

BOROUGH OF CLOSTER
BERGEN COUNTY, NEW JERSEY
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2015

BOROUGH OF CLOSTER

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BOROUGH OF CLOSTER

BERGEN COUNTY

PART I

REPORT OF AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015



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, 2015 and 2014, 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, 2015, 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 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 financial reporting 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 matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, 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, 2015 and 2014, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As discussed in Note 18 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, 2015 and 2014. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 17 percent and 18 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2015 and 2014.

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, 2015 and 2014, 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, 2015 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 27, 2016 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 27, 2016

BOROUGH OF CLOSTER
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2015 AND 2014

ASSETS	<u>Reference</u>	<u>2015</u>	<u>2014</u>
Cash	A-4	\$ 3,607,749	\$ 3,071,904
Change Fund	A-6	250	250
Grants Receivable	A-11	<u>12,136</u>	<u>2,500</u>
		<u>3,620,135</u>	<u>3,074,654</u>
Receivables and Other Assets with Full Reserves			
Delinquent Property Taxes Receivable	A-8	278,639	336,567
Property Acquired for Taxes - Assessed Value	A	130,531	130,531
Due from General Capital Fund	C-8	5,088	
Due from Animal Control Fund	B-8	2,828	2,004
Due from Other Trust Fund	B-5	1,737	
Revenue Accounts Receivable	A-9	<u>14,330</u>	<u>12,027</u>
		<u>433,153</u>	<u>481,129</u>
Deferred Charges			
Special Emergency Authorizations (40A:4-55)	A-10	116,000	232,000
Overexpenditure of Appropriations and Appropriation Reserves	A-10	<u>-</u>	<u>4,881</u>
		<u>116,000</u>	<u>236,881</u>
Total Assets		<u>\$ 4,169,288</u>	<u>\$ 3,792,664</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
Special Emergency Notes Payable	A-12	\$ 116,000	\$ 232,000
Appropriation Reserves	A-3,A-13	703,941	422,820
Accounts Payable	A-14	554,991	350,798
Due to State of New Jersey			
Senior Citizens and Veterans Deductions	A-7	15,027	15,270
Department of Human Services - Marriage License Fees	A-15	125	225
State Training Fees	A-15	2,563	2,235
Due to Open Space Trust Fund	B-12	1,514	764
Due to Other Trust Fund	B-5		23,263
Due to General Capital Fund	C-8		28,899
Prepaid Taxes	A-16	265,161	216,576
Tax Overpayments	A-17	63,952	103,534
County Taxes Payable	A-19	18,234	17,592
Other Liabilities	A	255	255
Reserve for Tax Appeals	A-23	102,291	91,784
Appropriated Grants Reserves	A-21	27,003	13,604
Unappropriated Grants Reserves	A-22	<u>19,057</u>	<u>28,073</u>
Total Liabilities		1,890,114	1,547,692
Reserve for Receivables and Other Assets	A	433,153	481,129
Fund Balance	A-1	<u>1,846,021</u>	<u>1,763,843</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 4,169,288</u>	<u>\$ 3,792,664</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, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
REVENUES AND OTHER INCOME REALIZED		
Surplus Anticipated	\$ 1,180,000	\$ 1,080,000
Miscellaneous Revenues Anticipated	2,785,566	2,598,291
Receipts from Delinquent Taxes	336,567	207,669
Receipts from Current Taxes	45,033,055	43,668,061
Non-Budget Revenues	192,527	280,620
Other Credits to Income		
Interfunds Returned	2,004	21,965
Miscellaneous Reserves and Deposits		16,027
Statutory Excess - Animal Control Fund	2,828	2,004
Unexpended Balance of Appropriation Reserves	177,312	414,186
Fund Balance - Other Trust Fund	-	692
	<u>49,709,859</u>	<u>48,289,515</u>
Total Revenues		
EXPENDITURES		
Municipal Budget	14,271,443	13,899,364
Local School District Taxes	17,779,426	17,440,021
County Taxes	5,041,556	4,749,858
Regional School District Taxes	11,138,163	10,741,354
Municipal Open Space Taxes	207,440	207,392
Other Debits		
Overexpenditure of Appropriation Reserves		4,881
Interfund Advance	9,653	2,004
Refund of Prior Year Revenue		528
Senior Citizens and Veterans Disallowed		428
Tax Overpayments		701
Cancelled Grants Receivable	-	850
	<u>48,447,681</u>	<u>47,047,381</u>
Total Expenditures		
Excess in Revenues	1,262,178	1,242,134
Expenditures Included Above Which are by Statute		
Deferred Charges to Budget of Succeeding Year	-	4,881
Statutory Excess to Fund Balance	1,262,178	1,247,015
Fund Balance, January 1	<u>1,763,843</u>	<u>1,596,828</u>
	3,026,021	2,843,843
Decreased by:		
Utilization as Anticipated Revenue	<u>1,180,000</u>	<u>1,080,000</u>
Fund Balance, December 31	<u>\$ 1,846,021</u>	<u>\$ 1,763,843</u>

BOROUGH OF CLOSTER
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Anticipated</u>		Realized in 2015	Excess or (Deficit)
	<u>Budget</u>	Special N.J.S. <u>40A:4-87</u>		
Fund Balance Utilized	\$ 1,180,000	-	\$ 1,180,000	-
Miscellaneous Revenues				
Licenses				
Alcoholic Beverages	23,000		27,788	\$ 4,788
Other	17,000		16,172	(828)
Fees and Permits	125,000		98,915	(26,085)
Fines and Costs - Municipal Court	145,000		140,207	(4,793)
Interest on Costs on Taxes	60,000		78,284	18,284
Interest on Investments and Deposits	10,000		10,299	299
Cable Television Franchise Fees	100,000		112,905	12,905
Energy Receipts Tax	1,491,991		1,491,991	-
Watershed Moratorium Offset Aid	13,489		13,489	-
Uniform Construction Code Fees	300,000		464,693	164,693
Other Governmental Entities - Fuel Mgmt - Gasoline	100,000		100,391	391
Other Governmental Entities - Fire Arms		\$ 7,600	7,600	
Alcohol Education and Rehabilitation	2,009		2,009	
Bergen County Prosecutor's Office - SWAT Team	5,000		5,000	
Police Body Armor Replacement	2,018	2,015	4,033	
Drive Sober	6,646		6,646	
Recycling Tonnage Grant	23,446		23,446	
Community Forestry Grant	600		600	
Drunk Driving Enforcement Fund		3,994	3,994	
Bergen County Prosecutor's Office - Confiscated Funds		9,636	9,636	
Uniform Fire Safety Act	15,000		14,992	(8)
Cell Tower Rental	56,000		113,273	57,273
Rental Payments	11,000		11,000	-
Alpine Sewer Connection Fees	10,000		11,115	1,115
Police Outside Services Administrative Fees	12,000		12,000	-
Reserve for Payment of Debt	5,088	-	5,088	-
Total Miscellaneous Revenues	<u>2,534,287</u>	<u>23,245</u>	<u>2,785,566</u>	<u>228,034</u>
Receipts from Delinquent Taxes	<u>300,000</u>	<u>-</u>	<u>336,567</u>	<u>36,567</u>
Amount to be Raised by Taxes for Support				
of Municipal Budget				
Operations	10,410,974		11,043,284	632,310
Municipal Library	698,186	-	698,186	-
Total Amount to be Raised	<u>11,109,160</u>	<u>-</u>	<u>11,741,470</u>	<u>632,310</u>
Total General Revenues	<u>\$ 15,123,447</u>	<u>\$ 23,245</u>	16,043,603	<u>\$ 896,911</u>
Non-Budget Revenues			<u>192,527</u>	
			<u>\$ 16,236,130</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, 2015
(Continued)

Analysis of Realized Revenues	
Allocation of Current Tax Collections	
Revenues from Collections	\$ 45,033,055
Less: Allocation to School, County, and Municipal Open Space Taxes	<u>34,166,585</u>
Balance for Support of Municipal Budget Appropriation	10,866,470
Add Appropriation - "Reserve for Uncollected Taxes"	<u>875,000</u>
Amount for Support of Municipal Budget Appropriations	<u>\$ 11,741,470</u>
Licenses-Other	
Building Department	\$ 978
Board of Health	<u>15,194</u>
	<u>\$ 16,172</u>
Fees and Permits-Other	
Borough Clerk	\$ 1,560
Tax Assessor	1,383
Fire Prevention	25,576
Police	39,288
Planning Board	7,317
Zoning Board of Adjustment	4,250
Public Works	4,452
Building Department	6,136
Board of Health	<u>8,953</u>
	<u>\$ 98,915</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, 2015
(Continued)

Non-Budget Revenue	
Special Tax Assessment - Spectrum	\$ 57,652
Tax Penalty	11,959
Borough Clerk	613
Sewer Connection Fee	3,000
Construction	6,498
Administration Fee - Senior Citizens and Veterans	1,049
Sale of Municipal Assets	50,741
DMV Inspection Fines	651
FEMA Reimbursements - Hurricane Sandy	1,148
Police Outside Services Admin Fees	38,000
Miscellaneous	<u>21,216</u>
	<u>\$ 192,527</u>

BOROUGH OF CLOSTER
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Appropriated</u>		<u>Expended</u>		
	<u>2015 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	\$ 142,000	\$ 137,754	\$ 137,754		
Other Expenses	17,650	12,299	11,181	\$ 1,118	
Municipal Clerk's Office					
Salaries and Wages	175,500	170,500	167,800	2,700	
Other Expenses	21,000	21,000	11,971	9,029	
Elections	8,500	8,500	6,809	1,691	
Financial Administration					
Salaries and Wages	106,000	80,815	80,815	-	
Other Expenses	70,600	65,555	53,273	12,282	
Audit Services					
Other Expenses	31,500	63,000	60,500	2,500	
Information Technology					
Salaries and Wages	11,500	11,500	11,289	211	
Other Expenses	5,000	5,000	4,318	682	
Tax Assessment Administration					
Salaries and Wages	85,000	90,500	90,473	27	
Other Expenses	9,900	9,900	8,819	1,081	
Revenue Administration					
Salaries and Wages	121,500	123,900	123,892	8	
Other Expenses	14,875	10,875	8,792	2,083	
Legal Services and Costs					
Other Expenses	167,000	167,000	120,509	46,491	
Engineering Services					
Other Expenses	33,000	33,000	18,222	14,778	
Economic Development					
Closter Improvement Committee	6,100	6,100	5,886	214	
Historical Commission					
Other Expenses	1,400	1,400	1,041	359	
Municipal Land Use Law (N.J.S.A. 40:44D-1)					
Planning Board					
Salaries and Wages	14,400	14,570	14,447	123	
Other Expenses	29,725	29,725	18,495	11,230	
Zoning Board of Adjustment					
Salaries and Wages	18,000	18,540	18,537	3	
Other Expenses	18,325	18,325	11,066	7,259	
Insurance					
Unemployment Insurance	16,000	16,000	14,615	1,385	
General Liability	215,200	215,200	204,411	10,789	
Workers Compensation Insurance	203,000	203,000	190,861	12,139	
Employee Group Health	1,103,306	1,103,306	1,034,519	68,787	
Health Benefit Waiver	10,000	10,000		10,000	
Other Insurance Premiums	7,000	7,000	730	6,270	
PUBLIC SAFETY FUNCTIONS					
Police Department					
Salaries and Wages	2,688,100	2,698,100	2,641,945	56,155	
Other Expenses	108,800	106,304	82,794	23,510	
Acquisition of Police Vehicles	10,200	12,696	12,696	-	
Office of Emergency Management					
Salaries and Wages	7,900	7,900	7,899	1	
Other Expenses	9,900	9,900	5,714	4,186	
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, 2015

	<u>Appropriated</u>		<u>Expended</u>		
	<u>2015 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	\$ 38,500	\$ 38,500	\$ 33,930	\$ 4,570	
Other Expenses	2,800	2,800	1,353	1,447	
Fire Protection					
Other Expenses	34,776	34,552	33,144	1,408	
Clothing Allowance	17,500	17,724	17,724	-	
Fire Hydrant Services	170,000	170,000	157,254	12,746	
Municipal Prosecutor					
Salaries and Wages	6,500	6,500	4,940	1,560	
PUBLIC WORKS FUNCTIONS					
Streets and Road Maintenance					
Salaries and Wages	1,100,500	1,049,500	965,023	84,477	
Other Expenses	45,950	45,950	40,517	5,433	
Snow Removal					
Other Expenses	27,000	27,000	25,182	1,818	
Shade Tree Commission					
Salaries and Wages	3,500	3,500	3,391	109	
Other Expenses	25,000	25,000	24,500	500	
Solid Waste Collection					
Salaries and Wages	196,000	236,000	229,485	6,515	
Other Expenses	4,200	4,200	2,336	1,864	
Recycling					
Salaries and Wages	57,000	57,000	55,483	1,517	
Public Building and Grounds					
Salaries and Wages	72,100	72,100	65,327	6,773	
Other Expenses	61,700	61,700	43,475	18,225	
Vehicle Maintenance					
Salaries and Wages	196,000	196,000	191,908	4,092	
Other Expenses	114,000	120,824	115,405	5,419	
HEALTH AND HUMAN SERVICES FUNCTIONS					
Public Health Services					
Salaries and Wages	63,000	63,000	62,379	621	
Other Expenses	74,054	74,054	71,365	2,689	
Environmental Commission					
Other Expenses	3,500	3,500	3,093	407	
Animal Control					
Other Expenses	10,650	10,650	10,634	16	
PARKS AND RECREATION FUNCTIONS					
Maintenance of Parks and Playgrounds	43,000	45,000	43,029	1,971	
Senior Citizens					
Other Expenses	4,000	4,000	4,000		
Board of Recreation Commissioners					
Salaries and Wages	64,000	65,210	65,206	4	
Other Expenses	25,850	25,850	25,850	-	
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, 2015

	<u>Appropriated</u>		<u>Expended</u>		
	<u>2015 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	\$ 2,500	\$ 2,500	\$ 692	\$ 1,808	
LANDFILL/SOLID WASTE DISPOSAL COSTS					
Solid Waste Recycling Landfill and Contingency Taxes	234,500	234,500	226,278	8,222	
MUNICIPAL COURT					
Salaries and Wages	97,000	97,000	90,668	6,332	
Other Expenses	6,400	6,400	2,742	3,658	
Public Defender (P.L. 1997, C.256)					
Other Expenses	1,800	1,800	1,050	750	
Salary Adjustments					
Salaries and Wages	53,220	53,220	-	53,220	
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY DEDICATED REVENUES (N.J.A.C. 5:23-4-17)					
Uniform Construction Code Enforcement Functions					
Salaries and Wages	201,500	204,100	201,962	2,138	
Other Expenses	5,600	5,600	3,926	1,674	
Other Code Enforcement Functions					
Zoning Officer					
Salaries and Wages	31,500	31,500	30,456	1,044	
Other Expenses	150	150	117	33	
Property Maintenance					
Salaries and Wages	40,000	35,000	34,673	327	
Other Expenses	150	150	-	150	
UNCLASSIFIED					
Utilities					
Electricity	88,600	88,600	71,701	16,899	
Street Lighting	130,000	130,000	118,504	11,496	
Telephone and Telegraph	102,000	102,000	77,600	24,400	
Water	25,000	27,000	25,539	1,461	
Natural Gas	25,000	25,000	15,756	9,244	
Sewer System	2,700	2,700	2,561	139	
Gasoline	147,000	147,000	115,565	31,435	-
Total Operations Within "CAPS"	<u>9,177,106</u>	<u>9,177,023</u>	<u>8,531,321</u>	<u>645,702</u>	<u>-</u>
Detail:					
Salaries and Wages	5,590,220	5,562,209	5,329,682	232,527	-
Other Expenses	<u>3,586,886</u>	<u>3,614,814</u>	<u>3,201,639</u>	<u>413,175</u>	<u>-</u>

BOROUGH OF CLOSTER
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Appropriated</u>		<u>Expended</u>		
	<u>2015 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 2014 Budget Appropriations	\$ 4,881	\$ 4,881	\$ 4,881	-	
Overexpenditure of General Capital Ordinance	323	323	323	-	
Statutory Expenditures					
Contribution to:					
Social Security System (O.A.S.I.)	275,000	275,000	249,026	\$ 25,974	
Police and Firemen's Retirement Fund of NJ	536,000	536,083	536,083		
Public Employees' Retirement System	324,000	324,000	323,960	40	
Defined Contribution Retirement Plan	5,000	5,000	1,876	3,124	-
	<u>1,145,204</u>	<u>1,145,287</u>	<u>1,116,149</u>	<u>29,138</u>	<u>-</u>
Total Deferred Charges and Statutory Expenditures - Within "CAPS"					
	<u>1,145,204</u>	<u>1,145,287</u>	<u>1,116,149</u>	<u>29,138</u>	<u>-</u>
Total General Appropriations for Municipal Purposes within "CAPS"	<u>10,322,310</u>	<u>10,322,310</u>	<u>9,647,470</u>	<u>674,840</u>	<u>-</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
UTILITY EXPENSES AND BULK PURCHASES					
Bergen County Utilities Authority					
Operations	621,381	621,381	620,528	853	
Debt Service	267,619	267,619	267,619	-	
EDUCATION FUNCTIONS					
Maintenance of Free Public Library	698,186	698,186	698,186		
GENERAL GOVERNMENT FUNCTIONS					
Reserve for Tax Appeals	67,500	67,500	67,500	-	
INSURANCE					
Employee Group Health	12,194	12,194		12,194	
PUBLIC SAFETY FUNCTIONS					
Length of Service Awards Program (LOSAP)	42,500	42,500	42,500	-	
911 Dispatch Services - Contractual	103,119	103,119	103,119	-	-
	<u>1,812,499</u>	<u>1,812,499</u>	<u>1,799,452</u>	<u>13,047</u>	<u>-</u>
Total Other Operations - Excluded from "CAPS"					
	<u>1,812,499</u>	<u>1,812,499</u>	<u>1,799,452</u>	<u>13,047</u>	<u>-</u>
INTERLOCAL MUNICIPAL SERVICE AGREEMENTS					
Other Governmental Entities -					
Fuel Management - Gasoline	100,000	100,000	100,000		
Pistol Range	-	7,600	7,462	138	-
	<u>100,000</u>	<u>107,600</u>	<u>107,462</u>	<u>138</u>	<u>-</u>
Total Interlocal Municipal Service Agreements					
	<u>100,000</u>	<u>107,600</u>	<u>107,462</u>	<u>138</u>	<u>-</u>

BOROUGH OF CLOSTER
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Appropriated</u>		<u>Expended</u>		
	<u>2015 Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
PUBLIC AND PRIVATE PROGRAMS					
OFFSET BY REVENUES					
FEDERAL AND STATE GRANTS					
Drunk Driving Enforcement Fund		\$ 3,994	\$ 2,084	\$ 1,910	
Drive Sober or Get Pulled Over	\$ 6,646	6,646	6,646	-	
Alcohol Education and Rehabilitation	2,009	2,009	-	2,009	
Bergen Prosecutor SWAT Team	5,000	5,000	1,577	3,423	
Bergen County Prosecutor - Confiscated Funds	-	9,636	9,636	-	
Recycling Tonnage Grant	23,446	23,446	17,487	5,959	
Police Body Armor Grant	2,018	4,033	2,018	2,015	
NJ Community Forestry Grant	600	600	-	600	-
	<u>39,719</u>	<u>55,364</u>	<u>39,448</u>	<u>15,916</u>	<u>-</u>
Total Public and Private Programs Offset by Revenues					
	<u>39,719</u>	<u>55,364</u>	<u>39,448</u>	<u>15,916</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>1,952,218</u>	<u>1,975,463</u>	<u>1,946,362</u>	<u>29,101</u>	<u>-</u>
Detail:					
Other Expenses	<u>1,952,218</u>	<u>1,975,463</u>	<u>1,946,362</u>	<u>29,101</u>	<u>-</u>
CAPITAL IMPROVEMENTS -					
EXCLUDED FROM "CAPS"					
Capital Improvement Fund	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
Total Capital Improvements - Excluded from "CAPS"	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
MUNICIPAL DEBT SERVICE -					
EXCLUDED FROM "CAPS"					
Payment of Bond Principal	1,395,000	1,395,000	1,395,000		
Payment of Bond Anticipation Notes and Capital Notes	123,000	123,000	122,975	-	\$ 25
Interest on Bonds	209,000	209,000	208,985	-	15
Interest on Notes	24,000	24,000	23,866	-	134
Green Trust Loan Program	3,900	3,900	3,825	-	75
	<u>1,754,900</u>	<u>1,754,900</u>	<u>1,754,651</u>	<u>-</u>	<u>249</u>
Total Municipal Debt Service - Excluded from "CAPS"					

BOROUGH OF CLOSTER
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Appropriated</u>		<u>Expended</u>		
	<u>2015 Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
DEFERRED CHARGES					
Special Emergency Authorizations - 5 yrs. (N.J.S. 40A:4-55)	\$ 116,000	\$ 116,000	\$ 116,000	-	-
Deferred Charges Unfunded					
Ordinance No. 919	174	174	174		
Ordinance No. 995	<u>2,845</u>	<u>2,845</u>	<u>2,845</u>	<u>-</u>	<u>-</u>
 Total Deferred Charges - Municipal Excluded from "CAPS"	 <u>119,019</u>	 <u>119,019</u>	 <u>119,019</u>	 <u>-</u>	 <u>-</u>
 Total General Appropriations for Municipal Purposes Excluded from "CAPS"	 <u>3,926,137</u>	 <u>3,949,382</u>	 <u>3,920,032</u>	 <u>\$ 29,101</u>	 <u>\$ 249</u>
 Subtotal General Appropriations	 14,248,447	 14,271,692	 13,567,502	 703,941	 249
 RESERVE FOR UNCOLLECTED TAXES	 <u>875,000</u>	 <u>875,000</u>	 <u>875,000</u>	 <u>-</u>	 <u>-</u>
 Total General Appropriations	 <u>\$ 15,123,447</u>	 <u>\$ 15,146,692</u>	 <u>\$ 14,442,502</u>	 <u>\$ 703,941</u>	 <u>\$ 249</u>
 Adopted Budget		\$ 15,123,447			
N.J.S.A. 40A:4-87		<u>23,245</u>			
		<u>\$ 15,146,692</u>			
 Cash Disbursements			\$ 12,638,836		
Accounts Payable			513,968		
Reserve for Tax Appeals			67,500		
Deferred Charges			4,881		
Special Emergency Authorizations			116,000		
Due to General Capital Fund			226,317		
Reserve for Uncollected Taxes			<u>875,000</u>		
			<u>\$ 14,442,502</u>		

BOROUGH OF CLOSTER
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2015 AND 2014

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
ASSETS			
ANIMAL CONTROL FUND			
Cash	B-4	\$ 13,498	\$ 11,226
		<u>13,498</u>	<u>11,226</u>
OTHER TRUST FUND			
Cash	B-4	2,156,596	1,885,196
Due From Current Fund	B-5	-	23,263
		<u>2,156,596</u>	<u>1,908,459</u>
OPEN SPACE PRESERVATION TRUST FUND			
Cash	B-4	914,107	801,800
Due From Current Fund	B-12	1,514	764
		<u>915,621</u>	<u>802,564</u>
LENGTH OF SERVICE AWARDS PROGRAM FUND (UNAUDITED)			
Investment	B	604,888	565,045
Contribution Receivable	B	44,317	51,890
		<u>649,205</u>	<u>616,935</u>
Total Assets		<u>\$ 3,734,920</u>	<u>\$ 3,339,184</u>

BOROUGH OF CLOSTER
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2015 AND 2014

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
LIABILITIES, RESERVES AND FUND BALANCE			
ANIMAL CONTROL FUND			
Due to Current Fund	B-8	\$ 2,828	\$ 2,004
Reserve for Animal Control Expenditures	B-6	<u>10,670</u>	<u>9,222</u>
		<u>13,498</u>	<u>11,226</u>
OTHER TRUST FUND			
Escrow and Miscellaneous Reserves	B-9	2,151,423	1,861,757
Payroll and Payroll Deductions Payable	B-10	3,436	46,702
Due to Current Fund	B-5	<u>1,737</u>	<u>-</u>
		<u>2,156,596</u>	<u>1,908,459</u>
OPEN SPACE PRESERVATION TRUST FUND			
Due to General Capital Fund	C-9	5,000	
Reserve for Open Space Expenditures	B-11	<u>910,621</u>	<u>802,564</u>
		<u>915,621</u>	<u>802,564</u>
LENGTH OF SERVICE AWARDS PROGRAM FUND (UNAUDITED)			
Reserve for Length of Service Award Program	B	<u>649,205</u>	<u>616,935</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 3,734,920</u>	 <u>\$ 3,339,184</u>

BOROUGH OF CLOSTER
COMPARATIVE STATEMENTS OF FUND BALANCE - REGULATORY BASIS - OTHER TRUST FUND
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Balance, January 1		\$ 692
Decreased by:		
Transfer to Current Fund	-	692
	-	-
Balance, December 31	\$ -	\$ -

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, 2015

	2015 Modified Budget	2015 Realized	Excess or (Deficit)
Amount to be Raised by Taxation	<u>\$206,690</u>	<u>\$ 207,440</u>	<u>\$ 750</u>
	<u>\$206,690</u>	207,440	<u>\$ 750</u>
Non-Budget		<u>617</u>	
		<u>\$ 208,057</u>	

EXHIBIT B-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS - OPEN SPACE PRESERVATION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	2015 Modified Budget	Paid or Charged	Excess or (Deficit)
Reserved for Future Use	<u>\$206,690</u>	<u>\$ -</u>	<u>\$ 206,690</u>

BOROUGH OF CLOSTER
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2015 AND 2014

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
ASSETS			
Cash	C-2, C-3	\$ 844,320	\$ 1,605,500
Grants Receivable	C-6	127,250	313,101
Due From Current Fund	C-8		28,899
Due From Open Space Trust Fund	C-9	5,000	
Deferred Charges to Future Taxation			
Funded	C-4	5,476,281	6,874,867
Unfunded	C-5	7,061,961	5,715,580
Cancelled Grant Receivables	C-7	75,970	
Overexpenditure of Ordinance	C	-	323
		<u> </u>	<u> </u>
Total Assets		<u>\$ 13,590,782</u>	<u>\$ 14,538,270</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
Serial Bonds	C-11	\$ 5,467,000	\$ 6,862,000
Green Acres Trust Fund Loan Payable	C-10	9,281	12,867
Bond Anticipation Notes Payable	C-12	5,589,586	5,185,000
Improvement Authorizations			
Funded	C-13	264,975	349,568
Unfunded	C-13	1,376,552	1,031,357
Contracts Payable	C-14	736,810	855,775
Due To Current Fund	C-8	5,088	
Capital Improvement Fund	C-15	16,924	299
Reserve for Grant Receivable	C-6	37,250	149,000
Reserve for Payment of Debt	C-16		5,088
Fund Balance	C-1	87,316	87,316
		<u> </u>	<u> </u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 13,590,782</u>	<u>\$ 14,538,270</u>

There were bonds and notes authorized but not issued of \$1,584,125 and \$568,089 at December 31, 2015 and 2014, respectively (Exhibit C-17).

BOROUGH OF CLOSTER
COMPARATIVE STATEMENTS OF FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Balance, January 1	\$ 87,316	\$ 29,882
Increased by:		
Improvement Authorizations Cancelled		49,495
Miscellaneous Reserves Cancelled		11,000
Premium on Sale of Notes	-	13,274
	<u>87,316</u>	<u>103,651</u>
Decreased by:		
Appropriated to Finance Improvement Authorizations	-	16,335
	<u>87,316</u>	<u>103,651</u>
Balance, December 31	<u>\$ 87,316</u>	<u>\$ 103,651</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, 2015 AND 2014

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
ASSETS			
Cash	D-1	\$ <u>15,551</u>	\$ <u>11,483</u>
		<u>\$ 15,551</u>	<u>\$ 11,483</u>
LIABILITIES			
Reserve for Public Assistance Expenditures	D-2	\$ <u>15,551</u>	\$ <u>11,483</u>
		<u>\$ 15,551</u>	<u>\$ 11,483</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF CLOSTER
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
AS OF DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
ASSETS		
Land and Land Improvements	\$ 78,775,600	\$ 78,775,600
Buildings and Building Improvements	5,909,832	5,909,832
Vehicles and Equipment	<u>8,715,012</u>	<u>8,440,059</u>
	<u>\$ 93,400,444</u>	<u>\$ 93,125,491</u>
FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 93,400,444</u>	<u>\$ 93,125,491</u>

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

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 Mayor is elected to a four-year term and the six council members are elected at-large, two each year for terms of three years. The Mayor is the Chief Executive Officer of the Borough and as such presides over all public meetings and makes appointments to various boards. The Borough Council exercises all legislative powers including final adoption of the municipal budget and bond ordinances and confirmation of the Mayor's appointments, and all executive authority which is not specifically provided to the Mayor, by state law. A Borough Administrator is appointed by the Borough Council and is responsible for the implementation of the policies of the Mayor and Council, for the administration of all Borough affairs and for the day to day operations of the Borough. The Borough Administrator is the Chief Administrative Officer for the Borough. 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, 2015 AND 2014

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, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

Reclassifications - Certain reclassifications may have been made to the December 31, 2014 balances to conform to the December 31, 2015 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, 2015 AND 2014**

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 December 31, 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, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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 \$2,000 and an estimated useful life in excess of two years.

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

General 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.

General 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

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

General Fixed Assets (Continued)

No depreciation has been provided for in the financial statements.

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

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

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

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

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 2015 and 2014 the Borough Council increased the original budget by \$23,245, respectively. The increases were funded by additional aid allotted to the Borough. In addition, the governing body approved several budget transfers during 2015 and 2014.

**BOROUGH OF CLOSTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

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>2015</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
There are none.			
 <u>2014</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. No. 1167 Acquisition of New and Additional Equipment	16,335	16,658	323

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 CASH 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. Cash Deposits

The Borough's cash 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.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

A. Cash Deposits (Continued)

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, 2015 and 2014, the book value of the Borough's deposits were \$7,552,071 and \$7,387,359 and bank and brokerage firm balances of the Borough's deposits amounted to \$7,645,210 and \$7,680,394, 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>2015</u>	<u>2014</u>
Insured	\$ 7,645,210	\$ 7,680,394

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, 2015 and 2014, the Borough's bank balances were not exposed to custodial risk.

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, 2015 and 2014, the Borough had the following investments:

	<u>Fair Value</u>	
	<u>2015</u>	<u>2014</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department but not in the Borough's name (Unaudited)	\$ 604,888	\$ 565,045

**BOROUGH OF CLOSTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Borough does not have a policy for custodial risk. As of December 31, 2015 and 2014, \$604,888 and \$565,045 of the Borough’s investments was exposed to custodial credit risk as follows:

	<u>Fair Value</u>	
	<u>2015</u>	<u>2014</u>
Investment		
Length of Service Awards Program		
Lincoln Financial (Unaudited)	\$ 604,888	\$ 565,045

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, 2015 and 2014, the Borough’s investment in Lincoln Financial Group was rated Baa1 by Moody’s Investor Services and A- by Standard and Poor’s.

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.

NOTE 4 TAXES RECEIVABLE

Receivables at December 31, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
<u>Current</u>		
Property Taxes	\$ 278,639	\$ 336,567

In 2015 and 2014, the Borough collected \$336,567 and \$207,669 from delinquent taxes, which represented 100% and 97%, respectively of the prior year delinquent taxes receivable balance.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

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>2015</u>		<u>2014</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	\$ 9,653	\$ 1,514	\$ 2,004	\$ 52,926
Trust Funds				
Open Space Trust Fund	1,514	5,000	764	
Other Trust Fund		1,737	23,263	
Animal Control Fund		2,828		2,004
General Capital Fund	<u>5,000</u>	<u>5,088</u>	<u>28,899</u>	<u>-</u>
Total	<u>\$ 16,167</u>	<u>\$ 16,167</u>	<u>\$ 54,930</u>	<u>\$ 54,930</u>

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

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

NOTE 6 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Under the regulatory basis of accounting, certain expenditures are required to be deferred to budgets of succeeding years. At December 31, the following deferred charges are reported on the balance sheets of the following funds:

	<u>Balance December 31,</u>	<u>Subsequent Year Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
<u>2015</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	<u>\$ 116,000</u>	<u>\$ 116,000</u>	<u>\$ -</u>
General Capital Fund			
Cancelled Grant Receivables	<u>\$ 75,970</u>	<u>\$ -</u>	<u>\$ 75,970</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>

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 7 FUND BALANCES APPROPRIATED

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

	Fund Balance December 31, <u>2015</u>	Utilized in Subsequent Year's Budget	Fund Balance December 31, <u>2014</u>	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	\$ 1,833,885	\$ 1,180,000	\$ 1,756,462	\$ 1,180,000
Non-Cash Surplus	<u>12,136</u>	<u>-</u>	<u>7,381</u>	<u>-</u>
	<u>\$ 1,846,021</u>	<u>\$ 1,180,000</u>	<u>\$ 1,763,843</u>	<u>\$ 1,180,000</u>

NOTE 8 FIXED ASSETS

A. General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2015 and 2014.

	Balance December 31, <u>2014</u>	<u>Additions</u>	Retirements/ <u>Adjustments</u>	Balance, December 31, <u>2015</u>
Land	\$ 78,775,600			\$ 78,775,600
Buildings and Building Impvts.	5,909,832			5,909,832
Vehicles and Equipment	<u>8,440,059</u>	<u>571,323</u>	<u>\$ 296,370</u>	<u>8,715,012</u>
	<u>\$ 93,125,491</u>	<u>\$ 571,323</u>	<u>\$ 296,370</u>	<u>\$ 93,400,444</u>
	Balance December 31, <u>2013</u>	<u>Additions</u>	Retirements/ <u>Adjustments</u>	Balance, December 31, <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>	<u>\$ 287,478</u>	<u>8,440,059</u>
	<u>\$ 92,798,633</u>	<u>\$ 614,336</u>	<u>\$ 287,478</u>	<u>\$ 93,125,491</u>

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

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>2015</u>	<u>2014</u>
Issued		
General		
Bonds, Notes and Loans	\$ 11,065,867	\$ 12,059,867
Less Funds Temporarily Held to Pay Bonds and Notes	<u>111,750</u>	<u>42,597</u>
Net Debt Issued	10,954,117	12,017,270
Authorized But Not Issued		
General		
Bonds and Notes	<u>1,584,125</u>	<u>568,089</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 12,538,242</u>	<u>\$ 12,585,359</u>

Statutory Net Debt

The statement of debt condition that follows indicates a statutory net debt of .60% and .62% at December 31, 2015 and 2014, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2015</u>			
General Debt	\$ 12,649,992	\$ 111,750	\$ 12,538,242
School Debt	<u>5,321,522</u>	<u>5,321,522</u>	<u>-</u>
Total	<u>\$ 17,971,514</u>	<u>\$ 5,433,272</u>	<u>\$ 12,538,242</u>
	<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>

**BOROUGH OF CLOSTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

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>2015</u>	<u>2014</u>
3-1/2% of Equalized Valuation Basis (Municipal) Net Debt	\$ 72,624,492 <u>12,538,242</u>	\$ 71,582,828 <u>12,585,359</u>
Remaining Borrowing Power	<u>\$ 60,086,250</u>	<u>\$ 58,997,469</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>2015</u>	<u>2014</u>
\$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%	\$ 2,427,000	\$ 2,862,000
\$4,505,000, 2012 Refunding Bonds, due in annual installments of \$980,000 to \$1,045,000 through October 15, 2018, interest at 2.00% to 3.00%	<u>3,040,000</u>	<u>4,000,000</u>
	<u>\$ 5,467,000</u>	<u>\$ 6,862,000</u>

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

General Intergovernmental Loans Payable

The Borough has entered into a loan agreement with the New Jersey Department of Environmental Protection for the financing relating to the 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>2015</u>	<u>2014</u>
\$62,798, 1997 Loan, due in Semi-annual installments of \$1,801 to \$1,894 through March, 2018, interest at 2.0%	\$ 9,281	\$ 12,867

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2015 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>	
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	1,893	57	1,616,155
2019	502,000	36,090			538,090
2020	526,000	11,770	-	-	537,770
	<u>\$ 5,467,000</u>	<u>\$ 442,055</u>	<u>\$ 9,281</u>	<u>\$ 319</u>	<u>\$ 5,918,655</u>

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

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, 2015 and 2014 were as follows:

	Balance, December 31, <u>2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2015</u>	Due Within <u>One Year</u>
General Capital Fund					
Bonds Payable	\$ 6,862,000		\$ 1,395,000	\$ 5,467,000	\$ 1,432,000
Intergovernmental Loans Payable	<u>12,867</u>	<u>-</u>	<u>3,586</u>	<u>9,281</u>	<u>3,657</u>
General Capital Fund Long-Term Liabilities	<u>\$ 6,874,867</u>	<u>\$ -</u>	<u>\$ 1,398,586</u>	<u>\$ 5,476,281</u>	<u>\$ 1,435,657</u>
	Balance, December 31, <u>2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2014</u>	Due Within <u>One Year</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>3,586</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>\$ 1,398,586</u>

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt

The Borough's short-term debt activity for the years ended December 31, 2015 and 2014 was as follows:

Bond Anticipation Notes

<u>Improvement Description</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	Balance, December 31, <u>2014</u>	<u>Increased</u>	<u>Decreased</u>	Balance, December 31, <u>2015</u>
Various Improvements	2/25/2015	1.00%	\$ 2,833,260		\$ 2,833,260	
	2/25/2016	0.51%		\$ 3,330,553		\$ 3,330,553
Reconstruction of Herbert Avenue - Section IV	2/25/2015	1.00%	37,895		37,895	
	2/25/2016	0.51%		35,790		35,790
Acquisition of Various Equipment	2/25/2015	1.00%	329,498		329,498	
	2/25/2016	0.51%		311,936		311,936
Acquisition of Ladder Truck and Pickup	2/25/2015	1.00%	1,072,347		1,072,347	
	2/25/2016	0.51%		1,014,807		1,014,807
Reconstruction of Various Roadways	2/25/2015	1.00%	294,500		294,500	
	2/25/2016	0.51%		279,000		279,000
Borough Hall Exterior Repairs and Roof Replacement	2/25/2015	1.00%	617,500		617,500	
	2/25/2016	0.51%	-	617,500		617,500
Total General Capital Fund			<u>\$ 5,185,000</u>	<u>\$ 5,589,586</u>	<u>\$ 5,185,000</u>	<u>\$ 5,589,586</u>

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

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (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 2015 and 2014 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.

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, December 31, 2014</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance, December 31, 2015</u>
Employee Severance Liabilities	0.71%	9/23/16	\$ 232,000	\$ 116,000	\$ 232,000	\$ 116,000

<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

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

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>2015</u>		
Improvements to Borough Hall	\$ 63,538	2016
Installation of Emergency Generators	131,460	2016
Technology and Communication Upgrades	140,534	2016
Replacement of Ambulance	249,936	2016
Acquisition of Fire Vehicle	50,712	2016
Road Improvement	49,438	2016
<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

NOTE 11 OPERATING LEASES

The Borough leases police vehicles under noncancelable operating leases. Lease payments for the years ended December 31, 2015 and 2014 were \$10,145 and \$5,072, respectively.

NOTE 12 OTHER LONG-TERM LIABILITIES

A. Compensated Absences

Under the existing policies and labor agreements of the Borough, employees are allowed to accumulate (with certain restrictions) unused vacation benefits 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 \$1,673,247 and \$1,820,840 at December 31, 2015 and 2014, 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, 2015 and 2014, the Borough has reserved in the Other Trust Fund \$40,814 to fund compensated absences in accordance with NJSA 40A:4-39.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 12 OTHER LONG-TERM LIABILITIES (Continued)

Changes in Other Long-Term Liabilities

Under the regulatory basis of accounting, certain other long-term liabilities which may be considered material to the financial statements are not reported either as an expenditure or a liability. However, under the regulatory basis of accounting, these other long-term liabilities and related information are required to be disclosed in the notes to the financial statements in conformity with the disclosure requirements of the Governmental Accounting Standards Board.

The Borough's changes in other long-term liabilities for the years ended December 31, 2015 and 2014 were as follows:

	Balance, December 31, <u>2014</u>	Prior Period Adjustment	Additions	Reductions	Balance, December 31, <u>2015</u>	Due Within One Year
Compensated Absences	\$ 1,820,840			\$ 147,593	\$ 1,673,247	
Net Pension Liability						
PERS	7,349,665		\$ 2,206,936	352,506	9,204,095	
PFRS	8,775,030	-	2,824,737	539,738	11,060,029	-
Total Other Long-Term Liabilities	<u>\$ 17,945,535</u>	<u>\$ -</u>	<u>\$ 5,031,673</u>	<u>\$ 1,039,837</u>	<u>\$ 21,937,371</u>	<u>\$ -</u>
	Balance, December 31, <u>2013</u>	Prior Period Adjustment (A)	Additions	Reductions	Balance, December 31, <u>2014</u>	Due Within One Year
Compensated Absences	\$ 1,774,607		\$ 46,233		\$ 1,820,840	
Net Pension Liability						
PERS		\$ 6,902,645	770,635	\$ 323,615	7,349,665	
PFRS	-	9,087,693	223,134	535,797	8,775,030	-
Total Other Long-Term Liabilities	<u>\$ 1,774,607</u>	<u>\$ 15,990,338</u>	<u>\$ 1,040,002</u>	<u>\$ 859,412</u>	<u>\$ 17,945,535</u>	<u>\$ -</u>

(A) Represents the proportionate share of the Borough's net pension liability of the state sponsored employer retirement systems resulting from the requirements of Governmental Accounting Standards Board's Statement No. 68 "Accounting and Financial Reporting for Pensions".

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 December 31, 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.

BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees' Retirement System (PERS) – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement healthcare for those eligible employees whose local employers elected to do so, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and, if applicable, 25 years for post-retirement healthcare coverage. 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.

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. DCRP is a defined contribution pension plan.

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 State also administers the Pensions Adjustment Fund (PAF). Prior to the adoption of pension reform legislation, P.L. 2011, C.78, it provided cost of living increases equal to 60 percent of the change in the average consumer price index, to eligible retirees in some State-sponsored pension systems which includes the CPFPPF. Cost-of-living increases provided under the State's pension adjustment program are currently suspended as a result of the reform legislation. This benefit is funded by the State as benefit allowances become payable.

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.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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.

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, 2013, the most recent actuarial valuation date, which was rolled forward to June 30, 2014, the aggregate funded ratio for all the State administered retirement systems, including CPFPPF, PERS and PFRS is 62.8 percent with an unfunded actuarial accrued liability of \$51.0 billion. The CPFPPF system is 65.4 percent funded with an unfunded actuarial accrued liability of \$ 1.7 billion. The aggregate funded ratio and unfunded accrued liability for the local PERS system is 52.08 percent and \$18.7 billion, respectively and the aggregate funded ratio and unfunded accrued liability for local PFRS is 62.4 percent and \$13.9 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.

Actuarial Methods and Assumptions

In the July 1, 2013 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 for all the retirement systems except CPFPPF (2.00%) and (b) changes to projected salary increases of 2.15-5.40 percent based on age for PERS and 3.95-9.62 percent based on age for PFRS.

**BOROUGH OF CLOSTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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 10.0% for PFRS, 5.50% for DCRP and 6.92% for fiscal year 2015 for PERS of employee's annual compensation.

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 December 31, 2015 for CPFPPF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. 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, 2015, 2014 and 2013, 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 December 31,</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2015	\$ 535,797	\$ 323,615	\$ 1,876
2014	498,731	272,133	3,777
2013	656,803	277,940	1,717

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Public Employees Retirement System (PERS)

At December 31, 2015 and 2014, the Borough had a liability of \$9,204,095 and \$7,349,665, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 and 2013, respectively. The Borough's proportionate share of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2015, the Borough's proportionate share was .0410 percent, which was an increase of .0017 percent from its proportionate share measured as of June 30, 2014 of .0393 percent.

**BOROUGH OF CLOSTER
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Public Employees Retirement System (PERS) (Continued)

For the years ended December 31, 2015 and 2014, the pension system has determined the Borough's pension expense to be \$757,454 and \$486,666, respectively for PERS based on the actuarial valuation which is more than the actual contributions reported in the Borough's financial statements of \$323,615 and \$272,133, respectively. At December 31, 2015 and 2014, the Borough's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Borough's financial statements are from the following sources:

	2015		2014	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 219,577			
Changes of Assumptions	988,446		\$ 231,113	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		\$ 147,984		\$ 438,000
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>690,973</u>	<u>-</u>	<u>506,682</u>	<u>-</u>
Total	<u>\$ 1,898,996</u>	<u>\$ 147,984</u>	<u>\$ 737,795</u>	<u>\$ 438,000</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2016	\$ 271,721
2017	271,721
2018	271,721
2019	271,721
2020	308,717
Thereafter	<u>355,411</u>
	<u>\$ 1,751,012</u>

**BOROUGH OF CLOSTER
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
 Related to Pensions (Continued)**

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2015</u>	<u>2014</u>
Inflation Rate	3.04%	3.01%
Salary Increases:		
2012-2021	2.15-4.40%	2.15-4.40%
	Based on Age	Based on Age
Thereafter	3.15-5.40%	3.15-5.40%
	Based on Age	Based on Age
Investment Rate of Return	7.90%	7.90%
Mortality Rate Table	RP-2000	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

The actuarial assumptions used in the July 1, 2014 and 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

BOROUGH OF CLOSTER
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2015 and 2014 are summarized in the following table:

<u>Asset Class</u>	<u>2015</u>		<u>2014</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%	6.00%	0.80%
U.S. Treasuries	1.75%	1.64%		
Investment Grade Credit Core Bonds	10.00%	1.79%	1.00%	2.49%
Intermediate-Term Bonds			11.20%	2.26%
Mortgages	2.10%	1.62%	2.50%	2.17%
High Yield Bonds	2.00%	4.03%	5.50%	4.82%
Inflation-Indexed Bonds	1.50%	3.25%	2.50%	3.51%
Broad US Equities	27.25%	8.52%	25.90%	8.22%
Developed Foreign Equities	12.00%	6.88%	12.70%	8.12%
Emerging Market Equities	6.40%	10.00%	6.50%	9.91%
Private Equity	9.25%	12.41%	8.25%	13.02%
Hedge Funds/Absolute Return	12.00%	4.72%	12.25%	4.92%
Real Estate (Property)	2.00%	6.83%	3.20%	5.80%
Commodities	1.00%	5.32%	2.50%	5.35%
Global Debt ex US	3.50%	-0.40%		
REIT	4.25%	5.12%		

Discount Rate

The discount rate used to measure the total pension liabilities of the PERS plan was as follows:

<u>Year</u>	<u>Discount Rate</u>
2015	4.90%
2014	5.39%

**BOROUGH OF CLOSTER
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

The following table represents the crossover period, if applicable, for the PERS defined benefit plan:

Period of Projected Benefit Payments for which the Following Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2033
Municipal Bond Rate *	From July 1, 2033 and Thereafter

* The municipal bond return rate used is 3.80% and 4.29% as of June 30, 2015 and 2014, respectively. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the Borough's proportionate share of the PERS net pension liability as of December 31, 2015 calculated using the discount rate of 4.9%, as well as what the Borough's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.90 percent) or 1-percentage-point higher (5.90 percent) than the current rate:

	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 11,439,564</u>	<u>\$ 9,204,095</u>	<u>\$ 7,329,894</u>

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2015. A sensitivity analysis specific to the Borough's net pension liability was not provided by the pension system.

Pension Plan Fiduciary Net Position

Detailed information about the PERS pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

**BOROUGH OF CLOSTER
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Police and Firemen's Retirement System (PFRS)

At December 31, 2015 and 2014, the Borough had a liability of \$11,060,029 and \$8,775,030, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 and 2013, respectively. The Borough's proportionate share of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2015, the Borough's proportionate share was .0664 percent, which was a decrease of .0034 percent from its proportionate share measured as of June 30, 2014 of .0698 percent.

For the years ended December 31, 2015 and 2014, the pension system has determined the Borough pension expense to be \$903,700 and \$633,940, respectively for PFRS based on the actuarial valuation which is more than the actual contributions reported in the Borough's financial statements of \$535,797 and \$498,731, respectively. At December 31, 2015 and 2014, the Borough's deferred outflows of resources and deferred inflows of resources related to PFRS pension which are not reported on the Borough's financial statements are from the following sources:

	2015		2014	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience		\$ 95,396		
Changes of Assumptions	\$ 2,041,956		\$ 329,444	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		192,490		\$ 895,462
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>125,796</u>	<u>368,377</u>	<u>155,964</u>	<u>-</u>
Total	<u>\$ 2,167,752</u>	<u>\$ 656,263</u>	<u>\$ 485,408</u>	<u>\$ 895,462</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS pension will be recognized in pension expense as follows:

Year Ending December 31,	Total
2016	\$ 279,527
2017	279,527
2018	279,527
2019	503,392
2020	<u>169,516</u>
	<u>\$ 1,511,489</u>

**BOROUGH OF CLOSTER
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
 Related to Pensions (Continued)**

Police and Firemen’s Retirement System (PFRS) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2015</u>	<u>2014</u>
Inflation Rate	3.04%	3.01%
Salary Increases: 2012-2021	2.60-9.48% Based on Age	3.95-8.62% Based on Age
Thereafter	3.60-10.48% Based on Age	4.95-9.62% Based on Age
Investment Rate of Return	7.90%	7.90%
Mortality Rate Table	RP-2000	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale AA and one year using Scale BB.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013. The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2010.

**BOROUGH OF CLOSTER
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2015 and 2014 are summarized in the following table:

<u>Asset Class</u>	<u>2015</u>		<u>2014</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%	6.00%	0.80%
U.S. Treasuries	1.75%	1.64%		
Investment Grade Credit	10.00%	1.79%		
Core Bonds			1.00%	2.49%
Intermediate-Term Bonds			11.20%	2.26%
Mortgages	2.10%	1.62%	2.50%	2.17%
High Yield Bonds	2.00%	4.03%	5.50%	4.82%
Inflation-Indexed Bonds	1.50%	3.25%	2.50%	3.51%
Broad US Equities	27.25%	8.52%	25.90%	8.22%
Developed Foreign Equities	12.00%	6.88%	12.70%	8.12%
Emerging Market Equities	6.40%	10.00%	6.50%	9.91%
Private Equity	9.25%	12.41%	8.25%	13.02%
Hedge Funds/Absolute Return	12.00%	4.72%	12.25%	4.92%
Real Estate (Property)	2.00%	6.83%	3.20%	5.80%
Commodities	1.00%	5.32%	2.50%	5.35%
Global Debt ex US	3.50%	-0.40%		
REIT	4.25%	5.12%		

Discount Rate

The discount rate used to measure the total pension liabilities of the PFRS plan was as follows:

<u>Year</u>	<u>Discount Rate</u>
2015	5.79%
2014	6.32%

**BOROUGH OF CLOSTER
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Police and Firemen’s Retirement System (PFRS) (Continued)

Discount Rate (Continued)

The following table represents the crossover period, if applicable, for the PFRS defined benefit plan:

Period of Projected Benefit Payments for which the Following Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2045
Municipal Bond Rate *	From July 1, 2045 and Thereafter

* The municipal bond return rate used is 3.80% and 4.29% as of June 30, 2015 and 2014, respectively. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the Borough’s proportionate share of the PFRS net pension liability as of December 31, 2015 calculated using the discount rate of 5.79%, as well as what the Borough’s proportionate share of the PFRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.79 percent) or 1-percentage-point higher (6.79 percent) than the current rate:

	1% Decrease (4.79%)	Current Discount Rate (5.79%)	1% Increase (6.79%)
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 14,580,630</u>	<u>\$ 11,060,029</u>	<u>\$ 8,189,294</u>

The sensitivity analysis was based on the proportionate share of the Borough’s net pension liability at December 31, 2015. A sensitivity analysis specific to the Borough’s net pension liability was not provided by the pension system.

**BOROUGH OF CLOSTER
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

Special Funding Situation – PFRS

Under N.J.S.A. 43:16A-15, the Borough is responsible for their own PFRS contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State to make contributions if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the Borough by the State under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Accordingly, the Borough's proportionate share percentage determined under GASB Statement No. 68 is zero percent and the State's proportionate share is 100% for PFRS under this legislation.

At December 31, 2015 and 2014, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$969,927 and \$944,923, respectively. For the years ended December 31, 2015 and 2014, the pension system has determined the State's proportionate share of the pension expense attributable to the Borough for the PFRS special funding situation is \$120,984 and \$119,726, respectively, which is more than the actual contributions the State made on behalf of the Borough of \$50,490 and \$39,236, respectively. The State's proportionate share attributable to the Borough was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the Borough's financial statements.

Pension Plan Fiduciary Net Position

Detailed information about the PFRS pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

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.

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 590 state and local participating employers and contributing entities for Fiscal Year 2015.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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.

Investment Valuation

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

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the State had a \$65.0 billion unfunded actuarial liability for other postemployment benefits (OPEB) which is made up of \$24.4 billion for state active and retired members and \$40.6 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.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Actuarial Methods and Assumptions

In the July 1, 2014 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, 2015, there were 107,314 retirees receiving post-retirement medical benefits, and the State contributed \$1.25 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 \$173.9 million for 10,355 eligible retired members for Fiscal Year 2015. 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 the Consolidated Police and Firemen's Pension Fund and to dependents of qualified retirees. The State and participating local governments are responsible for 80 percent of the premium for the category of coverage elected by the retiree under the State managed care plan or a health maintenance organization participating in the program, whichever provides the lower charge. The State and participating local governments contributed \$44.3 million in Fiscal Year 2015 to provide benefits under Chapter 330 to qualified retirees.

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The Borough's contributions to the State Health Benefits Program Fund-Local Government for post-retirement benefits for the years ended December 31, 2015, 2014 and 2013 were \$303,607, \$301,623 and \$280,889, 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.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 15 RISK MANAGEMENT (Continued)

The Borough of Closter is a member of the Bergen County Municipal Joint Insurance Fund (BJIF) 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.

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, 2015 and 2014. 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, would be immaterial. As of December 31, 2015 and 2014, the Borough reserved \$102,291 and \$91,784, 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, 2015 and 2014, 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.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

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, 2015 and 2014, 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.

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 \$38,317 and \$46,890 for 2015 and 2014, respectively, for each eligible volunteer fire department/ambulance squad member into the Plan. The Borough of Alpine also contributed \$6,000 and \$5,000 for 2015 and 2014, 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.

**BOROUGH OF CLOSTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

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

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

The Borough issued Bond Anticipation Notes in the amount of \$6,851,481 to temporarily finance expenditures related to various capital projects. The Borough has awarded the sale of said notes to TD Bank, NA at an interest rate of .70%. These notes dated February 24, 2016 will mature on February 24, 2017.

SUPPLEMENTARY SCHEDULES

CURRENT FUND

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

Balance, December 31, 2014		\$ 3,071,904
Increased by Receipts:		
Taxes Receivable	\$ 45,071,890	
Revenue Accounts Receivable	2,725,114	
Non Budget Revenue	192,527	
Prepaid Taxes	265,161	
Grants Receivable	17,655	
Petty Cash Returned	500	
Due to State of New Jersey	20,959	
Receipts from Animal Control Fund	2,004	
Unappropriated Grant Reserves	19,057	
Special Emergency Notes Payable	116,000	
Tax Overpayments	28,532	
Senior Citizens' and Veterans' Deductions	52,458	
	<u>48,511,857</u>	
		51,583,761
Decreased by Disbursements:		
2015 Appropriations	12,638,836	
2014 Appropriation Reserves	258,319	
Accounts Payable	282,275	
Petty Cash Issued	500	
Tax Overpayments	39,659	
County Taxes	5,040,914	
Local District School Taxes	17,779,426	
Regional School Taxes	11,138,163	
Reserve for Tax Appeals	56,993	
Special Emergency Notes Payable	232,000	
Due to State of New Jersey	20,731	
Payments to General Capital Fund	255,216	
Payments to Open Space Trust Fund	206,690	
Payments to Other Trust Fund	25,000	
Appropriated Grant Reserves	1,290	
	<u>47,976,012</u>	
Balance, December 31, 2015		<u>\$ 3,607,749</u>

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

<u>Office</u>	Balance, December 31, <u>2014</u>	Petty Cash <u>Issued</u>	Petty Cash <u>Returned</u>	Balance, December 31, <u>2015</u>
Borough Clerk		\$ 150	\$ 150	
Department of Public Works		100	100	
Detective Bureau		100	100	
Police Department	-	150	150	-
	<u> -</u>	<u> 150</u>	<u> 150</u>	<u> -</u>
	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ -</u>

EXHIBIT A-6

STATEMENT OF CHANGE FUNDS

<u>Office</u>	Balance, December 31, <u>2014</u>	Balance, December 31, <u>2015</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, 2014		\$ 15,270
Increased by:		
Senior Citizen Deductions Disallowed by Tax Collector	\$ 299	
Cash Receipts	<u>52,458</u>	<u>52,757</u>
		68,027
Decreased by:		
Senior Citizen Deductions Allowed by Tax Collector	500	
Veteran's Deductions Per Tax Billings	45,500	
Senior Citizen Deductions Per Tax Billings	<u>7,000</u>	<u>53,000</u>
Balance, December 31, 2015		<u>\$ 15,027</u>

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

Year	Balance, December 31, 2014	2015 Levy	Senior Citizens' and Veterans' Deductions Disallowed	Collections		Senior Citizens' and Veterans' Deductions Allowed	Tax Overpayment Applied	Taxes Cancelled Remitted or Abated	Balance, December 31, 2015
				2014	2015				
2013	\$ 10,727			\$	10,727				
2014	325,840				325,840				
2015	-	\$ 45,429,118	\$ 299	\$ 216,576	44,735,323	\$ 53,000	\$ 28,455	\$ 117,424	\$ 278,639
	<u>\$ 336,567</u>	<u>\$ 45,429,118</u>	<u>\$ 299</u>	<u>\$ 216,576</u>	<u>\$ 45,071,890</u>	<u>\$ 53,000</u>	<u>\$ 28,455</u>	<u>\$ 117,424</u>	<u>\$ 278,639</u>

Analysis of 2015 Property Tax Levy

TAX YIELD

General Property Tax	
Real Property Tax	\$ 45,265,149
Added Taxes (54:4-63.1 et seq.)	<u>163,969</u>
	<u>\$ 45,429,118</u>

TAX LEVY

Local School Tax (Abstract)	\$ 17,779,426
Regional School Tax (Abstract)	11,138,163
County Taxes (Abstract)	5,023,322
Due County for Added Taxes (54:4-63.1)	18,234
Municipal Open Space	<u>207,440</u>
	\$ 34,166,585
Local Tax for Municipal Library	698,186
Local Tax for Municipal Purposes - Operations	10,410,974
Add Additional Tax Levied	<u>153,373</u>
	<u>11,262,533</u>
	<u>\$ 45,429,118</u>

BOROUGH OF CLOSTER
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, December 31, <u>2014</u>	<u>Accrued</u>	<u>Collected</u>	Balance, December 31, <u>2015</u>
Licenses				
Alcoholic Beverages		\$ 27,788	\$ 27,788	
Board of Health		15,194	15,194	
Building Department		978	978	
Construction Code Official		464,693	464,693	
Fees and Permits - Other				
Borough Clerk		1,560	1,560	
Tax Assessor		1,383	1,383	
Fire Prevention		25,576	25,576	
Police		39,288	39,288	
Planning Board		7,317	7,317	
Zoning Board		4,250	4,250	
Public Works		4,452	4,452	
Building Department		6,136	6,136	
Board of Health		8,953	8,953	
Fines and Costs - Municipal Court	\$ 12,027	142,510	140,207	\$ 14,330
Interest and Cost on Taxes		78,284	78,284	
Interest on Investments and Deposits		10,299	10,299	
Cable Television Franchise Fees		112,905	112,905	
Energy Receipts Tax		1,491,991	1,491,991	
Watershed Moratorium Offset Aid		13,489	13,489	
Other Governmental Entities - Fuel Mgmt		100,391	100,391	
Other Governmental Entities - Fire Arms		7,600	7,600	
Uniform Fire Safety Act		14,992	14,992	
Cell Tower Rental		113,273	113,273	
Rental Payments		11,000	11,000	
Police Outside Services - Administrative Fees		12,000	12,000	
Alpine Sewer Connection Fees	-	11,115	11,115	-
	<u>\$ 12,027</u>	<u>\$ 2,727,417</u>	<u>\$ 2,725,114</u>	<u>\$ 14,330</u>

**BOROUGH OF CLOSTER
STATEMENT OF DEFERRED CHARGES**

	Balance December 31, <u>2014</u>	Budget Appropriation	Balance December 31, <u>2015</u>
N.J.S. 40A:4-53 Special Emergency Authorizations:			
Employee Severance Liabilities	\$ 232,000	\$ 116,000	\$ 116,000
Overexpenditures of Appropriation Reserves	<u>4,881</u>	<u>4,881</u>	<u>-</u>
	<u>\$ 236,881</u>	<u>\$ 120,881</u>	<u>\$ 116,000</u>

EXHIBIT A-11

STATEMENT OF GRANTS RECEIVABLE

	Balance, December 31, <u>2014</u>	Realized as Budget Revenue	Decreased by Receipts	Balance, December 31, <u>2015</u>
Bergen County Prosecutor Office - SWAT Team	\$ 2,500	\$ 5,000	\$ 5,000	\$ 2,500
Drive Sober or Get Pulled Over		6,646	6,646	
Drunk Driving Education Fund		3,994	3,994	
Police Body Armor		2,015	2,015	
Bergen County Prosecutor Office - Confiscated Funds	<u>-</u>	<u>9,636</u>	<u>-</u>	<u>9,636</u>
	<u>\$ 2,500</u>	<u>\$ 27,291</u>	<u>\$ 17,655</u>	<u>\$ 12,136</u>

EXHIBIT A-12

STATEMENT OF EMERGENCY NOTES PAYABLE

	Interest Rate	Date of Maturity	Balance, December 31, <u>2014</u>	Increased	Decreased	Balance, December 31, <u>2015</u>
Employee Severance Liabilities	1.0399%	9/25/2015	\$ 232,000		\$ 232,000	
	0.71%	9/23/2016	<u>-</u>	<u>\$ 116,000</u>	<u>-</u>	<u>\$ 116,000</u>
			<u>\$ 232,000</u>	<u>\$ 116,000</u>	<u>\$ 232,000</u>	<u>\$ 116,000</u>

**BOROUGH OF CLOSTER
STATEMENT OF APPROPRIATION RESERVES**

	Balance, December 31, <u>2014</u>	Encumbrances <u>Cancelled</u>	Budget After Transfer or <u>Modification</u>	Paid or <u>Charged</u>	Cancelled or <u>Transferred</u>	Balance <u>Lapsed</u>
Salaries and Wages						
Municipal Clerk's Office	\$ 2,840		\$ 2,085	\$ 2,085		
Financial Administration	818		950	950		
Information Technology	4		-			
Assessment of Taxes	1		1			\$ 1
Revenue Administration	22		22			22
Planning Board	6		-			
Zoning Board	8		-			
Municipal Court	247		247			247
Salary Adjustments			-			
Fire Prevention	2,165		3,950	3,950		
Police	51,117		61,672	61,672		
Office of Emergency Management	109		-			
Municipal Prosecutor	2,080		2,080	1,560		520
Road Repairs and Maintenance	53,560		22,502	22,502		
Shade Tree	1		1			1
Public Buildings & Grounds	1,383		1,383			1,383
Solid Waste Collection	5,075		5,075	1,780		3,295
Recycling	32		32			32
Vehicle Maintenance	1		1			1
Public Health Services	41		41			41
Board of Recreation Commissioners	1,554		1,554			1,554
Uniform Construction Code						
Construction Code Official	3,622		1,400	1,398		2
Zoning Officer	1,827		-			
Property Maintenance	1,897	-	1,519	1,519	-	-
	<u>128,410</u>	<u>-</u>	<u>104,515</u>	<u>97,416</u>	<u>-</u>	<u>7,099</u>
Other Expenses						
General Administration	59		-			
Municipal Clerk's Office	4,420		4,000	3,998		2
Elections	1,122		-			
Financial Administration	3,186		4,233	4,233		
Audit Services			11,000	11,000		
Information Technology	380		-			
Assessment of Taxes	1,513		3,200	3,200		
Engineering	988		-			
Revenue Administration	2,464		-			
Legal	35,188		47,096	47,096		
Economic Development	47		288	288		
Historical Commission	1,696		-			
Planning Board	607		1,140	1,140		
Zoning Board	512		-			
Insurance						
Unemployment Insurance	930		-			
General Liability Insurance		\$ 2,128	-			
Employee Group Health	37,646	21,450	59,096			59,096
Construction Code Official	2,438		-			

**BOROUGH OF CLOSTER
STATEMENT OF APPROPRIATION RESERVES**

	Balance, December 31, 2014	Encumbrances Cancelled	Budget After Transfer or Modification	Paid or Charged	Transferred to Appropriated Grant Reserves	Balance Lapsed
Other Expenses (Continued)						
Zoning Officer	\$ 300					
Property Maintenance	110					
Fire Prevention	127	\$ 1,012	\$ 1,138			\$ 1,138
Fire Protection						
Other Expenses	12,193		3,993	\$ 789		3,204
Clothing Allowance	1,382		1,382	45		1,337
Fire Hydrant	12,094		12,094			12,094
Police-Other Expense	11,688		300	300		
Acquisition of Equipment	4,822		-			
Emergency Management	7,726		-			
Streets and Roads						
Road Repairs and Maintenance	14,349		14,096	678		13,418
Snow Removal	590		590	590		
Shade Tree	1,628		1,628			1,628
Solid Waste Collection	289		289			289
Vehicle Maintenance	1,165		1,399	1,371		28
Recycling	750		750			750
Public Buildings and Grounds	3,363		43,363	43,363		
Public Health	5,033		5,033	4,255		778
Environmental Commission	29		29			29
Animal Control	16		16			16
Recreation and Education						
Parks and Playgrounds	1,784		1,784			1,784
Board of Recreation Commissioners	1,098		1,098	1,098		
Celebration of Public Events	368		368			368
Solid Waste Recycling Landfill and Contingency	46,080	1,975	25,638			25,638
Utilities:						
Gasoline			628	628		
Electricity	3,199		6,425	6,423		2
Natural Gas	554		3,279	3,279		
Telephone and Telegraph		473	473			473
Street Lighting	7,240		7,240	181		7,059
Sewer System	3,748		3,748			3,748
Water	1,286		1,286	483		803
Social Security System	27,865		27,865			27,865
Public Employee's Retirement System	6,399		6,399	1,748		4,651
Defined Contribution Retirement Plan	743	462	1,205			1,205
Bergen County Utilities Authority - Operations	1		1			1
Fuel Management - Other Municipalities	116		116	116		
Contribution to Library			10,000	10,000		
Municipal Court	130		130			130
Public Defender	900		900	900		
Length of Service Awards Program			9,020	6,341		2,679
Alcohol Education	1,267		1,267		\$ 1,267	
Drunk Driving Enforcement Fund	1,006		1,006	1,006		
Clean Communities Grant	14,276		14,276	6,354	7,922	
Bergen Prosecutor SWAT Team	2,500		2,500		2,500	
NJ Community Forestry Grant	3,000	-	3,000	-	3,000	-
	<u>294,410</u>	<u>27,500</u>	<u>345,805</u>	<u>160,903</u>	<u>14,689</u>	<u>170,213</u>
	<u>\$ 422,820</u>	<u>\$ 27,500</u>	<u>\$ 450,320</u>	<u>\$ 258,319</u>	<u>\$ 14,689</u>	<u>\$ 177,312</u>

**BOROUGH OF CLOSTER
STATEMENT OF ACCOUNTS PAYABLE**

Balance, December 31, 2014		\$	350,798
Increased by:			
Transfer from 2015 Budget Appropriations			513,968
			864,766
Decreased by:			
Encumbrances Payables Restored to Appropriation Reserves	\$	27,500	
Cash Disbursements		282,275	
			309,775
Balance, December 31, 2015		\$	554,991

STATEMENT OF DUE TO STATE OF NEW JERSEY

		Marriage License Fees	Training Fees	Total
Balance, December 31, 2014	\$	225	\$ 2,235	\$ 2,460
Increased by:				
Cash Receipts		1,050	19,909	20,959
		1,275	22,144	23,419
Decreased by:				
Cash Disbursements		1,150	19,581	20,731
Balance, December 31, 2015	\$	125	\$ 2,563	\$ 2,688

**BOROUGH OF CLOSTER
STATEMENT OF PREPAID TAXES**

Balance, December 31, 2014		\$ 216,576
Increased by:		
Collection of 2016 Taxes		<u>265,161</u>
		481,737
Decreased by:		
Application to 2015 Taxes		<u>216,576</u>
Balance, December 31, 2015		<u><u>\$ 265,161</u></u>

EXHIBIT A-17

STATEMENT OF TAX OVERPAYMENTS

Balance, December 31, 2014		\$ 103,534
Increased by:		
Cash Receipts		<u>28,532</u>
		132,066
Decreased by:		
Overpayments Applied - Taxes Receivable	\$ 28,455	
Cash Disbursements	<u>39,659</u>	
		<u>68,114</u>
Balance, December 31, 2015		<u><u>\$ 63,952</u></u>

EXHIBIT A-18

STATEMENT OF LOCAL SCHOOL DISTRICT TAX PAYABLE

Increased by:		
Levy - Calendar Year		<u>\$ 17,779,426</u>
Decreased by:		
Payments		<u><u>\$ 17,779,426</u></u>

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

Balance, December 31, 2014		\$ 17,592
Increased by:		
2015 Tax Levy - General	\$ 4,970,834	
2015 Tax Levy - Open Space	52,488	
Added Taxes (54:4-63.1)	<u>18,234</u>	
		<u>5,041,556</u>
		5,059,148
Decreased by:		
Payments		<u>5,040,914</u>
Balance, December 31, 2015		<u>\$ 18,234</u>

EXHIBIT A-20

STATEMENT OF REGIONAL HIGH SCHOOL DISTRICT TAXES PAYABLE

Increased by:		
Levy, Calendar Year 2015		<u>\$ 11,138,163</u>
Decreased by:		
Payments		<u>\$ 11,138,163</u>

EXHIBIT A-21

SCHEDULE OF APPROPRIATED GRANT RESERVES

	Balance December 31, <u>2014</u>	Transferred From 2014 Appropriation <u>Reserves</u>	Cash Disbursements	Balance, December 31, <u>2015</u>
Recreation Opportunity Grant	\$ 1,634			\$ 1,634
Alcohol Education	4,061	\$ 1,267		5,328
Domestic Violence	300			300
Master Plan - Historic Preservation	2,450			2,450
Green Team Mini Grant	300			300
Drunk Driving Enforcement Fund	1,290		\$ 1,290	-
Police Body Armor	3,423			3,423
Click It or Ticket	146			146
Clean Communities Grant		7,922		7,922
Bergen County Prosecutor - SWAT Team		2,500		2,500
Community Forestry Grant	-	<u>3,000</u>	-	<u>3,000</u>
	<u>\$ 13,604</u>	<u>\$ 14,689</u>	<u>\$ 1,290</u>	<u>\$ 27,003</u>

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

	Balance, December 31, <u>2014</u>	Increased by <u>Receipts</u>	Realized as Budget <u>Revenue</u>	Balance, December 31, <u>2015</u>
Police Body Armor	\$ 2,018		\$ 2,018	
Recycling Tonnage Grant	23,446		23,446	
Clean Communities Grant		\$ 17,348		\$ 17,348
Closter Green Team	600		600	
Alcohol Education	<u>2,009</u>	<u>1,709</u>	<u>2,009</u>	<u>1,709</u>
	<u>\$ 28,073</u>	<u>\$ 19,057</u>	<u>\$ 28,073</u>	<u>\$ 19,057</u>

EXHIBIT A-23

STATEMENT OF RESERVE FOR TAX APPEALS

Balance, December 31, 2014	\$ 91,784
Increased by:	
2015 Budget Appropriation	<u>67,500</u>
	159,284
Decreased by:	
Payments	<u>56,993</u>
Balance, December 31, 2015	<u>\$ 102,291</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, 2014	\$ 11,226	\$ 1,885,196	\$ 801,800
Increased by Receipts:			
Interest on Deposits			\$ 617
Escrow and Miscellaneous Reserves		\$ 1,012,137	
License Fees Collected	\$ 7,198		
Due to State of New Jersey	878		
Payroll and Payroll Deductions		7,314,206	
Receipts from Current Fund	-	25,000	206,690
	<u>8,076</u>	<u>8,351,343</u>	<u>207,307</u>
	19,302	10,236,539	1,009,107
Decreased by Disbursements:			
Payments to General Capital Fund			95,000
Payments to Current Fund	2,004		
Payments to State of NJ	878		
Animal Control Expenditures	2,922		
Payroll and Payroll Deductions Payable		7,357,472	
Escrow and Miscellaneous Reserves	-	722,471	-
	<u>5,804</u>	<u>8,079,943</u>	<u>95,000</u>
Balance, December 31, 2015	<u>\$ 13,498</u>	<u>\$ 2,156,596</u>	<u>\$ 914,107</u>

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

Balance, December 31, 2014 (Due From)	\$	23,263
Decreased by:		
Receipts from Current Fund		25,000
Balance, December 31, 2015 (Due To)	\$	1,737

STATEMENT OF RESERVE FOR ANIMAL CONTROL EXPENDITURES

Balance, December 31, 2014	\$	9,222
Increased by:		
Animal Control Fees		7,198
		16,420
Decreased by:		
Statutory Excess Due to Current Fund	\$	2,828
Cash Disbursements		2,922
		5,750
Balance, December 31, 2015	\$	10,670

STATEMENT OF DUE TO STATE OF NEW JERSEY
DOG REGULATION FEES

Balance, December 31, 2014		
Increased by:		
Registration Fees - Due State of New Jersey	\$	878
		878
Decreased by:		
Payments		878
Balance, December 31, 2015	\$	-

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

Balance, December 31, 2014	\$	2,004
Increased by:		
Statutory Excess		<u>2,828</u>
		4,832
Decreased by:		
Payments to Current Fund		<u>2,004</u>
Balance, December 31, 2015	\$	<u>2,828</u>

EXHIBIT B-9

STATEMENT OF ESCROW AND MISCELLANEOUS RESERVES - OTHER TRUST FUND

	Balance, December 31, <u>2014</u>	<u>Increased</u>	<u>Decreased</u>	Balance, December 31, <u>2015</u>
Escrow	\$ 136,884	\$ 311,354	\$ 127,930	\$ 320,308
Special Recreation	98,225	142,098	178,060	62,263
Housing (COAH)	1,042,695	76,198	29,424	1,089,469
Fire Protect & Prevention	81,130	5,645	4,099	82,676
Miscellaneous Trusts	34,814	2,000	385	36,429
Street & Driveway Opening	11,026	3,500	1,500	13,026
Sidewalk Construction	29,052	6,000		35,052
Sewer Hookup	1,424			1,424
Public Parking Reserve	58,609			58,609
Police Outside Employment	54,039	228,948	247,677	35,310
Court Parking (POAA)	910	156		1,066
Accumulated Leave	40,814			40,814
Storm Recovery Trust	47,309			47,309
Tax Sale Premiums	97,835	206,500	105,700	198,635
Closter Swim Club	48,525	508		49,033
Challenger Donations	4,642	49		4,691
Trees	61,182	28,606	25,938	63,850
Found Money - Police	55	575	552	78
Closter Improvement Comm.	1,324			1,324
Police Donations - Training	9,463		1,206	8,257
Environmental Commission - Green Team	300			300
Nature Center Donations	1,500	-	-	1,500
	<u>\$ 1,861,757</u>	<u>\$ 1,012,137</u>	<u>\$ 722,471</u>	<u>\$ 2,151,423</u>

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

Balance, December 31, 2014	\$ 46,702
Increased by:	
Cash Receipts	<u>7,314,206</u>
	7,360,908
Decreased by:	
Cash Disbursements	<u>7,357,472</u>
Balance, December 31, 2015	<u>\$ 3,436</u>

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

Balance, December 31, 2014	\$ 802,564
Increased by:	
Interest on Deposits	\$ 617
2015 Tax Levy	206,690
Added Tax Levy	<u>750</u>
	<u>208,057</u>
	1,010,621
Decreased by:	
Appropriated to Fund General Capital Ordinances	
Payments to General Capital Fund	95,000
Due to General Capital Fund	<u>5,000</u>
	<u>100,000</u>
Balance, December 31, 2015	<u>\$ 910,621</u>

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

Balance, December 31, 2014	\$ 764
Increased by:	
2015 Tax Levy	\$ 206,690
Added Tax Levy	<u>750</u>
	<u>207,440</u>
	208,204
Decreased by:	
Receipts from Current Fund	<u>206,690</u>
Balance, December 31, 2015	<u>\$ 1,514</u>

GENERAL CAPITAL FUND

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

Balance, December 31, 2014		\$ 1,605,500
Increased by Receipts:		
Grants Receivable	111,750	
Bond Anticipation Notes Issued	565,070	
Receipts from Current Fund	255,216	
Receipts from Open Space Trust Fund	95,000	
Reimbursements Received	<u>45,936</u>	
		<u>1,072,972</u>
		2,678,472
Decreased by:		
Improvement Authorizations	850,767	
Contracts Payable	822,901	
Payment of Bond Anticipation Notes	<u>160,484</u>	
		<u>1,834,152</u>
Balance, December 31, 2015		<u>\$ 844,320</u>

**BOROUGH OF CLOSTER
ANALYSIS OF GENERAL CAPITAL CASH
AS OF DECEMBER 31, 2015**

Capital Improvement Fund	\$ 16,924
Fund Balance	87,316
Contracts Payable	736,810
Grants Receivable	(90,000)
Due To Current Fund	5,088
Due From Open Space Trust Fund	(5,000)
Reserve for Payment of Notes	111,750
Deferred Charges - Cancelled Grant Receivables	(75,970)

Improvement Authorizations:

<u>Ord. No.</u>	<u>Improvement Description</u>	
975	Various Improvements	5,650
1037	Park and Historic Preservation Improvements	4,559
1043	Park and Historic Preservation Improvements	892
1070	Safe Sidewalks to Tenakill School	
1075	Various Improvements	73,999
1077	Reconstruction of Basketball Courts and Purchase of Bleachers and Picnic Tables	5,183
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	36,046
1129	Acquisition of Various Equipment	7,470
1132	Park, Farmland and Historic Preservation	54,312
1139	Park, Farmland and Historic Preservation	110
1142	Various Improvements	210,959
1143	Park, Farmland and Historic Preservation	30,668
1144	Acquisition of New and Additional Equipment	13,236
1147	Acquisition of Various Equipment	7,752
1162	Borough Hall Exterior Repairs and Roof Replacement	23,987
1164	Various Capital Improvements	73,412
1166	Acquisition of Various Equipment	1,616
1167	Acquisition of New and Additional Equipment	2,215
1179	Park, Farmland and Historic Preservation	6,810
1188	Various Improvements	(622,896)
1196	Park, Farmland and Historic Preservation	25,639
1199	Park, Farmland and Historic Preservation	5,000
		<u>\$ 844,320</u>

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

Balance, December 31, 2014		\$ 6,874,867
Decreased by:		
Budget Appropriations		
Serial Bonds	\$ 1,395,000	
Green Trust Loans	<u>3,586</u>	
		<u>1,398,586</u>
Balance, December 31, 2015		<u>\$ 5,476,281</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. 1164</u>	<u>FEMA Hazard Mitigation</u>
Balance, December 31, 2014	\$ 313,101	\$ 90	\$ 40,749	\$ 3,648	\$ 12,839	\$ 75,638	\$ 3,580	\$ 14,521	\$ 13,036	\$ 149,000	
Increased by:											
Grant Awards	<u>90,000</u>	-	-	-	-	-	-	-	-	-	\$ 90,000
	403,101	90	40,749	3,648	12,839	75,638	3,580	14,521	13,036	149,000	90,000
Decreased By:											
Cancelled Receipts	<u>164,101</u>	90	40,749	3,648	12,839	75,638	3,580	14,521	13,036		
	<u>111,750</u>	-	-	-	-	-	-	-	-	111,750	-
Balance, December 31, 2015	<u>\$ 127,250</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,250</u>	<u>\$ 90,000</u>
Pledged to Reserve	\$ 37,250										
Pledged to Ordinances	<u>90,000</u>										
	<u>\$ 127,250</u>										

BOROUGH OF CLOSTER
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - CANCELLED GRANT RECEIVABLES

Increased by:		
Grant Receivable Balances Cancelled		\$ 164,101
Decreased by:		
Cancelled Improvement Authorization Balances		<u>88,131</u>
Balance, December 31, 2015		<u>\$ 75,970</u>

EXHIBIT C-8

STATEMENT OF DUE TO/FROM CURRENT FUND

Balance, December 31, 2014 (Due From)		\$ 28,899
Increased by:		
Current Fund Budget Appropriations		
Payment of Bond Anticipation Notes	\$ 122,975	
Deferred Charges - Overexpenditure	323	
Capital Improvement Fund	100,000	
Deferred Charges - Unfunded	<u>3,019</u>	
		<u>226,317</u>
		255,216
Decreased by:		
Anticipated as Current Fund Revenue		
Reserve for Payment of Debt	5,088	
Receipts from Current Fund	<u>255,216</u>	
		<u>260,304</u>
Balance, December 31, 2015 (Due To)		<u>\$ 5,088</u>

EXHIBIT C-9

STATEMENT OF DUE FROM OPEN SPACE TRUST FUND

Increased by:		
Appropriated for Improvement Authorizations		\$ 100,000
Decreased by:		
Receipts from Open Space Trust Fund		<u>95,000</u>
Balance, December 31, 2015		<u>\$ 5,000</u>

EXHIBIT C-10

STATEMENT OF GREEN TRUST FUND LOAN PAYABLE

Balance, December 31, 2014		\$ 12,867
Decreased by:		
Budget Appropriation		<u>3,586</u>
Balance, December 31, 2015		<u>\$ 9,281</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, 2015</u>		<u>Interest Rate</u>		<u>Balance, December 31, 2014</u>		<u>Balance, December 31, 2015</u>	
			<u>Date</u>	<u>Amount</u>			<u>Decreased</u>			
General Improvements	5/10/2010	\$ 4,062,000	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	\$ 2,862,000	\$ 435,000	\$ 2,427,000		
Refunding Bonds	6/15/2012	4,505,000	10/15/16	980,000	2.500					
			10/15/17	1,015,000	3.000					
			10/15/18	1,045,000	3.000	<u>4,000,000</u>	<u>960,000</u>	<u>3,040,000</u>		
						<u>\$ 6,862,000</u>	<u>\$ 1,395,000</u>	<u>\$ 5,467,000</u>		

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

Ord. No.	Improvement Description	Date of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance, December 31, 2014	Increased	Decreased	Balance, December 31, 2015
1075	Various Improvements	12/16/2011	9/26/2014 2/25/2015	2/25/2015 2/25/2016	1.00% .51%	\$ 510,278	\$ 480,010	\$ 510,278	\$ 480,010
1091	Reconstruction of Herbert Avenue - Section IV	12/16/2011	9/26/2014 2/25/2015	2/25/2015 2/25/2016	1.00% .51%	37,895	35,790	37,895	35,790
1103	Acquisition of Various Equipment	12/16/2011	9/26/2014 2/25/2015	2/25/2015 2/25/2016	1.00% .51%	179,583	169,166	179,583	169,166
1120	Acquisition of Ladder Truck and Pickup	9/28/2012	9/26/2014 2/25/2015	2/25/2015 2/25/2016	1.00% .51%	1,072,347	1,014,807	1,072,347	1,014,807
1125	Reconstruction of Various Roadways	9/28/2012	9/26/2014 2/25/2015	2/25/2015 2/25/2016	1.00% .51%	294,500	279,000	294,500	279,000
1129	Acquisition of Various Equipment	9/28/2012	9/26/2014 2/25/2015	2/25/2015 2/25/2016	1.00% .51%	149,915	142,770	149,915	142,770
843	Various Improvements	9/27/2013	9/26/2014 2/25/2015	2/25/2015 2/25/2016	1.00% .51%	275,123	275,123	275,123	275,123
1142	Various Improvements	9/27/2013	9/26/2014 2/25/2015	2/25/2015 2/25/2016	1.00% .51%	1,182,359	1,144,850	1,182,359	1,144,850
1162	Borough Hall Exterior Repairs and Roof Replaceme	9/26/2014	9/26/2014 2/25/2015	2/25/2015 2/25/2016	1.00% .51%	617,500	617,500	617,500	617,500
1164	Various Capital Improvements	9/26/2014	9/26/2014 2/25/2015	2/25/2015 2/25/2016	1.00% .51%	865,500	-	865,500	-
						<u>\$ 5,185,000</u>	<u>\$ 5,589,586</u>	<u>\$ 5,185,000</u>	<u>\$ 5,589,586</u>
					Notes Issued		\$ 565,070		
					Paid By Budget Appropriation			\$ 122,975	
					Notes Paid by Capital Cash			37,509	
					Renewals		<u>5,024,516</u>	<u>5,024,516</u>	
							<u>\$ 5,589,586</u>	<u>\$ 5,185,000</u>	

**BOROUGH OF CLOSTER
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ord. No.	Improvement Description	Ordinance Amount	2015 Authorizations										Balance,		
			Balance, December 31, 2014		Capital Impvt. Fund	Open Space Trust Fund	Funded by Grant	Deferred Charges to Future Taxation Unfunded	Expended	Cancelled Contracts	Cancelled Authorizations	Reimbursement: Received	December 31, 2015		
			Funded	Unfunded									Funded	Unfunded	
975	Various Improvements	\$ 213,000	\$ 5,650											\$ 5,650	
1037	Park and Historic Preservation Improvements	68,100	4,559											4,559	
1043	Park and Historic Preservation Improvements	68,100	39,470						\$ 892	\$ 39,470				892	
1070	Safe Sidewalks to Tenakill School	315,000	36,796					\$ 2,656		34,140					
1075	Various Improvements	600,000		\$ 73,999											\$ 73,999
1077	Reconstruction of Basketball Courts, and Purchase of Bleachers and Picnic Tables	36,500	19,704								14,521			5,183	
1088	Park, Farmland and Historic Preservation	244,750	64,162											64,162	
1091	Reconstruction of Herbert Avenue - Sect IV	190,000		888											888
1095	Park, Farmland and Historic Preservation	28,000	1,125											1,125	
1103	Acquisition of Various Equipment	200,000		9,009											9,009
1120	Acquisition of Ladder Truck and Pickup	1,129,000		15,599											15,599
1121	Park, Farmland and Historic Preservation	290,600	46,853						10,807					36,046	
1125	Reconstruction of Various Roadways	455,000		60,614					60,614						
1129	Acquisition of Various Equipment	157,800		10,679					3,209						7,470
1131	Park, Farmland and Historic Preservation	55,000	16,308						16,308						
1132	Park, Farmland and Historic Preservation	65,000	54,359						47					54,312	
1139	Park, Farmland and Historic Preservation	50,000	490						380					110	
1142	Various Improvements	1,363,000		147,356							19,856	\$ 43,747			210,959
1143	Park, Farmland and Historic Preservation	262,500	18,568								12,100			30,668	
1144	Acquisition of New & Addtl Equipment	18,000	13,236											13,236	
1147	Acquisition of Various Equipment	55,600	7,752											7,752	
1162	Borough Hall Exterior Repairs and Roof Replacement	650,000		55,239					31,252						23,987
1164	Various Capital Improvements	1,505,600		657,974					584,562						73,412
1166	Acquisition of Various Equipment	55,000	1,616											1,616	
1167	Acquisition of New and Addtl Equipment	16,335									26	2,189		2,215	
1179	Park, Farmland and Historic Preservation	18,920	18,920						12,110					6,810	
1188	Various Improvements	1,817,500			\$ 83,375	\$ 60,000	\$ 90,000	\$ 1,584,125	856,271						961,229
1196	Park, Farmland and Historic Preservation	35,000				35,000			9,361					25,639	
1199	Park, Farmland and Historic Preservation	5,000				5,000								5,000	
			<u>\$ 349,568</u>	<u>\$ 1,031,357</u>	<u>\$ 83,375</u>	<u>\$ 100,000</u>	<u>\$ 90,000</u>	<u>\$ 1,584,125</u>	<u>\$ 1,587,577</u>	<u>\$ 32,874</u>	<u>\$ 88,131</u>	<u>\$ 45,936</u>	<u>\$ 264,975</u>	<u>\$ 1,376,552</u>	
									Cash Disbursements	\$ 850,767					
									Contracts Payable	736,810					
										<u>\$ 1,587,577</u>					

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**BOROUGH OF CLOSTER
STATEMENT OF CONTRACTS PAYABLE**

Balance, December 31, 2014		\$ 855,775
Increased by:		
Charges to Improvement Authorization		<u>736,810</u>
		1,592,585
Decreased by:		
Payments	\$ 822,901	
Cancellations	<u>32,874</u>	
		<u>855,775</u>
Balance, December 31, 2015		<u>\$ 736,810</u>

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, December 31, 2014		\$ 299
Increased by:		
Budget Appropriation		<u>100,000</u>
		100,299
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>83,375</u>
Balance, December 31, 2015		<u>\$ 16,924</u>

STATEMENT OF RESERVE FOR PAYMENT OF DEBT

Balance, December 31, 2014		\$ 5,088
Decreased by:		
Anticipated as Current Fund Revenue		<u>5,088</u>
Balance, December 31, 2015		<u>\$ -</u>

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

Ordinance Number	Improvement Description	Balance, December 31, <u>2014</u>	2015 Improvement Authorizations	Bond Anticipation Notes Issued	2015 Budget Appropriation	Balance, December 31, <u>2015</u>
919	Various Capital Improvements	\$ 174			\$ 174	
995	Various Improvements	2,845			2,845	
1164	Various Capital Improvements	565,070		\$ 565,070		
1188	Various Capital Improvements	<u>-</u>	<u>\$ 1,584,125</u>	<u>-</u>	<u>-</u>	<u>\$ 1,584,125</u>
		<u>\$ 568,089</u>	<u>\$ 1,584,125</u>	<u>\$ 565,070</u>	<u>\$ 3,019</u>	<u>\$ 1,584,125</u>

PUBLIC ASSISTANCE FUND

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

Balance, December 31, 2014	\$ 11,483
Increased by:	
Donations	15,211
	26,694
Decreased by:	
Payments - Local Assistance	11,143
Balance, December 31, 2015	\$ 15,551

STATEMENT OF RESERVE FOR PUBLIC ASSISTANCE EXPENDITURES

Balance, December 31, 2014	\$ 11,483
Increased by:	
Donations	15,211
	26,694
Decreased by:	
Expenditures	11,143
Balance, December 31, 2015	\$ 15,551

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

Revenues	
Donations	<u>\$ 15,211</u>

STATEMENT OF PUBLIC ASSISTANCE EXPENDITURES

Expenditures	
Local Assistance	<u>\$ 11,143</u>

BOROUGH OF CLOSTER
COUNTY OF BERGEN

PART II
GOVERNMENT AUDITING STANDARDS



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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

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, 2015, and the related notes to the financial statements, and have issued our report thereon dated June 27, 2016. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared 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 financial reporting 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.

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 certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2015-001 that we considered to be a significant deficiency in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Closter's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that 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 2015-001.

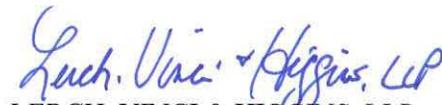
We also noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Borough of Closter in Part III of this report of audit entitled, "Letter of Comments and Recommendations".

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 27, 2016

**BOROUGH OF CLOSTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

<u>Federal Program</u>	<u>CFDA Number</u>	<u>Grant Year</u>	<u>Grant Receipts</u>	<u>Balance, January 1, 2015</u>	<u>Revenue</u>	<u>Expended</u>	<u>Balance, December 31, 2015</u>	<u>(Memo Only) Cumulative Expenditures</u>
Department of Homeland Security Federal Emergency Management Agency Hurricane Sandy Hazard Mitigation Grant	97.036	2015 2015	\$ 1,148		\$ 1,148 90,000	\$ 1,148 90,000	\$ 90,000	\$ 1,148
Department of Law and Public Safety Division of Highway Traffic Safety Drive Sober or Get Pulled Over	20.616	2015	6,646		6,646	6,646		6,646
Department of Transportation Occupant Protection Program (Click It or Ticket)	20.602	2012		\$ 146	-	-	\$ 146	3,854
				<u>\$ 146</u>	<u>\$ 97,794</u>	<u>\$ 7,794</u>	<u>\$ 90,146</u>	

This schedule is not subject to a single audit as defined by U.S. Uniform Guidance

BOROUGH OF CLOSTER
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2015

<u>State Grant Program</u>	<u>Grant Number</u>	<u>Grant Year</u>	<u>2015 Grant Receipts</u>	<u>Balance, January 1, 2015</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Cancelled</u>	<u>Balance, December 31, 2015</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
Reconstruction of Various Roads (Ord. No. 1164)	0786320480ALW	2014	\$ 111,750		\$ 111,750	\$ 111,750			111,750
Recycling Tonnage Grant	4830-752-050550-50	2014			23,446	17,487		\$ 5,959	17,487
Drunk Driving Enforcement Fund	1110-448-031020-22	2011		1,290		1,290		-	10,250
		2014		1,006		1,006		-	1,006
		2015	3,994		3,994	2,084		1,910	
Clean Communities Program	4900-765-178900	2014		14,276		6,354		7,922	
		2015	17,348					-	
Police Body Armor - State Share	N/A	2011		473				473	1,731
		2012		395				395	1,681
		2013		2,555				2,555	
		2014			2,018	2,018		-	2,018
		2015	2,015		2,015			2,015	
Community Forestry Grant		2014		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			2,009	
		2015	1,709					-	

See Accompanying Notes to the Schedule of Expenditures of State Financial Assistance

BOROUGH OF CLOSTER
SCHEDULE OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2015

<u>State Grant Program</u>	<u>Account Number</u>	<u>Grant Year</u>	<u>2015 Grant Receipts</u>	<u>Balance, January 1, 2015</u>	<u>Revenue</u>	<u>Expended</u>	<u>Adjustments</u>	<u>Balance, December 31, 2015</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	-	-	600	
Total State Financial Assistance				<u>\$ 58,882</u>	<u>\$ 145,832</u>	<u>\$ 141,989</u>	<u>\$ 25,875</u>	<u>\$ 36,850</u>	

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

See Accompanying Notes to the Schedule of Expenditures of State Financial Assistance

**BOROUGH OF CLOSTER
 NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
 AND STATE FINANCIAL ASSISTANCE
 YEAR ENDED DECEMBER 31, 2015**

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	\$ 97,794	\$ 34,082	\$ 131,876
General Capital Fund	<u>-</u>	<u>111,750</u>	<u>111,750</u>
	<u>\$ 97,794</u>	<u>\$ 145,832</u>	<u>\$ 243,626</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 loans outstanding at December 31, 2015, which are not required to be reported on the schedules of expenditures of state financial assistance, are as follows:

Loan Program

N.J. Dept. of Environmental Protection Conrail Land Acquisition	<u>\$ 9,281</u>
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**BOROUGH OF CLOSTER
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2015**

Part I – Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

1) Material weakness(es) identified _____ yes X no

2) Significant deficiency(ies) that are not considered to be material weakness(es)? X yes _____ none

Noncompliance material to the financial statements noted? X yes _____ no

Federal Awards Section

NOT APPLICABLE

State Awards Section

NOT APPLICABLE

**BOROUGH OF CLOSTER
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2015**

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 2015-001

Certain Other Trust bank accounts are not recorded in the Other Trust Fund 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

The Other Trust Fund general ledger does not include the cash receipt and disbursement activity for certain escrow bank accounts. 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 include the financial activity for all escrow accounts. General ledger account balances 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, 2015**

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 2014-1

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 2015-001.

BOROUGH OF CLOSTER

COUNTY OF BERGEN

PART III

SUPPLEMENTARY DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2015

**BOROUGH OF CLOSTER
SUPPORTING DATA**

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Tax Rate</u>	<u>\$2.190</u>	<u>\$2.129</u>	<u>\$2.102</u>

Apportionment of Tax Rate

Municipal	.504	.493	.480
Municipal Library	.033	.032	.032
Municipal Open Space Tax	.010	.010	.009
Regional High School	.539	.520	.520
Local School	.860	.844	.834
County (Includes County Open Space Tax)	.244	.230	.227

Assessed Valuation Basis

2015	<u>\$2,066,901,800</u>	
2014		<u>\$2,066,283,800</u>
2013		<u>\$2,056,362,000</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>
2015	\$ 45,429,118	\$ 45,033,055	99.12%
2014	44,156,180	43,668,061	98.89%
2013	43,444,222	43,043,539	99.08%

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>
2015	\$ 278,639	0.61%
2014	336,567	0.76%
2013	214,369	0.49%

**BOROUGH OF CLOSTER
SUPPORTING DATA**

Property Acquired By Tax Title Lien Foreclosure

No properties have been acquired in 2015 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>
2015	\$130,531
2014	130,531
2013	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	2015	\$1,846,021	\$1,180,000
	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

**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>
John C. Glidden, Jr.	Mayor
Victoria R. Amitai	Councilwoman
Dr. David H. Barad	Councilman
Arthur B. Dolson	Councilman
Thomas Hennessey	Councilman
Robert Di Dio	Councilman
Alissa J. Latner	Councilwoman
Loretta Castano	Municipal Clerk
Jonathan DeJoseph	Borough Administrator
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
Gary Montroy	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 (1/1/15-6/30/15)
Peter Geiger	Municipal Court Judge (7/22/15-12/31/15)
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

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 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. In addition, the fixed asset accounting records were not updated to reflect the additions and deletions for the year ended December 31, 2015. 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 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 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.

Our audit of the Fire Prevention revealed that the smoke detector fees were not recorded in the department cash book. It is recommended that the Fire Prevention cash book include all fees collected by the department.

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.

Current Year Findings

Our audit revealed that bank cashier checks are utilized for cash disbursements for COAH expenses. It is recommended that the Borough issue municipal checks, with the required legal signatures for all COAH related expenses.

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 (January 1 to June 30) or \$40,000 (July 1 to December 31) 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 (Continued)

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

Solid Waste Transfer and Recycling Services
Road Improvements
Emergency Medical Vehicle

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 5, 2015 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 create and utilize a central cashier.

**BOROUGH OF CLOSTER
SUPPLEMENTARY DATA**

RECOMMENDATIONS

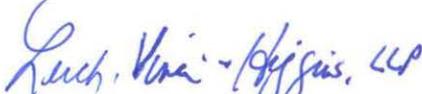
It is recommended that:

- * 1. The Borough's Trust Fund's general ledger include the financial activity for all escrow accounts. General ledger account balances 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. Personnel procedures be reviewed to ensure the correct date is utilized for the accrual of sick/vacation time.
- * 4. The Fire Prevention cash book include all fees collected by the department.
- * 5. 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.
- 6. The Borough issue municipal checks, with the required legal signatures for all COAH related expenses.

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