

BOROUGH OF CLOSTER
BERGEN COUNTY, NEW JERSEY
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2014

BOROUGH OF CLOSTER

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BOROUGH OF CLOSTER

BERGEN COUNTY

PART I

REPORT OF AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Closter, as of December 31, 2014 and 2013, 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, 2014, 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 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, 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, 2014 and 2013, 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, 2014 and 2013. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 18 percent and 18 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2014 and 2013.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible 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, 2014 and 2013, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the respective revenues – regulatory basis and expenditures – regulatory basis of the various funds for the year ended December 31, 2014 in accordance with the 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

Other Information

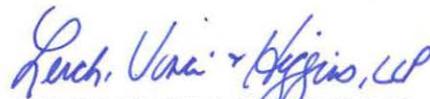
Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of Closter as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, schedule of expenditures of state financial assistance and the supplementary data and 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 3, 2015 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 3, 2015

BOROUGH OF CLOSTER
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2014 AND 2013

ASSETS	Reference	2014	2013
Cash	A-4	\$ 3,071,904	\$ 3,828,253
Change Fund	A-6	250	250
Grants Receivable	A-11	<u>2,500</u>	<u>850</u>
		<u>3,074,654</u>	<u>3,829,353</u>
Receivables and Other Assets with Full Reserves			
Delinquent Property Taxes Receivable	A-8	336,567	214,369
Property Acquired for Taxes - Assessed Value	A	130,531	130,531
Due from Animal Control Fund	B-8	2,004	20,920
Due from Other Trust Fund	B-5		1,045
Revenue Accounts Receivable	A-9	12,027	
Other Accounts Receivable	A	<u>-</u>	<u>4,000</u>
		<u>481,129</u>	<u>370,865</u>
Deferred Charges			
Special Emergency Authorizations (40A:4-55)	A-10	232,000	348,000
Overexpenditure of Appropriations and Appropriation Reserves	A-10	<u>4,881</u>	<u>12,171</u>
		<u>236,881</u>	<u>360,171</u>
Total Assets		<u>\$ 3,792,664</u>	<u>\$ 4,560,389</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Special Emergency Notes Payable	A-12	\$ 232,000	\$ 348,000
Appropriation Reserves	A-3,A-13	422,820	651,099
Accounts Payable	A-14	350,798	445,213
Due to State of New Jersey			
Senior Citizens and Veterans Deductions	A-7	15,270	14,821
Department of Human Services - Marriage License Fees	A-15	225	300
State Training Fees	A-15	2,235	2,832
Due to Open Space Trust Fund	B-12	764	206,588
Due to Other Trust Fund	B-5	23,263	
Due to General Capital Fund	C-7	28,899	112,608
Prepaid Taxes	A-17	216,576	523,843
Tax Overpayments	A-18	103,534	105,118
County Taxes Payable	A-20	17,592	23,691
Miscellaneous Reserves and Deposits	A-16		16,027
Other Liabilities	A	255	255
Reserve for Tax Appeals	A-24	91,784	132,053
Appropriated Grants Reserves	A-22	13,604	8,981
Unappropriated Grants Reserves	A-23	<u>28,073</u>	<u>1,267</u>
Total Liabilities		1,547,692	2,592,696
Reserve for Receivables and Other Assets	A	481,129	370,865
Fund Balance	A-1	<u>1,763,843</u>	<u>1,596,828</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 3,792,664</u>	<u>\$ 4,560,389</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, 2014 AND 2013

	<u>Reference</u>	<u>2014</u>	<u>2013</u>
REVENUES AND OTHER INCOME REALIZED			
Surplus Anticipated	A-2	\$ 1,080,000	\$ 1,040,000
Miscellaneous Revenues Anticipated	A-2	2,598,291	2,714,661
Receipts from Delinquent Taxes	A-2	207,669	345,925
Receipts from Current Taxes	A-2	43,668,061	43,043,539
Non-Budget Revenues	A-2	280,620	314,445
Other Credits to Income			
Senior Citizens and Veterans Allowed	A-1		750
Interfunds Returned	A	21,965	
Appropriated Grant Reserves	A-1		7,753
Miscellaneous Reserves and Deposits	A-16	16,027	
Statutory Excess - Animal Control Fund	B-6	2,004	
Unexpended Balance of Appropriation Reserves	A-13	414,186	241,658
Fund Balance - Other Trust Fund	B-1	692	-
		<u>48,289,515</u>	<u>47,708,731</u>
Total Revenues			
EXPENDITURES			
Municipal Budget	A-3	13,899,364	13,970,811
Local School District Taxes	A-19	17,440,021	17,133,890
County Taxes	A-20	4,749,858	4,666,201
Regional School District Taxes	A-21	10,741,354	10,693,393
Municipal Open Space Taxes	B-2	207,392	206,588
Other Debits			
Overexpenditure of Appropriation Reserves	A-13	4,881	
Interfund Advance	A	2,004	5,168
Refund of Prior Year Revenue	A-4	528	12,372
Senior Citizens and Veterans Disallowed	A-7	428	1,524
Tax Overpayments	A-18	701	81,995
Cancelled Grants Receivable	A-11	850	24,290
		<u>47,047,381</u>	<u>46,796,232</u>
Total Expenditures			
Excess in Revenues		1,242,134	912,499
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	A-1	4,881	12,171
Statutory Excess to Fund Balance		1,247,015	924,670
Fund Balance, January 1	A	<u>1,596,828</u>	<u>1,712,158</u>
		2,843,843	2,636,828
Decreased by:			
Utilization as Anticipated Revenue	A-1,A-2	<u>1,080,000</u>	<u>1,040,000</u>
Fund Balance, December 31	A	<u>\$ 1,763,843</u>	<u>\$ 1,596,828</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, 2014

	<u>Reference</u>	<u>Budget</u>	<u>Anticipated Special N.J.S. 40A:4-87</u>	<u>Realized in 2014</u>	<u>Excess or (Deficit)</u>
Fund Balance Utilized	A-1	\$ 1,080,000	-	\$ 1,080,000	-
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A-9	23,000		28,702	\$ 5,702
Other	A-2,A-9	18,000		17,702	(298)
Fees and Permits	A-2,A-9	130,000		126,332	(3,668)
Fines and Costs - Municipal Court	A-9	145,000		151,295	6,295
Interest on Costs on Taxes	A-9	65,000		60,992	(4,008)
Interest on Investments and Deposits	A-2,A-9	10,000		10,086	86
Cable Television Franchise Fees	A-9	100,000		107,958	7,958
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	310,000		300,236	(9,764)
Other Governmental Entities - Fuel Mgmt - Gasoline	A-9	125,000		107,450	(17,550)
Alcohol Education and Rehabilitation	A-23	1,267		1,267	
Bergen County Prosecutor's Office - SWAT Team	A-11	5,000		5,000	
Clean Communities Grant	A-11		\$ 14,276	14,276	
Community Forestry Grant	A-11		3,000	3,000	
Drunk Driving Enforcement Fund	A-11		5,969	5,969	
Uniform Fire Safety Act	A-9	17,500		15,428	2,072
Cell Tower Rental	A-9	72,000		56,278	15,722
Rental Payments	A-9	11,000		11,000	-
Alpine Sewer Connection Fees	A-9	10,000		10,840	(840)
Reserve for Payment of Debt	C-15	59,000	-	59,000	-
Total Miscellaneous Revenues		<u>2,607,247</u>	<u>23,245</u>	<u>2,598,291</u>	<u>(32,201)</u>
Receipts from Delinquent Taxes	A-8	<u>210,000</u>	<u>-</u>	<u>207,669</u>	<u>(2,331)</u>
Amount to be Raised by Taxes for Support					
of Municipal Budget					
Operations		10,181,731		10,732,291	550,560
Municipal Library		672,145	-	672,145	-
Total Amount to be Raised	A-2	<u>10,853,876</u>	<u>-</u>	<u>11,404,436</u>	<u>550,560</u>
Total General Revenues	A-3	<u>\$ 14,751,123</u>	<u>\$ 23,245</u>	15,290,396	<u>\$ 516,028</u>
Non-Budget Revenues	A-1,A-2			<u>280,620</u>	
				<u>\$ 15,571,016</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, 2014
(Continued)

	<u>Reference</u>	
Analysis of Realized Revenues		
Allocation of Current Tax Collections		
Revenues from Collections	A-1,A-8	\$ 43,668,061
Less: Allocation to School, County, and Municipal Open Space Taxes	A-19,A-20,A-21,B-2	<u>33,138,625</u>
Balance for Support of Municipal Budget Appropriation		10,529,436
Add Appropriation - "Reserve for Uncollected Taxes"	A-3	<u>875,000</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 11,404,436</u>
Licenses-Other		
Building Department	A-9	\$ 1,125
Board of Health	A-9	<u>16,577</u>
	A-2	<u>\$ 17,702</u>
Fees and Permits-Other		
Borough Clerk	A-9	\$ 1,455
Tax Assessor	A-9	1,205
Fire Prevention	A-9	27,926
Police	A-9	38,134
Planning Board	A-9	9,156
Zoning Board of Adjustment	A-9	16,350
Public Works	A-9	14,594
Building Department	A-9	6,971
Board of Health	A-9	<u>10,541</u>
	A-2	<u>\$ 126,332</u>
Interest on Investments and Deposits		
Revenue Accounts Receivable	A-9	\$ 9,985
Due from General Capital Fund	C-7	<u>101</u>
	A-2	<u>\$ 10,086</u>

BOROUGH OF CLOSTER
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

	<u>Reference</u>	
Non-Budget Revenue		
Tax Collector / Treasurer		\$ 7,719
Special Tax Assessment - Spectrum		51,241
Tax Penalty		7,439
Borough Clerk		269
Bid Specs		970
Construction		12,569
Administration Fee - Senior Citizens and Veterans		1,165
Sale of Municipal Assets		5,281
DMV Inspection Fines		350
FEMA Reimbursements - Hurricane Sandy		92,277
Police Outside Services Admin Fees		100,000
Miscellaneous		<u>1,340</u>
	A-2	<u>\$ 280,620</u>

BOROUGH OF CLOSTER
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Appropriated</u>		<u>Expended</u>		
	<u>2014 Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS WITHIN "CAPS"					
GENERAL GOVERNMENT FUNCTIONS					
General Administration					
Salaries and Wages	\$ 150,646	\$ 126,870	\$ 126,870		
Other Expenses	17,650	18,350	18,291	\$ 59	
Municipal Clerk's Office					
Salaries and Wages	176,690	176,690	173,850	2,840	
Other Expenses	17,650	19,550	15,130	4,420	
Elections	8,500	8,500	7,378	1,122	
Financial Administration					
Salaries and Wages	131,179	131,179	130,361	818	
Other Expenses	54,860	54,860	51,674	3,186	
Audit Services					
Other Expenses	31,000	31,000	31,000		
Information Technology					
Salaries and Wages	11,293	11,293	11,289	4	
Other Expenses	4,500	4,500	4,120	380	
Tax Assessment Administration					
Salaries and Wages	54,497	54,498	54,497	1	
Other Expenses	3,450	3,450	1,937	1,513	
Revenue Administration					
Salaries and Wages	120,356	123,956	123,934	22	
Other Expenses	16,250	16,250	13,786	2,464	
Legal Services and Costs					
Other Expenses	160,000	160,000	124,812	35,188	
Engineering Services					
Other Expenses	30,000	30,000	29,012	988	
Monitoring Wells	15,000	15,000	15,000	-	
Economic Development					
Closter Improvement Committee	6,000	6,200	6,153	47	
Historical Commission					
Other Expenses	3,090	3,090	1,394	1,696	
Municipal Land Use Law (NJSA 40:44D-1)					
Planning Board					
Salaries and Wages	14,115	14,385	14,379	6	
Other Expenses	29,650	41,650	41,043	607	
Zoning Board of Adjustment					
Salaries and Wages	17,824	17,884	17,876	8	
Other Expenses	17,200	17,200	16,688	512	
Insurance					
Unemployment Insurance	15,000	15,000	14,070	930	
General Liability	208,579	210,182	210,182	-	
Workers Compensation Insurance	196,731	197,075	197,075	-	
Employee Group Health	1,060,871	1,060,871	1,023,225	37,646	
Health Benefit Waiver	15,000				
PUBLIC SAFETY FUNCTIONS					
Police Department					
Salaries and Wages	2,769,810	2,727,233	2,676,116	51,117	
Other Expenses	104,800	104,800	93,112	11,688	
Acquisition of Police Vehicles	10,000	10,000	5,178	4,822	
Office of Emergency Management					
Salaries and Wages	7,943	7,943	7,834	109	
Other Expenses	13,150	13,150	5,424	7,726	
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, 2014

	<u>Appropriated</u>		<u>Expended</u>		
	<u>2014 Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS WITHIN "CAPS"					
PUBLIC SAFETY FUNCTIONS (Continued)					
Fire Prevention Bureau/Uniform Fire Safety					
Salaries and Wages	\$ 36,458	\$ 36,458	\$ 34,293	\$ 2,165	
Other Expenses	3,000	4,200	4,073	127	
Fire Protection					
Other Expenses	37,820	37,820	25,627	12,193	
Clothing Allowance	17,500	17,500	16,118	1,382	
Fire Hydrant Services	170,388	170,388	158,294	12,094	
Municipal Prosecutor					
Salaries and Wages	6,500	6,500	4,420	2,080	
PUBLIC WORKS FUNCTIONS					
Streets and Road Maintenance					
Salaries and Wages	1,187,403	1,144,825	1,091,265	53,560	
Other Expenses	50,500	50,500	36,151	14,349	
Snow Removal					
Other Expenses	16,250	18,750	18,160	590	
Shade Tree Commission					
Salaries and Wages	3,241	3,381	3,380	1	
Other Expenses	37,500	37,500	35,872	1,628	
Solid Waste Collection					
Salaries and Wages	186,284	192,284	187,209	5,075	
Other Expenses	3,000	3,000	2,711	289	
Recycling					
Salaries and Wages	54,999	55,449	55,417	32	
Other Expenses	750	750		750	
Public Building and Grounds					
Salaries and Wages	65,110	65,110	63,727	1,383	
Other Expenses	52,700	75,700	72,337	3,363	
Vehicle Maintenance					
Salaries and Wages	102,700	102,701	102,700	1	
Other Expenses	104,000	108,000	106,835	1,165	
HEALTH AND HUMAN SERVICES FUNCTIONS					
Public Health Services					
Salaries and Wages	61,020	62,420	62,379	41	
Other Expenses	71,277	71,277	66,244	5,033	
Environmental Commission					
Other Expenses	3,480	3,480	3,451	29	
Animal Control					
Other Expenses	10,650	10,650	10,634	16	
Aid to Mental Health Center	1,000	1,000	1,000		
PARKS AND RECREATION FUNCTIONS					
Maintenance of Parks and Playgrounds	43,000	43,000	41,216	1,784	
Senior Citizens					
Other Expenses	4,000	4,000	4,000		
Board of Recreation Commissioners					
Salaries and Wages	68,942	64,958	63,404	1,554	
Other Expenses	35,050	35,050	33,952	1,098	
EDUCATION FUNCTIONS					
Contribution to Belskie Museum	7,125	7,125	7,125		
Contribution to Nature Center	15,000	15,000	15,000		

BOROUGH OF CLOSTER
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Appropriated</u>		<u>Expended</u>		
	<u>2014 Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS WITHIN "CAPS"					
OTHER COMMON OPERATING FUNCTIONS					
Celebration of Public Events					
Other Expenses	\$ 1,500	\$ 1,500	\$ 1,132	\$ 368	
LANDFILL/SOLID WASTE DISPOSAL COSTS					
Solid Waste Recycling Landfill and Contingency Taxes	233,650	253,650	207,570	46,080	
MUNICIPAL COURT					
Salaries and Wages	93,630	94,830	94,583	247	
Other Expenses	5,500	6,000	5,870	130	
Public Defender (P.L. 1997, C.256)					
Other Expenses	1,800	1,800	900	900	
Salary Adjustments					
Salaries and Wages	4,115				
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY DEDICATED					
REVENUES (N.J.A.C. 5:23-4-17)					
Uniform Construction Code Enforcement Functions					
Salaries and Wages	251,488	213,461	209,839	3,622	
Other Expenses	4,650	4,650	2,212	2,438	
Other Code Enforcement Functions					
Zoning Officer					
Salaries and Wages	30,379	30,379	28,552	1,827	
Other Expenses	300	300		300	
Property Maintenance					
Salaries and Wages	35,628	41,328	39,431	1,897	
Other Expenses	300	300	190	110	
UNCLASSIFIED					
Utilities					
Electricity	82,500	82,500	79,301	3,199	
Street Lighting	97,000	130,000	122,760	7,240	
Telephone and Telegraph	80,000	98,000	98,000	-	
Water	22,000	22,000	20,714	1,286	
Natural Gas	20,000	20,000	19,446	554	
Sewer System	4,700	4,700	952	3,748	
Gasoline	92,225	121,525	121,525	-	-
	<u>9,022,696</u>	<u>9,019,708</u>	<u>8,654,061</u>	<u>365,647</u>	<u>-</u>
Total Operations Within "CAPS"					
Detail:					
Salaries and Wages	5,642,250	5,506,015	5,377,605	128,410	-
Other Expenses	3,380,446	3,513,693	3,276,456	237,237	-

BOROUGH OF CLOSTER
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Appropriated</u>		<u>Expended</u>		
	<u>2014 Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
DEFERRED CHARGES AND REGULATORY EXPENDITURES-MUNICIPAL-WITHIN "CAPS"					
STATUTORY EXPENDITURES					
Deferred Charges					
Overexpenditure of 2013 Budget Appropriations	\$ 12,171	\$ 12,171	\$ 12,171	-	
Statutory Expenditures					
Contribution to:					
Social Security System (O.A.S.I.)	268,134	268,134	240,269	\$ 27,865	
Police and Firemen's Retirement Fund of NJ	498,731	499,199	499,199		
Public Employees' Retirement System	283,163	283,163	276,764	6,399	
Defined Contribution Retirement Plan	<u>2,000</u>	<u>4,520</u>	<u>3,777</u>	<u>743</u>	<u>-</u>
Total Deferred Charges and Statutory Expenditures - Within "CAPS"					
	<u>1,064,199</u>	<u>1,067,187</u>	<u>1,032,180</u>	<u>35,007</u>	<u>-</u>
Total General Appropriations for Municipal Purposes within "CAPS"					
	<u>10,086,895</u>	<u>10,086,895</u>	<u>9,686,241</u>	<u>400,654</u>	<u>-</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
UTILITY EXPENSES AND BULK PURCHASES					
Bergen County Utilities Authority					
Operations	592,313	592,313	592,312		1
Debt Service	269,469	269,469	269,469		
EDUCATION FUNCTIONS					
Maintenance of Free Public Library	672,145	672,145	672,145		
GENERAL GOVERNMENT FUNCTIONS					
Reserve for Tax Appeals	30,000	30,000	30,000		
PUBLIC SAFETY FUNCTIONS					
Length of Service Awards Program (LOSAP)	35,500	35,500	35,500		-
911 Dispatch Services - Contractual	<u>103,119</u>	<u>103,119</u>	<u>103,119</u>		<u>-</u>
Total Other Operations - Excluded from "CAPS"					
	<u>1,702,546</u>	<u>1,702,546</u>	<u>1,702,545</u>	<u>1</u>	<u>-</u>
INTERLOCAL MUNICIPAL SERVICE AGREEMENTS					
Other Governmental Entities -					
Fuel Management - Gasoline	<u>125,000</u>	<u>125,000</u>	<u>124,884</u>	<u>116</u>	<u>-</u>
Total Interlocal Municipal Service Agreements					
	<u>125,000</u>	<u>125,000</u>	<u>124,884</u>	<u>116</u>	<u>-</u>
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES					
FEDERAL AND STATE GRANTS					
Clean Communities Grant		14,276		14,276	
Drunk Driving Enforcement Fund		5,969	4,963	1,006	
Alcohol Education and Rehabilitation	1,267	1,267		1,267	
Bergen Prosecutor SWAT Team	5,000	5,000	2,500	2,500	
NJ Community Forestry Grant	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>	<u>-</u>
Total Public and Private Programs Offset by Revenues					
	<u>6,267</u>	<u>29,512</u>	<u>7,463</u>	<u>22,049</u>	<u>-</u>
Total Operations Excluded from "CAPS"					
	<u>1,833,813</u>	<u>1,857,058</u>	<u>1,834,892</u>	<u>22,166</u>	<u>-</u>
Detail:					
Other Expenses	<u>1,833,813</u>	<u>1,857,058</u>	<u>1,834,892</u>	<u>22,166</u>	<u>-</u>

**BOROUGH OF CLOSTER
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Appropriated</u>		<u>Expended</u>		
	<u>2014 Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	\$ 157,530	\$ 157,530	\$ 157,530	-	-
Total Capital Improvements - Excluded from "CAPS"	157,530	157,530	157,530	-	-
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	1,346,000	1,346,000	1,346,000		
Payment of Bond Anticipation Notes and Capital Notes	45,000	45,000	45,000		
Interest on Bonds	257,130	257,130	257,130		
Interest on Notes	29,928	29,928	29,926		\$ 2
Green Trust Loan Program	3,827	3,827	3,825	-	2
Total Municipal Debt Service - Excluded from "CAPS"	1,681,885	1,681,885	1,681,881	-	4
DEFERRED CHARGES					
Special Emergency Authorizations - 5 yrs. (N.J.S. 40A:4-55)	116,000	116,000	116,000	-	-
Total Deferred Charges - Municipal Excluded from "CAPS"	116,000	116,000	116,000	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	3,789,228	3,812,473	3,790,303	\$ 22,166	4
Subtotal General Appropriations	13,876,123	13,899,368	13,476,544	422,820	4
RESERVE FOR UNCOLLECTED TAXES	875,000	875,000	875,000	-	-
Total General Appropriations	\$ 14,751,123	\$ 14,774,368	\$ 14,351,544	\$ 422,820	\$ 4

	<u>Referen</u>	A-2	A
Adopted Budget	A-2	\$ 14,751,123	
N.J.S.A. 40A:4-87	A-2	23,245	
		<u>\$ 14,774,368</u>	
Cash Disbursements	A-4		\$ 12,967,575
Accounts Payable	A-14		350,798
Reserve for Tax Appeals	A-24		30,000
Deferred Charges	A-10		12,171
Special Emergency Authorizations	A-10		116,000
Reserve for Uncollected Taxes	A-2		875,000
			<u>\$ 14,351,544</u>

BOROUGH OF CLOSTER
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2014 AND 2013

ASSETS	<u>Reference</u>	<u>2014</u>	<u>2013</u>
ANIMAL CONTROL FUND			
Cash	B-4	\$ 11,226	\$ 28,536
		<u>11,226</u>	<u>28,536</u>
OTHER TRUST FUND			
Cash	B-4	1,885,196	1,974,510
Due From Current Fund	B-5	<u>23,263</u>	<u>-</u>
		<u>1,908,459</u>	<u>1,974,510</u>
OPEN SPACE PRESERVATION TRUST FUND			
Cash	B-4	801,800	231,014
Due From Current Fund	B-12	<u>764</u>	<u>206,588</u>
		<u>802,564</u>	<u>437,602</u>
LENGTH OF SERVICE AWARDS PROGRAM FUND (UNAUDITED)			
Investment	B	565,045	508,467
Contribution Receivable	B	<u>51,890</u>	<u>43,700</u>
		<u>616,935</u>	<u>552,167</u>
Total Assets		<u>\$ 3,339,184</u>	<u>\$ 2,992,815</u>

BOROUGH OF CLOSTER
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2014 AND 2013

	<u>Reference</u>	<u>2014</u>	<u>2013</u>
LIABILITIES, RESERVES AND FUND BALANCE			
ANIMAL CONTROL FUND			
Due to Current Fund	B-8	\$ 2,004	\$ 20,920
Reserve for Animal Control Expenditures	B-6	<u>9,222</u>	<u>7,616</u>
		<u>11,226</u>	<u>28,536</u>
OTHER TRUST FUND			
Escrow and Miscellaneous Reserves	B-9	1,861,757	1,835,852
Payroll and Payroll Deductions Payable	B-10	46,702	136,921
Due to Current Fund	B-5		1,045
Fund Balance	B-1	<u>-</u>	<u>692</u>
		<u>1,908,459</u>	<u>1,974,510</u>
OPEN SPACE PRESERVATION TRUST FUND			
Reserve for Open Space Expenditures	B-11	<u>802,564</u>	<u>437,602</u>
		<u>802,564</u>	<u>437,602</u>
LENGTH OF SERVICE AWARDS PROGRAM FUND (UNAUDITED)			
Reserve for Length of Service Award Program	B	<u>616,935</u>	<u>552,167</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 3,339,184</u>	<u>\$ 2,992,815</u>

BOROUGH OF CLOSTER
COMPARATIVE STATEMENTS OF FUND BALANCE - REGULATORY BASIS - OTHER TRUST FUND
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>Reference</u>	<u>2014</u>	<u>2013</u>
Balance, January 1	B	\$ 692	\$ 692
Decreased by:			
Transfer to Current Fund	A-1	<u>692</u>	<u>-</u>
Balance, December 31	B	<u>\$ -</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, 2014

	<u>Reference</u>	2014 <u>Modified Budget</u>	2014 <u>Realized</u>	Excess or <u>(Deficit)</u>
Amount to be Raised by Taxation	B-12	\$206,628	\$ 207,392	\$ 764
		<u>\$206,628</u>	207,392	<u>\$ 764</u>
Non-Budget	B-11		<u>695</u>	
			<u>\$ 208,087</u>	

EXHIBIT B-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS - OPEN SPACE PRESERVATION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Reference</u>	2014 <u>Modified Budget</u>	Paid or <u>Charged</u>	Excess or <u>(Deficit)</u>
Reserved for Future Use		<u>\$206,628</u>	<u>\$ 206,628</u>	<u>\$ -</u>
	B-1			

BOROUGH OF CLOSTER
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2014 AND 2013

	<u>Reference</u>	<u>2014</u>	<u>2013</u>
ASSETS			
Cash	C-2, C-3	\$ 1,605,500	\$ 1,241,511
Grants Receivable	C-6	313,101	201,787
Due From Current Fund	C-7	28,899	112,608
Deferred Charges to Future Taxation			
Funded	C-4	6,874,867	8,224,382
Unfunded	C-5	5,715,580	3,750,125
Overexpenditure of Ordinance	C-12	<u>323</u>	<u>-</u>
 Total Assets		 <u>\$ 14,538,270</u>	 <u>\$ 13,530,413</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
Serial Bonds	C-10	\$ 6,862,000	\$ 8,208,000
Green Acres Trust Fund Loan Payable	C-9	12,867	16,382
Bond Anticipation Notes Payable	C-11	5,185,000	3,858,000
Improvement Authorizations			
Funded	C-12	349,568	631,821
Unfunded	C-12	1,031,357	403,489
Contracts Payable	C-13	855,775	264,952
Capital Improvement Fund	C-14	299	5,299
Miscellaneous Reserves	C		11,000
Reserve for Grant Receivable	C-6	149,000	37,500
Reserve for Payment of Debt	C-15	5,088	64,088
Fund Balance	C-1	<u>87,316</u>	<u>29,882</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 14,538,270</u>	 <u>\$ 13,530,413</u>

There were bonds and notes authorized but not issued of \$568,089 and \$4,625 at December 31, 2014 and 2013, respectively (Exhibit C-16).

BOROUGH OF CLOSTER
COMPARATIVE STATEMENTS OF FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>Reference</u>	<u>2014</u>	<u>2013</u>
Balance, January 1	C	\$ 29,882	\$ 72,882
Increased by:			
Improvement Authorizations Cancelled	C-12	49,495	
Miscellaneous Reserves Cancelled	C	11,000	
Premium on Sale of Notes	C-2	<u>13,274</u>	<u>-</u>
		<u>103,651</u>	<u>72,882</u>
Decreased by:			
Appropriated to Finance Improvement Authorizations	C-12	16,335	18,000
Anticipated as Current Fund Revenue	C-1	<u>-</u>	<u>25,000</u>
		<u>16,335</u>	<u>43,000</u>
Balance, December 31	C	<u>\$ 87,316</u>	<u>\$ 29,882</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, 2014 AND 2013**

	<u>Reference</u>	<u>2014</u>	<u>2013</u>
ASSETS			
Cash	D-1	\$ 11,483	\$ 12,287
		<u>\$ 11,483</u>	<u>\$ 12,287</u>
 LIABILITIES			
Reserve for Expenditures	D-2	\$ 11,483	\$ 12,287
		<u>\$ 11,483</u>	<u>\$ 12,287</u>

**BOROUGH OF CLOSTER
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
AS OF DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
ASSETS		
Land and Land Improvements	\$ 78,775,600	\$ 78,775,600
Buildings and Building Improvements	5,909,832	5,388,561
Vehicles and Equipment	<u>8,440,059</u>	<u>8,634,472</u>
	<u>\$ 93,125,491</u>	<u>\$ 92,798,633</u>
FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 93,125,491</u>	<u>\$ 92,798,633</u>

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

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 and 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, 2014 AND 2013**

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.

Comparative Data - Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Borough's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

Reclassifications - Certain reclassifications have been made to the December 31, 2013 balances to conform to the December 31, 2014 presentation.

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, 2014 AND 2013**

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 11th day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The Borough may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

Miscellaneous Revenues/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.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

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 payables 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.

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, 2014 AND 2013**

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 1989-2014)
Land and Buildings	Assessed Value (Assets Acquired Prior To 1989)
Machinery and Equipment	Replacement Cost

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the General Capital Fund until such time as the construction is completed and put into operation for general fixed assets.

GAAP requires that capital assets be recorded in proprietary-type funds as well as the government-wide financial statement at historical or estimated historical cost if actual historical cost is not available. In addition, GAAP requires depreciation on capital assets to be recorded in proprietary-type funds as well as in the government-wide financial statements.

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

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, 2014 AND 2013**

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 2014 and 2013 the Borough Council increased the original budget by \$23,245 and \$42,578. The increases were funded by additional aid allotted to the Borough. In addition, the governing body approved several budget transfers during 2014 and 2013.

B. Excess Expenditures Over Appropriations

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

<u>2014</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
Current Fund			
2013 Appropriation Reserves			
Board of Recreation Commissioners			
Other Expenses	\$ 4,750	\$ 8,873	\$ 4,123
Recycling Tonnage Grant	19,269	20,027	758
General Capital			
Ord. 1167 Acquisition of New and Additional Equipment	16,335	16,658	323
 <u>2013</u>			
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			
Salaries and Wages	181,677	181,692	15

**BOROUGH OF CLOSTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Excess Expenditures Over Appropriations (Continued)

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.

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 are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2014 and 2013, the book value of the Borough's deposits were \$7,387,359 and \$7,316,361 and bank and brokerage firm balances of the Borough's deposits amounted to \$7,680,394 and \$7,277,247, 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>2014</u>	<u>2013</u>
Insured	\$ <u>7,680,394</u>	\$ <u>7,277,247</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2014 and 2013, the Borough's bank balances were not exposed to custodial credit risk.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

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, 2014 and 2013, the Borough had the following investments:

	<u>2014</u>	<u>Fair Value</u>	<u>2013</u>
Uninsured and Collateralized:			
Collateral held by pledging financial institution's trust department but not in the Borough's name (Unaudited)	\$ 565,045		\$ 508,467

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, 2014 and 2013, \$565,045 and \$508,467 of the Borough's investments was exposed to custodial credit risk as follows:

	<u>2014</u>	<u>Fair Value</u>	<u>2013</u>
Investment			
Length of Service Awards Program			
Lincoln Financial (Unaudited)	\$ 565,045		\$ 508,467
	<u>\$ 565,045</u>		<u>\$ 508,467</u>

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

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1). The Borough does not have an investment policy that would further limit its investment choices. As of December 31, 2014 and 2013, the Borough's investment in Lincoln Financial Group was rated Baa1 by Moody's Investor Services.

Concentration of Credit Risk – The Borough places no limit in the amount the Borough may invest in any one issuer. More than five (5) percent of the Borough's investments are in Lincoln Financial Group. These investments are 100% of the Borough's total investments.

The fair value of the above-listed investment was 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.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 4 TAXES RECEIVABLE

Receivables at December 31, 2014 and 2013 consisted of the following:

<u>Current</u>	<u>2014</u>	<u>2013</u>
Property Taxes	\$ 336,567	\$ 214,369
	<u>\$ 336,567</u>	<u>\$ 214,369</u>

In 2014 and 2013, the Borough collected \$207,669 and \$345,925 from delinquent taxes, which represented 97% and 97%, respectively of the prior year delinquent taxes receivable balance.

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>2014</u>		<u>2013</u>	
	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Current Fund	\$ 2,004	\$ 52,926	\$ 21,965	\$ 319,196
Trust Fund				
Open Space Trust Fund	764		206,588	
Other Trust Fund	23,263			1,045
Animal Control Fund		2,004		20,920
General Capital Fund	<u>28,899</u>	<u>-</u>	<u>112,608</u>	<u>-</u>
Total	<u>\$ 54,930</u>	<u>\$ 54,930</u>	<u>\$ 341,161</u>	<u>\$ 341,161</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.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 6 DEFERRED CHARGES TO BE RAISED IN SUCCEEDNG 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:

	<u>Balance December 31,</u>	<u>Subsequent Year Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
<u>2014</u>			
Current Fund			
Overexpenditure of Appropriation Reserves	\$ 4,881	\$ 4,881	-
Special Emergency Authorizations (40A:4-55)	<u>232,000</u>	<u>116,000</u>	<u>\$ 116,000</u>
	<u>\$ 236,881</u>	<u>\$ 120,881</u>	<u>\$ 116,000</u>
General Capital Fund			
Overexpenditure of Ordinance	<u>\$ 323</u>	<u>\$ 323</u>	<u>\$ -</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>

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:

	<u>Fund Balance December 31, 2014</u>	<u>Utilized in Subsequent Year's Budget</u>	<u>Fund Balance December 31, 2013</u>	<u>Utilized in Subsequent Year's Budget</u>
Current Fund				
Cash Surplus	\$ 1,756,462	\$ 1,180,000 *	\$ 1,583,807	\$ 1,080,000
Non-Cash Surplus	<u>7,381</u>	<u>-</u>	<u>13,021</u>	<u>-</u>
	<u>\$ 1,763,843</u>	<u>\$ 1,180,000</u>	<u>\$ 1,596,828</u>	<u>\$ 1,080,000</u>

* The above fund balance amount appropriated represents the surplus anticipated in the 2015 introduced municipal budget. The 2015 municipal budget has not been legally adopted as of the date of audit.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

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, 2014 and 2013.

	Balance December 31, <u>2013</u>	<u>Additions</u>	Retirements/ <u>Adjustments</u>	Balance, December 31, <u>2014</u>
<u>2014</u>				
Land	\$ 78,775,600			\$ 78,775,600
Buildings and Building Impvts.	5,388,561	\$ 521,271		5,909,832
Vehicles and Equipment	<u>8,634,472</u>	<u>93,065</u>	\$ 287,478	<u>8,440,059</u>
	<u>\$ 92,798,633</u>	<u>\$ 614,336</u>	<u>\$ 287,478</u>	<u>\$ 93,125,491</u>
	Balance December 31, <u>2012</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2013</u>
<u>2013</u>				
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>	\$ 509,890	<u>8,634,472</u>
	<u>\$ 91,873,983</u>	<u>\$ 1,434,540</u>	<u>\$ 509,890</u>	<u>\$ 92,798,633</u>

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

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>2014</u>	<u>2013</u>
Issued		
General		
Bonds, Notes and Loans	\$ 12,059,867	\$ 12,082,382
Less Funds Temporarily Held to Pay Bonds and Notes	<u>42,597</u>	<u>175,097</u>
Net Debt Issued	12,017,270	11,907,285
Authorized But Not Issued		
General		
Bonds and Notes	<u>568,089</u>	<u>4,625</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 12,585,359</u>	<u>\$ 11,911,910</u>

Statutory Net Debt

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of .62% and .58% at December 31, 2014 and 2013, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2014</u>			
General Debt	\$ 12,627,956	\$ 42,597	\$ 12,585,359
School Debt	<u>5,948,122</u>	<u>5,948,122</u>	<u>-</u>
Total	<u>\$ 18,576,078</u>	<u>\$ 5,990,719</u>	<u>\$ 12,585,359</u>
	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2013</u>			
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>

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

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>2014</u>	<u>2013</u>
3-1/2% of Equalized Valuation Basis (Municipal) Net Debt	\$ 71,582,828 <u>12,585,359</u>	\$ 71,567,959 <u>11,911,910</u>
Remaining Borrowing Power	<u>\$ 58,997,469</u>	<u>\$ 59,656,049</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>2014</u>	<u>2013</u>
\$4,860,000, 2001 Bonds, due in annual installment of \$460,000 through July, 2014, interest at 4.250%		\$ 460,000
\$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%	\$ 2,862,000	3,278,000
\$4,505,000, 2012 Refunding Bonds, due in annual installments of \$960,000 to \$1,045,000 through October 15, 2018, interest at 2.00% to 3.00%	<u>4,000,000</u>	<u>4,470,000</u>
	<u>\$ 6,862,000</u>	<u>\$ 8,208,000</u>

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

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

	<u>2014</u>	<u>2013</u>
\$62,798, 1997 Loan, due in Semi-annual installments of \$1,784 to \$1,894 through March, 2018, interest at 2.0%	\$ 12,867	\$ 16,382
	<u>\$ 12,867</u>	<u>\$ 16,382</u>

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2014 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>	
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	502,000	36,090			538,090
2020	526,000	11,770	-	-	537,770
	<u>\$ 6,862,000</u>	<u>\$ 651,040</u>	<u>\$ 12,867</u>	<u>\$ 559</u>	<u>\$ 7,526,466</u>

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 9 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, 2014 and 2013 were as follows:

	Balance, December 31, <u>2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2014</u>	Due Within <u>One Year</u>
<u>2014</u>					
General Capital Fund					
Bonds Payable	\$ 8,208,000		\$ 1,346,000	\$ 6,862,000	\$ 1,395,000
Intergovernmental Loans Payable	<u>16,382</u>	<u>-</u>	<u>3,515</u>	<u>12,867</u>	<u>3,585</u>
General Capital Fund Long-Term Liabilities	<u>\$ 8,224,382</u>	<u>\$ -</u>	<u>\$ 1,349,515</u>	<u>\$ 6,874,867</u>	<u>\$ 1,398,585</u>
	Balance, December 31, <u>2012</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2013</u>	Due Within <u>One Year</u>
<u>2013</u>					
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>

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt

The Borough's short-term debt activity for the years ended December 31, 2014 and 2013 was as follows:

Bond Anticipation Notes

<u>Improvement Description</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance, December 31, 2013</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance, December 31, 2014</u>
Various Improvements	9/26/2014 2/25/2015	0.62% 1.00%	\$ 2,111,238	\$ 2,833,260	\$ 542,756	\$ 2,833,260
Reconstruction of Herbert Avenue - Section IV	9/26/2014 2/25/2015	0.62% 1.00%	40,000	37,895	40,000	37,895
Acquisition of Various Equipment	9/26/2014 2/25/2015	0.62% 1.00%	339,915	329,498	190,000	329,498
Acquisition of Ladder Truck and Pickup	9/26/2014 2/25/2015	0.62% 1.00%	1,072,347	1,072,347	1,072,347	1,072,347
Reconstruction of Various Roadways	9/26/2014 2/25/2015	0.62% 1.00%	294,500	294,500	294,500	294,500
Borough Hall Exterior Repairs and Roof Replacement	2/25/2015	1.00%	-	617,500	-	617,500
			<u>\$ 3,858,000</u>	<u>\$ 5,185,000</u>	<u>\$ 2,139,603</u>	<u>\$ 5,185,000</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 9/26/2014	1.36% 0.62%	570,000	\$ 2,111,238	570,000	\$ 2,111,238
Reconstruction of Herbert Avenue - Section IV	12/14/2012 9/26/2014	1.36% 0.62%	40,000	40,000	40,000	40,000
Acquisition of Various Equipment	12/14/2012 9/27/2013 9/26/2014	1.36% 1.25% 0.62%	190,000 149,915	339,915	190,000 149,915	339,915
Acquisition of Ladder Truck and Pickup	9/27/2013 9/26/2014	1.25% 0.62%	1,072,550	1,072,347	1,072,550	1,072,347
Reconstruction of Various Roadways	9/27/2013 9/26/2014	1.25% 0.62%	294,500 -	294,500	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, 2014 AND 2013**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

The purpose of these short-term 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.

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 2014 and 2013 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.

2014

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, December 31, 2013</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance, December 31, 2014</u>
Employee Severance Liabilities	1.0399%	9/25/15	\$ 348,000	\$ 232,000	\$ 348,000	\$ 232,000

2013

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

**BOROUGH OF CLOSTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2014 AND 2013**

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>
<u>2014</u>		
Improvements to Borough Hall	\$251,334	2015
Acquisition of Public Works Vehicles	362,718	2015
Interior Renovations to Police Department	52,006	2015
Road Improvements	74,584	2015
<u>2013</u>		
Road Improvements	\$184,167	2014
Restroom Facilities at Mollicone and Schuble Parks	72,778	2014

NOTE 11 OPERATING LEASES

The Borough leases police vehicles under noncancelable operating leases. Lease payments for the years ended December 31, 2014 and 2013 were \$5,072 and \$18,090, respectively.

NOTE 12 OTHER LONG-TERM LIABILITIES

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 \$1,820,840 and \$1,774,607 at December 31, 2014 and 2013, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

As of December 31, 2014 and 2013, the Borough has reserved in the Other Trust Fund \$40,814 and \$15,814, respectively to fund compensated absences in accordance with NJSA 40A:4-39.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 12 OTHER LONG-TERM LIABILITIES (Continued)

Changes in Other Long-Term Liabilities

The Borough's changes in other long-term liabilities for the years ended December 31, 2014 and 2013 were as follows:

	Balance, December 31, <u>2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2014</u>	Due Within <u>One Year</u>
<u>2014</u>					
Compensated Absences	\$ 1,774,607	\$ 46,233	\$ -	\$ 1,820,840	\$ -
	Balance, December 31, <u>2012</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2013</u>	Due Within <u>One Year</u>
<u>2013</u>					
Compensated Absences	\$ 1,846,097	\$ 69,953	\$ 141,443	\$ 1,774,607	\$ -

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. PFRS is a cost-sharing multi-employer defined benefit pension plan.

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. PERS is a cost-sharing multi-employer defined benefit pension plan.

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.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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 employees 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.

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.

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.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Significant Legislation (Continued)

- 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 for members hired or reappointed on or after June 28, 2011; PFRS active member rates increase from 8.5 percent to 10 percent. For Fiscal Year 2014, the PERS member contribution rate was 6.78%. The rate increased to 6.92% effective July 2014. 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.

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.

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

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

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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 of 4.22 percent for PERS and 6.01 percent for PFRS.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 6.50% plus an additional 1% phased-in over 7 years beginning in July 2013 for PERS, 10.0% for PFRS and 5.50% for DCRP of employees' annual compensation. The member contribution for PERS was 6.78% in fiscal year 2014 and 6.92% for fiscal year 2015 effective July 2014.

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employees*, for the year ended June 30, 2014 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, 2014, 2013 and 2012, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended</u> <u>December 31,</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2014	\$ 498,731	\$ 272,133	\$ 3,777
2013	656,803	277,940	1,717
2012	642,706	295,532	1,547

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. The plans are classified as either single employer plans or cost sharing multiple employer defined benefit plans depending on the plan the eligible employee is covered under.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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.

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.

Investment Valuation

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

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Funded Status and Funding Progress

As of July 1, 2013, 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 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 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 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 OPEB 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 an assumed investment rate of return of 4.50 percent.

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.

P.L. 1997, c. 330 provides paid post-retirement health benefits to qualified retirees of the Police and Firemen's Retirement System and to dependents of qualified retirees. The State and participating local governments are responsible for 80 percent of the premium for the category of coverage elected by the retiree under the State managed care plan or a health maintenance organization participating in the program, whichever provides the lower charge. The State and participating local governments contributed \$38.0 million in Fiscal Year 2013 to provide benefits under Chapter 330 to qualified retirees.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Post-Retirement Medical Benefits Contribution (Continued)

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The Borough's contributions to the State Health Benefits Program Fund-Local Government for post-retirement benefits for the years ended December 31, 2014, 2013 and 2012 were \$301,623, \$280,889 and \$243,152, respectively, which equaled the required contributions for each year.

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, 2014 AND 2013**

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, 2014 and 2013. 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, 2014 and 2013, the Borough reserved \$91,784 and \$132,053, 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, 2014 and 2013, 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, 2014 and 2013, 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 first aid 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, 2014 AND 2013**

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 \$46,890 and \$30,300 for 2014 and 2013, respectively, into the Plan. The Borough of Alpine also contributed \$5,000 and \$4,750 for 2014 and 2013, respectively, into the Plan.

In accordance with the amendments to Section 457 of the Internal Revenue Code and the State Deferred Revenue Regulations, the Borough has placed the amounts deferred, including earnings, in a trust for the exclusive benefit of the plan participants and their beneficiaries.

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

Vesting and Benefits

A volunteer is eligible to receive a distribution of funds upon completing 5 (five) cumulative years as an active member of the volunteer organization. Certain restrictions and tax implications may result in the event of a withdrawal of funds from the Plan.

If a volunteer member does not vest and terminates their association with the emergency service organization, the funds are returned to the sponsoring agency's surplus.

Reporting Requirements

The New Jersey Administrative Code NJAC 5:30-14.49 requires that the Borough perform a separate review report of the plan in accordance with the American Institute of Certified Public Accountants (AICPA) Statements on Standards for Accounting and Auditing Review Services. Since a review does not constitute an audit, the financial statements pertaining to the Plan are presented as unaudited in this report as part of the Borough's Trust Fund.

NOTE 19 SUBSEQUENT EVENTS

Bond Anticipation Notes

On February 25, 2015 the Borough issued Bond Anticipation Notes in the amount of \$5,589,586 to temporarily finance expenditures related to various capital projects. The Borough has awarded the sale of said notes to PNC Bank at an interest rate of .51%. These notes are dated February 25, 2015 and will mature on February 25, 2016.

SUPPLEMENTAL SCHEDULES

CURRENT FUND

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

Balance, December 31, 2013		\$ 3,828,253
Increased by Receipts:		
Taxes Receivable	\$ 43,291,969	
Revenue Accounts Receivable	2,509,678	
Non Budget Revenue	280,620	
Prepaid Taxes	216,576	
Grants Receivable	25,745	
Petty Cash Returned	500	
Due to State of New Jersey	10,862	
Receipts from General Capital Fund	88,000	
Receipts from Animal Control Fund	20,920	
Unappropriated Grant Reserves	28,073	
Special Emergency Notes Payable	232,000	
Tax Overpayments	35,557	
Senior Citizens' and Veterans' Deductions	58,229	
	<u>46,798,729</u>	
		50,626,982
Decreased by Disbursements:		
2014 Appropriations	12,967,575	
2013 Appropriation Reserves	239,937	
Accounts Payable	417,447	
Petty Cash Issued	500	
Tax Overpayments	36,132	
County Taxes	4,755,957	
Local District School Taxes	17,440,021	
Regional School Taxes	10,741,354	
Reserve for Tax Appeals	70,269	
Special Emergency Notes Payable	348,000	
Due to State of New Jersey	11,534	
Payments to General Capital Fund	112,608	
Payments to Open Space Trust Fund	413,216	
Refund of Prior Year Revenue	528	
	<u>47,555,078</u>	
Balance, December 31, 2014		<u>\$ 3,071,904</u>

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

<u>Office</u>	Balance, December 31, <u>2013</u>	Petty Cash <u>Issued</u>	Petty Cash <u>Returned</u>	Balance, December 31, <u>2014</u>
Borough Clerk		\$ 150	\$ 150	
Department of Public Works		100	100	
Detective Bureau		100	100	
Police Department	-	150	150	-
	<u>-</u>	<u>500</u>	<u>500</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ -</u>

EXHIBIT A-6

STATEMENT OF CHANGE FUNDS

<u>Office</u>	Balance, December 31, <u>2013</u>	Balance, December 31, <u>2014</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, 2013	\$ 14,821
Increased by:	
Senior Citizen Deductions Disallowed by Tax Collector	\$ 792
Senior Citizen Deductions Disallowed by Tax Collector - Prior Year	428
Cash Receipts	<u>58,229</u>
	<u>59,449</u>
	74,270
Decreased by:	
Senior Citizen Deductions Allowed by Tax Collector	250
Veteran's Deductions Per Tax Billings	51,250
Senior Citizen Deductions Per Tax Billings	<u>7,500</u>
	<u>59,000</u>
Balance, December 31, 2014	<u>\$ 15,270</u>

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

Year	Balance,	2014 Levy	Added Taxes	Senior	Collections	Senior	Tax Overpayment Applied	Taxes	Balance,	
	December 31, 2013			Citizens' and Veterans' Deductions Disallowed		Citizens' and Veterans' Deductions Allowed		Cancelled Remitted or Abated		December 31, 2014
2013	\$ 214,369		\$ 3,599	\$ 428	\$ 207,669				\$ 10,727	
2014	-	\$ 44,156,180	-	792	\$ 523,843	43,084,300	\$ 59,000	\$ 1,710	\$ 162,279	325,840
	<u>\$ 214,369</u>	<u>\$ 44,156,180</u>	<u>\$ 3,599</u>	<u>\$ 1,220</u>	<u>\$ 523,843</u>	<u>\$ 43,291,969</u>	<u>\$ 59,000</u>	<u>\$ 1,710</u>	<u>\$ 162,279</u>	<u>\$ 336,567</u>

Analysis of 2014 Property Tax Levy

TAX YIELD

General Property Tax	
Real Property Tax	\$ 43,993,311
Added Taxes (54:4-63.1 et seq.)	162,869
	<u>\$ 44,156,180</u>

TAX LEVY

Local School Tax (Abstract)	\$ 17,440,021
Regional School Tax (Abstract)	10,741,354
County Taxes (Abstract)	4,732,266
Due County for Added Taxes (54:4-63.1)	17,592
Municipal Open Space	<u>207,392</u>
	\$ 33,138,625
Local Tax for Municipal Library	672,145
Local Tax for Municipal Purposes - Operations	10,181,731
Add Additional Tax Levied	<u>163,679</u>
	<u>11,017,555</u>
	<u>\$ 44,156,180</u>

BOROUGH OF CLOSTER
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, December 31, <u>2013</u>	<u>Accrued</u>	<u>Collected</u>	Balance, December 31, <u>2014</u>
Licenses				
Alcoholic Beverages		\$ 28,702	\$ 28,702	
Board of Health		16,577	16,577	
Building Department		1,125	1,125	
Construction Code Official		300,236	300,236	
Fees and Permits - Other				
Borough Clerk		1,455	1,455	
Tax Assessor		1,205	1,205	
Fire Prevention		27,926	27,926	
Police		38,134	38,134	
Planning Board		9,156	9,156	
Zoning Board		16,350	16,350	
Public Works		14,594	14,594	
Building Department		6,971	6,971	
Board of Health		10,541	10,541	
Fines and Costs - Municipal Court		163,322	151,295	\$ 12,027
Interest and Cost on Taxes		60,992	60,992	
Interest on Investments and Deposits		9,985	9,985	
Cable Television Franchise Fees		107,958	107,958	
Energy Receipts Tax		1,491,991	1,491,991	
Watershed Moratorium Offset Aid		13,489	13,489	
Other Governmental Entities - Fuel Mgmt		107,450	107,450	
Uniform Fire Safety Act		15,428	15,428	
Cell Tower Rental		56,278	56,278	
Rental Payments		11,000	11,000	
Alpine Sewer Connection Fees	\$ -	10,840	10,840	-
	<u>\$ -</u>	<u>\$ 2,521,705</u>	<u>\$ 2,509,678</u>	<u>\$ 12,027</u>

**BOROUGH OF CLOSTER
STATEMENT OF DEFERRED CHARGES**

	Balance December 31, <u>2013</u>	Increased in 2014	Budget Appropriation	Balance December 31, <u>2014</u>
N.J.S. 40A:4-53 Special Emergency Authorizations:				
Employee Severance Liabilities	\$ 348,000		\$ 116,000	\$ 232,000
Overexpenditures of Appropriation Reserves		\$ 4,881		4,881
Overexpenditures of Appropriations	<u>12,171</u>	<u>-</u>	<u>12,171</u>	<u>-</u>
	<u>\$ 360,171</u>	<u>\$ 4,881</u>	<u>\$ 128,171</u>	<u>\$ 236,881</u>

EXHIBIT A-11

STATEMENT OF GRANTS RECEIVABLE

	Balance, December 31, <u>2013</u>	Realized as Budget Revenue	Decreased by Receipts	Cancelled	Balance, December 31, <u>2014</u>
Bergen County Prosecutor Office - SWAT Team		\$ 5,000	\$ 2,500		\$ 2,500
Drive Sober or Get Pulled Over	\$ 850			\$ 850	
Drunk Driving Education Fund		5,969	5,969		
Community Forestry Grant		3,000	3,000		
Clean Communities	<u>-</u>	<u>14,276</u>	<u>14,276</u>	<u>-</u>	<u>-</u>
	<u>\$ 850</u>	<u>\$ 28,245</u>	<u>\$ 25,745</u>	<u>\$ 850</u>	<u>\$ 2,500</u>

EXHIBIT A-12

STATEMENT OF EMERGENCY NOTES PAYABLE

	Interest Rate	Date of Maturity	Balance, December 31, <u>2013</u>	Increased	Decreased	Balance, December 31, <u>2014</u>
Employee Severance Liabilities	1.0399%	9/25/2015		\$ 232,000		\$ 232,000
	1.75%	9/26/2014	\$ 348,000	<u>-</u>	\$ 348,000	<u>-</u>
			<u>\$ 348,000</u>	<u>\$ 232,000</u>	<u>\$ 348,000</u>	<u>\$ 232,000</u>

**BOROUGH OF CLOSTER
STATEMENT OF 2013 APPROPRIATION RESERVES**

	Balance, December 31, 2013	Payables Cancelled	Budget Transfers	Budget After Transfer or Modification	Paid or Charged	Balance Lapsed	Over- Expenditure
Salaries and Wages							
General Administration	\$ 542		\$ (530)	\$ 12		\$ 12	
Municipal Clerk's Office	2,537			2,537		2,537	
Financial Administration	-		4,300	4,300	\$ (5,227)	9,527	
Information Technology	83			83		83	
Assessment of Taxes	-		1,500	1,500		1,500	
Revenue Administration	3,140			3,140		3,140	
Planning Board	40			40		40	
Zoning Board	104			104		104	
Municipal Court	234			234		234	
Salary Adjustments	20,750		(20,350)	400		400	
Fire Prevention	1,646		1,400	3,046	2,986	60	
Police	102,551		(15,850)	86,701	76,651	10,050	
Office of Emergency Management	48			48		48	
Road Repairs and Maintenance	116,884		(7,400)	109,484	14,680	94,804	
Shade Tree	111			111		111	
Public Buildings & Grounds	86			86		86	
Solid Waste Collection	-		9,100	9,100	3,678	5,422	
Recycling	181			181		181	
Vehicle Maintenance	25			25		25	
Public Health Services	1,365			1,365		1,365	
Board of Recreation Commissioners	2,111			2,111		2,111	
Uniform Construction Code							
Construction Code Official	-		2,400	2,400	2,292	108	
Zoning Officer	52			52		52	
Property Maintenance	-	-	1,650	1,650	1,585	65	-
	<u>252,490</u>	<u>-</u>	<u>(23,780)</u>	<u>228,710</u>	<u>96,645</u>	<u>132,065</u>	<u>-</u>
Other Expenses							
General Administration	80		230	310	302	8	
Municipal Clerk's Office	9,368			9,368	1,691	7,677	
Elections	1,392			1,392		1,392	
Financial Administration	5,464			5,464	4,744	720	
Audit Services	-		500	500	500	-	
Information Technology	2,187		(2,000)	187		187	
Assessment of Taxes	84			84	-	84	
Engineering	12,000			12,000	1,494	10,506	
Monitoring Wells	1,469			1,469		1,469	
Revenue Administration	3,126		(500)	2,626	-	2,626	
Legal	24,788		17,850	42,638	42,638	-	
Historical Commission	1,198			1,198	5	1,193	
Economic Development							
Closter Improvement Committee	58			58		58	
Planning Board	19,284	\$ 271	(2,500)	17,055		17,055	
Zoning Board	7,762			7,762		7,762	
Insurance							
Unemployment Insurance	843			843	820	23	
Workers Compensation Insurance	3,396	1,024		4,420		4,420	
General Liability Insurance	5,760	837		6,597		6,597	
Other Insurance Premiums	5,301			5,301	-	5,301	
Employee Group Health	18,828	17,871		36,699		36,699	
Health Benefit Waiver	10,000			10,000		10,000	
Construction Code Official	2,420			2,420	1,500	920	
Zoning Officer	300			300		300	
Property Maintenance	293			293		293	
Public Safety							
Fire Prevention	-		150	150	116	34	
Fire Protection							
Other Expenses	363			363	-	363	
Clothing Allowance	142			142		142	
Fire Hydrant	14,897			14,897	13,191	1,706	
Police							
Police-Other Expense	15,309		(13,350)	1,959	599	1,360	
Emergency Management	2,324			2,324		2,324	
First Aid Organization - Contribution	11,400			11,400	11,400	-	

**BOROUGH OF CLOSTER
STATEMENT OF 2013 APPROPRIATION RESERVES**

	Balance, December 31, 2013	Payables Cancelled	Budget Transfers	Budget After Transfer or Modification	Paid or Charged	Balance Lapsed	Over- Expenditure
Other Expenses (Continued)							
Streets and Roads							
Road Repairs and Maintenance	\$ 15,066		(2,400)	\$ 12,666	\$ 1,009	\$ 11,657	
Snow Removal	9,464			9,464	1,385	8,079	
Shade Tree	420			420	-	420	
Public Buildings & Grounds	368		2,650	3,018	2,942	76	
Solid Waste Collection	-	\$ 225	1,000	1,225		1,225	
Vehicle Maintenance	-		6,800	6,800	3,683	3,117	
Recycling	1,000		(800)	200		200	
Public Health	3,153			3,153	641	2,512	
Environmental Commission	80			80	-	80	
Animal Control	4,034			4,034		4,034	
Recreation and Education							
Parks and Playgrounds	3,367			3,367	100	3,267	
Board of Recreation Commissioners	-		4,750	4,750	8,873		\$ 4,123
Celebration of Public Events	517			517		517	
Landfill Solid Waste Disposal Costs							
Solid Waste Recycling Landfill and Contingency	10,001	40		10,041		10,041	
Utilities:							
Gasoline	23,534			23,534	-	23,534	
Electricity	8,240			8,240	2,405	5,835	
Natural Gas	4,705			4,705	1,768	2,937	
Telephone and Telegraph	2,908			2,908	4	2,904	
Street Lighting	4,471			4,471	2,105	2,366	
Sewer System	4,295			4,295		4,295	
Water	284	4,324		4,608		4,608	
Social Security System	30,301			30,301	9,175	21,126	
Public Employee's Retirement System	-		11,100	11,100	11,030	70	
Defined Contribution Retirement Plan	283	274		557		557	
Bergen County Utilities Authority - Operations	1			1		1	
Borough of Harrington Park - Gasoline	716			716		716	
Other Municipalities - Gasoline	42,140			42,140		42,140	
Municipal Court	90		300	390	352	38	
Public Defender	1,800			1,800	1,800	-	
Length of Service Awards Program	800	2,900		3,700		3,700	
Recycling Tonnage Grant	19,269			19,269	20,027		758
Drunk Driving Enforcement Fund	6,893			6,893	6,893	-	
Clean Communities Grant	15,092			15,092	15,092	-	
Police Body Armor Grant	4,631			4,631	4,631	-	
Drive Sober or Get Pulled Over	850	-	-	850	-	850	-
	<u>398,609</u>	<u>27,766</u>	<u>23,780</u>	<u>450,155</u>	<u>172,915</u>	<u>282,121</u>	<u>4,881</u>
	<u>\$ 651,099</u>	<u>\$ 27,766</u>	<u>\$ -</u>	<u>\$ 678,865</u>	<u>\$ 269,560</u>	<u>\$ 414,186</u>	<u>\$ 4,881</u>

Balance, December 31, 2013
Payables Restored to Appropriation Reserves

\$ 651,099
27,766
\$ 678,865

Cash Disbursements \$ 239,937
Appropriated Grant Reserves 4,623
Reserve for Accumulated Leave 25,000
\$ 269,560

**BOROUGH OF CLOSTER
STATEMENT OF ACCOUNTS PAYABLE**

Balance, December 31, 2013		\$	445,213
Increased by:			
Transfer from 2014 Budget Appropriations			350,798
			796,011
Decreased by:			
Encumbrances Payables Restored to Appropriation Reserves	\$	27,766	
Cash Disbursements		417,447	
			445,213
Balance, December 31, 2014		\$	350,798

EXHIBIT A-15

STATEMENT OF DUE TO STATE OF NEW JERSEY

		Marriage License Fees		Training Fees		Total
Balance, December 31, 2013	\$	300	\$	2,832	\$	3,132
Increased by:						
Cash Receipts		1,025		9,837		10,862
		1,325		12,669		13,994
Decreased by:						
Cash Disbursements		1,100		10,434		11,534
Balance, December 31, 2014	\$	225	\$	2,235	\$	2,460

EXHIBIT A-16

STATEMENT OF MISCELLANEOUS RESERVES

		Balance, December 31, 2013		Cancelled		Balance, December 31, 2014
Reserve for Insurance Recoveries	\$	15,401	\$	15,401		
Reserve for Revaluation		213		213		
Reserve for Severance Liabilities		413		413		-
	\$	16,027	\$	16,027	\$	-

**BOROUGH OF CLOSTER
STATEMENT OF PREPAID TAXES**

Balance, December 31, 2013		\$ 523,843
Increased by:		
Collection of 2015 Taxes		<u>216,576</u>
		740,419
Decreased by:		
Application to 2014 Taxes		<u>523,843</u>
Balance, December 31, 2014		<u>\$ 216,576</u>

STATEMENT OF TAX OVERPAYMENTS

Balance, December 31, 2013		\$ 105,118
Increased by:		
Cash Receipts	\$ 35,557	
Prior Year Adjustment	<u>701</u>	
		<u>36,258</u>
		141,376
Decreased by:		
Overpayments Applied - Taxes Receivable	1,710	
Cash Disbursements	<u>36,132</u>	
		<u>37,842</u>
Balance, December 31, 2014		<u>\$ 103,534</u>

STATEMENT OF LOCAL SCHOOL DISTRICT TAX PAYABLE

Increased by:		
Levy - Calendar Year		<u>\$ 17,440,021</u>
Decreased by:		
Payments		<u>\$ 17,440,021</u>

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

Balance, December 31, 2013		\$ 23,691
Increased by:		
2014 Tax Levy - General	\$ 4,681,501	
2014 Tax Levy - Open Space	50,765	
Added Taxes (54:4-63.1)	<u>17,592</u>	
		<u>4,749,858</u>
		4,773,549
Decreased by:		
Payments		<u>4,755,957</u>
Balance, December 31, 2014		<u>\$ 17,592</u>

EXHIBIT A-21

STATEMENT OF REGIONAL HIGH SCHOOL DISTRICT TAXES PAYABLE

Increased by:		
Levy, Calendar Year 2014		<u>\$ 10,741,354</u>
Decreased by:		
Payments		<u>\$ 10,741,354</u>

EXHIBIT A-22

SCHEDULE OF APPROPRIATED GRANT RESERVES

	Balance December 31, <u>2013</u>	Transferred From 2013 Appropriation <u>Reserves</u>	Balance, December 31, <u>2014</u>
Recreation Opportunity Grant	\$ 1,634		\$ 1,634
Alcohol Education	2,388	\$ 1,673	4,061
Domestic Violence	300		300
Master Plan - Historic Preservation	2,450		2,450
Green Team Mini Grant	300		300
Police Body Armor	473	2,950	3,423
Click It or Ticket	146		146
Drunk Driving Enforcement Fund	<u>1,290</u>	<u>-</u>	<u>1,290</u>
	<u>\$ 8,981</u>	<u>\$ 4,623</u>	<u>\$ 13,604</u>

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

	Balance, December 31, <u>2013</u>	Increased by <u>Receipts</u>	Realized as Budget <u>Revenue</u>	Balance, December 31, <u>2014</u>
Police Body Armor		\$ 2,018		\$ 2,018
Recycling Tonnage Grant		23,446		23,446
Closter Green Team		600		600
Alcohol Education	\$ 1,267	2,009	\$ 1,267	2,009
	<u>\$ 1,267</u>	<u>\$ 28,073</u>	<u>\$ 1,267</u>	<u>\$ 28,073</u>

STATEMENT OF RESERVE FOR TAX APPEALS

Balance, December 31, 2013	\$ 132,053
Increased by:	
2014 Budget Appropriation	<u>30,000</u>
	162,053
Decreased by:	
Payments	<u>70,269</u>
Balance, December 31, 2014	<u>\$ 91,784</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, 2013	\$ 28,536	\$ 1,974,510	\$ 231,014
Increased by Receipts:			
Interest on Deposits			\$ 695
Escrow and Miscellaneous Reserves		\$ 765,095	
License Fees Collected	\$ 6,611		
Due to State of New Jersey	747		
Payroll and Payroll Deductions		7,059,253	
Receipts from General Capital Fund			180,000
Receipts from Current Fund	-	-	413,216
	<u>7,358</u>	<u>7,824,348</u>	<u>593,911</u>
	35,894	9,798,858	824,925
Decreased by Disbursements:			
Payment to General Capital Fund			21,000
Payment to Current Fund	20,920		
Payments to State of NJ	747		
Animal Control Expenditures	3,001		
Open Space Expenditures			2,125
Payroll and Payroll Deductions Payable		7,149,472	
Escrow and Miscellaneous Reserves	-	764,190	-
	<u>24,668</u>	<u>7,913,662</u>	<u>23,125</u>
Balance, December 31, 2014	<u>\$ 11,226</u>	<u>\$ 1,885,196</u>	<u>\$ 801,800</u>

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

Balance, December 31, 2013 (Due To)	\$	1,045
Increased by:		
Cancelled Fund Balance		692
		1,737
Decreased by:		
Other Trust Fund Reserves Deposited in Current Fund		25,000
Balance, December 31, 2014 (Due From)	\$	23,263

STATEMENT OF RESERVE FOR ANIMAL CONTROL EXPENDITURES

Balance, December 31, 2013	\$	7,616
Increased by:		
Animal Control Fees		6,611
		14,227
Decreased by:		
Statutory Excess Due to Current Fund	\$	2,004
Cash Disbursements		3,001
		5,005
Balance, December 31, 2014	\$	9,222

STATEMENT OF DUE TO STATE OF NEW JERSEY
DOG REGULATION FEES

Balance, December 31, 2013	\$	-
Increased by:		
Registration Fees - Due State of New Jersey		747
		747
Decreased by:		
Payments		747
Balance, December 31, 2014	\$	-

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

Balance, December 31, 2013	\$ 20,920
Increased by:	
Statutory Excess	<u>2,004</u>
	22,924
Decreased by:	
Payments to Current Fund	<u>20,920</u>
 Balance, December 31, 2014	 <u>\$ 2,004</u>

EXHIBIT B-9

STATEMENT OF ESCROW AND MISCELLANEOUS RESERVES - OTHER TRUST FUND

	Balance, December 31, <u>2013</u>	<u>Increased</u>	<u>Decreased</u>	Balance, December 31, <u>2014</u>
Escrow	\$ 139,210	\$ 128,637	\$ 130,963	\$ 136,884
Special Recreation	124,282	143,487	169,544	98,225
Housing (COAH)	977,875	87,041	22,221	1,042,695
Fire Protect & Prevention	67,137	14,828	835	81,130
Miscellaneous Trusts	33,814	1,000		34,814
Street & Driveway Opening	11,026	1,000	1,000	11,026
Sidewalk Construction	26,352	2,700		29,052
Sewer Hookup	1,424			1,424
Parking Authority	61,609	8,250	11,250	58,609
Police Outside Employment	128,746	145,376	220,083	54,039
Court Parking (POAA)	760	150		910
Accumulated Leave	15,814	25,000		40,814
Snow Removal Trust	47,309			47,309
Tax Sale Premiums	110,935	153,500	166,600	97,835
Closter Swim Club		48,525		48,525
Challenger Donations	4,594	48		4,642
Trees	31,255	29,927		61,182
Found Money - Police	350	155	450	55
Closter Improvement Comm.	924	400		1,324
Police Donations - Training	50,636	71	41,244	9,463
Environmental Commission - Green Team	300			300
Nature Center Donations	1,500	-	-	1,500
	<u>\$ 1,835,852</u>	<u>\$ 790,095</u>	<u>\$ 764,190</u>	<u>\$ 1,861,757</u>
Cash Receipts		\$ 765,095		
Due from Current Fund		<u>25,000</u>		
		<u>\$ 790,095</u>		

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

Balance, December 31, 2013	\$ 136,921
Increased by:	
Cash Receipts	<u>7,059,253</u>
	7,196,174
Decreased by:	
Cash Disbursements	<u>7,149,472</u>
Balance, December 31, 2014	<u>\$ 46,702</u>

EXHIBIT B-11

STATEMENT OF RESERVE FOR MUNICIPAL OPEN SPACE
MUNICIPAL OPEN SPACE FUND

Balance, December 31, 2013	\$ 437,602
Increased by:	
Interest on Deposits	\$ 695
2014 Tax Levy	206,628
Added Tax Levy	764
Cancelled General Capital Ordinance Restored to Open Space Trust	<u>198,920</u>
	<u>407,007</u>
	844,609
Decreased by:	
Appropriated to Fund General Capital Ordinances	
Payments to General Capital Fund	39,920
Cash Disbursements	<u>2,125</u>
	<u>42,045</u>
Balance, December 31, 2014	<u>\$ 802,564</u>

EXHIBIT B-12

STATEMENT OF DUE FROM CURRENT FUND
MUNICIPAL OPEN SPACE FUND

Balance, December 31, 2013	\$ 206,588
Increased by:	
2014 Tax Levy	\$ 206,628
Added Tax Levy	<u>764</u>
	<u>207,392</u>
	413,980
Decreased by:	
Receipts from Current Fund	<u>413,216</u>
Balance, December 31, 2014	<u>\$ 764</u>

GENERAL CAPITAL FUND

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

Balance, December 31, 2013		\$ 1,241,511
Increased by Receipts:		
Budget Appropriation - Capital Improvement Fund	\$ 157,530	
Grants Receivable	37,500	
Premium on Sale of Notes	13,274	
Bond Anticipation Notes Issued	1,483,000	
Interest on Deposits	101	
Receipts from Current Fund	112,608	
Receipts from Open Space Trust Fund	21,000	
Reimbursements Received	<u>77,564</u>	
		<u>1,902,577</u>
		3,144,088
Decreased by:		
Improvement Authorizations	945,907	
Contracts Payable	213,681	
Payments to Open Space Trust Fund	180,000	
Payments to Current Fund	88,000	
Payment of Bond Anticipation Notes	<u>111,000</u>	
		<u>1,538,588</u>
Balance, December 31, 2014		<u>\$ 1,605,500</u>

**BOROUGH OF CLOSTER
ANALYSIS OF GENERAL CAPITAL CASH
AS OF DECEMBER 31, 2014**

Capital Improvement Fund	\$ 299
Fund Balance	87,316
Contracts Payable	855,775
Reserve for Payment of Debt	5,088
Grants Receivable	(164,101)
Due from Current Fund	(28,899)
Reserve for Payment of Notes	37,509
Overexpenditure of Ordinance	(323)

Improvement Authorizations:

<u>Ord. No.</u>	<u>Improvement Description</u>	
919	Various Capital Improvements	(174)
975	Various Improvements	5,650
995	Various Improvements	(2,845)
1037	Park and Historic Preservation Improvements	4,559
1043	Park and Historic Preservation Improvements	39,470
1070	Safe Sidewalks to Tenakill School	36,796
1075	Various Improvements	73,999
1077	Reconstruction of Basketball Courts and Purchase of Bleachers and Picnic Tables	19,704
1088	Park, Farmland and Historic Preservation	64,162
1091	Reconstruction of Herbert Avenue - Sect IV	888
1095	Park, Farmland and Historic Preservation	1,125
1103	Acquisition of Various Equipment	9,009
1120	Acquisition of Ladder Truck and Pickup	15,599
1121	Park, Farmland and Historic Preservation	46,853
1125	Reconstruction of Various Roadways	60,614
1129	Acquisition of Various Equipment	10,679
1131	Park, Farmland and Historic Preservation	16,308
1132	Park, Farmland and Historic Preservation	54,359
1139	Park, Farmland and Historic Preservation	490
1142	Various Improvements	147,356
1143	Park, Farmland and Historic Preservation	18,568
1144	Acquisition of New and Additional Equipment	13,236
1147	Acquisition of Various Equipment	7,752
1162	Borough Hall Exterior Repairs and Roof Replacement	55,239
1164	Various Capital Improvements	92,904
1166	Acquisition of Various Equipment	1,616
1179	Park, Farmland and Historic Preservation	18,920
		<u>\$ 1,605,500</u>

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

Balance, December 31, 2013		\$ 8,224,382
Decreased by:		
Budget Appropriations		
Serial Bonds	\$ 1,346,000	
Green Trust Loans	<u>3,515</u>	
		<u>1,349,515</u>
Balance, December 31, 2014		<u>\$ 6,874,867</u>

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

Ord. No.	Improvement Description	Balance, December 31, 2013	2014			Balance, December 31, 2014	Analysis of Balance		Unexpended Improvement Authorizations
			Authorizations	Grant Receipts	2014 Budget Appropriation		Cancelled	Bond Anticipation Notes	
843	Various Improvements	\$ 275,123				\$ 275,123	\$ 275,123		
919	Various Capital Improvements	174				174		\$ 174	
995	Various Improvements	2,845				2,845		2,845	
1016	Acquisition of Pumper (Supp. Ord. 995)	115							\$ 115
1075	Various Improvements	542,756			\$ 32,478	510,278	510,278		
1091	Reconstruction of Herbert Ave - Sect. IV	40,000			2,105	37,895	37,895		
1103	Acquisition of Various Equipment	190,000			10,417	179,583	179,583		
1120	Acquisition of Ladder Truck and Pickup	1,072,347				1,072,347	1,072,347		
1125	Reconstruction of Various Roadways	294,500				294,500	294,500		
1129	Acquisition of Various Equipment	149,915				149,915	149,915		
1142	Various Improvements	1,182,350		\$ 37,500		1,144,850	1,144,850		
1162	Borough Hall Ext. Repairs & Roof Replacement		\$ 617,500			617,500	617,500		
1164	Various Capital Improvements	-	1,430,570			1,430,570	865,500		\$ 565,070
		<u>\$ 3,750,125</u>	<u>\$ 2,048,070</u>	<u>\$ 37,500</u>	<u>\$ 45,000</u>	<u>\$ 5,715,580</u>	<u>\$ 5,147,491</u>	<u>\$ 3,019</u>	<u>\$ 565,070</u>
							\$ 5,185,000		
							37,509		
							<u>\$ 5,147,491</u>		
									\$ 1,031,357
								\$ 73,999	
								888	
								9,009	
								15,599	
								60,614	
								10,679	
								147,356	
								55,239	
								<u>92,904</u>	
									<u>466,287</u>
									<u>\$ 565,070</u>

**BOROUGH OF CLOSTER
STATEMENT OF GRANTS RECEIVABLE**

	<u>Total</u>	<u>Upgrade E-911 Telephone Ord. No. 954</u>	<u>Park & Historical Pres. Ord. No. 1043</u>	<u>West Street Improvements Ord. No. 1044</u>	<u>Herbert Avenue Section IV Ord. No. 1091</u>	<u>Safe Routes To Schools Ord. No. 1070</u>	<u>County of Bergen - ADA Ramps Ord. No. 1078</u>	<u>County of Bergen - Open Space Ord. No. 1077</u>	<u>Dept. of Transportation Ord. No. 1125</u>	<u>Dept. of Transportation Ord. No. 1142</u>	<u>Dept. of Transportation Ord. No. 1164</u>
Balance, December 31, 2013	\$ 201,787	\$ 90	\$ 40,749	\$ 3,648	\$ 12,839	\$ 75,638	\$ 3,766	\$ 14,521	\$ 13,036	\$ 37,500	
Increased by:											
Grant Awards	149,000	-	-	-	-	-	-	-	-	-	\$ 149,000
	350,787	90	40,749	3,648	12,839	75,638	3,766	14,521	13,036	37,500	149,000
Decreased By:											
Cancelled	186						186				
Receipts	37,500	-	-	-	-	-	-	-	-	37,500	-
Balance, December 31, 2014	<u>\$ 313,101</u>	<u>\$ 90</u>	<u>\$ 40,749</u>	<u>\$ 3,648</u>	<u>\$ 12,839</u>	<u>\$ 75,638</u>	<u>\$ 3,580</u>	<u>\$ 14,521</u>	<u>\$ 13,036</u>	<u>\$ -</u>	<u>\$ 149,000</u>
Pledged to Reserve	\$ 149,000										
Pledged to Ordinances	164,101										
	<u>\$ 313,101</u>										

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

Balance, December 31, 2013		\$ 112,608
Increased by:		
Payments to Current Fund		<u>88,000</u>
		200,608
Decreased by:		
Anticipated as Current Fund Revenue		
Reserve for Payment of Debt	\$ 59,000	
Receipts from Current Fund	112,608	
Interest on Deposits	<u>101</u>	
		<u>171,709</u>
Balance, December 31, 2014		<u>\$ 28,899</u>

EXHIBIT C-8

STATEMENT OF DUE FROM OPEN SPACE TRUST FUND

Increased by:		
Payments to Open Space Trust Fund	\$ 180,000	
Appropriated for Improvement Authorizations	<u>39,920</u>	
		219,920
Decreased by:		
Receipts from Open Space Trust Fund	\$ 21,000	
Cancelled Ordinance Balances Restored to Open Space Trust	<u>198,920</u>	
		<u>219,920</u>
Balance, December 31, 2014		<u>\$ -</u>

EXHIBIT C-9

STATEMENT OF GREEN TRUST FUND LOAN PAYABLE

Balance, December 31, 2013		\$ 16,382
Decreased by:		
Budget Appropriation		<u>3,515</u>
Balance, December 31, 2014		<u>\$ 12,867</u>

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

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding December 31, 2014</u>		<u>Interest Rate</u>	<u>Balance, December 31, 2013</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance, December 31, 2014</u>
			<u>Date</u>	<u>Amount</u>					
General Improvements	8/1/2001	\$ 4,860,000				\$ 460,000		\$ 460,000	
71 General Improvements	5/10/2010	4,062,000	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			3,278,000	-
Refunding Bonds	6/15/2012	4,505,000	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				
								<u>4,470,000</u>	<u>-</u>
					<u>\$ 8,208,000</u>	<u>\$ -</u>	<u>\$ 1,346,000</u>	<u>\$ 6,862,000</u>	

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

Ord. No.	Improvement Description	Date of Issue of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance, December 31, 2013	Increased	Decreased	Balance, December 31, 2014
1075	Various Improvements	12/16/2011	9/27/2013 9/26/2014	9/26/2014 2/25/2015	0.62% 1.00%	\$ 542,756	\$ 510,278	\$ 542,756	\$ 510,278
1091	Reconstruction of Herbert Avenue - Section IV	12/16/2011	9/27/2013 9/26/2014	9/26/2014 2/25/2015	0.62% 1.00%	40,000	37,895	40,000	37,895
1103	Acquisition of Various Equipment	12/16/2011	9/27/2013 9/26/2014	9/26/2014 2/25/2015	0.62% 1.00%	190,000	179,583	190,000	179,583
1120	Acquisition of Ladder Truck and Pickup	9/28/2012	9/27/2013 9/26/2014	9/26/2014 2/25/2015	0.62% 1.00%	1,072,347	1,072,347	1,072,347	1,072,347
1125	Reconstruction of Various Roadways	9/28/2012	9/27/2013 9/26/2014	9/26/2014 2/25/2015	0.62% 1.00%	294,500	294,500	294,500	294,500
1129	Acquisition of Various Equipment	9/28/2012	9/27/2013 9/26/2014	9/26/2014 2/25/2015	0.62% 1.00%	149,915	149,915	149,915	149,915
843	Various Improvements	9/27/2013	9/27/2013 9/26/2014	9/26/2014 2/25/2015	0.62% 1.00%	275,123	275,123	275,123	275,123
1142	Various Improvements	9/27/2013	9/27/2013 9/26/2014	9/26/2014 2/25/2015	0.62% 1.00%	1,293,359	1,182,359	1,293,359	1,182,359
1162	Borough Hall Exterior Repairs and Roof Replaceme	9/26/2014	9/26/2014	2/25/2015	1.00%		617,500		617,500
1164	Various Capital Improvements	9/26/2014	9/26/2014	2/25/2015	1.00%	-	865,500	-	865,500
						<u>\$ 3,858,000</u>	<u>\$ 5,185,000</u>	<u>\$ 3,858,000</u>	<u>\$ 5,185,000</u>
						Notes Issued	\$ 1,483,000		
						Paid By Budget Appropriation		\$ 45,000	
						Notes Paid by Capital Cash		111,000	
						Renewals	<u>3,702,000</u>	<u>3,702,000</u>	
							<u>\$ 5,185,000</u>	<u>\$ 3,858,000</u>	

**BOROUGH OF CLOSTER
STATEMENT OF CONTRACTS PAYABLE**

Balance, December 31, 2013	\$ 264,952
Increased by:	
Charges to Improvement Authorization	<u>804,504</u>
	1,069,456
Decreased by:	
Payments	<u>213,681</u>
Balance, December 31, 2014	<u>\$ 855,775</u>

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, December 31, 2013	\$ 5,299
Increased by:	
Budget Appropriation	<u>157,530</u>
	162,829
Decreased by:	
Appropriated to Finance Improvement Authorizations	<u>162,530</u>
Balance, December 31, 2014	<u>\$ 299</u>

STATEMENT OF RESERVE FOR PAYMENT OF DEBT

Balance, December 31, 2013	\$ 64,088
Decreased by:	
Anticipated as Current Fund Revenue	<u>59,000</u>
Balance, December 31, 2014	<u>\$ 5,088</u>

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

Ordinance Number	Improvement Description	Balance, December 31, 2013	2014 Improvement Authorizations	Bond Anticipation Notes Issued	Adjustment	Authorization Cancelled	Balance, December 31, 2014
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	1,491			\$ 1,491		
1162	Borough Hall Exterior Repairs & Roof Replacement		\$ 617,500	\$ 617,500			
1164	Various Capital Improvements	-	1,430,570	865,500	-	-	565,070
		<u>\$ 4,625</u>	<u>\$ 2,048,070</u>	<u>\$ 1,483,000</u>	<u>\$ 1,491</u>	<u>\$ 115</u>	<u>\$ 568,089</u>

PUBLIC ASSISTANCE FUND

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

Balance, December 31, 2013	\$ 12,287
Increased by:	
Donations	<u>10,194</u>
	22,481
Decreased by:	
Payments - Local Assistance	<u>10,998</u>
Balance, December 31, 2014	<u><u>\$ 11,483</u></u>

STATEMENT OF RESERVE FOR PUBLIC ASSISTANCE EXPENDITURES

Balance, December 31, 2013	\$ 12,287
Increased by:	
Donations	<u>10,194</u>
	22,481
Decreased by:	
Expenditures	<u>10,998</u>
Balance, December 31, 2014	<u><u>\$ 11,483</u></u>

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

Revenues	
Donations	<u>\$ 10,194</u>

STATEMENT OF PUBLIC ASSISTANCE EXPENDITURES

Expenditures	
Local Assistance	<u>\$ 10,998</u>

BOROUGH OF CLOSTER
COUNTY OF BERGEN

PART II
GOVERNMENT AUDITING STANDARDS



LERCH, VINCI & HIGGINS, LLP

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

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, 2014, and the related notes to the financial statements, and have issued our report thereon dated June 3, 2015. Our report on the financial statements – regulatory basis was modified to indicate 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 modified on the regulatory basis of accounting because of the presentation of the unaudited LOSAP Trust Fund financial statements.

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 (internal control) 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2014-001 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 matter that is 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 2014-001.

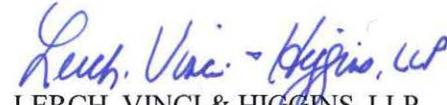
We also noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Borough of Closter in Part III of this report of audit entitled; “Letter of Comments and Recommendations”.

Borough of Closter’s Response to Finding

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

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 3, 2015

**BOROUGH OF CLOSTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

<u>Federal Program</u>	<u>CFDA Number</u>	<u>Grant Year</u>	<u>Grant Receipts</u>	<u>Balance, January 1, 2014</u>	<u>Revenue</u>	<u>Expended</u>	<u>Cancelled</u>	<u>Balance, December 31, 2014</u>	<u>(Memo Only) 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	2014	92,277		\$ 92,277	\$ 92,277			246,605
Department of Transportation Occupant Protection Program (Click It or Ticket)	20.602	2012		146				146	3,854
Drive Sober or Get Pulled Over	20.601	2013		850	-	-	850	-	3,550
				<u>\$ 1,182</u>	<u>\$ 92,277</u>	<u>\$ 92,277</u>	<u>\$ 1,036</u>	<u>\$ 146</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, 2014

<u>State Grant Program</u>	<u>Grant Number</u>	<u>Grant Year</u>	<u>2014 Grant Receipts</u>	<u>Balance, January 1, 2014</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Adjustments</u>	<u>Balance, December 31, 2014</u>	<u>(Memo Only) Cumulative Expenditures</u>
Department of Transportation									
Herbert Avenue Section IV - Ord. No. 1091	0786320480ALC	2011		\$ 12,839				\$ 12,839	\$ 137,161
Herbert Avenue & Blanche. - Ord. No. 1125	0786320480ALC	2012		13,036				13,036	133,464
2013 Road Program (Ord. No. 1142)	0786320480ALL	2013	\$ 37,500	37,500		\$ 37,500		-	150,000
Recycling Tonnage Grant	4830-752-050550-50	2012		4,087		4,087			14,755
		2013		15,182		15,182			15,182
		2014	23,446						
Drunk Driving Enforcement Fund	1110-448-031020-22	2011		1,290				1,290	8,960
		2013		5,220		5,220		-	5,220
		2014	5,969		\$ 5,969	4,963		1,006	4,963
Clean Communities Program	4900-765-178900	2013		15,092		15,092		-	15,221
		2014	14,276		14,276			14,276	
Police Body Armor - State Share	N/A	2011		473				473	1,731
		2012		2,076		1,681		395	1,681
		2013		2,555				2,555	
		2014	2,018						
Community Forestry Grant		2014	3,000		3,000			3,000	
State Parks Service Historic Preservation	4875-100-042	2010		2,450				2,450	17,550
Alcohol Education and Rehabilitation Fund	N/A	2010		255				255	348
		2011		2,133				2,133	260
		2012		1,673				1,673	
		2013			1,267			1,267	
		2014	2,009						

BOROUGH OF CLOSTER
SCHEDULE OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2014

<u>State Grant Program</u>	<u>Account Number</u>	<u>Grant Year</u>	<u>2014 Grant Receipts</u>	<u>Balance, January 1, 2014</u>	<u>Revenue</u>	<u>Expended</u>	<u>Adjustments</u>	<u>Balance, December 31, 2014</u>	<u>(Memo Only) Cumulative Expenditures</u>
Domestic Violence	N/A	2008		\$ 300				\$ 300	
Recreation Opportunity	N/A	2010		1,119				1,119	\$ 8,881
		2012		515				515	
Green Team	N/A	2011		300				300	
		2014	\$ 600	-	-	-	-	-	
Total State Financial Assistance				<u>\$ 118,095</u>	<u>\$ 24,512</u>	<u>\$ 83,725</u>	<u>\$ -</u>	<u>\$ 58,882</u>	

This schedule is not subject to a state single audit in accordance with NJ Circular 15-08.

**BOROUGH OF CLOSTER
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2014**

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 schedules 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	<u>\$ 92,277</u>	<u>\$ 24,512</u>	<u>\$ 116,789</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.

NOTE 5 STATE LOANS OUTSTANDING

The Borough's state loan outstanding at December 31, 2014, which is not required to be reported on the schedule of expenditures of state financial assistance, is as follows:

Loan Program

N.J. Dept. of Environmental Protection	
Conrail Land Acquisition	<u>\$ 12,867</u>

**BOROUGH OF CLOSTER
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2014**

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 2014-001

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, 2014**

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 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.

Current Status

See Finding 2014-001.

BOROUGH OF CLOSTER
COUNTY OF BERGEN

PART III

SUPPLEMENTARY DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2014

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

	<u>Year 2014</u>		<u>Year 2013</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 1,080,000	2.24 %	\$ 1,040,000	2.18 %
Miscellaneous - From Other Than Local				
Property Tax Levies	2,878,911	5.96	3,029,106	6.35
Collection of Delinquent Taxes and Tax Title Liens	207,669	0.43	345,925	0.73
Collection of Current Tax Levy	43,668,061	90.43	43,043,539	90.22
Other Credits	<u>454,874</u>	<u>0.94</u>	<u>250,161</u>	<u>0.52</u>
Total Income	<u>48,289,515</u>	<u>100.00 %</u>	<u>47,708,731</u>	<u>100.00 %</u>
EXPENDITURES				
Budget Expenditures				
Municipal Purposes	13,899,364	29.54	13,970,811	29.85
County Taxes	4,749,858	10.10	4,666,201	9.97
Local and Regional School Taxes	28,181,375	59.90	27,827,283	59.47
Municipal Open Space Tax	207,392	0.44	206,588	0.44
Other Expenditures	<u>9,392</u>	<u>0.02</u>	<u>125,349</u>	<u>0.27</u>
Total Expenditures	<u>47,047,381</u>	<u>100.00 %</u>	<u>46,796,232</u>	<u>100.00 %</u>
Excess in Revenue	1,242,134		912,499	
Expenditures Included Above which are by Statute Deferred Charges to Budget of Succeeding Year	<u>4,881</u>		<u>12,171</u>	
	1,247,015		924,670	
Fund Balance, January 1	<u>1,596,828</u>		<u>1,712,158</u>	
	2,843,843		2,636,828	
Less Utilization as Anticipated Revenue	<u>1,080,000</u>		<u>1,040,000</u>	
Fund Balance, December 31	<u>\$ 1,763,843</u>		<u>\$ 1,596,828</u>	

**BOROUGH OF CLOSTER
SUPPORTING DATA**

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>Tax Rate</u>	<u>\$2.129</u>	<u>\$2.102</u>	<u>\$2.084</u>

Apportionment of Tax Rate

Municipal	.493	.480	.473
Municipal Library	.032	.032	.034
Municipal Open Space Tax	.010	.009	.010
Regional High School	.520	.520	.522
Local School	.844	.834	.821
County (Includes County Open Space Tax)	.230	.227	.224

Assessed Valuation Basis

2014	<u>\$2,066,283,800</u>	
2013		<u>\$2,056,362,000</u>
2012		<u>\$2,056,029,477</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>
2014	\$ 44,156,180	\$ 43,668,061	98.89%
2013	43,444,222	43,043,539	99.08%
2012	43,017,020	42,389,636	98.54%

Delinquent Taxes

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

<u>December 31 Year</u>	<u>Amount of Delinquent Taxes</u>	<u>Percentage of Tax Levy</u>
2014	\$ 336,567	0.76%
2013	214,369	0.49%
2012	356,718	0.83%

**BOROUGH OF CLOSTER
SUPPORTING DATA**

Property Acquired By Tax Title Lien Foreclosure

No properties have been acquired in 2014 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>
2014	\$130,531
2013	130,531
2012	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	2014	\$1,763,843	\$1,180,000 *
	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

* The above fund balance amount appropriated represents the surplus anticipated in the 2015 introduced municipal budget. The 2015 municipal budget has not been legally adopted as of the date of audit.

**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 Treasurer (January 1 to June 30)
Dee Woods	Deputy Treasurer
Maria Passafaro	Tax Collector, Acting Chief Financial Officer
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
James C. Hoffman	Electrical Subcode Official
Richard F. Keeley	Elevator Subcode Official
Thomas R. Betancourt	Municipal Court Judge
Bonnie Switzer	Municipal Court Administrator

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

**BOROUGH OF CLOSTER
SUPPLEMENTARY DATA**

GENERAL COMMENTS

Current Year

Our audit of fixed assets noted that the Borough hired an independent appraisal company to value the Borough's assets as of December 31, 2014. Our review of the report revealed that certain assets were not valued at their acquisition price, a truck was not included in the report and land and buildings were reported at their current assessed valuation rather than at the estimated historical cost. It is recommended that the fixed asset ledger be reconciled to the Borough's records and consideration be given to integrate the fixed assets records with the financial accounting system.

Our audit of expenditures revealed that:

- a) Quotes were not always obtained for purchases of recreation supplies or equipment.
- b) The Borough utilized a national cooperative however there was no documentation to support the cost savings of the contract. Furthermore, a political contribution disclosure form was not obtained from the vendor.

It is recommended that the Borough adhere to the Local Public Contracts Law regarding quotes and the use of cooperatives.

Our audit of the Other Trust Fund revealed that escrow monies are not always refunded to the applicant upon completion of the project. It is recommended that the Borough review its procedures relating to developer's trust to ensure that the respective escrow balances are refunded in a timely manner.

Our audit of public assistance noted that documentation to support the expenditure/purchase was not always available for audit. It is recommended that supporting documentation be obtained for all disbursements made from the Public Assistance Account.

The audit of the Uniform Construction Code Department revealed that in certain instances, building permits and certificates of occupancy were issued for improvements which exceeded \$100,000 in valuation, however, these respective property valuations were not increased in the Tax Duplicate of the Borough. It is recommended that property owners' assessed valuations be adjusted when certificates of occupancy are issued for building improvements of significant value.

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

Our audit of payroll revealed that 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 personnel procedures be reviewed to ensure the correct date is utilized for the accrual of sick/vacation time.

**BOROUGH OF CLOSTER
SUPPLEMENTARY DATA**

GENERAL COMMENTS

Prior Year Unresolved Findings (Continued)

Our audit of the Municipal Departments revealed the following:

Recreation

- Receipts totaling approximately \$15,000 were not recorded in the Community Pass Accounting System.
- In certain instances a registration form was not available for audit.

Fire Prevention

- Smoke detector fees were not recorded in the department cash book.

It is recommended that:

- All monies collected by the Recreation Department be entered into the Community Pass System. Furthermore, the Special Recreation account deposits be reconciled with the amounts reported in the Community Pass System.
- All registration forms be retained and available for audit.
- The Fire Prevention cash book include all fees collected by the department.

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 vendors who are awarded contracts between \$17,500 and \$36,000 file a PCD form as required with the Borough.

Our audit of the Borough's General Capital Fund noted there are several grant receivable balances which remain outstanding at year end. It is recommended that General Capital Fund grant receivable balances be reviewed and action taken to clear them 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 to Current Fund.

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

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

The minutes indicate that bids were requested by public advertising and awarded for the following items:

Emergency Generator
Composting

Trap System for Ballistic Containment
Exterior Renovation and Roof Replacement at Borough Hall

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 2, 2014 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

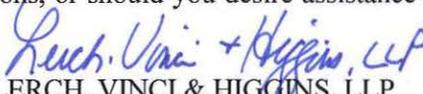
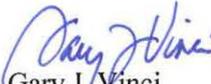
It is recommended that:

- * 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. Furthermore, the Borough review its procedures relating to developer's trust to ensure that the respective escrow balances are refunded in a timely manner.
- 2. The fixed asset ledger be reconciled to the Borough's records and consideration be given to integrate the fixed assets records with the financial accounting system.
- 3. The Borough adhere to the Local Public Contracts Law regarding quotes and the use of cooperatives.
- 4. Supporting documentation be obtained for all disbursements made from the Public Assistance Account.
- * 5. The Borough prepare a Section 125 spending plan, in accordance with IRS requirements and that the plan be approved by the Governing Body.
- * 6. Personnel procedures be reviewed to ensure the correct date is utilized for the accrual of sick/vacation time.
- 7. With respect to the Municipal Departments:
 - * o All monies collected by the Recreation Department be entered into the Community Pass System. Furthermore, the Special Recreation account deposits be reconciled with the amounts reported in the Community Pass System.
 - * o All registration forms be retained and available for audit.
 - * o The Fire Prevention cash book include all fees collected by the department.
 - o Property owners' assessed valuations be adjusted when certificates of occupancy are issued for building improvements of significant value.
- * 8. Vendors who are awarded contracts between \$17,500 and \$36,000 file a Political Contribution Disclosure (PCD) form as required with the Borough.
- * 9. General Capital grant receivable balances be reviewed and action taken to clear of record.
- * 10. All Trust Fund reserves be reviewed and approval to expend dedicated funds be obtained from the Division of Local Government Services or balances be transferred to Current Fund.

A review was performed on all prior year's recommendations. Those recommendations which have not been corrected and which are repeated in this audit are denoted with an asterisk (*).

The recommendations noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to our comments and recommendations, or should you desire assistance in implementing our recommendations, please do not hesitate to call us.


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

Gary J. Vinci
Registered Municipal Accountant
RMA Number CR00411