

**PRELIMINARY OFFICIAL STATEMENT DATED MAY 13, 2022**

**NEW ISSUE – BOOK ENTRY ONLY**

**RATING: NOT RATED**

In the opinion of Gibbons P.C., Bond Counsel to the Borough (as defined herein), assuming continuing compliance by the Borough with certain tax covenants described herein, under existing law, interest on the Notes (as defined herein) is excluded from the gross income of the owners of the Notes for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and interest on the Notes is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. Under existing law, interest on the Notes and net gains from the sale of the Notes are exempt from the tax imposed by the New Jersey Gross Income Tax Act. See “TAX MATTERS” herein.

**BOROUGH OF CLOSTER  
IN THE COUNTY OF BERGEN, NEW JERSEY**

**\$9,095,000 BOND ANTICIPATION NOTES, SERIES 2022  
(NON-CALLABLE) (BANK-QUALIFIED)**

**Dated Date: June 2, 2022**  
**Maturity Date: June 1, 2023**  
**Interest Rate: \_\_\_\_\_%**  
**Reoffer Yield: \_\_\_\_\_%**  
**CUSIP No.: 189072\_\_\_\_\_**

The Borough of Closter, in the County of Bergen, New Jersey (the “Borough”) is offering \$9,095,000 aggregate principal amount of Bond Anticipation Notes, Series 2022 (the “Notes”). The Notes are being issued pursuant to the Local Bond Law, constituting Chapter 2 of Title 40A of the New Jersey Statutes, and the bond ordinances described herein.

The Notes are issuable in the form of one certificate in the aggregate principal amount of the Notes and will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“DTC”). The Notes shall be purchased in book-entry only form in the amount of \$5,000 each or any integral multiple thereof through book-entries made on the books and records of DTC and its participants. So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner for the Notes, payments of the principal of and interest on the Notes will be made by the Borough, directly to Cede & Co. (or any successor or assign), as nominee for DTC.

The Notes shall be dated and bear interest from June 2, 2022, shall mature on June 1, 2023, and shall bear interest at the rate of interest set forth above, payable at maturity, calculated on the basis of a 30-day month, 360-day year. So long as DTC is the registered owner of the Notes, principal of and interest on the Notes will be paid to DTC by the Borough at maturity. Interest on the Notes will be credited to the registered owner as of the close of business on May 25, 2023 (the “Record Date” for the payment of principal and interest on the Notes). The Notes are not subject to redemption prior to maturity.

The Notes are general obligations of the Borough, and are secured by a pledge of the full faith and credit of the Borough for payment of the principal thereof and interest thereon. The Notes are payable, if not paid from other sources, from *ad valorem* taxes which shall be assessed upon all the taxable property within the Borough without limitation as to rate or amount.

**THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.**

*The Notes are offered when, as and if received by the Underwriter (as defined herein) and subject to prior sale, withdrawal or modification of the offer without notice, and to approval of legality by Gibbons P.C., Newark, New Jersey, Bond Counsel, and certain other conditions described herein. NW Financial Group, LLC served as Municipal Advisor to the Borough in connection with the Notes. It is expected that the Notes, in definitive form, will be available for delivery on or about June 2, 2022 through the facilities of DTC in New York, New York.*

This is a Preliminary Official Statement “deemed final” within the meaning of, and with the exception of certain information permitted to be omitted by, Rule 15c2-12 of the Securities and Exchange Commission, and is otherwise subject to change in accordance with applicable law. The Borough will deliver an Official Statement in accordance with Rule 15c2-12. This Preliminary Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale prior to registration, qualification or exemption under the securities laws of any such jurisdiction.

**BOROUGH OF CLOSTER  
BERGEN COUNTY, NEW JERSEY**

**MAYOR**

John C. Glidden, Jr.

**BOROUGH COUNCIL**

Victoria Amitai  
Jannie Chung  
Scott Devlin  
Alissa Latner  
Dolores Witko  
Joseph Yammarino

**BOROUGH CLERK**

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**BOND COUNSEL**

Gibbons P.C.  
Newark, New Jersey

No broker, dealer, salesperson or other person has been authorized by the Borough to give any information or to make any representations with respect to the Notes other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the foregoing. The information contained herein has been provided by the Borough and other sources deemed reliable; however, no representation is made as to the accuracy or completeness of information from sources other than the Borough.

Any statements contained in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. All estimates and assumptions herein have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates or assumptions are correct or will be realized. This Official Statement is not to be construed as a contract or agreement between the Borough and the purchasers or holders of any of the Notes. This Official Statement is submitted in connection with the sale of the Notes and may not be reproduced or used, in whole or in part, for any other purpose.

References in this Official Statement to laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein, and copies of which may be inspected at the offices of the Borough during normal business hours.

Gibbons P.C. has not verified the accuracy, completeness or fairness of the information contained herein, except under "TAX MATTERS", and, accordingly, assumes no responsibility therefor and will express no opinion with respect thereto.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE NOTES IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

The term CUSIP referenced on the front cover page hereof is a registered trademark of American Bankers Association. CUSIP numbers are provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. The CUSIP number listed on the front cover page hereof is being provided solely for the convenience of holders of the Notes only at the time of issuance of the Notes and the Borough does not make any representation with respect to such number or undertake any responsibility for its accuracy now or at any time in the future. The CUSIP number is subject to being changed after the issuance of the Notes.

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**OFFICIAL STATEMENT**

**Relating to**

**BOROUGH OF CLOSTER  
IN THE COUNTY OF BERGEN, NEW JERSEY**

**\$9,095,000 BOND ANTICIPATION NOTES, SERIES 2022  
(NON-CALLABLE) (BANK-QUALIFIED)**

**INTRODUCTION**

This Official Statement, which includes the cover page and the appendices attached hereto, has been prepared by the Borough of Closter (the "Borough"), in the County of Bergen (the "County"), New Jersey (the "State"), in connection with the sale and the issuance of \$9,095,000 Bond Anticipation Notes, Series 2022 (the "Notes"). This Official Statement has been executed by and on behalf of the Borough by its Chief Financial Officer and may be distributed in connection with the sale of the Notes described herein.

**THE NOTES**

**General Description**

The Notes are dated, will mature on the date and in the amount and will bear interest payable at the interest rate as set forth on the front cover page hereof. Interest shall be computed on the basis of a 30-day month/360-day year.

The principal of and interest due on the Notes will be paid to the registered owners by the Borough as paying agent (the "Paying Agent"). Principal of and interest due on the Note will be credited to the registered owner as of the close of business on May 25, 2023 (the "Record Date" for the payment of principal and interest on the Note).

The Notes are issuable in the form of one certificate in the aggregate principal amount of the Notes and will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). The Notes shall be purchased in book-entry only form in the amount of \$5,000 each or any integral multiple thereof through book-entries made on the books and records of DTC and its participants. So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner for the Notes, payments of the principal of and interest on the Notes will be made by the Borough, directly to Cede & Co. (or any successor or assign), as nominee for DTC.

**Redemption**

The Notes are not subject to redemption prior to their stated maturity date.

**Book-Entry-Only System**

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interest in the Notes, payment of principal and interest and other payments on the Notes to Direct and Indirect Participants (each as defined below) or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Notes and other related transactions by and between DTC, Direct Participants and Beneficial Owners, is based on certain information furnished by DTC to the Borough.

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for the Notes and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Borough as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Borough or the paying agent, if any, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the paying agent, if any, or the Borough, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Borough or the paying agent, if any, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Notes at any time by giving reasonable notice to the Borough or the paying agent, if any. Under such circumstances, in the event that a successor securities depository is not obtained, Note certificates are required to be printed and delivered.

The Borough may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Borough believes to be reliable, but the Borough takes no responsibility for the accuracy thereof.

THE BOROUGH WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, OR THE INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE NOTES, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE NOTEHOLDERS OR REGISTERED OWNERS OF THE NOTES (OTHER THAN UNDER THE CAPTION "TAX MATTERS") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE NOTES.

### **Discontinuation of Book-Entry-Only System**

If the Borough, in its sole discretion, determines that DTC is not capable of discharging its duties, or if DTC discontinues providing its services with respect to the Notes at any time, the Borough will attempt to locate another qualified securities depository. If the Borough fails to find such a securities depository, or if the Borough determines, in its sole discretion, that it is in the best interest of the Borough or that the interest of the Beneficial Owners might be adversely affected if the book-entry-only system of transfer is continued (the Borough undertakes no obligation to make an investigation to determine the occurrence of any events that would permit it to make such determination), the Borough shall notify DTC of the termination of the book-entry-only system.

## **SECURITY AND SOURCE OF PAYMENT**

The Notes are valid and legally binding general obligations of the Borough, and the Borough has pledged its full faith and credit for the payment of the principal of and the interest on the Notes. The Borough is required by law to levy *ad valorem* taxes upon all the taxable property within the Borough for the payment of the principal of and the interest due on the Notes without limitation as to rate or amount.

## COVID-19 RISK FACTORS

In early March of 2020, the World Health Organization declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a newly discovered strain of coronavirus. On March 13, 2020, then President Trump declared a national emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. Governor Phil Murphy (the "Governor") of the State declared a state of emergency and a public health emergency on March 9, 2020 due to the outbreak of COVID-19, which spread throughout the State and to all counties within the State. The Governor also instituted mandatory measures via various executive orders to contain the spread of the virus. These measures, which altered the behavior of businesses and people, have had and may continue to have negative impacts on regional, state and local economies. The public health emergency was terminated on June 4, 2021 but the state of emergency remained in effect via Executive Order 244. However, on January 11, 2022, the Governor restated the existing state of emergency and reinstated a public health emergency via Executive Order 280, effective immediately, in order to ensure that the State was able to respond to the threat of COVID-19 and the Omicron variant. The public health emergency declaration, which allowed existing orders to continue in effect, was set to expire thirty (30) days from January 11, 2022, unless renewed. On February 10, 2022, the Governor signed Executive Order 288 extending the public health emergency declared on January 11, 2022, however the public health emergency was terminated on March 7, 2022 via Executive Order 292; The existing state of emergency remains in effect. *See* <https://covid19.nj.gov> for further detail regarding the impact of COVID-19 on the State and the Governor's various executive orders.

In order to provide additional means for local governmental units to address the financial impact of the COVID-19 outbreak, the Governor signed into law P.L. 2020, c. 74 ("Chapter 74") on August 31, 2020. Chapter 74, which took effect immediately, adds two new purposes to the list of special emergency appropriations which may be raised by municipalities or counties over a five year period (either through the issuance of special emergency notes or raised internally without borrowing): Specifically, Chapter 74 authorizes special emergency appropriations for: (1) direct COVID-19 response expenses; and (2) deficits in prior year's operations attributable to COVID-19 (the beginning of the five year repayment schedule is delayed by one year for these new purposes). Upon approval by the Director of the Division of Local Government Services, New Jersey Department of Community Affairs, in cases of significant fiscal distress, the five year period may be extended to up to ten years. In addition, the statute permits school districts and public authorities to issue debt with a maximum five year maturity schedule for direct COVID-19 expenses. Chapter 74 provides for State supervision of all local government unit borrowings related to the COVID-19 pandemic. The statute also grants the Director the authority to modify municipal budgeting rules concerning anticipated revenues in order to lessen the impact of revenue reductions due to COVID-19. The Borough does not anticipate authorizing these special emergency appropriations or issuing special emergency notes in order to address any financial impact caused by the COVID-19 pandemic.

The finances and operations of the Borough may be materially and adversely affected going forward as a result of the COVID-19 pandemic through reduced or delayed revenue streams, which include the collection of property taxes, which is the Borough's primary revenue source for supporting its budget. The Borough cannot predict costs associated with a potential infectious disease outbreak like COVID-19 such as operational costs to clean, sanitize and maintain facilities, or costs to operate remotely and support Borough functions and critical government actions during an outbreak, or any resulting impact such costs could have on the Borough's operations. However, as of the date hereof, the Borough's finances and operations had certain reduced revenue streams due to the COVID-19 pandemic; however, the overall finances and operations of the Borough have not been materially and adversely affected due to the COVID-19 outbreak.

The degree of any such impact to the Borough's operations and finances is extremely difficult to predict due to the dynamic nature of the COVID-19 pandemic, including uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what additional actions may be taken by governmental and other health care authorities to manage the COVID-19 pandemic. The continued spread of the outbreak could have a materially adverse effect on the Borough and its economy.

The American Rescue Plan Act of 2021, H.R. 1319 (the "Plan"), signed into law by President Biden on March 12, 2021, comprises \$1.9 trillion in relief designed to provide funding to address the COVID-19 pandemic and alleviate the economic and health effects of the COVID-19 pandemic.



The Plan includes various forms of financial relief including up to \$1,400 increase in direct stimulus payments and various other forms of economic relief, including extended unemployment benefits, continued eviction and foreclosure moratoriums, an increase in the child tax credit, an increase in food and housing aid, assistance grants to restaurants and bars, and other small business grants and loans. The Plan provides funding for state and local governments to offset costs to safely reopen schools during the COVID-19 pandemic and to subsidize COVID-19 testing and vaccination programs. In addition, the Plan includes \$350 billion in relief funds to public entities, such as the Borough.

Based on available information as of the date hereof, the Borough is expected to receive \$890,834 from the Plan. Such funds are expected to be received in two equal payments, one within 60 days of enactment of the Plan (\$445,417 was received in 2021) and the balance no earlier than 12 months from the initial payment. The deadline to obligate the funds is December 31, 2024 and to spend funds is December 31, 2026. Generally, according to the Plan, the allowable use of the funds to be provided to the Borough include the following categories: (a) to respond to the public health emergency with respect to COVID-19 or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality; (b) to respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers of the Borough that are performing such essential work, or by providing grants to eligible employers that have eligible workers who perform essential work; (c) for the provision of government services to the extent of the reduction in revenue due to the public health emergency relative to revenues collected in the most recent full fiscal year of the Borough, prior to the emergency; (d) to make necessary investments in water, sewer or broadband infrastructure. As of the date hereof, the Borough has not determined how it will spend the funds to be received.

#### NO DEFAULT

The Borough has never defaulted in the payment of any bonds or notes, nor are any payments of principal or interest on the Borough’s indebtedness past due.

#### AUTHORIZATION AND PURPOSE OF THE NOTES

The Notes are issued pursuant to the Local Bond Law, N.J.S.A. 40A:2-1 *et seq.* (the “Local Bond Law”), and the bond ordinances of the Borough set forth below.

Proceeds from the sale and issuance of the Notes will be used by the Borough to (i) currently refund \$5,952,020 (together with a \$42,980 principal reduction payment from available funds) of the Borough’s bond anticipation notes dated, June 3, 2021 and maturing June 3, 2022, (ii) provide \$3,142,980 of new money funding to temporarily finance certain capital projects and (iii) provide for the costs associated with the authorization, sale and issuance of the Notes.

Ordinance Number	Description	Amount
1256	Various Capital Improvements	\$ 4,138,000
1267	Acquisition of Sewer Equipment & Vehicles	413,250
1271	Various Capital Improvements	1,120,770
1272	Reconstruction of Various Roads	280,000
1280	Acquisition of Fire Equipment	45,125
1282	Acquisition of Vehicles	621,300
1288	Road Reconstruction	954,800
1287	Improvement of Waterways	<u>1,521,755</u>
		<u>\$ 9,095,000</u>

**MUNICIPAL FINANCE -  
FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES**

**Local Bond Law (N.J.S.A. 40A:2-1 et seq.)**

The Local Bond Law governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes. All bonds and notes issued by the Borough are general full faith and credit obligations.

The authorized bonded indebtedness of the Borough for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3½% of its average equalized valuation basis. The average for the last three years of the equalized value of all taxable real property and improvements and certain Class II railroad property within the boundaries of Borough, as annually determined by the State Director of Taxation is \$2,310,356,864.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit, including school bonds that do not exceed the school bond borrowing margin and certain debt that may be deemed self-liquidating.

The Borough has not exceeded its statutory debt limit. As of December 31, 2021 (Unaudited), the statutory net debt as a percentage of average equalized valuation was 0.83%. As noted above, the statutory limit is 3.50%.

The Borough may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the Borough may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the Borough or substantially reduce the ability of the Borough to meet its obligations or to provide essential public improvements and services, or if it makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the Borough to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, to provide for purposes in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

The Borough may sell short-term "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or a subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance creating such capital expenditure, as it may be amended and supplemented. A local unit's bond anticipation notes may be issued for periods not greater than one year. Generally, bond anticipation notes may not be outstanding for longer than ten years. An additional period may be available following the tenth anniversary date equal to the period from the notes' maturity to the end of the tenth fiscal year in which the notes mature plus 4 months (May 1) in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum amount required for the first year's principal payment for a bond issue.

**The Local Budget Law (N.J.S.A. 40A:4-1 et seq)**

The foundation of the New Jersey local finance system is the annual cash basis budget. Every local unit must adopt a budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the Director of the Division ("Director") prior to final adoption. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations.

The local unit is authorized to issue Emergency Notes and Special Emergency Notes pursuant to the Local Budget Law.

Tax Anticipation Notes are limited in amount by law and must be paid off in full within 120 days of the close of the fiscal year.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review functions focusing on anticipated revenues serve to protect the solvency of all local units.

The cash basis budgets of local units must be in balance, i.e., the total of anticipated revenues must equal the total of appropriations (N.J.S.A. 40A:4-22). If in any year a local unit's expenditures exceed its realized revenues for that year, then such excess must be raised in the succeeding year's budget.

The Local Budget Law (N.J.S.A. 40A:4-26) provides that no miscellaneous revenues from any source may be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director determines that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and certifies that determination to the local unit. See "RISK FACTORS" herein for a discussion of recent amendments to N.J.S.A. 40A:4-26 in response to the COVID-19 outbreak.

No budget or budget amendment may be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality's calendar year. However, grant revenue is generally not realized until received in cash.

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. The maximum amount of delinquent taxes that may be anticipated is limited by a statutory formula, which allows the unit to anticipate collection at the same rate realized for the collection of delinquent taxes in the previous year. Also the local unit is required to make an appropriation for a "reserve for uncollected taxes" in accordance with a statutory formula to provide for a tax collection in an amount that does not exceed the percentage of taxes levied and payable in the preceding fiscal year that was received in cash by December 31 of that year. The budget also must provide for any cash deficits of the prior year.

Emergency appropriations (those made after the adoption of the budget and the determination of the tax rate) may be authorized by the governing body of a local unit. However, with minor exceptions, such appropriations must be included in full in the following year's budget.

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as ice, snow and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparation drainage map preparation for flood control purposes and contractually required severance liabilities, which may be amortized over five years. Of course, emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project. See "RISK FACTORS" herein for a discussion of recent amendments to the special emergency provisions in the Local Budget Law in response to the COVID-19 outbreak.

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts may be made only during the last two months of the year. Appropriation reserves may also be transferred during the first three (3) months of the year, to the previous year's budget. Both types of transfers require a 2/3 vote of the full membership of the governing body; however, transfers cannot be made from either the down payment account or the capital improvement fund. Transfers may be made between sub-account line items within the same account at any time during the year, subject to internal review and approval. In a "CAP" budget, no transfers may be made from excluded from "CAP" appropriations to within "CAPS" appropriations nor can transfers be made between excluded from "CAP" appropriations.

A provision of law known as the New Jersey "Cap Law" (N.J.S.A. 40A:4-45.1 et seq.) imposes limitations on increases in municipal appropriations subject to various exceptions. The payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the "Index Rate" if the index rate is greater than 2.5%. The "Index Rate" is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year's appropriation and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior years' tax levy in years when the Index Rate is 2.5% or less.

Additionally, legislation constituting P.L. 2010, c. 44, limits tax levy increases for those local units to 2% with exceptions only for capital expenditures including debt service, increases in pension contributions and accrued liability for pension contributions in excess of 2%, certain healthcare increases, extraordinary costs directly related to a declared emergency and amounts approved by a simple majority of voters voting at a special election.

Neither the tax levy limitation nor the "Cap Law" limits the obligation of the Borough to levy *ad valorem* taxes upon all taxable real property within the Borough to pay debt service on its bonds or notes.

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing six years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over the three years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the terms were detailed.

### **Tax Assessment and Collection Procedure**

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners. But it often results in a divergence of the assessment ratio to true value. Because of the changes in property resale values, annual adjustments could not keep pace with the changing values. A re-evaluation of all property in the Borough was last completed in 1992.

Upon the filing of certified adopted budgets by the Borough's Local School District and the County, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4-1 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are mailed annually in June by the Borough. The taxes are payable in four quarterly installments on February 1, May 1, August 1 and November 1. The August and November respectively tax bills are determined as the full tax levies for municipal, school and county purposes for the calendar year, less the amount charged in the February and May installments of the calendar year. The February and May installments are based upon one-half of the preceding year's total tax levy.

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00. These interest rates

and penalties are the highest permitted under New Jersey Statutes. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey Statutes.

### **Tax Appeals**

The New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to June 1 in each year, the Borough must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Tax Board on or before April 1 for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the Tax Court of New Jersey for further hearing. Some State Tax Court appeals may take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations.

### **The Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 et seq)**

This law regulates the non-budgetary financial activities of local governments. The chief financial officer of every local unit must file annually, with the Director, a verified statement of the financial condition of the local unit and all constituent boards, agencies or commissions.

An independent examination of each local unit's accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local unit's financial procedures and must be filed with the report, together with all recommendations made, and must be published in a local newspaper within 30 days of its submission. The entire annual audit report for the year ended December 31, 2020 for the Borough is on file with the Clerk and is available for review during business hours.

## **TAX MATTERS**

### **Exclusion of Interest on the Notes from Gross Income for Federal Income Tax Purposes**

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements which must be met on the date of issuance and on a continuing basis subsequent to the issuance of the Notes in order to assure that interest on the Notes will be excluded from gross income for Federal income tax purposes under Section 103 of the Code. Failure of the Borough to comply with such requirements may cause interest on the Notes to lose the exclusion from gross income for Federal income tax purposes, retroactive to the date of the issuance of the Notes. The Borough will make certain representations in its tax certificate, which will be executed on the date of issuance of the Notes, as to various tax requirements. The Borough has covenanted to comply with the provisions of the Code applicable to the Notes and has covenanted not to take any action or fail to take any action that would cause the interest on the Notes to lose the exclusion from gross income under Section 103 of the Code or cause interest on the Notes to be treated as an item of tax preference under Section 57 of the Code. Gibbons P.C., Bond Counsel to the Borough, has relied upon the representations of the Borough made in its tax certificate and has assumed continuing compliance by the Borough with the above covenants in rendering its federal income tax opinions with respect to the exclusion of interest on the Notes from gross income for federal income tax purposes and with respect to the treatment of interest on the Notes for the purposes of alternative minimum tax.

Assuming the Borough observes its covenants with respect to continuing compliance with the Code, Gibbons P.C., Bond Counsel to the Borough, is of the opinion that, under existing law, interest on the Notes is excluded from the gross income of the owners of the Notes for Federal income tax purposes pursuant to Section 103 of the Code and interest on the Notes is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax.

## **Tax Treatment of Original Issue Premium**

The initial public offering price of certain of the Notes (the “Premium Notes”) is greater than the principal amount of such Notes payable at maturity. An amount equal to the excess of the purchase price of a Premium Note over its stated redemption price at maturity constitutes premium on such Premium Note. A purchaser of a Premium Note must amortize any premium over such Premium Note’s term using constant yield principles, based on the Premium Note’s yield to maturity. As premium is amortized, the purchaser’s basis of such Premium Note and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to such purchaser. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on the sale or disposition of such Premium Note prior to its maturity. Even though the purchaser’s basis is reduced, no federal income tax deduction is allowed.

Purchasers of any Premium Notes, whether at the time of initial issuance or subsequent thereto, should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes, and with respect to state and local tax consequences of owning such Premium Notes.

## **Additional Federal Income Tax Consequences**

Prospective purchasers of the Notes should be aware that ownership of, accrual of, receipt of, interest on, or disposition of, tax-exempt obligations, such as the Notes, may have additional Federal income tax consequences for certain taxpayers, including without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty companies, foreign corporations and certain S corporations. Prospective purchasers of the Notes should consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

The Notes have been designated by the Borough as “Qualified Tax-Exempt Obligations” for purposes of Section 265(b)(3) of the Code. The Borough intends that, by such designation of the Notes, the Notes will not be subject to Section 265(b)(1) of the Code, which relates to the complete disallowance of deduction for interest expense of certain financial institutions that is allocable to interest on certain tax-exempt obligations acquired by a financial institution after August 7, 1986. The interest expense of certain financial institutions allocable to Qualified Tax-Exempt Obligations is subject to Sections 291(a)(3) and 291(e)(1)(B) of the Code, relation to the non-deductibility of twenty (20) percent of the interest expense allocable to such tax-exempt obligations.

Bond Counsel expresses no opinion regarding any Federal tax consequences other than its opinions with regard to the exclusion of interest on the Notes from gross income pursuant to Section 103 of the Code and interest on the Notes not constituting an item of tax preference under Section 57 of the Code. Prospective purchasers of the Notes should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the Notes.

## **State Taxation**

Bond Counsel to the Borough is of the opinion that, under existing law, interest on the Notes and net gains from the sale of the Notes are exempt from the tax imposed by the New Jersey Gross Income Tax Act.

## **Miscellaneous**

Amendments to federal and state tax laws are proposed from time to time and could be enacted, and court decisions and administrative interpretations may be rendered, in the future. There can be no assurance that any such future amendments or actions will not adversely affect the value of the Notes, the exclusion of interest on the Notes from gross income, alternative minimum taxable income, state taxable income, or any combination from the date of issuance of the Notes or any other date, or that such changes will not result in other adverse federal or state tax consequences.

**ALL POTENTIAL PURCHASERS OF THE NOTES SHOULD CONSULT WITH THEIR TAX ADVISORS WITH RESPECT TO THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES (INCLUDING BUT NOT LIMITED TO THOSE LISTED ABOVE) OF THE OWNERSHIP OF THE NOTES.**

## **LITIGATION**

To the knowledge of the Borough Attorney, William Bailey, Esq., Westwood, New Jersey, there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Notes, or the levy or the collection of any taxes to pay the principal of or the interest on the Notes, or in any manner questioning the authority or the proceedings for the issuance of the Notes or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the Borough or the title of any of the present officers. Moreover, to the knowledge of the Borough Attorney, no litigation is presently pending or threatened that, in the opinion of the Borough Attorney, would have a material adverse impact on the financial condition of the Borough if adversely decided.

## **SECONDARY MARKET DISCLOSURE**

The Securities and Exchange Commission (the “SEC”) pursuant to the Securities Exchange Act of 1934, as amended and supplemented (the “Securities Exchange Act”) has adopted amendments to its Rule 15c2-12 (“Rule 15c2-12”) effective July 3, 1995 which generally prohibits a broker, dealer or municipal securities dealer (“Participating Underwriter”) from purchasing or selling municipal securities, such as the Notes, unless the Participating Underwriter has reasonably determined that an issuer of municipal securities or an obligated person has undertaken in a written agreement or contract for the benefit of holders of such securities to provide certain event notices to the Municipal Securities Rulemaking Board through its electronic data program, the Electronic Municipal Market Access System (“MSRB”) (the “Continuing Disclosure Requirements”).

On the date of delivery of the Notes, the Borough will enter into a Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”) containing the Continuing Disclosure Requirements for the benefit of the beneficial holders of the Notes pursuant to which the Borough will agree to comply with the Continuing Disclosure Requirements of Rule 15c2-12. Specifically, the Borough will covenant for the benefit of the holders and beneficial owners of the Notes to provide notices of the occurrence of certain enumerated events for the benefit of the holders and beneficial owners of the Notes. The notices of enumerated events will be filed by the Borough with the MSRB. The specific nature of the notices of enumerated events is set forth in “Appendix C - Form of Continuing Disclosure Certificate”. These covenants have been made in order to assist the Underwriter (as defined herein) in complying with Rule 15c2-12.

In the past five (5) years, the Borough has failed to comply with its prior undertakings to provide secondary market disclosure in connection with obligations issued by the Borough and a conduit financing in which the Borough is an obligated borrower. Specifically, the Borough failed to timely file certain annual financial information and operating data for the years ending December 31, 2016 through 2019. The Borough has subsequently made these filings and has taken the necessary steps to ensure future compliance with Rule 15c2-12.

## **MUNICIPAL BANKRUPTCY**

The undertakings of the Borough should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. Section 901, *et seq.*, as amended by Public Law 94-260, approved April 8, 1976, and as further amended on November 6, 1978 by the Bankruptcy Reform Act of 1978, effective October 1, 1979, as further amended by Public Law 100-597, effective November 3, 1988, and as further amended and other bankruptcy laws affecting creditor’s rights and municipalities in general. The amendments of P.L. 94-260 replace former Chapter IX and permit the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to file a petition in a court of bankruptcy for the purpose of effecting a plan to adjust its debts; directs such a petitioner

to file with the court a list of petitioner's creditors; provides that a petition filed under such chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to debt owed for services or material actually provided within three months of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount or more than one-half in number of the listed creditors. The 1976 Amendments were incorporated into the Bankruptcy Reform Act of 1978 with only minor changes.

Reference should also be made to N.J.S.A. 52:27-40 et seq., which provides that a municipality has the power to file a petition in bankruptcy provided the approval of the Municipal Finance Commission has been obtained. The powers of the Municipal Finance Commission have been vested in the Local Finance Board. The Bankruptcy Act specifically provides that Chapter IX does not limit or impair the power of a state to control, by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Act.

### **APPROVAL OF LEGAL PROCEEDINGS**

All legal matters incident to the authorization, the issuance, the sale, and the delivery of the Notes are subject to the approval of Gibbons P.C., Newark, New Jersey, Bond Counsel to the Borough, whose approving legal opinion will be delivered with the Notes substantially in the form set forth as Appendix "D". Certain legal matters will be passed on for the Borough by its Counsel, William Bailey, Esq., Westwood, New Jersey.

### **UNDERWRITING**

The Notes have been purchased from the Borough at a public sale by \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ (the "Underwriter"), at a price of \$ \_\_\_\_\_ (consisting of the par amount of the Notes, plus original issue premium in the amount of \$ \_\_\_\_\_). The Underwriter has purchased the Notes in accordance with the Notice of Sale. The Notes are being reoffered for sale at the yield set forth on the front cover page of this Official Statement.

### **RATING**

The Borough has not applied for a rating on the Notes.

### **MUNICIPAL ADVISOR**

NW Financial Group, LLC, Hoboken, New Jersey served as municipal advisor to the Borough (the "Municipal Advisor") with respect to the issuance of the Notes. This Official Statement has been prepared with the assistance of the Municipal Advisor. Certain information set forth herein has been obtained from the Borough and other sources, which are deemed reliable, but no warranty, guaranty or other representation as to the accuracy or completeness is made as to such information contained herein will be realized. The Municipal Advisor is a financial advisory firm, and is not engaged in the business of underwriting, marketing or trading municipal securities or any other negotiable instrument.



## PREPARATION OF OFFICIAL STATEMENT

The Borough hereby states that the descriptions and statements herein, including financial statements, are true and correct in all material respects and it will confirm to the purchasers of the Notes, by certificates signed by the Chief Financial Officer of the Borough, that to her knowledge such descriptions and statements, as of the date of this Official Statement, are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

Lerch, Vinci & Higgins, LLP, assisted in the preparation of information contained in this Official Statement and takes responsibility for the financial statements to the extent specified in their Accountant's Compilation Report and Independent Auditor's Report.

All other information has been obtained from sources which Borough considers to be reliable and it makes no warranty, guaranty or other representation with respect to the accuracy and completeness of such information.

Gibbons P.C., has not verified the accuracy, completeness or fairness of the information contained herein, except under the heading "TAX MATTERS" and, accordingly, assumes no responsibility therefor and will express no opinion with respect thereto.

## ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Frank Elenio, the Borough's Chief Financial Officer, at 295 Old Closter Dock Road, Closter, New Jersey 07624, telephone (201) 784-9721, email [felenio@closternj.us](mailto:felenio@closternj.us) or the Borough's Municipal Advisor, NW Financial Group, LLC, 2 Hudson Place, Hoboken, New Jersey telephone (201) 656-0115, email [nickw@nwfinancial.com](mailto:nickw@nwfinancial.com).

## MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the Borough and the purchasers or holders of any of the Notes. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of Notes made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Borough since the date hereof. The information contained in the Official Statement is not guaranteed as to accuracy or completeness.

## BOROUGH OF CLOSTER

By: \_\_\_\_\_  
Frank Elenio,  
Chief Financial Officer

Dated: May \_\_, 2022

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**APPENDIX A**

**CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION  
ABOUT THE BOROUGH OF CLOSTER**

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## **GENERAL INFORMATION REGARDING THE BOROUGH**

### **Size and Geographical Location**

The Borough of Closter comprises an area of approximately 3.2 square miles, located in the Northern Valley section of Bergen County, New Jersey. Surrounding municipalities include Norwood, Harrington Park, Haworth, Demarest and Alpine.

### **Form of Government**

Closter was incorporated in 1904 under the borough form of government. There is a Mayor and a six member council.

The Mayor is elected to serve a four-year term and may succeed that term by re-election. The Mayor is empowered, amongst his legal powers as head of the municipal government, to: (i) provide for the proper execution of local and State laws; (ii) recommend to the Borough council measures he deems in the best interest of the Borough; (iii) nominate and, with the advice and consent of the Borough Council, appoint most subordinate officers of the Borough; and (iv) maintain peace and order. Although the Mayor presides over meetings of the Borough Council, the Mayor votes only in case of a tie.

The six Council members are elected at-large, two each year, for terms of three years. The Council exercises general legislative powers conferred upon it by State law to protect and promote the general welfare of the Borough. Among these are the right to enact ordinances, approve resolutions, approve mayoral appointments, adopt the annual budget and determine the tax levy. The Council, acting in committees, oversees the various departments and functions of the borough government.

### **Transportation**

Because of its close proximity to New York City, many residents are employed in the City of New York and commute through access to mass transportation. There are bus lines to the Port Authority and the George Washington Bridge bus terminals. Residents have access to all parts of New York and New Jersey via the Palisades Interstate Parkway, Route 9W and Bergen County Routes 501 and 502.

### **Protection**

Closter is served by a police department consisting of regular officers and detectives who operates both marked vehicles and unmarked vehicles. An interlocal agreement has been established by the Borough for a regionalized emergency enhanced 911 telephone system. Participating municipalities include the Boroughs of Alpine, Demarest, Harrington Park, Northvale and Norwood.

Its fire services consist of volunteer firefighters who operate modern up-to-date firefighting vehicles and equipment. Ambulance service is provided for the public by a volunteer ambulance corp.

### **Sanitation**

The Borough provides garbage collection for all homes on a twice-weekly basis. Borough employees provide these services. Payment for such garbage collection services is part of the general property tax levy. Sewerage disposal is provided by the Bergen County Utilities Authority. For this service the Borough pays an annual service charge based on the metered flow of sewerage. This service charge is also part of the general property tax levy.

## Utilities

Electricity is supplied by Rockland Electric and gas is supplied by Public Service Electric & Gas Company. Suez North America supplies the Borough's water.

## Recreation

The Borough's Recreation Commission offers numerous recreational activities for its residents. The Borough sponsors football, basketball, soccer, indoor soccer, baseball, softball and wrestling. The Borough also sponsors a summer program for children in grades Kindergarten through 8th grade. All programs are sponsored by the Borough through budget appropriations.

## Library

The Borough under the direction of a Library Board of Trustees, operates its own library, housed in a structure of its own. It continually increases its volumes for the needs of its residents. Through the Bergen County Cooperative Library System, the residents of the Borough have access to the collections of other libraries within the County.

## Public Works

The Department of Public Works maintains the Borough streets and roads, parks, buildings and grounds. To make sure the above are maintained properly, the Borough updates the equipment on a constant basis along with an active Preventive Maintenance Program.

## Education

The local school district is a Type II School District whose boundaries are coterminous with those of the Borough. The School District operates with a Board of Education elected by the voters which consists of nine members and is subject to Title 18A, Education of the New Jersey statutes.

The school system consists of one elementary school (grades K-4) and one middle school (grades 5-8). The Borough is part of the Northern Valley Regional High School District which consists of the Boroughs of Closter, Demarest, Harrington Park, Haworth, Northvale, Norwood and Old Tappan. Closter students attend Northern Valley Regional High School at Demarest.

## Labor Contracts

The Borough's contract with the Police Department contract is settled through December 31, 2025. The Borough's contract with the Department of Public Works expired on December 31, 2020. The Borough is currently in negotiations for a new contract.

## ECONOMIC AND DEMOGRAPHIC INFORMATION

### Population

Population trends for the Borough, County and the State of New Jersey are shown below:

<u>Area</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2020</u>
Borough of Closter	8,164	8,094	8,383	8,373	8,594
County of Bergen	845,385	825,380	884,118	905,116	930,394
State of New Jersey	7,365,011	7,730,188	8,414,350	8,791,894	8,882,371

Source: U.S. Census Bureau

**Income as of 2020**

	<b><u>Median Household Income</u></b>	<b><u>Median Family Income</u></b>	<b><u>Per Capita Income</u></b>
Borough of Closter	\$140,357	\$165,731	\$62,224
County of Bergen	101,144	122,981	51,216
State of New Jersey	82,545	102,260	42,745

Source: U.S. Census Bureau, 2016-2020 American Community Survey.

**Labor Force, Employment and Unemployment**

The New Jersey Department of Labor reported the following annual average employment information for the Borough of Closter the County of Bergen and the State of New Jersey:

	<b><u>Total Labor Force</u></b>	<b><u>Employed Labor Force</u></b>	<b><u>Total Unemployed</u></b>	<b><u>Unemployment Rate</u></b>
<b><u>Borough of Closter</u></b>				
2021	3,956	3,764	192	4.9%
2020	3,829	3,530	299	7.8%
2019	3,936	3,836	100	2.5%
2018	3,870	3,759	111	2.9%
2017	3,900	3,782	118	3.0%
<b><u>County of Bergen</u></b>				
2021	493,303	463,475	29,828	6.0%
2020	477,892	432,189	45,703	9.6%
2019	482,038	467,946	14,092	2.9%
2018	474,700	458,630	16,070	3.4%
2017	475,764	457,269	18,495	3.9%
<b><u>State of New Jersey</u></b>				
2021	4,661,100	4,365,400	295,700	6.3%
2020	4,495,200	4,055,300	439,900	9.8%
2019	4,493,100	4,333,300	159,800	3.6%
2018	4,422,900	4,239,600	183,300	4.1%
2017	4,453,500	4,247,500	206,000	4.6%

Source: Borough of Closter

**BUDGET INFORMATION**

**Current Fund  
(As Adopted)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Anticipated Revenues					
Fund Balance	\$ 1,500,000	\$ 1,300,000	\$ 1,200,000	\$ 1,400,000	\$ 1,340,000
Miscellaneous Revenues	2,682,711	2,549,846	2,669,685	2,742,998	2,711,001
Receipts from Delinquent Taxes	300,000	300,000	250,000	250,000	250,000
Amount to be Raised by Taxes for Support of Municipal Budget	<u>12,860,608</u>	<u>12,543,457</u>	<u>12,179,694</u>	<u>11,829,259</u>	<u>11,658,879</u>
	<u>\$ 17,343,319</u>	<u>\$ 16,693,303</u>	<u>\$ 16,299,379</u>	<u>\$ 16,222,257</u>	<u>\$ 15,959,880</u>
Appropriations					
Salaries and Wages	\$ 6,748,376	\$ 6,474,400	\$ 6,272,500	\$ 5,990,594	\$ 5,779,051
Other Expenses	6,558,067	6,300,653	6,238,882	6,110,119	5,954,138
Deferred Charges and Statutory Expenditures	1,617,903	1,424,154	1,418,500	1,294,500	1,300,970
Capital Improvement Fund	130,000	93,400	100,000	100,000	100,000
Municipal Debt Service	1,288,973	1,437,696	1,327,497	1,801,044	1,950,721
Reserve for Uncollected Taxes	<u>1,000,000</u>	<u>963,000</u>	<u>942,000</u>	<u>926,000</u>	<u>875,000</u>
	<u>\$ 17,343,319</u>	<u>\$ 16,693,303</u>	<u>\$ 16,299,379</u>	<u>\$ 16,222,257</u>	<u>\$ 15,959,880</u>

Source: Borough of Closter Annual Budgets



## FINANCIAL INFORMATION

### Current Fund Balance and Amounts Utilized in Succeeding Year's Budget

<u>Year</u>	<u>Fund Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>
2021 (Unaudited)	\$ 3,608,999	N/A (1)
2020	3,036,508	1,500,000
2019	2,777,621	1,300,000
2018	2,499,581	1,200,000
2017	2,684,970	1,400,000

(1) The 2021 Budget has not been introduced.

Source: Borough of Closter's Annual Audit Reports and 2021 Unaudited Annual Financial Statement

### Current Tax Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collection During Year of Levy</u>
		<u>Amount</u> <u>Percent</u>
2021 (Unaudited)	\$ 52,091,241	\$ 51,583,297                      99.02%
2020	50,928,323	50,395,205                      98.95%
2019	49,446,085	49,024,928                      99.15%
2018	48,302,005	47,938,099                      99.25%
2017	47,742,778	47,414,082                      99.31%

Source: Borough of Closter's Annual Audit Reports and 2021 Unaudited Annual Financial Statement

### Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Levy</u>
2021 (Unaudited)	\$ 59,732	\$ 434,421	\$ 494,153	0.95%
2020	41,740	379,816	421,556	0.83%
2019	6,368	330,148	336,516	0.68%
2018	-	307,479	307,479	0.64%
2017	-	261,826	261,826	0.55%

Source: Borough of Closter's Annual Audit Reports and 2021 Unaudited Annual Financial Statement

**Assessed Valuation of Property Owned by  
the Borough Acquired for Taxes**

<u>Year</u>	<u>Amount</u>
2021 (Unaudited)	\$ 130,531
2020	130,531
2019	130,531
2018	130,531
2017	130,531

Source: Borough of Closter’s Annual Audit Reports and 2021 Unaudited Annual Financial Statement

**Ten Largest Taxpayers**

The ten largest taxpayers in the Borough and their 2022 assessed valuations are listed below:

<u>Taxpayer</u>	<u>Assessment</u>
Closter Marketplace LLC	\$ 70,944,400
Railroad Ave Real Estate Holding LLC	17,694,900
50 Railroad LLC	9,716,200
Closter Grocery	8,642,900
Heidenbger Closter Assoc LLC	8,447,200
Closter Golf Inc	7,790,600
Fred Rueten, Inc.	7,535,100
Reuten Associates	7,455,800
Suez North America	5,981,200
Nippon Express USA Inc	5,789,500
	<u>\$ 149,997,800</u>

Source: Tax Assessor.

**Assessed Valuation  
Land Improvements by Class**

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Total</u>
2022 (1)	\$ 17,045,800	\$ 2,049,815,100	\$ 5,737,800	\$ 293,427,400	\$ 44,225,800	\$ 2,410,251,900
2021 (1)	17,355,800	1,948,606,900	5,528,800	262,408,600	24,092,200	2,257,992,300
2020 (1)	18,627,800	1,956,453,700	5,572,500	265,247,800	23,968,500	2,269,870,300
2019 (1)	18,903,200	1,923,578,700	5,457,800	256,031,300	22,812,900	2,226,783,900
2018 (1)	18,196,800	1,884,747,100	5,062,100	237,104,000	21,569,100	2,166,679,100

(1) Reassessment

Source: Tax Duplicate

**Assessed Valuations  
Net Valuation Taxable**

<u>Year</u>	<u>Real Property</u>	<u>Business Personal Property</u>	<u>Net Valuation Taxable</u>	<u>Ratio of Assessed Value to True Value of Real Property</u>	<u>Total True Value of Assessed Property</u>
2022 (1)	\$ 2,410,251,900	\$ 100,000	\$ 2,410,351,900	100.69%	\$ 2,399,639,232
2021 (1)	2,257,992,300	100,000	2,258,092,300	100.11%	2,263,135,148
2020 (1)	2,269,870,300	100,000	2,269,970,300	99.20%	2,274,978,092
2019 (1)	2,226,783,900	100,000	2,226,883,900	100.22%	2,226,975,293
2018 (1)	2,166,679,100	100,000	2,166,779,100	100.18%	2,168,261,971

Source: Tax Duplicate, Abstract of Ratables  
(1) Reassessment

**Components of Real Estate Tax Rate  
(per \$100 of Assessment)**

<u>Year</u>	<u>Total</u>	<u>Municipal<sup>(1)</sup></u>	<u>Local School</u>	<u>Regional School</u>	<u>County<sup>(2)</sup></u>
2021 (3)	\$2.304	\$0.578	\$0.934	\$0.539	\$0.253
2020 (3)	2.241	0.561	0.904	0.525	0.251
2019 (3)	2.217	0.555	0.889	0.528	0.245
2018 (3)	2.226	0.556	0.881	0.544	0.245
2017 (3)	2.282	0.569	0.890	0.565	0.258

Source: Tax Collector  
(1) Includes Open Space and Free Public Library  
(2) Includes Open Space  
(3) Reassessment

**Apportionment of Tax Levy  
(Including School and County Purposes)**

<u>Year</u>	<u>Total</u>	<u>Municipal<sup>(1)</sup></u>	<u>Local School</u>	<u>Regional School</u>	<u>County<sup>(2)</sup></u>
2021 (Unaudited)	\$ 52,091,241	\$ 13,151,889	\$ 21,071,715	12,186,180	\$ 5,681,457
2020	50,928,323	12,826,145	20,499,214	11,908,829	5,694,135
2019	49,446,085	12,482,766	19,782,164	11,750,200	5,430,955
2018	48,302,005	12,119,657	19,076,207	11,792,341	5,313,800
2017	47,742,778	11,995,851	18,563,598	11,794,060	5,389,269

Source: Tax Collector  
(1) Includes Open Space and Free Public Library  
(2) Includes Open Space

## DEBT INFORMATION

### Debt Statements

The Borough must report all new authorizations of debt or changes in previously authorized debt to the Division of Local Government Services, Department of Community Affairs of the State of New Jersey (the “Division”). The Supplemental Debt Statement, as this report is known, must be submitted to the Division before final passage of any debt authorization. Before January 31 of each year the Borough must file an Annual Debt Statement with the Division. This report is made under oath and states the authorized, issued and unissued debt of the Borough as of the previous December 31. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowing.

### Debt Incurring Capacity As of December 31, 2021 (Unaudited)

Municipal	
Equalized Valuation Basis (last 3 years average)	\$ 2,310,356,864
3 1/2% Borrowing Margin	80,862,490
Net Debt Issued, Outstanding and Authorized	19,190,743
Remaining Municipal Borrowing Capacity	61,671,747
Regional School	
3% Borrowing Margin	69,310,706
Debt, Issued, Outstanding and Authorized	2,742,506
Remaining School Borrowing Capacity	66,568,200
Local School	
3% Borrowing Margin	69,310,706
Debt, Issued, Outstanding and Authorized	810,000
Remaining School Borrowing Capacity	68,500,706

### Gross and Statutory Net Debt as of December 31,

<u>Year</u>	<u>Gross Debt</u> <u>Amount</u>	<u>Statutory Net Debt</u>	
		<u>Amount</u>	<u>Percentage</u>
2021 (Unaudited)	\$ 22,843,856	\$ 19,190,743	0.83%
2020	21,329,870	16,931,018	0.75%
2019	21,876,038	16,379,372	0.74%
2018	19,636,393	13,541,171	0.63%
2017	20,315,475	13,420,796	0.63%

Source: Borough of Closter Audit Reports and 2021 Annual Debt Statement

**BOROUGH OF CLOSTER**  
**Statement of Indebtedness**  
**As of December 31, 2021 (Unaudited)**

**GENERAL PURPOSES**

Bonds Issued and Outstanding	\$ 10,151,000	
Bond Anticipation Notes	5,995,000	
Bonds and Notes Authorized But Not Issued	3,145,350	
		\$ 19,291,350

**LOCAL SCHOOL**

Bonds Issued and Outstanding		810,000
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**REGIONAL SCHOOL**

Bonds Issued and Outstanding		2,742,506
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TOTAL GROSS DEBT 22,843,856

**STATUTORY DEDUCTIONS**

Municipal Purpose	100,607	
Local School	810,000	
Regional School	2,742,506	
		3,653,113

TOTAL NET DEBT \$ 19,190,743

**OVERLAPPING DEBT**

County of Bergen (Note 1)	\$ 17,397,779	
Bergen County Utilities Authority (Note 2)	1,769,687	
		\$ 19,167,466

**GROSS DEBT**

Per Capita (2020 Census - 8,594)	\$	2,658
Percent of Net Valuation Taxable (2021 - \$2,258,092,300)		1.01%
Percent of Estimated True Value of Real Property (2021 - \$2,263,135,148)		1.01%

**NET MUNICIPAL DEBT**

Per Capita (2020 Census - 8,594)	\$	2,233
Percent of Net Valuation Taxable (2021 - \$2,258,092,300)		0.85%
Percent of Estimated True Value of Real Property (2021 - \$2,263,135,148)		0.85%

**OVERALL DEBT (Gross and Overlapping Debt)**

Per Capita (2020 Census - 8,594)	\$	4,888
Percent of Net Valuation Taxable (2021 - \$2,258,092,300)		1.86%
Percent of Estimated True Value of Real Property (2021 - \$2,263,135,148)		1.86%

Note (1) Overlapping debt was computed based upon the real property ratio of equalized valuations of the municipality to all municipalities within the County as provided in the 2020 Bergen County Abstract of Ratables published by the Bergen County Board of Taxation.

Note (2) Overlapping debt was computed based upon usage.  
Source: Borough of Closter.

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**APPENDIX B**

**FINANCIAL STATEMENTS FOR THE BOROUGH OF CLOSTER**

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**UNAUDITED FINANCIAL DATA OF THE BOROUGH OF CLOSTER  
FOR THE YEAR ENDED DECEMBER 31, 2021**

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# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA  
GARY J. VINCI, CPA, RMA, PSA  
GARY W. HIGGINS, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
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MARK SACO, CPA  
ROBERT LERCH, CPA  
CHRISTOPHER M. VINCI, CPA  
CHRISTINA CUIFFO, CPA

## ACCOUNTANT'S COMPILATION REPORT

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

Management is responsible for the accompanying balance sheets – regulatory basis of the various funds and account group of the Borough of Closter, as of December 31, 2021 and the related statement of operations and changes in fund balance – regulatory basis, the statement of revenues – regulatory basis and statement of expenditures – regulatory basis of the various funds for the year then ended in accordance with the regulatory basis of accounting. We have performed the compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements – regulatory basis nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The financial statements are prepared in accordance with the financial and accounting reporting provisions 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.

Management has elected to omit substantially all the disclosures ordinarily included in financial statements prepared in accordance with the regulatory basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Borough's assets, liabilities, fund balances, revenues and expenditures. Accordingly, the financial statements are not designed for those who are not informed about such matters.

By/s/

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

Fair Lawn, New Jersey  
May 2, 2022

**BOROUGH OF CLOSTER  
BALANCE SHEET - REGULATORY BASIS  
CURRENT FUND  
AS OF DECEMBER 31, 2021 (UNAUDITED)**

**ASSETS**

Cash	\$ 6,945,254
Grants Receivable	<u>8,756</u>
	<u>6,954,010</u>
Receivables and Other Assets with Full Reserves	
Delinquent Property Taxes Receivable	434,421
Tax Title Liens Receivable	59,732
Property Acquired for Taxes - Assessed Value	130,531
Due from Animal Control Trust Fund	2,228
Due from Other Trust Fund	<u>13,405</u>
	<u>640,317</u>
Deferred Charges	
Overexpenditure of Appropriations	5,045
Overexpenditure of Appropriation Reserves	<u>8,743</u>
	<u>13,788</u>
Total Assets	<u>\$ 7,608,115</u>

**LIABILITIES, RESERVES AND FUND BALANCE**

Appropriation Reserves	\$ 1,324,364
Encumbrances Payable	750,556
Due to State of New Jersey	
Senior Citizens and Veterans Deductions	15,437
Department of Human Services - Marriage License Fees	272
State Training Fees	3,132
Due to Open Space Trust Fund	8,869
Due to General Capital Fund	44,083
Prepaid Taxes	406,112
Tax Overpayments	70,864
Accounts Payable	77,683
County Taxes Payable	3,612
Appropriated Grants Reserves	85,132
Unappropriated Grants Reserves	262,822
Reserve for Tax Appeals	<u>305,861</u>
Total Liabilities	3,358,799
Reserve for Receivables and Other Assets	640,317
Fund Balance	<u>3,608,999</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 7,608,115</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF CLOSTER**  
**STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE -**  
**REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2021 (UNAUDITED)**

**REVENUES AND OTHER INCOME REALIZED**

Surplus Anticipated	\$ 1,500,000
Miscellaneous Revenues Anticipated	2,864,287
Receipts from Delinquent Taxes	379,816
Receipts from Current Taxes	51,583,297
Non-Budget Revenues	277,503
Other Credits to Income	
Unexpended Balance of Appropriation Reserves	<u>1,061,053</u>
 Total Revenues	 <u>57,665,956</u>

**EXPENDITURES**

Municipal Budget	16,350,632
Local School District Taxes	21,071,715
County Taxes	5,681,457
Regional School District Taxes	12,186,180
Municipal Open Space Taxes	226,062
Other Debits	
Interfund Advance	12,000
Refund of Prior Year Revenue	<u>70,464</u>
 Total Expenditures	 <u>55,598,510</u>

Excess in Revenues	2,067,446
--------------------	-----------

## Adjustments to Income Before Fund Balance:

Expenditures Included Above Which are by Statute	
Deferred Charges to Budget of Succeeding Year	<u>5,045</u>

Statutory Excess to Fund Balance	2,072,491
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Fund Balance, January 1	<u>3,036,508</u>
-------------------------	------------------

	5,108,999
--	-----------

## Decreased by:

Utilization as Anticipated Revenue	<u>1,500,000</u>
------------------------------------	------------------

Fund Balance, December 31	<u><u>\$ 3,608,999</u></u>
---------------------------	----------------------------

**BOROUGH OF CLOSTER**  
**STATEMENT OF REVENUES**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2021 (UNAUDITED)**

	<u>Anticipated</u>			
	<u>Budget</u>	Special N.J.S. <u>40A:4-87</u>	Total Revenues <u>Realized</u>	Excess or <u>(Deficit)</u>
Fund Balance Utilized	\$ 1,500,000	-	\$ 1,500,000	-
Miscellaneous Revenues				
Licenses				
Alcoholic Beverages	23,000		32,100	\$ 9,100
Other	15,000		27,169	12,169
Fees and Permits	74,000		89,576	15,576
Fines and Costs - Municipal Court	62,000		80,644	18,644
Interest on Costs on Taxes	37,500		91,178	53,678
Interest on Investments and Deposits	50,000		22,471	(27,529)
Cable Television Franchise Fees	108,000		100,322	(7,678)
Energy Receipts Tax	1,491,991		1,491,991	-
Watershed Moratorium Offset Aid	13,489		13,489	-
Uniform Construction Code Fees	300,000		389,301	89,301
Other Government Entities - Fuel Mgmt. - Gasoline	95,000		90,705	(4,295)
Other Government Entities - Fire Arms	13,600		13,600	-
Recycling Tonnage Grant	26,740		26,740	-
Drunk Driving Education Fund		\$ 2,268	2,268	-
Closter Green Team Grant	400		400	-
Police Body Armor	3,991		3,991	-
Uniform Fire Safety Act	15,000		18,513	3,513
Cell Tower Rental	115,000		130,322	15,322
Rental Payments	12,000		12,721	721
Alpine Sewer Connection Fees	14,000		14,786	786
Police Outside Services - Administrative Fees	12,000		12,000	-
American Rescue Plan	200,000	-	200,000	-
Total Miscellaneous Revenues	<u>2,682,711</u>	<u>2,268</u>	<u>2,864,287</u>	<u>179,308</u>
Receipts from Delinquent Taxes	<u>300,000</u>	<u>-</u>	<u>379,816</u>	<u>79,816</u>
Amount to be Raised by Taxes for Support of Municipal Budget				
Operations	12,109,584		12,666,859	557,275
Municipal Library	<u>751,024</u>	<u>-</u>	<u>751,024</u>	<u>-</u>
Total Amount to be Raised	<u>12,860,608</u>	<u>-</u>	<u>13,417,883</u>	<u>557,275</u>
Total General Revenues	<u>\$ 17,343,319</u>	<u>\$ 2,268</u>	<u>\$ 18,161,986</u>	<u>\$ 816,399</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF CLOSTER**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2021 (UNAUDITED)**

	<u>Appropriated</u>		<u>Paid or</u>	<u>Reserved</u>	<u>Overexpended</u>
	<u>Budget</u>	<u>Budget After</u> <u>Modification</u>			
<b>OPERATIONS WITHIN "CAPS"</b>					
<b>GENERAL GOVERNMENT FUNCTIONS</b>					
General Administration					
Salaries and Wages	\$ 190,000	\$ 211,653	\$ 206,028	\$ 5,625	
Other Expenses	69,925	69,925	45,607	24,318	
Mayor and Council					
Salaries and Wages	37,000	37,000	-	37,000	
Other Expenses	10,600	10,600	15,632		(5,032)
Municipal Clerk's Office					
Salaries and Wages	91,000	83,467	72,211	11,256	
Other Expenses	16,975	16,914	9,912	7,002	
Elections	8,000	8,061	8,061	-	
Financial Administration					
Salaries and Wages	103,000	102,992	101,720	1,272	
Other Expenses	70,000	70,000	43,510	26,490	
Audit Services					
Other Expenses	51,250	51,250	51,250	-	
Information Technology					
Salaries and Wages	20,000	20,000	18,508	1,492	
Other Expenses	25,000	25,000	8,997	16,003	
Tax Assessment Administration					
Salaries and Wages	97,000	96,600	96,379	221	
Other Expenses	72,425	72,425	57,680	14,745	
Revenue Administration					
Salaries and Wages	155,000	147,004	147,004	-	
Other Expenses	17,450	17,450	11,864	5,586	
Legal Services and Costs					
Other Expenses	167,000	167,000	127,856	39,144	
Engineering Services					
Other Expenses	38,860	38,860	31,645	7,215	
Economic Development					
Closter Improvement Committee	15,000	15,000	15,000	-	
Historical Commission					
Other Expenses	3,140	3,140	2,900	240	
Municipal Land Use Law					
Planning Board					
Salaries and Wages	17,000	17,000	16,346	654	
Other Expenses	20,000	20,000	6,338	13,662	
Zoning Board of Adjustment					
Salaries and Wages	21,000	22,300	22,113	187	
Other Expenses	14,000	14,000	6,435	7,565	
Insurance					
General Liability	221,000	221,000	191,072	29,928	
Workers Compensation Insurance	195,000	195,000	185,172	9,828	
Employee Group Health	1,299,950	1,299,746	1,138,650	161,096	
Health Benefit Waiver	11,000	11,000		11,000	
Other Insurance Premiums	400	604	604	-	
<b>PUBLIC SAFETY FUNCTIONS</b>					
Police Department					
Salaries and Wages	3,400,176	3,400,176	3,294,352	105,824	
Other Expenses	111,700	111,700	100,830	10,870	
Office of Emergency Management					
Salaries and Wages	11,000	11,008	11,007	1	
Other Expenses	11,000	11,000	7,241	3,759	
First Aid Organization - Contribution	25,000	25,000	25,000	-	

**BOROUGH OF CLOSTER**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2021 (UNAUDITED)**

	<u>Appropriated</u>		<u>Paid or</u>	<u>Reserved</u>	<u>Overexpended</u>
	<u>Budget</u>	<u>Budget After</u> <u>Modification</u>			
<b>OPERATIONS WITHIN "CAPS"</b>					
<b>PUBLIC SAFETY FUNCTIONS (Continued)</b>					
Fire Prevention Bureau/Uniform Fire Safety					
Salaries and Wages	\$ 40,000	\$ 40,000	\$ 34,993	\$ 5,007	
Other Expenses	3,799	3,799	2,344	1,455	
Fire Protection					
Salaries and Wages	60,000	60,000	-	60,000	
Other Expenses	95,250	95,250	95,263		(13)
Clothing Allowance	26,000	26,000	14,008	11,992	
Fire Hydrant Services	160,000	160,000	151,602	8,398	
Municipal Prosecutor					
Salaries and Wages	8,200	8,200	7,500	700	
<b>PUBLIC WORKS FUNCTIONS</b>					
Streets and Road Maintenance					
Salaries and Wages	1,268,500	1,268,500	1,138,228	130,272	
Other Expenses	110,000	110,000	85,793	24,207	
Snow Removal					
Other Expenses	43,000	43,000	40,750	2,250	
Shade Tree Commission					
Salaries and Wages	4,000	4,000	3,981	19	
Other Expenses	85,000	85,000	85,000	-	
Solid Waste Collection					
Salaries and Wages	260,000	260,000	201,252	58,748	
Other Expenses	6,000	6,000	3,843	2,157	
Recycling					
Salaries and Wages	64,000	64,400	64,399	1	
Public Building and Grounds					
Salaries and Wages	87,000	87,000	85,216	1,784	
Other Expenses	82,000	82,000	79,994	2,006	
Vehicle Maintenance					
Salaries and Wages	161,000	161,880	161,876	4	
Other Expenses	212,000	212,000	211,888	112	
<b>HEALTH AND HUMAN SERVICES FUNCTIONS</b>					
Public Health Services					
Salaries and Wages	79,000	79,000	66,623	12,377	
Other Expenses	60,208	60,208	46,531	13,677	
Environmental Commission					
Other Expenses	6,540	6,540	2,144	4,396	
Animal Control					
Other Expenses	13,483	13,483	13,483	-	
Aid to Mental Health Center	1,000	1,000		1,000	
<b>PARKS AND RECREATION FUNCTIONS</b>					
Maintenance of Parks and Playgrounds	50,000	50,000	37,512	12,488	
Senior Citizens					
Other Expenses	11,000	11,000	8,359	2,641	
Board of Recreation Commissioners					
Salaries and Wages	95,500	95,500	76,693	18,807	
Other Expenses	40,490	40,490	39,779	711	
<b>EDUCATION FUNCTIONS</b>					
Contribution to Belskie Museum	7,125	7,125	7,125		
Contribution to Nature Center	20,000	20,000	20,000		



**BOROUGH OF CLOSTER**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2021 (UNAUDITED)**

	<u>Appropriated</u>				
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Overexpended</u>
<b>OPERATIONS WITHIN "CAPS"</b>					
<b>OTHER COMMON OPERATING FUNCTIONS</b>					
Celebration of Public Events					
Other Expenses	\$ 18,000	\$ 18,000	\$ 18,000	\$ -	
Salary Negotiations and Costs					
Salaries and Wages	15,000	15,000		15,000	
<b>LANDFILL/SOLID WASTE DISPOSAL COSTS</b>					
Solid Waste Recycling Landfill and Contingency Taxes	328,000	328,000	\$ 284,779	43,221	
<b>MUNICIPAL COURT</b>					
Salaries and Wages	101,000	101,000	89,633	11,367	
Other Expenses	6,600	6,600	6,288	312	
Public Defender					
Other Expenses	3,250	3,250	3,250	-	
<b>UNIFORM CONSTRUCTION CODE</b>					
<b>APPROPRIATIONS OFFSET BY DEDICATED REVENUES</b>					
Uniform Construction Code Enforcement Functions					
Salaries and Wages	275,000	258,700	232,405	26,295	
Other Expenses	34,725	34,637	28,164	6,473	
Other Code Enforcement Functions					
Zoning Officer					
Salaries and Wages	16,000	23,996	21,200	2,796	
Other Expenses		88	88	-	
Property Maintenance					
Salaries and Wages	61,000	61,000	47,101	13,899	
<b>UNCLASSIFIED</b>					
Utilities					
Electricity	85,000	85,000	64,091	20,909	
Street Lighting	115,000	119,894	119,894	-	
Telephone and Telegraph	65,000	65,000	47,261	17,739	
Water	40,000	40,000	30,374	9,626	
Natural Gas	30,000	25,106	14,999	10,107	
Sewer System	13,350	13,350	13,350	-	
Gasoline	170,000	170,000	96,962	73,038	-
Total Operations Within "CAPS"	<u>11,153,871</u>	<u>11,153,871</u>	<u>9,980,942</u>	<u>1,177,974</u>	<u>(5,045)</u>
Detail:					
Salaries and Wages	6,640,376	6,640,376	6,216,768	423,608	-
Other Expenses	4,513,495	4,513,495	3,764,174	754,366	(5,045)
<b>DEFERRED CHARGES AND REGULATORY EXPENDITURES-MUNICIPAL-WITHIN "CAPS"</b>					
<b>STATUTORY EXPENDITURES</b>					
Statutory Expenditures					
Contribution to:					
Social Security System	315,000	315,000	287,308	27,692	
Police and Firemen's Retirement Fund of NJ	835,000	835,000	834,786	214	
Public Employees' Retirement System	432,315	432,315	432,315	-	
Unemployment Insurance	25,000	25,000	16,377	8,623	
Defined Contribution Retirement Plan	6,500	6,500	2,827	3,673	-
Total Deferred Charges and Statutory Expenditures - Within "CAPS"	<u>1,613,815</u>	<u>1,613,815</u>	<u>1,573,613</u>	<u>40,202</u>	<u>-</u>
Total General Appropriations for Municipal Purposes within "CAPS"	<u>12,767,686</u>	<u>12,767,686</u>	<u>11,554,555</u>	<u>1,218,176</u>	<u>(5,045)</u>

**BOROUGH OF CLOSTER**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2021 (UNAUDITED)**

	<u>Budget</u>	<u>Appropriated Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Overexpended</u>
<b>OPERATIONS - EXCLUDED FROM "CAPS"</b>					
<b>UTILITY EXPENSES AND BULK PURCHASES</b>					
Bergen County Utilities Authority					
Operations	\$ 742,706	\$ 742,706	\$ 742,705	1	
Debt Service	281,334	281,334	281,334	-	
<b>EDUCATION FUNCTIONS</b>					
Maintenance of Free Public Library	767,704	767,704	751,024	\$ 16,680	
<b>GENERAL GOVERNMENT FUNCTIONS</b>					
Reserve for Tax Appeals	50,000	50,000	50,000	-	
<b>PUBLIC SAFETY FUNCTIONS</b>					
Length of Service Awards Program	59,000	59,000	-	59,000	-
	<u>1,900,744</u>	<u>1,900,744</u>	<u>1,825,063</u>	<u>75,681</u>	<u>-</u>
<b>INTERLOCAL MUNICIPAL SERVICE AGREEMENTS</b>					
Other Governmental Entities -					
Fuel Management - Gasoline	95,000	95,000	82,869	12,131	
911 Dispatch	112,097	112,097	112,097	-	
Pistol Range	13,600	13,600	11,332	2,268	-
	<u>220,697</u>	<u>220,697</u>	<u>206,298</u>	<u>14,399</u>	<u>-</u>
<b>PUBLIC AND PRIVATE PROGRAMS</b>					
<b>OFFSET BY REVENUES</b>					
<b>FEDERAL AND STATE GRANTS</b>					
Drunk Driving Enforcement Fund		2,268	1,401	867	
Recycling Tonnage Grant	26,740	26,740	15,890	10,850	
Closter Green Team Grant	400	400	-	400	
Green Communities Grant	-	-	-	-	
Police Body Armor Grant	3,991	3,991	-	3,991	-
	<u>31,131</u>	<u>33,399</u>	<u>17,291</u>	<u>16,108</u>	<u>-</u>
Total Public and Private Programs Offset by Revenues					
	<u>2,152,572</u>	<u>2,154,840</u>	<u>2,048,652</u>	<u>106,188</u>	<u>-</u>
Detail:					
Other Expenses	2,152,572	2,154,840	2,048,652	106,188	-
<b>CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"</b>					
Capital Improvement Fund	130,000	130,000	130,000	-	-
Total Capital Improvements - Excluded from "CAPS"	<u>130,000</u>	<u>130,000</u>	<u>130,000</u>	<u>-</u>	<u>-</u>
<b>MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"</b>					
Payment of Bond Principal	885,000	885,000	885,000	-	
Interest on Bonds	312,973	312,973	312,973	-	-
Interest on Notes	91,000	91,000	91,000	-	-
Total Municipal Debt Service - Excluded from "CAPS"	<u>1,288,973</u>	<u>1,288,973</u>	<u>1,288,973</u>	<u>-</u>	<u>-</u>

**BOROUGH OF CLOSTER**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2021 (UNAUDITED)**

	<u>Appropriated</u> <u>Budget</u>	<u>Budget After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Reserved</u>	<u>Overexpended</u>
<b>DEFERRED CHARGES</b>					
Deferred Charges Unfunded					
Cancelled Capital Grants	\$ 4,088	\$ 4,088	\$ 4,088	-	-
Total Deferred Charges - Municipal Excluded from "CAPS"	<u>4,088</u>	<u>4,088</u>	<u>4,088</u>	<u>-</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>3,575,633</u>	<u>3,577,901</u>	<u>3,471,713</u>	<u>\$ 106,188</u>	<u>-</u>
Subtotal General Appropriations	16,343,319	16,345,587	15,026,268	1,324,364	(5,045)
<b>RESERVE FOR UNCOLLECTED TAXES</b>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 17,343,319</u>	<u>\$ 17,345,587</u>	<u>\$ 16,026,268</u>	<u>\$ 1,324,364</u>	<u>\$ (5,045)</u>
Adopted Budget		\$ 17,343,319			
N.J.S.A. 40A:4-87		<u>2,268</u>			
		<u>\$ 17,345,587</u>			

**BOROUGH OF CLOSTER  
BALANCE SHEET - REGULATORY BASIS  
TRUST FUNDS  
AS OF DECEMBER 31, 2021 (UNAUDITED)**

**ASSETS****ANIMAL CONTROL TRUST FUND**

Cash	\$ <u>7,860</u>
------	-----------------

	<u>7,860</u>
--	--------------

**OTHER TRUST FUND**

Cash	<u>3,500,754</u>
------	------------------

	<u>3,500,754</u>
--	------------------

**OPEN SPACE PRESERVATION TRUST FUND**

Cash	2,068,433
------	-----------

Due From Current Fund	<u>8,869</u>
-----------------------	--------------

	<u>2,077,302</u>
--	------------------

**LENGTH OF SERVICE AWARDS PROGRAM FUND (UNAUDITED)**

Cash	<u>1,373,828</u>
------	------------------

	<u>1,373,828</u>
--	------------------

Total Assets	<u>\$ 6,959,744</u>
--------------	---------------------

**BOROUGH OF CLOSTER  
BALANCE SHEET - REGULATORY BASIS  
TRUST FUNDS  
AS OF DECEMBER 31, 2021 (UNAUDITED)**

**LIABILITIES, RESERVES AND FUND BALANCE**

**ANIMAL CONTROL TRUST FUND**

Due to Current Fund	\$ 2,228
Due to State of New Jersey	8
Reserve for Animal Control Expenditures	<u>5,624</u>
	<u>7,860</u>

**OTHER TRUST FUND**

Escrow and Miscellaneous Reserves	3,433,754
Payroll and Payroll Deductions Payable	53,595
Due to Current Fund	<u>13,405</u>
	<u>3,500,754</u>

**OPEN SPACE PRESERVATION TRUST FUND**

Due to General Capital Fund	5,845
Reserve for Open Space Expenditures	<u>2,071,457</u>
	<u>2,077,302</u>

**LENGTH OF SERVICE AWARDS PROGRAM FUND (UNAUDITED)**

Reserve for Length of Service Award Program	<u>1,373,828</u>
---	------------------

Total Liabilities, Reserves and Fund Balance	<u>\$ 6,959,744</u>
--	---------------------

**BOROUGH OF CLOSTER**  
**STATEMENT OF REVENUES - REGULATORY BASIS**  
**OPEN SPACE PRESERVATION TRUST FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2021 (UNAUDITED)**

	<u>Modified Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Amount to be Raised by Taxation	\$ <u>225,809</u>	\$ 226,062	\$ <u>253</u>
Non-Budget Revenues		<u>1,967</u>	
		<u>\$ 228,029</u>	

EXHIBIT B-2

**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**OPEN SPACE PRESERVATION TRUST FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2021 (UNAUDITED)**

	<u>Modified Budget</u>	<u>Paid or Charged</u>	<u>Excess or (Deficit)</u>
Other Expenses	\$ 15,000	\$ 15,000	\$ -
Reserved for Future Use	<u>210,809</u>	<u>210,809</u>	<u>-</u>
	<u>\$ 225,809</u>	<u>\$ 225,809</u>	<u>\$ -</u>

**BOROUGH OF CLOSTER  
BALANCE SHEET - REGULATORY BASIS  
GENERAL CAPITAL FUND  
AS OF DECEMBER 31, 2021 (UNAUDITED)**

**ASSETS**

Cash	\$ 4,185,378
Grants Receivable	5,422
Due From Current Fund	44,083
Due From Open Space Preservation Trust Fund	5,845
Deferred Charges to Future Taxation	
Funded	10,151,000
Unfunded	<u>7,929,261</u>
 Total Assets	 <u>\$ 22,320,989</u>

**LIABILITIES, RESERVES AND FUND BALANCE**

Serial Bonds	\$ 10,151,000
Bond Anticipation Notes Payable	5,995,000
Improvement Authorizations	
Funded	760,582
Unfunded	4,133,151
Contracts Payable	877,574
Capital Improvement Fund	18,840
Reserve for Grant Receivable	2,691
Reserve for Parking Improvements	81,022
Reserve for Payment of Bonds	57,627
Fund Balance	<u>243,502</u>
 Total Liabilities, Reserves and Fund Balance	 <u>\$ 22,320,989</u>

There were bonds and notes authorized but not issued of \$2,190,463 at December 31, 2021.

**BOROUGH OF CLOSTER**  
**STATEMENT OF FUND BALANCE - REGULATORY BASIS**  
**GENERAL CAPITAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2021 (UNAUDITED)**

Balance, January 1	\$ 197,281
Increased by:	
Premium on Bonds and Notes Issued	<u>46,221</u>
Balance, December 31	<u>\$ 243,502</u>



**BOROUGH OF CLOSTER  
BALANCE SHEET - REGULATORY BASIS  
PUBLIC ASSISTANCE FUND  
AS OF DECEMBER 31, 2021 (UNAUDITED)**

**ASSETS**

Cash	\$ <u>43,186</u>
Total Assets	\$ <u><u>43,186</u></u>

**LIABILITIES AND RESERVES**

Reserve for Public Assistance Expenditures	\$ <u>43,186</u>
Total Liabilities and Reserves	\$ <u><u>43,186</u></u>

**BOROUGH OF CLOSTER  
GENERAL FIXED ASSETS ACCOUNT GROUP  
BALANCE SHEET - REGULATORY BASIS  
AS OF DECEMBER 31, 2021 (UNAUDITED)**

**ASSETS**

Land and Land Improvements	\$ 78,775,600
Buildings and Building Improvements	6,519,718
Vehicles and Equipment	<u>10,559,421</u>
	<u>\$ 95,854,739</u>

**FUND BALANCE**

Investment in General Fixed Assets	<u>\$ 95,854,739</u>
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**INDEPENDENT AUDITORS REPORT AND  
FINANCIAL STATEMENTS OF THE BOROUGH OF CLOSTER  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA  
GARY J. VINCI, CPA, RMA, PSA  
GARY W. HIGGINS, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
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ROBERT LERCH, CPA  
CHRISTOPHER M. VINCI, CPA  
CHRISTINA CUIFFO, CPA

## INDEPENDENT AUDITOR'S REPORT

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

### *Report on the Financial Statements*

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Closter, as of December 31, 2020 and 2019, and the related statements of operations and changes in fund balance - regulatory basis, the related statements of revenues - regulatory basis and statements of expenditures - regulatory basis of the various funds for the years then ended, 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 provisions 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 as described in Note 1. 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 from 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 provisions 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, 2020 and 2019, or changes in financial position for the years then ended.

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

As discussed in Note 16 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, 2020 and 2019. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 19 percent and 20 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2020 and 2019.

***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, 2020 and 2019, 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, 2020 in accordance with the financial accounting and reporting provisions and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

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

Fair Lawn, New Jersey  
August 10, 2021

**BOROUGH OF CLOSTER**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**CURRENT FUND**  
**AS OF DECEMBER 31, 2020 AND 2019**

<b>ASSETS</b>	<u>2020</u>	<u>2019</u>
Cash	\$ 6,185,055	\$ 5,483,957
Change Fund	150	150
Grants Receivable	<u>8,756</u>	<u>8,756</u>
	<u>6,193,961</u>	<u>5,492,863</u>
Receivables and Other Assets with Full Reserves		
Delinquent Property Taxes Receivable	379,816	330,148
Tax Title Liens Receivable	41,740	6,368
Property Acquired for Taxes - Assessed Value	130,531	130,531
Due from General Capital Fund	-	11,032
Due from Animal Control Trust Fund	2,228	5,318
Due from Other Trust Fund	1,405	24,174
Revenue Accounts Receivable	<u>14,290</u>	<u>60,286</u>
	<u>570,010</u>	<u>567,857</u>
Total Assets	<u>\$ 6,763,971</u>	<u>\$ 6,060,720</u>
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>		
Appropriation Reserves	\$ 1,504,099	\$ 1,361,163
Encumbrances Payable	651,948	603,642
Due to State of New Jersey		
Senior Citizens and Veterans Deductions	15,437	15,437
Department of Human Services - Marriage License Fees	125	175
State Training Fees	2,047	4,967
Due to Open Space Trust Fund	8,625	32,294
Due to General Capital Fund	44,143	-
Prepaid Taxes	428,568	294,843
Tax Overpayments	112,970	42,535
County Taxes Payable	6,526	8,406
Other Liabilities	-	255
Appropriated Grants Reserves	83,708	73,475
Unappropriated Grants Reserves	2,263	31,056
Reserve for Tax Appeals	<u>296,994</u>	<u>246,994</u>
Total Liabilities	3,157,453	2,715,242
Reserve for Receivables and Other Assets	570,010	567,857
Fund Balance	<u>3,036,508</u>	<u>2,777,621</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 6,763,971</u>	<u>\$ 6,060,720</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, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>REVENUES AND OTHER INCOME REALIZED</b>		
Surplus Anticipated	\$ 1,300,000	\$ 1,200,000
Miscellaneous Revenues Anticipated	2,675,177	2,776,229
Receipts from Delinquent Taxes	315,403	248,168
Receipts from Current Taxes	50,395,205	49,024,928
Non-Budget Revenues	126,243	136,524
Other Credits to Income		
Interfunds Returned	40,524	
Statutory Excess - Animal Control Trust Fund	2,228	5,318
Unexpended Balance of Appropriation Reserves	715,846	657,241
Cancellation of Other Liabilities	<u>255</u>	<u>-</u>
 Total Revenues	 <u>55,570,881</u>	 <u>54,048,408</u>
 <b>EXPENDITURES</b>		
Municipal Budget	15,678,926	15,381,415
Local School District Taxes	20,499,214	19,782,164
County Taxes	5,694,135	5,430,955
Regional School District Taxes	11,908,829	11,750,200
Municipal Open Space Taxes	227,257	222,997
Other Debits		
Interfund Advance	<u>3,633</u>	<u>2,637</u>
 Total Expenditures	 <u>54,011,994</u>	 <u>52,570,368</u>
 Excess in Revenues/Statutory Excess to Fund Balance	 1,558,887	 1,478,040
 Fund Balance, January 1	 <u>2,777,621</u>	 <u>2,499,581</u>
	4,336,508	3,977,621
Decreased by:		
Utilization as Anticipated Revenue	<u>1,300,000</u>	<u>1,200,000</u>
 Fund Balance, December 31	 <u>\$ 3,036,508</u>	 <u>\$ 2,777,621</u>



**BOROUGH OF CLOSTER**  
**STATEMENT OF REVENUES**  
**CURRENT FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>		<u>2019</u>	
	<u>Budget After</u>	<u>Realized</u>	<u>Budget After</u>	<u>Realized</u>
	<u>Modification</u>		<u>Modification</u>	
Fund Balance Utilized	\$ 1,300,000	1,300,000	\$ 1,200,000	1,200,000
Miscellaneous Revenues				
Licenses				
Alcoholic Beverages	23,000	27,100	23,000	\$ 30,100
Other	15,000	19,683	20,000	17,744
Fees and Permits	85,000	74,479	100,000	104,609
Fines and Costs - Municipal Court	62,000	62,000	117,000	62,173
Fines and Costs - Additional - Municipal Court	40,000	59,653		
Interest on Costs on Taxes	37,500	89,525	60,000	67,837
Interest on Investments and Deposits	62,500	51,811	75,000	157,951
Cable Television Franchise Fees	110,000	108,505	116,000	111,921
Energy Receipts Tax	1,491,991	1,491,991	1,491,991	1,491,991
Watershed Moratorium Offset Aid	13,489	13,489	13,489	13,489
Uniform Construction Code Fees	307,510	367,039	375,000	357,961
Other Government Entities - Fuel Mgmt. - Gasoline	95,000	69,879	80,000	110,729
Other Government Entities - Fire Arms	10,700	\$ 10,700	8,200	8,200
Recycling Tonnage Grant	19,969	19,969	28,605	28,605
Clean Communities Grant	16,357	16,357	18,142	18,142
Alcohol Education and Rehabilitation			402	402
Bergen County Prosecutor's Office - SWAT Team			3,000	3,000
Drunk Driving Education Fund	8,367	8,367	6,000	6,000
Closter Green Team Grant	400	400	400	400
Distracted Driving			5,492	5,492
Police Body Armor	2,320	2,320		
Uniform Fire Safety Act	15,000	17,735	15,000	19,647
Cell Tower Rental	115,000	123,313	100,000	119,338
Rental Payments	11,000	12,447	11,000	12,143
Alpine Sewer Connection Fees	14,000	16,415	14,000	16,355
Police Outside Services - Administrative Fees	12,000	12,000	12,000	12,000
Total Miscellaneous Revenues	<u>2,568,103</u>	<u>2,675,177</u>	<u>2,693,721</u>	<u>2,776,229</u>
Receipts from Delinquent Taxes	<u>300,000</u>	<u>315,403</u>	<u>250,000</u>	<u>248,168</u>
Amount to be Raised by Taxes for Support of Municipal Budget				
Operations	11,775,753	12,261,066	11,442,320	12,043,238
Municipal Library	<u>767,704</u>	<u>767,704</u>	<u>737,374</u>	<u>737,374</u>
Total Amount to be Raised	<u>12,543,457</u>	<u>13,028,770</u>	<u>12,179,694</u>	<u>12,780,612</u>
Total General Revenues	<u>\$ 16,711,560</u>	<u>\$ 17,319,350</u>	<u>\$ 16,323,415</u>	<u>\$ 17,005,009</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF CLOSTER**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
<b>OPERATIONS WITHIN "CAPS"</b>					
<b>GENERAL GOVERNMENT FUNCTIONS</b>					
General Administration					
Salaries and Wages	\$ 190,000	\$ 190,000	\$ 185,594	\$ 4,406	
Other Expenses	70,000	68,501	65,184	3,317	
Mayor and Council					
Other Expenses	12,250	12,250	3,735	8,515	
Municipal Clerk's Office					
Salaries and Wages	197,000	197,000	165,801	31,199	
Other Expenses	20,000	20,000	8,856	11,144	
Elections	8,000	8,000	6,676	1,324	
Financial Administration					
Salaries and Wages	138,000	138,000	99,321	38,679	
Other Expenses	69,450	69,450	34,615	34,835	
Audit Services					
Other Expenses	48,500	48,500	48,500	-	
Information Technology					
Salaries and Wages	19,000	19,000	18,144	856	
Other Expenses	16,710	16,710	16,697	13	
Tax Assessment Administration					
Salaries and Wages	95,000	95,000	94,312	688	
Other Expenses	70,000	70,340	70,340	-	
Revenue Administration					
Salaries and Wages	147,000	147,000	143,842	3,158	
Other Expenses	15,800	15,800	6,433	9,367	
Legal Services and Costs					
Other Expenses	172,000	172,000	141,914	30,086	
Engineering Services					
Other Expenses	46,000	46,000	23,110	22,890	
Economic Development					
Closter Improvement Committee	12,300	12,300	10,209	2,091	
Historical Commission					
Other Expenses	3,140	3,140	1,320	1,820	
Municipal Land Use Law					
Planning Board					
Salaries and Wages	16,750	16,750	16,552	198	
Other Expenses	20,000	20,000	8,329	11,671	
Zoning Board of Adjustment					
Salaries and Wages	21,000	21,162	21,161	1	
Other Expenses	15,400	15,400	5,478	9,922	
Insurance					
Unemployment Insurance	20,000	20,000	14,655	5,345	
General Liability	222,450	222,450	194,875	27,575	
Workers Compensation Insurance	195,000	195,000	188,835	6,165	
Employee Group Health	1,221,000	1,221,000	981,534	239,466	
Other Insurance Premiums	2,500	2,500	705	1,795	
<b>PUBLIC SAFETY FUNCTIONS</b>					
Police Department					
Salaries and Wages	3,228,250	3,228,250	2,978,887	249,363	
Other Expenses	104,900	104,900	98,669	6,231	
Office of Emergency Management					
Salaries and Wages	11,000	11,000	10,765	235	
Other Expenses	11,000	11,000	9,273	1,727	
First Aid Organization - Contribution	25,000	25,000	25,000		

**BOROUGH OF CLOSTER**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
<b>OPERATIONS WITHIN "CAPS"</b>					
<b>PUBLIC SAFETY FUNCTIONS (Continued)</b>					
Fire Prevention Bureau/Uniform Fire Safety					
Salaries and Wages	\$ 40,000	\$ 40,000	\$ 32,683	\$ 7,317	
Other Expenses	4,144	4,144	3,277	867	
Fire Protection					
Other Expenses	77,100	77,100	76,762	338	
Clothing Allowance	26,000	26,000	14,851	11,149	
Fire Hydrant Services	165,000	165,000	151,602	13,398	
Municipal Prosecutor					
Salaries and Wages	8,100	8,100	6,600	1,500	
<b>PUBLIC WORKS FUNCTIONS</b>					
Streets and Road Maintenance					
Salaries and Wages	1,174,500	1,174,500	1,059,406	115,094	
Other Expenses	93,000	93,000	79,208	13,792	
Snow Removal					
Other Expenses	33,500	33,500	29,701	3,799	
Shade Tree Commission					
Salaries and Wages	4,000	4,000	3,841	159	
Other Expenses	52,700	52,700	50,407	2,293	
Solid Waste Collection					
Salaries and Wages	268,000	268,000	218,750	49,250	
Other Expenses	6,000	6,000	3,576	2,424	
Recycling					
Salaries and Wages	64,000	64,000	62,943	1,057	
Public Building and Grounds					
Salaries and Wages	86,000	86,000	84,937	1,063	
Other Expenses	76,200	76,200	73,957	2,243	
Vehicle Maintenance					
Salaries and Wages	175,000	175,000	157,009	17,991	
Other Expenses	170,500	170,500	169,980	520	
<b>HEALTH AND HUMAN SERVICES FUNCTIONS</b>					
Public Health Services					
Salaries and Wages	44,000	44,000	34,560	9,440	
Other Expenses	85,690	85,690	84,484	1,206	
Environmental Commission					
Other Expenses	6,540	6,540	3,349	3,191	
Animal Control					
Other Expenses	12,323	13,482	13,482	-	
Aid to Mental Health Center	1,000	1,000	-	1,000	
<b>PARKS AND RECREATION FUNCTIONS</b>					
Maintenance of Parks and Playgrounds	50,000	50,000	46,184	3,816	
Senior Citizens					
Other Expenses	10,500	10,500	5,727	4,773	
Board of Recreation Commissioners					
Salaries and Wages	91,000	91,000	55,483	35,517	
Other Expenses	37,040	37,040	37,040	-	
<b>EDUCATION FUNCTIONS</b>					
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, 2020**

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
<b>OPERATIONS WITHIN "CAPS"</b>					
<b>OTHER COMMON OPERATING FUNCTIONS</b>					
Celebration of Public Events					
Other Expenses	\$ 18,000	\$ 18,000		\$ 18,000	
<b>LANDFILL/SOLID WASTE DISPOSAL COSTS</b>					
Solid Waste Recycling Landfill and Contingency Taxes	303,000	303,000	\$ 253,894	49,106	
<b>MUNICIPAL COURT</b>					
Salaries and Wages	111,800	111,800	83,561	28,239	
Other Expenses	5,300	5,300	3,154	2,146	
Public Defender					
Other Expenses	1,900	1,900	918	982	
<b>UNIFORM CONSTRUCTION CODE</b>					
<b>APPROPRIATIONS OFFSET BY DEDICATED REVENUES</b>					
Uniform Construction Code Enforcement Functions					
Salaries and Wages	259,000	260,838	247,187	13,651	
Other Expenses	10,000	8,000	5,411	2,589	
Other Code Enforcement Functions					
Zoning Officer					
Salaries and Wages	34,000	34,000	27,348	6,652	
Other Expenses	150	150	-	150	
Property Maintenance					
Salaries and Wages	41,000	41,000	30,113	10,887	
Other Expenses	200	200	105	95	
<b>UNCLASSIFIED</b>					
Utilities					
Electricity	85,000	85,000	71,565	13,435	
Street Lighting	115,000	115,000	113,414	1,586	
Telephone and Telegraph	65,000	58,000	50,083	7,917	
Water	36,000	43,000	42,515	485	
Natural Gas	30,000	30,000	20,941	9,059	
Sewer System	3,600	3,600	3,524	76	
Gasoline	155,000	155,000	43,909	111,091	-
Total Operations Within "CAPS"	<u>10,622,312</u>	<u>10,622,312</u>	<u>9,278,887</u>	<u>1,343,425</u>	<u>-</u>
Detail:					
Salaries and Wages	6,463,400	6,465,400	5,838,800	626,600	-
Other Expenses	<u>4,158,912</u>	<u>4,156,912</u>	<u>3,440,087</u>	<u>716,825</u>	<u>-</u>
<b>DEFERRED CHARGES AND REGULATORY EXPENDITURES-MUNICIPAL-WITHIN "CAPS"</b>					
<b>STATUTORY EXPENDITURES</b>					
Statutory Expenditures					
Contribution to:					
Social Security System	300,000	300,000	279,814	20,186	
Police and Firemen's Retirement Fund of NJ	720,000	720,000	716,136	3,864	
Public Employees' Retirement System	400,000	400,000	395,553	4,447	
Defined Contribution Retirement Plan	4,000	4,000	1,436	2,564	-
Total Deferred Charges and Statutory Expenditures - Within "CAPS"	<u>1,424,000</u>	<u>1,424,000</u>	<u>1,392,939</u>	<u>31,061</u>	<u>-</u>
Total General Appropriations for Municipal Purposes within "CAPS"	<u>12,046,312</u>	<u>12,046,312</u>	<u>10,671,826</u>	<u>1,374,486</u>	<u>-</u>

**BOROUGH OF CLOSTER**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
<b>OPERATIONS - EXCLUDED FROM "CAPS"</b>					
<b>UTILITY EXPENSES AND BULK PURCHASES</b>					
Bergen County Utilities Authority					
Operations	\$ 746,863	\$ 746,863	\$ 746,353	\$ 510	
Debt Service	289,137	289,137	289,137	-	
<b>EDUCATION FUNCTIONS</b>					
Maintenance of Free Public Library	767,704	767,704	767,404	300	
<b>GENERAL GOVERNMENT FUNCTIONS</b>					
Reserve for Tax Appeals	50,000	50,000	50,000	-	
<b>PUBLIC SAFETY FUNCTIONS</b>					
Length of Service Awards Program	59,000	59,000	-	59,000	-
Total Other Operations - Excluded from "CAPS"	<u>1,912,704</u>	<u>1,912,704</u>	<u>1,852,894</u>	<u>59,810</u>	<u>-</u>
<b>INTERLOCAL MUNICIPAL SERVICE AGREEMENTS</b>					
Other Governmental Entities -					
Fuel Management - Gasoline	95,000	95,000	54,453	40,547	
911 Dispatch	105,181	105,181	105,181	-	
Pistol Range	8,800	10,700	7,920	2,780	-
Total Interlocal Municipal Service Agreements	<u>208,981</u>	<u>210,881</u>	<u>167,554</u>	<u>43,327</u>	<u>-</u>
<b>PUBLIC AND PRIVATE PROGRAMS</b>					
<b>OFFSET BY REVENUES</b>					
<b>FEDERAL AND STATE GRANTS</b>					
Clean Communities Grant		16,357	-	16,357	
Drunk Driving Enforcement Fund	8,367	8,367	7,477	890	
Recycling Tonnage Grant	19,969	19,969	13,460	6,509	
Closter Green Team Grant	400	400	-	400	
Police Body Armor Grant	2,320	2,320	-	2,320	-
Total Public and Private Programs Offset by Revenues	<u>31,056</u>	<u>47,413</u>	<u>20,937</u>	<u>26,476</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>2,152,741</u>	<u>2,170,998</u>	<u>2,041,385</u>	<u>129,613</u>	<u>-</u>
Detail:					
Other Expenses	<u>2,152,741</u>	<u>2,170,998</u>	<u>2,041,385</u>	<u>129,613</u>	<u>-</u>
<b>CAPITAL IMPROVEMENTS -</b>					
<b>EXCLUDED FROM "CAPS"</b>					
Capital Improvement Fund	93,400	93,400	93,400	-	-
Total Capital Improvements - Excluded from "CAPS"	<u>93,400</u>	<u>93,400</u>	<u>93,400</u>	<u>-</u>	<u>-</u>
<b>MUNICIPAL DEBT SERVICE -</b>					
<b>EXCLUDED FROM "CAPS"</b>					
Payment of Bond Principal	976,000	976,000	976,000	-	
Interest on Bonds	345,370	345,370	275,736	-	\$ 69,634
Interest on Notes	116,326	116,326	116,326	-	-
Total Municipal Debt Service - Excluded from "CAPS"	<u>1,437,696</u>	<u>1,437,696</u>	<u>1,368,062</u>	<u>-</u>	<u>69,634</u>

**BOROUGH OF CLOSTER**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Appropriated</u>	<u>Budget After</u>	<u>Expended</u>		
	<u>Budget</u>	<u>Modification</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Cancelled</u>
			<u>Charged</u>		
<b>DEFERRED CHARGES</b>					
Deferred Charges Unfunded					
Ord No. 843 Various Improvements	\$ 154	\$ 154	\$ 154	-	-
Total Deferred Charges - Municipal Excluded from "CAPS"	<u>154</u>	<u>154</u>	<u>154</u>	<u>-</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>3,683,991</u>	<u>3,702,248</u>	<u>3,503,001</u>	<u>\$ 129,613</u>	<u>\$ 69,634</u>
Subtotal General Appropriations	15,730,303	15,748,560	14,174,827	1,504,099	69,634
<b>RESERVE FOR UNCOLLECTED TAXES</b>	<u>963,000</u>	<u>963,000</u>	<u>963,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 16,693,303</u>	<u>\$ 16,711,560</u>	<u>\$ 15,137,827</u>	<u>\$ 1,504,099</u>	<u>\$ 69,634</u>
Adopted Budget		\$ 16,693,303			
N.J.S.A. 40A:4-87		<u>18,257</u>			
		<u>\$ 16,711,560</u>			

**BOROUGH OF CLOSTER**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
<b>OPERATIONS WITHIN "CAPS"</b>					
<b>GENERAL GOVERNMENT FUNCTIONS</b>					
General Administration					
Salaries and Wages	\$ 175,000	\$ 187,000	\$ 187,000		
Other Expenses	62,100	62,100	57,768	\$ 4,332	
Mayor and Council					
Other Expenses	5,000	5,000	2,043	2,957	
Municipal Clerk's Office					
Salaries and Wages	193,250	193,250	186,806	6,444	
Other Expenses	23,850	23,850	14,717	9,133	
Elections	9,000	9,000	7,139	1,861	
Financial Administration					
Salaries and Wages	140,000	140,000	113,071	26,929	
Other Expenses	73,950	73,950	37,556	36,394	
Audit Services					
Other Expenses	49,000	49,000	48,037	963	
Information Technology					
Salaries and Wages	18,000	18,000	17,789	211	
Other Expenses	6,300	6,300	4,352	1,948	
Tax Assessment Administration					
Salaries and Wages	93,000	93,000	92,288	712	
Other Expenses	76,550	76,550	64,216	12,334	
Revenue Administration					
Salaries and Wages	149,000	149,000	138,180	10,820	
Other Expenses	15,400	15,400	10,276	5,124	
Legal Services and Costs					
Other Expenses	185,000	185,000	132,317	52,683	
Engineering Services					
Other Expenses	48,500	48,500	28,360	20,140	
Economic Development					
Closter Improvement Committee	15,300	15,300	9,207	6,093	
Historical Commission					
Other Expenses	2,540	2,540	2,187	353	
Municipal Land Use Law					
Planning Board					
Salaries and Wages	17,000	17,000	15,996	1,004	
Other Expenses	30,805	30,805	19,916	10,889	
Zoning Board of Adjustment					
Salaries and Wages	20,000	21,000	20,625	375	
Other Expenses	31,400	31,400	4,336	27,064	
Insurance					
Unemployment Insurance	20,000	20,000	17,010	2,990	
General Liability	228,250	228,250	193,151	35,099	
Workers Compensation Insurance	200,000	200,000	188,174	11,826	
Employee Group Health	1,190,000	1,190,000	996,019	193,981	
Other Insurance Premiums	6,250	6,250	305	5,945	
<b>PUBLIC SAFETY FUNCTIONS</b>					
Police Department					
Salaries and Wages	3,111,500	3,088,000	2,843,299	244,701	
Other Expenses	107,400	107,400	96,850	10,550	
Office of Emergency Management					
Salaries and Wages	10,750	10,750	10,545	205	
Other Expenses	11,000	11,000	9,895	1,105	
First Aid Organization - Contribution	25,000	25,000	25,000		

**BOROUGH OF CLOSTER**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
<b>OPERATIONS WITHIN "CAPS"</b>					
<b>PUBLIC SAFETY FUNCTIONS (Continued)</b>					
Fire Prevention Bureau/Uniform Fire Safety					
Salaries and Wages	\$ 39,000	\$ 39,000	\$ 34,855	\$ 4,145	
Other Expenses	2,900	2,900	2,561	339	
Fire Protection					
Other Expenses	77,110	77,110	77,110	-	
Clothing Allowance	26,000	26,000	20,568	5,432	
Fire Hydrant Services	165,000	165,000	150,498	14,502	
Municipal Prosecutor					
Salaries and Wages	8,100	8,100	8,100	-	
<b>PUBLIC WORKS FUNCTIONS</b>					
Streets and Road Maintenance					
Salaries and Wages	1,138,500	1,141,000	971,374	169,626	
Other Expenses	86,000	86,000	83,866	2,134	
Snow Removal					
Other Expenses	29,500	29,500	28,733	767	
Shade Tree Commission					
Salaries and Wages	4,000	4,000	3,753	247	
Other Expenses	60,000	60,000	59,875	125	
Solid Waste Collection					
Salaries and Wages	300,000	308,000	290,355	17,645	
Other Expenses	6,000	6,000	3,998	2,002	
Recycling					
Salaries and Wages	60,500	63,000	61,520	1,480	
Public Building and Grounds					
Salaries and Wages	85,000	86,000	84,659	1,341	
Other Expenses	76,200	76,200	63,313	12,887	
Vehicle Maintenance					
Salaries and Wages	165,000	165,000	150,282	14,718	
Other Expenses	161,000	161,000	156,379	4,621	
<b>HEALTH AND HUMAN SERVICES FUNCTIONS</b>					
Public Health Services					
Salaries and Wages	42,000	42,000	37,557	4,443	
Other Expenses	84,036	84,036	82,418	1,618	
Environmental Commission					
Other Expenses	5,290	5,290	5,259	31	
Animal Control					
Other Expenses	12,250	12,250	12,141	109	
Aid to Mental Health Center	1,000	1,000	-	1,000	
<b>PARKS AND RECREATION FUNCTIONS</b>					
Maintenance of Parks and Playgrounds	55,640	55,640	41,050	14,590	
Senior Citizens					
Other Expenses	29,000	29,000	6,527	22,473	
Board of Recreation Commissioners					
Salaries and Wages	70,000	70,000	68,606	1,394	
Other Expenses	37,040	37,040	37,040	-	
<b>EDUCATION FUNCTIONS</b>					
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, 2019**

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
<b>OPERATIONS WITHIN "CAPS"</b>					
<b>OTHER COMMON OPERATING FUNCTIONS</b>					
Celebration of Public Events					
Other Expenses	\$ 17,500	\$ 17,500	\$ 16,381	\$ 1,119	
<b>LANDFILL/SOLID WASTE DISPOSAL COSTS</b>					
Solid Waste Recycling Landfill and Contingency Taxes	258,000	258,000	223,136	34,864	
<b>MUNICIPAL COURT</b>					
Salaries and Wages	101,000	103,500	103,076	424	
Other Expenses	5,100	5,100	3,486	1,614	
Public Defender					
Other Expenses	1,836	1,836	1,836		
Salary Adjustments					
Salaries and Wages	10,000	10,000	-	10,000	
<b>UNIFORM CONSTRUCTION CODE</b>					
<b>APPROPRIATIONS OFFSET BY DEDICATED REVENUES (N.J.A.C. 5:23-4-17)</b>					
Uniform Construction Code Enforcement Functions					
Salaries and Wages	250,000	244,000	242,644	1,356	
Other Expenses	13,200	13,200	9,387	3,813	
Other Code Enforcement Functions					
Zoning Officer					
Salaries and Wages	33,000	33,000	32,779	221	
Other Expenses	150	150	-	150	
Property Maintenance					
Salaries and Wages	38,900	38,900	34,751	4,149	
Other Expenses	200	200	-	200	
<b>UNCLASSIFIED</b>					
Utilities					
Electricity	92,000	92,000	59,937	32,063	
Street Lighting	140,000	140,000	107,892	32,108	
Telephone and Telegraph	80,000	80,000	47,537	32,463	
Water	36,000	36,000	29,634	6,366	
Natural Gas	30,000	30,000	23,977	6,023	
Sewer System	3,600	3,600	1,998	1,602	
Gasoline	153,750	153,750	103,234	50,516	-
Total Operations Within "CAPS"	10,462,522	10,462,522	9,200,637	1,261,885	-
Detail:					
Salaries and Wages	6,272,500	6,272,500	5,749,910	522,590	-
Other Expenses	4,190,022	4,190,022	3,450,727	739,295	-

**BOROUGH OF CLOSTER  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budget</u>	<u>Appropriated Budget After Modification</u>	<u>Paid or Charged</u>	<u>Expended Reserved</u>	<u>Cancelled</u>
<b>DEFERRED CHARGES AND REGULATORY EXPENDITURES-MUNICIPAL-WITHIN "CAPS"</b>					
<b>STATUTORY EXPENDITURES</b>					
Statutory Expenditures					
Contribution to:					
Social Security System	\$ 290,000	\$ 290,000	\$ 278,192	\$ 11,808	
Police and Firemen's Retirement Fund of NJ	730,000	730,000	729,825	175	
Public Employees' Retirement System	395,000	395,000	395,000		
Defined Contribution Retirement Plan	<u>3,500</u>	<u>3,500</u>	<u>950</u>	<u>2,550</u>	<u>-</u>
 Total Deferred Charges and Statutory Expenditures - Within "CAPS"	 <u>1,418,500</u>	 <u>1,418,500</u>	 <u>1,403,967</u>	 <u>14,533</u>	 <u>-</u>
 Total General Appropriations for Municipal Purposes within "CAPS"	 <u>11,881,022</u>	 <u>11,881,022</u>	 <u>10,604,604</u>	 <u>1,276,418</u>	 <u>-</u>
 <b>OPERATIONS - EXCLUDED FROM "CAPS"</b>					
<b>UTILITY EXPENSES AND BULK PURCHASES</b>					
Bergen County Utilities Authority					
Operations	729,493	729,493	729,493		
Debt Service	242,607	242,607	242,607		
<b>EDUCATION FUNCTIONS</b>					
Maintenance of Free Public Library	737,374	737,374	737,374		
<b>GENERAL GOVERNMENT FUNCTIONS</b>					
Reserve for Tax Appeals	50,000	50,000	50,000		
<b>PUBLIC SAFETY FUNCTIONS</b>					
Length of Service Awards Program	58,000	58,000	-	58,000	
Interboro Police Radio - Other Expenses	<u>105,181</u>	<u>105,181</u>	<u>105,181</u>	<u>-</u>	<u>-</u>
 Total Other Operations - Excluded from "CAPS"	 <u>1,922,655</u>	 <u>1,922,655</u>	 <u>1,864,655</u>	 <u>58,000</u>	 <u>-</u>
 <b>INTERLOCAL MUNICIPAL SERVICE AGREEMENTS</b>					
Other Governmental Entities -					
Fuel Management - Gasoline	80,000	80,000	80,000		
Pistol Range	<u>8,200</u>	<u>8,200</u>	<u>7,720</u>	<u>480</u>	<u>-</u>
 Total Interlocal Municipal Service Agreements	 <u>88,200</u>	 <u>88,200</u>	 <u>87,720</u>	 <u>480</u>	 <u>-</u>
 <b>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES</b>					
<b>FEDERAL AND STATE GRANTS</b>					
Clean Communities Grant		18,142	4,765	13,377	
Drunk Driving Enforcement Fund	6,000	6,000	5,222	778	
Alcohol Education and Rehabilitation		402		402	
Bergen Prosecutor SWAT Team	3,000	3,000	1,747	1,253	
Recycling Tonnage Grant	28,605	28,605	18,550	10,055	
Closter Green Team Grant	400	400		400	
Distracted Driving Grant	<u>-</u>	<u>5,492</u>	<u>5,492</u>	<u>-</u>	<u>-</u>
 Total Public and Private Programs Offset by Revenues	 <u>38,005</u>	 <u>62,041</u>	 <u>35,776</u>	 <u>26,265</u>	 <u>-</u>
 Total Operations Excluded from "CAPS"	 <u>2,048,860</u>	 <u>2,072,896</u>	 <u>1,988,151</u>	 <u>84,745</u>	 <u>-</u>
 Detail:					
Other Expenses	<u>2,048,860</u>	<u>2,072,896</u>	<u>1,988,151</u>	<u>84,745</u>	<u>-</u>

**BOROUGH OF CLOSTER**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Appropriated</u>	<u>Budget After</u>	<u>Expended</u>		
	<u>Budget</u>	<u>Modification</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Cancelled</u>
			<u>Charged</u>		
<b>CAPITAL IMPROVEMENTS -</b>					
<b>EXCLUDED FROM "CAPS"</b>					
Capital Improvement Fund	\$ 100,000	\$ 100,000	\$ 100,000	-	-
Total Capital Improvements - Excluded from "CAPS"	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	-	-
<b>MUNICIPAL DEBT SERVICE -</b>					
<b>EXCLUDED FROM "CAPS"</b>					
Payment of Bond Principal	952,000	952,000	952,000		
Interest on Bonds	243,690	243,690	243,690		
Interest on Notes	131,807	131,807	131,807	-	-
Total Municipal Debt Service - Excluded from "CAPS"	<u>1,327,497</u>	<u>1,327,497</u>	<u>1,327,497</u>	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>3,476,357</u>	<u>3,500,393</u>	<u>3,415,648</u>	\$ 84,745	-
Subtotal General Appropriations	15,357,379	15,381,415	14,020,252	1,361,163	-
<b>RESERVE FOR UNCOLLECTED TAXES</b>	<u>942,000</u>	<u>942,000</u>	<u>942,000</u>	-	-
Total General Appropriations	<u>\$ 16,299,379</u>	<u>\$ 16,323,415</u>	<u>\$ 14,962,252</u>	<u>\$ 1,361,163</u>	<u>\$ -</u>
Adopted Budget		\$ 16,299,379			
N.J.S.A. 40A:4-87		<u>24,036</u>			
		<u>\$ 16,323,415</u>			

**BOROUGH OF CLOSTER**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**TRUST FUNDS**  
**AS OF DECEMBER 31, 2020 AND 2019**

<b>ASSETS</b>	<u>2020</u>	<u>2019</u>
<b>ANIMAL CONTROL TRUST FUND</b>		
Cash	\$ 13,221	\$ 16,590
Due from State of New Jersey	<u>-</u>	<u>228</u>
	<u>13,221</u>	<u>16,818</u>
<b>OTHER TRUST FUND</b>		
Cash	<u>3,040,563</u>	<u>2,388,463</u>
	<u>3,040,563</u>	<u>2,388,463</u>
<b>OPEN SPACE PRESERVATION TRUST FUND</b>		
Cash	1,960,615	1,673,296
Due From General Capital Fund	-	23,687
Due From Current Fund	<u>8,625</u>	<u>32,294</u>
	<u>1,969,240</u>	<u>1,729,277</u>
<b>LENGTH OF SERVICE AWARDS PROGRAM FUND (UNAUDITED)</b>		
Investment	1,160,624	970,613
Contribution Receivable	<u>34,750</u>	<u>40,352</u>
	<u>1,195,374</u>	<u>1,010,965</u>
Total Assets	<u>\$ 6,218,398</u>	<u>\$ 5,145,523</u>

**BOROUGH OF CLOSTER**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**TRUST FUNDS**  
**AS OF DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>		
<b>ANIMAL CONTROL TRUST FUND</b>		
Due to Current Fund	\$ 2,228	\$ 5,318
Reserve for Animal Control Expenditures	<u>10,993</u>	<u>11,500</u>
	<u>13,221</u>	<u>16,818</u>
<b>OTHER TRUST FUND</b>		
Escrow and Miscellaneous Reserves	2,988,503	2,314,499
Payroll and Payroll Deductions Payable	50,655	49,790
Due to Current Fund	<u>1,405</u>	<u>24,174</u>
	<u>3,040,563</u>	<u>2,388,463</u>
<b>OPEN SPACE PRESERVATION TRUST FUND</b>		
Due to General Capital Fund	5,845	-
Reserve for Open Space Expenditures	<u>1,963,395</u>	<u>1,729,277</u>
	<u>1,969,240</u>	<u>1,729,277</u>
<b>LENGTH OF SERVICE AWARDS PROGRAM FUND (UNAUDITED)</b>		
Reserve for Length of Service Award Program	<u>1,195,374</u>	<u>1,010,965</u>
 Total Liabilities, Reserves and Fund Balance	 <u>\$ 6,218,398</u>	 <u>\$ 5,145,523</u>

**BOROUGH OF CLOSTER**  
**COMPARATIVE STATEMENTS OF REVENUES - REGULATORY BASIS**  
**OPEN SPACE PRESERVATION TRUST FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020		2019	
	<u>Modified Budget</u>	<u>Actual</u>	<u>Modified Budget</u>	<u>Actual</u>
Amount to be Raised by Taxation	<u>\$ 226,997</u>	<u>\$ 227,257</u>	<u>\$ 222,688</u>	<u>\$ 222,997</u>

EXHIBIT B-2

**STATEMENT OF EXPENDITURES - REGULATORY BASIS - OPEN SPACE PRESERVATION TRUST FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Modified Budget</u>	<u>Paid or Charged</u>	<u>Excess or (Deficit)</u>
Reserved for Future Use	<u>\$ 226,997</u>	<u>\$ -</u>	<u>\$ 226,997</u>

**STATEMENT OF EXPENDITURES - REGULATORY BASIS - OPEN SPACE PRESERVATION TRUST FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Modified Budget</u>	<u>Paid or Charged</u>	<u>Excess or (Deficit)</u>
Reserved for Future Use	<u>\$ 222,688</u>	<u>\$ -</u>	<u>\$ 222,688</u>

**BOROUGH OF CLOSTER**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**GENERAL CAPITAL FUND**  
**AS OF DECEMBER 31, 2020 AND 2019**

<b>ASSETS</b>	<u>2020</u>	<u>2019</u>
Cash	\$ 3,139,595	\$ 995,734
Grants Receivable	108,000	89,120
Due From Current Fund	44,143	-
Due From Open Space Preservation Trust Fund	5,845	-
Deferred Charges to Future Taxation		
Funded	11,036,000	7,446,000
Unfunded	5,952,645	8,974,779
Cancelled Grant Receivables	4,088	-
	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$ 20,290,316</u>	<u>\$ 17,505,633</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>		
Serial Bonds	\$ 11,036,000	\$ 7,446,000
Bond Anticipation Notes Payable	4,550,000	5,184,424
Improvement Authorizations		
Funded	745,113	439,651
Unfunded	2,765,577	2,240,339
Contracts Payable	801,781	1,848,274
Due To Current Fund	-	11,032
Due To Open Space Preservation Trust Fund	-	23,687
Capital Improvement Fund	415	15
Reserve for Grant Receivable	55,500	55,500
Reserve for Parking Improvements	81,022	81,022
Reserve for Payment of Bonds	57,627	41,407
Fund Balance	197,281	134,282
	<u>                    </u>	<u>                    </u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 20,290,316</u>	<u>\$ 17,505,633</u>

There were bonds and notes authorized but not issued of \$1,402,645 and \$4,138,241 at December 31, 2020 and 2019, respectively.

**BOROUGH OF CLOSTER**  
**COMPARATIVE STATEMENTS OF FUND BALANCE - REGULATORY BASIS**  
**GENERAL CAPITAL FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Balance, January 1	\$ 134,282	\$ 103,538
Increased by:		
Premium on Bonds and Notes Issued	<u>62,999</u>	<u>30,744</u>
Balance, December 31	<u>\$ 197,281</u>	<u>\$ 134,282</u>



**BOROUGH OF CLOSTER**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**PUBLIC ASSISTANCE FUND**  
**AS OF DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash	\$ 40,239	\$ 33,064
Total Assets	<u>\$ 40,239</u>	<u>\$ 33,064</u>
 <b>LIABILITIES AND RESERVES</b>		
Reserve for Public Assistance Expenditures	\$ 40,239	\$ 33,064
Total Liabilities and Reserves	<u>\$ 40,239</u>	<u>\$ 33,064</u>

**BOROUGH OF CLOSTER  
GENERAL FIXED ASSETS ACCOUNT GROUP  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
AS OF DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Land and Land Improvements	\$ 78,775,600	\$ 78,775,600
Buildings and Building Improvements	6,519,718	6,509,667
Vehicles and Equipment	<u>10,559,421</u>	<u>8,826,146</u>
	<u>\$ 95,854,739</u>	<u>\$ 94,111,413</u>
<b>FUND BALANCE</b>		
Investment in General Fixed Assets	<u>\$ 95,854,739</u>	<u>\$ 94,111,413</u>

**NOTES TO FINANCIAL STATEMENTS**

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**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.

Governmental Accounting Standards Board (the "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, 2020 AND 2019**

**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 Trust Fund - This fund is used to account for fees collected from dog and cat licenses and expenditures which are regulated by NJS 4:19-15.11.

Other Trust Fund - This fund is established to account for the assets and resources, which are held by the Borough as a trustee or agent for individuals, private organizations, other governments and/or other funds. These funds include dedicated fees/proceeds collected, developer deposits, payroll related deposits and funds deposited with the Borough as collateral.

Open Space Preservation Trust Fund - This fund is used to account for the resources which have accumulated from a dedicated tax, to be used for the preservation of open space, recreation and farmland property.

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

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

Public Assistance Fund - This fund is used to account for the receipt and disbursement of funds that provide assistance to certain residents of the Borough pursuant to Title 44 of New Jersey Statutes.

General Fixed Assets Account Group - This account group is used to account for all general fixed assets of the Borough. The Borough's infrastructure is not reported in the account group.

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

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

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

**Reclassifications** - Certain reclassifications may have been made to the December 31, 2019 balances to conform to the December 31, 2020 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.

**BOROUGH OF CLOSTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

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

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

**Property Acquired for Taxes** - Property acquired for taxes is recorded in the Current Fund at the assessed valuation when such property was acquired, and is fully reserved. GAAP requires such property to be recorded as a capital asset in the government-wide financial statements at fair value on the date of acquisition.

**Interfunds** - Interfund receivables in the Current Fund are recorded with offsetting reserves, which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve for interfunds and, therefore, does not recognize income in the year liquidated.

**BOROUGH OF CLOSTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**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.

Funded and unfunded debt authorizations for general capital projects are also recorded as deferred charges and represent permanent long-term debt issues outstanding (funded) and temporary debt issues outstanding or unissued debt authorizations (unfunded), respectively. GAAP does not permit the recording of deferred charges for funded and unfunded debt authorizations.

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

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

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

**Compensated Absences** - Expenditures relating to obligations for unused vested accumulated vacation and sick leave are not recorded until paid; however, municipalities may establish and budget reserve funds subject to NJSA 40A:4-39 for the future payment of compensated absences. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations are recorded as a long-term obligation in the government-wide financial statements.

**Tax Appeals and Other Contingent Losses** - Losses arising from tax appeals and other contingent losses are recognized at the time a decision is rendered by an administrative or judicial body; however, municipalities may establish reserves transferred from tax collections or by budget appropriation for future payments of tax appeal losses. GAAP requires such amounts to be recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.



**BOROUGH OF CLOSTER  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

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

**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 at cost. Donated fixed assets are recorded at acquisition 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 1989-2011)
Land and Buildings	Assessed Value (Assets Acquired Prior to 1989)
Machinery and Equipment	Replacement Cost

No depreciation has been provided for in the financial statements.

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

GAAP requires that capital assets be recorded in 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 Trust Fund

**BOROUGH OF CLOSTER  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

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

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2020 and 2019 the Borough Council increased the original budget by \$18,257 and \$24,036, respectively. The increases were funded by additional aid allotted to the Borough. In addition, the governing body approved several budget transfers during 2020 and 2019.

**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 deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), 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 or NCUSIF.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2020 and 2019, the book value of the Borough's deposits were \$14,379,438 and \$10,591,254 and bank and brokerage firm balances of the Borough's deposits amounted to \$14,810,454 and \$11,062,003, 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>2020</u>	<u>2019</u>
Insured	<u>\$ 14,810,454</u>	<u>\$ 11,062,003</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2020 and 2019, the Borough's bank balances were not exposed to custodial credit risk.

**BOROUGH OF CLOSTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

**B. Investments**

The Borough is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor; 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, Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school district, municipalities, counties, and entities subject to the “Local Authorities Fiscal Control Law, “ (C.40A:5A-1 et seq.); Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investments in the Department of the Treasury for investment by local units; Local Government investment pools, deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); 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, 2020 and 2019, the Borough had the following investments:

	<u>Fair Value</u>	
	<u>2020</u>	<u>2019</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department but not in the Borough's name (Unaudited)	<u>\$ 1,160,624</u>	<u>\$ 970,613</u>

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Borough does not have a policy for custodial risk. As of December 31, 2020 and 2019, \$1,160,624 and \$970,613 of the Borough’s investments was exposed to custodial credit risk as follows:

	<u>Fair Value</u>	
	<u>2020</u>	<u>2019</u>
Investment		
Length of Service Awards Program		
Lincoln Financial (Unaudited)	<u>\$ 1,160,624</u>	<u>\$ 970,613</u>

**BOROUGH OF CLOSTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

**B. Investments (Continued)**

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 and NJAC 5:30-14.19). The Borough does not have an investment policy that would further limit its investment choices. As of December 31, 2020 and 2019, 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 Trust 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, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
<u>Current</u>		
Property Taxes	\$ 379,816	\$ 330,148
Tax Title Liens	<u>41,740</u>	<u>6,368</u>
	<u>\$ 421,556</u>	<u>\$ 336,516</u>

In 2020 and 2019, the Borough collected \$315,403 and \$248,168 from delinquent taxes, which represented 96% and 81%, respectively of the prior year delinquent taxes receivable balance.

**BOROUGH OF CLOSTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**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>2020</u>		<u>2019</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	\$ 3,633	\$ 52,768	\$ 40,524	\$ 32,294
Trust Funds				
Open Space Preservation Trust Fund	8,625	5,845	55,981	-
Other Trust Fund		1,405		24,174
Animal Control Trust Fund		2,228		5,318
General Capital Fund	<u>49,988</u>	<u>-</u>	<u>-</u>	<u>34,719</u>
Total	<u>\$ 62,246</u>	<u>\$ 62,246</u>	<u>\$ 96,505</u>	<u>\$ 96,505</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 FUND BALANCES APPROPRIATED**

Under the regulatory basis of accounting, fund balances in the Current Fund is 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>2020</u>	Utilized in Subsequent <u>Year's Budget</u>	Fund Balance December 31, <u>2019</u>	Utilized in Subsequent <u>Year's Budget</u>
Current Fund				
Cash Surplus	\$ 3,027,752	\$ 1,500,000	\$ 2,768,865	\$ 1,300,000
Non-Cash Surplus	<u>8,756</u>	<u>-</u>	<u>8,756</u>	<u>-</u>
	<u>\$ 3,036,508</u>	<u>\$ 1,500,000</u>	<u>\$ 2,777,621</u>	<u>\$ 1,300,000</u>

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 7 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, 2020 and 2019.

	Balance, December 31, <u>2019</u>	<u>Additions</u>	Retirements/ <u>Adjustments</u>	Balance, December 31, <u>2020</u>
<b><u>2020</u></b>				
Land	\$ 78,775,600			\$ 78,775,600
Buildings and Building Impvts.	6,509,667	\$ 10,050		6,519,717
Vehicles and Equipment	<u>8,826,146</u>	<u>1,733,276</u>	<u>\$ -</u>	<u>10,559,422</u>
	<u>\$ 94,111,413</u>	<u>\$ 1,743,326</u>	<u>\$ -</u>	<u>\$ 95,854,739</u>
	Balance December 31, <u>2018</u>	<u>Additions</u>	Retirements/ <u>Adjustments</u>	Balance, December 31, <u>2019</u>
<b><u>2019</u></b>				
Land	\$ 78,775,600			\$ 78,775,600
Buildings and Building Impvts.	6,309,746	\$ 199,921		6,509,667
Vehicles and Equipment	<u>8,384,274</u>	<u>897,442</u>	<u>\$ 455,570</u>	<u>8,826,146</u>
	<u>\$ 93,469,620</u>	<u>\$ 1,097,363</u>	<u>\$ 455,570</u>	<u>\$ 94,111,413</u>

**BOROUGH OF CLOSTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 8 MUNICIPAL DEBT**

The Local Bond Law governs the issuance of bonds and notes used to finance capital expenditures. General obligation bonds have been issued for general capital fund projects and acquisitions or other purposes permitted by the Local Bond Law. 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 and acquisitions or other purposes permitted by the Local Bond Law, 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>2020</u>	<u>2019</u>
Issued		
General		
Bonds and Notes	\$ 15,586,000	\$ 12,630,424
Less Funds Temporarily Held to Pay Bonds and Notes	<u>57,627</u>	<u>389,293</u>
Net Debt Issued	15,528,373	12,241,131
Authorized But Not Issued		
General		
Bonds and Notes	<u>1,402,645</u>	<u>4,138,241</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 16,931,018</u>	<u>\$ 16,379,372</u>

**Statutory Net Debt**

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of .753% and .737% at December 31, 2020 and 2019, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2020</u></b>			
General Debt	\$ 16,988,645	\$ 57,627	\$ 16,931,018
School Debt	<u>4,341,225</u>	<u>4,341,225</u>	<u>-</u>
Total	<u>\$ 21,329,870</u>	<u>\$ 4,398,852</u>	<u>\$ 16,931,018</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2019</u></b>			
General Debt	\$ 16,768,665	\$ 389,293	\$ 16,379,372
School Debt	<u>5,107,373</u>	<u>5,107,373</u>	<u>-</u>
Total	<u>\$ 21,876,038</u>	<u>\$ 5,496,666</u>	<u>\$ 16,379,372</u>

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 8 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>2020</u>	<u>2019</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 78,960,143	\$ 77,805,748
Net Debt	<u>16,931,018</u>	<u>16,379,372</u>
Remaining Borrowing Power	<u>\$ 62,029,125</u>	<u>\$ 61,426,376</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>2020</u>	<u>2019</u>
\$4,062,000, 2010 Bonds, due in annual installments of \$526,000 on February 15, 2020		\$ 526,000
\$7,370,000, 2018 Bonds, due in annual installments of \$725,000 to \$900,000 through February 15, 2028, interest at 3.00%	\$ 6,470,000	6,920,000
\$4,566,000, 2020 Bonds, due in annual installments of \$160,000 to \$301,000 through June 1, 2040, interest at 2.00% to 4.00%	<u>4,566,000</u>	<u>-</u>
	<u>\$ 11,036,000</u>	<u>\$ 7,446,000</u>



**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 8 MUNICIPAL DEBT (Continued)**

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

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2020 is as follows:

Calendar Year	<u>General Obligation Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2021	\$ 885,000	\$ 312,973	\$ 1,197,973
2022	915,000	284,323	1,199,323
2023	945,000	254,698	1,199,698
2024	975,000	224,123	1,199,123
2025	1,010,000	192,498	1,202,498
2026-2030	3,680,000	505,965	4,185,965
2031-2035	1,230,000	216,040	1,446,040
2036-2040	<u>1,396,000</u>	<u>80,151</u>	<u>1,476,151</u>
	<u>\$ 11,036,000</u>	<u>\$ 1,774,580</u>	<u>\$ 13,106,771</u>

**Changes in Long-Term Municipal Debt**

The Borough's long-term capital debt activity for the years ended December 31, 2020 and 2019 were as follows:

	Balance, December 31, <u>2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2020</u>	Due Within <u>One Year</u>
General Capital Fund Bonds Payable	\$ <u>7,446,000</u>	\$ <u>4,566,000</u>	\$ <u>976,000</u>	\$ <u>11,036,000</u>	\$ <u>885,000</u>
General Capital Fund Long-Term Liabilities	\$ <u>7,446,000</u>	\$ <u>4,566,000</u>	\$ <u>976,000</u>	\$ <u>11,036,000</u>	\$ <u>885,000</u>
	Balance, December 31, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2019</u>	Due Within <u>One Year</u>
General Capital Fund Bonds Payable	\$ <u>8,398,000</u>	\$ <u>-</u>	\$ <u>952,000</u>	\$ <u>7,446,000</u>	\$ <u>976,000</u>
General Capital Fund Long-Term Liabilities	\$ <u>8,398,000</u>	\$ <u>-</u>	\$ <u>952,000</u>	\$ <u>7,446,000</u>	\$ <u>976,000</u>

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 8 MUNICIPAL DEBT (Continued)**

**B. Short-Term Debt**

The Borough's short-term debt activity for the years ended December 31, 2020 and 2019 was as follows:

**Bond Anticipation Notes**

<u>Purpose</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	Balance, December 31, <u>2019</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	Balance, December 31, <u>2020</u>
Various Capital Improvements	6/5/2019	2.25%	\$ 498,750		\$ 498,750	
Acquisition of Property	6/7/2019	3.00%				
	6/5/2020	2.25%	2,800,000		2,800,000	
Various Capital Improvements	6/6/2019	2.75%				
	6/5/2020	2.25%	1,885,674		1,855,674	
Various Capital Improvements	6/7/2021	2.00%		\$ 4,136,750		\$ 4,136,750
Acquisition of Sewer Equipment & Vehicles	6/4/2021	2.00%	-	413,250	-	413,250
Total			<u>\$ 5,184,424</u>	<u>\$ 4,550,000</u>	<u>\$ 5,154,424</u>	<u>\$ 4,550,000</u>

<u>Purpose</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	Balance, December 31, <u>2018</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	Balance, December 31, <u>2019</u>
Various Capital Improvements	6/5/2019	2.25%		\$ 498,750		\$ 498,750
Acquisition of Property	6/7/2019	3.00%	\$ 2,800,000		\$ 2,800,000	
	6/5/2020	2.25%	-	2,800,000	-	2,800,000
Various Capital Improvements	6/6/2019	2.75%	2,117,474		2,117,474	
	6/5/2020	2.25%	-	1,885,674	-	1,885,674
Total			<u>\$ 4,917,474</u>	<u>\$ 5,184,424</u>	<u>\$ 4,917,474</u>	<u>\$ 5,184,424</u>

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.

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 9 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>Commitment</u>	<u>Estimated Date of Completion</u>
<b><u>2020</u></b>		
Acquisition of Vehicles and Equipment	\$ 534,323	2021
Swim Club Site Remediation	77,968	2021
DPW Pole Barn	493,408	2021
<b><u>2019</u></b>		
Road Improvements	\$ 100,104	2020
Ruckman Park Lighting	79,289	2020
Acquisition of Fire Truck	668,673	2020
DPW Pole Barn	493,408	2021
Acquisition of Vehicles and Equipment	284,532	2020
Swim Club Site Remediation	91,990	2021
Senior Center Parking Lot	47,507	2020

**NOTE 10 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 \$1,844,179 and \$1,828,859 at December 31, 2020 and 2019, 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, 2020 and 2019, the Borough has reserved in the Other Trust Fund \$685,783 and \$435,006, respectively to fund compensated absences in accordance with NJSA 40A:4-39.

**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.

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 10 OTHER LONG-TERM LIABILITIES (Continued)**

**B. Deferred Pension Obligation (Continued)**

**Changes in Other Long-Term Liabilities (Continued)**

The Borough's changes in other long-term liabilities for the years ended December 31, 2020 and 2019 were as follows:

	Balance, December 31, <u>2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2020</u>	Due Within <u>One Year</u>
<b><u>2020</u></b>					
Compensated Absences Net Pension Liability	\$ 1,828,859	\$ 127,380	\$ 112,060	\$ 1,844,179	\$ 112,888
PERS	7,295,379		850,922	6,444,457	
PFRS	8,676,221	979,004	-	9,655,225	
Net OPEB Liability	<u>11,823,976</u>	<u>1,193,990</u>	<u>209,346</u>	<u>12,808,620</u>	-
 Total Other Long-Term Liabilities	 <u>\$ 29,624,435</u>	 <u>\$ 2,300,374</u>	 <u>\$ 1,172,328</u>	 <u>\$ 30,752,481</u>	 <u>\$ 112,888</u>
	Balance, December 31, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2019</u>	Due Within <u>One Year</u>
<b><u>2019</u></b>					
Compensated Absences Net Pension Liability	\$ 1,526,107	\$ 475,551	\$ 172,799	\$ 1,828,859	\$ 189,821
PERS	7,790,450		495,071	7,295,379	
PFRS	10,101,532		1,425,311	8,676,221	
Net OPEB Liability	<u>10,157,126</u>	<u>1,900,523</u>	<u>233,673</u>	<u>11,823,976</u>	-
 Total Other Long-Term Liabilities	 <u>\$ 29,575,215</u>	 <u>\$ 2,376,074</u>	 <u>\$ 2,326,854</u>	 <u>\$ 29,624,435</u>	 <u>\$ 189,821</u>

**NOTE 11 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. PFRS is a cost-sharing multi-employer defined benefit pension plan with a special funding situation. For additional information about PFRS, please refer to the State Division of Pension and Benefits (Division's) Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**BOROUGH OF CLOSTER**  
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**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement benefits as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after four years of service.

The following represents the membership tiers for PFRS:

Tier	Definition
1	Members who were enrolled prior to May 22, 2010
2	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
3	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tier 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years, but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case, benefits would begin at age 55 equal to 2% of final compensation for each year of service.

**Public Employees' Retirement System (PERS)** – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, 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. PERS is a cost-sharing multi-employer defined benefit pension plan. For additional information about PERS, please refer to the State Division of Pension and Benefits (Division's) Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death, and disability benefits. All benefits vest after ten years of service, except for medical benefits, which, if applicable, vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, tier 3 and 4 members with 25 or more years of service credit before age 62, and tier 5 members with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have a least 25 years of service. Deferred retirement is available to members who have at least ten years of service credit and have not reached the service retirement age for the respective tier.

**BOROUGH OF CLOSTER**  
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**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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 and employees enrolled in PERS on or after July 1, 2007 who earn in excess of established annual maximum compensation limits (equivalent to annual maximum wage for social security deductions). 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 earn the minimum salary required or do not work the minimum required hours but earn a base salary of at least \$5,000 are eligible for participation in the DCRP. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership. 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 cost of living increase for PFRS and PERS are funded directly by each of the respective systems, but are currently suspended as a result of reform legislation.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds, and trust. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**Measurement Focus and Basis of Accounting**

The financial statements of the retirement systems are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the pension trust funds. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

**BOROUGH OF CLOSTER**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Investment Valuation**

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of the retirement systems. Prudential retirement is the third-party administrator for the DCRP and provides record keeping, administrative services and investment options. Investment transactions are accounted for on a trade or investment date basis. Interest and dividend income is recorded on the accrual basis, with dividends accruing on the ex-dividend date. The net increase or decrease in the fair value of investments includes the net realized and unrealized gains or losses on investments.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial report may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290, or at [www.state.nj/treasury/doinvest](http://www.state.nj/treasury/doinvest).

**Collective Net Pension Liability**

The collective net pension liability of the participating employers for local PERS at June 30, 2020 and 2019 is \$16.4 billion and \$18.1 billion, respectively, and the plan fiduciary net position as a percentage of the total pension liability is 58.32% and 56.27%, respectively. The collective net pension liability of the participating employers for local PFRS at June 30, 2020 and 2019 is \$14.9 billion and \$14.2 billion, respectively and the plan fiduciary net position as a percentage of total pension liability is 63.52% and 65.00%, respectively.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2019 and 2018 which were rolled forward to June 30, 2020 and 2019, respectively.

**Actuarial Methods and Assumptions**

In the July 1, 2019 and 2018 PERS and PFRS actuarial valuations, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The pension systems selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 68. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

**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 for 2020 and 2019 based on 10.0% for PFRS, 7.50% for PERS and 5.50% for DCRP of employee's annual compensation.

For the years ended December 31, 2020 and 2019 for PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution. All contributions made by the Borough for 2020, 2019 and 2018 were equal to the required contributions.

**BOROUGH OF CLOSTER**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Employer and Employee Pension Contributions (Contributions)**

During the years ended December 31, 2020, 2019 and 2018, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended</u> <u>December 31,</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2020	\$ 716,136	\$ 393,834	\$ 1,436
2019	729,825	393,559	950
2018	650,937	354,718	1,440

In addition for the years ended December 31, 2020, 2019 and 2018 the Borough contributed for long-term disability insurance premiums (LTDI) \$1,719, \$1,711 and \$2,595, respectively for PERS.

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

The regulatory basis of accounting requires participating employers in PERS and PFRS to disclose in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, (GASB No.68)* their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS and PFRS during the fiscal years ended June 30, 2020 and 2019. Employer allocation percentages have been rounded for presentation purposes.

**Public Employees Retirement System (PERS)**

At December 31, 2020 and 2019, the Borough reported a liability of \$6,444,457 and \$7,295,379, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2020 and 2019, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019 and 2018, respectively. The Borough's proportionate share of the net pension liability was based on the ratio of the Borough's contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. As of the measurement date of June 30, 2020, the Borough's proportionate share was 0.03952 percent, which was a decrease of .00097 percent from its proportionate share measured as of June 30, 2019 of .04049 percent.



**BOROUGH OF CLOSTER**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Public Employees Retirement System (PERS) (Continued)**

For the years ended December 31, 2020 and 2019, the pension system has determined the Borough's pension expense to be \$177,475 and \$472,875, respectively, for PERS based on the actuarial valuations which are less and more than the actual contribution reported in the Borough's financial statements of \$393,834 and \$393,559, respectively. At December 31, 2020 and 2019, 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:

	<u>2020</u>		<u>2019</u>	
	<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	\$ 117,343	\$ 22,790	\$ 130,943	\$ 32,228
Changes of Assumptions	209,065	2,698,355	728,470	2,532,203
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	220,277			115,160
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>284,034</u>	<u>396,264</u>	<u>495,240</u>	<u>369,083</u>
Total	<u>\$ 830,719</u>	<u>\$ 3,117,409</u>	<u>\$ 1,354,653</u>	<u>\$ 3,048,674</u>

At December 31, 2020 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense (benefit) as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2021	\$ (903,667)
2022	(764,021)
2023	(383,376)
2024	(193,680)
2025	(41,946)
Thereafter	<u>-</u>
	<u>\$ (2,286,690)</u>

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Public Employees Retirement System (PERS) (Continued)**

*Actuarial Assumptions*

The Borough’s total pension liability reported for the year ended December 31, 2020 was based on the June 30, 2020 measurement date as determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. The total pension liability reported for the year ended December 31, 2019 was based on the June 30, 2019 measurement date as determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2020 and 2019</u>
Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00-6.00% Based on Years of Service
Thereafter	3.00%-7.00% Based on Years of Service
Investment Rate of Return	7.00%
Mortality Rate Table	Pub-2010

Assumptions for mortality improvements are based on Society of Actuaries Scale MP for 2020 and 2019.

The actuarial assumptions used in the July 1, 2019 and 2018 valuations were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

**BOROUGH OF CLOSTER**  
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**NOTE 11 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, 2020 and 2019, as reported for the years ended December 31, 2020 and 2019, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2020</u>		<u>2019</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>
Risk Mitigation Strategies	3.00%	3.40%	3.00%	4.67%
Cash Equivalents	4.00%	0.50%	5.00%	2.00%
U.S. Treasuries	5.00%	1.94%	5.00%	2.68%
Investment Grade Credit	8.00%	2.67%	10.00%	4.25%
US Equity	27.00%	7.71%	28.00%	8.26%
Non-US Developed Markets Equity	13.50%	8.57%	12.50%	9.00%
Emerging Markets Equity	5.50%	10.23%	6.50%	11.37%
High Yield	2.00%	5.95%	2.00%	5.37%
Real Assets	3.00%	9.73%	2.50%	9.31%
Private Credit	8.00%	7.59%	6.00%	7.92%
Real Estate	8.00%	9.56%	7.50%	8.33%
Private Equity	13.00%	11.42%	12.00%	10.85%

***Discount Rate***

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

<u>Calendar Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2020	June 30, 2020	7.00%
2019	June 30, 2019	6.28%

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 11 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:

	<u>2020</u>	<u>2019</u>
Period of Projected Benefit Payments for which the Following Rates were Applied:		
Long-Term Expected Rate of Return	All Periods	Through June 30, 2057
Municipal Bond Rate *	Not Applicable	From July 1, 2057 and Thereafter

\* The municipal bond return rate used is 3.50% as of the measurement date of June 30, 2019. 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, 2020 and 2019 calculated using the discount rate of 7.00% and 6.28%, respectively, 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 6.00% and 5.28%, respectively or 1-percentage-point higher 8.00% and 7.28%, respectively than the current rate:

<u>2020</u>	<b>1% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Borough's Proportionate Share of the PERS Net Pension Liability	\$ <u>8,112,496</u>	\$ <u>6,444,457</u>	\$ <u>5,029,080</u>
	<b>1% Decrease (5.28%)</b>	<b>Current Discount Rate (6.28%)</b>	<b>1% Increase (7.28%)</b>
<u>2019</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	\$ <u>9,215,249</u>	\$ <u>7,295,379</u>	\$ <u>5,677,616</u>

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2020 and 2019. A sensitivity analysis specific to the Borough's net pension liability was not provided by the pension system.

**BOROUGH OF CLOSTER**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

**Public Employees Retirement System (PERS) (Continued)**

*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](http://www.state.nj.us/treasury/pensions).

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

At December 31, 2020 and 2019, the Borough reported a liability of \$9,655,225 and \$8,676,221, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2020 and 2019, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019 and 2018, respectively. The Borough’s proportionate share of the net pension liability was based on the ratio of the Borough’s contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. As of the measurement date of June 30, 2020, the Borough’s proportionate share was .07472 percent, which was an increase of .00382 percent from its proportionate share measured as of June 30, 2019 of .07090 percent.

For the years ended December 31, 2020 and 2019, the pension system has determined the Borough pension expense to be \$717,079 and \$841,770, respectively, for PFRS based on the actuarial valuations which are more than the actual contribution reported in the Borough’s financial statements of \$716,136 and \$729,825, respectively. At December 31, 2020 and 2019, 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:

	<u>2020</u>		<u>2019</u>	
	<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	\$ 97,341	\$ 34,651	\$ 73,238	\$ 54,931
Changes of Assumptions	24,297	2,588,508	297,295	2,804,075
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	566,131			117,560
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>792,777</u>	<u>393,543</u>	<u>509,535</u>	<u>537,035</u>
Total	<u>\$ 1,480,546</u>	<u>\$ 3,016,702</u>	<u>\$ 880,068</u>	<u>\$ 3,513,601</u>

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 11 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)**

At December 31, 2020 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS pension will be recognized in pension expense (benefit) as follows:

Year Ending <u>December 31,</u>	<u>Total</u>
2021	\$ (689,807)
2022	(517,838)
2023	(231,999)
2024	(88,365)
2025	(8,147)
Thereafter	<u>-</u>
	<u>\$ (1,536,156)</u>

***Actuarial Assumptions***

The Borough’s total pension liability reported for the year ended December 31, 2020 was based on the June 30, 2020 measurement date as determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. The total pension liability reported for the year ended December 31, 2019 was based on the June 30, 2019 measurement date as determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2020 and 2019</u>
Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through	All Future Years 3.25%-15.25% Based on Years of Service
Thereafter	Not Applicable
Investment Rate of Return	7.00%
Mortality Rate Table	Pub - 2010

Assumptions for mortality improvements are based on Society of Actuaries Scale MP for 2020 and 2019.

The actuarial assumptions used in the July 1, 2019 and 2018 valuations were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018.

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 11 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, 2020 and 2019, as reported for the years ended December 31, 2020 and 2019, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2020</u>		<u>2019</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>
Risk Mitigation Strategies	3.00%	3.40%	3.00%	4.67%
Cash Equivalents	4.00%	0.50%	5.00%	2.00%
U.S. Treasuries	5.00%	1.94%	5.00%	2.68%
Investment Grade Credit	8.00%	2.67%	10.00%	4.25%
US Equity	27.00%	7.71%	28.00%	8.26%
Non-US Developed Markets Equity	13.50%	8.57%	12.50%	9.00%
Emerging Markets Equity	5.50%	10.23%	6.50%	11.37%
High Yield	2.00%	5.95%	2.00%	5.37%
Real Assets	3.00%	9.73%	2.50%	9.31%
Private Credit	8.00%	7.59%	6.00%	7.92%
Real Estate	8.00%	9.56%	7.50%	8.33%
Private Equity	13.00%	11.42%	12.00%	10.85%

***Discount Rate***

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

<b>Calendar</b>		
<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2020	June 30, 2020	7.00%
2019	June 30, 2019	6.85%

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 11 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:

	<u>2020</u>	<u>2019</u>
Period of Projected Benefit Payments for which the Following Rates were Applied:		
Long-Term Expected Rate of Return	All Periods	Through June 30, 2076
Municipal Bond Rate *	Not Applicable	From July 1, 2076 and Thereafter

\* The municipal bond return rate used is 3.50% as of the measurement date of June 30, 2019. 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, 2020 and 2019 calculated using the discount rate of 7.00% and 6.85%, respectively, 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 6.00% and 5.85%, respectively or 1-percentage-point higher 8.00% and 7.85%, respectively than the current rate:

<u>2020</u>	<b>1% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 12,839,462</u>	<u>\$ 9,655,225</u>	<u>\$ 7,010,473</u>
	<b>1% Decrease (5.85%)</b>	<b>Current Discount Rate (6.85%)</b>	<b>1% Increase (7.85%)</b>
<u>2019</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 11,727,089</u>	<u>\$ 8,676,221</u>	<u>\$ 6,151,188</u>

The sensitivity analysis was based on the proportionate share of the Borough’s net pension liability at December 31, 2020 and 2019. A sensitivity analysis specific to the Borough’s net pension liability was not provided by the pension system.



**BOROUGH OF CLOSTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 11 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 of the net pension liability, deferred outflows and inflows 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, 2020 and 2019, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,498,447 and \$1,369,992, respectively. For the years ended December 31, 2020 and 2019, 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 \$169,819 and \$159,182, respectively, which are more than the actual contributions the State made on behalf of the Borough of \$115,305 and \$92,309, respectively. At December 31, 2020 (measurement date June 30, 2020) the State's share of the PFRS net pension liability attributable to the Borough was .07472 percent, which was an increase of .00382 percent from its proportionate share measured as of December 31, 2019 (measurement date June 30, 2019) of .07090 percent. 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](http://www.state.nj.us/treasury/pensions).

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 12 POST-RETIREMENT MEDICAL BENEFITS**

**OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

**Plan Description**

The Borough provides a postemployment healthcare plan (OPEB) for its eligible retirees and their spouses. The plan is a single-employer defined benefit healthcare plan administered by the Borough. In accordance with Borough ordinances, contracts and/ or policies, the Borough can amend the benefit terms and financing requirements of the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

**Benefits Provided**

The Borough provides postretirement healthcare insurance benefits for retirees and their dependents who meet certain eligibility requirements. If a retired employee excluding Police meets certain requirements, including attaining at least 62 years of age and at least 15 years of service to the Borough, the retired employee pays 50% of the premium cost of coverage under the plan and the Borough of Closter copays 50% of the premium cost. Retired police officers pay 25% of the premium cost of coverage under the plan and the Borough of Closter pays 75% of the premium cost. If the retired employee is paying the partial cost of coverage, the monthly premium will be deducted from such retired employee's pension on a monthly basis or as otherwise established by the New Jersey State Health Benefits Program.

**Employees Covered by Postemployment Benefits**

At December 31, 2020 and 2019, the following employees were covered by postemployment health care benefits:

Active Employees	51
Inactive Employees or Beneficiaries Currently Receiving Benefits	<u>27</u>
	<u>78</u>

At December 31, 2020 and 2019, the Borough's total OPEB liabilities were \$12,808,620 and \$11,823,976, respectively.

For the years ended December 31, 2020 and 2019, the Borough has determined it's OPEB expense to be \$641,757 and \$694,501, respectively based on the actuarial valuations which are more than the actual contributions reported in the Borough's financial statements of \$209,346 and \$233,673, respectively. At December 31, 2020 and 2019, the Borough's deferred outflows of resources and deferred inflows or resources related to the Borough's OPEB plan which are not reported on the Borough's financial statements are from the following sources:

	<u>2020</u>		<u>2019</u>	
	<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	\$ 1,758,255		\$ 1,206,022	
Changes of Assumptions				
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments				
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions				
Contributions made Subsequent to the Measurement Date	-	-	-	-
<b>Total</b>	<u>\$ 1,758,255</u>	<u>\$ -</u>	<u>\$ 1,206,022</u>	<u>\$ -</u>

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

**OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

At December 31, 2020 the amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in OPEB expense as follows:

Year Ending <u>December 31,</u>	<u>Total</u>
2021	\$ 115,290
2022	115,290
2023	115,290
2024	115,290
2025	115,290
Thereafter	<u>1,181,805</u>
	<u>\$ 1,758,255</u>

***Actuarial Assumptions***

The Borough's total OPEB liability reported for the year ended December 31, 2020 and 2019 was based on the December 31, 2019 measurement date as determined by an actuarial valuation as of December 31, 2020 and 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2020</u>	<u>2019</u>
Inflation Rate	2.5%	2.5%
Salary Increases	2.5%	2.5%
Discount Rate	2.12%	2.74%
Healthcare Cost Trend Rates		
Medical	5.6%	5.7%
Drug	9.0%	9.5%
Dental and Vision	3.5%	3.5%

The discount rates were based on the Bond Buyer 20 Index as of December 31, 2020 and 2019, respectively.

Mortality rates for 2020 and 2019 were based on the RP 2000 Combined Healthy Male Mortality. Rates set forward three years.

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

**OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

*Changes in the Total OPEB Liability*

The changes in the Borough's OPEB liability for the years ended December 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Balance, January 1	\$ 11,823,976	\$ 10,157,126
Changes for the Year:		
Service Cost	199,881	199,881
Interest on the Total OPEB Liability	326,586	419,847
Changes of Benefit Terms		
Differences Between Expected and Actual Experience		
Prior Period Adjustment		
Changes in Assumptions	667,523	1,280,795
Benefit Payments	<u>(209,346)</u>	<u>(233,673)</u>
Net Changes	<u>984,644</u>	<u>1,666,850</u>
Balance, December 31	<u>\$ 12,808,620</u>	<u>\$ 11,823,976</u>

*Sensitivity of Net OPEB Liability to Changes in the Discount Rate*

The following presents the Borough's net OPEB liability as of December 31, 2020 and 2019 calculated using the discount rate of 2.12% and 2.74%, respectively, as well as what the Borough's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower 1.12% and 1.74%, respectively, or 1-percentage-point higher 3.12% and 3.74%, respectively, than the current rate:

<u>2020</u>	<b>1% Decrease (1.12%)</b>	<b>Current Discount Rate (2.12%)</b>	<b>1% Increase (3.12%)</b>
Net OPEB Liability	<u>\$ 13,674,210</u>	<u>\$ 12,808,620</u>	<u>\$ 12,096,679</u>
<u>2019</u>	<b>1% Decrease (1.74%)</b>	<b>Current Discount Rate (2.74%)</b>	<b>1% Increase (3.74%)</b>
Net OPEB Liability	<u>\$ 12,739,628</u>	<u>\$ 11,823,976</u>	<u>\$ 11,058,535</u>

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

**OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

*Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate*

The following presents the Borough’s net OPEB liability as of December 31, 2020 and 2019, respectively calculated using the healthcare trend rates as disclosed above as well as what the Borough’s net OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
<b><u>2020</u></b>			
Net OPEB Liability	<u>\$ 11,865,024</u>	<u>\$ 12,808,620</u>	<u>\$ 13,914,721</u>
	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
<b><u>2019</u></b>			
Net OPEB Liability	<u>\$ 10,877,517</u>	<u>\$ 11,823,976</u>	<u>\$ 12,935,472</u>

**NOTE 13 RISK MANAGEMENT**

The Borough is exposed to various risks of loss related to general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; termination of employees and natural disasters. The Borough has obtained commercial insurance coverage to guard against these events to minimize the exposure to the Borough should they occur.

The Borough of Closter is a member of the Bergen County Municipal Joint Insurance Fund (BJIF) and 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 BJIF and MEL coverage amounts are on file with the Borough.

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

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

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

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 14 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, 2020 and 2019. 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, 2020 and 2019, the Borough reserved \$296,994 and \$246,994, 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, 2020 and 2019, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

**NOTE 15 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, 2020 and 2019, the Borough has not estimated its estimated arbitrage earnings due to the IRS, if any.

**NOTE 16 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED**

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

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

**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 16 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED (Continued)**

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

The Borough of Closter has contributed between \$277 and \$968 for 2020 and 2019, respectively, for each eligible volunteer fire department member into the Plan. The Borough of Closter has contributed between \$487 and \$830 for 2020 and 2019, respectively, for each eligible volunteer ambulance corp. member into the Plan. The total Borough of Closter contributions were \$30,500 and \$36,102 for 2020 and 2019, respectively. The Borough of Alpine has contributed \$250 for 2020 and 2019, respectively, for each eligible volunteer ambulance corp. member into the Plan. The total Borough of Alpine contributions were \$4,250 and \$4,250 for 2020 and 2019, respectively. The total contributions that an individual can receive cannot exceed the state permitted maximum of \$1,718.

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

**Vesting and Benefits**

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

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

**Reporting Requirements**

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

**BOROUGH OF CLOSTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 17 TAX ABATEMENTS**

For the years ended December 31, 2020 and 2019, the Borough provided property tax abatements through the New Jersey Housing and Mortgage Financing Act (NJHMFA), which is authorized under State statutes.

The New Jersey Housing and Mortgage Financing Act (NJSA 55:14K et. seq.) allows for property tax abatements for residential rental housing projects financed by the New Jersey Housing and Mortgage Finance Agency. These property tax abatements last for the term of the original mortgage financing so long as the residential rental housing project remains subject to the NJHMFA Law and regulations. The process begins when the municipality passes by ordinance or resolution, as appropriate, that such residential rental housing project shall be exempt from property tax provided that an agreement is entered into with the housing sponsor for payments in lieu of taxes (PILOTs) to the municipality. The agreement can require the housing sponsor to a PILOT payment to the municipality in an amount up to 20% of the annual gross revenue from each housing project. For the years ended December 31, 2020 and 2019 the Borough abated property taxes totaling \$211,099 and \$211,099, respectively, under the NJHMFA program. The Borough received \$73,421 and \$64,012 in PILOT payments under this program for the years ended December 31, 2020 and 2019, respectively.

**NOTE 18 INFECTIOUS DISEASE OUTBREAK – COVID-19 PANDEMIC**

The World Health Organization declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which was first discovered in China and has since spread to other countries, including the United States (and to the Borough) (the “COVID-19 Pandemic”). On March 13, 2020, the President of the United States declared a national emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. Governor Phil Murphy, of the State of New Jersey, also instituted mandatory measures via various executive orders to contain the spread of the virus, including closing schools and nonessential businesses and limiting social gatherings. These measures, which altered the behaviors of businesses and people, had negative impacts on regional, state and local economies. The Governor, pursuant to various executive orders, then implemented a multi-stage approach to restarting New Jersey’s economy. The declaration of the state of emergency and of a public health emergency was terminated by the Governor, by executive order, on June 4, 2021. Also, on June 4, 2021, the Governor signed into law Assembly Bill No. 5820 which terminates most of the Governor’s pandemic-related executive orders in early July. The remaining executive orders (dealing with coronavirus testing and vaccinations, moratoriums on evictions and utility shutoffs and various other matters) will terminate on January 1, 2022. In the event of substantial increases in COVID-19 hospitalizations, spot positivity or rates of transmission, the Governor is empowered to impose more restrictive measures than currently in place. Recently, the United States Congress has passed relief and stimulus legislation including the American Rescue Plan Act signed into law by President Biden on March 12, 2021, comprising of \$1.9 trillion in funding to address the COVID-19 Pandemic. This legislation is intended to address the financial impact of the pandemic on the U.S. economy and alleviate the health effects of the COVID-19 pandemic. It is too early to predict if the legislation will have its intended affect.

In compliance with the Governor’s executive orders, the Borough has instituted necessary precautions and procedures, so as to allow the Borough to continue to provide services during this time. The Borough is functioning administratively, and its departments continue to operate both remotely and on-site, where safe and practicable. The Borough will continue to collect property taxes and other municipal revenues. Because of the evolving nature of the outbreak and federal, state and local responses thereto, the Borough cannot predict how the outbreak will impact the financial condition or operations of the Borough, or if there will be any impact on the assessed values of property within the Borough or deferral of tax payments to municipalities. The Borough cannot predict costs associated with this or any other potential infectious disease outbreak, including whether there will be any reduction in State funding or an increase in operational costs incurred to clean, sanitize and maintain its facilities either before or after an outbreak of an infectious disease. At this time, it is not possible to predict any future financial impacts as a result of this pandemic on the Borough’s operations; however, such amounts, if any, could be material.



**BOROUGH OF CLOSTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 19 SUBSEQUENT EVENTS**

**Debt Authorized**

Through August 10, 2021, the Borough Council has adopted two bond ordinances authorizing the issuance \$666,425 in bonds or bond anticipation notes to finance the Acquisition of Vehicles and Fire Department Equipment. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.

**Bond Anticipation Notes**

On June 3, 2021 the Borough issued bond anticipation notes in the amount of \$5,995,000 to temporarily finance expenditures related to various capital projects. The Chief Financial Officer has awarded the sale of said notes to Piper Sandler at an interest rate of 1%. These notes will mature on June 3, 2022.

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**APPENDIX C**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

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## **CONTINUING DISCLOSURE UNDERTAKING**

This Continuing Disclosure Undertaking (the “Undertaking”) dated as of June 1, 2022 by the Borough of Closter, in the County of Bergen, New Jersey, a public body corporate and politic of the State of New Jersey (the “Issuer”) is executed and delivered in connection with the issuance of the Issuer’s \$9,095,000 aggregate principal amount of Bond Anticipation Notes, Series 2022 (the “Notes”). Capitalized terms used in this Undertaking shall have the respective meanings specified above or in Article IV hereof.

### **ARTICLE I**

#### **THE UNDERTAKING**

Section 1.1. Purpose. This Undertaking shall constitute a written undertaking for the benefit of the holders of the Notes, and is being executed and delivered solely to assist the successful bidder in complying with subsection (b)(5) of the Rule.

Section 1.2. Notice Event Notices. If a Notice Event occurs, the Issuer shall provide, in a timely manner not in excess of ten business days following the occurrence of any Notice Event, a Notice Event Notice to the MSRB.

Section 1.3. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that under some circumstances compliance with this Undertaking, without additional disclosures or other action, may not fully discharge all duties and obligations of the Issuer under such laws.

Section 1.4. Additional Information. Nothing in this Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Notice Event Notice, in addition to that which is required by this Undertaking. If the Issuer chooses to include any information in any Notice Event Notice in addition to that which is specifically required by this Undertaking, the Issuer shall have no obligation under this Undertaking to update such information or include it in any future Notice Event Notice.

### **ARTICLE II**

#### **OPERATING RULES**

Section 2.1. Notice Event Notices. Each Notice Event Notice shall be so captioned and shall prominently state the title, date and CUSIP numbers of the Notes.

Section 2.2. Transmission of Notices. (a) Unless otherwise required by law and, in the Issuer’s sole determination, subject to technical and economic feasibility, the Issuer shall employ

such methods of notice transmission as shall be requested or recommended by the herein-designated recipients of the Issuer's notices.

### ARTICLE III

#### TERMINATION, AMENDMENT AND ENFORCEMENT

Section 3.1. Termination. (a) The Issuer's obligations under this Undertaking shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Notes.

(b) This Undertaking, or any provision hereof, shall be null and void in the event that the Issuer (1) receives an opinion of Counsel, addressed to the Issuer, to the effect that those portions of the Rule which require this Undertaking, or any of the provisions hereof, do not or no longer apply to the Notes, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion and (2) delivers copies of such opinion to the MSRB.

Section 3.2. Amendment. (a) This Undertaking may be amended, in writing, without the consent of the holders of the Notes (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby, (2) this Undertaking as so amended would have complied with the requirements of the Rule as of the date of this Undertaking, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Issuer shall have received an opinion of Counsel, addressed to the Issuer, to the same effect as set forth in clause (2) above, (4) either (i) the Issuer shall have received an opinion of Counsel or a determination by a person, in each case unaffiliated with the Issuer (such as bond counsel) and acceptable to the Issuer, addressed to the Issuer, to the effect that the amendment does not materially impair the interests of the holders of the Notes or (ii) the holders of the Notes consent to the amendment to this Undertaking and (5) the Issuer shall have delivered copies of such opinion(s) and amendment to the MSRB.

(b) In addition to subsection (a) above, this Undertaking may be amended and any provision of this Undertaking may be waived, in writing, without the consent of the holders of the Notes, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Undertaking which is applicable to this Undertaking, (2) the Issuer shall have received an opinion of Counsel, addressed to the Issuer, to the effect that performance by the Issuer under this Undertaking as so amended or giving effect to such waiver, as the case may be, will not result in a violation of the Rule and (3) the Issuer shall have delivered copies of such opinion and amendment to the MSRB.

Section 3.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Undertaking shall inure solely to the benefit of the holders from time to time of the Notes, except that beneficial owners of Notes shall be third-party beneficiaries of this Undertaking.

(b) Except as provided in this subsection (b), the provisions of this Undertaking shall create no rights in any person or entity. The obligations of the Issuer to comply with the provisions of this Undertaking shall be enforceable (i) in the case of enforcement of obligations to provide notices, by any holder of outstanding Notes, or (ii) in the case of challenges to the adequacy of the notices so provided, by the holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding. The holders' rights to enforce the provisions of this Undertaking shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Issuer's obligations under this Undertaking. In consideration of the third-party beneficiary status of beneficial owners of Notes pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of Notes for purposes of this subsection (b).

(c) Any failure by the Issuer to perform in accordance with this Undertaking shall not constitute a default with respect to the Notes.

(d) This Undertaking shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Undertaking shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent this Undertaking addresses matters of federal securities laws, including the Rule, this Undertaking shall be construed in accordance with such federal securities laws and official interpretations thereof.

## **ARTICLE IV**

### **DEFINITIONS**

Section 4.1. Definitions. The following terms used in this Undertaking shall have the following respective meanings:

(1) "Counsel" means Gibbons P.C. or other nationally recognized bond counsel or counsel expert in federal securities laws.

(2) "Notice Event" means any of the following events with respect to the Notes, whether relating to the Issuer or otherwise:

- (i) principal and interest delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue

(IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes;

- (vii) modifications to rights of Noteholders; if material;
- (viii) Note calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Notes, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Issuer;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) incurrence of a financial obligation (as defined in the Rule) of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer, any of which affect security holders, if material; and
- (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties.

(3) “MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934. MSRB filings to be made at <http://emma.msrb.org/>.

(4) “Notice Event Notice” means notice of a Notice Event.

(5) “Official Statement” means the “final official statement”, as defined in paragraph (f)(3) of the Rule.

(6) “Rule” means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as in effect on the date of this



Undertaking and as may be amended from time to time, including any official interpretations thereof issued either before or after the effective date of this Undertaking which are applicable to this Undertaking.

(7) “SEC” means the United States Securities and Exchange Commission.

(8) “State” means the State of New Jersey.

**IN WITNESS WHEREOF**, the Issuer has caused this Undertaking to be executed by its Chief Financial Officer as of the date first above written.

**BOROUGH OF CLOSTER, NEW JERSEY**

By: \_\_\_\_\_

Name: Frank Elenio

Title: Chief Financial Officer

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**APPENDIX D**

**FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL**

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June \_\_, 2022

Mayor and Borough Council  
Borough of Closter  
295 Old Closter Dock Road  
Closter, New Jersey 07624

Dear Mayor and Borough Council:

We have examined certified copies of the proceedings of the Borough Council of the Borough of Closter, in the County of Bergen, State of New Jersey (the "Borough"), including ordinances, affidavits and certificates delivered by officials of the Borough, and other proofs submitted to us relative to the issuance and sale of \$9,095,000 aggregate principal amount of the Borough's Bond Anticipation Note, Series 2022 (the "Note"). The Note is issued in registered form, is dated June 2, 2022, bears interest at the rate of \_\_\_\_\_ and \_\_\_\_\_ Hundredths Percent ( \_\_\_\_\_ %) per annum and is payable at maturity on June 1, 2023.

The Note is issued pursuant to the Local Bond Law, constituting Chapter 2 of Title 40A of the New Jersey Statutes (the "Local Bond Law"), and the bond ordinances of the Borough, in all respects duly adopted by the Mayor and Council of the Borough. The Note is a temporary obligation issued in anticipation of the issuance of bonds.

We have examined the Local Bond Law and such other laws and originals (or copies certified or otherwise identified to our satisfaction) of such instruments, certificates and documents as we deem necessary to render the opinions set forth herein. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies.

Based upon the foregoing and subject to the qualifications set forth herein, we are of the opinion that:

1. The aforementioned proceedings and proofs show lawful authority for the issuance and sale of the Note pursuant to the Local Bond Law, and other applicable provisions of law, and that the Note has been duly authorized, executed and delivered and are a valid and legally binding obligation of the Borough.
2. The Borough has the power and is obligated to levy *ad valorem* taxes upon all the taxable property within the Borough for the payment of the principal of and interest on the Note, without limitation as to rate or amount.
3. Under existing law, interest on the Note is excluded from the gross income of the owners of the Note for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and interest on the Note is not an item of tax

preference under Section 57 of the Code for purposes of computing alternative minimum tax. We express no opinion regarding any other Federal income tax consequences arising with respect to the Note.

4. Under existing law, interest on the Note and net gains from the sale of the Note are exempt from the tax imposed by the New Jersey Gross Income Tax Act.

With respect to our federal income tax opinion, we note that the Code imposes certain requirements that must be met on the date of issuance and on a continuing basis subsequent to the issuance of the Note in order for interest on the Note to be excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code. The Borough has made certain representations and covenants in its tax certificate, which is executed on the date of issuance of the Note, as to various tax requirements. In addition, the Borough has covenanted to comply with the provisions of the Code applicable to the Note and has covenanted not to take any action or fail to take any action to be taken which would cause the interest on the Note to lose the exclusion from gross income for Federal income tax purposes under Section 103 of the Code or cause interest on the Note to be treated as an item of tax preference under Section 57 of the Code. With your permission, we have relied upon the representations made in the tax certificate and have assumed continuing compliance by the Borough with the above covenants in rendering our federal tax opinion with respect to the exclusion of interest on the Note from gross income for Federal income tax purposes and with respect to interest on the Note not constituting an item of tax preference.

Attention is called to the fact that for purposes of this letter we have not been requested to examine and have not examined any documents or information relating to the Borough other than the certified copies of the proceedings and proofs referred to hereinabove, and no opinion is expressed as to any financial or other information, or the adequacy thereof, which has been or may be supplied to any purchaser of said Note.

Our opinion concerning the enforceability of the Note is subject to federal and state laws regarding bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and remedies generally (including, without limitation, laws relating to fraudulent conveyance, and by general principles of law and equity (regardless of whether enforcement is considered or sought in proceedings at law or in equity) and by limitation on remedial rights under applicable law). Their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

The opinions expressed herein are based upon the laws and judicial decisions of the State of New Jersey and the federal laws and judicial decisions of the United States as of the date hereof and are subject to any amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for our opinions, or laws or judicial decisions hereafter enacted or rendered. Our engagement by the Borough with respect to the opinions expressed herein does not require, and shall not be construed to constitute, a continuing obligation on our part to notify or otherwise inform the addressee hereof of the amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for this opinion

letter or of laws or judicial decisions hereafter enacted or rendered which impact on this opinion letter.

This opinion letter is rendered to you in connection with the above described transaction. This opinion letter may not be relied upon by you for any other purpose, or relied upon by, or furnished to, any other person, firm or corporation without our prior written consent. This is only an opinion letter and not a warranty or guaranty of the matters discussed herein.

Very truly yours,

Gibbons P.C.

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