and Firemen's Retirement System and the Consolidated Police and Firemen's Pension Fund 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 \$38.0 million in Fiscal Year 2013 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, 2013, 2012 and 2011 were \$280,889, \$243,152 and \$159,014 respectively.

**NOTE 15 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, 2013 AND 2012**

**NOTE 16 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, 2013 and 2012. 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, 2013 and 2012, the Borough reserved \$132,053 and \$141,225, 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, 2013 and 2012, 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 17 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, 2013 and 2012, the Borough has not estimated its estimated arbitrage earnings due to the IRS, if any.

**NOTE 18 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.

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 18 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED (Continued)**

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

The Borough of Closter has contributed \$33,200 and \$31,350 for 2013 and 2012, respectively, into the Plan. The Borough of Alpine has contributed \$5,000 and \$5,500 for 2013 and 2012, 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.

**NOTE 19 SUBSEQUENT EVENTS**

**Debt Authorized**

On April 23, 2014 the Borough adopted a Bond Ordinance authorizing the issuance of \$617,500 in Bonds or Bond Anticipation Notes to fund the repair of exterior walls and replacement of roof at the Borough Hall. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.

On May 14, 2014 the Borough adopted a Bond Ordinance authorizing the issuance of \$1,430,570 in Bonds or Bond Anticipation Notes to fund various capital improvements. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.

**SUPPLEMENTAL SCHEDULES**

**CURRENT FUND**

**BOROUGH OF CLOSTER  
STATEMENT OF CASH AND INVESTMENTS**

Balance, December 31, 2012		\$ 3,375,423
Increased by Receipts:		
Taxes Receivable	\$ 43,035,364	
Tax Title Liens Receivable	169	
Revenue Accounts Receivable	2,561,347	
Non Budget Revenue	309,891	
Prepaid Taxes	523,843	
Grants Receivable	106,676	
Petty Cash Returned	500	
Due to State of New Jersey	12,663	
General Capital Fund Receipts Deposited in Current Fund	112,635	
Receipts from General Capital Fund	84,342	
Receipts from Other Trust Fund	7,249	
Unappropriated Grant Reserves	1,267	
Special Emergency Notes Payable	348,000	
Tax Overpayments	85,741	
Senior Citizens' and Veterans' Deductions	64,250	
	<hr/>	<hr/>
		47,253,937
		50,629,360
Decreased by Disbursements:		
2013 Appropriations	12,700,242	
2012 Appropriation Reserves (Net of Reimbursements)	241,487	
Encumbrances Payable	372,032	
Petty Cash Issued	500	
Tax Overpayments	10,758	
County Taxes	4,660,705	
Local District School Taxes	17,133,890	
Regional School Taxes	10,693,393	
Miscellaneous Reserves	109,895	
Appropriated Grant Reserves	3,400	
Reserve for Tax Appeals	59,172	
Special Emergency Notes Payable	464,000	
Due to State of New Jersey	12,407	
Payments to General Capital Fund	21,047	
Payments to Other Trust Fund	99,310	
Payments to Open Space Trust Fund	206,497	
Refund of Prior Year Revenue	12,372	
	<hr/>	<hr/>
		46,801,107
Balance, December 31, 2013		<u>\$ 3,828,253</u>

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

<u>Office</u>	Balance, December 31, <u>2012</u>	Petty Cash <u>Issued</u>	Petty Cash <u>Returned</u>	Balance, December 31, <u>2013</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>

EXHIBIT A-6

**STATEMENT OF CHANGE FUNDS**

<u>Office</u>	Balance, December 31, <u>2012</u>	Balance, December 31, <u>2013</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, 2012		\$ 14,526
Increased by:		
Senior Citizen Deductions Disallowed by Tax Collector	\$ 271	
Senior Citizen Deductions Disallowed by Tax Collector - Prior Year	1,524	
Cash Receipts	<u>64,250</u>	
		<u>66,045</u>
		80,571
Decreased by:		
Senior Citizen Deductions Allowed by Tax Collector	250	
Senior Citizen Deductions Allowed by Tax Collector - Prior Year	750	
Veteran's Deductions Per Tax Billings	55,750	
Senior Citizen Deductions Per Tax Billings	<u>9,000</u>	
		<u>65,750</u>
Balance, December 31, 2013		<u>\$ 14,821</u>

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

Year	Balance, December 31, 2012	2013 Levy	Senior Citizens' and Veterans' Deductions Disallowed	2012 Collections	2013 Collections	Senior Citizens' and Veterans' Deductions Allowed	Tax Overpayment Applied	Taxes Cancelled or Remitted or Abated	Transferred to Tax Title Lien	Balance, December 31, 2013
2012	\$ 356,718	\$ 43,444,222	\$ 1,524	\$ 217,668	\$ 334,568	\$ 65,000	\$ 11,188	\$ 12,436	\$ 50	\$ 214,369
2013	-	\$ 43,444,222	271	217,668	42,700,796	65,000	60,346	186,314	-	\$ 214,369
	\$ 356,718	\$ 43,444,222	\$ 1,795	\$ 217,668	\$ 43,035,364	\$ 65,000	\$ 71,534	\$ 198,750	\$ 50	\$ 214,369

Analysis of 2013 Property Tax Levy

<b>TAX YIELD</b>	
General Property Tax	
Real Property Tax	\$ 43,224,729
Added Taxes (54-4-63.1 et seq.)	219,493
	<u>\$ 43,444,222</u>

<b>TAX LEVY</b>	
Local School Tax (Abstract)	\$ 17,133,890
Regional School Tax (Abstract)	10,693,393
County Taxes (Abstract)	4,642,510
Due County for Added Taxes (54-4-63.1)	23,691
Municipal Open Space	206,588
	<u>\$ 32,700,072</u>
Local Tax for Municipal Library	676,838
Local Tax for Municipal Purposes - Operations	9,871,361
Add Additional Tax Levied	195,951
	<u>10,744,150</u>
	<u>\$ 43,444,222</u>

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

	Balance, December 31, <u>2012</u>	<u>Accrued</u>	<u>Collected</u>	Balance, December 31, <u>2013</u>
Licenses				
Alcoholic Beverages		\$ 28,028	\$ 28,028	
Board of Health		17,794	17,794	
Borough Clerk		1,000	1,000	
Construction Code Official		323,442	323,442	
Fees and Permits - Other				
Borough Clerk		7,230	7,230	
Fire Prevention		27,946	27,946	
Police		36,588	36,588	
Planning		4,308	4,308	
Zoning		7,600	7,600	
Public Works		28,717	28,717	
Building Department		6,580	6,580	
Board of Health		6,833	6,833	
Fines and Costs - Municipal Court		146,448	146,448	
Interest and Cost on Taxes		66,487	66,487	
Interest on Investments and Deposits		2,999	2,999	
Cable Television Franchise Fees		103,880	103,880	
Energy Receipts Tax		1,491,991	1,491,991	
Watershed Moratorium Offset Aid		13,489	13,489	
Borough of Harrington Park - Gasoline		84,053	84,053	
Other Municipalities - Gasoline		45,947	45,947	
Uniform Fire Safety Act		13,163	13,163	
Cell Tower Rental		62,753	62,753	
Rental Payments		8,250	8,250	
Alpine Sewer Connection Fees		10,621	10,621	
Sale of Property	\$ -	15,200	15,200	\$ -
	<u>\$ -</u>	<u>\$ 2,561,347</u>	<u>\$ 2,561,347</u>	<u>\$ -</u>

**BOROUGH OF CLOSTER  
STATEMENT OF DEFERRED CHARGES**

	Balance December 31, <u>2012</u>	Authorized in 2013	Budget Appropriation	Balance December 31, <u>2013</u>
N.J.S. 40A:4-53 Special Emergency Authorizations:				
Preparation of Master Plan	\$ 3,000		\$ 3,000	
Reassessment of Real Property	7,800		7,800	
Employee Severance Liabilities	464,000		116,000	\$ 348,000
Overexpenditures of 2013 Appropriations	<u>-</u>	<u>\$ 12,171</u>	<u>-</u>	<u>12,171</u>
	<u>\$ 474,800</u>	<u>\$ 12,171</u>	<u>\$ 126,800</u>	<u>\$ 360,171</u>

EXHIBIT A-11

**STATEMENT OF GRANTS RECEIVABLE**

	Balance, December 31, <u>2012</u>	Realized as Budget <u>Revenue</u>	Decreased by <u>Receipts</u>	Cancelled	Balance, December 31, <u>2013</u>
Stormwater Management	\$ 2,117			\$ 2,117	
Barrier Free - CDBG	19,183			19,183	
Recreation Opportunity	5,152		\$ 4,485	667	
Historic Preservation	12			12	
Handicap Ramps	60,463		60,463		
Click It or Ticket	311			311	
Bergen County Prosecutor Office - Forfeiture of Funds	2,000			2,000	
Drive Sober or Get Pulled Over		\$ 4,400	3,550		\$ 850
Drunk Driving Education Fund		5,220	5,220		
Recycling Tonnage Grant		15,182	15,182		
Clean Communities		15,221	15,221		
Police Body Armor	<u>-</u>	<u>2,555</u>	<u>2,555</u>	<u>-</u>	<u>-</u>
	<u>\$ 89,238</u>	<u>\$ 42,578</u>	<u>\$ 106,676</u>	<u>\$ 24,290</u>	<u>\$ 850</u>

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

Increased by:		
2012 Taxes Transferred to Lien		\$ 50
Interest and Costs on Tax Sale		<u>119</u>
		169
Decreased by:		
Cash Receipts		<u>169</u>
Balance, December 31, 2013		<u>\$ -</u>

**STATEMENT OF EMERGENCY NOTES PAYABLE**

	<u>Interest</u> Rate	<u>Date of</u> <u>Maturity</u>	Balance, December 31, <u>2012</u>	<u>Increased</u>	<u>Decreased</u>	Balance, December 31, <u>2013</u>
Employee Severance Liabilities	1.80%	9/27/2013	\$ 464,000		\$ 464,000	
	1.75%	9/26/2014	<u>-</u>	<u>\$ 348,000</u>	<u>-</u>	<u>\$ 348,000</u>
			<u>\$ 464,000</u>	<u>\$ 348,000</u>	<u>\$ 464,000</u>	<u>\$ 348,000</u>

BOROUGH OF CLOSTER  
STATEMENT OF 2012 APPROPRIATION RESERVES

	Balance, December 31, 2012	Budget After Transfer or Modification	Reimbursed	Paid or Charged	Cancelled or Transferred	Balance Lapsed
<b>Salaries and Wages</b>						
General Administration	\$ 244	\$ 46,644			\$ 46,400	\$ 244
Municipal Clerk's Office	35	135		\$ 103		32
Financial Administration	6,011	2,011	\$ 2,435	731		3,715
Information Technology	49	49				49
Assessment of Taxes	7	7				7
Revenue Administration	43	43				43
Planning Board	18	18				18
Zoning Board	29	29				29
Municipal Court	385	385		104		281
Fire Prevention	3,331	3,331		2,701		630
Police	56,221	51,221		49,771		1,450
Office of Emergency Management	8	8				8
Road Repairs and Maintenance	29,423	21,923		19,233		2,690
Shade Tree	1,071	1,071				1,071
Public Buildings & Grounds	366	366		165		201
Solid Waste Collection	38,004	23,004		2,921		20,083
Recycling	27,574	27,574				27,574
Vehicle Maintenance	7	7				7
Public Health Services	1,204	1,204				1,204
Board of Recreation Commissioners	36	36				36
Uniform Construction Code						
Construction Code Official	1,260	1,260				1,260
Zoning Officer	50	50				50
Property Maintenance	100	1,600	-	1,406	-	194
	<u>165,476</u>	<u>181,976</u>	<u>2,435</u>	<u>77,135</u>	<u>46,400</u>	<u>60,876</u>
<b>Other Expenses</b>						
General Administration	2,104	2,804		2,729		75
Municipal Clerk's Office	2,356	2,356		271		2,085
Elections	45	45				45
Financial Administration	6,070	6,070		4,886		1,184
Audit Services	1,356	1,356		983		373
Information Technology	1,419	1,489				1,489
Assessment of Taxes	121	221		202		19
Engineering						
Monitoring Wells	7,550	1,350				1,350
Revenue Administration	1,480	1,480				1,480
Legal	5,313	5,813		5,746		67
Historical Commission	1,015	1,015				1,015
Economic Development						
Closter Improvement Committee	551	551				551
Planning Board	17,779	17,779		17,008		771
Zoning Board	2,015	2,015				2,015
<b>Insurance</b>						
Unemployment Insurance	892	892				892
Workers Compensation Insurance	36	36		36		
General Liability Insurance	3,067	5,231				5,231
Other Insurance Premiums	2,278	2,278				2,278
Employee Group Health	16,365	9,365		1,679		7,686
Health Benefit Waiver	5,000	5,000				5,000
Construction Code Official	1,713	1,713		149		1,564
Zoning Officer	300	300				300
Property Maintenance	248	248				248
Public Safety						
Fire Prevention	879	879				879
Fire Protection						
Other Expenses	3,413	3,413		737		2,676
Clothing Allowance	2,028	2,028		698		1,330
Fire Hydrant	13,399	13,399		13,191		208
Municipal Prosecutor	260	780				780
Police						
Police-Other Expense	15,037	5,037	694	556		5,175
Acq.Of Police Vehicles	10	10				10
Emergency Management	706	32,706		31,762		944
First Aid Organization - Contribution	11,400	11,400		11,400		

**BOROUGH OF CLOSTER**  
**STATEMENT OF 2012 APPROPRIATION RESERVES**

	Balance, December 31, 2012	Budget After Transfer or Modification	Reimbursed	Paid or Charged	Cancelled or Transferred	Balance Lapsed
Other Expenses (Continued)						
Streets and Roads						
Road Repairs and Maintenance	\$ 20,507	\$ 20,894	\$ 3,810			\$ 24,704
Snow Removal	11,854	51,854		\$ 2,308	\$ 40,000	9,546
Public Buildings & Grounds	2,039	2,039	1,665	921		2,783
Solid Waste Collection	1,400	1,400				1,400
Vehicle Maintenance	19,089	8,859	2,876			11,735
Recycling	1,000	1,000				1,000
Public Health	669	669				669
Environmental Commission	1,116	1,116				1,116
Animal Control	1	1				1
Recreation and Education						
Parks and Playgrounds	6,170	6,170		100		6,070
Board of Recreation Commissioners	10,027	10,027		4,459		5,568
Celebration of Public Events	2,410	2,410				2,410
Landfill Solid Waste Disposal Costs						
Solid Waste Recycling Landfill and Contingency	33,293	18,293		9,024		9,269
Utilities:						
Gasoline	65,423	35,423		5,696		29,727
Electricity	19,786	9,786		8,480		1,306
Natural Gas	11,056	6,056		3,113		2,943
Telephone and Telegraph	9,773	3,773		63		3,710
Street Lighting	8,482	19,482		19,022		460
Sewer System	4,002	4,002				4,002
Water	1,836	1,836				1,836
Social Security System	7,445	7,445		944		6,501
Police and Fireman's Retirement System of NJ	225	225				225
Public Employee's Retirement System	6	6				6
Defined Contribution Retirement Plan	53	58				58
Bergen County Utilities Authority - Operations	1	1				1
Municipal Court	1,225	1,225		630		595
Public Defender	1,800	1,800				1,800
Length of Service Awards Program	4,500	4,500		950		3,550
Recreation Opportunity - State Share	515	515			515	
Click It or Ticket	146	146			146	
Recycling Tonnage Grant	14,682	14,682		14,682		
Drunk Driving Enforcement Fund	4,276	4,276		2,986	1,290	
Clean Communities Grant	12,964	12,964		12,964		
Library	71	71	-	-	-	71
	<u>404,047</u>	<u>392,063</u>	<u>9,045</u>	<u>178,375</u>	<u>41,951</u>	<u>180,782</u>
	<u>\$ 569,523</u>	<u>\$ 574,039</u>	<u>\$ 11,480</u>	<u>\$ 255,510</u>	<u>\$ 88,351</u>	<u>\$ 241,658</u>
Balance, December 31, 2012		\$ 569,523				
Encumbrances Restored to Appropriation		4,516				
		<u>\$ 574,039</u>				
Cash Disbursements				\$ 252,967		
Transferred to Accounts Payable				2,543		
				<u>\$ 255,510</u>		
Transferred to Appropriated Grant Reserves					\$ 1,951	
Transferred to Reserve for Severance Liabilities					46,400	
Transferred to Reserve for Snow Removal					40,000	
					<u>\$ 88,351</u>	

**BOROUGH OF CLOSTER  
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2012		\$ 376,548
Increased by:		
Transfer from 2013 Budget Appropriations		<u>442,670</u>
		819,218
Decreased by:		
Encumbrances Payables Restored to Appropriation Reserves	\$ 4,516	
Cash Disbursements	<u>372,032</u>	
		<u>376,548</u>
Balance, December 31, 2013		<u>\$ 442,670</u>

EXHIBIT A-16

**STATEMENT OF ACCOUNTS PAYABLE**

Increased by:		
Transfer from Appropriation Reserves		<u>\$ 2,543</u>
Balance, December 31, 2013		<u>\$ 2,543</u>

EXHIBIT A-17

**STATEMENT OF MISCELLANEOUS RESERVES**

	Balance, December 31, <u>2012</u>	Cash Disbursements	Balance, December 31, <u>2013</u>
Reserve for Insurance Recoveries	\$ 15,401		\$ 15,401
Reserve for Revaluation	213		213
Reserve for Severance Liabilities	<u>110,308</u>	<u>\$ 109,895</u>	<u>413</u>
	<u>\$ 125,922</u>	<u>\$ 109,895</u>	<u>\$ 16,027</u>

**BOROUGH OF CLOSTER  
STATEMENT OF PREPAID TAXES**

Balance, December 31, 2012		\$ 217,668
Increased by:		
Collection of 2014 Taxes		<u>523,843</u>
		741,511
Decreased by:		
Application to 2013 Taxes		<u>217,668</u>
Balance, December 31, 2013		<u><u>\$ 523,843</u></u>

EXHIBIT A-19

**STATEMENT OF TAX OVERPAYMENTS**

Balance, December 31, 2012		\$ 19,674
Increased by:		
Cash Receipts	\$ 85,741	
Prior Year Adjustment	<u>81,995</u>	
		<u>167,736</u>
		187,410
Decreased by:		
Overpayments Applied - Taxes Receivable	71,534	
Cash Disbursements	<u>10,758</u>	
		<u>82,292</u>
Balance, December 31, 2013		<u><u>\$ 105,118</u></u>

EXHIBIT A-20

**STATEMENT OF LOCAL SCHOOL DISTRICT TAX PAYABLE**

Increased by:		
Levy - Calendar Year		<u>\$ 17,133,890</u>
Decreased by:		
Payments		<u><u>\$ 17,133,890</u></u>

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

Balance, December 31, 2012		\$	18,195
Increased by:			
2013 Tax Levy - General		\$	4,591,626
2013 Tax Levy - Open Space			50,884
Added Taxes (54:4-63.1)			<u>23,691</u>
			4,666,201
			4,684,396
Decreased by:			
Payments			<u>4,660,705</u>
Balance, December 31, 2013		\$	<u>23,691</u>

EXHIBIT A-22

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

Increased by:			
Levy, Calendar Year 2013		\$	<u>10,693,393</u>
Decreased by:			
Payments		\$	<u>10,693,393</u>

EXHIBIT A-23

**SCHEDULE OF APPROPRIATED GRANT RESERVES**

	Balance December 31, <u>2012</u>	Transferred From 2012 Appropriation <u>Reserves</u>	<u>Expended</u>	<u>Cancelled</u>	Balance, December 31, <u>2013</u>
Recreation Opportunity Grant	\$ 1,119	\$ 515			\$ 1,634
Historical Commission Grant	7,753			\$ 7,753	-
Alcohol Education	2,388				2,388
Domestic Violence	300				300
Master Plan - Historic Preservation	2,450				2,450
Green Team Mini Grant	300				300
Police Body Armor	3,873		\$ 3,400		473
Click It or Ticket		146			146
Drunk Driving Enforcement Fund	<u>-</u>	<u>1,290</u>	<u>-</u>	<u>-</u>	<u>1,290</u>
	<u>\$ 18,183</u>	<u>\$ 1,951</u>	<u>\$ 3,400</u>	<u>\$ 7,753</u>	<u>\$ 8,981</u>

**BOROUGH OF CLOSTER**  
**STATEMENT OF UNAPPROPRIATED GRANT RESERVES**

	Balance, December 31, <u>2012</u>	Increased by <u>Receipts</u>	Realized as Budget <u>Revenue</u>	Balance, December 31, <u>2013</u>
Police Body Armor	\$ 2,076		\$ 2,076	
Recycling Tonnage Grant	14,755		14,755	
Drunk Driving Enforcement Fund	1,673		1,673	
Alcohol Education	<u>-</u>	\$ 1,267	<u>-</u>	\$ 1,267
	<u>\$ 18,504</u>	<u>\$ 1,267</u>	<u>\$ 18,504</u>	<u>\$ 1,267</u>

EXHIBIT A-25

**STATEMENT OF RESERVE FOR TAX APPEALS**

Balance, December 31, 2012	\$ 141,225
Increased by:	
2013 Budget Appropriation	<u>50,000</u>
	191,225
Decreased by:	
Payments	<u>59,172</u>
Balance, December 31, 2013	<u>\$ 132,053</u>

EXHIBIT A-26

**STATEMENT OF DUE TO STATE OF NEW JERSEY**

	Marriage License <u>Fees</u>	Training <u>Fees</u>	<u>Total</u>
Balance, December 31, 2012	\$ 675	\$ 2,201	\$ 2,876
Increased by:			
Cash Receipts	<u>1,225</u>	<u>11,438</u>	<u>12,663</u>
	1,900	13,639	15,539
Decreased by:			
Cash Disbursements	<u>1,600</u>	<u>10,807</u>	<u>12,407</u>
Balance, December 31, 2013	<u>\$ 300</u>	<u>\$ 2,832</u>	<u>\$ 3,132</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, 2012	\$ 24,105	\$ 1,750,827	\$ 582,375
Increased by Receipts:			
Interest on Investments and Deposits		\$ 7,863	\$ 919
Escrow and Miscellaneous Reserves		1,164,473	
License Fees Collected	\$ 6,944		
Due to State of New Jersey	795		
Payroll and Payroll Deductions		7,417,607	
Receipts from Current Fund	-	99,310	206,497
	<u>7,739</u>	<u>8,689,253</u>	<u>207,416</u>
Decreased by Disbursements:			
Payment to General Capital Fund	31,844	10,440,080	789,791
Payment to Current Fund			558,027
Payments to State of NJ	799	7,249	
Animal Control Expenditures	2,509		
Open Space Expenditures			750
Payroll and Payroll Deductions Payable		7,326,868	
Escrow and Miscellaneous Reserves	-	1,131,453	-
	<u>3,308</u>	<u>8,465,570</u>	<u>558,777</u>
Balance, December 31, 2013	<u>\$ 28,536</u>	<u>\$ 1,974,510</u>	<u>\$ 231,014</u>

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

Balance, December 31, 2012 (Due From)		\$	12,479
Increased by:			
Payments to Current Fund	\$	7,249	
Due from Current Fund - Other Trust Fund Reserves		86,400	
			93,649
			106,128
Decreased by:			
Interest on Investments and Deposits		7,863	
Receipts from Current Fund		99,310	
			107,173
Balance, December 31, 2013 (Due To)		\$	1,045

EXHIBIT B-6

**STATEMENT OF RESERVE FOR ANIMAL CONTROL EXPENDITURES**

Balance, December 31, 2012		\$	7,735
Increased by:			
Animal Control Fees			6,944
			14,679
Decreased by:			
Statutory Excess Due to Current Fund	\$	4,554	
Cash Disbursements		2,509	
			7,063
Balance, December 31, 2013		\$	7,616

EXHIBIT B-7

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

Balance, December 31, 2012		\$	4
Increased by:			
Registration Fees - Due State of New Jersey			795
			799
Decreased by:			
Payments			799
Balance, December 31, 2013		\$	-

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

Balance, December 31, 2012	\$ 16,366
Increased by:	
Statutory Excess	4,554
Balance, December 31, 2013	\$ 20,920

EXHIBIT B-9

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

	Balance, December 31, <u>2012</u>	<u>Increased</u>	<u>Decreased</u>	Balance, December 31, <u>2013</u>
Escrow	\$ 178,946	\$ 612,055	\$ 651,791	\$ 139,210
Special Recreation	78,963	157,356	112,037	124,282
Housing (COAH)	933,526	59,454	15,105	977,875
Fire Protect & Prevention	66,793	5,380	5,036	67,137
Miscellaneous Trusts	34,604	1,000	1,790	33,814
Street & Driveway Opening	10,026	1,000		11,026
Sidewalk Construction	25,002	1,350		26,352
Sewer Hookup	1,424			1,424
Parking Authority	58,309	3,300		61,609
Police Outside Employment	97,574	179,298	148,126	128,746
Court Parking (POAA)	472	288		760
Accumulated Leave	962	46,400	31,548	15,814
Snow Removal Trust	7,309	40,000		47,309
Tax Sale Premiums	179,835	74,600	143,500	110,935
Closter 300th Anniversary	4,957		4,957	-
Challenger Donations	3,555	1,039		4,594
Trees	26,430	20,651	15,826	31,255
Found Money - Police	350			350
Closter Improvement Comm.	595	629	300	924
Police Donations - Training	5,000	47,073	1,437	50,636
Environmental Commission - Green Team	300			300
Nature Center Donations	1,500	-	-	1,500
	<u>\$ 1,716,432</u>	<u>\$ 1,250,873</u>	<u>\$ 1,131,453</u>	<u>\$ 1,835,852</u>
Cash Receipts		\$ 1,164,473		
Due from Current Fund		86,400		
		<u>\$ 1,250,873</u>		

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

Balance, December 31, 2012	\$ 46,182
Increased by:	
Cash Receipts	<u>7,417,607</u>
	7,463,789
Decreased by:	
Cash Disbursements	<u>7,326,868</u>
Balance, December 31, 2013	<u>\$ 136,921</u>

EXHIBIT B-11

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

Balance, December 31, 2012	\$ 543,345
Increased by:	
Interest on Deposits	\$ 919
2013 Tax Levy	205,636
Added Tax Levy	<u>952</u>
	<u>207,507</u>
	750,852
Decreased by:	
Appropriated to Fund General Capital Ordinances	
Payments to General Capital Fund	312,500
Cash Disbursements	<u>750</u>
	<u>313,250</u>
Balance, December 31, 2013	<u>\$ 437,602</u>

EXHIBIT B-12

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

Balance, December 31, 2012	\$ 206,497
Increased by:	
2013 Tax Levy	\$ 205,636
Added Tax Levy	<u>952</u>
	<u>206,588</u>
	413,085
Decreased by:	
Receipts from Current Fund	<u>206,497</u>
Balance, December 31, 2013	<u>\$ 206,588</u>

**GENERAL CAPITAL FUND**

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

Balance, December 31, 2012		\$ 547,073
Increased by Receipts:		
Budget Appropriation - Capital Improvement Fund	\$ 127,000	
Grants Receivable	257,855	
Bond Anticipation Notes Issued	1,568,482	
Interest on Investments and Deposits	369	
Receipts from Current Fund	21,047	
Receipts from Open Space Trust Fund	558,027	
Reimbursements Received	<u>122,634</u>	
		<u>2,655,414</u>
		3,202,487
Decreased by:		
Improvement Authorizations	1,263,923	
Contracts Payable	526,764	
Reserve for Payment of Debt - Cost of Issuance	18,500	
Payments to Current Fund	84,342	
Payment of Bond Anticipation Notes	<u>67,447</u>	
		<u>1,960,976</u>
Balance, December 31, 2013		<u>\$ 1,241,511</u>

**BOROUGH OF CLOSTER  
ANALYSIS OF GENERAL CAPITAL CASH  
AS OF DECEMBER 31, 2013**

Capital Improvement Fund	\$ 5,299
Fund Balance	29,882
Contracts Payable	264,952
Miscellaneous Reserves	11,000
Reserve for Payment of Debt	64,088
Grants Receivable	(164,287)
Due from Current Fund	(112,608)
Reserve for Payment of Notes	111,009

## Improvement Authorizations:

<u>Ord. No.</u>	<u>Improvement Description</u>	
919	Various Capital Improvements	(174)
995	Various Improvements	(2,845)
1015	Various Improvements	764
1016	Acquisition of Pumper (Supp Ord. 995)	12,015
1030	2009 Road Improvement Program	19,693
1043	Park and Historic Preservation Improvements	31,854
1055	Park and Historic Preservation Improvements	13,095
1070	Safe Sidewalks to Tenakill School	36,796
1074	Financial Software and Computer Equipment	3,192
1075	Various Improvements	73,999
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	62,391
1091	Reconstruction of Herbert Avenue - Sect IV	888
1095	Park, Farmland and Historic Preservation	1,712
1103	Acquisition of Various Equipment	9,009
1120	Acquisition of Ladder Truck and Pickup	15,599
1121	Park, Farmland and Historic Preservation	47,365
1125	Reconstruction of Various Roadways	68,753
1129	Acquisition of Various Equipment	13,227
1131	Park, Farmland and Historic Preservation	55,000
1132	Park, Farmland and Historic Preservation	62,800
1139	Park, Farmland and Historic Preservation	1,119
1142	Various Improvements	221,899
1143	Park, Farmland and Historic Preservation	231,547
1144	Acquisition of New and Additional Equipment	18,000
1145	Acquisition of New and Additional Equipment	1,534
1147	Acquisition of Various Equipment	12,318
		<u>\$ 1,241,511</u>

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

Balance, December 31, 2012		\$ 9,521,827
Decreased by:		
Budget Appropriations		
Serial Bonds	\$ 1,294,000	
Green Trust Loans	<u>3,445</u>	
		<u>1,297,445</u>
Balance, December 31, 2013		<u>\$ 8,224,382</u>

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

Ord. No.	Improvement Description	Balance,	2013	Grant Receipts	Balance,	Bond	Analysis of Balance,	
		December 31, 2012	Authorizations		December 31, 2013	Anticipation Notes	Expenditures	Unexpended Improvement Authorizations
843	Various Improvements	\$ 275,123			\$ 275,123	\$ 275,123		
919	Various Capital Improvements	174			174		\$ 174	
941	Various Improvements	2,845			2,845		2,845	
995	Various Improvements	115			115			\$ 115
1016	Acquisition of Pumper (Supp. Ord. 995)	542,756			542,756	542,756		
1075	Various Improvements	40,000			40,000	40,000		
1091	Reconstruction of Herbert Ave - Sect. IV	190,000			190,000	190,000		
1103	Acquisition of Various Equipment	1,072,347			1,072,347	1,072,347		
1120	Acquisition of Ladder Truck and Pickup	294,500			294,500	294,500		
1125	Reconstruction of Various Roadways	149,915			149,915	149,915		
1129	Acquisition of Various Equipment	-	\$ 1,294,850	\$ 112,500	1,182,350	1,182,350		
1142	Various Improvements							
		<u>\$ 2,567,775</u>	<u>\$ 1,294,850</u>	<u>\$ 112,500</u>	<u>\$ 3,750,125</u>	<u>\$ 3,746,991</u>	<u>\$ 3,019</u>	<u>\$ 115</u>

Bond Anticipation Notes  
Less: Excess Proceeds  
Ord. No. 1142

\$ 3,858,000  
\$ 3,746,991

Improvement Authorizations - Unfunded  
Less: Unexpended Proceeds on Bond Anticipation Notes

Ord. No. 1075	\$ 73,999
Ord. No. 1091	888
Ord. No. 1103	9,009
Ord. No. 1120	15,599
Ord. No. 1125	68,753
Ord. No. 1129	13,227
Ord. No. 1142	221,899
	<u>403,374</u>

\$ 115

**BOROUGH OF CLOSTER  
STATEMENT OF GRANTS RECEIVABLE**

	Upgrade E-911 Telephone Ord. No. 954	Park & Historical Pres. Ord. No. 1043	West Street Improvements Ord. No. 1044	Herbert Avenue Section IV Ord. No. 1091	Safe Routes To Schools Ord. No. 1070	County of Bergen - ADA Ramps Ord. No. 1078	County of Bergen - Open Space Ord. No. 1077	Dept. of Transportation Ord. No. 1125	Dept. of Transportation Ord. No. 1142
Balance, December 31, 2012	\$ 90	\$ 68,100	\$ 3,648	\$ 12,839	\$ 172,678	\$ 3,766	\$ 14,521	\$ 146,500	
Increased by:									
Grant Awards	-	-	-	-	-	-	-	-	\$ 150,000
Decreased By:									
Due from Current Fund	90	68,100	3,648	12,839	172,678	3,766	14,521	146,500	150,000
Receipts	-	27,351	-	-	97,040	-	-	133,464	112,500
Balance, December 31, 2013	\$ 90	\$ 40,749	\$ 3,648	\$ 12,839	\$ 75,638	\$ 3,766	\$ 14,521	\$ 13,036	\$ 37,500

Balance Pledged to Ordinances  
Reserve for Grant Receivable

\$ 164,287  
37,500

\$ 201,787

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

Balance, December 31, 2012		\$ 21,047
Increased by:		
General Capital Reimbursement Deposited in Current Fund	\$ 135	
General Capital Grant Receipts Deposited in Current Fund	112,500	
Payments to Current Fund	<u>84,342</u>	
		<u>196,977</u>
		218,024
Decreased by:		
Anticipated as Current Fund Revenue		
Fund Balance	25,000	
Reserve for Payment of Debt	59,000	
Receipts from Current Fund	21,047	
Interest on Deposits	<u>369</u>	
		<u>105,416</u>
Balance, December 31, 2013		<u><u>\$ 112,608</u></u>

EXHIBIT C-8

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

Balance, December 31, 2012		\$ 245,527
Increased by:		
Appropriated for Improvement Authorizations		<u>312,500</u>
		558,027
Decreased by:		
Receipts from Open Space Trust Fund		<u>558,027</u>
Balance, December 31, 2013		<u><u>\$ -</u></u>

EXHIBIT C-9

**STATEMENT OF GREEN TRUST FUND LOAN PAYABLE**

Balance, December 31, 2012		\$ 19,827
Decreased by:		
Budget Appropriation		<u>3,445</u>
Balance, December 31, 2013		<u><u>\$ 16,382</u></u>

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding December 31, 2013 Date	Amount	Interest Rate	Balance, December 31, 2012	Increased	Decreased	Balance, December 31, 2013
General Improvements	8/1/2001	\$ 4,860,000	7/1/14	\$ 460,000	4.250	\$ 920,000	\$ 460,000	\$ 460,000	\$ 460,000
General Improvements	10/15/2005	6,909,000				400,000	400,000		
General Improvements	5/10/2010	4,062,000	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	3,677,000	399,000		3,278,000
Refunding Bonds	6/15/2012	4,505,000	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	35,000		4,470,000
						\$ 9,502,000	\$ 1,294,000		\$ 8,208,000

**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, 2012	Increased	Decreased	Balance, December 31, 2013
1070	Safe Sidewalks to Tenakill	12/16/2011	12/14/2012	9/27/2013	1.36%	\$ 40,000	\$ 40,000	\$ 40,000	
1075	Various Improvements	12/16/2011	12/14/2012 9/27/2013	9/27/2013 9/26/2014	1.36% 0.62%	570,000	\$ 542,756	570,000	\$ 542,756
1091	Reconstruction of Herbert Avenue - Section IV	12/16/2011	12/14/2012 9/27/2013	9/27/2013 9/26/2014	1.36% 0.62%	40,000	40,000	40,000	40,000
1103	Acquisition of Various Equipment	12/16/2011	12/14/2012 9/27/2013	9/27/2013 9/26/2014	1.36% 0.62%	190,000	190,000	190,000	190,000
1120	Acquisition of Ladder Truck and Pickup	9/28/2012	9/28/2012 9/27/2013	9/27/2013 9/26/2014	1.25% 0.62%	1,072,550	1,072,347	1,072,550	1,072,347
1125	Reconstruction of Various Roadways	9/28/2012	9/28/2012 9/27/2013	9/27/2013 9/26/2014	1.25% 0.62%	294,500	294,500	294,500	294,500
1129	Acquisition of Various Equipment	9/28/2012	9/28/2012 9/27/2013	9/27/2013 9/26/2014	1.25% 0.62%	149,915	149,915	149,915	149,915
843	Various Improvements	9/27/2013	9/27/2013	9/26/2014	0.62%	-	275,123	275,123	275,123
1142	Various Improvements	9/27/2013	9/27/2013	9/26/2014	0.62%	-	1,293,359	-	1,293,359
						<u>\$ 2,356,965</u>	<u>\$ 3,858,000</u>	<u>\$ 2,356,965</u>	<u>\$ 3,858,000</u>
						Notes Issued	\$ 1,568,482		
						Paid by Capital Cash	\$ 67,447		
						Renewals	<u>2,289,518</u>	<u>2,289,518</u>	
						<u>\$ 3,858,000</u>	<u>\$ 2,356,965</u>	<u>\$ 2,356,965</u>	



**BOROUGH OF CLOSTER  
STATEMENT OF CONTRACTS PAYABLE**

Balance, December 31, 2012		\$ 635,790
Increased by:		
Charges to Improvement Authorization		<u>264,952</u>
		900,742
Decreased by:		
Payments	\$ 526,764	
Cancellations	<u>109,026</u>	
		<u>635,790</u>
Balance, December 31, 2013		<u>\$ 264,952</u>

**STATEMENT OF CAPITAL IMPROVEMENT FUND**

Balance, December 31, 2012		\$ 10,049
Increased by:		
Budget Appropriation		<u>127,000</u>
		137,049
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>131,750</u>
Balance, December 31, 2013		<u>\$ 5,299</u>

**STATEMENT OF RESERVE FOR PAYMENT OF DEBT**

Balance, December 31, 2012		\$ 141,588
Decreased by:		
Cash Disbursements - Cost of Issuance	\$ 18,500	
Anticipated as Current Fund Revenue	<u>59,000</u>	
		<u>77,500</u>
Balance, December 31, 2013		<u>\$ 64,088</u>

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

Ordinance Number	<u>Improvement Description</u>	Balance, December 31, <u>2012</u>	2013 Improvement <u>Authorizations</u>	Bond Anticipation <u>Notes Issued</u>	Balance, December 31, <u>2013</u>
843	Various Improvements	\$ 275,123		\$ 275,123	
919	Various Capital Improvements	174			\$ 174
995	Various Improvements	2,845			2,845
1016	Acquisition of Pumper (Supp Ord 995)	115			115
1142	Various Improvements	<u>-</u>	<u>\$ 1,294,850</u>	<u>1,293,359</u>	<u>1,491</u>
		<u>\$ 278,257</u>	<u>\$ 1,294,850</u>	<u>\$ 1,568,482</u>	<u>\$ 4,625</u>

**PUBLIC ASSISTANCE FUND**

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

Balance, December 31, 2012	\$ 11,605
Increased by:	
Donations	<u>10,787</u>
	22,392
Decreased by:	
Payments - Local Assistance	<u>10,105</u>
Balance, December 31, 2013	<u>\$ 12,287</u>

EXHIBIT D-2

**STATEMENT OF RESERVE FOR PUBLIC ASSISTANCE EXPENDITURES**

Balance, December 31, 2012	\$ 11,605
Increased by:	
Donations	<u>10,787</u>
	22,392
Decreased by:	
Expenditures	<u>10,105</u>
Balance, December 31, 2013	<u>\$ 12,287</u>

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

Revenues	
Donations	<u>\$ 10,787</u>

**STATEMENT OF PUBLIC ASSISTANCE EXPENDITURES**

Expenditures	
Local Assistance	<u>\$ 10,105</u>

**BOROUGH OF CLOSTER**

**COUNTY OF BERGEN**

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**PART II**

**GOVERNMENT AUDITING STANDARDS**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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MARK SACO, 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, 2013, and the related notes to the financial statements, and have issued our report thereon dated June 26, 2014. 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 2013-1 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 2013-1.

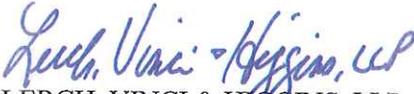
We also noted certain matters that we reported to management of the Borough of Closter in Part III of this report of audit entitled; "Letter of Comments and Recommendations".

### **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 26, 2014

**BOROUGH OF CLOSTER  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

<u>Federal Program</u>	<u>CFDA Number</u>	<u>Grant Year</u>	<u>Grant Receipts</u>	<u>Balance, January 1, 2013</u>	<u>Revenue</u>	<u>Expended</u>	<u>Balance, December 31, 2013</u>	<u>Cumulative Expenditures</u>
Community Development Block Grant: ADA Handicap Ramp (General Capital Fund)	14.219	2010		\$ 186			\$ 186	49,814
Department of Homeland Security Federal Emergency Management Agency Hurricane Sandy	97.036	2013	154,328		\$ 154,328	\$ 154,328		154,328
Department of Transportation Herbert Avenue Section IV - Ord. No. 1091	20.205	2011		12,839			12,839	137,161
Herbert Avenue & Blanche. - Ord. No. 1125	20.205	2012	133,464	146,500		133,464	13,036	133,464
Safe Routes to School (Ord. No. 1070)	20.205		97,040					180,945
2013 Road Program (Ord. No. 1142)	20.205	2013	112,500		150,000	112,500	37,500	112,500
Occupant Protection Program (Click It or Ticket)	20.602	2012		146			146	3,854
Drive Sober or Get Pulled Over	20.601	2013	4,400		4,400	3,550	850	3,550
				<u>\$ 159,671</u>	<u>\$ 308,728</u>	<u>\$ 403,842</u>	<u>\$ 64,557</u>	

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

**BOROUGH OF CLOSTER**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

<u>State Grant Program</u>	<u>Grant Number</u>	<u>Grant Year</u>	<u>2013 Grant Receipts</u>	<u>Balance, January 1, 2013</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Adjustments</u>	<u>Balance, December 31, 2013</u>	<u>Cumulative Expenditures</u>
Recycling Tonnage Grant	4830-752-050550-50	2011	\$ 14,682	\$ 14,682	\$ 14,755	\$ 14,682		\$ 4,087	\$ 31,673
		2012			15,182	10,668		15,182	10,668
		2013	15,182						
Drunk Driving Enforcement Fund	1110-448-031020-22	2011	4,276	4,276	5,220	2,986		1,290	8,960
		2013	5,220					5,220	
Historical Commission Grant	8700-024-5837-M004	2006	6,348	6,348			\$(6,348)	-	2,053
Historical Commission Grant Assistance and Mentoring	8700-024-5837-M004	2010	600	600			\$(600)	-	6,195
		2006	805	805			\$(805)	-	
Clean Communities Program	4900-765-178900	2012	12,964	12,964	15,221	12,964		-	12,964
		2013	15,221			129		15,092	129
Police Body Armor - State Share	N/A	2008	442	442		442		-	2,142
		2010	2,077	2,077		2,077		-	3,090
		2011	1,354	1,354		881		473	1,731
		2012			2,076			2,076	
		2013	2,555		2,555			2,555	
State Parks Service Historic Preservation	4875-100-042	2010	2,450	2,450				2,450	17,550
Alcohol Education and Rehabilitation Fund	N/A	2010	255	255				255	348
		2011	2,133	2,133				2,133	260
		2012			1,673				
		2013	1,267						

**BOROUGH OF CLOSTER**  
**SCHEDULE OF STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

<u>State Grant Program</u>	<u>Account Number</u>	<u>Grant Year</u>	<u>2013 Grant Receipts</u>	<u>Balance, January 1, 2013</u>	<u>Revenue</u>	<u>Expended</u>	<u>Adjustments</u>	<u>Balance, December 31, 2013</u>	<u>Cumulative Expenditures</u>
Domestic Violence	N/A	2008	\$ 300	\$ 300				\$ 300	
Recreation Opportunity	N/A	2010	1,119	1,119				1,119	\$ 8,881
		2012	515	515				515	
		2013	\$ 4,485					-	
Green Team	N/A	2011	300	300				300	
<b>Total State Financial Assistance</b>				<u>\$ 50,620</u>	<u>\$ 56,682</u>	<u>\$ 44,829</u>	<u>\$ (7,753)</u>	<u>\$ 54,720</u>	

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

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

**BOROUGH OF CLOSTER  
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
YEAR ENDED DECEMBER 31, 2013**

**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	\$ 158,728	\$ 56,682	\$ 215,410
General Capital Fund	<u>150,000</u>	<u>-</u>	<u>150,000</u>
Total Financial Awards	<u>\$ 308,728</u>	<u>\$ 56,682</u>	<u>\$ 365,410</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, 2013**

**NOTE 5 STATE LOANS OUTSTANDING**

The Borough's state loans outstanding at December 31, 2013, which are not required to be reported on the schedules of expenditures of federal awards and state financial assistance, are as follows:

Loan Program

N.J. Dept. of Environmental Protection	
Conrail Land Acquisition	\$ <u>16,382</u>

**BOROUGH OF CLOSTER  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

*Part I – Summary of Auditor's Results*

**Financial Statements**

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

Internal control over financial reporting:

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

**Federal Awards Section**

**NOT APPLICABLE**

**State Awards Section**

**NOT APPLICABLE**

**BOROUGH OF CLOSTER  
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)  
FOR THE YEAR ENDED DECEMBER 31, 2013**

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 2013-1**

Certain Trust Funds of the Borough are not recorded in the municipal general ledger. In addition, 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**

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 Trust Fund financial statements could be compromised.

**Recommendation**

The Borough's Trust Fund'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, 2013**

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 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 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 2013-1.

**BOROUGH OF CLOSTER**

**COUNTY OF BERGEN**

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**PART III**

**SUPPLEMENTARY DATA**

**LETTER OF COMMENTS AND RECOMMENDATIONS**

**YEAR ENDED DECEMBER 31, 2013**

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

	<u>Year 2013</u>		<u>Year 2012</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>				
Fund Balance Utilized	\$ 1,040,000	2.18 %	\$ 925,000	1.96 %
Miscellaneous - From Other Than Local				
Property Tax Levies	3,029,106	6.35	3,183,674	6.75
Collection of Delinquent Taxes and Tax Title Liens	345,925	0.73	407,878	0.86
Collection of Current Tax Levy	43,043,539	90.22	42,389,636	89.88
Other Credits	<u>250,161</u>	<u>0.52</u>	<u>254,353</u>	<u>0.54</u>
Total Income	<u>47,708,731</u>	<u>100.00 %</u>	<u>47,160,541</u>	<u>100.00 %</u>
<b>EXPENDITURES</b>				
Budget Expenditures				
Municipal Purposes	13,970,811	29.85	13,496,671	29.39 %
County Taxes	4,666,201	9.97	4,602,002	10.02
Local and Regional School Taxes	27,827,283	59.47	27,609,221	60.11
Municipal Open Space Tax	206,588	0.44	206,412	0.45
Other Expenditures	<u>125,349</u>	<u>0.27</u>	<u>15,367</u>	<u>0.03</u>
Total Expenditures	<u>46,796,232</u>	<u>100.00 %</u>	<u>45,929,673</u>	<u>100.00 %</u>
Excess in Revenue	912,499		1,230,868	
Expenditures Included Above which are by Statute Deferred Charges to Budget of Succeeding Year	<u>12,171</u>		<u>-</u>	
	924,670		1,230,868	
Fund Balance, January 1	<u>1,712,158</u>		<u>1,406,290</u>	
	2,636,828		2,637,158	
Less Utilization as Anticipated Revenue	<u>1,040,000</u>		<u>925,000</u>	
Fund Balance, December 31	<u>\$ 1,596,828</u>		<u>\$ 1,712,158</u>	

**BOROUGH OF CLOSTER  
SUPPORTING DATA**

**COMPARATIVE SCHEDULE OF TAX RATE INFORMATION**

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b><u>Tax Rate</u></b>	<u>\$2.102</u>	<u>\$2.084</u>	<u>\$2.046</u>

**Apportionment of Tax Rate**

Municipal	.480	.473	.459
Municipal Library	.032	.034	.035
Municipal Open Space Tax	.009	.010	.009
Regional High School	.520	.522	.514
Local School	.834	.821	.811
County (Includes County Open Space Tax)	.227	.224	.218

**Assessed Valuation Basis**

2013	<u>\$2,056,362,000</u>	
2012		<u>\$2,056,029,477</u>
2011		<u>\$2,065,362,860</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>
2013	\$ 43,444,222	\$ 43,043,539	99.08%
2012	43,017,020	42,389,636	98.54%
2011	42,276,395	41,672,678	98.57%

**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>
2013	\$ 214,369	0.49%
2012	356,718	0.83%
2011	414,583	0.98%

**BOROUGH OF CLOSTER  
SUPPORTING DATA**

**Property Acquired By Tax Title Lien Foreclosure**

No properties have been acquired in 2013 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>
2013	\$130,531
2012	130,531
2011	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	2013	\$1,596,828	\$1,080,000
	2012	1,712,158	1,040,000
	2011	1,406,290	925,000
	2010	684,830	500,000
	2009	610,894	425,000

**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>
Sophie Heymann	Mayor
Victoria R. Amitai	Councilwoman
Dr. 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
Richard Sheola	Borough Administrator Chief Financial Officer, Treasurer
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 (January 1 to October 26)
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**

Our audit of payroll noted that the Borough does not have an approved Internal Revenue Service ("IRS") Section 125 flexible spending plan. It is recommended that the Borough adopt a Section 125 spending plan prepared in accordance with IRS requirements and that the plan be approved by the Governing Body.

Our audit of payroll revealed the following:

- In certain instances the overtime calculations for the Department of Public Works employees were based on incorrect pay rates.
- An employee was paid \$3,439 in excess of the amount they were contractually entitled to receive.
- In certain instances there was no formal documentation (i.e., resolution) to support an employee's change in employment status (i.e., part time to full time, change in position).
- Part time hire dates rather than full time hire dates were utilized in the calculation of number of years of employment for non-bargaining unit employees when determining the number of days an employee was entitled to for sick/vacation time.

It is recommended that procedures be implemented to strengthen the internal controls over payroll.

Our audit of contracts/purchases revealed that:

- A loader truck was purchased for \$43,000, however no public bids were sought nor was a state contract utilized for the acquisition.
- Emergency repairs were performed at the Borough firehouse, however a statement of emergency was not attached to the respective purchase orders.

It is recommended that the Borough adhere to the Local Public Contracts Law regarding public bidding and emergency purchases.

Our audit of the Recreation Department revealed that:

- Receipts totaling approximately \$37,000 were not recorded in the Community Pass Accounting System.
- In certain instances a registration form was not available for audit.
- Timeliness of deposits could not always be ascertained.

It is recommended that:

- All monies collected by the Recreation Department be entered into the Community Pass System.
- All registration forms be retained and available for audit.
- The date monies are collected be recorded.

Our audit of departments revealed that:

- Board of Health licenses and fees and permits are being co-mingled in the Board of Health ledger and not properly segregated in the Treasurer's records.
- Smoke detector fees collected by Fire Prevention are not recorded in the department cash book.

**BOROUGH OF CLOSTER  
SUPPLEMENTARY DATA**

**GENERAL COMMENTS**

**Current Year (Continued)**

It is recommended that:

- Licenses and fees and permits be properly segregated in the Board of Health cash receipt ledger.
- The Fire Prevention cash book include all fees collected by the department.

**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 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 unrecorded additions and deletions. In addition, information contained in the fixed asset records such as the asset location and department appears to be inaccurate. 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 Borough's General Capital Fund noted there are several grant receivable balances which remain uncollected. It is recommended that General Capital Fund 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.

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

N.J.S. 40A:11-4 states "Every contract or agreement, for the performance of work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate of \$36,000, except by contract or agreement."

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

**BOROUGH OF CLOSTER  
SUPPLEMENTARY DATA**

**GENERAL COMMENTS (Continued)**

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

The minutes indicate that 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
2013 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, 2013 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".

**SUGGESTIONS TO MANAGEMENT**

1. Consideration be given to utilizing a central cashier.

**BOROUGH OF CLOSTER  
SUPPLEMENTARY DATA**

**RECOMMENDATIONS**

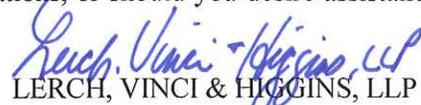
It is recommended that:

- \* 1. The Borough's Trust Fund's general ledger accounts be reviewed and reconciled to the subsidiary ledgers and supporting documentation on a monthly basis.
- \* 2. General Capital 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. 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.
- \* 5. Internal control procedures regarding the recording and maintenance of the fixed asset records be reviewed and enhanced.
- 6. The Borough prepare a Section 125 spending plan prepared in accordance with IRS requirements and that the plan be approved by the Governing Body.
- 7. Procedures be implemented to strengthen the internal controls over payroll.
- 8. The Borough adhere to the Local Public Contracts Law regarding public bidding and emergency purchases.
- 9. With respect to the Recreation Department:
  - o All monies collected by the Recreation Department be entered into the Community Pass System.
  - o All registration forms be retained and available for audit.
  - o The date monies are collected be recorded.
- 10. Regarding Municipal Departments:
  - o Licenses and fees and permits be properly segregated in the Board of Health cash receipt ledger.
  - o The Fire Prevention cash book include all fees collected by the department.

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 Vinci  
Registered Municipal Accountant  
RMA Number CR00411