

BOROUGH OF EMERSON
BERGEN COUNTY, NEW JERSEY
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

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BOROUGH OF EMERSON

COUNTY OF BERGEN

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Emerson as of December 31, 2011 and 2010 and the related statements of operations and changes in fund balance - regulatory basis for the years then ended and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the Current Fund for the year ended December 31, 2011. These financial statements are the responsibility of the Borough of Emerson's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the fourth paragraph, 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 audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Emerson's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, the Borough has prepared these financial statements using accounting practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and the accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In addition, the financial statements of the Length of Service Award 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. The LOSAP Trust Fund financial activities are included in the Borough's Trust Funds, and represent 33 percent and 36 percent of the assets and liabilities, respectively, of the Borough's Trust Funds as of December 31, 2011 and 2010.

In our opinion, because of the effects of the Borough preparing its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough of Emerson as of December 31, 2011 and 2010, or the changes in its financial position for the years then ended. Further, the Borough has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

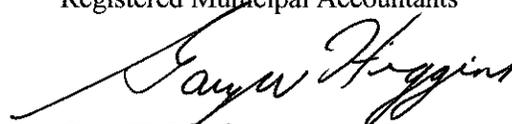
In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited, the financial statements - regulatory basis referred to previously present fairly, in all material respects, the financial position - regulatory basis of the various funds and account group of the Borough of Emerson as of December 31, 2011 and 2010 and the results of operations and changes in fund balance - regulatory basis of such funds for the years then ended and the revenues - regulatory basis and the expenditures - regulatory basis of the Current Fund for the year ended December 31, 2011 on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated June 28, 2012 on our consideration of the Borough of Emerson's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of Emerson as a whole. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of Emerson. The supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole on the basis of accounting described in Note 1.



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



Gary W. Higgins
Registered Municipal Accountant
RMA Number CR00405

Fair Lawn, New Jersey
June 28, 2012

BOROUGH OF EMERSON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND
AS OF DECEMBER 31, 2011 AND 2010

ASSETS	<u>Reference</u>	<u>2011</u>	<u>2010</u>
Cash - Treasurer	A-4	\$ 1,775,391	\$ 1,923,559
Cash - Change Fund	A-5	250	250
Due From State of New Jersey - Seniors and Veterans	A-8	372	7,122
Grants Receivable	A-15	<u>75,111</u>	<u>11,637</u>
		<u>1,851,124</u>	<u>1,942,568</u>
Receivables and Other Assets With Full Reserves			
Delinquent Property Taxes	A-7	242,428	289,137
Tax Title Liens	A-12	34,726	26,745
Property Acquired for Taxes - Assessed Valuation	A-9	13,200	13,200
Revenue Accounts Receivable	A-13	12,708	8,273
Due from Animal Control Fund	B-3	113	
Due from General Capital Fund	C-4	<u>1,126</u>	<u>-</u>
		<u>304,301</u>	<u>337,355</u>
Deferred Charges			
Emergency Authorizations	A-11	130,000	
Special Emergency Authorizations	A-10	<u>72,000</u>	<u>90,000</u>
Total Assets		<u>\$ 2,357,425</u>	<u>\$ 2,369,923</u>

BOROUGH OF EMERSON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND
AS OF DECEMBER 31, 2011 AND 2010

LIABILITIES, RESERVES AND FUND BALANCE	<u>Reference</u>	<u>2011</u>	<u>2010</u>
Appropriation Reserves	A-3,A-16	\$ 556,451	\$ 246,620
Accounts Payable	A-14	-	65
Encumbrances Payable	A-17	248,437	341,055
Prepaid Taxes	A-18	159,856	250,366
Tax Overpayments	A-19	11,513	10,811
School Taxes Payable	A-21		30,690
County Taxes Payable	A-20		3,097
Reserve for Construction Penalties	A-24	20,454	22,628
Reserve for FEMA Reimbursement	A-27		30,929
Reserve for Reassessment of Real Property	A-26	26,982	68,982
Reserve for Appropriated Grants	A-22	64,436	23,116
Reserve for Unappropriated Grants and Aid	A-25	1,949	30,321
Due to Other Trust Fund	B-6		378
Due to State of New Jersey - Marriage License Fees and Training Fees	A-23	<u>2,098</u>	<u>1,628</u>
		1,092,176	1,060,686
Reserve for Receivables and Other Assets	A	304,301	337,355
Fund Balance	A-1	<u>960,948</u>	<u>971,882</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 2,357,425</u>	<u>\$ 2,369,923</u>

BOROUGH OF EMERSON
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
AS OF DECEMBER 31, 2011 AND 2010

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
REVENUE AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 500,000	\$ 650,000
Miscellaneous Revenue Anticipated	A-2	1,612,941	1,477,460
Receipts from Delinquent Taxes	A-2	283,653	301,612
Receipts from Current Taxes	A-2	27,830,846	27,592,504
Nonbudget Revenue	A-2	86,671	93,993
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	A-16	193,171	153,166
Cancellation of Reserve	A-27	29,721	-
Cancellation of Accounts Payable	A-14	65	
Statutory Excess - Animal Control Fund	B-3	113	
Interfunds Returned	A	-	102
		<u>30,537,181</u>	<u>30,268,837</u>
EXPENDITURES			
Budget and Emergency Appropriations			
Operations			
Salaries and Wages	A-3	4,399,698	4,306,037
Other Expenses	A-3	4,484,412	4,474,476
Capital Improvements	A-3	25,000	13,000
Municipal Debt Service	A-3	768,428	704,347
Deferred Charges and Statutory Expenditures	A-3	1,002,337	944,202
County Taxes	A-20	2,620,874	2,663,121
County Open Space Taxes	A-20	32,066	34,474
Due County for Added and Omitted Taxes	A-20	10,141	3,097
Local District School Taxes	A-21	16,832,370	16,513,584
Other Debits to Income			
Prior Year Senior Deductions Disallowed	A-8	1,250	1,819
Cancellation of Grants Receivable	A-15	300	335
Interfunds Established	A	1,239	-
		<u>30,178,115</u>	<u>29,658,492</u>
Excess of Revenue and Other Income Over Expenditures		359,066	610,345
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budgets of Succeeding Years	A-11	<u>130,000</u>	<u>90,000</u>
Regulatory Excess to Fund Balance		489,066	700,345
Fund Balance, January 1	A	<u>971,882</u>	<u>921,537</u>
		1,460,948	1,621,882
Decreased by:			
Utilization as Anticipated Revenue	A-1,A-2	<u>500,000</u>	<u>650,000</u>
Fund Balance, December 31	A	<u>\$ 960,948</u>	<u>\$ 971,882</u>

See Accompanying Notes to Financial Statements

BOROUGH OF EMERSON
STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Reference	2011 Budget	Added by N.J.S.A. 40A:4-87	Realized	Excess or (Deficit)
Fund Balance Anticipated	A-1	\$ 500,000	-	\$ 500,000	-
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A-13	15,000		17,276	\$ 2,276
Other	A-2	13,400		14,125	725
Fees and Permits					
Construction Code Official	A-13	200,000		188,971	(11,029)
Other	A-2	15,000		11,364	(3,636)
Municipal Court Fines and Costs	A-13	150,000		155,634	5,634
Interest and Costs on Taxes	A-13	65,000		63,140	(1,860)
Interest on Investments and Deposits	A-2	7,000		3,914	(3,086)
Consolidated Municipal Property Tax Relief Aid	A-13	42,888		42,888	
Energy Receipts Tax	A-13	577,017		577,017	
Watershed Moratorium Offset Aid	A-13	18,189		18,189	
Watershed Moratorium Offset Aid Reserve	A-25	18,189		18,189	
Borough of Hillsdale Shared Service - Chief Financial Officer	A-13	40,290		40,290	
Borough of Old Tappan Shared Service - Court	A-13	13,200		13,464	264
Reserve for NJ DEP Environmental Services Grant	A-25	9,913		9,913	
Municipal Alliance on Alcoholism and Drug Abuse	A-15	10,356		10,356	
Reserve for Clean Communities Program Mini Grant	A-25	300		300	
Federal Buffer Zone Protection Program	A-15	23,362		23,362	
Reserve for Body Armor Fund	A-25	1,919		1,919	
Community Development Block Grant - Senior Citizen Center Imprvts.	A-15	33,000		33,000	
Clean Communities Programs	A-15		\$ 11,525	11,525	
Recycling Tonnage	A-15		9,860	9,860	
Over the Limit Under Arrest	A-15		4,400	4,193	(207)
CDBG Senior Activities	A-15		4,469	4,469	
CDBG-Senior Citizens Center Improvements	A-15		41,335	41,335	
Sewer Service Fees	A-13	9,800		9,514	(286)
Uniform Fire Safety Act	A-13	26,000		25,765	(235)
Cable Television Franchise Fees	A-13	90,515		90,516	1
Cellular Tower Fees	A-13	168,000	-	172,453	4,453
Total Miscellaneous Revenues	A-1	1,548,338	71,589	1,612,941	(6,986)
Receipts from Delinquent Taxes	A-7	278,000	-	283,653	5,653
Amount to be Raised by Taxes for Support of Municipal Budget -					
Local Tax for Municipal Purposes	A-2,A-7	8,125,901	-	8,408,323	282,422
Minimum Library Tax	A-2,A-7	453,272	-	453,272	-
		8,579,173	-	8,861,595	282,422
Total Budget Revenues	A-3	\$ 10,905,511	\$ 71,589	11,258,189	\$ 281,089
Nonbudget Revenue	A-1,A-2			86,671	
				\$ 11,344,860	

BOROUGH OF EMERSON
STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

	<u>Reference</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenue from Collections	A-1,A-7	\$ 27,830,846
Less: Allocated to School and County Taxes	A-20,A-21	<u>19,396,251</u>
		8,434,595
Add Appropriation "Reserve for Uncollected Taxes"	A-3	<u>427,000</u>
Amount for Support of Municipal Budget Appropriation	A-2	<u>\$ 8,861,595</u>
Licenses - Other		
Borough Clerk	A-13	\$ 2,825
Health Officer	A-13	<u>11,300</u>
	A-2	<u>\$ 14,125</u>
Fees and Permits		
Borough Clerk	A-13	\$ 2,337
Health Officer	A-13	1,934
Planning/Zoning Boards	A-13	5,350
Police Department	A-13	<u>1,743</u>
	A-2	<u>\$ 11,364</u>
Interest on Investments and Deposits		
Revenue Accounts Receivable	A-13	\$ 2,606
Due from General Capital Fund	C-4	569
Due from Public Assistance Trust Fund	D-5	9
Due from Animal Control Trust Fund	B-3	10
Due from Other Trust Fund	B-6	669
Due from Unemployment Insurance Trust Fund	B-14	<u>51</u>
	A-2	<u>\$ 3,914</u>

See Accompanying Notes to Financial Statements

BOROUGH OF EMERSON
STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

	<u>Reference</u>	
Nonbudget Revenue		
Handling Charge		\$ 13,171
Court - Uncashed Checks & Bail		3,732
State of NJ Emergency - FEMA Funds		17,300
County Elections		120
Administration Fee - Senior's & Veteran's		1,730
DMV Inspection Fines		2,000
Miscellaneous		<u>48,618</u>
	A-2	<u>\$ 86,671</u>
Cash Receipts	A-4	\$ 85,545
Due from General Capital Fund	C-4	<u>1,126</u>
		<u>\$ 86,671</u>

BOROUGH OF EMERSON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT FUNCTIONS					
General Administration					
Salaries and Wages	\$ 123,835	\$ 123,950	\$ 123,950		
Other Expenses	9,000	14,385	13,509	\$ 876	
Mayor and Council					
Salaries and Wages	21,600	15,600	15,600		
Other Expenses	1,500	4,500	3,174	1,326	
Municipal Clerk					
Salaries and Wages	128,215	128,215	127,163		1,052
Other Expenses	39,000	39,000	33,253		5,747
Financial Administration					
Salaries and Wages	115,390	117,890	110,680		7,210
Other Expenses	35,908	32,408	29,433		2,975
Audit Services	25,450	25,450	25,450		
Revenue Administration					
Salaries and Wages	33,780	33,780	33,659		121
Other Expenses	8,000	9,000	8,987		13
Tax Assessment Administration					
Salaries and Wages	19,980	19,990	19,986		4
Other Expenses	12,000	17,190	16,423		767
Legal Services					
Other Expenses	100,000	120,000	100,067		19,933
Engineering Services					
Other Expenses	4,750	4,750	3,760		990
LAND USE ADMINISTRATION					
Land Use Board					
Salaries and Wages	6,630	6,630	6,630		
Other Expenses	5,775	5,775	4,606		1,169
INSURANCE					
Unemployment Insurance	15,000	15,000	11,713		3,287
General Liability	169,818	169,818	166,660		3,158
Workers Compensation	170,715	170,715	164,310		6,405
Employee Group Health	763,800	708,895	700,137		8,758

BOROUGH OF EMERSON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Cont'd)					
PUBLIC SAFETY FUNCTIONS					
Police Department					
Salaries and Wages	\$ 2,354,339	\$ 2,344,339	\$ 2,217,835	\$ 126,504	
Other Expenses	111,900	114,400	114,369	31	
Police Dispatch/911					
Salaries and Wages	147,990	147,990	143,026	4,964	
Other Expenses	500	500	500		
Office of Emergency Management					
Other Expenses	4,750	4,750	4,606	144	
Aid to Volunteer Fire Companies					
Other Expenses	70,000	72,880	68,690	4,190	
Aid to Volunteer Ambulance Corps.					
Other Expenses	25,000	25,000	23,625	1,375	
Fire Department					
Salaries and Wages	9,490	4,110	4,109	1	
Other Expenses	124,000	124,055	124,051	4	
Uniform Fire Safety Act (P.L. 1983, Ch. 383)					
Salaries and Wages	13,415	13,415	13,411	4	
Other Expenses	2,000	2,000	1,055	945	
Municipal Prosecutor					
Other Expenses	10,400	10,400	10,400		
PUBLIC WORKS FUNCTIONS					
Streets and Road Maintenance					
Salaries and Wages	562,995	607,795	532,935	74,860	
Other Expenses	67,500	102,700	61,545	41,155	
Other Public Works Functions					
Sewer Services					
Salaries and Wages	166,209	168,209	166,961	1,248	
Other Expenses	23,250	23,250	6,181	17,069	
Shade Tree - Advisory Committee					
Salaries and Wages	5,115	5,115	5,113	2	
Other Expenses	17,000	17,000	14,880	2,120	
Solid Waste Collection					
Garbage/Recycling - Other Expenses	262,764	262,764	259,940	2,824	
Buildings and Grounds					
Other Expenses	41,000	41,000	39,636	1,364	
Vehicle Maintenance					
Salaries and Wages	156,157	156,157	154,645	1,512	
Other Expenses	63,000	61,000	48,433	12,567	

BOROUGH OF EMERSON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Continued)					
HEALTH AND HUMAN SERVICES					
FUNCTIONS					
Public Health Services					
Salaries and Wages	\$ 46,490	\$ 46,490	\$ 46,475		\$ 15
Other Expenses	54,299	54,399	54,335		64
Environmental Health Services					
Salaries and Wages	2,830	2,830	2,827		3
Other Expenses	500	500	271		229
Animal Control Services					
Other Expenses	11,750	11,695	11,443		252
PARKS AND RECREATION FUNCTIONS					
Recreation Services and Programs					
Salaries and Wages	19,655	19,655	19,642		13
Other Expenses	48,450	48,450	39,446		9,004
OTHER COMMON OPERATING					
FUNCTIONS					
Celebration of Public Events					
Other Expenses	1,000	1,000	30		970
Historic Preservation					
Other Expenses	350	350	350		
Reserve for Accumulated Absences					
Salaries and Wages	80,000	70,000	70,000		
MUNICIPAL COURT					
Court Operations					
Salaries and Wages	74,200	87,665	82,426		5,239
Other Expenses	6,000	6,375	6,342		33
Public Defender					
Other Expenses	2,600	2,725	2,725		
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY DEDICATED					
REVENUES (N.J.A.C. 5:23-4-17)					
STATE UNIFORM CONSTRUCTION CODE					
CODE ENFORCEMENT AND					
ADMINISTRATION					
Salaries and Wages	171,590	171,895	171,890		5
Other Expenses	7,000	6,695	4,781		1,914

BOROUGH OF EMERSON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Continued)					
UTILITY EXPENSES AND BULK PURCHASES					
Electricity	\$ 60,000	\$ 62,000	\$ 59,250	\$ 2,750	
Street Lighting	92,000	88,000	87,956	44	
Telephone	24,500	28,500	28,089	411	
Water	11,000	11,000	8,215	2,785	
Gas (Natural or Propane)	31,000	27,535	21,697	5,838	
Gasoline	85,000	115,000	96,687	18,313	
LANDFILL/SOLID WASTE DISPOSAL COSTS					
Dump Fees					
Other Expenses	<u>273,000</u>	<u>273,000</u>	<u>237,386</u>	<u>35,614</u>	<u>-</u>
Total Operations Within "CAPS"	<u>7,152,134</u>	<u>7,227,529</u>	<u>6,787,359</u>	<u>440,170</u>	<u>-</u>
Detail:					
Salaries and Wages	4,259,905	4,291,720	4,068,963	222,757	-
Other Expenses	<u>2,892,229</u>	<u>2,935,809</u>	<u>2,718,396</u>	<u>217,413</u>	<u>-</u>
Deferred Charges and Statutory Expenditures -					
Municipal Within "CAPS"					
Regulatory Expenditures					
Prior Year Uncommitted Bills -					
Law Suit - Settlement	26,000	26,000	26,000		
Public Employees' Retirement System	196,686	189,891	189,891		
Social Security System (O.A.S.I.)	158,500	168,500	160,202	8,298	
Police and Firemen's Retirement System of N.J.	<u>597,946</u>	<u>597,946</u>	<u>597,946</u>	<u>-</u>	<u>-</u>
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	<u>981,132</u>	<u>984,337</u>	<u>974,039</u>	<u>10,298</u>	<u>-</u>
Total General Appropriations for Municipal Purposes - Within "CAPS"	<u>8,133,266</u>	<u>8,211,866</u>	<u>7,761,398</u>	<u>450,468</u>	<u>-</u>

BOROUGH OF EMERSON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Appropriated</u>	<u>Expended</u>	<u>Unexpended</u>	
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>	<u>Cancelled</u>
			<u>Reserved</u>	
OPERATIONS - EXCLUDED FROM "CAPS"				
EDUCATION FUNCTIONS				
Municipal Library				
Other Expenses	\$ 453,272	\$ 453,272	\$ 448,078	\$ 5,194
UTILITY EXPENSES AND BULK PURCHASES				
Sewerage Processing and Disposal				
Other Expenses	657,800	657,340	656,296	1,044
Northwest Bergen Utilities Authority				
Other Expenses	4,155	4,175	4,172	3
Reserve for Tax Appeals				
Other Expenses	115,000	166,400	138,408	27,992
Length of Service Award Program	70,000	70,000	750	69,250
Recycling Tax P.L. 2007, c.311(N.J.S.A. 13:1E-96.5)	10,500	10,500	8,005	2,495
NJPDES/Stormwater Permit Management [N.J.S.A.40A:4-45.39(cc)]				
Salaries and Wages	67,338	67,338	67,338	
Other Expenses	19,355	19,795	19,790	5
Borough of Hillsdale - Chief Financial Officer				
Salaries and Wages	28,640	28,640	28,640	
Other Expenses	11,650	11,650	11,650	
Borough of Old Tappan - Court				
Salaries and Wages	12,000	12,000	12,000	
Other Expenses	1,364	1,364	1,364	-
Total Other Operations Excluded from "CAPS"	<u>1,451,074</u>	<u>1,502,474</u>	<u>1,396,491</u>	<u>105,983</u>
Public and Private Programs Offset by Revenues				
Municipal Alliance				
State Share	10,356	10,356	10,356	
Local Share	2,875	2,875	2,875	
Matching Funds for Grants	1,000	1,000	1,000	
Federal Buffer Zone Protection Grant	23,362	23,362	23,362	
Clean Communities Mini Grant	300	300	300	
New Jersey DEP Environmental Services Grant	9,913	9,913	9,913	
Body Armor Fund	1,919	1,919	1,919	
Clean Communities Grant		11,525	11,525	
Division of Highway Safety - Over the Limit Under Arrest		4,400	4,193	\$ 207
Recycling Tonnage Grant		9,860	9,860	
Comm. Development Block Grant - Senior Citizen Center Imprvts.		4,469	4,469	
Comm. Development Block Grant - Senior Activities		41,335	41,335	
Comm. Development Block Grant - Senior Citizen Center Roof	33,000	33,000	33,000	-
Total Public and Private Programs Offset by Revenues	<u>82,725</u>	<u>154,314</u>	<u>154,107</u>	<u>207</u>
Total Operations Excluded from "CAPS"	<u>1,533,799</u>	<u>1,656,788</u>	<u>1,550,598</u>	<u>105,983</u>
Detail:				
Salaries and Wages	107,978	107,978	107,978	
Other Expenses	<u>1,425,821</u>	<u>1,548,810</u>	<u>1,442,620</u>	<u>105,983</u>

BOROUGH OF EMERSON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	\$ 25,000	\$ 25,000	\$ 25,000	-	-
Total Capital Improvements Excluded from "CAPS"	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	-	-
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	410,000	410,000	410,000		
Interest on Bonds	166,118	166,118	166,117		\$ 1
Interest on Notes	5,508	5,508	5,493		15
Green Trust Loans - Principal and Interest	<u>186,820</u>	<u>186,820</u>	<u>186,818</u>	-	<u>2</u>
Total Municipal Debt Service Excluded from "CAPS"	<u>768,446</u>	<u>768,446</u>	<u>768,428</u>	-	<u>18</u>
Deferred Charges:					
Special Emergency Authorizations - 5 Years (N.J.S. 40A:4-55)	<u>18,000</u>	<u>18,000</u>	<u>18,000</u>	-	-
Total Deferred Charges	<u>18,000</u>	<u>18,000</u>	<u>18,000</u>	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>2,345,245</u>	<u>2,468,234</u>	<u>2,362,026</u>	<u>\$ 105,983</u>	<u>225</u>
Subtotal General Appropriations	10,478,511	10,680,100	10,123,424	556,451	225
Reserve for Uncollected Taxes	<u>427,000</u>	<u>427,000</u>	<u>427,000</u>	-	-
Total General Appropriations	<u>\$ 10,905,511</u>	<u>\$ 11,107,100</u>	<u>\$ 10,550,424</u>	<u>\$ 556,451</u>	<u>\$ 225</u>
	<u>Reference</u>	A-2	A-1	A-1	

BOROUGH OF EMERSON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Reference</u>	<u>Budget After Modification</u>	<u>Expended Paid or Charged</u>
Budget as Adopted	A-3	\$ 10,905,511	
Added by N.J.S.A. 40A:4-87	A-2	71,589	
Special Emergency Appropriation	A-11	<u>130,000</u>	
		<u>\$ 11,107,100</u>	
Expenditures	A-3		\$ 9,716,904
Less: Refunds Due from Other Trust Fund	B-6		<u>14,024</u>
Cash Disbursed	A-4		9,702,880
Special Emergency Authorizations	A-10		18,000
Reserve for Uncollected Taxes	A-2		427,000
Transfer to Appropriated Grants Reserve	A-22		154,107
Encumbrances Payable	A-17		<u>248,437</u>
			<u>\$ 10,550,424</u>

**BOROUGH OF EMERSON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS
AS OF DECEMBER 31, 2011 AND 2010**

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
ASSETS			
ANIMAL CONTROL TRUST FUND			
Cash	B-1	\$ 5,595	\$ 4,944
OTHER TRUST FUND			
Cash	B-1	710,937	532,174
Due from Current Fund	B-6	-	378
		<u>710,937</u>	<u>532,552</u>
HOUSING TRUST FUND			
Cash	B-1	<u>338,389</u>	<u>334,883</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Cash	B-1	<u>41,776</u>	<u>41,960</u>
LENGTH OF SERVICE AWARD PROGRAM TRUST FUND (UNAUDITED)			
Investments	B	423,350	402,462
Due from Other Trust Fund	B-13	67,975	67,975
Contribution Receivable	B	<u>50,600</u>	<u>54,050</u>
		<u>541,925</u>	<u>524,487</u>
Total Assets		<u>\$ 1,638,622</u>	<u>\$ 1,438,826</u>

BOROUGH OF EMERSON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS
AS OF DECEMBER 31, 2011 AND 2010

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
LIABILITIES, RESERVES AND FUND BALANCE			
ANIMAL CONTROL TRUST FUND			
Reserve for Animal Control Expenditures	B-4	\$ 5,482	\$ 4,944
Due to Current Fund	B-3	<u>113</u>	<u>-</u>
		<u>5,595</u>	<u>4,944</u>
OTHER TRUST FUND			
Due to LOSAP Trust Fund	B-13	67,975	67,975
Reserve for Accrued Payroll	B-8	3,142	2,533
Reserve for Payroll Deductions Payable	B-9	23,571	23,575
Reserve for Escrow and Miscellaneous Reserves	B-5	517,997	391,342
Reserve for Accumulated Absences	B-7	<u>98,252</u>	<u>47,127</u>
		<u>710,937</u>	<u>532,552</u>
HOUSING TRUST FUND			
Reserve for Housing Trust Expenditures	B-10	<u>338,389</u>	<u>334,883</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Due to State of New Jersey	B-12	7,176	3,780
Reserve for Unemployment Insurance Trust Claims	B-11	<u>34,600</u>	<u>38,180</u>
		<u>41,776</u>	<u>41,960</u>
LENGTH OF SERVICE AWARD PROGRAM TRUST FUND (UNAUDITED)			
Reserve for LOSAP Contributions	B	<u>541,925</u>	<u>524,487</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 1,638,622</u>	<u>\$ 1,438,826</u>

BOROUGH OF EMERSON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2011 AND 2010

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
ASSETS			
Cash	C-2,C-3	\$ 557,176	\$ 583,350
Grants Receivable	C-6	165,983	42,829
Deferred Charges to Future Taxation			
Funded	C-7	6,085,407	6,646,348
Unfunded	C-8	<u>1,116,650</u>	<u>247,000</u>
 Total Assets		 <u>\$ 7,925,216</u>	 <u>\$ 7,519,527</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds	C-14	\$ 4,405,000	\$ 4,815,000
Intergovernmental Loans Payable	C-15	1,680,407	1,831,348
Bond Anticipation Notes Payable	C-13	1,116,650	247,000
Improvement Authorizations			
Funded	C-10	101,936	218,291
Unfunded	C-10	172,618	98,382
Contracts Payable	C-11	384,125	226,802
Capital Improvement Fund	C-9	52	3,152
Reserve for Payment of Debt	C-12	53,351	53,351
Miscellaneous Reserves	C-5	500	25,500
Reserve for Capital Projects	C-17	8,750	
Due to Current Fund	C-4	1,126	
Fund Balance	C-1	<u>701</u>	<u>701</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 7,925,216</u>	 <u>\$ 7,519,527</u>

There were no bonds and notes authorized but not issued on December 31, 2011 and 2010 respectively (Exhibit C-16.)

BOROUGH OF EMERSON
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
Balance, January 1, 2011	C	\$ <u>701</u>	\$ <u>701</u>
Balance, December 31, 2011	C	\$ <u>701</u>	\$ <u>701</u>

**BOROUGH OF EMERSON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
PUBLIC ASSISTANCE FUND
AS OF DECEMBER 31, 2011 AND 2010**

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
ASSETS			
Cash	D-1	<u>\$ 8,176</u>	<u>\$ 8,176</u>
LIABILITIES AND RESERVES			
Reserve for Public Assistance Expenditures	D-2	<u>\$ 8,176</u>	<u>\$ 8,176</u>

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Borough of Emerson 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.

A. Reporting Entity

The Borough of Emerson (the "Borough") was incorporated in 1903 and operates under an elected Mayor/Council form of government. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

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

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

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Borough uses funds, as required by the Division, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial administration by segregating transactions related to certain Borough functions or activities. The Borough also uses an account group, which is designed to provide accountability for certain assets that are not recorded in those Funds.

The Borough has the following funds and account group:

Current Fund – This fund is used to account for the revenues and expenditures for governmental operations of a general nature and the assets and liabilities related to such activities, including Federal and State grants not accounted for in another fund.

Trust Funds - These funds are used to account for assets held by the government in a trustee capacity. Funds held by the Borough as an agent for individuals, private organizations, or other governments are recorded in the Trust Funds.

Animal Control Trust Fund - This fund is used to account for fees collected from dog 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.

Housing Trust Fund - This fund is used to account for the receipts and disbursements relating to certain affordable housing activities.

Unemployment Insurance Trust Fund - This fund is used to account for employee and employer contributions for the purpose of providing unemployment benefits to former eligible employees.

Length of Service Award 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 EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Borough of Emerson follows a modified accrual basis of accounting. Under this method of accounting, revenues, except State/Federal Aid, are recognized when received and expenditures are recorded when incurred. The accounting principles and practices prescribed or permitted for municipalities by the Division ("regulatory basis of accounting") differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. The more significant differences are as follows:

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

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

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

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Budgets and Budgetary Accounting - An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Borough and approved by the State Division of Local Government Services per N.J.S.A. 40A:4 et seq.

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

Trust Funds
General Capital Fund
Public Assistance Fund

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2011 and 2010 the Borough Council increased the original budget by \$201,589 and \$129,896. The 2011 increases were funded by additional aid allotted to the Borough in the amount of \$71,589, an emergency resolution of \$80,000 for pre-Halloween snow storm expenses and an emergency resolution of \$50,000 for tax appeals. The 2010 increases were funded by additional aid allotted to the Borough in the amount of \$39,896 and an emergency resolution of \$90,000 for a Borough-wide reassessment program. In addition, the governing body approved several budget transfers during 2011 and 2010.

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

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

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Inventories - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires inventories to be recorded as assets in proprietary-type funds.

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. Investments are reported at cost and are limited by N.J.S.A. 40A:5-15.1 et seq. with the exception of LOSAP Trust Fund investments which are reported at fair value and are limited by N.J.A.C. 5:30-14.19. GAAP requires that all investments be reported at fair value.

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

Deferred School Taxes – School taxes raised in advance in the Current Fund for a school fiscal year (July 1 to June 30) which remain unpaid at December 31 of the calendar year levied may be deferred to fund balance to the extent of not more than 50% of the annual levy providing no requisition has been made by the school district for such amount. GAAP does not permit the deferral of unpaid school taxes to fund balance at year end.

General Fixed Assets - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the Borough of Emerson has developed a fixed assets accounting and reporting system.

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

General Fixed Assets (Continued)

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

Fixed Assets purchased after January 1, 2002 are stated as cost. Donated fixed assets are recorded at estimated fair market value at the date of donation.

Fixed Assets purchased prior to January 1, 2002 are stated as follows:

Land, Buildings and Building Improvements	Assessed Value
Machinery and Equipment	Estimated Historical Cost

No depreciation has been provided for in the financial statements.

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

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

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

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.

C. Basic Financial Statements

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

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 2 DEPOSITS AND INVESTMENTS

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

Deposits

The Borough's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Borough is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2011 and 2010, the book value of the Borough's deposits were \$3,437,690 and \$3,429,296 and bank and brokerage firm balances of the Borough's deposits amounted to \$3,712,442 and \$3,492,918, 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>2011</u>	<u>2010</u>
Insured	\$ 3,187,704	\$ 2,968,748
Uninsured and Collateralized	<u>524,738</u>	<u>524,170</u>
	<u>\$ 3,712,442</u>	<u>\$ 3,492,918</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, 2011 and 2010, the Borough's bank balances of \$524,733 and \$524,170 were exposed to custodial credit risk as follows:

	<u>2011</u>	<u>2010</u>
Uninsured and Collateral held by pledging financial institution's trust department not in the Borough's name	<u>\$ 524,738</u>	<u>\$ 524,170</u>

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Investments

The Borough is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the Borough or bonds or other obligations of the school districts which are a part of the Borough or school districts located within the Borough, Local Government investment pools, and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e). In addition, the Borough is permitted to invest LOSAP Funds with the types of eligible investments authorized in NJAC 5:30-14.19. LOSAP investments include interest bearing accounts or securities, in which savings banks of New Jersey are authorized to invest their funds, New Jersey Cash Management Fund, fixed and variable individual or group annuity contracts, mutual fund shares or fixed and variable life insurance contracts.

As of December 31, 2011 and 2010, the Borough had the following investments:

	Fair Value (Unaudited)	
	<u>2011</u>	<u>2010</u>
Investment:		
Length of Service Award Program	\$ 423,350	\$ 402,462

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

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1). The Borough does not have an investment policy that would further limit its investment choices. As of December 31, 2011 the Borough’s LOSAP Investment in Lincoln Financial Group was rated Baa2 by Moody’s Investors Services. As of December 31, 2010 the Borough’s LOSAP investment in VALIC is rated A1 by Moody’s Investment Services.

Interest earned in the General Capital Fund, Animal Control Fund, Public Assistance Trust Fund, Unemployment Insurance Trust Fund and certain Other Trust Funds are assigned to the Current Fund in accordance with the regulatory basis of accounting.

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 3 TAXES RECEIVABLE

Receivables at December 31, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
<u>Current</u>		
Property Taxes	\$ 242,428	\$ 289,137
Tax Title Liens	<u>34,726</u>	<u>26,745</u>
	<u>\$ 277,154</u>	<u>\$ 315,882</u>

In 2011 and 2010, the Borough collected \$283,653 and \$301,612 from delinquent taxes, which represented 89% and 94% of the prior year delinquent taxes receivable balance.

NOTE 4 MUNICIPAL DEBT

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

The Borough's debt is summarized as follows:

	<u>2011</u>	<u>2010</u>
Issued		
General		
Bonds, Notes and Loans	\$ 7,202,057	\$ 6,893,348
Less Funds Temporarily Held to Pay Bonds and Notes	<u>53,351</u>	<u>53,351</u>
Net Debt Issued	7,148,706	6,839,997
Authorized But Not Issued		
General		
Bonds and Notes	<u>-</u>	<u>-</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 7,148,706</u>	<u>\$ 6,839,997</u>

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 4 MUNICIPAL DEBT (Continued)

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 .53% and .49% at December 31, 2011 and 2010, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2011</u>			
General Debt	\$ 7,202,057	\$ 53,351	\$ 7,148,706
Total	<u>\$ 7,202,057</u>	<u>\$ 53,351</u>	<u>\$ 7,148,706</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2010</u>			
General Debt	\$ 6,893,348	\$ 53,351	\$ 6,839,997
School Debt	<u>515,000</u>	<u>515,000</u>	<u>-</u>
Total	<u>\$ 7,408,348</u>	<u>\$ 568,351</u>	<u>\$ 6,839,997</u>

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>2011</u>	<u>2010</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 47,212,402	\$ 48,088,760
Net Debt	<u>7,148,706</u>	<u>6,839,997</u>
Remaining Borrowing Power	<u>\$ 40,063,696</u>	<u>\$ 41,248,763</u>

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 4 MUNICIPAL DEBT (Continued)

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>2011</u>	<u>2010</u>
\$2,053,000, 2003 Bonds, due in annual installments of \$160,000 to \$168,000 through October, 2018 interest at 3.50% to 4.125%	\$ 1,148,000	\$ 1,308,000
\$2,030,000, 2007 Bonds, due in annual installments of \$200,000 to \$210,000 through August, 2019 interest at 4.0% to 4.1%	1,610,000	1,810,000
\$1,697,000, 2010 Bonds, due in annual installments of \$65,000 to \$517,000 through October, 2020 interest at 2.0% to 3.0%	<u>1,647,000</u>	<u>1,697,000</u>
	<u>\$ 4,405,000</u>	<u>\$ 4,815,000</u>

General Intergovernmental Loans Payable

The Borough has entered into a loan agreements with the New Jersey Department of Environmental Protection for the financing relating to the acquisition of certain real property known as "Emerson Woods. The Borough levies ad valorem taxes to pay debt service on general intergovernmental loans issued. General intergovernmental loans outstanding at December 31 are as follows:

	<u>2011</u>	<u>2010</u>
\$2,800,000, 2001 Loan, due in annual installments of \$143,407 to \$171,536 through September, 2021, interest at 2.00%	\$ 1,570,982	\$ 1,711,563
\$200,000, 2001 Loan, due in annual installments of \$6,290 to \$12,393 through March, 2021, interest at 2.00%	<u>109,425</u>	<u>119,785</u>
	<u>\$ 1,680,407</u>	<u>\$ 1,831,348</u>

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 4 MUNICIPAL DEBT (Continued)

Long-Term Debt (Continued)

General Intergovernmental Loans Payable (Continued)

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2011 is as follows:

Calendar Year	<u>Serial Bonds</u>		<u>Loans</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2012	\$ 425,000	\$ 151,318	\$ 153,976	\$ 32,842	\$ 763,136
2013	440,000	136,018	157,070	29,747	762,835
2014	455,000	120,418	160,228	26,590	762,236
2015	475,000	104,348	163,448	23,370	766,166
2016	495,000	87,713	166,733	20,084	769,530
2017-2011	<u>2,115,000</u>	<u>172,165</u>	<u>878,952</u>	<u>48,783</u>	<u>3,214,900</u>
	<u>\$ 4,405,000</u>	<u>\$ 771,980</u>	<u>\$ 1,680,407</u>	<u>\$ 181,416</u>	<u>\$ 7,038,803</u>

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years 2011 and 2010 were as follows:

	Balance, January 1, <u>2011</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2011</u>	Due Within <u>One Year</u>
<u>2011</u>					
General Capital Fund					
Bonds Payable	\$ 4,815,000		\$ 410,000	\$ 4,405,000	\$ 425,000
Intergovernmental Loans Payable	<u>1,831,348</u>	<u>-</u>	<u>150,941</u>	<u>1,680,407</u>	<u>153,976</u>
General Capital Fund Long-Term Liabilities	<u>\$ 6,646,348</u>	<u>\$ -</u>	<u>\$ 560,941</u>	<u>\$ 6,085,407</u>	<u>\$ 578,976</u>

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 4 MUNICIPAL DEBT (Continued)

Changes in Long-Term Municipal Debt (Continued)

	Balance, January 1, <u>2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2010</u>	Due Within <u>One Year</u>
<u>2010</u>					
General Capital Fund					
Bonds Payable	\$ 3,478,000	\$ 1,697,000	\$ 360,000	\$ 4,815,000	\$ 410,000
Intergovernmental Loans Payable	<u>1,979,316</u>	<u>-</u>	<u>147,968</u>	<u>1,831,348</u>	<u>150,941</u>
General Capital Fund Long-Term Liabilities	<u>\$ 5,457,316</u>	<u>\$ 1,697,000</u>	<u>\$ 507,968</u>	<u>\$ 6,646,348</u>	<u>\$ 560,941</u>

Short-Term Debt

The Borough's short-term capital debt activity for the years 2011 and 2010 was as follows:

	Balance, January 1, <u>2011</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2011</u>
<u>2011</u>				
Bond Anticipation Notes General Capital Fund	<u>\$ 247,000</u>	<u>\$ 1,116,650</u>	<u>\$ 247,000</u>	<u>\$ 1,116,650</u>
	Balance, January 1, <u>2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2010</u>
<u>2010</u>				
Bond Anticipation Notes General Capital Fund	<u>\$ 1,697,650</u>	<u>\$ 247,000</u>	<u>\$ 1,697,650</u>	<u>\$ 247,000</u>

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 5 FIXED ASSETS

General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years 2011 and 2010.

	Balance January 1, <u>2011</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2011</u>
<u>2011</u>				
Land	\$ 11,161,700			\$ 11,161,700
Buildings and Building Improvements	2,421,522			2,421,522
Machinery and Equipment	<u>5,678,732</u>	<u>\$ 258,186</u>	<u>\$ 520,164</u>	<u>5,416,754</u>
	<u>\$ 19,261,954</u>	<u>\$ 258,186</u>	<u>\$ 520,164</u>	<u>\$ 18,999,976</u>

	January 1, <u>2010</u>	<u>Additions</u>	<u>Retirements</u>	December 31, <u>2010</u>
<u>2010</u>				
Land	\$ 11,161,700			\$ 11,161,700
Buildings and Building Improvements	2,421,522			2,421,522
Machinery and Equipment	<u>5,600,863</u>	<u>\$ 77,869</u>	<u>\$ -</u>	<u>5,678,732</u>
	<u>\$ 19,184,085</u>	<u>\$ 77,869</u>	<u>\$ -</u>	<u>\$ 19,261,954</u>

NOTE 6 DUE TO/FROM OTHER FUNDS

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

	<u>2011</u>		<u>2010</u>	
	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>
Current Fund	\$ 1,239			\$ 378
Animal Control Fund		\$ 113		
LOSAP Trust Fund	67,975		\$ 67,975	
General Capital Fund		1,126		
Other Trust Fund	<u>-</u>	<u>67,975</u>	<u>378</u>	<u>67,975</u>
Total	<u>\$ 69,214</u>	<u>\$ 69,214</u>	<u>\$ 68,353</u>	<u>\$ 68,353</u>

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 6 DUE TO/FROM OTHER FUNDS (Continued)

The above balances are the result of revenues earned or receipts received in one fund for another fund.

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

NOTE 7 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>2011</u>	Utilized in Subsequent <u>Year's Budget</u>	Fund Balance December 31, <u>2010</u>	Utilized in Subsequent <u>Year's Budget</u>
Current Fund				
Cash Surplus	\$ 683,465	\$ 500,000	\$ 863,123	\$ 500,000
Non-Cash Surplus	<u>277,483</u>	<u>-</u>	<u>108,759</u>	<u>-</u>
	<u>\$ 960,948</u>	<u>\$ 500,000</u>	<u>\$ 971,882</u>	<u>\$ 500,000</u>

NOTE 8 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

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

	Balance <u>December 31,</u>	Subsequent Year Budget <u>Appropriation</u>	Balance to Succeeding <u>Budgets</u>
<u>2011</u>			
Current Fund			
Emergency Authorizations	\$ 130,000	\$ 130,000	
Special Emergency Authorizations (40A:4-55)	<u>72,000</u>	<u>18,000</u>	<u>\$ 54,000</u>
	<u>\$ 202,000</u>	<u>\$ 148,000</u>	<u>\$ 54,000</u>
<u>2010</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	<u>\$ 90,000</u>	<u>\$ 18,000</u>	<u>\$ 72,000</u>

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 9 COMPENSATED ABSENCES

Under the existing policies and labor agreements of the Borough, certain 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.

Members of the Police Department after serving the required number of years and reaching the prescribed retirement age as set forth by the Police and Firemen's Retirement System of the State of New Jersey, are entitled to six (6) months terminal leave with pay. These payouts are charged to the current year budget at the time the payments are made to the respective officer.

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$550,622 and \$471,533 at December 31, 2011 and 2010, 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, 2011 and 2010, the Borough has reserved in the Other Trust Fund \$98,252 and \$47,127, respectively to fund compensated absences in accordance with NJSA 40A:4-39.

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all state and local government employees which includes those Borough employees who are eligible for pension coverage.

Police and Firemen's Retirement System (PFRS) – established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after June 30, 1944. Membership is mandatory for such employees with vesting occurring after 10 years of membership.

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

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Borough employees who are eligible for pension coverage.

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

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Other Pension Funds

The state established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local governmental employers do not appropriate funds to SACT.

The cost of living increase for PFRS and PERS are funded directly by each of the respective systems and are considered in the annual actuarial calculation of the required contributions for the system.

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

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

Basis of Accounting

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

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Significant Legislation

P.L. 2011, c.78, effective June 28, 2011, made various changes to the manner in which PERS and PFRS operate and to the benefit provisions of those systems.

This new legislation's provisions impacting employee pension and health benefits include:

- New members of PERS hired on or after June 28, 2011 (Tier 5 members), will need 30 years of creditable service and to attain age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1 percent for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 62 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60 percent instead of 65 percent of the member's final compensation plus 1 percent for each year of creditable service over 25 years but not to exceed 30 years.
- Active member contribution rates will increase. PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years, PFRS and PERS Prosecutors Part active member rates increase from 8.5 percent to 10 percent. For Fiscal Year 2012, the member contribution rates increase in October 2011. The phase-in of the additional incremental member contributions for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.

In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS and PFRS, is 70.5 percent with an unfunded actuarial accrued liability of \$36.3 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 65.2 percent and \$25.6 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 78.5 percent and \$10.1 billion, respectively.

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

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

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Annual Pension Cost (APC)

For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended December 31, 2011, 2010 and 2009, 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 year:

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2011	\$ 597,946	\$ 189,891	None
2010	516,765	172,903	None
2009	237,888	70,690	None

During the year ended December 31, 2009 the Borough elected to contribute 50% of its normal and accrued liability components of the PFRS and PERS obligations and deferred the remaining 50% in accordance with P.L. 2009, c.19. The deferred amount totaled \$276,426 and will be paid back with interest over 15 years beginning in the 2012 year. The Borough is permitted to payoff the deferred PFRS and PERS pension obligations at any time. It is estimated that the total liability including accrued interest (at 8.25%) at December 31, 2011 and 2010 is \$344,841 and \$322,036, respectively.

NOTE 11 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 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 Emerson 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, SBJIF 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.

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 11 RISK MANAGEMENT (Continued)

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.

The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method”. Under this plan the Borough is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Borough is billed quarterly for amounts due to the State. The following is a summary of Borough contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Borough’s unemployment compensation trust fund for the current and previous two years:

<u>Year Ended December 31</u>	<u>Borough Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2011	\$ 10,000	\$ 5,133	\$ 18,713	\$ 34,600
2010	10,000	5,270	15,564	38,180
2009	10,000	5,274	11,240	38,474

NOTE 12 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, 2011 and 2010. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be material.

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, 2011 and 2010, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 13 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, 2011 and 2010, the Borough has not estimated its arbitrage earnings due to the IRS, if any.

NOTE 14 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED

The Borough of Emerson Length of Service Award Program (the Plan) was created by a Borough ordinance adopted on July 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 Emerson 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 Emerson Volunteer Ambulance Corps., 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.

If an active member meets the year of active service requirement, a LOSAP must provide a benefit 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 Emerson has contributed \$1,150 and \$1,150 for 2011 and 2010, respectively, for each eligible volunteer fire department member and volunteer ambulance corp. member into the Plan.

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

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

Vesting and Benefits

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

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

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 14 LENGTH OF SERVICE AWARD PROGRAM (LOSAP) (Continued)

Reporting Requirements

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

NOTE 15 DEFERRED SCHOOL TAXES

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised in advance for a school year and have not been requisitioned by the school district as of December 31.

	<u>Local District School</u>	
	<u>2011</u>	<u>2010</u>
Balance of Tax	\$ 8,340,003	\$ 8,469,893
Deferred Liability	<u>8,340,003</u>	<u>8,439,203</u>
Taxes Payable	<u>\$ -</u>	<u>\$ 30,690</u>

NOTE 16 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of December 31, the Borough had the following commitments with respect to unfinished capital projects:

<u>2011</u>	<u>Construction</u>	<u>Estimated</u>
<u>Capital Projects</u>	<u>Commitment</u>	<u>Date of</u>
		<u>Completion</u>
Ambulance Chassis & Equipment	\$ 89,340	2012
Library Improvements	30,000	2012
Lincoln Ave Improvements	126,689	2012
Fire Department Equipment	49,830	2012
Kinderkamack Road Project	24,915	2012
<u>2010</u>	<u>Construction</u>	<u>Estimated</u>
<u>Capital Projects</u>	<u>Commitment</u>	<u>Date of</u>
		<u>Completion</u>
General Building Improvement	\$ 28,392	2011
2010 DPW Dump Truck with Plow	140,067	2011

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 17 SUBSEQUENT EVENTS

Debt Authorized

On March 6, 2012, the Borough adopted a bond ordinance authorizing the issuance of \$452,000 in bonds or bond anticipation notes to fund certain capital projects. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.

On May 1, 2012, the Borough adopted a bond ordinance authorizing the issuance of \$498,750 in bonds or bond anticipation notes to fund certain capital projects. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.

CURRENT FUND

BOROUGH OF EMERSON
STATEMENT OF CASH - TREASURER

Balance, January 1, 2011		\$ 1,923,559
Increased by Receipts:		
Taxes Receivable	\$ 27,779,309	
Petty Cash Returned	700	
2012 Prepaid Taxes	159,856	
Tax Overpayments	11,513	
Revenue Accounts Receivable	1,443,212	
Non-Budget Revenue	85,545	
Due from State of NJ - Senior Citizens and Veterans Deductions	86,500	
Grant Receivable	73,121	
Receipts from General Capital Fund	605,519	
Receipts from Unemployment Fund	51	
Receipts from Other Trust Fund	791	
Receipts from Animal Control Trust Fund	10	
Receipts from Public Assistance Trust Fund	9	
Receipts from Construction Penalties	4,596	
Reserve for Unappropriated Grants	1,949	
Due to State of New Jersey - Fees	10,321	
	<hr/>	<hr/>
		30,263,002
		32,186,561
Decreased by Disbursements:		
2011 Budget Appropriation	9,702,880	
2010 Appropriation Reserves	394,504	
Petty Cash Received	700	
Local District School Taxes Payable	16,863,060	
County Taxes Payable	2,666,178	
Reserve for Appropriated Grants	111,582	
Tax Overpayments	6,987	
Due to State of New Jersey - Fees	9,851	
Reserve for Reassessment of Real Property	42,000	
Payment of Construction Penalties	6,770	
Reserve for FEMA Reimbursement	1,208	
Payments to Other Trust Fund	500	
Payments to General Capital Fund	604,950	
	<hr/>	<hr/>
		30,411,170
Balance, December 31, 2011		<u>\$ 1,775,391</u>

EXHIBIT A-5

**BOROUGH OF EMERSON
STATEMENT OF CHANGE FUND**

<u>Office</u>	Balance, January 1, <u>2011</u>	Balance, December 31, <u>2011</u>
Tax Collector	\$ 50	\$ 50
Health Department	50	50
Building Department	50	50
Municipal Court	<u>100</u>	<u>100</u>
	<u>\$ 250</u>	<u>\$ 250</u>

EXHIBIT A-6

STATEMENT OF PETTY CASH FUND

Increased by:	
Petty Cash Received	\$ 700
Decreased by:	
Petty Cash Returned	<u>\$ 700</u>

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

Year	Balance, January 1, 2011	2011 Levy	Added Taxes	Senior Citizens' and Veterans' Deductions		Collected by Cash 2011	Senior Citizens' and Veterans' Deductions Allowed		Tax Overpayments Applied	Transfer to Tax Title Liens	Cancelled	Balance, December 31, 2011
				Disallowed	2010		2010	2011				
2010	\$ 289,137		\$ 250	\$ 1,250	\$ 279,829	\$ 3,824	\$ 87,750	\$ 7,981	\$ 1,329	\$ 6,984		
2011	-	\$ 28,075,600	-	6,750	27,499,480	-	87,750	7,981	1,329	235,444		
	\$ 289,137	\$ 28,075,600	\$ 250	\$ 8,000	\$ 27,779,309	\$ 3,824	\$ 87,750	\$ 7,981	\$ 1,329	\$ 242,428		

Analysis of 2011 Property Tax Levy

Tax Yield	
General Purpose Tax	\$ 27,969,376
Added Taxes (54.4-63.1 et seq.)	106,224
	<u>\$ 28,075,600</u>
Tax Levy	
Local District School Tax (Abstract)	\$ 16,733,170
County Taxes	2,620,874
County Open Space Taxes	32,066
Due County for Added Taxes (54.4-63.1 et seq.)	10,141
	<u>2,663,081</u>
Local Tax for Municipal Purposes	8,125,901
Minimum Library Tax	453,272
Add Additional Tax Levied	100,176
	<u>8,679,349</u>
	<u>\$ 28,075,600</u>

**BOROUGH OF EMERSON
STATEMENT OF DUE FROM THE STATE OF NEW JERSEY
FOR SENIOR CITIZENS' AND VETERANS' DEDUCTIONS**

Balance, January 1, 2011	\$	7,122
Increased by:		
Senior Citizens' Deductions Per Tax Billings	\$	10,000
Veterans' Deductions Per Tax Billings		77,000
Senior Citizens' and Veterans' Deductions Allowed by Tax Collector		<u>750</u>
		<u>87,750</u>
		94,872
Decreased by:		
Received in Cash from State of New Jersey	86,500	
Senior Citizens' Deductions Disallowed	6,750	
Senior Citizens' Deductions Disallowed - 2010	<u>1,250</u>	
		<u>94,500</u>
Balance, December 31, 2011	\$	<u>372</u>

EXHIBIT A-9

**STATEMENT OF PROPERTY ACQUIRED FOR TAXES
(AT ASSESSED VALUATION)**

Balance, January 1, 2011	\$	<u>13,200</u>
Balance, December 31, 2011	\$	<u>13,200</u>

BOROUGH OF EMERSON
STATEMENT OF DEFERRED CHARGES - SPECIAL EMERGENCY AUTHORIZATIONS

	<u>Amount</u> <u>Authorized</u>	1/5 of <u>Amount</u> <u>Authorized</u>	Balance, January 1, <u>2011</u>	Raised in 2011 <u>Budget</u>	Balance, December 31, <u>2011</u>
Reassessment of Real Property	\$ 90,000	\$ 18,000	<u>\$ 90,000</u>	<u>\$ 18,000</u>	<u>\$ 72,000</u>
			<u>\$ 90,000</u>	<u>\$ 18,000</u>	<u>\$ 72,000</u>

EXHIBIT A-11

STATEMENT OF DEFERRED CHARGES - EMERGENCY AUTHORIZATIONS

Increased by:	
Authorized in 2011	<u>\$ 130,000</u>
Balance, December 31, 2011	<u>\$ 130,000</u>

EXHIBIT A-12

STATEMENT OF TAX TITLE LIENS

Balance, January 1, 2011	\$ 26,745
Increased by:	
Transfer from Taxes Receivable	<u>7,981</u>
Balance, December 31, 2011	<u>\$ 34,726</u>

BOROUGH OF EMERSON
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, January 1, <u>2011</u>	Accrued in 2011	<u>Collected</u>	Balance, December 31, <u>2011</u>
Borough Clerk				
Licenses				
Alcoholic Beverage		\$ 17,276	\$ 17,276	
Other		2,825	2,825	
Fees and Permits		2,337	2,337	
Health Officer				
Licenses		11,300	11,300	
Fees and Permits		1,934	1,934	
Construction Code Official				
Fees and Permits		188,971	188,971	
Planning/Zoning Boards				
Fees and Permits		5,350	5,350	
Police Department				
Fees and Permits		1,743	1,743	
Municipal Court				
Fines and Costs	\$ 8,273	160,069	155,634	\$ 12,708
Interest and Costs on Taxes		63,140	63,140	
Interest on Investments and Deposits		2,606	2,606	
Consolidated Municipal Property Tax Relief Aid		42,888	42,888	
Energy Receipts Tax		577,017	577,017	
Watershed Moratorium Offset Aid		18,189	18,189	
Borough of Hillsdale Shared Service - CFO		40,290	40,290	
Borough of Old Tappan Shared Service - Court		13,464	13,464	
Sewer Service Fees		9,514	9,514	
Uniform Fire Safety Act		25,765	25,765	
Cable Television Franchise Fees		90,516	90,516	
Cellular Tower Fees	-	172,453	172,453	-
	<u>\$ 8,273</u>	<u>\$ 1,447,647</u>	<u>\$ 1,443,212</u>	<u>\$ 12,708</u>
		Cash Receipts	<u>\$ 1,443,212</u>	

**BOROUGH OF EMERSON
STATEMENT OF ACCOUNTS PAYABLE**

Balance, January 1, 2011	\$ 65
Decreased By:	
Cancelled to Operations	65
Balance, December 31, 2011	\$ -

STATEMENT OF GRANTS RECEIVABLE

	Balance, January 1, <u>2011</u>	<u>Accrued</u>	<u>Received</u>	<u>Cancelled</u>	Balance, December 31, <u>2011</u>
Municipal Alliance Program (2010)	\$ 5,372		\$ 5,182	\$ 190	
Municipal Alliance Program (2008)	300			300	
Municipal Alliance Program (2011)		\$ 10,356	4,411		\$ 5,945
Assistance to Firefighters Grant Program	1,015			1,015	
CDBG - Senior Activities	4,950		4,950		
CDBG - Senior Activities (2011)		4,469			4,469
CDBG - Senior Center Improvement		41,335			41,335
CDBG - Senior Citizen Center Improvements		33,000	33,000		
Federal Buffer Zone Protection Program		23,362			23,362
Clean Communities Program		11,525	11,525		
NJDEP - Recycling Tonnage Grant		9,860	9,860		
Division of Highway Safety - Over the Limit Under Arrest	-	4,193	4,193	-	-
	\$ 11,637	\$ 138,100	\$ 73,121	\$ 1,505	\$ 75,111

Cash Receipts \$ 73,121

Appropriated Grant Reserves \$ 1,205
Operations 300

\$ 1,505

BOROUGH OF EMERSON
STATEMENT OF 2010 APPROPRIATION RESERVES

	Balance, December 31, <u>2010</u>	Modified <u>Balance</u>	<u>Expended</u>	Balance <u>Lapsed</u>
Salaries and Wages				
General Administration	\$ 1	\$ 1		\$ 1
Mayor and Council	2,250	1,080		1,080
Municipal Clerk	2,120	2,120	\$ 1,053	1,067
Financial Administration	2,137	1,582		1,582
Revenue Administration	10	366	362	4
Tax Assessment Administration	96	96		96
Legal Services	567	17		17
Planning Board	813	813		813
Zoning Board of Adjustment	4	4		4
Police Department	40,921	36,671	3,906	32,765
Police Dispatch / 911	368	2,368	2,351	17
Fire Department	1	1		1
Uniform Fire Safety Act	390	390		390
Streets and Roads Maintenance	36,176	36,176	9,217	26,959
Other Public Works Functions				
Sewer Services	3,112	3,112		3,112
Shade Tree - Advisory Committee	6	6		6
Vehicle Maintenance	502	502		502
Public Health Services	245	245		245
Environmental Health Services	13	13		13
Recreation Services and Programs	1,983	1,983		1,983
Reserve for Accumulated Absences	1,799	1,799		1,799
Municipal Court	1,997	1,997	330	1,667
Construction Code Official	4,096	2,878		2,878
Electrical Inspector		63		63
NJPDES/Stormwater Permit Management	1			
Other Expenses				
General Administration	4	1,534	1,463	71
Mayor and Council	307	513	509	4
Municipal Clerk	1,670	8,440	6,700	1,740
Elections		28		28
Financial Administration	2,758	8,177	6,832	1,345
Audit Service		25,450	25,450	-
Revenue Administration	289	458	100	358
Tax Assessment Administration	2,372	3,913	1,741	2,172
Legal Services and Costs	9,181	15,681	15,350	331
Engineering Services and Costs	3,082	3,083	145	2,938
Planning Board	386	386	79	307
Zoning Board of Adjustment	22	22		22
Unemployment Insurance	3,228	3,228		3,228
General Liability	6	38,505	38,498	7
Workers Compensation		37,765	37,765	
Employee Group Health	6,543	1,033	(10,386)	11,419
Police Department	250	10,933	2,837	8,096
Office of Emergency Management	409	409		409
Aid to Volunteer Fire Companies	1,271	10,471	10,471	-
Aid to Volunteer Ambulance Corps.		2,025	1,980	45
Fire Department	1			
Uniform Fire Safety	849	546	392	154
Fire Hydrant Service		10,368	10,367	1
Streets and Roads Maintenance	5,024	18,666	16,972	1,694
Other Public Works Functions				
Sewer Services	2,046	2,046		2,046
Shade Tree - Advisory Committee	6,342	12,159	3,302	8,857

BOROUGH OF EMERSON
STATEMENT OF 2010 APPROPRIATION RESERVES

	Balance, December 31, <u>2010</u>	Modified <u>Balance</u>	<u>Expended</u>	Balance <u>Lapsed</u>
Other Expenses (Continued)				
Solid Waste Collection	\$ 1,874	\$ 34,291	\$ 32,417	\$ 1,874
Buildings and Grounds	2,565	7,766	5,052	2,714
Vehicle Maintenance	14,806	23,034	9,560	13,474
Public Health Services	213	220	7	213
Environmental Health Services	351	351	25	326
Animal Control Services	173	173		173
Recreation Services and Programs	6,390	14,252	7,838	6,414
Municipal Library		10,386	10,386	
Municipal Court	549	945	397	548
Construction Code Official	4	268	264	4
Fire Protection Inspector		1,155		1,155
Electricity	2,142	6,973	6,973	-
Street Lighting	258	258		258
Telephone	1,056	3,989	2,949	1,040
Water	1,873	2,107	520	1,587
Gas (Natural or Propane)	318	318		318
Gasoline	5,001	12,780	12,610	170
Landfill / Solid Waste Disposal Cost - Dump Fees	31,626	52,686	37,119	15,567
Social Security System	759	959	957	2
Defined Contribution Retirement Program	2,000	2,000		2,000
Public Employees Retirement System of New Jersey	3,210	3,210		3,210
Sewerage Processing and Disposal	1,500	1,500		1,500
Reserve for Tax Appeals	5,300	5,300	5,300	
Reserve for Reassessment		18,000	18,000	
Length of Service Award Program	17,200	72,000	54,800	17,200
Recycling Tax P.L. 2001, C311(N.J.S.A.13:1E-96.5)	1,804	2,632	1,544	1,088
	<u>\$ 246,620</u>	<u>\$ 587,675</u>	<u>\$ 394,504</u>	<u>\$ 193,171</u>
Appropriation Reserves		\$ 246,620		
Encumbrances Payable		<u>341,055</u>		
		<u>\$ 587,675</u>		
Cash Disbursements			<u>\$ 394,504</u>	

**BOROUGH OF EMERSON
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, January 1, 2011	\$	341,055
Increased by:		
Transferred from 2011 Budget Appropriation		248,437
		589,492
Decreased by:		
Restored to Appropriation Reserves		341,055
Balance, December 31, 2011	\$	248,437

EXHIBIT A-18

STATEMENT OF PREPAID TAXES

Balance, January 1, 2011	\$	250,366
Increased by:		
Collection - 2012 Taxes		159,856
		410,222
Decreased by:		
Application to 2011 Taxes Receivable		250,366
Balance, December 31, 2011	\$	159,856

**BOROUGH OF EMERSON
STATEMENT OF TAX OVERPAYMENTS**

Balance, January 1, 2011		\$ 10,811
Increased by:		
Cash Receipts		11,513
		22,324
Decreased by:		
Cash Disbursements	\$ 6,987	
Applied to 2010 Taxes	3,824	
		10,811
Balance, December 31, 2011		\$ 11,513

STATEMENT OF COUNTY TAXES PAYABLE

Balance, January 1, 2011		\$ 3,097
Increased by:		
2011 Tax Levy - General	\$ 2,620,874	
2011 Tax Levy - Open Space	32,066	
Added Taxes (54:4-63.1)	10,141	
		2,663,081
		2,666,178
Decreased by:		
Payments		2,666,178
Balance, December 31, 2011		\$ -

BOROUGH OF EMERSON
STATEMENT OF LOCAL DISTRICT SCHOOL TAXES PAYABLE

Balance, January 1, 2011		
School Tax Payable	\$ 30,690	
School Tax Deferred	<u>8,439,203</u>	
		\$ 8,469,893
Increased by:		
Levy School Year July 1, 2011 to June 30, 2012		<u>16,733,170</u>
		25,203,063
Decreased by:		
Payments		<u>16,863,060</u>
Balance, December 31, 2011		
School Tax Deferred	<u>8,340,003</u>	
		<u>\$ 8,340,003</u>
<u>2011 Liability for Local District School Taxes Payable</u>		
Tax Paid		<u>\$ 16,863,060</u>
		16,863,060
Less: Taxes Payable December 31, 2010		<u>30,690</u>
Amount Charged to 2011 Operations		<u>\$ 16,832,370</u>

**BOROUGH OF EMERSON
STATEMENT OF RESERVE FOR APPROPRIATED GRANTS**

Grant	Balance, January 1, 2011	Transferred from 2011 Budget	Cash Disbursements	Grant Receivables Cancelled	Balance, December 31, 2011
Alcohol Education and Rehabilitation Grant	\$ 515				\$ 515
Body Armor Replacement Grant	13,908		\$ 10,800		3,108
Municipal Alliance					
State Share	303			\$ 190	113
Local Share	230				230
Drunk Driving Enforcement Fund	466				466
Recycling Tonnage Grant	295				295
Firefighters Grant	2,224		1,209	1,015	
Clean Communities	225				225
Comm. Development - Senior Citizen's	4,950		4,950		
Reserve for NJ Dep Environmental Services Grant		\$ 9,913	9,913		
Municipal Alliance (2011)					
State Share		10,356	10,240		116
Local Share		2,875	2,633		242
Reserve for Clean Communities Program Mini Grant		300			300
Federal Buffer Zone Protection Program		23,362	23,269		93
Body Armor Replacement Grant		1,919			1,919
CDBG - Senior Citizens Center Imprvts.		33,000	33,000		-
CDBG - Senior Activities		4,469			4,469
CDBG - Senior Center Imprvts.		41,335			41,335
Clean Communities Program		11,525	11,375		150
NJDEP - Recycling Tonnage Grant		9,860			9,860
Matching Funds or Grants		1,000			1,000
Div. of Highway Safety - Over the Limit Under Arrest		4,193	4,193		-
	<u>\$ 23,116</u>	<u>\$ 154,107</u>	<u>\$ 111,582</u>	<u>\$ 1,205</u>	<u>\$ 64,436</u>

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

	Tax Assessor <u>200 List</u>	Marriage License <u>Fees</u>	Training <u>Fees</u>	<u>Total</u>
Balance, January 1, 2011			\$ 1,628	\$ 1,628
Increased by:				
Cash Receipts	\$ 510	\$ 690	<u>9,121</u>	<u>10,321</u>
	510	690	10,749	11,949
Decreased by:				
Cash Disbursements	<u>510</u>	<u>690</u>	<u>8,651</u>	<u>9,851</u>
Balance, December 31, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,098</u>	<u>\$ 2,098</u>

EXHIBIT A-24

STATEMENT OF RESERVE FOR CONSTRUCTION PENALTIES

Balance, January 1, 2011	\$ 22,628
Increased by:	
Cash Receipts	<u>4,596</u>
	27,224
Decreased by:	
Cash Disbursements	<u>6,770</u>
Balance, December 31, 2011	<u>\$ 20,454</u>

BOROUGH OF EMERSON
STATEMENT OF RESERVE FOR UNAPPROPRIATED GRANTS AND AID

Balance, January 1, 2011	\$	30,321
Increased by:		
Cash Receipts		1,949
		32,270
Decreased by:		
Utilized as 2011 Budget Revenue		30,321
Balance, December 31, 2011	\$	1,949
Analysis of Balance		
Body Armor Replacement	\$	1,949
Balance, December 31, 2011	\$	1,949

EXHIBIT A-26

STATEMENT OF RESERVE FOR REASSESSMENT OF REAL PROPERTY

Balance, January 1, 2011	\$	68,982
Decreased by:		
Cash Disbursements		42,000
Balance, December 31, 2011	\$	26,982

EXHIBIT A-27

STATEMENT OF RESERVE FOR FEMA REIMBURSEMENT

Balance, January 1, 2011	\$	30,929
Decreased by:		
Cash Disbursements	\$	1,208
Cancelled by Resolution		29,721
		30,929
Balance, December 31, 2011	\$	-

TRUST FUND

**BOROUGH OF EMERSON
STATEMENT OF TRUST FUND CASH - TREASURER**

	<u>Animal Control Trust Fund</u>	<u>Other Trust Fund</u>	<u>Housing Trust Fund</u>	<u>Unemployment Insurance Trust Fund</u>
Balance, January 1, 2011	\$ 4,944	\$ 532,174	\$ 334,883	\$ 41,960
Increased by Receipts:				
Animal Control Fees	3,106			
Late Fees	395			
State Fees	547			
Interest on Deposits	10	\$ 669	\$ 383	\$ 51
Developers Fees			3,123	
Miscellaneous Reserves		493,488		
Employee Contributions		14,024		5,133
Cash Received from Outside Police Services				10,000
Budget Appropriations				
Payroll Deposits		3,122,799		
Payroll Deductions Payable		5,502,372		
Reserve for Accumulated Absences		51,125		
Receipts from Current Fund		500		
Escrow Deposits	-	<u>58,762</u>	-	-
	<u>4,058</u>	<u>9,243,739</u>	<u>3,506</u>	<u>15,184</u>
	9,002	9,775,913	338,389	57,144
Decreased by Disbursements:				
Expenditures Under R.S.4:19-15.11	2,850			
Miscellaneous Reserves		361,706		
Payments to State of New Jersey	547			15,317
Payments for Current Fund		14,024		
Payments to Current Fund	10	791		51
Payroll Deposits		3,122,190		
Payroll Deductions Payable		5,502,376		
Escrow Deposits	-	<u>63,889</u>	-	-
	<u>3,407</u>	<u>9,064,976</u>	-	<u>15,368</u>
Balance, December 31, 2011	<u>\$ 5,595</u>	<u>\$ 710,937</u>	<u>\$ 338,389</u>	<u>\$ 41,776</u>

**BOROUGH OF EMERSON
STATEMENT OF DUE TO STATE OF NEW JERSEY
ANIMAL CONTROL TRUST FUND**

Increased by:		
State Fees	\$	547
Decreased by:		
Payments to State of New Jersey	\$	<u>547</u>

EXHIBIT B-3

**STATEMENT OF DUE TO CURRENT FUND
ANIMAL CONTROL TRUST FUND**

Increased by:		
Statutory Excess	\$	113
Interest on Deposits		<u>10</u>
	\$	123
Decreased by:		
Cash Disbursements		<u>10</u>
Balance, December 31, 2011	\$	<u>113</u>

EXHIBIT B-4

**STATEMENT OF RESERVE FOR ANIMAL CONTROL EXPENDITURES
ANIMAL CONTROL TRUST FUND**

Balance, January 1, 2011		\$	4,944
Increased by:			
Animal Control Fees	\$	3,106	
Late Fees		<u>395</u>	
			<u>3,501</u>
			8,445
Decreased by:			
Disbursements		2,850	
Due to Current Fund - Statutory Excess		<u>113</u>	
			<u>2,963</u>
Balance, December 31, 2011		\$	<u>5,482</u>

**BOROUGH OF EMERSON
STATEMENT OF ESCROW DEPOSITS AND MISCELLANEOUS RESERVES
OTHER TRUST FUND**

Balance, January 1, 2011		\$ 391,342
Increased by:		
Escrow Deposit Receipts	\$ 58,762	
Miscellaneous Reserves Receipts	<u>493,488</u>	
		<u>552,250</u>
		943,592
Decreased by:		
Escrow Deposit Disbursements	63,889	
Miscellaneous Reserve Disbursements	<u>361,706</u>	
		<u>425,595</u>
Balance, December 31, 2011		<u>\$ 517,997</u>
Developer's Escrow Deposits		
Recreation		\$ 202,559
Community Policing		37,852
Recycling Program		12,005
Centennial Celebration		67,814
Shade Tree Donations (Wagner)		2,115
Environmental Comm. Partnership		7,988
Acceptance of Bequests / Gifts		371
Emergency Management		15,556
Uniform Fire Penalty		2,178
Municipal Court Adjunct Fees		2,456
Miscellaneous - Bail Forfeiture		337
Outside Empl Off- Duty Police Officers		848
Tax Sale Premium		13,971
Public Defender Fees		<u>151,600</u>
		<u>347</u>
		<u>\$ 517,997</u>

BOROUGH OF EMERSON
STATEMENT OF DUE FROM CURRENT FUND - OTHER TRUST FUND

Balance, January 1, 2011		\$ 378
Increased by:		
Payment to Current Fund	\$ 791	
Payments made for Current Fund	<u>14,024</u>	
		<u>14,815</u>
		15,193
Decreased by:		
Interest on Deposits	669	
Cash Receipts from Current Fund	500	
Receipts from Outside Police Service Charges - Budget Refunds	<u>14,024</u>	
		<u>15,193</u>
		15,193
Balance, December 31, 2011		<u><u>\$ -</u></u>

**BOROUGH OF EMERSON
STATEMENT OF RESERVE FOR ACCUMULATED ABSENCES
OTHER TRUST FUND**

Balance, January 1, 2011	\$ 47,127
Increased by:	
Received from 2011 Budget Appropriations	<u>51,125</u>
Balance, December 31, 2011	<u>\$ 98,252</u>

**STATEMENT OF RESERVE FOR ACCRUED PAYROLL
OTHER TRUST FUND**

Balance, January 1, 2011	\$ 2,533
Increased by:	
Cash Receipts	<u>3,122,799</u>
	3,125,332
Decreased by:	
Cash Disbursements	<u>3,122,190</u>
Balance, December 31, 2011	<u>\$ 3,142</u>

**BOROUGH OF EMERSON
STATEMENT OF RESERVE FOR PAYROLL DEDUCTIONS PAYABLE
OTHER TRUST FUND**

Balance, January 1, 2011	\$	23,575
Increased by:		
Cash Receipts		5,502,372
		5,525,947
Decreased by:		
Cash Disbursements		
Payroll Deductions		5,502,376
Balance, December 31, 2011	\$	23,571

**STATEMENT OF RESERVE FOR HOUSING TRUST FUND EXPENDITURES
HOUSING TRUST FUND**

Balance, January 1, 2011	\$	334,883
Increased by:		
Developers Fees	\$ 3,123	
Interest on Deposits	383	
		3,506
Balance, December 31, 2011	\$	338,389

BOROUGH OF EMERSON
STATEMENT OF RESERVE FOR UNEMPLOYMENT INSURANCE TRUST FUND CLAIMS
UNEMPLOYMENT INSURANCE TRUST FUND

Balance, January 1, 2011	\$	38,180
Increased by:		
Interest on Deposits	\$	51
Employee Contributions		5,133
2011 Budget Appropriation		<u>10,000</u>
		<u>15,184</u>
		53,364
Decreased by:		
Due to Current Fund		51
Unemployment Compensation Claims		<u>18,713</u>
		<u>18,764</u>
Balance, December 31, 2011	\$	<u>34,600</u>

EXHIBIT B-12

STATEMENT OF DUE TO STATE OF NEW JERSEY
UNEMPLOYMENT INSURANCE TRUST FUND

Balance, January 1, 2011	\$	3,780
Increased by:		
Unemployment Compensation Claims		<u>18,713</u>
		22,493
Decreased by:		
Cash Disbursements		<u>15,317</u>
Balance, December 31, 2011	\$	<u>7,176</u>

EXHIBIT B-13

STATEMENT OF DUE TO LOSAP TRUST FUND
OTHER TRUST FUND

Balance, January 1, 2011	\$	<u>67,975</u>
Balance, December 31, 2011	\$	<u>67,975</u>

**BOROUGH OF EMERSON
STATEMENT OF DUE TO CURRENT FUND
UNEMPLOYMENT INSURANCE TRUST FUND**

Increased by:

Interest on Deposits

\$ 51

Decreased by:

Payments to Current Fund

\$ 51

GENERAL CAPITAL FUND

**BOROUGH OF EMERSON
STATEMENT OF GENERAL CAPITAL CASH**

Balance, January 1, 2011		\$ 583,350
Increased by Receipts:		
Interest on Deposits	\$ 569	
Receipts from Current Fund	604,950	
Budget Appropriation - Capital Improvement Fund	25,000	
Bond Anticipation Notes	1,116,650	
Premium on Bond Anticipation Notes	<u>1,126</u>	
		<u>1,748,295</u>
		2,331,645
Decreased by Disbursements:		
Improvement Authorizations	921,950	
Bond Anticipation Notes	247,000	
Payments to Current Fund	<u>605,519</u>	
		<u>1,774,469</u>
Balance, December 31, 2011		<u>\$ 557,176</u>

**BOROUGH OF EMERSON
ANALYSIS OF GENERAL CAPITAL CASH**

		Balance December 31, <u>2011</u>
Grants Receivables		\$ (165,983)
Capital Improvement Fund		52
Contracts Payable		384,125
Reserve for Payment of Debt		53,351
Miscellaneous Reserves		500
Reserve for Capital Projects		8,750
Due to Current Fund		1,126
Fund Balance		701
Ord.		
<u>No.</u>	<u>Improvement Description</u>	
1109/1120	Various Improvements & Acq. of Equipment	1,797
1194	Various Improvements	648
1223/1242	Various Capital Acquisitions & Improvements	1,963
1224/1243	Various Capital Acquisitions & Improvements	387
1322/1331	Various Public Improvements	2,715
1348/1386	Various General Improvements	53,054
1349	Various General Improvements	742
1375	Various General Improvements	24,242
1387	Various General Improvements	16,388
1409	Various General Improvements	50,531
1423	Various General Improvements	76,742
1432	Various General Improvements	45,345
		<u>45,345</u>
		<u>\$ 557,176</u>

**BOROUGH OF EMERSON
STATEMENT OF DUE TO CURRENT FUND**

Increased by:	
Interest on Deposits	\$ 569
Premium on Bond Anticipation Notes	1,126
Receipts from Current Fund	<u>604,950</u>
	\$ 606,645
Decreased by:	
Payments to Current Fund	<u>605,519</u>
Balance, December 31, 2011	<u>\$ 1,126</u>

STATEMENT OF MISCELLANEOUS RESERVES

Balance, January 1, 2011	\$ 25,500
Decreased by:	
Cancelled by Resolution	<u>25,000</u>
Balance, December 31, 2011	<u>\$ 500</u>
<u>Analysis of Balance</u>	
Veterans Monument Donation	<u>\$ 500</u>

**BOROUGH OF EMERSON
STATEMENT OF GRANTS RECEIVABLE**

Balance, January 1, 2011		\$ 42,829
Increased by:		
Grants Receivable - Ord. 1423-11 - County Open Space	\$ 15,984	
Grants Receivable - Ord. 1432-11 - NJ DOT	<u>150,000</u>	
		<u>165,984</u>
		208,813
Decreased by:		
Cancelled by Resolution	<u>42,830</u>	
		<u>42,830</u>
Balance, December 31, 2011		<u>\$ 165,983</u>

STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance, January 1, 2011		\$ 6,646,348
Decreased by:		
2011 Budget Appropriation to Pay Bonds	\$ 410,000	
2011 Budget Appropriation to Pay Loans	<u>150,941</u>	
		<u>560,941</u>
Balance, December 31, 2011		<u>\$ 6,085,407</u>

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

Ord. No.	Improvement Description	Balance, January 1, 2011	2011 Authorizations	Balance, December 31, 2011	Analysis of Balance	
					Bond Anticipation Notes	Improvement Authorization
1409	Various General Improvements	\$ 247,000		\$ 247,000	\$ 247,000	
1423	Various General Improvements		\$ 560,900	560,900	560,900	
1432	Various General Improvements	-	308,750	308,750	308,750	-
		<u>\$ 247,000</u>	<u>\$ 869,650</u>	<u>\$ 1,116,650</u>	<u>\$ 1,116,650</u>	<u>\$ -</u>
Improvement Authorizations - Unfunded						\$ 172,618
Less:	Unexpended Proceeds of Bond Anticipation Notes					
	Ord. 1409				\$ 50,531	
	Ord. 1423				76,742	
	Ord. 1432				<u>45,345</u>	
						<u>172,618</u>
						<u>\$ -</u>

EXHIBIT C-9

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, January 1, 2011	\$ 3,152
Increased By:	
Budget Appropriation - Capital Improvement Fund	<u>25,000</u>
	28,152
Decreased by:	
Appropriated to Finance Improvement Authorizations	<u>28,100</u>
Balance, December 31, 2011	<u>\$ 52</u>

BOROUGH OF EMERSON
STATEMENT OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance Amount	Balance, January 1, 2011		2011 Authorizations	Contracts Payable Restored	Authorizations Cancelled	Paid or Charged	Balance, December 31, 2011	
			Funded	Unfunded					Funded	Unfunded
1109/1120	Various Improvements & Acq. of Equipment	\$ 715,000	\$ 1,797				\$	1,797		
1194	Various Improvements	380,000	648					648		
1223/1242	Various Capital Acquisitions & Improvements	100,000	1,963					1,963		
1224/1243	Various Capital Acquisitions & Improvements	245,000	387					387		
1322/1331	Various Public Improvements	855,000	8,291				\$	10,754		
1348/1386	Various General Improvements	595,000	50,997					16,163		
1349	Various General Improvements	405,000	15,970					15,409		
1364	Various General Improvements	440,000	33,291					20,447		
1375	Various General Improvements	361,000	44,946					52,601		
1387	Various General Improvements	237,147	60,001					44,886		
1409	Various General Improvements	260,000		\$ 98,382				187,918	\$ 50,531	
1423	Various General Improvements	604,984						528,242	76,742	
1432	Various General Improvements	475,000						429,655	45,345	
			\$ 218,291	\$ 98,382	\$ 1,079,984	\$ 226,802	\$ 42,830	\$ 1,306,075	\$ 101,936	\$ 172,618

Capital Improvement Fund	\$ 28,100
Reserve for Capital Projects	16,250
Grant - County Open Space	15,984
Grant - NJ DOT	150,000
Deferred Charges to Future Taxation - Unfunded	869,650
	<u>\$ 1,079,984</u>

Cash Disbursements	\$ 921,950
Contracts Payable	384,125
	<u>\$ 1,306,075</u>

**BOROUGH OF EMERSON
STATEMENT OF CONTRACTS PAYABLE**

Balance, January 1, 2011	\$ 226,802
Increased by:	
Charges to Improvement Authorizations	<u>384,125</u>
	610,927
Decreased by:	
Cancelled	<u>226,802</u>
Balance, December 31, 2011	<u>\$ 384,125</u>

STATEMENT OF RESERVE FOR DEBT SERVICE

Balance, January 1, 2011	<u>\$ 53,351</u>
Balance, December 31, 2011	<u>\$ 53,351</u>

**BOROUGH OF EMERSON
STATEMENT OF BOND ANTICIPATION NOTES PAYABLE**

Ord. No.	Improvement Description	Date of Issue of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance, January 1, 2011	Increased	Decreased	Balance, December 31, 2011
1409	Various General Improvements	12/21/2010	12/21/2010 11/10/2011	12/20/2011 11/9/2012	2.23% 1.25%	\$ 247,000	\$ 247,000	\$ 247,000	\$ 247,000
1423	Various General Improvements	11/10/2011	11/10/2011	11/9/2012	1.25%		560,900		560,900
1432	Various General Improvements	11/10/2011	11/10/2011	11/9/2012	1.25%		308,750	-	308,750
						<u>\$ 247,000</u>	<u>\$ 1,116,650</u>	<u>\$ 247,000</u>	<u>\$ 1,116,650</u>
							Renewals Issued for Cash		
							\$ 247,000	\$ 247,000	
							<u>869,650</u>	<u>-</u>	
							<u>\$ 1,116,650</u>	<u>\$ 247,000</u>	<u>\$ 247,000</u>

**BOROUGH OF EMERSON
STATEMENT OF INTERGOVERNMENTAL LOANS PAYABLE**

<u>Description</u>	<u>Date of Issue</u>	<u>Amount of Original Loan</u>	<u>Outstanding December 31, 2011</u> <u>Date</u> <u>Amount</u>	<u>Interest Rate</u>	<u>Balance, January 1, 2011</u>	<u>Decreased</u>	<u>Balance, December 31, 2011</u>
NJ DEP	12/17/2001	\$ 2,800,000	2012 \$ 143,407				
			2013 146,289				
			2014 149,230				
			2015 152,229				
			2016 155,289				
			2017 158,410				
			2018 161,594				
			2019 164,842				
			2020 168,156				
			2021 171,536	2.00%	\$ 1,711,563	\$ 140,581	\$ 1,570,982
NJ DEP	6/25/2001	182,500	2012 10,569				
	12/17/2001	17,500	2013 10,781				
			2014 10,998				
			2015 11,219				
			2016 11,444				
			2017 11,674				
			2018 11,909				
			2019 12,148				
			2020 12,393				
			2021 6,290	2.00%	119,785	10,360	109,425
					\$ 1,831,348	\$ 150,941	\$ 1,680,407

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

Ord. No.	<u>Improvement Description</u>	Balance, January 1, 2011	2011 Authorizations	Bonds Anticipation Notes Issued	Balance, December 31, 2011
1423	Various General Improvements	\$ 560,900	\$ 560,900	\$ 560,900	
1432	Various General Improvements	-	308,750	308,750	-
		<u>\$ -</u>	<u>\$ 869,650</u>	<u>\$ 869,650</u>	<u>\$ -</u>

**BOROUGH OF EMERSON
STATEMENT OF RESERVE FOR CAPITAL PROJECTS**

Increased by:	
Cancellation of Miscellaneous Reserve	\$ 25,000
Decreased by:	
Appropriated to Finance Improvement Authorizations	<u>16,250</u>
Balance, December 31, 2011	<u>\$ 8,750</u>

PUBLIC ASSISTANCE FUND

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

	PATF <u>Account #1</u>
Balance, January 1, 2011	\$ 8,176
Increased by:	
Cash Receipts	9
	8,185
Decreased by:	
Disbursements	9
Balance, December 31, 2011	\$ 8,176

STATEMENT OF RESERVE FOR PUBLIC ASSISTANCE EXPENDITURES

	PATF <u>Account #1</u>
Balance, January 1, 2011	\$ 8,176
Balance, December 31, 2011	\$ 8,176

**BOROUGH OF EMERSON
STATEMENT OF PUBLIC ASSISTANCE REVENUES**

	PATF <u>Account #1</u>
Interest on Deposits	\$ <u>9</u>
Total Receipts	\$ <u>9</u>

STATEMENT OF PUBLIC ASSISTANCE EXPENDITURES

	PATF <u>Account #1</u>
Due to Current Fund - Interest on Deposits	\$ <u>9</u>
Total Disbursements	\$ <u>9</u>

STATEMENT OF DUE TO CURRENT FUND

Increased by	
Interest on Deposits	\$ 9
Decreased by	
Payments to Current Fund	\$ <u>9</u>

BERGEN COUNTY, NEW JERSEY

PART II

GOVERNMENT AUDITING STANDARDS

YEAR ENDED DECEMBER 31, 2011

LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

17 - 17 ROUTE 208
FAIR LAWN, NJ 07410
TELEPHONE (201) 791-7100
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GARY W. HIGGINS, CPA, RMA, PSA
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PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA

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

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

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

We have audited the financial statements – regulatory basis of the Borough of Emerson as of and for the year ended December 31, 2011, and have issued our report thereon dated June 28, 2012 which indicated that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared using the regulatory basis of accounting prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1. In addition, our report on the financial statements – regulatory basis was qualified because of the presentation of the unaudited LOSAP Trust Fund financial statements. Except as discussed in the preceding sentence, we conducted our audit 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 audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Internal Control Over Financial Reporting

Management of the Borough of Emerson is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Borough of Emerson's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

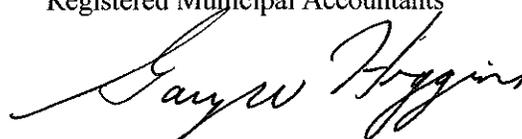
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Emerson's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

However, we noted certain matters that we reported to management of the Borough of Emerson in Part III of this report of audit entitled "Letter of Comments and Recommendations".

This report is intended solely for the information and use of management, the governing body, others within the Borough, New Jersey Department of Community Affairs and is not intended to be and should not be used by anyone other than these specified parties.


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


Gary W. Higgins
Registered Municipal Accountant
RMA Number CR00405

Fair Lawn, New Jersey
June 28, 2012

**BOROUGH OF EMERSON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Grant Program	State Account Number	Federal CFDA Number	Grant Period	2011 Grant Receipts	Grant Award Amount	Balance, January 1, 2011	Revenue	Expended	Cancellations	Balance, December 31, 2011	(Memo) Cumulative Expenditures
U.S. Department of Housing and Urban Development (Passed Through Bergen County Dept. of Community Development)	N/A	14.218	2010 2011 2011 2011	\$ 4,950 \$ 4,950 4,469 41,335 33,000	\$ 4,950 4,469 41,335 33,000	\$ 4,950	\$ 4,469 41,335 33,000	\$ 4,950	\$ 4,469 41,335	\$ 4,469 41,335	\$ 4,950 33,000
U.S. Department of Transportation (Passed Through (State Department of Law and Public Safety) Over the Limit Under Arrest)	1160-100-057	20.601	2011	4,193	4,400	4,400	4,400	4,193	\$ 207	\$ 207	4,193
Federal Buffer Zone Protection Program	N/A		2011				23,362	23,269		93	23,269
New Jersey Department of Transportation Ord. 1432-11	N/A		2011				150,000	150,000			150,000
U.S. Homeland Security FEMA Reimbursement 2010 Storm Flood Severe Weather Hurricane	066-1200-100-A57	97.036	2010 2011 2011 2011	17,300 8,275 15,444 7,834	57,392	27,692	- 8,275 15,444 7,834	1,208 8,275 15,444 7,834	26,484	-	30,908 8,275 15,444 7,834
						\$ 32,642	\$ 288,119	\$ 248,173	\$ 26,691	\$ 45,897	

N/A = Not Available.

Note: This schedule was not subject to an audit in accordance with OMB -133.

**BOROUGH OF EMERSON
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2011**

<u>State Grant Program</u>	<u>Grant Number</u>	<u>Year</u>	<u>2011 Grant Receipts</u>	<u>Balance, January 1, 2011</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Cancelled</u>	<u>Balance, December 31, 2011</u>	<u>Cumulative Expenditures</u>
Drunk Driving Enforcement Fund	1110-448-031020-22	2010 2008	\$ 418 48					\$ 418 48	\$ 6,785 4,708
Municipal Alliance Program	N/A N/A N/A	2011 2010 2008	\$ 4,411 5,182	190 113	\$ 10,356	\$ 10,240	\$ 190	116 113	10,240 10,166 10,175
Clean Communities Program	N/A	2011 2010 2010	11,526	225	11,525 300	11,375		150 225 300	11,375 11,547
Recycling Tonnage Grant	4900-752-001	2011 2008	9,860	295	9,860			9,860 295	8,040
Alcohol Education and Rehabilitation	760-098-9735-001	2010 2009 2008 2007		26 139 114 236				26 139 114 236	225 154
Assistance to Firefighters Grant Program	N/A	2008		2,224		1,209	1,015		173,836
(SHARE) Grant - Pistol Range Study	N/A	2008							
Body Armor Replacement Program	N/A N/A N/A N/A N/A N/A N/A	2011 2010 2008 2007 2006 2005 2004 2000		964 3,876 1,709 3,347 1,689 1,714 609	1,919	1,732 1,709 3,347 1,689 1,714 609		1,919 964 2,144	1,732 1,709 3,347 1,689 1,714 1,749
NJ Dep. Environmental Services	N/A	2011			9,913	9,913			9,913
Securities Enforcement FEMA	1310-100-041	2010		3,237	-	-	3,237	-	-
N/A - Not Available									
				\$ 21,173	\$ 43,873	\$ 43,537	\$ 4,442	\$ 17,067	

Note: This Schedule was not subject to an audit in accordance with requirements of NJ OMB 04-04.

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

**BOROUGH OF EMERSON
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2011**

NOTE 1 GENERAL

The accompanying schedules present the activity of all federal awards and state financial assistance programs of the Borough of Emerson. The Borough is defined in Note 1(A) to the Borough's financial statements.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are presented using the regulatory basis of accounting as prescribed or permitted for municipalities by the Division of Local Government Services, Department of Community Affairs, State of New Jersey which differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. This basis of accounting is described in Note 1(B) to the Borough's financial statements.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules agree with amounts reported in the Borough's financial statements. Financial assistance revenues are reported in the Borough's financial statements on a basis of accounting described above as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current Fund	\$ 138,119	\$ 43,873	\$ 181,992
General Capital	<u>150,000</u>	<u>-</u>	<u>150,000</u>
	<u>\$ 288,119</u>	<u>\$ 43,873</u>	<u>\$ 331,992</u>

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the Borough's fiscal year and grant program year.

**BOROUGH OF EMERSON
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2011**

NOTE 5 STATE LOANS OUTSTANDING

The Borough's state loans outstanding at December 31, 2011, which are not required to be reported on the schedule of expenditures of state financial assistance, are as follows:

<u>Loan Program</u>	<u>State Account Number</u>	<u>State</u>
New Jersey Department of Environmental Protection	0214-97-109	\$ 1,570,982
New Jersey Department of Environmental Protection	0214-97-109	<u>109,425</u>
		<u>\$ 1,680,407</u>

BOROUGH OF EMERSON

PART III

SUPPLEMENTARY DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2011

**BOROUGH OF EMERSON
SUPPLEMENTARY DATA**

**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE -
CURRENT FUND**

	<u>Year 2011</u>		<u>Year 2010</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 500,000	1.64 %	\$ 650,000	2.15 %
Miscellaneous - From Other Than Local				
Property Tax Levies	1,699,725	5.57	1,571,453	5.19
Collection of Delinquent Taxes and Tax Title Liens	283,653	0.93	301,612	1.00
Collection of Current Tax Levy	27,830,846	91.14	27,592,504	91.16
Other Credits to Income	<u>222,957</u>	<u>0.73</u>	<u>153,268</u>	<u>0.51</u>
Total Revenue and Other Income	<u>30,537,181</u>	<u>100.00</u> %	<u>30,268,837</u>	<u>100.00</u> %
EXPENDITURES				
Budget Expenditures				
Municipal Purposes	10,679,875	35.39 %	10,442,062	35.21 %
County Taxes	2,663,081	8.82	2,700,692	9.11
Local School Taxes	16,832,370	55.78	16,513,584	55.68
Other Expenditures	<u>2,789</u>	<u>0.01</u>	<u>2,154</u>	<u>-</u>
Total Expenditures	<u>30,178,115</u>	<u>100.00</u> %	<u>29,658,492</u>	<u>100.00</u> %
Excess of Revenue and Other Income Over Expenditures	359,066		610,345	
Adjustments to Income Before Fund Balance:				
Expenditures Included Above Which are by Statute Deferred Charges to Budgets of Succeeding Years	<u>130,000</u>		<u>90,000</u>	
Statutory Excess to Fund Balance	489,066		700,345	
Fund Balance, January 1	<u>971,882</u>		<u>921,537</u>	
	1,460,948		1,621,882	
Decreased by: Utilization as Anticipated Revenue	<u>500,000</u>		<u>650,000</u>	
Fund Balance, December 31	<u>\$ 960,948</u>		<u>\$ 971,882</u>	

**BOROUGH OF EMERSON
SUPPLEMENTARY DATA**

Comparative Schedule of Tax Rate Information

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>Tax Rate</u>	<u>\$2.329</u>	<u>\$1.993</u>	<u>\$1.908</u>
<u>Apportionment of Tax Rate</u>			
Municipal	.676	.596	.557
Library (1)	.038		
County	.219	.190	.184
County Open Space	.003	.003	.011
Local School	1.393	1.204	1.156

(1) Prior to 2011, the Library levy was included as part of the municipal tax rate.

Assessed Valuation

2011	<u>\$1,200,917,760</u> *	
2010		<u>\$1,401,921,021</u>
2009		<u>\$1,400,406,444</u>

* Reassessment effective in 2011

Comparison of Tax Levies and Collection

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies.

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2011	\$ 28,075,600	\$ 27,830,846	99.12%
2010	27,986,298	27,592,504	98.59%
2009	26,803,187	26,426,394	98.59%

**BOROUGH OF EMERSON
SUPPLEMENTARY DATA**

Delinquent Taxes and Tax Title Liens

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

<u>December 31 Year</u>	<u>Delinquent Taxes</u>	<u>Tax Title Liens</u>	<u>Total</u>	<u>Percentage of Tax Levy</u>
2011	\$ 242,428	\$ 34,726	\$ 277,154	0.99%
2010	289,137	26,745	315,882	1.13%
2009	301,689	18,203	319,892	1.19%

Property Acquired by Tax Title Lien Liquidation

No properties have been acquired in 2011 or 2010 by foreclosure or deed, as a result of liquidation of tax title liens.

The value of property acquired by liquidation of tax title liens at December 31, on the basis of the last assessed valuation of such properties, was as follows:

<u>Year</u>	<u>Amount</u>
2011	\$13,200
2010	13,200
2009	13,200

Comparative Schedule of Fund Balance

	<u>Year</u>	<u>Balance, December 31</u>	<u>Utilized In Budget of Succeeding Year</u>
Current Fund	2011	\$960,948	\$500,000
	2010	971,882	500,000
	2009	921,537	650,000
	2008	992,325	700,000
	2007	989,952	589,000

**BOROUGH OF EMERSON
SUPPLEMENTARY DATA**

OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office during the period under audit:

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
Carlos Colina	Mayor	
Charles Shaw	Council President	
Elizabeth Garis	Councilwoman	
John Lazar	Councilman	
Tom Browne	Councilman	
Danielle Di Paola	Councilwoman	
Scott Rivers	Councilman	
Carol Dray	Municipal Clerk	
Joseph Scarpa	Borough Administrator	
Catherine Henderson, QPA	Chief Financial Officer/Treasurer	
Catherine Henderson, QPA	Tax Collector	
Claire Psota	Tax Assessor	
Scott Mooney	Borough Attorney	
Boswell Engineering	Borough Engineer	
Donald Rossi	Chief of Police	
Jane Long	Registrar of Vital Statistics	
Michael Sartori	Construction Code Official, Building Sub-Code Official, Fire Protection Sub-Code Official Zoning Official	
Guiseppe Lamastra	Plumbing Sub-Code Official	
Gerald Hennessey	Electrical Sub-Code Official	
Russell Kunz	Elevator Sub-Code Official	
Joseph F. Mara	Fire Prevention Inspector (Const.)	
Francis J. Leddy, Jr.	Municipal Court Judge	
Craig Ferdinand	Municipal Court Administrator	

Note A – All officials handling cash were insured for public employee dishonesty and faithful performance issued by the Municipal Excess Liability Joint Insurance Fund in the total amount of \$1,000,000.

BOROUGH OF EMERSON SUPPLEMENTARY DATA

Our comments with respect to the examination and any error, omission, irregularity, violation of law, discrepancy or other nonconformity to the law or regulation found during the examination are herewith set forth.

GENERAL COMMENTS

Prior Year Unresolved

The audit of the Recreation Department fees collected indicate the following:

- The date of receipt for certain fees collected was not included on respective sports registration receipt reports.
- Certain fees collected were not turned over to the Chief Financial Officer within forty-eight (48) hours of receipt.
- Registration receipt reports were not available for certain bank deposits.

It is recommended that the internal controls relating to the Recreation Department revenue cycle be reviewed and enhanced.

Current Year

The audit revealed that a financial disclosure statement was not filed by certain Borough officials for the fiscal year ended December 31, 2011. It is recommended that financial disclosure statements be completed and filed by the applicable Borough officials.

The audit revealed that the full value for a truck with salt spreader was not recorded properly on the Borough's fixed asset report. In addition, certain other assets acquired during 2011 were not included in the fixed assets report. It is recommended that all fixed asset additions be reflected in the Borough's fixed assets accounting records.

Contracts and Agreements Required to be Advertised for N.J.S. 40A:11-4

N.J.S. 40A:11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate of \$21,000 except by contract or agreement."

**BOROUGH OF EMERSON
SUPPLEMENTARY DATA**

GENERAL COMMENTS (continued)

Contracts and Agreements Required to be Advertised for N.J.S. 40A:11-4

The threshold permitted by the State of New Jersey is \$21,000 through June 30, 2010 and \$26,000 as of July 1, 2010. If the Borough's purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c.198 (c.40A:11-9), the Borough may establish a bid threshold up to \$29,000 through June 30, 2010 and \$36,000 as of July 1, 2010. The Borough appointed the Chief Financial Officer as the qualified purchasing agent effective March 1, 2011 and approved the bid threshold to be \$36,000.

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

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

- | | |
|------------------------------|--------------------------------|
| 2011 Road Repaving Program | Senior Center Roof Replacement |
| Fire Department Turnout Gear | Road Improvement Program |
| Ambulance Chassis | |

Collection of Interest on Delinquent Taxes and Assessments

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

Our examination of expenditures did not reveal individual payments, contracts or agreements in excess of the bid threshold "for the performance of any work, or the furnishing or hiring of any materials or supplies" other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of NJS 40A:11-6.

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

The Governing Body on January 4, 2011, adopted the following resolution authorizing interest to be charged on delinquent taxes:

**BOROUGH OF EMERSON
SUPPLEMENTARY DATA**

GENERAL COMMENTS (continued)

Collection of Interest on Delinquent Taxes and Assessments

BE IT RESOLVED, by the Mayor and Council of the Borough of Emerson, County of Bergen, State of New Jersey, that the penalty upon delinquent taxes and assessments be fixed at the rate of eight (8) per centum per annum on the first \$1,500.00 of the delinquency and eighteen (18%) per cent per annum on any amount in excess of \$1,500 will be added from payable date to date of payment received; and that no penalty be imposed if payment upon taxes or assessments become due and payable and the Collector is hereby authorized and empowered to waive any penalty for interest provided said taxes and assessments are paid before the expiration of ten (10) days after each quarterly payment of taxes and assessments become due. A penalty of up to 6% may be charged on any delinquency in excess of \$10,000 if not paid by the end of the fiscal year.

BE IT FURTHER RESOLVED, that this resolution shall be effective immediately and that the penalty rate herein fixed for assessments shall not apply where there is a specific ordinance fixing a penalty rate for a specific assessment.

BOROUGH OF EMERSON

RECOMMENDATIONS

It is recommended that:

- * 1. Internal controls relating to the Recreation Department revenue cycle be reviewed and enhanced.
- 2. Financial disclosure statements be completed and filed by the applicable Borough officials.
- 3. All fixed asset additions be reflected in the Borough's fixed assets accounting records.

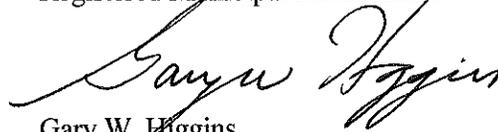
* * * * *

A review was performed on all prior year's recommendations. The Borough has taken corrective action on all prior year recommendations except those denoted by an asterisk (*).

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



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



Gary W. Higgins
Registered Municipal Accountant
RMA Number CR00405