

# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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MARK SACO, CPA

July 17, 2014

Honorable Mayor and  
Borough Council  
Borough of Emerson  
146 Linwood Avenue  
Emerson, NJ 07630

Dear Governing Body:

We have submitted this day to the Borough of Emerson for distribution to the Mayor and Borough Council and other officials, eleven (11) copies of the Report of Audit for the year ended December 31, 2013.

The Borough Clerk is requested, in accordance with N.J.S 40A:5-7, to publish in the official newspaper of the local unit, a synopsis of this audit together with our recommendations. We will submit to the Borough Clerk the synopsis that is to be published within the thirty-day period commencing this day.

All that is necessary for the Borough Clerk to do is to acknowledge the Audit Report as being received and that the recommendations contained herein will be reviewed by the Mayor and Borough Clerk.

Very truly yours,  
LERCH, VINCI & HIGGINS, LLP

*Gary W. Higgins*

Gary W. Higgins  
Registered Municipal Accountant  
RMA Number CR405

Enclosure

**BOROUGH OF EMERSON**  
**BERGEN COUNTY, NEW JERSEY**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

**BOROUGH OF EMERSON  
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**BOROUGH OF EMERSON**

**COUNTY OF BERGEN**

**PART I**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2013**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Emerson, as of December 31, 2013 and 2012, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the Current Fund for the year ended December 31, 2013, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial accounting and reporting principles and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the financial statements are prepared and presented by the Borough of Emerson on the basis of financial accounting and reporting principles and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of New Jersey for municipal government entities.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### ***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the requirement that the Borough of Emerson prepare and present its financial statements on the regulatory basis of accounting as discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph above, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of Emerson as of December 31, 2013 and 2012, or changes in financial position for the years then ended.

### ***Basis for Modified Opinion on Regulatory Basis of Accounting***

As discussed in Note 17 of the financial statements, the financial statements – regulatory basis 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 as of and for the years ended December 31, 2013 and 2012. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 38 percent and 42 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2013 and 2012.

### ***Modified Opinion on Regulatory Basis of Accounting***

In our opinion, except for the possible effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited as described in the “Basis for Modified Opinion on Regulatory Basis of Accounting” paragraph above, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the Borough of Emerson as of December 31, 2013 and 2012, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the revenues – regulatory basis and expenditures – regulatory basis of the Current Fund for the year ended December 31, 2013 in accordance with the basis of financial accounting and reporting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

### ***Other Matters***

#### ***Required Supplementary Information***

The Borough has not presented a management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. A management discussion and analysis is not required by the financial accounting and reporting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to supplement the regulatory basis financial statements and therefore it has not been presented by management. Our opinion on the financial statements – regulatory basis is not affected by this missing information.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of Emerson as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of state financial assistance and the supplementary data and letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of Emerson.

The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the financial statements as a whole on the basis of accounting described in Note 1.

The supplementary data and letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated June 30, 2014 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Emerson's internal control over financial reporting and compliance.

*Leuch, Vinci & Higgins LLP*

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

*Gary W. Higgins*

Gary W. Higgins  
Registered Municipal Accountant  
RMA Number CR00405

Fair Lawn, New Jersey  
June 30, 2014

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

|   | <u>Reference</u> | <u>2013</u>         | <u>2012</u>         |
|---|------------------|---------------------|---------------------|
| <b>ASSETS</b>                                       |                  |                     |                     |
| Cash - Treasurer                                    | A-4              | \$ 2,906,660        | \$ 2,321,971        |
| Cash - Change Fund                                  | A-5              | 360                 | 360                 |
| Due From State of New Jersey - Seniors and Veterans | A-8              | 493                 | -                   |
| Grants Receivable                                   | A-14             | <u>22,734</u>       | <u>44,744</u>       |
|   |                  | <u>2,930,247</u>    | <u>2,367,075</u>    |
| Receivables and Other Assets With Full Reserves     |                  |                     |                     |
| Delinquent Property Taxes                           | A-7              | 208,355             | 244,939             |
| Tax Title Liens                                     | A-12             | 70,743              | 42,953              |
| Property Acquired for Taxes - Assessed Valuation    | A-9              | 13,200              | 13,200              |
| Revenue Accounts Receivable                         | A-13             | 8,739               | 7,207               |
| Due from Animal Control Fund                        | B-3              | -                   | 2,801               |
| Due from Other Trust Fund                           | B-7              | <u>3,523</u>        | <u>-</u>            |
|   |                  | <u>304,560</u>      | <u>311,100</u>      |
| Deferred Charges                                    |                  |                     |                     |
| Emergency Authorizations                            | A-11             |                     | 105,000             |
| Special Emergency Authorizations                    | A-10             | <u>36,000</u>       | <u>54,000</u>       |
|   |                  | <u>36,000</u>       | <u>159,000</u>      |
| Total Assets  |                  | <u>\$ 3,270,807</u> | <u>\$ 2,837,175</u> |

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

|   | <u>Reference</u> | <u>2013</u>         | <u>2012</u>         |
|---|------------------|---------------------|---------------------|
| <b>LIABILITIES, RESERVES AND FUND BALANCE</b>       |                  |                     |                     |
| Appropriation Reserves                              | A-3,A-15         | \$ 573,587          | \$ 489,627          |
| Encumbrances Payable                                | A-16             | 222,766             | 296,409             |
| Accounts Payable                                    | A-17             | 3,450               |                     |
| Prepaid Taxes                                       | A-18             | 131,410             | 301,715             |
| Tax Overpayments                                    | A-19             | 29,656              |                     |
| School Taxes Payable                                | A-21             | 300,000             | 120,000             |
| County Taxes Payable                                | A-20             | 9,031               |                     |
| Reserve for Tax Assessor Fees                       | A-32             | 10                  |                     |
| Prepaid Fees  | A-33             | 2,250               |                     |
| Reserve for Construction Penalties                  | A-24             | 25,951              | 19,155              |
| Reserve for Insurance Reimbursement                 | A-27             | 10,444              | 8,257               |
| Reserve for Reassessment of Real Property           | A-26             | 22,682              | 26,582              |
| Reserve for Appropriated Grants                     | A-22             | 18,396              | 36,701              |
| Reserve for Unappropriated Grants and Aid           | A-25             | 10,755              |                     |
| Reserve for Tax Appeals                             | A-31             | 83,043              |                     |
| Reserve for Performance of Marriage License Fees    | A-29             | 200                 |                     |
| Reserve for Tax Sale Lien Redemption                | A-30             | 138,191             |                     |
| Due to General Capital Fund                         | C-4              |                     | 6,740               |
| Due to State of New Jersey - Marriage License Fees  | A-28             | 180                 |                     |
| Due to State of New Jersey - DCA Training Fees      | A-23             | -                   | 1,844               |
|   |                  | <u>1,582,002</u>    | <u>1,307,030</u>    |
| Reserve for Receivables and Other Assets            | A                | 304,560             | 311,100             |
| Fund Balance  | A-1              | <u>1,384,245</u>    | <u>1,219,045</u>    |
| <b>Total Liabilities, Reserves and Fund Balance</b> |                  | <u>\$ 3,270,807</u> | <u>\$ 2,837,175</u> |

**BOROUGH OF EMERSON**  
**COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -**  
**REGULATORY BASIS - CURRENT FUND**  
**AS OF DECEMBER 31, 2013 AND 2012**

|  | <u>Reference</u> | <u>2013</u>         | <u>2012</u>         |
|--|------------------|---------------------|---------------------|
| <b>REVENUE AND OTHER INCOME REALIZED</b>             |                  |                     |                     |
| Fund Balance Utilized                                | A-2              | \$ 550,000          | \$ 500,000          |
| Miscellaneous Revenue Anticipated                    | A-2              | 1,508,541           | 1,641,622           |
| Receipts from Delinquent Taxes                       | A-2              | 239,334             | 244,911             |
| Receipts from Current Taxes                          | A-2              | 29,085,569          | 28,526,425          |
| Nonbudget Revenue                                    | A-2              | 178,320             | 84,969              |
| Other Credits to Income                              |                  |                     |                     |
| Unexpended Balance of Appropriation Reserves         | A-15             | 253,998             | 412,712             |
| Cancellation of Appropriated Grant Reserve           | A-1              |                     | 1,585               |
| Statutory Excess - Animal Control Fund               | A-1              |                     | 2,801               |
| Interfunds Liquidated                                | A                | <u>2,801</u>        | <u>1,126</u>        |
| Total Revenue and Other Income                       |                  | <u>31,818,563</u>   | <u>31,416,151</u>   |
| <b>EXPENDITURES</b>                                  |                  |                     |                     |
| Budget and Emergency Appropriations                  |                  |                     |                     |
| Operations   |                  |                     |                     |
| Salaries and Wages                                   | A-3              | 4,471,580           | 4,470,011           |
| Other Expenses                                       | A-3              | 4,431,559           | 4,427,007           |
| Capital Improvements                                 | A-3              | 85,000              | 50,000              |
| Municipal Debt Service                               | A-3              | 788,606             | 777,055             |
| Deferred Charges and Statutory Expenditures          | A-3              | 1,027,275           | 1,096,835           |
| County Taxes   | A-20             | 2,886,320           | 2,859,911           |
| County Open Space Taxes                              | A-20             | 31,780              | 33,109              |
| Due County for Added and Omitted Taxes               | A-20             | 9,031               | 5,660               |
| Local District School Taxes                          | A-21             | 17,364,797          | 17,032,833          |
| Other Debits to Income                               |                  |                     |                     |
| Prior Year Senior Deductions Disallowed              | A-1              |                     | 3,073               |
| Cancellation of Due from State of New Jersey         | A-1              |                     | 4,872               |
| Cancellation of Grants Receivable                    | A-14             | 3,862               |                     |
| Prior Year Revenue Refunds                           | A-4              | 30                  |                     |
| Interfunds Established                               | A                | <u>3,523</u>        | <u>2,688</u>        |
| Total Expenditures                                   |                  | <u>31,103,363</u>   | <u>30,763,054</u>   |
| Excess of Revenue and Other Income Over Expenditures |                  | 715,200             | 653,097             |
| Adjustments to Income Before Fund Balance:           |                  |                     |                     |
| Expenditures Included Above Which are by Statute     |                  |                     |                     |
| Deferred Charges to Budgets of Succeeding Years      | A-1              | <u>-</u>            | <u>105,000</u>      |
| Regulatory Excess to Fund Balance                    |                  | 715,200             | 758,097             |
| Fund Balance, January 1                              | A                | <u>1,219,045</u>    | <u>960,948</u>      |
|  |                  | 1,934,245           | 1,719,045           |
| Decreased by:  |                  |                     |                     |
| Utilization as Anticipated Revenue                   | A-1,A-2          | <u>550,000</u>      | <u>500,000</u>      |
| Fund Balance, December 31                            | A                | <u>\$ 1,384,245</u> | <u>\$ 1,219,045</u> |

See Accompanying Notes to Financial Statements

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

|   | Reference | 2013<br>Budget | Added by<br>N.J.S.A.<br>40A:4-87 | Realized      | Excess or<br>(Deficit) |
|---|-----------|----------------|----------------------------------|---------------|------------------------|
| Fund Balance Anticipated  | A-1       | \$ 550,000     | -                                | \$ 550,000    | -                      |
| Miscellaneous Revenues  |           |                |                                  |               |                        |
| Licenses  |           |                |                                  |               |                        |
| Alcoholic Beverages   | A-13      | 17,000         |                                  | 18,000        | \$ 1,000               |
| Other   | A-2       | 14,000         |                                  | 12,310        | (1,690)                |
| Fees and Permits  |           |                |                                  |               |                        |
| Construction Code Official  | A-13      | 184,000        |                                  | 209,649       | 25,649                 |
| Other   | A-2       | 11,000         |                                  | 16,425        | 5,425                  |
| Municipal Court Fines and Costs                                   | A-13      | 145,000        |                                  | 138,599       | (6,401)                |
| Interest and Costs on Taxes                                       | A-13      | 51,000         |                                  | 57,214        | 6,214                  |
| Interest on Investments and Deposits                              | A-2       | 15,000         |                                  | 15,804        | 804                    |
| Consolidated Municipal Property Tax Relief Aid                    | A-13      | 21,658         |                                  | 9,415         | (12,243)               |
| Energy Receipts Tax   | A-13      | 598,247        |                                  | 610,490       | 12,243                 |
| Watershed Moratorium Offset Aid                                   | A-13      | 18,189         |                                  | 18,189        |                        |
| Borough of Old Tappan Shared Service - Court                      | A-13      | 14,016         |                                  | 14,016        |                        |
| Public and Private Programs                                       |           |                |                                  |               |                        |
| Offset with Appropriations  |           |                |                                  |               |                        |
| Municipal Alliance on Alcoholism and Drug Abuse                   | A-14      | 9,876          |                                  | 9,876         |                        |
| Clean Communities Programs  | A-14      |                | \$ 13,299                        | 13,299        |                        |
| CDBG - SC Flooring Rehab  | A-14      |                | 17,488                           | 17,488        |                        |
| CDBG - Senior Activities - 12-13                                  | A-14      |                | 3,638                            | 3,638         |                        |
| CDBG - Senior Activities - 13-14                                  | A-14      |                | 3,274                            | 3,274         |                        |
| Other Special Items   |           |                |                                  |               |                        |
| Sewer Service Fees  | A-13      | 10,000         |                                  | 12,040        | 2,040                  |
| Uniform Fire Safety Act   | A-13      | 21,000         |                                  | 26,847        | 5,847                  |
| Cable Television Franchise Fees                                   | A-13      | 94,872         |                                  | 94,872        |                        |
| Cellular Tower Fees   | A-13      | 192,330        |                                  | 192,099       | (231)                  |
| Insurance Dividends   | A-27      | 8,257          |                                  | 8,257         |                        |
| General Capital Fund Balance                                      | C-4       | 6,740          |                                  | 6,740         |                        |
| Total Miscellaneous Revenues                                      | A-1       | 1,432,185      | 37,699                           | 1,508,541     | 38,657                 |
| Receipts from Delinquent Taxes                                    | A-7       | 249,000        | -                                | 239,334       | (9,666)                |
| Amount to be Raised by Taxes for Support<br>of Municipal Budget - |           |                |                                  |               |                        |
| Local Tax for Municipal Purposes                                  | A-2,A-7   | 8,566,281      |                                  | 8,819,067     | 252,786                |
| Minimum Library Tax   | A-2,A-7   | 424,574        |                                  | 424,574       |                        |
|   |           | 8,990,855      |                                  | 9,243,641     | 252,786                |
| Total Budget Revenues   | A-3       | \$ 11,222,040  | \$ 37,699                        | 11,541,516    | \$ 281,777             |
| Nonbudget Revenue   | A-1,A-2   |                |                                  | 178,320       |                        |
|   |           |                |                                  | \$ 11,719,836 |                        |

**BOROUGH OF EMERSON**  
**STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**(Continued)**

|  | <u>Reference</u> |                     |
|--|------------------|---------------------|
| ANALYSIS OF REALIZED REVENUES                        |                  |                     |
| Allocation of Current Tax Collections                |                  |                     |
| Revenue from Collections                             | A-1,A-7          | \$ 29,085,569       |
| Less: Allocated to School and County Taxes           | A-20,A-21        | <u>20,291,928</u>   |
|  |                  | 8,793,641           |
| Add Appropriation "Reserve for Uncollected Taxes"    | A-3              | <u>450,000</u>      |
| Amount for Support of Municipal Budget Appropriation | A-2              | <u>\$ 9,243,641</u> |
| Licenses - Other                                     |                  |                     |
| Borough Clerk  | A-13             | \$ 2,310            |
| Health Officer                                       | A-13             | <u>10,000</u>       |
|  | A-2              | <u>\$ 12,310</u>    |
| Fees and Permits                                     |                  |                     |
| Borough Clerk  | A-13             | \$ 1,521            |
| Health Officer                                       | A-13             | 2,495               |
| Planning/Zoning Boards                               | A-13             | 10,100              |
| Police Department                                    | A-13             | <u>2,309</u>        |
|  | A-2              | <u>\$ 16,425</u>    |
| Interest on Investments and Deposits                 |                  |                     |
| Revenue Accounts Receivable                          | A-13             | \$ 9,244            |
| Due from General Capital Fund                        | C-4              | 201                 |
| Due from Public Assistance Trust Fund                | D-5              | 45                  |
| Due from Animal Control Trust Fund                   | B-3              | 52                  |
| Due from Other Trust Fund                            | B-6              | <u>6,262</u>        |
|  | A-2              | <u>\$ 15,804</u>    |

**BOROUGH OF EMERSON**  
**STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
(Continued)

Reference

|   |     |    |                |
|---|-----|----|----------------|
| Nonbudget Revenue                         |     |    |                |
| FEMA - Hurricane Sandy                    |     | \$ | 110,226        |
| Sale of Assets                            |     |    | 4,903          |
| LOSAP Refund                              |     |    | 13,142         |
| Administration Fee - Senior's & Veteran's |     |    | 1,550          |
| DMV Inspection Fines                      |     |    | 1,515          |
| Miscellaneous                             |     |    | <u>46,984</u>  |
|   | A-2 | \$ | <u>178,320</u> |
| Cash Receipts                             | A-2 | \$ | 170,144        |
| Due from Public                           |     |    |                |
| Assistance Trust Fund                     | D-5 |    | <u>8,176</u>   |
|   |     | \$ | <u>178,320</u> |

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

|                                     | <u>Appropriated</u> |                                      | <u>Expended</u>            |                 | <u>Unexpended<br/>Balance<br/>Cancelled</u> |
|-------------------------------------|---------------------|--------------------------------------|----------------------------|-----------------|---|
|                                     | <u>Budget</u>       | <u>Budget After<br/>Modification</u> | <u>Paid or<br/>Charged</u> | <u>Reserved</u> |   |
| <b>OPERATIONS - WITHIN "CAPS"</b>   |                     |                                      |                            |                 |   |
| <b>GENERAL GOVERNMENT FUNCTIONS</b> |                     |                                      |                            |                 |   |
| General Administration              |                     |                                      |                            |                 |   |
| Salaries and Wages                  | \$ 128,835          | \$ 145,335                           | \$ 145,333                 | \$ 2            |   |
| Other Expenses                      | 13,500              | 17,500                               | 15,195                     | 2,305           |   |
| Mayor and Council                   |                     |                                      |                            |                 |   |
| Salaries and Wages                  | 21,600              | 21,600                               | 21,600                     |                 |   |
| Other Expenses                      | 5,200               | 5,200                                | 3,203                      | 1,997           |   |
| Municipal Clerk                     |                     |                                      |                            |                 |   |
| Salaries and Wages                  | 133,430             | 124,430                              | 123,954                    | 476             |   |
| Other Expenses                      | 41,095              | 41,095                               | 32,040                     | 9,055           |   |
| Financial Administration            |                     |                                      |                            |                 |   |
| Salaries and Wages                  | 135,895             | 135,895                              | 132,687                    | 3,208           |   |
| Other Expenses                      | 22,540              | 28,540                               | 22,870                     | 5,670           |   |
| Audit Services                      |                     |                                      |                            |                 |   |
|                                     | 27,700              | 27,700                               | 27,700                     |                 |   |
| Revenue Administration              |                     |                                      |                            |                 |   |
| Salaries and Wages                  | 34,515              | 28,515                               | 28,087                     | 428             |   |
| Other Expenses                      | 9,000               | 9,000                                | 8,321                      | 679             |   |
| Tax Assessment Administration       |                     |                                      |                            |                 |   |
| Salaries and Wages                  | 20,795              | 20,795                               | 20,794                     | 1               |   |
| Other Expenses                      | 17,835              | 22,835                               | 16,672                     | 6,163           |   |
| Legal Services                      |                     |                                      |                            |                 |   |
| Other Expenses                      | 122,500             | 135,500                              | 131,287                    | 4,213           |   |
| Engineering Services                |                     |                                      |                            |                 |   |
| Other Expenses                      | 4,750               | 4,750                                | 3,267                      | 1,483           |   |
| <b>LAND USE ADMINISTRATION</b>      |                     |                                      |                            |                 |   |
| Land Use Board                      |                     |                                      |                            |                 |   |
| Salaries and Wages                  | 6,900               | 5,500                                | 5,408                      | 92              |   |
| Other Expenses                      | 4,950               | 6,350                                | 5,327                      | 1,023           |   |
| <b>INSURANCE</b>                    |                     |                                      |                            |                 |   |
| Unemployment Insurance              | 15,000              | 15,000                               | 11,862                     | 3,138           |   |
| General Liability                   | 176,730             | 176,730                              | 165,825                    | 10,905          |   |
| Workers Compensation                | 192,290             | 192,290                              | 192,289                    | 1               |   |
| Employee Group Health               | 818,000             | 787,700                              | 742,697                    | 45,003          |   |

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

|   | <u>Appropriated</u> |                                     | <u>Expended</u>           |                 | Unexpended<br>Balance<br><u>Cancelled</u> |
|---|---------------------|-------------------------------------|---------------------------|-----------------|---|
|   | <u>Budget</u>       | Budget After<br><u>Modification</u> | Paid or<br><u>Charged</u> | <u>Reserved</u> |   |
| OPERATIONS - WITHIN "CAPS" (Cont'd)             |                     |                                     |                           |                 |   |
| PUBLIC SAFETY FUNCTIONS                         |                     |                                     |                           |                 |   |
| Police Department                               |                     |                                     |                           |                 |   |
| Salaries and Wages                              | \$ 2,379,450        | \$ 2,383,950                        | \$ 2,375,670              | \$ 8,280        |   |
| Other Expenses                                  | 80,550              | 79,550                              | 78,949                    | 601             |   |
| Acquisition of Police Vehicles                  | 11,000              | 11,000                              | 10,878                    | 122             |   |
| Police Dispatch/911                             |                     |                                     |                           |                 |   |
| Salaries and Wages                              | 165,800             | 158,800                             | 157,518                   | 1,282           |   |
| Other Expenses                                  | 500                 | 500                                 |                           | 500             |   |
| Office of Emergency Management                  |                     |                                     |                           |                 |   |
| Salaries and Wages                              | 2,295               | 2,295                               | 2,295                     |                 |   |
| Other Expenses                                  | 5,750               | 7,750                               | 7,140                     | 610             |   |
| Aid to Volunteer Fire Companies                 |                     |                                     |                           |                 |   |
| Other Expenses                                  | 64,500              | 64,500                              | 53,457                    | 11,043          |   |
| Aid to Volunteer Ambulance Corps.               |                     |                                     |                           |                 |   |
| Other Expenses                                  | 25,000              | 25,000                              | 23,239                    | 1,761           |   |
| Fire Department                                 |                     |                                     |                           |                 |   |
| Salaries and Wages                              | 16,780              | 16,780                              | 16,587                    | 193             |   |
| Other Expenses                                  | 128,920             | 128,920                             | 128,916                   | 4               |   |
| Uniform Fire Safety Act<br>(P.L. 1983, Ch. 383) |                     |                                     |                           |                 |   |
| Salaries and Wages                              | 14,000              | 14,000                              | 12,459                    | 1,541           |   |
| Other Expenses                                  | 3,875               | 3,875                               | 3,145                     | 730             |   |
| Municipal Prosecutor                            |                     |                                     |                           |                 |   |
| Other Expenses                                  | 11,040              | 11,040                              | 11,036                    | 4               |   |
| PUBLIC WORKS FUNCTIONS                          |                     |                                     |                           |                 |   |
| Streets and Road Maintenance                    |                     |                                     |                           |                 |   |
| Salaries and Wages                              | 577,445             | 667,445                             | 622,181                   | 45,264          |   |
| Other Expenses                                  | 63,750              | 57,750                              | 43,422                    | 14,328          |   |
| Other Public Works Functions                    |                     |                                     |                           |                 |   |
| Sewer Services                                  |                     |                                     |                           |                 |   |
| Salaries and Wages                              | 177,490             | 97,490                              | 91,907                    | 5,583           |   |
| Other Expenses                                  | 52,550              | 52,550                              | 31,683                    | 20,867          |   |
| Shade Tree - Advisory Committee                 |                     |                                     |                           |                 |   |
| Salaries and Wages                              | 5,330               | 5,430                               | 5,388                     | 42              |   |
| Other Expenses                                  | 19,750              | 25,650                              | 25,390                    | 260             |   |
| Solid Waste Collection                          |                     |                                     |                           |                 |   |
| Garbage/Recycling - Other Expenses              | 247,500             | 247,500                             | 239,716                   | 7,784           |   |
| Buildings and Grounds                           |                     |                                     |                           |                 |   |
| Other Expenses                                  | 56,600              | 58,600                              | 55,270                    | 3,330           |   |
| Vehicle Maintenance                             |                     |                                     |                           |                 |   |
| Salaries and Wages                              | 162,460             | 152,460                             | 128,454                   | 24,006          |   |
| Other Expenses                                  | 62,500              | 62,500                              | 40,335                    | 22,165          |   |

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

|  | <u>Appropriated</u> |                                     | <u>Expended</u>           |                 | Unexpended                  |
|--|---------------------|-------------------------------------|---------------------------|-----------------|-----------------------------|
|  | <u>Budget</u>       | Budget After<br><u>Modification</u> | Paid or<br><u>Charged</u> | <u>Reserved</u> | Balance<br><u>Cancelled</u> |
| OPERATIONS - WITHIN "CAPS" (Continued) |                     |                                     |                           |                 |                             |
| HEALTH AND HUMAN SERVICES              |                     |                                     |                           |                 |                             |
| FUNCTIONS                              |                     |                                     |                           |                 |                             |
| Public Health Services                 |                     |                                     |                           |                 |                             |
| Salaries and Wages                     | \$ 48,610           | \$ 48,610                           | \$ 47,291                 | \$ 1,319        |                             |
| Other Expenses                         | 57,228              | 57,228                              | 55,945                    | 1,283           |                             |
| Environmental Health Services          |                     |                                     |                           |                 |                             |
| Salaries and Wages                     | 2,945               | 2,945                               | 1,402                     | 1,543           |                             |
| Other Expenses                         | 1,100               | 1,100                               | 604                       | 496             |                             |
| Animal Control Services                |                     |                                     |                           |                 |                             |
| Other Expenses                         | 10,000              | 10,000                              | 10,000                    | -               |                             |
| PARKS AND RECREATION FUNCTIONS         |                     |                                     |                           |                 |                             |
| Recreation Services and Programs       |                     |                                     |                           |                 |                             |
| Salaries and Wages                     | 20,630              | 20,630                              | 20,629                    | 1               |                             |
| Other Expenses                         | 53,466              | 53,466                              | 44,972                    | 8,494           |                             |
| OTHER COMMON OPERATING                 |                     |                                     |                           |                 |                             |
| FUNCTIONS                              |                     |                                     |                           |                 |                             |
| Celebration of Public Events           |                     |                                     |                           |                 |                             |
| Other Expenses                         | 1,000               | 1,000                               |                           | 1,000           |                             |
| Historic Preservation                  |                     |                                     |                           |                 |                             |
| Other Expenses                         | 1,000               | 1,000                               | 240                       | 760             |                             |
| Reserve for Accumulated Absences       |                     |                                     |                           |                 |                             |
| Salaries and Wages                     | 80,000              | 80,000                              | 80,000                    |                 |                             |
| MUNICIPAL COURT                        |                     |                                     |                           |                 |                             |
| Court Operations                       |                     |                                     |                           |                 |                             |
| Salaries and Wages                     | 78,280              | 78,280                              | 72,699                    | 5,581           |                             |
| Other Expenses                         | 8,475               | 8,475                               | 7,618                     | 857             |                             |
| Public Defender                        |                     |                                     |                           |                 |                             |
| Other Expenses                         | 2,760               | 3,060                               | 2,989                     | 71              |                             |
| 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                     | 177,370             | 177,370                             | 176,010                   | 1,360           |                             |
| Other Expenses                         | 6,450               | 6,450                               | 4,631                     | 1,819           |                             |

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

|   | <u>Appropriated</u> |                                      | <u>Expended</u>            |                 | <u>Unexpended<br/>Balance<br/>Cancelled</u> |
|---|---------------------|--------------------------------------|----------------------------|-----------------|---|
|   | <u>Budget</u>       | <u>Budget After<br/>Modification</u> | <u>Paid or<br/>Charged</u> | <u>Reserved</u> |   |
| OPERATIONS - WITHIN "CAPS" (Continued)                                      |                     |                                      |                            |                 |   |
| UTILITY EXPENSES AND BULK PURCHASES   |                     |                                      |                            |                 |   |
| Electricity   | \$ 70,000           | \$ 70,000                            | \$ 60,083                  | \$ 9,917        |   |
| Street Lighting   | 88,000              | 88,000                               | 63,641                     | 24,359          |   |
| Telephone   | 27,000              | 27,000                               | 25,628                     | 1,372           |   |
| Water   | 13,000              | 13,000                               | 11,761                     | 1,239           |   |
| Gas (Natural or Propane)  | 17,000              | 17,000                               | 14,913                     | 2,087           |   |
| Gasoline  | 97,000              | 97,000                               | 88,890                     | 8,110           | -   |
|   |                     |                                      |                            |                 |   |
| LANDFILL/SOLID WASTE DISPOSAL COSTS   |                     |                                      |                            |                 |   |
| Dump Fees   |                     |                                      |                            |                 |   |
| Other Expenses  | 237,500             | 237,500                              | 204,636                    | 32,864          | -   |
|   |                     |                                      |                            |                 |   |
| Total Operations Within "CAPS"  | 7,386,709           | 7,386,709                            | 7,016,035                  | 370,674         | -   |
|   |                     |                                      |                            |                 |   |
| Detail:   |                     |                                      |                            |                 |   |
| Salaries and Wages  | 4,390,855           | 4,388,555                            | 4,288,353                  | 100,202         | -   |
| Other Expenses  | 2,995,854           | 2,998,154                            | 2,727,682                  | 270,472         | -   |
|   |                     |                                      |                            |                 |   |
| Deferred Charges and Statutory Expenditures -<br>Municipal Within "CAPS"    |                     |                                      |                            |                 |   |
| Regulatory Expenditures   |                     |                                      |                            |                 |   |
| Prior Year Uncommitted Bills -  |                     |                                      |                            |                 |   |
| Back Pension  | 6,000               | 6,000                                | 5,999                      | -               | \$ 1  |
| Public Employees' Retirement System   | 222,465             | 222,465                              | 212,370                    | 10,095          |   |
| Social Security System (O.A.S.I.)   | 167,500             | 167,500                              | 164,809                    | 2,691           |   |
| Defined Contribution Retirement Program                                     | 2,000               | 2,000                                |                            | 2,000           |   |
| Police and Firemen's Retirement System of N.J.                              | 506,311             | 506,311                              | 506,311                    | -               | -   |
|   |                     |                                      |                            |                 |   |
| Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS" | 904,276             | 904,276                              | 889,489                    | 14,786          | 1   |
|   |                     |                                      |                            |                 |   |
| Total General Appropriations for Municipal Purposes - Within "CAPS"         | 8,290,985           | 8,290,985                            | 7,905,524                  | 385,460         | 1   |

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

|   | <u>Appropriated</u> | <u>Expended</u>                            |                                  | <u>Unexpended</u> |                                    |
|---|---------------------|--|----------------------------------|-------------------|------------------------------------|
|   | <u>Budget</u>       | <u>Budget After</u><br><u>Modification</u> | <u>Paid or</u><br><u>Charged</u> | <u>Reserved</u>   | <u>Balance</u><br><u>Cancelled</u> |
| OPERATIONS - EXCLUDED FROM "CAPS"                                 |                     |  |                                  |                   |                                    |
| EDUCATION FUNCTIONS   |                     |  |                                  |                   |                                    |
| Municipal Library   |                     |  |                                  |                   |                                    |
| Other Expenses  | \$ 424,574          | \$ 424,574                                 | \$ 424,574                       |                   |                                    |
| UTILITY EXPENSES AND BULK PURCHASES                               |                     |  |                                  |                   |                                    |
| Sewerage Processing and Disposal                                  |                     |  |                                  |                   |                                    |
| Other Expenses  | 508,855             | 508,855                                    | 507,320                          | \$ 1,535          |                                    |
| Debt Service  | 232,870             | 232,870                                    | 232,870                          |                   |                                    |
| Northwest Bergen Utilities Authority                              |                     |  |                                  |                   |                                    |
| Other Expenses  | 4,500               | 4,500                                      | 4,500                            |                   |                                    |
| Reserve for Tax Appeals   |                     |  |                                  |                   |                                    |
| Other Expenses  | 112,000             | 112,000                                    |                                  | 112,000           |                                    |
| 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                                     | 6,689                            | 3,811             |                                    |
| NJPDES/Stormwater Permit Management<br>[ N.J.S.A.40A:4-45.39(cc)] |                     |  |                                  |                   |                                    |
| Salaries and Wages  | 70,375              | 70,375                                     | 70,369                           | 6                 |                                    |
| Other Expenses  | 23,405              | 23,405                                     | 21,880                           | 1,525             |                                    |
| Borough of Old Tappan - Court                                     |                     |  |                                  |                   |                                    |
| Salaries and Wages  | 12,650              | 12,650                                     | 12,650                           |                   |                                    |
| Other Expenses  | 1,366               | 1,366                                      | 1,366                            | -                 | -                                  |
| Total Other Operations Excluded<br>from "CAPS"                    | <u>1,471,095</u>    | <u>1,471,095</u>                           | <u>1,282,968</u>                 | <u>188,127</u>    | <u>-</u>                           |
| Public and Private Programs Offset by Revenues                    |                     |  |                                  |                   |                                    |
| Municipal Alliance  |                     |  |                                  |                   |                                    |
| State Share   | 9,876               | 9,876                                      | 8,002                            |                   | \$ 1,874                           |
| Local Share   | 2,469               | 2,469                                      | 1,622                            |                   | 847                                |
| Matching Funds for Grants   | 1,000               | 1,000                                      |                                  |                   | 1,000                              |
| Clean Communities Grant   |                     | 13,299                                     | 13,299                           |                   |                                    |
| CDBG - SC Flooring Rehab  |                     | 17,488                                     | 17,488                           |                   |                                    |
| CDBG - Senior Activities - 12-13                                  |                     | 3,638                                      | 1,650                            |                   | 1,988                              |
| CDBG - Senior Activities - 13-14                                  | -                   | 3,274                                      | 3,274                            | -                 | -                                  |
| Total Public and Private Programs<br>Offset by Revenues           | <u>13,345</u>       | <u>51,044</u>                              | <u>45,335</u>                    | <u>-</u>          | <u>5,709</u>                       |
| Total Operations Excluded from "CAPS"                             | <u>1,484,440</u>    | <u>1,522,139</u>                           | <u>1,328,303</u>                 | <u>188,127</u>    | <u>5,709</u>                       |
| Detail:   |                     |  |                                  |                   |                                    |
| Salaries and Wages  | 83,025              | 83,025                                     | 83,019                           | 6                 | -                                  |
| Other Expenses  | <u>1,401,415</u>    | <u>1,439,114</u>                           | <u>1,245,284</u>                 | <u>188,121</u>    | <u>5,709</u>                       |

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

|  | <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>Reserved</u>   |
|  |                      |                      | <u>Reserved</u>      | <u>Cancelled</u>  |
| <b>CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"</b>                       |                      |                      |                      |                   |
| Capital Improvement Fund   | \$ 85,000            | \$ 85,000            | \$ 85,000            | -                 |
|  |                      |                      | -                    | -                 |
| Total Capital Improvements Excluded from "CAPS"                          | <u>85,000</u>        | <u>85,000</u>        | <u>85,000</u>        | <u>-</u>          |
| <b>MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"</b>                     |                      |                      |                      |                   |
| Payment of Bond Principal  | 440,000              | 440,000              | 440,000              |                   |
| Interest on Bonds  | 136,020              | 136,020              | 136,016              | \$ 4              |
| Interest on Notes  | 25,775               | 25,775               | 25,772               | 3                 |
| Green Trust Loans - Principal and Interest                               | <u>186,820</u>       | <u>186,820</u>       | <u>186,818</u>       | <u>-</u>          |
|  |                      |                      |                      | <u>2</u>          |
| Total Municipal Debt Service Excluded from "CAPS"                        | <u>788,615</u>       | <u>788,615</u>       | <u>788,606</u>       | <u>-</u>          |
|  |                      |                      |                      | <u>9</u>          |
| <b>Deferred Charges:</b>   |                      |                      |                      |                   |
| Emergency Authorizations   | 105,000              | 105,000              | 105,000              |                   |
| Special Emergency Authorizations - 5 Years (N.J.S. 40A:4-55)             | <u>18,000</u>        | <u>18,000</u>        | <u>18,000</u>        | <u>-</u>          |
|  |                      |                      |                      | <u>-</u>          |
| Total Deferred Charges   | <u>123,000</u>       | <u>123,000</u>       | <u>123,000</u>       | <u>-</u>          |
|  |                      |                      |                      | <u>-</u>          |
| Total General Appropriations for Municipal Purposes Excluded from "CAPS" | <u>2,481,055</u>     | <u>2,518,754</u>     | <u>2,324,909</u>     | <u>\$ 188,127</u> |
|  |                      |                      | <u>\$ 188,127</u>    | <u>5,718</u>      |
| Subtotal General Appropriations  | 10,772,040           | 10,809,739           | 10,230,433           | 573,587           |
| Reserve for Uncollected Taxes  | <u>450,000</u>       | <u>450,000</u>       | <u>450,000</u>       | <u>-</u>          |
|  |                      |                      |                      | <u>-</u>          |
| Total General Appropriations   | <u>\$ 11,222,040</u> | <u>\$ 11,259,739</u> | <u>\$ 10,680,433</u> | <u>\$ 573,587</u> |
|  |                      |                      | <u>\$ 573,587</u>    | <u>\$ 5,719</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, 2013**

|   | <u>Reference</u> | <u>Budget After<br/>Modification</u> | <u>Expended<br/>Paid or<br/>Charged</u> |
|---|------------------|--------------------------------------|---|
| Budget as Adopted                       | A-3              | \$ 11,222,040                        |   |
| Added by N.J.S.A. 40A:4-87              | A-2              | <u>37,699</u>                        |   |
|   |                  | <u>\$ 11,259,739</u>                 |   |
| Cash Disbursed                          | A-4              |                                      | \$ 9,874,880                            |
| Emergency Authorizations                | A-11             |                                      | 105,000                                 |
| Special Emergency Authorizations        | A-10             |                                      | 18,000                                  |
| Reserve for Uncollected Taxes           | A-2              |                                      | 450,000                                 |
| Transfer to Appropriated Grants Reserve | A-22             |                                      | 9,787                                   |
| Encumbrances Payable                    | A-16             |                                      | <u>222,766</u>                          |
|   |                  |                                      | <u>\$ 10,680,433</u>                    |

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

|   | <u>Reference</u> | <u>2013</u>             | <u>2012</u>             |
|---|------------------|-------------------------|-------------------------|
| <b>ASSETS</b>   |                  |                         |                         |
| <b>ANIMAL CONTROL TRUST FUND</b>  |                  |                         |                         |
| Cash  | B-1              | \$ 8,321                | \$ 8,457                |
| Due from Other Trust Fund (Recreation)                                    | B-4              | <u>10</u>               | <u>-</u>                |
|   |                  | <u>8,331</u>            | <u>8,457</u>            |
| <b>OTHER TRUST FUND</b>   |                  |                         |                         |
| Cash  | B-1              | 872,094                 | 616,805                 |
| Other Accounts Receivable   | B-15             | <u>27,290</u>           | <u>-</u>                |
|   |                  | <u>899,384</u>          | <u>616,805</u>          |
| <b>HOUSING TRUST FUND</b>   |                  |                         |                         |
| Cash and Cash Equivalents   | B-1              | <u>173,680</u>          | <u>160,880</u>          |
| <b>UNEMPLOYMENT INSURANCE TRUST FUND</b>                                  |                  |                         |                         |
| Cash  | B-1              | <u>38,242</u>           | <u>30,238</u>           |
| <b>LENGTH OF SERVICE AWARD PROGRAM (LOSAP) TRUST<br/>FUND (UNAUDITED)</b> |                  |                         |                         |
| Investments   | B                | 611,436                 | 509,968                 |
| Due from Other Trust Fund   | B-14             | 28,405                  | 28,405                  |
| Contribution Receivable   | B                | <u>54,050</u>           | <u>57,500</u>           |
|   |                  | <u>693,891</u>          | <u>595,873</u>          |
| <br>Total Assets  |                  | <br><u>\$ 1,813,528</u> | <br><u>\$ 1,412,253</u> |

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

|   | <u>Reference</u> | <u>2012</u>         | <u>2012</u>         |
|---|------------------|---------------------|---------------------|
| <b>LIABILITIES, RESERVES AND FUND BALANCE</b>                         |                  |                     |                     |
| <b>ANIMAL CONTROL TRUST FUND</b>                                      |                  |                     |                     |
| Reserve for Animal Control Expenditures                               | B-5              | \$ 8,331            | \$ 5,656            |
| Due to Current Fund   | B-3              | <u>-</u>            | <u>2,801</u>        |
|   |                  | <u>8,331</u>        | <u>8,457</u>        |
| <b>OTHER TRUST FUND</b>   |                  |                     |                     |
| Due to LOSAP Trust Fund   | B-14             | 28,405              | 28,405              |
| Due to Current Fund   | B-7              | 3,523               |                     |
| Due to Animal Control Fund  | B-4              | 10                  |                     |
| Reserve for Accrued Payroll   | B-9              | 1,994               | 3,142               |
| Reserve for Payroll Deductions Payable                                | B-10             | 52,515              | 26,269              |
| Reserve for Escrow and Miscellaneous Reserves                         | B-6              | 655,210             | 460,737             |
| Reserve for Accumulated Absences                                      | B-8              | <u>157,727</u>      | <u>98,252</u>       |
|   |                  | <u>899,384</u>      | <u>616,805</u>      |
| <b>HOUSING TRUST FUND</b>   |                  |                     |                     |
| Reserve for Housing Trust Expenditures                                | B-11             | <u>173,680</u>      | <u>160,880</u>      |
| <b>UNEMPLOYMENT INSURANCE TRUST FUND</b>                              |                  |                     |                     |
| Due to State of New Jersey  | B-13             |                     | 178                 |
| Reserve for Unemployment Insurance Trust Claims                       | B-12             | <u>38,242</u>       | <u>30,060</u>       |
|   |                  | <u>38,242</u>       | <u>30,238</u>       |
| <b>LENGTH OF SERVICE AWARD PROGRAM (LOSAP) TRUST FUND (UNAUDITED)</b> |                  |                     |                     |
| Reserve for LOSAP Contributions                                       | B                | <u>693,891</u>      | <u>595,873</u>      |
| Total Liabilities, Reserves and Fund Balance                          |                  | <u>\$ 1,813,528</u> | <u>\$ 1,412,253</u> |

See Accompanying Notes to Financial Statements

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

|   | <u>Reference</u> | <u>2013</u>              | <u>2012</u>             |
|---|------------------|--------------------------|-------------------------|
| <b>ASSETS</b>                                     |                  |                          |                         |
| Cash  | C-2,C-3          | \$ 1,427,282             | \$ 414,179              |
| Grants Receivable                                 | C-6              | 413,138                  | 310,449                 |
| Due from Current Fund                             | C-4              |                          | 6,740                   |
| Deferred Charges to Future Taxation               |                  |                          |                         |
| Funded  | C-7              | 8,607,361                | 5,506,431               |
| Unfunded  | C-8              | <u>900</u>               | <u>2,083,900</u>        |
| <br>Total Assets                                  |                  | <br><u>\$ 10,448,681</u> | <br><u>\$ 8,321,699</u> |
| <br><b>LIABILITIES, RESERVES AND FUND BALANCE</b> |                  |                          |                         |
| General Serial Bonds Payable                      | C-14             | \$ 7,238,000             | \$ 3,980,000            |
| Intergovernmental Loans Payable                   | C-15             | 1,369,361                | 1,526,431               |
| Bond Anticipation Notes Payable                   | C-13             |                          | 2,067,400               |
| Improvement Authorizations                        |                  |                          |                         |
| Funded  | C-10             | 1,543,327                | 216,537                 |
| Unfunded  | C-10             | 900                      | 336,295                 |
| Contracts Payable                                 | C-11             | 270,466                  | 178,244                 |
| Capital Improvement Fund                          | C-9              | 802                      | 802                     |
| Reserve for Payment of Debt                       | C-12             | 16,575                   |                         |
| Miscellaneous Reserves                            | C-5              | 500                      | 500                     |
| Reserve for Capital Projects                      | C-16             | 8,750                    | 8,750                   |
| Fund Balance                                      | C-1              | <u>-</u>                 | <u>6,740</u>            |
| <br>Total Liabilities, Reserves and Fund Balance  |                  | <br><u>\$ 10,448,681</u> | <br><u>\$ 8,321,699</u> |

There were bonds and notes authorized but not issued on December 31, 2013 and 2012 in the amount of \$900 and \$16,500, respectively (Exhibit C-17).

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

|   | <u>Reference</u> | <u>2013</u>  | <u>2012</u>     |
|---|------------------|--------------|-----------------|
| Balance, January 1                        | C                | \$ 6,740     | \$ 701          |
| Increased by:                             |                  |              |                 |
| Premium on Issuance of Bonds              | C-1              | <u>-</u>     | <u>6,740</u>    |
|   |                  | 6,740        | 7,441           |
| Decreased by:                             |                  |              |                 |
| Realized as Current Fund Budgeted Revenue | C-4              | <u>6,740</u> | <u>701</u>      |
| Balance, December 31                      | C                | <u>\$ -</u>  | <u>\$ 6,740</u> |

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

|  | <u>Reference</u> | <u>2013</u> | <u>2012</u>     |
|--|------------------|-------------|-----------------|
| <b>ASSETS</b>                              |                  |             |                 |
| Cash                                       | D-1              | <u>\$ -</u> | <u>\$ 8,176</u> |
| <b>LIABILITIES AND RESERVES</b>            |                  |             |                 |
| Reserve for Public Assistance Expenditures | D-2              | <u>\$ -</u> | <u>\$ 8,176</u> |

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

|  | <u>2013</u>                  | <u>2012</u>                  |
|--|------------------------------|------------------------------|
| General Fixed Assets                       |                              |                              |
| Land                                       | \$ 11,161,700                | \$ 11,161,700                |
| Building and Building Improvements         | 2,421,522                    | 2,421,522                    |
| Machinery and Equipment                    | <u>5,803,725</u>             | <u>5,737,734</u>             |
| <br>Total General Fixed Assets             | <br><u>\$ 19,386,947</u>     | <br><u>\$ 19,320,956</u>     |
| <br><br>Investment in General Fixed Assets | <br><br><u>\$ 19,386,947</u> | <br><br><u>\$ 19,320,956</u> |

**NOTES TO FINANCIAL STATEMENTS**

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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, Emerson Volunteer Fire Department and Emerson Volunteer Ambulance Corps, which are considered component units under GAAP. Complete financial statements of the above component units can be obtained by contacting the Treasurer of the respective entity.

**B. Description of Regulatory Basis of Accounting**

The financial statements of the Borough of 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.

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

The Borough has the following funds and account group:

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

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

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

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

*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.

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

**Financial Statements – Regulatory Basis**

The GASB Codification also requires the financial statements of a governmental unit to be presented in the basic financial statements in accordance with GAAP. The Borough presents the regulatory basis financial statements listed in the table of contents which are required by the Division and which differ from the basic financial statements required by GAAP. In addition, the Division requires the regulatory basis financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from reporting requirements under GAAP.

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

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

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

The accounting and financial reporting treatment is determined by the accounting principles and practices prescribed by the Division in accordance with the regulatory basis of accounting. Measurement focus indicates the type of resources being measured. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Borough of 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:

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

**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. Fixed assets are defined by the Borough as assets with an initial, individual cost of \$1,000 and an estimated useful life in excess of two years.

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

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 and Buildings      | Assessed Value   |
| Machinery and Equipment | Replacement Cost |

No depreciation has been provided for in the financial statements.

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

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

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

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

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

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

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

Trust Funds  
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 2013 and 2012 the Borough Council increased the original budget by \$37,699 and \$140,600. The 2013 increase was funded by additional aid allotted to the Borough. The 2012 increase was funded by additional aid allotted to the Borough in the amount of \$35,600 and an emergency resolution of \$105,000 for storm damage resulting from Hurricane Sandy. In addition, the governing body approved several budget transfers during 2013 and 2012.

**NOTE 3 DEPOSITS AND INVESTMENTS**

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

**A. Deposits**

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

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

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

**A. Deposits (Continued)**

Bank balances for interest bearing accounts are insured up to \$250,000 in the aggregate by the FDIC for each bank. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, temporary unlimited deposit insurance coverage was provided for non-interest bearing accounts from December 31, 2010 through December 31, 2012. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2013 and 2012, the book value of the Borough's deposits were \$5,426,639 and \$3,561,066 and bank and brokerage firm balances of the Borough's deposits amounted to \$7,534,567 and \$3,828,470, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

| <u>Depository Account</u>    | <u>Bank Balance</u> |                     |
|------------------------------|---------------------|---------------------|
|                              | <u>2013</u>         | <u>2012</u>         |
| Insured                      | \$ 7,458,855        | \$ 3,752,801        |
| Uninsured and Collateralized | <u>75,712</u>       | <u>75,669</u>       |
|                              | <u>\$ 7,534,567</u> | <u>\$ 3,828,470</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, 2013 and 2012, the Borough's bank balances of \$75,712 and \$75,669 were exposed to custodial credit risk as follows:

|  | <u>2013</u>      | <u>2012</u>      |
|--|------------------|------------------|
| Uninsured and Collateral held by pledging financial institution's trust department not in the Borough's name | <u>\$ 75,712</u> | <u>\$ 75,669</u> |

**B. Investments**

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

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

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

**B. Investments (Continued)**

As of December 31, 2013 and 2012, the Borough had the following investments:

|                                 | Fair Value<br>(Unaudited) |             |
|---------------------------------|---------------------------|-------------|
|                                 | <u>2013</u>               | <u>2012</u> |
| Investment:                     |                           |             |
| Length of Service Award Program | \$ 611,436                | \$ 509,968  |

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Borough does not have a policy for custodial risk. As of December 31, 2013 and 2012, \$611,436 and \$509,968 of the Borough’s investments was exposed to custodial credit risk as follows:

|   | Fair Value<br>(LOSAP - Unaudited) |             |
|---|-----------------------------------|-------------|
|   | <u>2013</u>                       | <u>2012</u> |
| Uninsured and Collateralized  |                                   |             |
| Collateral held by pledging financial institution's trust<br>department but not in the Borough's name | \$ 611,436                        | \$ 509,968  |

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, 2013 and 2012, the Borough’s investment in Lincoln Financial Group was rated Baa1 and Baa2, respectively, by Moody’s Investors Service.

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

The fair value of the above-listed investment was based on quoted market prices.

Interest earned in the General Capital Fund, Public Assistance Trust Fund, Animal Control Trust Fund and Other Trust Fund 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, 2013 AND 2012**

**NOTE 4 TAXES RECEIVABLE**

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

|                 | <u>2013</u>       | <u>2012</u>       |
|-----------------|-------------------|-------------------|
| <u>Current</u>  |                   |                   |
| Property Taxes  | \$ 208,355        | \$ 244,939        |
| Tax Title Liens | <u>70,743</u>     | <u>42,953</u>     |
|                 | <u>\$ 279,098</u> | <u>\$ 287,892</u> |

In 2013 and 2012, the Borough collected \$239,334 and \$244,911 from delinquent taxes, which represented 83% and 88% of the prior year delinquent taxes receivable balance.

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

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

|                      | <u>2013</u>                     |                               | <u>2012</u>                     |                               |
|----------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
|                      | <u>Due from<br/>Other Funds</u> | <u>Due to<br/>Other Funds</u> | <u>Due from<br/>Other Funds</u> | <u>Due to<br/>Other Funds</u> |
| Current Fund         | \$ 3,523                        |                               | \$ 2,801                        | \$ 6,740                      |
| Animal Control Fund  | 10                              |                               |                                 | 2,801                         |
| LOSAP Trust Fund     | 28,405                          |                               | 28,405                          |                               |
| General Capital Fund |                                 |                               | 6,740                           |                               |
| Other Trust Fund     | <u>-</u>                        | <u>\$ 31,938</u>              | <u>-</u>                        | <u>28,405</u>                 |
| Total                | <u>\$ 31,938</u>                | <u>\$ 31,938</u>              | <u>\$ 37,946</u>                | <u>\$ 37,946</u>              |

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.

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

**NOTE 6 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS**

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

|   | <u>Balance<br/>December 31,</u> | <u>Subsequent Year<br/>Budget<br/>Appropriation</u> | <u>Balance to<br/>Succeeding<br/>Budgets</u> |
|---|---------------------------------|---|--|
| <b><u>2013</u></b>                          |                                 |   |  |
| Current Fund                                |                                 |   |  |
| Special Emergency Authorizations (40A:4-55) | \$ 36,000                       | \$ 18,000   | \$ 18,000                                    |
|   | <u>\$ 36,000</u>                | <u>\$ 18,000</u>                                    | <u>\$ 18,000</u>                             |
| <br>  |                                 |   |  |
| <b><u>2012</u></b>                          |                                 |   |  |
| Current Fund                                |                                 |   |  |
| Emergency Authorizations                    | \$ 105,000                      | \$ 105,000  |  |
| Special Emergency Authorizations (40A:4-55) | <u>54,000</u>                   | <u>18,000</u>                                       | <u>\$ 36,000</u>                             |
|   | <u>\$ 159,000</u>               | <u>\$ 123,000</u>                                   | <u>\$ 36,000</u>                             |

**NOTE 7 DEFERRED SCHOOL TAXES**

Under the regulatory basis of accounting, regulations allow for the deferral to fund balance 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>2013</u>                  | <u>2012</u>       |
| Balance of Tax     | \$ 8,640,003                 | \$ 8,460,003      |
| Deferred Liability | <u>8,340,003</u>             | <u>8,340,003</u>  |
| Taxes Payable      | <u>\$ 300,000</u>            | <u>\$ 120,000</u> |

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

**NOTE 8 FUND BALANCES APPROPRIATED**

Under the regulatory basis of accounting, fund balance 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<br>Balance<br>December 31,<br><u>2013</u> | Utilized<br>in Subsequent<br>Year's Budget | Fund<br>Balance<br>December 31,<br><u>2012</u> | Utilized<br>in Subsequent<br>Year's Budget |
|------------------|--|--|--|--|
| Current Fund     |  |  |  |  |
| Cash Surplus     | \$ 1,325,018                                   | \$ 625,000                                 | \$ 1,015,301                                   | \$ 550,000                                 |
| Non-Cash Surplus | <u>59,227</u>                                  | <u>-</u>                                   | <u>203,744</u>                                 | <u>-</u>                                   |
|                  | <u>\$ 1,384,245</u>                            | <u>\$ 625,000</u>                          | <u>\$ 1,219,045</u>                            | <u>\$ 550,000</u>                          |

**NOTE 9 FIXED ASSETS**

**General Fixed Assets**

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

|                                     | Balance<br>January 1,<br><u>2013</u> | <u>Additions</u>  | <u>Retirements</u> | Balance,<br>December 31,<br><u>2013</u> |
|-------------------------------------|--------------------------------------|-------------------|--------------------|---|
| <u>2013</u>                         |                                      |                   |                    |   |
| Land                                | \$ 11,161,700                        |                   |                    | \$ 11,161,700                           |
| Buildings and Building Improvements | 2,421,522                            |                   |                    | 2,421,522                               |
| Machinery and Equipment             | <u>5,737,734</u>                     | \$ 192,991        | \$ 127,000         | <u>5,803,725</u>                        |
|                                     | <u>\$ 19,320,956</u>                 | <u>\$ 192,991</u> | <u>\$ 127,000</u>  | <u>\$ 19,386,947</u>                    |
|                                     |                                      |                   |                    |   |
|                                     | Balance<br>January 1,<br><u>2012</u> | <u>Additions</u>  | <u>Retirements</u> | Balance,<br>December 31,<br><u>2012</u> |
| <u>2012</u>                         |                                      |                   |                    |   |
| Land                                | \$ 11,161,700                        |                   |                    | \$ 11,161,700                           |
| Buildings and Building Improvements | 2,421,522                            |                   |                    | 2,421,522                               |
| Machinery and Equipment             | <u>5,416,754</u>                     | \$ 390,475        | \$ 69,495          | <u>5,737,734</u>                        |
|                                     | <u>\$ 18,999,976</u>                 | <u>\$ 390,475</u> | <u>\$ 69,495</u>   | <u>\$ 19,320,956</u>                    |

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

**NOTE 10 MUNICIPAL DEBT**

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

The Borough's debt is summarized as follows:

|   | <u>2013</u>         | <u>2012</u>         |
|---|---------------------|---------------------|
| Issued  |                     |                     |
| General   |                     |                     |
| Bonds, Notes and Loans                                      | \$ 8,607,361        | \$ 7,573,831        |
| Less Funds Temporarily Held to<br>Pay Bonds and Notes       | <u>16,575</u>       | <u>-</u>            |
| Net Debt Issued   | 8,590,786           | 7,573,831           |
| Authorized But Not Issued                                   |                     |                     |
| General   |                     |                     |
| Bonds and Notes   | <u>900</u>          | <u>16,500</u>       |
| Net Bonds and Notes Issued and Authorized<br>But Not Issued | <u>\$ 8,591,686</u> | <u>\$ 7,590,331</u> |

**Statutory Net Debt**

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of .672% and .576% at December 31, 2013 and 2012, respectively.

|              | <u>Gross Debt</u>   | <u>Deductions</u> | <u>Net Debt</u>     |
|--------------|---------------------|-------------------|---------------------|
| <u>2013</u>  |                     |                   |                     |
| General Debt | <u>\$ 8,608,261</u> | <u>\$ 16,575</u>  | <u>\$ 8,591,686</u> |
| Total        | <u>\$ 8,608,261</u> | <u>\$ 16,575</u>  | <u>\$ 8,591,686</u> |
|              | <u>Gross Debt</u>   | <u>Deductions</u> | <u>Net Debt</u>     |
| <u>2012</u>  |                     |                   |                     |
| General Debt | <u>\$ 7,590,331</u> | <u>\$ -</u>       | <u>\$ 7,590,331</u> |
| Total        | <u>\$ 7,590,331</u> | <u>\$ -</u>       | <u>\$ 7,590,331</u> |

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

**NOTE 10 MUNICIPAL DEBT (Continued)**

**Statutory Borrowing Power**

The Borough's remaining borrowing power under N.J.S. 40A:2-6, as amended, at December 31, was as follows:

|   | <u>2013</u>                       | <u>2012</u>                       |
|---|-----------------------------------|-----------------------------------|
| 3-1/2% of Equalized Valuation Basis (Municipal)<br>Net Debt | \$ 44,745,687<br><u>8,591,686</u> | \$ 46,051,183<br><u>7,590,331</u> |
| Remaining Borrowing Power                                   | <u>\$ 36,154,001</u>              | <u>\$ 38,460,852</u>              |

**A. Long-Term Debt**

The Borough's long-term debt consisted of the following at December 31:

**General Obligation Bonds**

The Borough levies ad valorem taxes to pay debt service on general obligation bonds. General obligation bonds outstanding at December 31 are as follows:

|   | <u>2013</u>         | <u>2012</u>         |
|---|---------------------|---------------------|
| \$2,053,000, 2003 Bonds, due in annual<br>installments of \$165,000 to \$168,000<br>through October, 2018 interest at 3.50% to 4.125% | \$ 828,000          | \$ 988,000          |
| \$2,030,000, 2007 Bonds, due in annual<br>installments of \$200,000 to \$210,000<br>through August, 2019 interest at 4.0% to 4.10%    | 1,210,000           | 1,410,000           |
| \$1,697,000, 2010 Bonds, due in annual<br>installments of \$90,000 to \$517,000<br>through October, 2020 interest at 2.0% to 3.0%     | 1,502,000           | 1,582,000           |
| \$3,698,000, 2013 Bonds, due in annual<br>installments of \$195,000 to \$390,000<br>through December, 2026 interest at 2.0% to 3.0%   | <u>3,698,000</u>    | <u>-</u>            |
|   | <u>\$ 7,238,000</u> | <u>\$ 3,980,000</u> |

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

**NOTE 10 MUNICIPAL DEBT (Continued)**

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

**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>2013</u>         | <u>2012</u>         |
|---|---------------------|---------------------|
| \$2,800,000, 2001 Loan, due in annual installments of \$149,230 to \$171,536 through September, 2021, interest at 2.00% | \$ 1,281,286        | \$ 1,427,575        |
| \$200,000, 2001 Loan, due in annual installments of \$6,290 to \$12,393 through March, 2021, interest at 2.00%          | <u>88,075</u>       | <u>98,856</u>       |
|   | <u>\$ 1,369,361</u> | <u>\$ 1,526,431</u> |

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

| Calendar<br><u>Year</u> | <u>Serial Bonds</u> |                     | <u>Loans</u>        |                   | <u>Total</u>        |
|-------------------------|---------------------|---------------------|---------------------|-------------------|---------------------|
|                         | <u>Principal</u>    | <u>Interest</u>     | <u>Principal</u>    | <u>Interest</u>   |                     |
| 2014                    | \$ 650,000          | \$ 210,332          | \$ 160,228          | \$ 26,590         | \$ 1,047,150        |
| 2015                    | 670,000             | 190,362             | 163,448             | 23,370            | 1,047,180           |
| 2016                    | 690,000             | 169,827             | 166,733             | 20,084            | 1,046,644           |
| 2017                    | 715,000             | 148,728             | 170,085             | 16,733            | 1,050,546           |
| 2018                    | 728,000             | 126,753             | 173,503             | 13,314            | 1,041,570           |
| 2019-2023               | 2,622,000           | 346,418             | 535,364             | 18,736            | 3,522,518           |
| 2024-2026               | <u>1,163,000</u>    | <u>69,870</u>       | <u>-</u>            | <u>-</u>          | <u>1,232,870</u>    |
|                         | <u>\$ 7,238,000</u> | <u>\$ 1,262,290</u> | <u>\$ 1,369,361</u> | <u>\$ 118,827</u> | <u>\$ 9,988,478</u> |

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

**NOTE 10 MUNICIPAL DEBT (Continued)**

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

**Changes in Long-Term Municipal Debt**

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

|   | Balance,<br>January 1,<br><u>2013</u> | <u>Additions</u>    | <u>Reductions</u> | Balance,<br>December 31,<br><u>2013</u> | Due<br>Within<br><u>One Year</u> |
|---|---------------------------------------|---------------------|-------------------|---|----------------------------------|
| <u>2013</u>                                   |                                       |                     |                   |   |                                  |
| General Capital Fund                          |                                       |                     |                   |   |                                  |
| Bonds Payable                                 | \$ 3,980,000                          | \$ 3,698,000        | \$ 440,000        | \$ 7,238,000                            | \$ 650,000                       |
| Intergovernmental Loans Payable               | <u>1,526,431</u>                      | <u>-</u>            | <u>157,070</u>    | <u>1,369,361</u>                        | <u>160,228</u>                   |
| General Capital Fund Long-Term<br>Liabilities | <u>\$ 5,506,431</u>                   | <u>\$ 3,698,000</u> | <u>\$ 597,070</u> | <u>\$ 8,607,361</u>                     | <u>\$ 810,228</u>                |
|   | Balance,<br>January 1,<br><u>2012</u> | <u>Additions</u>    | <u>Reductions</u> | Balance,<br>December 31,<br><u>2012</u> | Due<br>Within<br><u>One Year</u> |
| <u>2012</u>                                   |                                       |                     |                   |   |                                  |
| General Capital Fund                          |                                       |                     |                   |   |                                  |
| Bonds Payable                                 | \$ 4,405,000                          |                     | \$ 425,000        | \$ 3,980,000                            | \$ 440,000                       |
| Intergovernmental Loans Payable               | <u>1,680,407</u>                      | <u>-</u>            | <u>153,976</u>    | <u>1,526,431</u>                        | <u>157,070</u>                   |
| General Capital Fund Long-Term<br>Liabilities | <u>\$ 6,085,407</u>                   | <u>\$ -</u>         | <u>\$ 578,976</u> | <u>\$ 5,506,431</u>                     | <u>\$ 597,070</u>                |

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

**NOTE 10 MUNICIPAL DEBT (Continued)**

**B. Short-Term Debt**

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

**Bond Anticipation Notes**

| <u>Purpose</u>   | <u>Rate (%)</u> | <u>Maturity Date</u> | <u>Balance, December 31, 2012</u> | <u>Renewed/ Issued</u> | <u>Retired/ Redeemed</u> | <u>Balance, December 31, 2013</u> |
|--|-----------------|----------------------|-----------------------------------|------------------------|--------------------------|-----------------------------------|
| <b><u>2013</u></b>                                       |                 |                      |                                   |                        |                          |                                   |
| <b><u>General Capital Fund</u></b>                       |                 |                      |                                   |                        |                          |                                   |
| Various General Improvements                             | 1.25%           | 11/8/2013            | \$ 1,116,650                      |                        | \$ 1,116,650             |                                   |
| Various General Improvements                             | 1.00%           | 12/20/2013           |                                   | \$ 1,116,650           | 1,116,650                |                                   |
| Various Public Improvements                              | 1.25%           | 11/8/2013            | 452,000                           |                        | 452,000                  |                                   |
| Various Public Improvements                              | 1.00%           | 12/20/2013           |                                   | 452,000                | 452,000                  |                                   |
| Various Public Improvements and Acquisition of Equipment | 1.25%           | 11/8/2013            | 498,750                           |                        | 498,750                  |                                   |
| Various Public Improvements and Acquisition of Equipment | 1.00%           | 12/20/2013           | -                                 | 498,750                | 498,750                  | -                                 |
| Total Bond Anticipation Notes Payable                    |                 |                      | <u>\$ 2,067,400</u>               | <u>\$ 2,067,400</u>    | <u>\$ 4,134,800</u>      | <u>\$ -</u>                       |

| <u>Purpose</u>   | <u>Rate (%)</u> | <u>Maturity Date</u> | <u>Balance, December 31, 2011</u> | <u>Renewed/ Issued</u> | <u>Retired/ Redeemed</u> | <u>Balance, December 31, 2012</u> |
|--|-----------------|----------------------|-----------------------------------|------------------------|--------------------------|-----------------------------------|
| <b><u>2012</u></b>                                       |                 |                      |                                   |                        |                          |                                   |
| <b><u>General Capital Fund</u></b>                       |                 |                      |                                   |                        |                          |                                   |
| Various General Improvements                             | 1.25%           | 11/8/2013            | \$ 1,116,650                      | \$ 1,116,650           | \$ 1,116,650             | \$ 1,116,650                      |
| Various Public Improvements                              | 1.25%           | 11/8/2013            |                                   | 452,000                |                          | 452,000                           |
| Various Public Improvements and Acquisition of Equipment | 1.25%           | 11/8/2013            | -                                 | 498,750                | -                        | 498,750                           |
| Total Bond Anticipation Notes Payable                    |                 |                      | <u>\$ 1,116,650</u>               | <u>\$ 2,067,400</u>    | <u>\$ 1,116,650</u>      | <u>\$ 2,067,400</u>               |

The purpose of these short-time borrowings was to provide resources for capital construction, acquisitions or improvement projects and other purposes permitted by State Local Bond Law NJSA 40A:2 et. seq. The amounts issued for governmental activities are accounted for in the General Capital Fund.

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

**NOTE 10 MUNICIPAL DEBT (Continued)**

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

**Bond Anticipation Notes (Continued)**

State law requires that notes are to be issued for a period not exceeding one year and may be renewed from time to time for additional periods, none of which shall exceed one year. All bond anticipation notes, including renewals, shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original notes. In addition any note renewed beyond the third anniversary date of the original note, requires one legally payable installment to be paid.

**NOTE 11 CONSTRUCTION COMMITMENTS**

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

| <u>2013</u><br><u>Capital Projects</u> | <u>Construction</u><br><u>Commitment</u> | <u>Date of</u><br><u>Completion</u> |
|--|--|-------------------------------------|
| 2013 Road Resurfacing                  | \$ 71,863                                | 2014                                |
| Lighting Detection System              | 24,000                                   | 2014                                |
| Sanitary Sewer System Improvements     | 27,817                                   | 2014                                |

| <u>2012</u><br><u>Capital Projects</u> | <u>Construction</u><br><u>Commitment</u> | <u>Estimated</u><br><u>Date of</u><br><u>Completion</u> |
|--|--|---|
| Lincoln Ave./Improvements              | \$ 38,434                                | 2013  |
| Sanitary Sewer System Improvements     | 27,817                                   | 2013  |

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

**NOTE 12 OTHER LONG-TERM LIABILITIES**

**A. Compensated Absences**

Under the existing policies and labor agreements of the Borough, employees are allowed to accumulate (with certain restrictions) unused vacation benefits, personal and sick leave over the life of their working careers and to redeem such unused leave time in cash (with certain limitations) upon death, retirement or by extended absence immediately preceding retirement.

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 twenty-seven (27) weeks terminal leave with pay hired before January 1, 2013. Members of the Police Department hired on or after January 1, 2013 shall be entitled to twenty-six (26) weeks of terminal leave with pay who have less than twenty-six (26) years of service. Members with twenty-six (26) completed years of service, but less than thirty (30) completed years of service shall be entitled to thirteen (13) weeks of terminal leave with pay. Members with thirty (30) or more completed years of service shall not be entitled to terminal leave.

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$450,723 and \$409,552 at December 31, 2013 and 2012, 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, 2013 and 2012, the Borough has reserved in the Other Trust Fund \$157,727 and \$98,252, respectively, to fund compensated absences in accordance with NJSA 40A:4-39.

**B. Deferred Pension Obligation**

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 deferred liability including accrued interest (at 8.25%) at December 31, 2013 and 2012 is \$326,059 and \$337,893, respectively.

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

**NOTE 12 OTHER LONG-TERM LIABILITIES (Continued)**

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

**Changes in Other Long-Term Liabilities**

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

|                             | Balance,<br>December 31,<br><u>2012</u> | <u>Additions</u> | <u>Reductions</u> | Balance,<br>December 31,<br><u>2013</u> |
|-----------------------------|---|------------------|-------------------|---|
| <b><u>2013</u></b>          |   |                  |                   |   |
| Compensated Absences        | \$ 409,552                              | \$ 41,171        |                   | \$ 450,723                              |
| Deferred Pension Obligation | <u>337,893</u>                          | <u>27,876</u>    | <u>\$ 39,710</u>  | <u>326,059</u>                          |
| Other Long-Term Liabilities | <u>\$ 747,445</u>                       | <u>\$ 69,047</u> | <u>\$ 39,710</u>  | <u>\$ 776,782</u>                       |
| <br>                        |   |                  |                   |   |
|                             | Balance,<br>December 31,<br><u>2011</u> | <u>Additions</u> | <u>Reductions</u> | Balance,<br>December 31,<br><u>2012</u> |
| <b><u>2012</u></b>          |   |                  |                   |   |
| Compensated Absences        | \$ 554,271                              |                  | \$ 144,719        | \$ 409,552                              |
| Deferred Pension Obligation | <u>344,841</u>                          | <u>32,429</u>    | <u>39,377</u>     | <u>337,893</u>                          |
| Other Long-Term Liabilities | <u>\$ 899,112</u>                       | <u>\$ 32,429</u> | <u>\$ 184,096</u> | <u>\$ 747,445</u>                       |

**NOTE 13 EMPLOYEE RETIREMENT SYSTEMS**

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

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

**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.

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

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

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

**Defined Contribution Retirement Program (DCRP)** – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership. This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees (Tier 2) of the PFRS and new employers who would otherwise be eligible to participate in PERS and do not work the minimum required hours but earn a base salary of at least \$5,000 are eligible for participation in the DCRP.

**Other Pension Funds**

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

The cost of living increase for PFRS and PERS are funded directly by each of the respective systems, but are currently suspended as a result of reform legislation.

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

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

**Basis of Accounting**

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

**Significant Legislation**

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

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

- For new members of PERS hired on or after June 28, 2011 (Tier 5 members), the years of creditable service needed for early retirement benefits increased from 25 to 30 years and the early retirement age increased from 55 to 65. The eligibility age to qualify for a service retirement in the PERS increased from age 62 to 65 for Tier 5 members.

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

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

**Significant Legislation (Continued)**

- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), decreased from 65 percent of final compensation to 60 percent of final compensation after 25 years of service and from 70 percent of final compensation to 65 percent of final compensation after 30 or more years of service.
- It increased the active member contribution rates as follows: PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years; PFRS active member rates increase from 8.5 percent to 10 percent. For Fiscal Year 2013, the PERS member contribution rate was 6.64%. The phase-in of the additional incremental member contributions for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries was suspended. COLA increases may be reactivated at a future date as permitted by this law.
- It changed the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay method).

**Investment Valuation**

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

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

**Funded Status and Funding Progress**

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

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.

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

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

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

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

**Actuarial Methods and Assumptions**

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

**Employer and Employee Pension Contributions**

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 6.50% plus an additional 1% phased-in over 7 years beginning in July 2012 for PERS, 10.0% for PFRS and 5.50% for DCRP of employees' annual compensation. The member contribution for PERS was 6.64% in fiscal year 2013.

**Annual Pension Cost (APC)**

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2013 for PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended December 31, 2013, 2012 and 2011, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension contributions, deferred pension obligation contributions, and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

| <u>Year Ended</u><br><u>December 31</u> | <u>PFRS</u> | <u>PERS</u> |
|---|-------------|-------------|
| 2013                                    | \$ 506,311  | \$ 222,460  |
| 2012                                    | 537,463     | 207,382     |
| 2011                                    | 597,946     | 199,686     |

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

**NOTE 14 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 and MEL coverage amounts are on file with the Borough.

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

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

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

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<br/>December 31</u> | <u>Borough<br/>Contributions</u> | <u>Employee<br/>Contributions</u> | <u>Amount<br/>Reimbursed</u> | <u>Ending<br/>Balance</u> |
|-----------------------------------|----------------------------------|-----------------------------------|------------------------------|---------------------------|
| 2013                              | \$ 10,000                        | \$ 5,514                          | \$ 7,332                     | \$ 38,242                 |
| 2012                              | 10,000                           | 5,249                             | 19,789                       | 30,060                    |
| 2011                              | 10,000                           | 5,133                             | 18,713                       | 34,600                    |

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

**NOTE 15 CONTINGENT LIABILITIES**

The Borough is a party defendant in some lawsuits, none of a kind unusual for a municipality of its size and scope of operation. In the opinion of the Borough's Attorney, the potential claims against the Borough not covered by insurance policies would not materially affect the financial condition of the Borough.

**Pending Tax Appeals** - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2013 and 2012. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be material. As of December 31, 2013 and 2012, the Borough reserved \$195,043 and \$97,032, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years' budget or from fund balance.

**Federal and State Awards** - The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2013 and 2012, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

**NOTE 16 FEDERAL ARBITRAGE REGULATIONS**

The Borough is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2013 and 2012, the Borough has not estimated its estimated arbitrage earnings due to the IRS, if any.

**NOTE 17 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 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.

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

**NOTE 17 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED (Continued)**

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

The Borough of Emerson has contributed \$1,150 for both 2013 and 2012, for each eligible Emerson Volunteer Fire Department member and Emerson Volunteer Ambulance Corps 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 the administrator of the plan. The Borough's practical involvement in administering the plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the plan administrator.

**Vesting and Benefits**

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

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

**Reporting Requirements**

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

**NOTE 18 HURRICANE SANDY**

On October 29, 2012 Hurricane Sandy, the largest Atlantic hurricane on record made landfall in New Jersey and resulted in severe damage in numerous communities and a federal disaster was declared throughout the State. The Borough has incurred significant costs in the clean up and recovery from this federal disaster. The Federal Emergency Management Agency ("FEMA") provides emergency grant assistance (voluntary nonexchange transaction) to help government's cope with losses. Although the Borough has applied for reimbursement from FEMA, the total amount to be received in conjunction with this event is not considered to be measurable with sufficient reliability and therefore has not been recognized in the financial statements as of December 31, 2013. As of December 31, 2013, the Borough has received \$110,226 in FEMA reimbursements relating to Hurricane Sandy which have been reflected in the financial statements.

**CURRENT FUND**

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

|  |    |                   |                  |
|--|----|-------------------|------------------|
| Balance, January 1, 2013                                       |    | \$                | 2,321,971        |
| Increased by Receipts:   |    |                   |                  |
| Taxes Receivable   | \$ | 28,945,188        |                  |
| Petty Cash Returned  |    | 700               |                  |
| 2014 Prepaid Taxes   |    | 131,410           |                  |
| Tax Overpayments   |    | 29,656            |                  |
| Revenue Accounts Receivable                                    |    | 1,439,409         |                  |
| Non-Budget Revenue   |    | 170,144           |                  |
| Due from State of NJ - Senior Citizens and Veterans Deductions |    | 77,507            |                  |
| Grant Receivable   |    | 65,723            |                  |
| Unappropriated Grants  |    | 10,755            |                  |
| Receipts from General Capital Fund                             |    | 201               |                  |
| Receipts from Other Trust Fund                                 |    | 19,515            |                  |
| Receipts from Animal Control Trust Fund                        |    | 2,853             |                  |
| Receipts from Public Assistance Trust Fund                     |    | 8,221             |                  |
| Receipts from Construction Penalties                           |    | 11,327            |                  |
| Reserve for Insurance Reimbursement                            |    | 10,444            |                  |
| Reserve for the Performance of Marriage Licenses               |    | 200               |                  |
| Reserve for Tax Sale Lien Redemption                           |    | 261,142           |                  |
| Reserve for Tax Assessor Fees                                  |    | 350               |                  |
| Reserve for Prepaid Fees                                       |    | 2,250             |                  |
| Due to State of New Jersey - Marriage Licenses                 |    | 680               |                  |
| Due to State of New Jersey - DCA Fees                          |    | 8,169             |                  |
|  |    | <u>31,195,844</u> |                  |
|  |    |                   | 33,517,815       |
| Decreased by Disbursements:                                    |    |                   |                  |
| 2013 Budget Appropriation                                      |    | 9,874,880         |                  |
| 2012 Appropriation Reserves                                    |    | 161,757           |                  |
| Encumbrances Payable   |    | 283,788           |                  |
| Petty Cash Received  |    | 700               |                  |
| Local District School Taxes Payable                            |    | 17,184,797        |                  |
| County Taxes Payable   |    | 2,918,100         |                  |
| Reserve for Appropriated Grants                                |    | 28,092            |                  |
| Reserve for Tax Sale Lien Redemption                           |    | 122,951           |                  |
| Due to State of New Jersey - Marriage Licenses                 |    | 500               |                  |
| Due to State of New Jersey - DCA Fees                          |    | 10,013            |                  |
| Prior Year Revenue Refunds                                     |    | 30                |                  |
| Reserve for Reassessment of Real Property                      |    | 3,900             |                  |
| Reserve for Tax Assessor Fees                                  |    | 340               |                  |
| Payments of Construction Penalties                             |    | 4,531             |                  |
| Payments to Other Trust  |    | 16,776            |                  |
|  |    | <u>30,611,155</u> |                  |
| Balance, December 31, 2013                                     |    | \$                | <u>2,906,660</u> |

EXHIBIT A-5

**BOROUGH OF EMERSON  
STATEMENT OF CHANGE FUND**

| <u>Office</u>       | Balance,<br>January 1,<br>2013 | Balance,<br>December 31,<br>2013 |
|---------------------|--------------------------------|----------------------------------|
| Tax Collector       | \$ 160                         | \$ 160                           |
| Health Department   | 50                             | 50                               |
| Building Department | 50                             | 50                               |
| Municipal Court     | 100                            | 100                              |
|                     | <u>\$ 360</u>                  | <u>\$ 360</u>                    |

EXHIBIT A-6

**STATEMENT OF PETTY CASH FUND**

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

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

| Year | Balance,<br>January 1,<br>2012 | 2013<br>Levy  | Senior Citizens'<br>and<br>Veterans'<br>Deductions<br>Disallowed | 2012       | Collected by Cash<br>2013 | Senior Citizens'<br>and<br>Veterans'<br>Deductions<br>Allowed | Transfer to<br>Tax Title Liens<br>Cancelled | 5,605     | Balance,<br>December 31,<br>2013 |
|------|--------------------------------|---------------|--|------------|---------------------------|---|---|-----------|----------------------------------|
| 2012 | \$ 244,939                     |               |  | \$ 239,334 |                           |   | \$ 5,605                                    |           | 208,355                          |
| 2013 | -                              | \$ 29,368,882 | \$ 750   | \$ 301,715 | \$ 28,705,854             | \$ 78,750   | \$ 27,836                                   | \$ 47,122 | \$ 208,355                       |
|      | \$ 244,939                     | \$ 29,368,882 | \$ 750   | \$ 301,715 | \$ 28,945,188             | \$ 78,750   | \$ 27,836                                   | \$ 52,727 | \$ 208,355                       |

Analysis of 2013 Property Tax Levy

|  |               |
|--|---------------|
| Tax Yield                                      |               |
| General Purpose Tax                            | \$ 29,278,630 |
| Added Taxes (54:4-63.1 et seq.)                | <u>90,252</u> |
|  | \$ 29,368,882 |
| Tax Levy                                       |               |
| Local District School Tax (Abstract)           | \$ 17,364,797 |
| County Taxes                                   | \$ 2,886,320  |
| County Open Space Taxes                        | 31,780        |
| Due County for Added Taxes (54:4-63.1 et seq.) | <u>9,031</u>  |
|  | 2,927,131     |
| Local Tax for Municipal Purposes               | 8,566,281     |
| Minimum Library Tax                            | 424,574       |
| Add Additional Tax Levied                      | <u>86,099</u> |
|  | 9,076,954     |
|  | \$ 29,368,882 |

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

|   |    |              |               |
|---|----|--------------|---------------|
| Increased by:   |    |              |               |
| Senior Citizens' Deductions Per Tax Billings                          | \$ | 8,000        |               |
| Veterans' Deductions Per Tax Billings                                 |    | 69,750       |               |
| Senior Citizens' and Veterans' Deductions<br>Allowed by Tax Collector |    | <u>1,000</u> |               |
|   | \$ |              | 78,750        |
| Decreased by:   |    |              |               |
| Received from State of New Jersey                                     |    | 77,507       |               |
| Senior Citizens' Deductions Disallowed                                |    | <u>750</u>   |               |
|   |    |              | <u>78,257</u> |
| Balance, December 31, 2013  | \$ |              | <u>493</u>    |

EXHIBIT A-9

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

|                            |    |               |
|----------------------------|----|---------------|
| Balance, January 1, 2013   | \$ | <u>13,200</u> |
| Balance, December 31, 2013 | \$ | <u>13,200</u> |

**BOROUGH OF EMERSON  
STATEMENT OF DEFERRED CHARGES - SPECIAL EMERGENCY AUTHORIZATIONS**

|                               | <u>Amount</u><br><u>Authorized</u> | <u>1/5 of</u><br><u>Amount</u><br><u>Authorized</u> | <u>Balance,</u><br><u>January 1,</u><br><u>2013</u> | <u>Raised in</u><br><u>2013</u><br><u>Budget</u> | <u>Balance,</u><br><u>December 31,</u><br><u>2013</u> |
|-------------------------------|------------------------------------|---|---|--|---|
| Reassessment of Real Property | \$ 90,000                          | \$ 18,000   | <u>\$ 54,000</u>                                    | <u>\$ 18,000</u>                                 | <u>\$ 36,000</u>                                      |

**STATEMENT OF DEFERRED CHARGES - EMERGENCY AUTHORIZATIONS**

|                            |                |
|----------------------------|----------------|
| Balance, January 1, 2013   | \$ 105,000     |
| Decreased by:              |                |
| 2013 Budget Appropriation  | <u>105,000</u> |
| Balance, December 31, 2013 | <u>\$ -</u>    |

**STATEMENT OF TAX TITLE LIENS**

|                                |                  |
|--------------------------------|------------------|
| Balance, January 1, 2013       | \$ 42,953        |
| Increased by:                  |                  |
| Transfer from Taxes Receivable | <u>27,836</u>    |
|                                | 70,789           |
| Decreased by:                  |                  |
| Adjustment - Cancellation      | <u>46</u>        |
| Balance, December 31, 2013     | <u>\$ 70,743</u> |

**BOROUGH OF EMERSON**  
**STATEMENT OF REVENUE ACCOUNTS RECEIVABLE**

|  | Balance,<br>January 1,<br><u>2013</u> | Accrued<br>in <u>2013</u> | <u>Collected</u>    | Balance,<br>December 31,<br><u>2013</u> |
|--|---------------------------------------|---------------------------|---------------------|---|
| Borough Clerk                                  |                                       |                           |                     |   |
| Licenses                                       |                                       |                           |                     |   |
| Alcoholic Beverage                             |                                       | \$ 18,000                 | \$ 18,000           |   |
| Other  |                                       | 2,310                     | 2,310               |   |
| Fees and Permits                               |                                       | 1,521                     | 1,521               |   |
| Health Officer                                 |                                       |                           |                     |   |
| Licenses                                       |                                       | 10,000                    | 10,000              |   |
| Fees and Permits                               |                                       | 2,495                     | 2,495               |   |
| Construction Code Official                     |                                       |                           |                     |   |
| Fees and Permits                               |                                       | 209,649                   | 209,649             |   |
| Planning/Zoning Boards                         |                                       |                           |                     |   |
| Fees and Permits                               |                                       | 10,100                    | 10,100              |   |
| Police Department                              |                                       |                           |                     |   |
| Fees and Permits                               |                                       | 2,309                     | 2,309               |   |
| Municipal Court                                |                                       |                           |                     |   |
| Fines and Costs                                | \$ 7,207                              | 140,131                   | 138,599             | \$ 8,739                                |
| Interest and Costs on Taxes                    |                                       | 57,214                    | 57,214              |   |
| Interest on Investments and Deposits           |                                       | 9,244                     | 9,244               |   |
| Consolidated Municipal Property Tax Relief Aid |                                       | 9,415                     | 9,415               |   |
| Energy Receipts Tax                            |                                       | 610,490                   | 610,490             |   |
| Watershed Moratorium Offset Aid                |                                       | 18,189                    | 18,189              |   |
| Borough of Old Tappan Shared Service - Court   |                                       | 14,016                    | 14,016              |   |
| Sewer Service Fees                             |                                       | 12,040                    | 12,040              |   |
| Uniform Fire Safety Act                        |                                       | 26,847                    | 26,847              |   |
| Cable Television Franchise Fees                |                                       | 94,872                    | 94,872              |   |
| Cellular Tower Fees                            | -                                     | 192,099                   | 192,099             | -                                       |
|  | <u>\$ 7,207</u>                       | <u>\$ 1,440,941</u>       | <u>\$ 1,439,409</u> | <u>\$ 8,739</u>                         |
|  |                                       | Cash Receipts             | <u>\$ 1,439,409</u> |   |

**BOROUGH OF EMERSON  
STATEMENT OF GRANTS RECEIVABLE**

|                                      | Balance,<br>January 1,<br><u>2012</u> | <u>Accrued</u>   | <u>Received</u>                | Cancelled<br>Against<br><u>Operations</u> | Balance,<br>December 31,<br><u>2013</u> |
|--------------------------------------|---------------------------------------|------------------|--------------------------------|---|---|
| Municipal Alliance Program (2012)    | \$ 3,409                              |                  | \$ 3,409                       |   |   |
| Municipal Alliance Program (2013)    |                                       | \$ 9,876         | 6,030                          | \$ 1,874                                  | \$ 1,972                                |
| CDBG - Senior Center Improvement     | 41,335                                |                  | 41,335                         |   | -                                       |
| CDBG - Senior Activities (2012-2013) |                                       | 3,638            | 1,650                          | 1,988                                     | -                                       |
| CDBG - Senior Activities (2013-2014) |                                       | 3,274            |                                |   | 3,274                                   |
| CDBG - SC Flooring Rehab             |                                       | 17,488           |                                |   | 17,488                                  |
| Clean Communities Program            | -                                     | 13,299           | 13,299                         | -   | -                                       |
|                                      | <u>\$ 44,744</u>                      | <u>\$ 47,575</u> | <u>\$ 65,723</u>               | <u>\$ 3,862</u>                           | <u>\$ 22,734</u>                        |
|                                      |                                       |                  | Cash Receipts <u>\$ 65,723</u> |   |   |

**BOROUGH OF EMERSON  
STATEMENT OF 2012 APPROPRIATION RESERVES**

|                                     | Balance,<br>December 31,<br><u>2012</u> | Modified<br><u>Balance</u> | <u>Expended</u> | Balance<br><u>Lapsed</u> |
|-------------------------------------|---|----------------------------|-----------------|--------------------------|
| Salaries and Wages                  |   |                            |                 |                          |
| General Administration              | \$ 6                                    | \$ 6                       |                 | \$ 6                     |
| Mayor and Council                   |   | 6,000                      |                 | 6,000                    |
| Municipal Clerk                     | 1,076                                   | 1,076                      | \$ 1,076        | -                        |
| Financial Administration            | 2,101                                   | 2,101                      | 2,009           | 92                       |
| Revenue Administration              | 374                                     | 374                        |                 | 374                      |
| Tax Assessment Administration       | 4                                       | 4                          |                 | 4                        |
| Land Use Board                      | 2                                       | 2                          |                 | 2                        |
| Police Department                   | 3,046                                   | 3,046                      |                 | 3,046                    |
| Police Dispatch / 911               | 987                                     | 987                        |                 | 987                      |
| Aid to Volunteer Fire Companies     | 63                                      | 63                         |                 | 63                       |
| Uniform Fire Safety Act             | 5                                       | 5                          |                 | 5                        |
| Streets and Roads Maintenance       | 108,035                                 | 137,260                    | 36,772          | 100,488                  |
| Other Public Works Functions        |   |                            |                 |                          |
| Sewer Services                      | 10,347                                  | 2                          |                 | 2                        |
| Shade Tree - Advisory Committee     | 9                                       | 9                          |                 | 9                        |
| Vehicle Maintenance                 | 3,881                                   | 1                          |                 | 1                        |
| Public Health Services              | 15                                      | 15                         |                 | 15                       |
| Environmental Health Services       | 6                                       | 6                          |                 | 6                        |
| Recreation Services and Programs    | 6                                       | 6                          |                 | 6                        |
| Municipal Court                     | 141                                     | 141                        |                 | 141                      |
| Construction Code Official          | 263                                     | 263                        |                 | 263                      |
| NJPDES/Stormwater Permit Management | 1,422                                   | 1,422                      |                 | 1,422                    |
| Other Expenses                      |   |                            |                 |                          |
| General Administration              | 3,460                                   | 3,628                      |                 | 3,628                    |
| Mayor and Council                   | 757                                     | 757                        | 174             | 583                      |
| Municipal Clerk                     | 10,774                                  | 10,774                     | 931             | 9,843                    |
| Elections                           |   | 11                         |                 | 11                       |
| Financial Administration            | 2,283                                   | 4,438                      |                 | 4,438                    |
| Revenue Administration              | 536                                     | 536                        | 250             | 286                      |
| Tax Assessment Administration       | 4,976                                   | 4,976                      | 155             | 4,821                    |
| Legal Services and Costs            | 7,757                                   | 12,757                     | 6,252           | 6,505                    |
| Engineering Services and Costs      | 1,591                                   | 1,591                      | 600             | 991                      |
| Land Use Board                      | 11                                      | 48                         |                 | 48                       |
| Unemployment Insurance              | 3,226                                   | 3,226                      | 3               | 3,223                    |
| General Liability                   | 3,058                                   | 3,058                      |                 | 3,058                    |
| Workers Compensation                | 6,945                                   | 4,445                      |                 | 4,445                    |
| Employee Group Health               | 12,648                                  | 7,648                      |                 | 7,648                    |
| Police Department                   | 6,733                                   | 9,233                      | 7,245           | 1,988                    |
| Police Dispatch / 911               | 260                                     | 260                        |                 | 260                      |
| Office of Emergency Management      | 183                                     | 183                        |                 | 183                      |
| Aid to Volunteer Fire Companies     | 1,043                                   | 1,758                      |                 | 1,758                    |
| Aid to Volunteer Ambulance Corps.   | 1,018                                   | 1,018                      | 45              | 973                      |
| Fire Department                     | 1                                       | 1                          |                 | 1                        |
| Uniform Fire Safety                 | 1,435                                   | 1,435                      |                 | 1,435                    |
| Streets and Roads Maintenance       | 10,857                                  | 17,254                     |                 | 17,254                   |

**BOROUGH OF EMERSON**  
**STATEMENT OF 2012 APPROPRIATION RESERVES**

|   | Balance,<br>December 31,<br><u>2012</u> | Modified<br><u>Balance</u> | <u>Expended</u>   | Balance<br><u>Lapsed</u> |
|---|---|----------------------------|-------------------|--------------------------|
| Other Expenses (Continued)                        |   |                            |                   |                          |
| Other Public Works Functions                      |   |                            |                   |                          |
| Sewer Services                                    | \$ 7,658                                | \$ 12,658                  | \$ 2,046          | \$ 10,612                |
| Shade Tree - Advisory Committee                   | 8                                       | 8                          |                   | 8                        |
| Solid Waste Collection                            | 2,893                                   | 2,893                      |                   | 2,893                    |
| Buildings and Grounds                             | 2,674                                   | 2,992                      |                   | 2,992                    |
| Vehicle Maintenance                               | 2,237                                   | 3,060                      |                   | 3,060                    |
| Public Health Services                            | 332                                     | 332                        | 25                | 307                      |
| Environmental Health Services                     | 34                                      | 64                         |                   | 64                       |
| Animal Control Services                           | 210                                     | 210                        |                   | 210                      |
| Recreation Services and Programs                  | 5,664                                   | 5,664                      |                   | 5,664                    |
| Municipal Court                                   | 290                                     | 290                        | 66                | 224                      |
| Construction Code Official                        | 606                                     | 606                        |                   | 606                      |
| Electricity                                       | 18,395                                  | 18,395                     | 17,674            | 721                      |
| Street Lighting                                   | 413                                     | 413                        |                   | 413                      |
| Telephone   | 1,407                                   | 374                        |                   | 374                      |
| Water   | 971                                     | 971                        | 691               | 280                      |
| Gas (Natural or Propane)                          | 1,345                                   | 1,345                      |                   | 1,345                    |
| Gasoline  | 3,688                                   | 688                        | 60                | 628                      |
| Hurricane Sandy                                   | 884                                     | 884                        | 884               | -                        |
| Landfill / Solid Waste Disposal Cost - Dump Fees  | 36,645                                  | 16,645                     | 13,867            | 2,778                    |
| Prior Year Uncommitted Bills -                    |   |                            |                   |                          |
| Law Suit - Settlement                             | 19                                      | 19                         |                   | 19                       |
| Public Employees' Retirement System               | 13,575                                  | 13,575                     |                   | 13,575                   |
| Social Security System                            | 3,833                                   | 3,833                      | 2,893             | 940                      |
| Defined Contribution Retirement Program           | 2,000                                   | 2,000                      |                   | 2,000                    |
| Sewerage Processing and Disposal                  | 1,501                                   | 1,501                      |                   | 1,501                    |
| Reserve for Tax Appeals                           | 97,032                                  | 97,032                     | 97,032            | -                        |
| Length of Service Award Program                   | 69,250                                  | 69,250                     | 57,500            | 11,750                   |
| Recycling Tax P.L. 2001, C311(N.J.S.A.13:1E-96.5) | 2,197                                   | 2,197                      |                   | 2,197                    |
| NJPDDES/Stormwater Permit Management              | 1,525                                   | 1,525                      |                   | 1,525                    |
| Matching Funds for Grants                         | <u>1,000</u>                            | <u>1,000</u>               | <u>-</u>          | <u>1,000</u>             |
|   | <u>\$ 489,627</u>                       | <u>\$ 502,248</u>          | <u>\$ 248,250</u> | <u>\$ 253,998</u>        |
| Appropriation Reserves                            |   | \$ 489,627                 |                   |                          |
| Encumbrance Payables Cancelled                    |   | <u>12,621</u>              |                   |                          |
|   |   | <u>\$ 502,248</u>          |                   |                          |
| Cash Disbursements                                |   |                            | \$ 161,757        |                          |
| Transfer to Reserve for Tax Appeals               |   |                            | 83,043            |                          |
| Transfer to Accounts Payable                      |   |                            | <u>3,450</u>      |                          |
|   |   |                            | <u>\$ 248,250</u> |                          |

**BOROUGH OF EMERSON  
STATEMENT OF ENCUMBRANCES PAYABLE**

|  |    |         |         |
|--|----|---------|---------|
| Balance, January 1, 2013                       |    | \$      | 296,409 |
| Increased by:                                  |    |         |         |
| Transferred from 2013 Budget Appropriation     |    |         | 222,766 |
|  |    |         | 519,175 |
| Decreased by:                                  |    |         |         |
| Cash Disbursements                             | \$ | 283,788 |         |
| Cancelled - Restored to Appropriation Reserves |    | 12,621  |         |
|  |    |         | 296,409 |
| Balance, December 31, 2013                     |    | \$      | 222,766 |

**STATEMENT OF ACCOUNTS PAYABLE**

|  |  |    |       |
|--|--|----|-------|
| Increased by:                                |  |    |       |
| Transferred from 2012 Appropriation Reserves |  | \$ | 3,450 |
| Balance, December 31, 2013                   |  | \$ | 3,450 |

**STATEMENT OF PREPAID TAXES**

|                                      |  |    |         |
|--------------------------------------|--|----|---------|
| Balance, January 1, 2013             |  | \$ | 301,715 |
| Increased by:                        |  |    |         |
| Collection - 2014 Taxes              |  |    | 131,410 |
|                                      |  |    | 433,125 |
| Decreased by:                        |  |    |         |
| Application to 2013 Taxes Receivable |  |    | 301,715 |
| Balance, December 31, 2013           |  | \$ | 131,410 |

**BOROUGH OF EMERSON  
STATEMENT OF TAX OVERPAYMENTS**

|                            |    |        |
|----------------------------|----|--------|
| Increased by:              |    |        |
| Cash Receipts              | \$ | 29,656 |
| Balance, December 31, 2013 | \$ | 29,656 |

**STATEMENT OF COUNTY TAXES PAYABLE**

|                            |    |           |
|----------------------------|----|-----------|
| Increased by:              |    |           |
| 2013 Tax Levy - General    | \$ | 2,886,320 |
| 2013 Tax Levy - Open Space |    | 31,780    |
| Added Taxes (54:4-63.1)    |    | 9,031     |
|                            | \$ | 2,927,131 |
| Decreased by:              |    |           |
| Payments                   |    | 2,918,100 |
| Balance, December 31, 2013 | \$ | 9,031     |

**BOROUGH OF EMERSON**  
**STATEMENT OF LOCAL DISTRICT SCHOOL TAXES PAYABLE**

|   |                  |                      |
|---|------------------|----------------------|
| Balance, January 1, 2013                                      |                  |                      |
| School Tax Payable  | \$ 120,000       |                      |
| School Tax Deferred   | <u>8,340,003</u> |                      |
|   |                  | \$ 8,460,003         |
|   |                  |                      |
| Increased by:   |                  |                      |
| Levy School Year July 1, 2013 to June 30, 2014                |                  | <u>17,364,797</u>    |
|   |                  | 25,824,800           |
|   |                  |                      |
| Decreased by:   |                  |                      |
| Payments  |                  | <u>17,184,797</u>    |
|   |                  |                      |
| Balance, December 31, 2013                                    |                  |                      |
| School Tax Payable  | 300,000          |                      |
| School Tax Deferred   | <u>8,340,003</u> |                      |
|   |                  | <u>\$ 8,640,003</u>  |
|   |                  |                      |
| <u>2013 Liability for Local District School Taxes Payable</u> |                  |                      |
| Tax Paid  |                  | \$ 17,184,797        |
|   |                  |                      |
| Add: Taxes Payable December 31, 2013                          |                  | <u>300,000</u>       |
|   |                  | 17,484,797           |
|   |                  |                      |
| Less: Taxes Payable December 31, 2012                         |                  | <u>120,000</u>       |
|   |                  | 17,364,797           |
|   |                  |                      |
| Amount Charged to 2013 Operations                             |                  | <u>\$ 17,364,797</u> |

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

| <u>Grant</u>                                     | Balance,<br>January 1,<br>2013 | Transferred<br>from 2013<br>Budget | Cash<br>Disbursements | Balance,<br>December 31,<br>2013 |
|--|--------------------------------|------------------------------------|-----------------------|----------------------------------|
| Alcohol Education and Rehabilitation Grant       | \$ 947                         |                                    |                       | \$ 947                           |
| Body Armor Replacement Grant                     | 8,114                          |                                    | \$ 901                | 7,213                            |
| Drunk Driving Enforcement Fund                   | 466                            |                                    | 466                   | -                                |
| Recycling Tonnage Grant                          | 23,441                         |                                    | 23,441                | -                                |
| Clean Communities                                | 375                            |                                    | 375                   | -                                |
| Municipal Alliance (2012)                        |                                |                                    |                       |                                  |
| Local Share                                      | 263                            |                                    |                       | 263                              |
| Reserve for Clean Communities Program Mini Grant | 300                            |                                    | 114                   | 186                              |
| CDBG - Senior Center Imprvts.                    | 2,795                          |                                    | 2,795                 | -                                |
| CDBG - Senior Activities - 13-14                 |                                | \$ 599                             |                       | 599                              |
| CDBG - SC Flooring Rehab                         | -                              | 9,188                              | -                     | 9,188                            |
|  | <u>\$ 36,701</u>               | <u>\$ 9,787</u>                    | <u>\$ 28,092</u>      | <u>\$ 18,396</u>                 |

**BOROUGH OF EMERSON**  
**STATEMENT OF DUE TO STATE OF NEW JERSEY - DCA TRAINING FEES**

|                            |               |
|----------------------------|---------------|
| Balance, January 1, 2013   | \$ 1,844      |
| Increased by:              |               |
| Cash Receipts              | <u>8,169</u>  |
|                            | 10,013        |
| Decreased by:              |               |
| Cash Disbursements         | <u>10,013</u> |
| Balance, December 31, 2013 | <u>\$ -</u>   |

EXHIBIT A-24

**STATEMENT OF RESERVE FOR CONSTRUCTION PENALTIES**

|                            |                  |
|----------------------------|------------------|
| Balance, January 1, 2013   | \$ 19,155        |
| Increased by:              |                  |
| Cash Receipts              | <u>11,327</u>    |
|                            | 30,482           |
| Decreased by:              |                  |
| Cash Disbursements         | <u>4,531</u>     |
| Balance, December 31, 2013 | <u>\$ 25,951</u> |

**BOROUGH OF EMERSON**  
**STATEMENT OF RESERVE FOR UNAPPROPRIATED GRANTS AND AID**

|                            |    |        |
|----------------------------|----|--------|
| Increased by:              |    |        |
| Cash Receipts              | \$ | 10,755 |
| <br>                       |    |        |
| Balance, December 31, 2013 | \$ | 10,755 |
|                            |    |        |
| Body Armor Fund            | \$ | 2,555  |
| Recycling Tonnage Grant    |    | 8,200  |
|                            | \$ | 10,755 |

**STATEMENT OF RESERVE FOR REASSESSMENT OF REAL PROPERTY**

|                            |    |        |
|----------------------------|----|--------|
| Balance, January 1, 2013   | \$ | 26,582 |
| <br>                       |    |        |
| Decreased by:              |    |        |
| Cash Disbursements         |    | 3,900  |
| <br>                       |    |        |
| Balance, December 31, 2013 | \$ | 22,682 |

**STATEMENT OF RESERVE FOR INSURANCE REIMBURSEMENT**

|                                 |    |        |
|---------------------------------|----|--------|
| Balance, January 1, 2013        | \$ | 8,257  |
| <br>                            |    |        |
| Increased by:                   |    |        |
| Cash Receipts                   |    | 10,444 |
|                                 |    | 18,701 |
| <br>                            |    |        |
| Decreased by:                   |    |        |
| Realized as Anticipated Revenue |    | 8,257  |
| <br>                            |    |        |
| Balance, December 31, 2013      | \$ | 10,444 |

**BOROUGH OF EMERSON**  
**STATEMENT OF DUE TO STATE OF NEW JERSEY - MARRIAGE LICENSES**

|                            |    |            |
|----------------------------|----|------------|
| Increased by:              |    |            |
| Cash Receipts              | \$ | 680        |
| Decreased by:              |    |            |
| Cash Disbursements         |    | <u>500</u> |
| Balance, December 31, 2013 | \$ | <u>180</u> |

EXHIBIT A-29

**STATEMENT OF RESERVE FOR THE PERFORMANCE OF MARRIAGE LICENSES**

|                            |    |            |
|----------------------------|----|------------|
| Increased by:              |    |            |
| Cash Receipts              | \$ | <u>200</u> |
| Balance, December 31, 2013 | \$ | <u>200</u> |

EXHIBIT A-30

**STATEMENT OF RESERVE FOR TAX SALE LIEN REDEMPTION**

|                            |    |                |
|----------------------------|----|----------------|
| Increased by:              |    |                |
| Cash Receipts              | \$ | 261,142        |
| Decreased by:              |    |                |
| Cash Disbursements         |    | <u>122,951</u> |
| Balance, December 31, 2013 | \$ | <u>138,191</u> |

EXHIBIT A-31

**STATEMENT OF RESERVE FOR TAX APPEALS**

|   |    |               |
|---|----|---------------|
| Increased by:                             |    |               |
| Transfer from 2012 Appropriation Reserves | \$ | <u>83,043</u> |
| Balance, December 31, 2013                | \$ | <u>83,043</u> |

**BOROUGH OF EMERSON  
STATEMENT OF RESERVE FOR TAX ASSESSOR FEES**

|                            |    |            |
|----------------------------|----|------------|
| Increased by:              |    |            |
| Cash Receipts              | \$ | 350        |
| Decreased by:              |    |            |
| Cash Disbursements         |    | <u>340</u> |
| Balance, December 31, 2013 | \$ | <u>10</u>  |

**STATEMENT OF RESERVE FOR PREPAID FEES**

|                                   |    |              |
|-----------------------------------|----|--------------|
| Increased by:                     |    |              |
| Cash Receipts for Parking Permits | \$ | <u>2,250</u> |
| Balance, December 31, 2013        | \$ | <u>2,250</u> |

**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, 2013           | \$ 8,457                         | \$ 616,805              | \$ 160,880                | \$ 30,238                                |
| Increased by Receipts:             |                                  |                         |                           |  |
| Animal Control Fees                | \$ 5,320                         |                         |                           |  |
| Late Fees                          | 500                              |                         |                           |  |
| State Fees                         | 763                              |                         |                           |  |
| Interest on Deposits               | 52                               | \$ 6,262                | \$ 95                     |  |
| Developers Fees                    |                                  |                         | 12,705                    |  |
| Miscellaneous Reserves             |                                  | 417,261                 |                           |  |
| Employee Contributions             |                                  |                         |                           | \$ 5,514                                 |
| Budget Appropriations              |                                  |                         |                           | 10,000                                   |
| Payroll Deposits                   |                                  | 3,152,498               |                           |  |
| Payroll Deductions Payable         |                                  | 5,693,122               |                           |  |
| Reserve for Accumulated Absences   |                                  | 59,475                  |                           |  |
| Due to Animal Control Fund         |                                  | 10                      |                           |  |
| Receipts from Current Fund         |                                  | 16,776                  |                           |  |
| Escrow Deposits                    |                                  | <u>61,077</u>           |                           |  |
|                                    | <u>6,635</u>                     | <u>9,406,481</u>        | <u>12,800</u>             | <u>15,514</u>                            |
|                                    | 15,092                           | 10,023,286              | 173,680                   | 45,752                                   |
| Decreased by Disbursements:        |                                  |                         |                           |  |
| Expenditures Under R.S. 4:19-15.11 | 3,155                            |                         |                           |  |
| Miscellaneous Reserves             |                                  | 243,168                 |                           |  |
| Payments to State of New Jersey    | 763                              |                         |                           | 7,510                                    |
| Payments to Current Fund           | 2,853                            | 19,515                  |                           |  |
| Payroll Deposits                   |                                  | 3,153,646               |                           |  |
| Payroll Deductions Payable         |                                  | 5,666,876               |                           |  |
| Escrow Deposits                    |                                  | <u>67,987</u>           |                           |  |
|                                    | <u>6,771</u>                     | <u>9,151,192</u>        | <u>-</u>                  | <u>7,510</u>                             |
| Balance, December 31, 2013         | <u>\$ 8,321</u>                  | <u>\$ 872,094</u>       | <u>\$ 173,680</u>         | <u>\$ 38,242</u>                         |

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

|                                 |               |
|---------------------------------|---------------|
| Increased by:                   |               |
| State Fees                      | <u>\$ 763</u> |
| Decreased by:                   |               |
| Payments to State of New Jersey | <u>\$ 763</u> |

STATEMENT OF DUE TO CURRENT FUND  
ANIMAL CONTROL TRUST FUND

|                            |              |
|----------------------------|--------------|
| Balance, January 1, 2013   | \$ 2,801     |
| Increased by:              |              |
| Interest on Deposits       | <u>52</u>    |
|                            | 2,853        |
| Decreased by:              |              |
| Cash Disbursements         | <u>2,853</u> |
| Balance, December 31, 2013 | <u>\$ -</u>  |

STATEMENT OF DUE FROM OTHER TRUST FUND  
ANIMAL CONTROL TRUST FUND

|  |              |
|--|--------------|
| Increased by:  |              |
| Animal Control Fees Deposited in Other Trust (Recreation) Fund | <u>\$ 10</u> |
| Balance, December 31, 2013                                     | <u>\$ 10</u> |

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

|  |            |                        |
|--|------------|------------------------|
| Balance, January 1, 2013                                   |            | \$ 5,656               |
| Increased by:  |            |                        |
| Animal Control Fees  | \$ 5,320   |                        |
| Animal Control Fees Due from Other Trust (Recreation) Fund | 10         |                        |
| Late Fees  | <u>500</u> |                        |
|  |            | <u>5,830</u>           |
|  |            | 11,486                 |
| Decreased by:  |            |                        |
| Disbursements  |            | <u>3,155</u>           |
|  |            |                        |
| Balance, December 31, 2013                                 |            | <u><u>\$ 8,331</u></u> |

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

|  |                |                   |
|--|----------------|-------------------|
| Balance, January 1, 2013                       |                | \$ 460,737        |
| Increased by:                                  |                |                   |
| Escrow Deposit Receipts                        | \$ 61,077      |                   |
| Other Account Receivable - Outside Police Duty | 27,290         |                   |
| Miscellaneous Reserves Receipts                | <u>417,261</u> |                   |
|  |                | <u>505,628</u>    |
|  |                | 966,365           |
| Decreased by:                                  |                |                   |
| Escrow Deposit Disbursements                   | 67,987         |                   |
| Miscellaneous Reserve Disbursements            | <u>243,168</u> |                   |
|  |                | <u>311,155</u>    |
| Balance, December 31, 2013                     |                | <u>\$ 655,210</u> |
| Developer's Escrow Deposits                    |                |                   |
| Recreation                                     |                | \$ 161,947        |
| Community Policing                             |                | 72,181            |
| Recycling Program                              |                | 30,825            |
| Centennial Celebration                         |                | 126,659           |
| Shade Tree Donations (Wagner)                  |                | 2,115             |
| Environmental Comm. Partnership                |                | 2,818             |
| Snow Removal                                   |                | 581               |
| Emergency Management                           |                | 36,556            |
| Uniform Fire Penalties                         |                | 2,028             |
| Municipal Court POAA Fees                      |                | 2,517             |
| Municipal Alliance - DARE                      |                | 443               |
| Outside Emplly Off- Duty Police Officers       |                | 1,300             |
| Tax Sale Premium                               |                | 25,495            |
| 9-11 Memorial                                  |                | 184,200           |
| Public Defender Fees                           |                | 3,698             |
| Insurance                                      |                | 347               |
|  |                | <u>1,500</u>      |
|  |                | <u>\$ 655,210</u> |

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

|                            |               |                        |
|----------------------------|---------------|------------------------|
| Increased by:              |               |                        |
| Interest on Deposits       | \$ 6,262      |                        |
| Receipts from Current Fund | <u>16,776</u> |                        |
|                            |               | \$ 23,038              |
| Decreased by:              |               |                        |
| Payment to Current Fund    |               | <u>19,515</u>          |
| Balance, December 31, 2013 |               | <u><u>\$ 3,523</u></u> |

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

|                            |    |         |
|----------------------------|----|---------|
| Balance, January 1, 2013   | \$ | 98,252  |
| Increased by:              |    |         |
| Cash Receipts              |    | 59,475  |
| Balance, December 31, 2013 | \$ | 157,727 |

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

|                            |    |           |
|----------------------------|----|-----------|
| Balance, January 1, 2013   | \$ | 3,142     |
| Increased by:              |    |           |
| Cash Receipts              |    | 3,152,498 |
|                            |    | 3,155,640 |
| Decreased by:              |    |           |
| Cash Disbursements         |    | 3,153,646 |
| Balance, December 31, 2013 | \$ | 1,994     |

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

|                            |    |           |
|----------------------------|----|-----------|
| Balance, January 1, 2013   | \$ | 26,269    |
| Increased by:              |    |           |
| Cash Receipts              |    | 5,693,122 |
|                            |    | 5,719,391 |
| Decreased by:              |    |           |
| Cash Disbursements         |    | 5,666,876 |
| Balance, December 31, 2013 | \$ | 52,515    |

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

|                            |           |                   |
|----------------------------|-----------|-------------------|
| Balance, January 1, 2013   |           | \$ 160,880        |
| Increased by:              |           |                   |
| Developers Fees            | \$ 12,705 |                   |
| Interest on Deposits       | <u>95</u> |                   |
|                            |           | <u>12,800</u>     |
| Balance, December 31, 2013 |           | <u>\$ 173,680</u> |

**STATEMENT OF RESERVE FOR UNEMPLOYMENT INSURANCE TRUST FUND CLAIMS**  
**UNEMPLOYMENT INSURANCE TRUST FUND**

|                                  |               |                  |
|----------------------------------|---------------|------------------|
| Balance, January 1, 2013         |               | \$ 30,060        |
| Increased by:                    |               |                  |
| Employee Contributions           | \$ 5,514      |                  |
| 2013 Budget Appropriation        | <u>10,000</u> |                  |
|                                  |               | <u>15,514</u>    |
|                                  |               | 45,574           |
| Decreased by:                    |               |                  |
| Unemployment Compensation Claims |               | <u>7,332</u>     |
| Balance, December 31, 2013       |               | <u>\$ 38,242</u> |

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

|                                  |  |              |
|----------------------------------|--|--------------|
| Balance, January 1, 2013         |  | \$ 178       |
| Increased by:                    |  |              |
| Unemployment Compensation Claims |  | <u>7,332</u> |
|                                  |  | 7,510        |
| Decreased by:                    |  |              |
| Cash Disbursements               |  | <u>7,510</u> |
| Balance, December 31, 2013       |  | <u>\$ -</u>  |

**BOROUGH OF EMERSON  
STATEMENT OF DUE TO LOSAP TRUST FUND  
OTHER TRUST FUND**

|                            |                         |
|----------------------------|-------------------------|
| Balance, January 1, 2013   | <u>\$ 28,405</u>        |
| Balance, December 31, 2013 | <u><u>\$ 28,405</u></u> |

**STATEMENT OF OTHER ACCOUNTS RECEIVABLE  
OTHER TRUST FUND**

|                              |                         |
|------------------------------|-------------------------|
| Increased by:                |                         |
| Outside Police Duty Billings | <u>\$ 27,290</u>        |
| Balance, December 31, 2013   | <u><u>\$ 27,290</u></u> |

**GENERAL CAPITAL FUND**

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

|   |            |                     |
|---|------------|---------------------|
| Balance, January 1, 2013                        |            | \$ 414,179          |
| Increased by Receipts:                          |            |                     |
| Interest on Deposits                            | \$ 201     |                     |
| Serial Bonds Issued                             | 3,698,000  |                     |
| Budget Appropriation - Capital Improvement Fund | 85,000     |                     |
| Premium on Serial Bonds Issued                  | 15,576     |                     |
| Accrued Interest on Serial Bonds Issued         | <u>999</u> |                     |
|   |            | <u>3,799,776</u>    |
|   |            | 4,213,955           |
| Decreased by Disbursements:                     |            |                     |
| Improvement Authorizations                      | 558,217    |                     |
| Contracts Payable                               | 160,855    |                     |
| Bond Anticipation Notes                         | 2,067,400  |                     |
| Payments to Current Fund                        | <u>201</u> |                     |
|   |            | <u>2,786,673</u>    |
| Balance, December 31, 2013                      |            | <u>\$ 1,427,282</u> |

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

|                              |   | Balance<br>December 31,<br><u>2013</u> |
|------------------------------|---|--|
| Grants Receivables           |   | \$ (413,138)                           |
| Capital Improvement Fund     |   | 802                                    |
| Contracts Payable            |   | 270,466                                |
| Miscellaneous Reserves       |   | 500                                    |
| Reserve for Capital Projects |   | 8,750                                  |
| Reserve for Payment of Debt  |   | 16,575                                 |
|                              |   |  |
| 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                                 | 687                                    |
| 1348/1386                    | Various General Improvements                                | 30,092                                 |
| 1349                         | Various General Improvements                                | 742                                    |
| 1375                         | Various General Improvements                                | 886                                    |
| 1387                         | Various General Improvements                                | 9,930                                  |
| 1409                         | Various General Improvements                                | 39,383                                 |
| 1423                         | Various General Improvements                                | 7,664                                  |
| 1432                         | Various General Improvements                                | 13,698                                 |
| 1441                         | Various Public Improvements                                 | 144,176                                |
| 1444                         | Various Public Improvements<br>and Acquisition of Equipment | 38,982                                 |
| 1452                         | Resurfacing of High Street                                  | 17,122                                 |
| 1453                         | Various Public Improvements                                 | 88,809                                 |
| 1457                         | Various Public Improvements and Acquisition of Equipment    | <u>1,146,361</u>                       |
|                              |   | <u>\$ 1,427,282</u>                    |

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

|                                |              |              |
|--------------------------------|--------------|--------------|
| Balance, January 1, 2013       |              | \$ 6,740     |
| Increased by:                  |              |              |
| Payments to Current Fund       |              | <u>201</u>   |
|                                |              | 6,941        |
| Decreased by:                  |              |              |
| Interest on Deposits           | 201          |              |
| Current Fund Budgeted Revenue: |              |              |
| Fund Balance                   | <u>6,740</u> |              |
|                                |              | <u>6,941</u> |
| Balance, December 31, 2013     |              | <u>\$ -</u>  |

**STATEMENT OF MISCELLANEOUS RESERVES**

|                            |  |               |
|----------------------------|--|---------------|
| Balance, January 1, 2013   |  | <u>\$ 500</u> |
| Balance, December 31, 2013 |  | <u>\$ 500</u> |
| <u>Analysis of Balance</u> |  |               |
| Veterans Monument Donation |  | <u>\$ 500</u> |

**BOROUGH OF EMERSON  
STATEMENT OF GRANTS RECEIVABLE**

|  |                                       |                   |
|--|---------------------------------------|-------------------|
| Balance, January 1, 2013                                     |                                       | \$ 310,449        |
| Increased by:  |                                       |                   |
| Grant Award - NJ Department of Transportation - Ord. 1457-13 |                                       | <u>150,000</u>    |
|  |                                       | 460,449           |
| Decreased by:  |                                       |                   |
| Cancelled  |                                       | <u>47,311</u>     |
| Balance, December 31, 2013                                   |                                       | <u>\$ 413,138</u> |
|  | County Open Space - Ordinance 1423-11 | \$ 13,949         |
|  | NJ DOT - Ordinance 1432-11            | 126,689           |
|  | NJ DOT - Ordinance 1452-12            | 146,500           |
|  | NJ DOT - Ordinance 1457-13            | <u>126,000</u>    |
|  |                                       | <u>\$ 413,138</u> |

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

|  |                |                     |
|--|----------------|---------------------|
| Balance, January 1, 2013               |                | \$ 5,506,431        |
| Increased by:                          |                |                     |
| Serial Bonds Issued                    |                | <u>3,698,000</u>    |
|  |                | 9,204,431           |
| Decreased by:                          |                |                     |
| 2013 Budget Appropriation to Pay Bonds | \$ 440,000     |                     |
| 2013 Budget Appropriation to Pay Loans | <u>157,070</u> |                     |
|  |                | <u>597,070</u>      |
| Balance, December 31, 2013             |                | <u>\$ 8,607,361</u> |

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

| Ord.<br>No.                           | Improvement Description                                     |                                |                        |                           | <u>Analysis of Balance</u>       |                              |
|---------------------------------------|---|--------------------------------|------------------------|---------------------------|----------------------------------|------------------------------|
|                                       |   | Balance,<br>January 1,<br>2013 | 2013<br>Authorizations | Funded by<br>Bonds Issued | Balance,<br>December 31,<br>2013 | Improvement<br>Authorization |
| 1409                                  | Various General Improvements                                | \$ 247,000                     |                        | \$ 247,000                |                                  |                              |
| 1423                                  | Various General Improvements                                | 560,900                        |                        | 560,900                   |                                  |                              |
| 1432                                  | Various General Improvements                                | 308,750                        |                        | 308,750                   |                                  |                              |
| 1441                                  | Various Public Improvements                                 | 452,000                        |                        | 452,000                   |                                  |                              |
| 1444                                  | Various Public Improvements<br>and Acquisition of Equipment | 498,750                        |                        | 498,750                   |                                  |                              |
| 1452                                  | Resurfacing of High Street                                  | 16,500                         |                        | 16,500                    |                                  |                              |
| 1453                                  | Various Public Improvements                                 |                                | \$ 380,000             | 380,000                   |                                  |                              |
| 1457                                  | Various Public Improvements<br>and Acquisition of Equipment | -                              | 1,235,000              | 1,234,100                 | \$ 900                           | \$ 900                       |
|                                       |   | <u>\$ 2,083,900</u>            | <u>\$ 1,615,000</u>    | <u>\$ 3,698,000</u>       | <u>\$ 900</u>                    | <u>\$ 900</u>                |
| Improvement Authorizations - Unfunded |   |                                |                        |                           |                                  | <u>\$ 900</u>                |

**STATEMENT OF CAPITAL IMPROVEMENT FUND**

|  |               |
|--|---------------|
| Balance, January 1, 2013                           | \$ 802        |
| Increased By:                                      |               |
| Budget Appropriation - Capital Improvement Fund    | <u>85,000</u> |
|  | 85,802        |
| Decreased by:                                      |               |
| Appropriated to Finance Improvement Authorizations | <u>85,000</u> |
| Balance, December 31, 2013                         | <u>\$ 802</u> |

**BOROUGH OF EMERSON  
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

| Ord. No.  | Improvement Description                        | Ordinance Amount | Balance, January 1, 2013 |                     | 2013 Authorizations | Paid or Charged   | Contract Payables Cancelled | Authorization Cancelled | Balance, December 31, 2013 |          |
|-----------|--|------------------|--------------------------|---------------------|---------------------|-------------------|-----------------------------|-------------------------|----------------------------|----------|
|           |  |                  | 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          | 687                      |                     |                     |                   |                             |                         | 687                        |          |
| 1348/1386 | Various General Improvements                   | 595,000          | 53,054                   |                     | \$ 22,962           |                   |                             |                         | 30,092                     |          |
| 1349      | Various General Improvements                   | 405,000          | 742                      |                     |                     |                   |                             |                         | 742                        |          |
| 1375      | Various General Improvements                   | 361,000          | 886                      |                     |                     |                   |                             |                         | 886                        |          |
| 1387      | Various General Improvements                   | 237,147          | 9,930                    |                     |                     |                   |                             |                         | 9,930                      |          |
| 1409      | Various General Improvements                   | 260,000          |                          | \$ 39,669           | 286                 |                   |                             |                         |                            | 39,383   |
| 1423      | Various General Improvements                   | 604,984          |                          | 9,319               | 1,655               |                   |                             |                         | 7,664                      |          |
| 1432      | Various General Improvements                   | 475,000          |                          | 19,620              |                     | \$ 17,389         | \$ 23,311                   |                         | 13,698                     |          |
| 1441      | Various Public Improvements                    | 475,000          |                          | 150,787             | 6,611               |                   |                             |                         | 144,176                    |          |
| 1444      | Various Public Improvements                    | 525,000          |                          |                     |                     |                   |                             |                         |                            |          |
|           | and Acquisition of Equipment                   |                  | 100,400                  |                     |                     |                   |                             |                         | 38,982                     |          |
| 1452      | Resurfacing of High Street                     | 163,000          | 146,443                  |                     |                     |                   |                             |                         | 17,122                     |          |
| 1453      | Various Public Improvements                    | 400,000          |                          | \$ 400,000          |                     |                   |                             |                         | 88,809                     |          |
| 1457      | Various Public Improvements                    |                  |                          |                     |                     |                   |                             |                         |                            |          |
|           | and Acquisition of Equipment                   | 1,450,000        | -                        | -                   | 278,739             | -                 | 24,000                      |                         | 1,146,361                  | 900      |
|           |  |                  | \$ 216,537               | \$ 336,295          | \$ 1,850,000        | \$ 828,683        | \$ 47,311                   | \$ 47,311               | \$ 1,543,327               | \$ 900   |
|           | Capital Improvement Fund                       |                  |                          | \$ 85,000           |                     |                   | Grant Receivable - NJ DOT   |                         |                            |          |
|           | Grant Receivable                               |                  |                          | 150,000             |                     |                   |                             |                         |                            |          |
|           | Deferred Charges to Future Taxation - Unfunded |                  |                          | 1,615,000           |                     |                   |                             |                         |                            |          |
|           |  |                  |                          | <u>\$ 1,850,000</u> |                     |                   |                             |                         |                            |          |
|           |  |                  |                          | Cash Disbursements  |                     | \$ 558,217        |                             |                         |                            |          |
|           |  |                  |                          | Contracts Payable   |                     | 270,466           |                             |                         |                            |          |
|           |  |                  |                          |                     |                     | <u>\$ 828,683</u> |                             |                         |                            |          |

**BOROUGH OF EMERSON  
STATEMENT OF CONTRACTS PAYABLE**

|                                       |               |                   |
|---------------------------------------|---------------|-------------------|
| Balance, January 1, 2013              |               | \$ 178,244        |
| Increased by:                         |               |                   |
| Charges to Improvement Authorizations |               | <u>270,466</u>    |
|                                       |               | 448,710           |
| Decreased by:                         |               |                   |
| Cash Disbursements                    | \$ 160,855    |                   |
| Cancelled                             | <u>17,389</u> |                   |
|                                       |               | <u>178,244</u>    |
| Balance, December 31, 2013            |               | <u>\$ 270,466</u> |

**STATEMENT OF RESERVE FOR DEBT SERVICE**

|   |            |                  |
|---|------------|------------------|
| Increased by:                           |            |                  |
| Premium on Serial Bonds Issued          | \$ 15,576  |                  |
| Accrued Interest on Serial Bonds Issued | <u>999</u> |                  |
|   |            | <u>\$ 16,575</u> |
| Balance, December 31, 2013              |            | <u>\$ 16,575</u> |

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

| Ord. No. | Improvement Description                                  | Date of Issue Original Note | Date of Issue Maturity | Interest Rate        | Balance, January 1, 2013 | Increased           | Decreased           | Balance, December 31, 2013 |
|----------|--|-----------------------------|------------------------|----------------------|--------------------------|---------------------|---------------------|----------------------------|
| 1409     | Various General Improvements                             | 12/21/2010                  | 11/9/2012<br>11/8/2013 | 1.25%<br>1.00%       | \$ 247,000               | \$ 247,000          | \$ 247,000          | 247,000                    |
| 1423     | Various General Improvements                             | 11/10/2011                  | 11/9/2012<br>11/8/2013 | 1.25%<br>1.00%       | 560,900                  | 560,900             | 560,900             | 560,900                    |
| 1432     | Various General Improvements                             | 11/10/2011                  | 11/9/2012<br>11/8/2013 | 1.25%<br>1.00%       | 308,750                  | 308,750             | 308,750             | 308,750                    |
| 1441     | Various Public Improvements                              | 11/9/2012                   | 11/9/2012<br>11/8/2013 | 1.25%<br>1.00%       | 452,000                  | 452,000             | 452,000             | 452,000                    |
| 1444     | Various Public Improvements and Acquisition of Equipment | 11/9/2012                   | 11/9/2012<br>11/8/2013 | 1.25%<br>1.00%       | 498,750                  | 498,750             | 498,750             | 498,750                    |
|          |  |                             |                        |                      | <u>\$ 2,067,400</u>      | <u>\$ 2,067,400</u> | <u>\$ 4,134,800</u> | <u>\$ -</u>                |
|          |  |                             |                        | Renewals             |                          | \$ 2,067,400        | \$ 2,067,400        |                            |
|          |  |                             |                        | Paid by Bonds Issued |                          | -                   | <u>2,067,400</u>    |                            |
|          |  |                             |                        |                      |                          | <u>\$ 2,067,400</u> | <u>\$ 4,134,800</u> |                            |

**BOROUGH OF EMERSON  
STATEMENT OF GENERAL SERIAL BONDS PAYABLE**

| <u>Issue</u>        | <u>Date of Issue</u> | <u>Amount of Original Issue</u> | <u>Maturities of Bonds Outstanding December 31, 2013</u> |               | <u>Interest Rate</u> | <u>Balance, January 1, 2013</u>         | <u>Increased</u> | <u>Decreased</u> | <u>Balance, December 31, 2013</u> |
|---------------------|----------------------|---------------------------------|--|---------------|----------------------|---|------------------|------------------|-----------------------------------|
|                     |                      |                                 | <u>Date</u>  | <u>Amount</u> |                      |   |                  |                  |                                   |
| General Improvement | 10/15/2003           | \$ 2,053,000                    | 10/15/2014   | \$ 165,000    | 3.5-4.125%           | \$ 988,000                              | \$ 160,000       | \$ 828,000       |                                   |
|                     |                      |                                 | 10/15/2015   | 165,000       |                      |   |                  |                  |                                   |
|                     |                      |                                 | 10/15/2016   | 165,000       |                      |   |                  |                  |                                   |
|                     |                      |                                 | 10/15/2017   | 165,000       |                      |   |                  |                  |                                   |
|                     |                      |                                 | 10/15/2018   | 168,000       |                      |   |                  |                  |                                   |
| General Improvement | 8/1/2007             | 2,030,000                       | 8/1/2014-2018  | 200,000       | 4.00%                |   |                  |                  |                                   |
|                     |                      |                                 | 8/1/2019   | 210,000       | 4.10%                | 1,410,000                               | 200,000          | 1,210,000        |                                   |
| General Improvement | 10/1/2010            | 1,697,000                       | 10/1/2014  | 90,000        | 2.00%                |   |                  |                  |                                   |
|                     |                      |                                 | 10/1/2015  | 110,000       | 2.00%                |   |                  |                  |                                   |
|                     |                      |                                 | 10/1/2016  | 130,000       | 2.00%                |   |                  |                  |                                   |
|                     |                      |                                 | 10/1/2017  | 150,000       | 2.25%                |   |                  |                  |                                   |
|                     |                      |                                 | 10/1/2018  | 160,000       | 2.50%                |   |                  |                  |                                   |
|                     |                      |                                 | 10/1/2019  | 345,000       | 2.75%                |   |                  |                  |                                   |
|                     |                      |                                 | 10/1/2020  | 517,000       | 3.00%                | 1,582,000                               | 80,000           | 1,502,000        |                                   |
| General Improvement | 12/15/2013           | 3,698,000                       | 12/15/14-2016  | 195,000       | 2.00%                |   |                  |                  |                                   |
|                     |                      |                                 | 12/15/17-2020  | 200,000       | 2.00%                |   |                  |                  |                                   |
|                     |                      |                                 | 12/15/2021   | 380,000       | 2.125%               |   |                  |                  |                                   |
|                     |                      |                                 | 12/15/2022-2024  | 385,000       | 2.50-3.00%           |   |                  |                  |                                   |
|                     |                      |                                 | 12/15/2025   | 390,000       | 3.00%                |   |                  |                  |                                   |
|                     |                      |                                 | 12/15/2026   | 388,000       | 3.00%                |   |                  |                  |                                   |
|                     |                      |                                 |  |               |                      | -                                       | \$ 3,698,000     | -                | 3,698,000                         |
|                     |                      |                                 |  |               |                      | \$ 3,980,000                            | \$ 3,698,000     | \$ 440,000       | \$ 7,238,000                      |
|                     |                      |                                 |  |               |                      | Paid by Budget Appropriation \$ 440,000 |                  |                  |                                   |

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

| <u>Description</u>           | <u>Date of Issue</u> | <u>Amount of Original Loan</u> | <u>Outstanding</u> |                         | <u>Interest Rate</u> | <u>Balance, January 1, 2013</u> | <u>Balance, December 31, 2013</u> |                   |      |        |       |        |        |
|------------------------------|----------------------|--------------------------------|--------------------|-------------------------|----------------------|---------------------------------|-----------------------------------|-------------------|------|--------|-------|--------|--------|
|                              |                      |                                | <u>Date</u>        | <u>Amount</u>           |                      |                                 |                                   |                   |      |        |       |        |        |
| NJ DEP                       | 12/17/2001           | \$ 2,800,000                   | 2014               | \$ 149,230              | 2.00%                | \$ 1,427,575                    | \$ 1,281,286                      |                   |      |        |       |        |        |
|                              |                      |                                | 2015               | 152,229                 |                      |                                 |                                   |                   |      |        |       |        |        |
|                              |                      |                                | 2016               | 155,289                 |                      |                                 |                                   |                   |      |        |       |        |        |
|                              |                      |                                | 2017               | 158,410                 |                      |                                 |                                   |                   |      |        |       |        |        |
|                              |                      |                                | 2018               | 161,594                 |                      |                                 |                                   |                   |      |        |       |        |        |
|                              |                      |                                | 2019               | 164,842                 |                      |                                 |                                   |                   |      |        |       |        |        |
|                              |                      |                                | 2020               | 168,156                 |                      |                                 |                                   |                   |      |        |       |        |        |
|                              |                      |                                | 2021               | 171,536                 |                      |                                 |                                   |                   |      |        |       |        |        |
|                              |                      |                                |                    |                         |                      |                                 |                                   |                   |      |        |       |        |        |
|                              |                      |                                | NJ DEP             | 6/25/2001<br>12/17/2001 |                      |                                 |                                   | 182,500<br>17,500 | 2014 | 10,998 | 2.00% | 98,856 | 88,075 |
|                              |                      |                                |                    |                         |                      |                                 |                                   |                   | 2015 | 11,219 |       |        |        |
| 2016                         | 11,444               |                                |                    |                         |                      |                                 |                                   |                   |      |        |       |        |        |
| 2017                         | 11,674               |                                |                    |                         |                      |                                 |                                   |                   |      |        |       |        |        |
| 2018                         | 11,909               |                                |                    |                         |                      |                                 |                                   |                   |      |        |       |        |        |
| 2019                         | 12,148               |                                |                    |                         |                      |                                 |                                   |                   |      |        |       |        |        |
| 2020                         | 12,393               |                                |                    |                         |                      |                                 |                                   |                   |      |        |       |        |        |
| 2021                         | 6,290                |                                |                    |                         |                      |                                 |                                   |                   |      |        |       |        |        |
|                              |                      |                                |                    |                         |                      |                                 |                                   |                   |      |        |       |        |        |
|                              |                      |                                |                    |                         |                      | <u>\$ 1,526,431</u>             | <u>\$ 1,369,361</u>               |                   |      |        |       |        |        |
| Paid by Budget Appropriation |                      |                                |                    |                         |                      | <u>\$ 157,070</u>               | <u>\$ 157,070</u>                 |                   |      |        |       |        |        |

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

|                            |                 |
|----------------------------|-----------------|
| Balance, January 1, 2013   | <u>\$ 8,750</u> |
| Balance, December 31, 2013 | <u>\$ 8,750</u> |

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

| Ord.<br>No. | <u>Improvement Description</u>                              | Balance,<br>January 1,<br>2013 | 2013<br>Authorizations | Bonds<br>Issued     | Balance,<br>December 31,<br>2013 |
|-------------|---|--------------------------------|------------------------|---------------------|----------------------------------|
| 1452        | Resurfacing of High Street                                  | \$ 16,500                      |                        | \$ 16,500           |                                  |
| 1453        | Various Public Improvements                                 |                                | \$ 380,000             | 380,000             |                                  |
| 1457        | Various Public Improvements<br>and Acquisition of Equipment | -                              | 1,235,000              | 1,234,100           | 900                              |
|             |   | <u>\$ 16,500</u>               | <u>\$ 1,615,000</u>    | <u>\$ 1,630,600</u> | <u>\$ 900</u>                    |

**PUBLIC ASSISTANCE FUND**

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

|                            | <u>PATF<br/>Account #1</u> |
|----------------------------|----------------------------|
| Balance, January 1, 2013   | \$ 8,176                   |
| Increased by:              |                            |
| Cash Receipts              | 45                         |
|                            | 8,221                      |
| Decreased by:              |                            |
| Disbursements              | 8,221                      |
| Balance, December 31, 2013 | \$ -                       |

EXHIBIT D-2

**STATEMENT OF RESERVE FOR PUBLIC ASSISTANCE EXPENDITURES**

|                            | <u>PATF<br/>Account #1</u> |
|----------------------------|----------------------------|
| Balance, January 1, 2013   | \$ 8,176                   |
| Increased by:              |                            |
| Cash Receipts              | 45                         |
|                            | 8,221                      |
| Decreased by:              |                            |
| Disbursements              | 8,221                      |
| Balance, December 31, 2013 | \$ -                       |

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

|                      |    | PATF<br><u>Account #1</u> |
|----------------------|----|---------------------------|
| Interest on Deposits | \$ | <u>45</u>                 |
| Total Receipts       | \$ | <u><u>45</u></u>          |

**STATEMENT OF PUBLIC ASSISTANCE EXPENDITURES**

|  |    | PATF<br><u>Account #1</u> |
|--|----|---------------------------|
| Due to Current Fund - Interest on Deposits | \$ | 45                        |
| Due to Current Fund - Closed Account       |    | <u>8,176</u>              |
| Total Disbursements                        | \$ | <u><u>8,221</u></u>       |

**STATEMENT OF DUE TO CURRENT FUND**

|                          |    |                     |
|--------------------------|----|---------------------|
| Increased by             |    |                     |
| Interest on Deposits     | \$ | 45                  |
| Closed Account           |    | <u>8,176</u>        |
|                          |    | <u><u>8,221</u></u> |
| Decreased by             |    |                     |
| Payments to Current Fund | \$ | <u><u>8,221</u></u> |

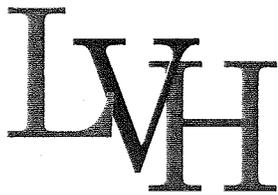
**BERGEN COUNTY, NEW JERSEY**

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**PART II**

**GOVERNMENT AUDITING STANDARDS**

**YEAR ENDED DECEMBER 31, 2013**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA  
GARY J. VINCI, CPA, RMA, PSA  
GARY W. HIGGINS, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
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  
RALPH M. PICONE, CPA, RMA, PSA  
DEBRA GOLLE, CPA  
CINDY JANACEK, CPA, RMA  
LORIT. MANUKIAN, CPA, PSA  
MARK SACO, CPA

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

### INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis of the Borough of Emerson as of and for the year ended December 31, 2013, and the related notes to the financial statements, and have issued our report thereon dated June 30, 2014. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared and presented in accordance with accounting principles generally accepted in the United States of America but rather prepared and presented in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the requirements of the State of New Jersey for municipal government entities as described in Note 1. In addition, our report on the financial statements – regulatory basis was modified on the regulatory basis of accounting because of the presentation of the unaudited LOSAP Trust Fund financial statements.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Borough of Emerson's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Borough of Emerson's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Emerson's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

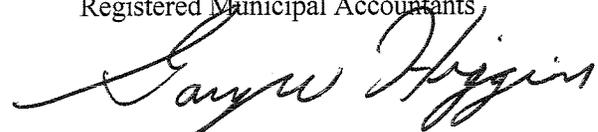
As part of obtaining reasonable assurance about whether the Borough of Emerson's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and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

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".

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough of Emerson's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Emerson's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

  
Gary W. Higgins  
Registered Municipal Accountant  
RMA Number CR00405

Fair Lawn, New Jersey  
June 30, 2014

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

| <u>Grant Program</u>  | <u>State Account Number</u> | <u>Federal CFDA Number</u> | <u>Grant Period</u> | <u>2013 Grant Receipts</u> | <u>Grant Award Amount</u> | <u>Balance, January 1, 2013</u> | <u>Revenue</u> | <u>Expended</u> | <u>Cancelled</u> | <u>Balance, December 31, 2013</u> | <u>(Memo) Cumulative Expenditures</u> |
|---|-----------------------------|----------------------------|---------------------|----------------------------|---------------------------|---------------------------------|----------------|-----------------|------------------|-----------------------------------|---------------------------------------|
| U.S. Department of Housing and Urban Development<br>(Passed Through Bergen County Dept. of Community Development) |                             |                            |                     |                            |                           |                                 |                |                 |                  |                                   |                                       |
| Community Development Block Grant   | N/A                         | 14.218                     | 2011                | \$ 41,335                  | \$ 2,795                  | \$ 2,795                        | \$ 3,638       | \$ 2,795        | \$ 1,988         | \$ 41,335                         | \$ 41,335                             |
| Senior Center Improvements  |                             |                            | 2012-2013           | 1,650                      |                           | 1,650                           | 3,274          | 1,650           |                  | 599                               | 1,650                                 |
| Senior Citizen Activities   |                             |                            | 2013-2014           |                            |                           |                                 | 17,488         | 2,675           |                  | 9,188                             | 2,675                                 |
| Senior Citizen Flooring Rehab   |                             |                            | 2013                |                            |                           |                                 |                | 8,300           |                  |                                   | 8,300                                 |
| New Jersey Department of Transportation<br>Ord. 1452-12   | N/A                         |                            | 2012                |                            | \$ 150,000                | 145,821                         |                |                 | 24,000           | 679                               | 145,821                               |
| Ord. 1457-13  | N/A                         |                            | 2013                |                            |                           |                                 |                |                 |                  | 126,000                           |                                       |
| U.S. Department of Homeland Security<br>FEMA - Hurricane Sandy  | 066-1200-100-A92            | 97.036                     | 2013                | 110,226                    | 110,226                   | -                               | 110,226        | 110,226         | -                | -                                 | 110,226                               |
|   |                             |                            |                     |                            |                           |                                 | \$ 284,626     | \$ 271,467      | \$ 25,988        | \$ 136,466                        |                                       |
|   |                             |                            |                     |                            |                           |                                 |                |                 |                  |                                   |                                       |

N/A = Not Available.

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

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

| State Grant Program                  | Grant Number             | Year                                 | 2013<br>Grant<br>Receipts | Balance,<br>January 1,<br>2013 | Revenue<br>Realized | Expended               | Cancelled | Balance,<br>December 31,<br>2013 | Cumulative<br>Expenditures        |
|--------------------------------------|--------------------------|--------------------------------------|---------------------------|--------------------------------|---------------------|------------------------|-----------|----------------------------------|-----------------------------------|
|                                      |                          |                                      |                           |                                |                     |                        |           |                                  |                                   |
| Drunk Driving Enforcement Fund       | 1110-448-031020-22       | 2010<br>2008                         |                           | \$ 418<br>48                   |                     | \$ 418<br>48           |           |                                  | \$ 7,203<br>4,756                 |
| Municipal Alliance Program           | N/A                      | 2013<br>2012                         | \$ 6,030<br>3,409         |                                | \$ 9,876            | 8,002                  | \$ 1,874  |                                  | 8,002<br>10,356                   |
| Clean Communities Program            | N/A                      | 2013<br>2011<br>2010<br>2010         | 13,299                    |                                | 13,299              | 13,299                 |           |                                  | 13,299<br>11,525<br>11,772<br>114 |
| Recycling Tonnage Grant              | 4900-752-001             | 2012<br>2011<br>2008                 |                           | 13,286<br>9,860<br>295         |                     | 13,286<br>9,860<br>295 |           |                                  | 17,452<br>9,860<br>8,335          |
| Alcohol Education and Rehabilitation | 760-098-9735-001         | 2012<br>2010<br>2009<br>2008<br>2007 |                           | 432<br>26<br>139<br>114<br>236 |                     |                        |           | 432<br>26<br>139<br>114<br>236   | 225<br>154                        |
| Body Armor Replacement Program       | N/A<br>N/A<br>N/A<br>N/A | 2012<br>2011<br>2010<br>2008         |                           | 3,937<br>1,919<br>964<br>1,294 |                     |                        |           | 3,937<br>1,919<br>964<br>393     | 3,483                             |
| N/A - Not Available                  |                          |                                      |                           | \$ 33,643                      | \$ 23,175           | \$ 45,697              | \$ 2,775  | \$ 8,346                         |                                   |

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, 2013**

**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. All federal financial assistance received directly from federal agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedules of expenditures of federal awards and state financial assistance.

**NOTE 2 BASIS OF ACCOUNTING**

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

**NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS**

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

|                      | <u>Federal</u>    | <u>State</u>     | <u>Total</u>      |
|----------------------|-------------------|------------------|-------------------|
| Current Fund         | \$ 134,626        | \$ 23,175        | \$ 157,801        |
| General Capital Fund | <u>150,000</u>    | <u>-</u>         | <u>150,000</u>    |
|                      | <u>\$ 284,626</u> | <u>\$ 23,175</u> | <u>\$ 307,801</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, 2013**

**NOTE 5 STATE LOANS OUTSTANDING**

The Borough's state loans outstanding at December 31, 2013, which are not required to be reported on the 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<br>Environmental Protection | 0214-97-109                 | \$ 1,281,286        |
| New Jersey Department of<br>Environmental Protection | 0214-97-109                 | <u>88,075</u>       |
|  |                             | <u>\$ 1,369,361</u> |

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

*Part 1 – Summary of Auditors' Results*

**Financial Statements Section**

Type of auditors' report issued on financial statements

Modified - Unaudited LOSAP

Internal control over financial reporting:

1) Material weakness(es) identified?

\_\_\_ yes      X no

2) Significant Deficiency(ies) identified that are not considered to be material weakness(es)?

\_\_\_ yes      X none reported

Noncompliance material to basic financial statements noted?

\_\_\_ yes      X no

**Federal Awards Section**

NOT APPLICABLE

**State Awards Section**

NOT APPLICABLE

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

*Part 2 - Schedule of Financial Statement Findings*

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards* .

THERE ARE NONE.

**BOROUGH OF EMERSON  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB Circular A-133 (section .315(a)(b)).

**STATUS OF PRIOR YEAR FINDINGS**

There were none.

**BOROUGH OF EMERSON**

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**PART III**

**SUPPLEMENTARY DATA**

**LETTER OF COMMENTS AND RECOMMENDATIONS**

**YEAR ENDED DECEMBER 31, 2013**

**BOROUGH OF EMERSON  
SUPPLEMENTARY DATA**

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

|  | <u>Year 2013</u>    |                 | <u>Year 2012</u>    |                 |
|--|---------------------|-----------------|---------------------|-----------------|
|  | <u>Amount</u>       | <u>Percent</u>  | <u>Amount</u>       | <u>Percent</u>  |
| REVENUE AND OTHER INCOME REALIZED  |                     |                 |                     |                 |
| Fund Balance Utilized  | \$ 550,000          | 1.73 %          | \$ 500,000          | 1.59 %          |
| Miscellaneous - From Other Than Local  |                     |                 |                     |                 |
| Property Tax Levies  | 1,686,861           | 5.30            | 1,726,591           | 5.50            |
| Collection of Delinquent Taxes<br>and Tax Title Liens  | 239,334             | 0.75            | 244,911             | 0.78            |
| Collection of Current Tax Levy   | 29,085,569          | 91.41           | 28,526,425          | 90.80           |
| Other Credits to Income  | 256,799             | 0.81            | 418,224             | 1.33            |
|  | <u>31,818,563</u>   | <u>100.00</u> % | <u>31,416,151</u>   | <u>100.00</u> % |
| Total Revenue and Other Income   |                     |                 |                     |                 |
| EXPENDITURES   |                     |                 |                     |                 |
| Budget Expenditures  |                     |                 |                     |                 |
| Municipal Purposes   | 10,804,020          | 34.74 %         | 10,820,908          | 35.18 %         |
| County Taxes   | 2,927,131           | 9.41            | 2,898,680           | 9.42            |
| Local School Taxes   | 17,364,797          | 55.83           | 17,032,833          | 55.37           |
| Other Expenditures   | 7,415               | 0.02            | 10,633              | 0.03            |
|  | <u>31,103,363</u>   | <u>100.00</u> % | <u>30,763,054</u>   | <u>100.00</u> % |
| Total Expenditures   |                     |                 |                     |                 |
| Excess of Revenue and Other Income<br>Over Expenditures  | 715,200             |                 | 653,097             |                 |
| Adjustments to Income Before Fund Balance:<br>Expenditures Included Above Which are by<br>Statute Deferred Charges to Budgets of<br>Succeeding Years | <u>-</u>            |                 | <u>105,000</u>      |                 |
| Statutory Excess to Fund Balance   | 715,200             |                 | 758,097             |                 |
| Fund Balance, January 1  | <u>1,219,045</u>    |                 | <u>960,948</u>      |                 |
|  | 1,934,245           |                 | 1,719,045           |                 |
| Decreased by: Utilization as Anticipated Revenue   | <u>550,000</u>      |                 | <u>500,000</u>      |                 |
| Fund Balance, December 31  | <u>\$ 1,384,245</u> |                 | <u>\$ 1,219,045</u> |                 |

**BOROUGH OF EMERSON  
SUPPLEMENTARY DATA**

**Comparative Schedule of Tax Rate Information**

|                                  | <u>2013</u>    | <u>2012</u>    | <u>2011</u>    |
|----------------------------------|----------------|----------------|----------------|
| <u>Tax Rate</u>                  | <u>\$2.443</u> | <u>\$2.387</u> | <u>\$2.329</u> |
| <u>Apportionment of Tax Rate</u> |                |                |                |
| Municipal                        | .715           | .695           | .676           |
| Library                          | .035           | .036           | .038           |
| County                           | .241           | .238           | .219           |
| County Open Space                | .003           | .003           | .003           |
| Local School                     | 1.449          | 1.415          | 1.393          |

Assessed Valuation

|      |                        |                        |
|------|------------------------|------------------------|
| 2013 | <u>\$1,198,470,270</u> |                        |
| 2012 |                        | <u>\$1,203,978,960</u> |
| 2011 |                        | <u>\$1,200,917,760</u> |

**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<br/>of<br/>Collection</u> |
|-------------|-----------------|-------------------------|---|
| 2013        | \$ 29,368,882   | \$ 29,085,569           | 99.03%                                  |
| 2012        | 28,795,036      | 28,526,425              | 99.06%                                  |
| 2011        | 28,075,600      | 27,830,846              | 99.12%                                  |

**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<br/>Year</u> | <u>Delinquent<br/>Taxes</u> | <u>Tax Title<br/>Liens</u> | <u>Total</u> | <u>Percentage<br/>of<br/>Tax Levy</u> |
|-----------------------------|-----------------------------|----------------------------|--------------|---------------------------------------|
| 2013                        | \$ 208,355                  | \$ 70,743                  | \$ 279,098   | 0.95%                                 |
| 2012                        | 244,939                     | 42,953                     | 287,892      | 1.00%                                 |
| 2011                        | 242,428                     | 34,726                     | 277,154      | 0.99%                                 |

**Property Acquired by Tax Title Lien Liquidation**

No properties have been acquired in 2013 or 2012 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> |
|-------------|---------------|
| 2013        | \$13,200      |
| 2012        | 13,200        |
| 2011        | 13,200        |

**Comparative Schedule of Fund Balance**

|              | <u>Year</u> | <u>Balance,<br/>December 31</u> | <u>Utilized<br/>In Budget of<br/>Succeeding Year</u> |
|--------------|-------------|---------------------------------|--|
| Current Fund | 2013        | \$1,384,245                     | \$625,000  |
|              | 2012        | 1,219,045                       | 550,000  |
|              | 2011        | 960,948                         | 500,000  |
|              | 2010        | 971,882                         | 500,000  |
|              | 2009        | 921,537                         | 650,000  |

**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  |                       |
| Scott Rivers          | Council President  |                       |
| Elizabeth Garis       | Councilwoman   |                       |
| Christopher Knoller   | Councilman   |                       |
| Richard Worthington   | Councilman   |                       |
| Danielle Di Paola     | Councilwoman   |                       |
| Stephen Paino         | Councilman   |                       |
| Carol Dray            | Municipal Clerk  |                       |
| Joseph Scarpa         | Borough Administrator (January thru November)  |                       |
| Leslie Shenkler       | Acting Borough Administrator (November to Present)   |                       |
| Catherine Henderson   | Chief Financial Officer/Treasurer  |                       |
| Catherine Henderson   | Tax Collector  |                       |
| Catherine Henderson   | Qualified Purchasing Agent   |                       |
| Claire Psota          | Tax Assessor   |                       |
| Scott Mooney          | Borough Attorney   |                       |
| Boswell Engineering   | Borough Engineer   |                       |
| Donald Rossi          | Chief of Police  |                       |
| Carol Dray            | Registrar of Vital Statistics  |                       |
| Michael Sartori       | Construction Code Official,<br>Building Sub-Code Official,<br>Fire Protection Sub-Code Official<br>Zoning Official |                       |
| Guiseppe Lamastra     | Plumbing Sub-Code Official   |                       |
| Gerald Hennessey      | Electrical Sub-Code Official (January thru August)   |                       |
| Chester Czerny        | Part-Time Electrical Sub-Code Official (September thru March 2014)   |                       |
| 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**

#### **Current Year**

The audit disclosed that certain minutes of official meetings were not presented to the governing body for approval on a timely basis. It is recommended the official minutes be presented to the governing body for approval on a timely basis.

#### **Prior Year Unresolved**

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

- 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.

The audit of the Municipal Court disclosed that bank accounts from the Borough's previous designated depository remain open of record and inactive. It is recommended that the inactive bank accounts in the Municipal Court be closed of record.

#### **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 the bid threshold, except by contract or agreement."

The threshold permitted by the State of New Jersey is \$17,500 unless the Borough has a qualified purchasing agent. 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 \$36,000. 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:

- 2012 Road Program (Co-op)
- 2013 Road Program (Co-op)
- Solid Waste Recycling Collection Services

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.

**BOROUGH OF EMERSON  
SUPPLEMENTARY DATA**

**GENERAL COMMENTS (Continued)**

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

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.

**Collection of Interest on Delinquent Taxes and Assessments**

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

The Governing Body on January 3, 2013, adopted the following resolution authorizing interest to be charged on delinquent taxes:

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.

**Delinquent Taxes and Tax Title Liens**

The last tax sale was held on October 22, 2013.

The following comparison is made of the number of tax title liens receivable on December 31, of the last three years:

| <u>Year</u> | <u>Number<br/>of Liens</u> |
|-------------|----------------------------|
| 2013        | 2                          |
| 2012        | 2                          |
| 2011        | 2                          |

**BOROUGH OF EMERSON**

**RECOMMENDATIONS**

It is recommended that:

- \* 1. Internal controls relating to the Recreation Department revenue cycle be reviewed and enhanced.
- \* 2. The inactive bank accounts in the Municipal Court be closed of record.
- 3. The official minutes be presented to the governing body for approval on a timely basis.

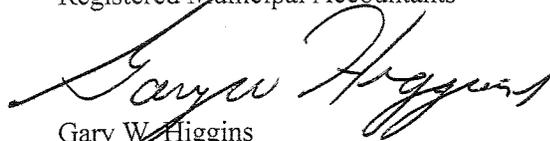
\* \* \* \* \*

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