

BOROUGH OF EMERSON
BERGEN COUNTY, NEW JERSEY
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

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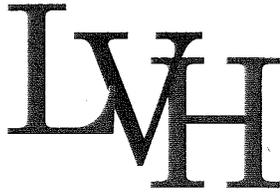
BOROUGH OF EMERSON

COUNTY OF BERGEN

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014



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, 2014 and 2013, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the Current Fund for the year ended December 31, 2014, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the requirement that the Borough of 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, 2014 and 2013, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As discussed in Note 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, 2014 and 2013. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 39 percent and 38 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2014 and 2013.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited as described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph above, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the Borough of Emerson as of December 31, 2014 and 2013, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the respective revenues – regulatory basis and expenditures – regulatory basis of the Current Fund for the year ended December 31, 2014 in accordance with the financial accounting and reporting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

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

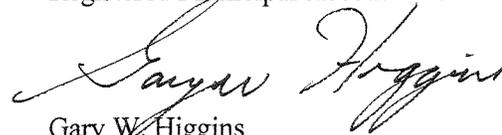
The supplementary data and letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated June 15, 2015 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.



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



Gary W. Higgins
Registered Municipal Accountant
RMA Number CR00405

Fair Lawn, New Jersey
June 15, 2015

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

	<u>Reference</u>	<u>2014</u>	<u>2013</u>
ASSETS			
Cash - Treasurer	A-4	\$ 3,011,222	\$ 2,906,660
Cash - Change Fund	A-5	360	360
Due From State of New Jersey - Seniors and Veterans	A-8	1,243	493
Grants Receivable	A-14	<u>25,995</u>	<u>22,734</u>
		<u>3,038,820</u>	<u>2,930,247</u>
Receivables and Other Assets With Full Reserves			
Delinquent Property Taxes	A-7	188,605	208,355
Tax Title Liens	A-12	81,610	70,743
Property Acquired for Taxes - Assessed Valuation	A-9	13,200	13,200
Revenue Accounts Receivable	A-13	8,795	8,739
Due from Other Trust Fund	B-7	<u>1,283</u>	<u>3,523</u>
		<u>293,493</u>	<u>304,560</u>
Deferred Charges			
Emergency Authorizations	A-11	100,000	
Special Emergency Authorizations	A-10	<u>18,000</u>	<u>36,000</u>
		<u>118,000</u>	<u>36,000</u>
Total Assets		<u>\$ 3,450,313</u>	<u>\$ 3,270,807</u>

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

	<u>Reference</u>	<u>2014</u>	<u>2013</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Appropriation Reserves	A-3,A-15	\$ 592,224	\$ 573,587
Encumbrances Payable	A-16	135,867	222,766
Accounts Payable	A-17	13,520	3,450
Prepaid Taxes	A-18	152,101	131,410
Tax Overpayments	A-19	3,714	29,656
School Taxes Payable	A-21	540,000	300,000
County Taxes Payable	A-20		9,031
Reserve for Tax Assessor Fees	A-32		10
Prepaid Fees	A-33	4,750	2,250
Reserve for Construction Penalties	A-24	23,266	25,951
Reserve for Insurance Reimbursement	A-27	10,117	10,444
Reserve for Reassessment of Real Property	A-26	22,682	22,682
Reserve for Appropriated Grants	A-22	17,797	18,396
Reserve for Unappropriated Grants and Aid	A-25	8,197	10,755
Reserve for Tax Appeals	A-31	135,547	83,043
Reserve for Performance of Marriage License Fees	A-29	200	200
Reserve for Tax Sale Lien Redemption	A-30	24,434	138,191
Due to State of New Jersey - Marriage License Fees	A-28	125	180
		<u>1,684,541</u>	<u>1,582,002</u>
Reserve for Receivables and Other Assets	A	293,493	304,560
Fund Balance	A-1	<u>1,472,279</u>	<u>1,384,245</u>
Total Liabilities, Reserves and Fund Balance		<u><u>\$ 3,450,313</u></u>	<u><u>\$ 3,270,807</u></u>

BOROUGH OF EMERSON
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
AS OF DECEMBER 31, 2014 AND 2013

	<u>Reference</u>	<u>2014</u>	<u>2013</u>
REVENUES AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 625,000	\$ 550,000
Miscellaneous Revenue Anticipated	A-2	1,582,128	1,508,541
Receipts from Delinquent Taxes	A-2	183,668	239,334
Receipts from Current Taxes	A-2	29,740,567	29,085,569
Nonbudget Revenue	A-2	146,568	178,320
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	A-15	288,918	253,998
Interfunds Liquidated	A	<u>3,523</u>	<u>2,801</u>
 Total Revenues and Other Income		 <u>32,570,372</u>	 <u>31,818,563</u>
 EXPENDITURES			
Budget and Emergency Appropriations			
Operations			
Salaries and Wages	A-3	4,518,019	4,471,580
Other Expenses	A-3	4,703,625	4,431,559
Capital Improvements	A-3	30,000	85,000
Municipal Debt Service	A-3	1,047,151	788,606
Deferred Charges and Statutory Expenditures	A-3	938,708	1,027,275
County Taxes	A-20	2,859,036	2,886,320
County Open Space Taxes	A-20	31,248	31,780
Due County for Added and Omitted Taxes	A-20	5,203	9,031
Local District School Taxes	A-21	17,822,315	17,364,797
Other Debits to Income			
Prior Year Senior Deductions Disallowed	A-8	750	
Cancellation of Grants Receivable	A-1		3,862
Prior Year Revenue Refunds	A-1		30
Interfunds Established	A	<u>1,283</u>	<u>3,523</u>
 Total Expenditures		 <u>31,957,338</u>	 <u>31,103,363</u>
 Excess of Revenues and Other Income Over Expenditures		 613,034	 715,200
 Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budgets of Succeeding Years	A-11	<u>100,000</u>	<u>-</u>
 Regulatory Excess to Fund Balance		 713,034	 715,200
 Fund Balance, January 1	A	 <u>1,384,245</u>	 <u>1,219,045</u>
		2,097,279	1,934,245
 Decreased by:			
Utilization as Anticipated Revenue	A-1,A-2	<u>625,000</u>	<u>550,000</u>
 Fund Balance, December 31	A	 <u>\$ 1,472,279</u>	 <u>\$ 1,384,245</u>

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

	<u>Reference</u>	<u>2014 Budget</u>	<u>Added by N.J.S.A. 40A:4-87</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	A-1	\$ 625,000	-	\$ 625,000	-
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A-13	17,000		17,500	\$ 500
Other	A-2	12,000		14,180	2,180
Fees and Permits					
Other	A-2	15,250		12,986	(2,264)
Fines and Costs					
Municipal Court	A-13	138,000		150,323	12,323
Interest and Costs on Taxes	A-13	55,000		48,892	(6,108)
Interest on Investments and Deposits	A-2	10,000		8,103	(1,897)
Parking Meters	A-13	5,750		9,080	3,330
Consolidated Municipal Property Tax Relief Aid	A-13	9,415		6,315	(3,100)
Energy Receipts Tax	A-13	610,490		613,590	3,100
Watershed Moratorium Offset Aid	A-13	18,189		18,189	
Construction Code Official	A-13	200,000		247,210	47,210
Borough of Old Tappan Shared Service - Court	A-13	14,300		14,300	
Public and Private Programs					
Offset with Appropriations					
Municipal Alliance on Alcoholism and Drug Abuse - 2014	A-14 & A-25	1,874	\$ 9,876	11,750	
Municipal Alliance on Alcoholism and Drug Abuse - 2013	A-14 & A-25		4,938	4,938	
Reserve for Recycling Tonnage Grant	A-25	8,200		8,200	
Reserve for Body Armor Replacement Grant	A-25	2,555	2,019	4,574	
Alcohol Education Rehab Grant	A-25		886	886	
Clean Communities Grant	A-25		12,473	12,473	
CDBG	A-14 & A-25		5,500	5,500	
Other Special Items					
Uniform Fire Safety Act	A-13	25,000		18,446	(6,554)
Sewer Service Fees	A-13	12,000		16,156	4,156
Cellular Tower Fees	A-13	198,000		210,785	12,785
Cable Television Franchise Fees	A-13	100,733		100,733	
Insurance Dividends	A-27	10,444		10,444	
Reserve for Payment of Debt	C-4	16,575	-	16,575	-
Total Miscellaneous Revenues	A-1	<u>1,480,775</u>	<u>35,692</u>	<u>1,582,128</u>	<u>65,661</u>
Receipts from Delinquent Taxes	A-7	<u>208,883</u>	-	<u>183,668</u>	<u>(25,215)</u>
Amount to be Raised by Taxes for Support of Municipal Budget -					
Local Tax for Municipal Purposes	A-2,A-7	8,771,424		9,007,031	235,607
Minimum Library Tax	A-2,A-7	415,734	-	415,734	-
		<u>9,187,158</u>	-	<u>9,422,765</u>	<u>235,607</u>
Total Budget Revenues	A-3	<u>\$ 11,501,816</u>	<u>\$ 35,692</u>	11,813,561	<u>\$ 276,053</u>
Nonbudget Revenue	A-1,A-2			<u>146,568</u>	
				<u>\$ 11,960,129</u>	

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

Reference

ANALYSIS OF REALIZED REVENUES

Allocation of Current Tax Collections		
Revenue from Collections	A-1,A-7	\$ 29,740,567
Less: Allocated to School and County Taxes	A-20,A-21	<u>20,717,802</u>
		9,022,765
Add Appropriation "Reserve for Uncollected Taxes"	A-3	<u>400,000</u>
Amount for Support of Municipal Budget Appropriation	A-2	<u>\$ 9,422,765</u>
Licenses - Other		
Borough Clerk	A-13	\$ 3,980
Health Officer	A-13	<u>10,200</u>
	A-2	<u>\$ 14,180</u>
Fees and Permits		
Borough Clerk	A-13	\$ 1,890
Health Officer	A-13	2,677
Planning/Zoning Boards	A-13	6,500
Police Department	A-13	<u>1,919</u>
	A-2	<u>\$ 12,986</u>
Interest on Investments and Deposits		
Revenue Accounts Receivable	A-13	\$ 5,852
Due from General Capital Fund	C-4	733
Due from Animal Control Trust Fund	B-3	21
Due from Unemployment Trust Fund	B-14	18
Due from Other Trust Fund	B-7	<u>1,479</u>
	A-2	<u>\$ 8,103</u>

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

Reference

Nonbudget Revenue	
FEMA - Hurricane Sandy	\$ 54,436
6% Penalty	1,607
BOE Fuel Reimbursement - 2013	8,021
BOE Rock Salt Reimbursement - 2013	1,334
JIF Deductible Reimbursement - Prior Year	2,500
Administration Fee - Senior's & Veteran's	1,450
DMV Inspection Fines	3,015
Police Outside Duty	58,614
Miscellaneous	<u>15,591</u>
	A-2,A-4
	<u>\$ 146,568</u>

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

	<u>Appropriated</u>		<u>Expended</u>		Unexpended Balance Cancelled
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT FUNCTIONS					
General Administration					
Salaries and Wages	\$ 95,080	\$ 95,630	\$ 95,604	\$ 26	
Other Expenses	29,800	32,800	31,738	1,062	
Mayor and Council					
Salaries and Wages	21,600	21,050	20,975	75	
Other Expenses	3,895	3,895	2,976	919	
Municipal Clerk					
Salaries and Wages	101,115	107,115	105,742	1,373	
Other Expenses	41,895	41,895	40,995	900	
Financial Administration					
Salaries and Wages	138,600	136,600	136,375	225	
Other Expenses	40,810	42,810	37,553	5,257	
Audit Services	30,600	30,600	30,600	-	
Revenue Administration					
Salaries and Wages	35,200	35,200	29,186	6,014	
Other Expenses	10,755	10,755	9,239	1,516	
Tax Assessment Administration					
Salaries and Wages	21,210	21,210	21,210	-	
Other Expenses	21,665	21,665	16,818	4,847	
Legal Services					
Other Expenses	122,500	222,500	185,375	37,125	
Engineering Services					
Other Expenses	4,750	3,250	2,248	1,002	
LAND USE ADMINISTRATION					
Land Use Board					
Salaries and Wages	5,645	5,645	5,643	2	
Other Expenses	12,450	17,450	8,594	8,856	
INSURANCE					
General Liability	177,760	177,760	176,496	1,264	
Workers Compensation	198,791	198,791	198,791	-	
Employee Group Health	785,000	746,500	698,078	48,422	
Unemployment Compensation Insurance	15,000	15,000	11,905	3,095	

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

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Cont'd)					
PUBLIC SAFETY FUNCTIONS					
Police Department					
Salaries and Wages	\$ 2,490,310	\$ 2,467,405	\$ 2,455,387	\$ 12,018	
Other Expenses	85,050	95,050	87,248	7,802	
Acquisition of Police Vehicles (Leases)	5,430	44,430	41,500	2,930	
Police Dispatch/911					
Salaries and Wages	169,300	169,300	154,248	15,052	
Other Expenses	500	500	160	340	
Office of Emergency Management					
Salaries and Wages	2,350	2,350	2,341	9	
Other Expenses	6,550	6,550	4,975	1,575	
Aid to Volunteer Fire Companies					
Other Expenses	64,500	64,500	64,431	69	
Aid to Volunteer Ambulance Corps.					
Other Expenses	25,000	25,000	22,687	2,313	
Fire Department					
Salaries and Wages	17,115	17,115	16,724	391	
Other Expenses	128,920	128,920	128,915	5	
Uniform Fire Safety Act (P.L. 1983, Ch. 383)					
Salaries and Wages	14,280	14,280	14,234	46	
Other Expenses	3,875	3,875	2,734	1,141	
Municipal Prosecutor					
Other Expenses	11,260	11,260	11,257	3	
PUBLIC WORKS FUNCTIONS					
Streets and Road Maintenance					
Salaries and Wages	706,758	706,758	668,655	38,103	
Other Expenses	64,500	54,500	39,328	15,172	
Sewer Services					
Salaries and Wages	104,490	104,490	93,513	10,977	
Other Expenses	55,150	55,150	46,818	8,332	
Shade Tree - Advisory Committee					
Salaries and Wages	5,440	5,640	5,450	190	
Other Expenses	73,325	73,325	72,186	1,139	
Solid Waste Collection					
Garbage/Recycling - Other Expenses	300,000	300,000	287,120	12,880	
Buildings and Grounds					
Other Expenses	60,000	60,000	43,246	16,754	
Vehicle Maintenance					
Salaries and Wages	169,705	159,705	148,436	11,269	
Other Expenses	55,000	65,000	57,085	7,915	

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

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Continued)					
HEALTH AND HUMAN SERVICES					
FUNCTIONS					
Public Health Services					
Salaries and Wages	\$ 49,896	\$ 49,896	\$ 47,615	\$ 2,281	
Other Expenses	58,554	58,554	56,805	1,749	
Environmental Health Services					
Salaries and Wages	2,045	2,045	2,040	5	
Other Expenses	900	900	171	729	
Animal Control Services					
Other Expenses	10,200	10,200	9,400	800	
PARKS AND RECREATION FUNCTIONS					
Recreation Services and Programs					
Salaries and Wages	21,050	21,050	21,041	9	
Other Expenses	53,455	53,455	43,261	10,194	
Municipal Court					
Salaries and Wages	69,590	70,090	68,977	1,113	
Other Expenses	8,380	7,880	4,519	3,361	
Public Defender					
Salaries and Wages	3,060	3,060	2,815	245	
OTHER COMMON OPERATING					
FUNCTIONS					
Historic Preservation					
Other Expenses	750	750	110	640	
Reserve for Accumulated Absences					
Salaries and Wages	40,000	34,000	34,000	-	
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY DEDICATED					
REVENUES (N.J.A.C. 5:23-4-17)					
STATE UNIFORM CONSTRUCTION CODE					
UNIFORM CONSTRUCTION CODE					
ADMINISTRATION					
Salaries and Wages	180,918	180,918	173,831	7,087	
Other Expenses	6,450	6,450	4,048	2,402	

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

	<u>Appropriated</u>		<u>Expended</u>		Unexpended
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Continued)					
UTILITY EXPENSES AND BULK PURCHASES					
Electricity	\$ 90,000	\$ 90,000	\$ 80,270	\$ 9,730	
Street Lighting	88,000	88,000	78,097	9,903	
Telephone	27,000	27,000	21,653	5,347	
Water	13,000	13,000	10,107	2,893	
Gas (Natural or Propane)	20,000	20,000	15,515	4,485	
Gasoline	100,000	100,000	88,862	11,138	
LANDFILL/SOLID WASTE DISPOSAL COSTS					
Dump Fees					
Other Expenses	<u>232,500</u>	<u>242,500</u>	<u>242,317</u>	<u>183</u>	<u>-</u>
Total Operations Within "CAPS"	<u>7,608,677</u>	<u>7,702,972</u>	<u>7,340,273</u>	<u>362,699</u>	<u>-</u>
Detail:					
Salaries and Wages	4,464,757	4,430,552	4,324,042	106,510	-
Other Expenses	<u>3,143,920</u>	<u>3,272,420</u>	<u>3,016,231</u>	<u>256,189</u>	<u>-</u>
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"					
Regulatory Expenditures					
Prior Year Uncommitted Bills -					
Back Pension	31,535	31,535	31,532	-	\$ 3
Public Employees' Retirement System	201,839	201,839	183,306	18,533	
Social Security System (O.A.S.I.)	170,000	173,000	164,957	8,043	
Police and Firemen's Retirement System of N.J.	512,337	512,337	512,127	210	
Defined Contribution Retirement Program	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>	<u>-</u>
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	<u>917,711</u>	<u>920,711</u>	<u>891,922</u>	<u>28,786</u>	<u>3</u>
Total General Appropriations for Municipal Purposes - Within "CAPS"	<u>8,526,388</u>	<u>8,623,683</u>	<u>8,232,195</u>	<u>391,485</u>	<u>3</u>

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

	<u>Appropriated</u>		<u>Expended</u>		Unexpended
	<u>Budget</u>	Budget After	Paid or	<u>Reserved</u>	Balance
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
EDUCATION FUNCTIONS					
Municipal Library					
Other Expenses	\$ 415,734	\$ 415,734	\$ 412,749	\$ 2,985	
UTILITY EXPENSES AND BULK PURCHASES					
Sewerage Processing and Disposal					
Operation and Maintenance Expenses	502,035	502,035	500,499	1,536	
Debt Expenses	228,400	228,400	228,400	-	
Northwest Bergen Utilities Authority					
Other Expenses	6,000	6,000	6,000	-	
Reserve for Tax Appeals					
Other Expenses	120,000	120,000	21,973	98,027	
Length of Service Awards Program	70,000	70,000	750	69,250	
Recycling Tax P.L. 2007, c.311(N.J.S.A. 13:1E-96.5)	10,500	10,500	8,666	1,834	
NJPDES/Stormwater Permit Management					
[N.J.S.A.40A:4-45.39(cc)]					
Salaries and Wages	74,562	74,562	74,562	-	
Other Expenses	24,520	24,520	22,995	1,525	
Borough of Old Tappan - Court					
Salaries and Wages	12,905	12,905	12,905	-	
Other Expenses	1,395	1,395	1,395	-	-
Total Other Operations Excluded from "CAPS"	<u>1,466,051</u>	<u>1,466,051</u>	<u>1,290,894</u>	<u>175,157</u>	<u>-</u>
Public and Private Programs Offset by Revenues					
Municipal Alliance					
State Share	1,874	16,688	9,733	6,955	
Local Share	595	4,300	1,831	2,469	
Alcohol Education Rehab Enforcement		886	-	886	
Matching Funds for Grants	1,000	-	-	-	
Body Armor Fund	2,555	4,574	-	4,574	
Clean Communities		12,473	3,325	9,148	
Community Development Block Grant		5,500	3,950	1,550	
Recycling Tonnage Grant	8,200	8,200	8,200	-	-
Total Public and Private Programs Offset by Revenues	<u>14,224</u>	<u>52,621</u>	<u>27,039</u>	<u>25,582</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>1,480,275</u>	<u>1,518,672</u>	<u>1,317,933</u>	<u>200,739</u>	<u>-</u>
Detail:					
Salaries and Wages	87,467	87,467	87,467	-	-
Other Expenses	1,392,808	1,431,205	1,230,466	200,739	-

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

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	\$ 30,000	\$ 30,000	\$ 30,000	-	-
Total Capital Improvements Excluded from "CAPS"	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>-</u>
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	650,000	650,000	650,000		
Interest on Bonds	210,333	210,333	210,333		
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>1,047,153</u>	<u>1,047,153</u>	<u>1,047,151</u>	<u>-</u>	<u>2</u>
Deferred Charges:					
Special Emergency Authorizations - 5 Years (N.J.S. 40A:4-55)	<u>18,000</u>	<u>18,000</u>	<u>18,000</u>	<u>-</u>	<u>-</u>
Total Deferred Charges	<u>18,000</u>	<u>18,000</u>	<u>18,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>2,575,428</u>	<u>2,613,825</u>	<u>2,413,084</u>	<u>\$ 200,739</u>	<u>2</u>
Subtotal General Appropriations	11,101,816	11,237,508	10,645,279	592,224	5
Reserve for Uncollected Taxes	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 11,501,816</u>	<u>\$ 11,637,508</u>	<u>\$ 11,045,279</u>	<u>\$ 592,224</u>	<u>\$ 5</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, 2014

	<u>Reference</u>	<u>Budget After Modification</u>	<u>Expended Paid or Charged</u>
Budget as Adopted	A-3	\$ 11,501,816	
Emergency Appropriation 40A:4-47	A-11	100,000	
Added by N.J.S.A. 40A:4-87	A-2	<u>35,692</u>	
		<u>\$ 11,637,508</u>	
Cash Disbursed	A-4		\$ 10,491,412
Special Emergency Authorizations	A-10		18,000
Reserve for Uncollected Taxes	A-2		400,000
Encumbrances Payable	A-16		<u>135,867</u>
			<u>\$ 11,045,279</u>

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

	<u>Reference</u>	<u>2014</u>	<u>2013</u>
ASSETS			
ANIMAL CONTROL TRUST FUND			
Cash	B-1	\$ 13,508	\$ 8,321
Due from Other Trust Fund (Recreation)	B-4	<u>-</u>	<u>10</u>
		<u>13,508</u>	<u>8,331</u>
OTHER TRUST FUND			
Cash	B-1	961,925	872,094
Other Accounts Receivable	B-16	<u>17,176</u>	<u>27,290</u>
		<u>979,101</u>	<u>899,384</u>
HOUSING TRUST FUND			
Cash	B-1	<u>191,440</u>	<u>173,680</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Cash	B-1	<u>37,877</u>	<u>38,242</u>
LENGTH OF SERVICE AWARD PROGRAM (LOSAP) TRUST FUND (UNAUDITED)			
Investments	B	685,731	611,436
Due from Other Trust Fund	B-15	28,405	28,405
Contribution Receivable	B	<u>55,200</u>	<u>54,050</u>
		<u>769,336</u>	<u>693,891</u>
Total Assets		<u>\$ 1,991,262</u>	<u>\$ 1,813,528</u>

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

	<u>Reference</u>	<u>2014</u>	<u>2013</u>
LIABILITIES, RESERVES AND FUND BALANCE			
ANIMAL CONTROL TRUST FUND			
Reserve for Animal Control Expenditures	B-5	\$ 13,508	\$ 8,331
		<u>13,508</u>	<u>8,331</u>
OTHER TRUST FUND			
Due to LOSAP Trust Fund	B-15	28,405	28,405
Due to Current Fund	B-7	1,283	3,523
Due to Animal Control Trust Fund	B-4		10
Reserve for Accrued Payroll	B-9	1,943	1,994
Reserve for Payroll Deductions Payable	B-10	9,727	52,515
Reserve for Escrow and Miscellaneous Reserves	B-6	769,891	655,210
Reserve for Accumulated Absences	B-8	<u>167,852</u>	<u>157,727</u>
		<u>979,101</u>	<u>899,384</u>
HOUSING TRUST FUND			
Reserve for Housing Trust Expenditures	B-11	<u>191,440</u>	<u>173,680</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Due to State of New Jersey	B-13	807	
Reserve for Unemployment Insurance Trust Claims	B-12	<u>37,070</u>	<u>38,242</u>
		<u>37,877</u>	<u>38,242</u>
LENGTH OF SERVICE AWARD PROGRAM (LOSAP) TRUST FUND (UNAUDITED)			
Reserve for LOSAP Contributions	B	<u>769,336</u>	<u>693,891</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 1,991,262</u>	<u>\$ 1,813,528</u>

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

	<u>Reference</u>	<u>2014</u>	<u>2013</u>
ASSETS			
Cash	C-2,C-3	\$ 1,126,454	\$ 1,427,282
Grants Receivable	C-6	157,641	413,138
Deferred Charges to Future Taxation			
Funded	C-7	7,797,133	8,607,361
Unfunded	C-8	<u>496,365</u>	<u>900</u>
 Total Assets		 <u>\$ 9,577,593</u>	 <u>\$ 10,448,681</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds Payable	C-13	\$ 6,588,000	\$ 7,238,000
Intergovernmental Loans Payable	C-14	1,209,133	1,369,361
Improvement Authorizations			
Funded	C-10	582,615	1,543,327
Unfunded	C-10	225,790	900
Contracts Payable	C-11	958,073	270,466
Capital Improvement Fund	C-9	4,732	802
Reserve for Payment of Debt	C-12		16,575
Miscellaneous Reserves	C-5	500	500
Reserve for Capital Projects	C-15	<u>8,750</u>	<u>8,750</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 9,577,593</u>	 <u>\$ 10,448,681</u>

There were bonds and notes authorized but not issued on December 31, 2014 and 2013 in the amount of \$496,365 and \$900, respectively (Exhibit C-16).

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

	<u>Reference</u>	<u>2014</u>	<u>2013</u>
Balance, January 1	C	\$ -	\$ 6,740
Decreased by:			
Realized as Current Fund Budgeted Revenue	C-1	<u>-</u>	<u>6,740</u>
Balance, December 31	C	<u>\$ -</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS

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

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 and Council form of government. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

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

The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Borough do not include the municipal library, Volunteer Fire Department 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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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

The Borough has the following funds and account group:

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

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

Animal Control 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.

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

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

Financial Statements – Regulatory Basis

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

D. Measurement Focus and Basis of Accounting

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

The Borough of 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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Deferred Charges – Certain expenditures 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.

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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

General Fixed Assets (Continued)

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

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

- Trust Funds
- General Capital Fund

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting (Continued)

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2014 and 2013 the Borough Council increased the original budget by \$135,692 and \$37,699. The 2014 increase was funded by additional aid allotted to the Borough in the amount of \$35,692 and an emergency resolution for \$100,000. The 2013 increase was funded by additional aid allotted to the Borough. In addition the governing body approved several budget transfers during 2014 and 2013.

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, 2014 AND 2013**

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

A. Deposits (Continued)

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2014 and 2013, the book value of the Borough's deposits were \$5,342,786 and \$5,426,639 and bank and brokerage firm balances of the Borough's deposits amounted to \$5,700,651 and \$7,534,567, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2014</u>	<u>2013</u>
Insured	\$ 5,624,895	\$ 7,458,855
Uninsured and Collateralized	<u>75,756</u>	<u>75,712</u>
	<u>\$ 5,700,651</u>	<u>\$ 7,534,567</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2014 and 2013, the Borough's bank balances of \$75,756 and \$75,712 were exposed to custodial credit risk as follows:

	<u>2014</u>	<u>2013</u>
Uninsured and Collateral held by pledging financial institution's trust department not in the Borough's name	<u>\$ 75,756</u>	<u>\$ 75,712</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, 2014 AND 2013**

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

As of December 31, 2014 and 2013, the Borough had the following investments:

	Fair Value (Unaudited)	
	2014	2013
Investment:		
Length of Service Award Program	\$ 685,731	\$ 611,436

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Borough does not have a policy for custodial risk. As of December 31, 2014 and 2013, \$685,731 and \$611,436 of the Borough’s investments was exposed to custodial credit risk as follows:

	Fair Value (LOSAP - Unaudited)	
	2014	2013
Uninsured and Collateralized		
Collateral held by pledging financial institution's trust department but not in the Borough's name	\$ 685,731	\$ 611,436

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

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1). The Borough does not have an investment policy that would further limit its investment choices. As of December 31, 2014 and 2013, the Borough’s investment in Lincoln Financial Group was rated Baa1, 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, Animal Control Trust Fund and certain Other Trust Funds are assigned to the Current Fund in accordance with the regulatory basis of accounting.

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

NOTE 4 TAXES RECEIVABLE

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

	<u>2014</u>	<u>2013</u>
<u>Current</u>		
Property Taxes	\$ 188,605	\$ 208,355
Tax Title Liens	<u>81,610</u>	<u>70,743</u>
	<u>\$ 270,215</u>	<u>\$ 279,098</u>

In 2014 and 2013, the Borough collected \$183,668 and \$239,334 from delinquent taxes, which represented 71% and 83%, respectively of the prior year delinquent taxes receivable balance.

NOTE 5 DUE TO/FROM OTHER FUNDS

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

	<u>2014</u>		<u>2013</u>	
	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>
Current Fund	\$ 1,283		\$ 3,523	
Animal Control Fund			10	
LOSAP Trust Fund	28,405		28,405	
Other Trust Fund	<u>-</u>	<u>\$ 29,688</u>	<u>-</u>	<u>\$ 31,938</u>
Total	<u>\$ 29,688</u>	<u>\$ 29,688</u>	<u>\$ 31,938</u>	<u>\$ 31,938</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, 2014 AND 2013**

NOTE 6 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

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

	<u>Balance December 31,</u>	<u>Subsequent Year Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
<u>2014</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$ 18,000	\$ 18,000	
Emergency Authorizations	<u>100,000</u>	<u>100,000</u>	\$ -
	<u>\$ 118,000</u>	<u>\$ 118,000</u>	<u>\$ -</u>
<u>2013</u>			
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>

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>2014</u>	<u>2013</u>
Balance of Tax	\$ 8,880,003	\$ 8,640,003
Deferred Liability	<u>8,340,003</u>	<u>8,340,003</u>
Taxes Payable	<u>\$ 540,000</u>	<u>\$ 300,000</u>

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

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:

	<u>2014</u>		<u>2013</u>	
	Fund Balance December 31,	Utilized in Subsequent Year's Budget	Fund Balance December 31,	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	\$ 1,327,041	\$ 730,000	\$ 1,325,018	\$ 625,000
Non-Cash Surplus	145,238	-	59,227	-
	<u>\$ 1,472,279</u>	<u>\$ 730,000</u>	<u>\$ 1,384,245</u>	<u>\$ 625,000</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, 2014 and 2013.

	<u>2014</u>			Balance, December 31, 2014
	Balance January 1, 2014	Additions	Retirements	
2014				
Land	\$ 11,161,700			\$ 11,161,700
Buildings and Building Improvements	2,421,522			2,421,522
Machinery and Equipment	5,803,725	\$ 53,349	\$ 28,131	5,828,943
	<u>\$ 19,386,947</u>	<u>\$ 53,349</u>	<u>\$ 28,131</u>	<u>\$ 19,412,165</u>
	<u>2013</u>			Balance, December 31, 2013
	Balance January 1, 2013	Additions	Retirements	
2013				
Land	\$ 11,161,700			\$ 11,161,700
Buildings and Building Improvements	2,421,522			2,421,522
Machinery and Equipment	5,737,734	\$ 192,991	\$ 127,000	5,803,725
	<u>\$ 19,320,956</u>	<u>\$ 192,991</u>	<u>\$ 127,000</u>	<u>\$ 19,386,947</u>

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

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 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.

	<u>2014</u>	<u>2013</u>
Issued		
General		
Bonds, Notes and Loans	\$ 7,797,133	\$ 8,607,361
Less Funds Temporarily Held to Pay Bonds and Notes	<u>-</u>	<u>16,575</u>
Net Debt Issued	7,797,133	8,590,786
Authorized But Not Issued		
General		
Bonds and Notes	<u>496,365</u>	<u>900</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 8,293,498</u>	<u>\$ 8,591,686</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 .664% and .672% at December 31, 2014 and 2013, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2014</u>			
General Debt	<u>\$ 8,293,498</u>	<u>\$ -</u>	<u>\$ 8,293,498</u>
Total	<u>\$ 8,293,498</u>	<u>\$ -</u>	<u>\$ 8,293,498</u>
	<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>

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

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>2014</u>	<u>2013</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 43,717,894	\$ 44,745,687
Net Debt	<u>8,293,498</u>	<u>8,591,686</u>
Remaining Borrowing Power	<u>\$ 35,424,396</u>	<u>\$ 36,154,001</u>

A. Long-Term Debt

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

General Obligation Bonds

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

	<u>2014</u>	<u>2013</u>
\$2,053,000, 2003 Bonds, due in annual installments of \$165,000 to \$168,000 through October, 2018 interest at 3.50% to 4.125%	\$ 663,000	\$ 828,000
\$2,030,000, 2007 Bonds, due in annual installments of \$200,000 to \$210,000 through August, 2019 interest at 4.0% to 4.10%	1,010,000	1,210,000
\$1,697,000, 2010 Bonds, due in annual installments of \$110,000 to \$517,000 through October, 2020 interest at 2.0% to 3.0%	1,412,000	1,502,000
\$3,698,000, 2013 Bonds, due in annual installments of \$195,000 to \$390,000 through December, 2026 interest at 2.0% to 3.0%	<u>3,503,000</u>	<u>3,698,000</u>
	<u>\$ 6,588,000</u>	<u>\$ 7,238,000</u>

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

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>2014</u>	<u>2013</u>
\$2,800,000, 2001 Loan, due in annual installments of \$152,229 to \$171,536 through September, 2021, interest at 2.00%	\$ 1,132,056	\$ 1,281,286
\$200,000, 2001 Loan, due in annual installments of \$6,290 to \$12,393 through March, 2021, interest at 2.00%	<u>77,077</u>	<u>88,075</u>
	<u>\$ 1,209,133</u>	<u>\$ 1,369,361</u>

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2014 is as follows:

Calendar Year	<u>Serial Bonds</u>		<u>Loans</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
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	755,000	103,823	176,991	9,827	1,045,641
2020-2024	2,252,000	277,485	358,373	8,909	2,896,767
2025-2026	<u>778,000</u>	<u>34,980</u>	<u>-</u>	<u>-</u>	<u>812,980</u>
	<u>\$ 6,588,000</u>	<u>\$ 1,051,958</u>	<u>\$ 1,209,133</u>	<u>\$ 92,237</u>	<u>\$ 8,941,328</u>

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

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, 2014 and 2013 were as follows:

	Balance, January 1, <u>2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2014</u>	Due Within <u>One Year</u>
<u>2014</u>					
General Capital Fund					
Bonds Payable	\$ 7,238,000		\$ 650,000	\$ 6,588,000	\$ 670,000
Intergovernmental Loans Payable	<u>1,369,361</u>	<u>\$ -</u>	<u>160,228</u>	<u>1,209,133</u>	<u>163,448</u>
General Capital Fund Long-Term Liabilities	<u>\$ 8,607,361</u>	<u>\$ -</u>	<u>\$ 810,228</u>	<u>\$ 7,797,133</u>	<u>\$ 833,448</u>
	Balance, January 1, <u>2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2013</u>	Due Within <u>One Year</u>
<u>2013</u>					
General Capital Fund					
Bonds Payable	\$ 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 Liabilities	<u>\$ 5,506,431</u>	<u>\$ 3,698,000</u>	<u>\$ 597,070</u>	<u>\$ 8,607,361</u>	<u>\$ 810,228</u>

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

NOTE 10 MUNICIPAL DEBT (Continued)

B. Short-Term Debt

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

Bond Anticipation Notes

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	Balance, December 31, <u>2013</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	Balance, December 31, <u>2014</u>
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2014

NONE

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	Balance, December 31, <u>2012</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	Balance, December 31, <u>2013</u>
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2013

General Capital Fund

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>

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

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

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 AND OTHER SIGNIFICANT COMMITMENTS

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

<u>2014</u> <u>Capital Projects</u>	<u>Construction</u> <u>Commitment</u>	<u>Estimated</u> <u>Date of</u> <u>Completion</u>
2014 Road Resurfacing	\$ 94,177	2015
Ferrara Heavy Duty Custom Pumper	690,283	2015
Police Car	36,000	2015

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

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

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 upon eligibility for retirement according to the New Jersey Police and PFRS guidelines 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 \$390,030 and \$450,723 at December 31, 2014 and 2013, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

As of December 31, 2014 and 2013, the Borough has reserved in the Other Trust Fund \$167,852 and \$157,727, 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 7.90% effective July 1, 2012 and 8.25% prior to July 1, 2012) at December 31, 2014 and 2013 is \$296,874 and \$314,844, respectively.

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

NOTE 12 OTHER LONG-TERM LIABILITIES (Continued)

C. Changes in Other Long-Term Liabilities

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

	Balance, December 31, <u>2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2014</u>	Due Within <u>One Year</u>
<u>2014</u>					
Compensated Absences	\$ 450,723		\$ 60,693	\$ 390,030	\$ 13,000
Deferred Pension Obligation	<u>314,844</u>	<u>\$ 22,824</u>	<u>40,794</u>	<u>296,874</u>	<u>41,632</u>
Other Long-Term Liabilities	<u>\$ 765,567</u>	<u>\$ 22,824</u>	<u>\$ 101,487</u>	<u>\$ 686,904</u>	<u>\$ 54,632</u>
	Balance, December 31, <u>2012</u> (Restated)	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2013</u>	Due Within <u>One Year</u>
<u>2013</u>					
Compensated Absences	\$ 409,552	\$ 41,171		\$ 450,723	\$ 60,000
Deferred Pension Obligation	<u>330,417</u>	<u>24,137</u>	<u>\$ 39,710</u>	<u>314,844</u>	<u>40,794</u>
Other Long-Term Liabilities	<u>\$ 739,969</u>	<u>\$ 65,308</u>	<u>\$ 39,710</u>	<u>\$ 765,567</u>	<u>\$ 100,794</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. PFRS is a cost-sharing multi-employer defined benefit pension plan.

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

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

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Other Pension Funds

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

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

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

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

Basis of Accounting

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

Significant Legislation

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

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

- For new members of PERS hired on or after June 28, 2011 (Tier 5 members), the years of creditable service needed for early retirement benefits increased from 25 to 30 years and the early retirement age increased from 55 to 65. The eligibility age to qualify for a service retirement in the PERS increased from age 62 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), decreased from 65 percent of final compensation to 60 percent of final compensation after 25 years of service and from 70 percent of final compensation to 65 percent of final compensation after 30 or more years of service.
- It increased the active member contribution rates as follows: PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years for members hired or reappointed on or after June 28, 2011; PFRS active member rates increase from 8.5 percent to 10 percent. For Fiscal Year 2014, the PERS member contribution rate was 6.78%. The rate increased to 6.92% effective July 2014. The phase-in of the additional incremental member contributions for PERS members will take place in July of each subsequent fiscal year.

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

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Significant Legislation (Continued)

- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries was suspended. COLA increases may be reactivated at a future date as permitted by this law.
- It changed the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay method).

Investment Valuation

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

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

Funded Status and Funding Progress

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

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

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

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

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Actuarial Methods and Assumptions

In the July 1, 2012 actuarial valuations, the date of the most recent actuarial valuations, the projected unit credit was used as actuarial cost method, and the five year average of market value was used as asset valuation method for pension trust funds. The actuarial assumptions included (a) 7.90% for investment rate of return for all the retirement systems and (b) changes to projected salary increases of 4.22 percent for PERS and 6.01 percent for PFRS.

Employer and Employee Pension Contributions

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

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employees*, for the year ended June 30, 2014 for PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made.

During the years ended December 31, 2014, 2013 and 2012, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension contributions, early retirement incentive program 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> <u>December 31</u>	<u>PFRS</u>	<u>PERS</u>
2014	\$ 512,127	\$ 192,839
2013	506,311	222,460
2012	537,463	207,382

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

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; termination of employees and natural disasters. The Borough has obtained commercial insurance coverage to guard against these events to minimize the exposure to the Borough should they occur.

The Borough of 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 December 31</u>	<u>Borough Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2014	\$ 10,000	\$ 5,656	\$ 16,828	\$ 37,070
2013	10,000	5,514	7,332	38,242
2012	10,000	5,249	19,789	30,060

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

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, 2014 and 2013. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be material. As of December 31, 2014 and 2013, the Borough reserved \$233,574 and \$195,043, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years' budget or from fund balance.

Federal and State Awards - The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2014 and 2013, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

NOTE 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, 2014 and 2013, 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 the Emerson Volunteer Ambulance Corps, come from contributions made solely by the Borough on behalf of those volunteers who meet the criteria of a plan created by the governing body.

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

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 2014 and 2013, for each eligible volunteer fire department member and 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, 2014. During the year ended December 31, 2014, the Borough has received \$54,436 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, 2014		\$ 2,906,660
Increased by Receipts:		
Taxes Receivable	\$ 29,688,673	
Petty Cash Returned	700	
2015 Prepaid Taxes	152,101	
Tax Overpayments	4,210	
Revenue Accounts Receivable	1,502,287	
Non-Budget Revenue	146,568	
Due from State of NJ - Senior Citizens and Veterans Deductions	72,500	
Grant Receivable	18,927	
Unappropriated Grants	23,575	
Receipts from General Capital Fund	17,308	
Receipts from Other Trust Fund	69,763	
Receipts from Animal Control Trust Fund	21	
Receipts from Unemployment Trust Fund	18	
Receipts from Construction Penalties	6,490	
Reserve for Insurance Reimbursement	10,117	
Due to State of New Jersey - Marriage Licenses	650	
Reserve for Tax Sale Lien Redemption	201,856	
Reserve for Tax Assessor Fees	350	
Reserve for Prepaid Fees	4,750	
Due to State of New Jersey - DCA Fees	8,444	
	31,929,308	
		34,835,968
Decreased by Disbursements:		
2014 Budget Appropriation	10,491,412	
2013 Appropriation Reserves	222,865	
Encumbrances Payable	221,996	
Petty Cash Received	700	
Local District School Taxes Payable	17,582,315	
County Taxes Payable	2,904,518	
Reserve for Appropriated Grants	599	
Reserve for Tax Sale Lien Redemption	315,613	
Due to State of New Jersey - Marriage Licenses	705	
Due to State of New Jersey - DCA Fees	8,444	
Reserve for Tax Assessor Fees	360	
Payments of Construction Penalties	9,175	
Payments to Other Trust	66,044	
	31,824,746	
Balance, December 31, 2014		\$ 3,011,222

**BOROUGH OF EMERSON
STATEMENT OF CHANGE FUND**

<u>Office</u>	Balance, January 1, 2014	Balance, December 31, 2014
Tax Collector	\$ 160	\$ 160
Health Department	50	50
Building Department	50	50
Municipal Court	<u>100</u>	<u>100</u>
	<u>\$ 360</u>	<u>\$ 360</u>

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, January 1, 2013	2014 Levy	Senior Citizens' and Veterans' Deductions Disallowed	2013	Collected by Cash 2014	Senior Citizens' and Veterans' Deductions Allowed	Tax Overpayments Applied	Transfer to Tax Title Liens	Cancelled	Balance, December 31, 2014
2013	\$ 208,355		750		\$ 183,668			\$ 14,119		\$ 11,318
2014	-	\$ 29,957,596	1,250	\$ 131,410	29,505,005	\$ 75,250	\$ 30,152	\$ 18,947	\$ 20,795	\$ 177,287
	\$ 208,355	\$ 29,957,596	\$ 2,000	\$ 131,410	\$ 29,688,673	\$ 75,250	\$ 30,152	\$ 33,066	\$ 20,795	\$ 188,605

Analysis of 2014 Property Tax Levy

Tax Yield	
General Purpose Tax	\$ 29,903,972
Added Taxes (54:4-63.1 et seq.)	<u>53,624</u>
	\$ 29,957,596
Tax Levy	
Local District School Tax (Abstract)	\$ 17,822,315
County Taxes	2,859,036
County Open Space Taxes	31,248
Due County for Added Taxes (54:4-63.1 et seq.)	<u>5,203</u>
	2,895,487
Local Tax for Municipal Purposes	8,771,424
Minimum Library Tax	415,734
Add Additional Tax Levied	<u>52,636</u>
	<u>9,239,794</u>
	\$ 29,957,596

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

Balance, January 1, 2014	\$	493
Increased by:		
Senior Citizens' Deductions Per Tax Billings	\$	7,750
Veterans' Deductions Per Tax Billings		66,750
Senior Citizens' and Veterans' Deductions Allowed by Tax Collector		<u>750</u>
		<u>75,250</u>
		75,743
Decreased by:		
Received from State of New Jersey		72,500
Senior Citizens' and Veterans' Deductions Disallowed - 2013		750
Senior Citizens' and Veterans' Deductions Disallowed - 2014		<u>1,250</u>
		<u>74,500</u>
Balance, December 31, 2014	\$	<u><u>1,243</u></u>

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

Balance, January 1, 2014	\$	<u>13,200</u>
Balance, December 31, 2014	\$	<u><u>13,200</u></u>

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

	<u>Amount Authorized</u>	<u>1/5 of Amount Authorized</u>	<u>Balance, January 1, 2014</u>	<u>Raised in 2014 Budget</u>	<u>Balance, December 31, 2014</u>
Reassessment of Real Property	\$ 90,000	\$ 18,000	\$ <u>36,000</u>	\$ <u>18,000</u>	\$ <u>18,000</u>

EXHIBIT A-11

STATEMENT OF DEFERRED CHARGES - EMERGENCY AUTHORIZATIONS

Increased by:	
Added in 2014	<u>\$ 100,000</u>
Balance, December 31, 2014	<u>\$ 100,000</u>

EXHIBIT A-12

STATEMENT OF TAX TITLE LIENS

Balance, January 1, 2014	\$ 70,743
Increased by:	
Transfer from Taxes Receivable	<u>33,066</u>
	103,809
Decreased by:	
Adjustment - Prior Year Redemption	<u>22,199</u>
Balance, December 31, 2014	<u>\$ 81,610</u>

BOROUGH OF EMERSON
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, January 1, <u>2014</u>	Accrued in 2014	<u>Collected</u>	Balance, December 31, <u>2014</u>
Borough Clerk				
Licenses				
Alcoholic Beverage		\$ 17,500	\$ 17,500	
Other		3,980	3,980	
Fees and Permits		1,890	1,890	
Health Officer				
Licenses		10,200	10,200	
Fees and Permits		2,677	2,677	
Construction Code Official				
Fees and Permits		247,210	247,210	
Planning/Zoning Boards				
Fees and Permits		6,500	6,500	
Police Department				
Fees and Permits		1,919	1,919	
Municipal Court				
Fines and Costs	\$ 8,739	150,379	150,323	\$ 8,795
Interest and Costs on Taxes		48,892	48,892	
Interest on Investments and Deposits		5,852	5,852	
Parking Meters		9,080	9,080	
Consolidated Municipal Property Tax Relief Aid		6,315	6,315	
Energy Receipts Tax		613,590	613,590	
Watershed Moratorium Offset Aid		18,189	18,189	
Borough of Old Tappan Shared Service - Court		14,300	14,300	
Sewer Service Fees		16,156	16,156	
Uniform Fire Safety Act		18,446	18,446	
Cable Television Franchise Fees		100,733	100,733	
Cellular Tower Fees	-	210,785	210,785	-
	<u>\$ 8,739</u>	<u>\$ 1,504,593</u>	<u>\$ 1,504,537</u>	<u>\$ 8,795</u>
			Cash Receipts \$ 1,502,287	
			Prepaid Fees Applied <u>2,250</u>	
			<u>\$ 1,504,537</u>	

**BOROUGH OF EMERSON
STATEMENT OF GRANTS RECEIVABLE**

	Balance, January 1, <u>2014</u>	<u>Accrued</u>	<u>Received</u>	Balance, December 31, <u>2014</u>
Municipal Alliance Program (2013)	\$ 1,972	\$ 4,938	\$ 6,910	
Municipal Alliance Program (2014)		11,750	443	\$ 11,307
CDBG - Senior Activities (2013-2014)	3,274			3,274
CDBG - Senior Activities (2014-2015)		5,500		5,500
CDBG - SC Flooring Rehab	<u>17,488</u>	<u>-</u>	<u>11,574</u>	<u>5,914</u>
	<u>\$ 22,734</u>	<u>\$ 22,188</u>	<u>\$ 18,927</u>	<u>\$ 25,995</u>
		Cash Receipts	<u>\$ 18,927</u>	

BOROUGH OF EMERSON
STATEMENT OF 2013 APPROPRIATION RESERVES

	Balance, January 1, <u>2014</u>	Modified <u>Balance</u>	<u>Expended</u>	Balance <u>Lapsed</u>
Salaries and Wages				
General Administration	\$ 2	\$ 2		\$ 2
Municipal Clerk	476	1,526	\$ 1,517	9
Financial Administration	3,208	3,208		3,208
Revenue Administration	428	428		428
Tax Assessment Administration	1	1		1
Land Use Board	92	92		92
Police Department	8,280	8,280	363	7,917
Police Dispatch / 911	1,282	1,282		1,282
Fire Department	193	193		193
Uniform Fire Safety Act	1,541	1,541	1,227	314
Streets and Roads Maintenance	45,264	45,264		45,264
Other Public Works Functions				
Sewer Services	5,583	5,583		5,583
Shade Tree - Advisory Committee	42	42		42
Vehicle Maintenance	24,006	24,006		24,006
Public Health Services	1,319	1,319		1,319
Environmental Health Services	1,543	1,543		1,543
Recreation Services and Programs	1	1		1
Municipal Court	5,581	5,581		5,581
Construction Code Official	1,360	1,360		1,360
NJPDES/Stormwater Permit Management	6	6		6
Other Expenses				
General Administration	2,305	2,305	1,856	449
Mayor and Council	1,997	1,997	152	1,845
Municipal Clerk	9,055	9,055	393	8,662
Financial Administration	5,670	10,670	4,904	5,766
Revenue Administration	679	679	112	567
Tax Assessment Administration	6,163	6,184		6,184
Legal Services and Costs	4,213	9,213	6,029	3,184
Engineering Services and Costs	1,483	7,183	5,821	1,362
Land Use Board	1,023	8,523	7,484	1,039
Unemployment Insurance	3,138	3,138		3,138
General Liability	10,905	7,405		7,405
Workers Compensation	1	3,001		3,001
Employee Group Health	45,003	3		3
Police Department	601	601	258	343
Police Department - Acquisition of Police Vehicles	122	122		122
Police Dispatch / 911	500	500		500
Office of Emergency Management	610	610		610
Aid to Volunteer Fire Companies	11,043	11,043		11,043
Aid to Volunteer Ambulance Corps.	1,761	1,761	45	1,716
Fire Department	4	4		4
Uniform Fire Safety	730	1,130	1,121	9
Municipal Prosecutor	4	4		4
Streets and Roads Maintenance	14,328	14,328	398	13,930
Other Public Works Functions				
Sewer Services	20,867	20,867	11,363	9,504
Shade Tree - Advisory Committee	260	260	250	10

BOROUGH OF EMERSON
STATEMENT OF 2013 APPROPRIATION RESERVES

	Balance, January 1, <u>2014</u>	Modified <u>Balance</u>	<u>Expended</u>	Balance <u>Lapsed</u>
Other Expenses (Continued)				
Solid Waste Collection	\$ 7,784	\$ 7,784		\$ 7,784
Buildings and Grounds	3,330	3,330	\$ 299	3,031
Vehicle Maintenance	22,165	17,165	5,188	11,977
Public Health Services	1,283	1,283		1,283
Environmental Health Services	496	496	472	24
Animal Control Services		749		749
Recreation Services and Programs	8,494	8,494		8,494
Celebration of Public Events	1,000	600		600
Historic Preservation	760	10		10
Municipal Court	857	857		857
Public Defender	71	71		71
Construction Code Official	1,819	1,819	1,065	754
Electricity	9,917	33,917	22,401	11,516
Street Lighting	24,359	24,359	22,886	1,473
Telephone	1,372	1,372		1,372
Water	1,239	1,239	257	982
Gas (Natural or Propane)	2,087	5,087	5,044	43
Gasoline	8,110	8,110		8,110
Landfill / Solid Waste Disposal Cost - Dump Fees	32,864	32,864	16,343	16,521
Public Employees' Retirement System	10,095	10,095	5,591	4,504
Social Security System	2,691	2,691		2,691
Defined Contribution Retirement Program	2,000	2,000		2,000
Sewerage Processing and Disposal	1,535	1,535		1,535
Reserve for Tax Appeals	112,000	112,000	112,000	-
Length of Service Award Program	69,250	69,250	50,600	18,650
Recycling Tax P.L. 2001, C311(N.J.S.A.13:1E-96.5)	3,811	3,811		3,811
NJPDES/Stormwater Permit Management	1,525	1,525	-	1,525
	<u>\$ 573,587</u>	<u>\$ 574,357</u>	<u>\$ 285,439</u>	<u>\$ 288,918</u>
Appropriation Reserves		\$ 573,587		
Encumbrance Payables Canceled		<u>770</u>		
		<u>\$ 574,357</u>		
Cash Disbursements			\$ 222,865	
Reserve for Tax Appeals			52,504	
Accounts Payable			<u>10,070</u>	
			<u>\$ 285,439</u>	

**BOROUGH OF EMERSON
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, January 1, 2014		\$	222,766
Increased by:			
Transferred from 2014 Budget Appropriation			135,867
			358,633
Decreased by:			
Cash Disbursements	\$	221,996	
Cancelled - Restored to Appropriation Reserves		770	
			222,766
Balance, December 31, 2014		\$	135,867

EXHIBIT A-17

STATEMENT OF ACCOUNTS PAYABLE

Balance, January 1, 2014		\$	3,450
Increased by:			
Transferred from 2013 Appropriation Reserves			10,070
Balance, December 31, 2014		\$	13,520

EXHIBIT A-18

STATEMENT OF PREPAID TAXES

Balance, January 1, 2014		\$	131,410
Increased by:			
Collection - 2015 Taxes			152,101
			283,511
Decreased by:			
Application to 2014 Taxes Receivable			131,410
Balance, December 31, 2014		\$	152,101

**BOROUGH OF EMERSON
STATEMENT OF TAX OVERPAYMENTS**

Balance, January 1, 2014	\$	29,656
Increased by:		
Cash Receipts		4,210
		33,866
Decreased by:		
Overpayments Applied		30,152
Balance, December 31, 2014	\$	3,714

STATEMENT OF COUNTY TAXES PAYABLE

Balance, January 1, 2014	\$	9,031
Increased by:		
2014 Tax Levy - General	\$	2,859,036
2014 Tax Levy - Open Space		31,248
Added Taxes (54:4-63.1)		5,203
		2,895,487
		2,904,518
Decreased by:		
Payments		2,904,518
Balance, December 31, 2014	\$	-

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

Balance, January 1, 2014			
School Tax Payable	\$	300,000	
School Tax Deferred		<u>8,340,003</u>	
			\$ 8,640,003
Increased by:			
Levy School Year July 1, 2014 to June 30, 2015			<u>17,822,315</u>
			26,462,318
Decreased by:			
Payments			<u>17,582,315</u>
Balance, December 31, 2014			
School Tax Payable		540,000	
School Tax Deferred		<u>8,340,003</u>	
			<u>\$ 8,880,003</u>
<u>2014 Liability for Local District School Taxes Payable</u>			
Tax Paid			\$ 17,582,315
Add: Taxes Payable December 31, 2014			<u>540,000</u>
			18,122,315
Less: Taxes Payable January 1, 2014			<u>300,000</u>
			17,822,315
Amount Charged to 2014 Operations			<u>\$ 17,822,315</u>

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

<u>Grant</u>	<u>Balance, January 1, 2014</u>	<u>Cash Disbursements</u>	<u>Balance, December 31, 2014</u>
Alcohol Education and Rehabilitation Grant	\$ 947		\$ 947
Body Armor Replacement Grant	7,213		7,213
Municipal Alliance (2012)			
Local Share	263		263
Reserve for Clean Communities Program Mini Grant	186		186
CDBG - Senior Activities - 13-14	599	\$ 599	
CDBG - SC Flooring Rehab	9,188	-	9,188
	<u>\$ 18,396</u>	<u>\$ 599</u>	<u>\$ 17,797</u>

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

Increased by:	
Cash Receipts	\$ <u>8,444</u>
Decreased by:	
Cash Disbursements	\$ <u>8,444</u>

STATEMENT OF RESERVE FOR CONSTRUCTION PENALTIES

Balance, January 1, 2014	\$ 25,951
Increased by:	
Cash Receipts	<u>6,490</u>
	32,441
Decreased by:	
Cash Disbursements	<u>9,175</u>
Balance, December 31, 2014	\$ <u>23,266</u>

BOROUGH OF EMERSON
STATEMENT OF RESERVE FOR UNAPPROPRIATED GRANTS AND AID

Balance, January 1, 2014		\$	10,755
Increased by:			
Cash Receipts	\$		23,575
Grant Award			<u>20,314</u>
			<u>43,889</u>
			54,644
Decreased by:			
Appropriated in 2014 Budget			<u>46,447</u>
Balance, December 31, 2014		\$	<u>8,197</u>
	Recycling Tonnage Grant	\$	<u>8,197</u>

EXHIBIT A-26

STATEMENT OF RESERVE FOR REASSESSMENT OF REAL PROPERTY

Balance, January 1, 2014		\$	<u>22,682</u>
Balance, December 31, 2014		\$	<u>22,682</u>

EXHIBIT A-27

STATEMENT OF RESERVE FOR INSURANCE REIMBURSEMENT

Balance, January 1, 2014		\$	10,444
Increased by:			
Cash Receipts			<u>10,117</u>
			20,561
Decreased by:			
Realized as Anticipated Revenue			<u>10,444</u>
Balance, December 31, 2014		\$	<u>10,117</u>

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

Balance, January 1, 2014	\$	180
Increased by:		
Cash Receipts		650
		830
Decreased by:		
Cash Disbursements		705
Balance, December 31, 2014	\$	125

EXHIBIT A-29

STATEMENT OF RESERVE FOR THE PERFORMANCE OF MARRIAGE LICENSES

Balance, January 1, 2014	\$	200
Balance, December 31, 2014	\$	200

EXHIBIT A-30

STATEMENT OF RESERVE FOR TAX SALE LIEN REDEMPTION

Balance, January 1, 2014	\$	138,191
Increased by:		
Cash Receipts		201,856
		340,047
Decreased by:		
Cash Disbursements		315,613
Balance, December 31, 2014	\$	24,434

EXHIBIT A-31

STATEMENT OF RESERVE FOR TAX APPEALS

Balance, January 1, 2014	\$	83,043
Increased by:		
Transfer from 2013 Appropriation Reserves		52,504
Balance, December 31, 2014	\$	135,547

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

Balance, January 1, 2014	\$ 10
Increased by:	
Cash Receipts	<u>350</u>
	360
Decreased by:	
Cash Disbursements	<u>360</u>
Balance, December 31, 2014	<u><u>\$ -</u></u>

STATEMENT OF RESERVE FOR PREPAID FEES

Balance, January 1, 2014	\$ 2,250
Increased by:	
Cash Receipts for Parking Permits	<u>4,750</u>
	7,000
Decreased by:	
Permits Realized in 2014	<u>2,250</u>
Balance, December 31, 2014	<u><u>\$ 4,750</u></u>

TRUST FUND

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

	Animal Control Trust Fund	Other Trust Fund	Housing Trust Fund	Unemployment Insurance Trust Fund
Balance, January 1, 2014	\$ 8,321	\$ 872,094	\$ 173,680	\$ 38,242
Increased by Receipts:				
Animal Control Fees	5,780			
Late Fees	866			
State Fees	814			
Interest on Deposits	21	\$ 1,479	\$ 97	\$ 18
Developers Fees			17,663	
Miscellaneous Reserves		612,856		
Employee Contributions				5,656
Budget Appropriations				10,000
Payroll Deposits		3,169,712		
Payroll Deductions Payable		5,734,790		
Reserve for Accumulated Absences		10,125		
Other Accounts Receivable		21,678		
Receipts from Other Trust	10			
Receipts from Current Fund		66,044		
Escrow Deposits		105,876		
	<u>7,491</u>	<u>9,722,560</u>	<u>17,760</u>	<u>15,674</u>
	15,812	10,594,654	191,440	53,916
Decreased by Disbursements:				
Expenditures Under R.S. 4:19-15.11	1,469			
Miscellaneous Reserves		556,888		
Payments to State of New Jersey	814			16,021
Payments to Current Fund	21	69,763		18
Payments to Animal Control		10		
Payroll Deposits		3,169,763		
Payroll Deductions Payable		5,777,578		
Escrow Deposits		58,727		
	<u>2,304</u>	<u>9,632,729</u>	<u>-</u>	<u>16,039</u>
Balance, December 31, 2014	<u>\$ 13,508</u>	<u>\$ 961,925</u>	<u>\$ 191,440</u>	<u>\$ 37,877</u>

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

Increased by:	
State Fees	<u>\$ 814</u>

Decreased by:	
Payments to State of New Jersey	<u><u>\$ 814</u></u>

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

Increased by:	
Interest on Deposits	<u>\$ 21</u>

Decreased by:	
Cash Disbursements	<u><u>\$ 21</u></u>

**STATEMENT OF DUE FROM OTHER TRUST FUND
ANIMAL CONTROL TRUST FUND**

Balance, December 31, 2014	<u>\$ 10</u>
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Decreased by:	
Cash Receipts	<u><u>\$ 10</u></u>

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

Balance, January 1, 2014		\$ 8,331
Increased by:		
Animal Control Fees	\$ 5,780	
Late Fees	<u>866</u>	
		<u>6,646</u>
		14,977
Decreased by:		
Disbursements		<u>1,469</u>
Balance, December 31, 2014		<u>\$ 13,508</u>

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

Balance, January 1, 2014		\$ 655,210
Increased by:		
Escrow Deposit Receipts	\$ 105,876	
Other Account Receivable - Outside Police Duty	11,564	
Miscellaneous Reserves Receipts	<u>612,856</u>	
		<u>730,296</u>
		1,385,506
Decreased by:		
Escrow Deposit Disbursements	58,727	
Miscellaneous Reserve Disbursements	<u>556,888</u>	
		<u>615,615</u>
Balance, December 31, 2014		<u>\$ 769,891</u>
Developer's Escrow Deposits		
Recreation		\$ 209,096
Community Policing		78,034
Recycling Program		29,012
Centennial Celebration		139,855
Shade Tree Donations (Wagner)		2,115
Environmental Comm. Partnership		2,613
Snow Removal		731
Emergency Management		37,556
Uniform Fire Penalties		3,028
Municipal Court POAA Fees		2,517
Municipal Alliance - DARE		306
Outside Empl Off- Duty Police Officers		1,135
Tax Sale Premium		14,723
9-11 Memorial		245,100
Public Defender Fees		<u>3,723</u>
		<u>347</u>
		<u>\$ 769,891</u>

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

Balance, January 1, 2014		\$	3,523
Increased by:			
Interest on Deposits		\$	1,479
Receipts from Current Fund		<u>66,044</u>	<u>67,523</u>
			71,046
Decreased by:			
Payments to Current Fund			<u>69,763</u>
Balance, December 31, 2014		\$	<u><u>1,283</u></u>

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

Balance, January 1, 2014	\$	157,727
Increased by:		
Cash Receipts		<u>10,125</u>
Balance, December 31, 2014	\$	<u>167,852</u>

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

Balance, January 1, 2014	\$	1,994
Increased by:		
Cash Receipts		<u>3,169,712</u>
		3,171,706
Decreased by:		
Cash Disbursements		<u>3,169,763</u>
Balance, December 31, 2014	\$	<u>1,943</u>

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

Balance, January 1, 2014	\$	52,515
Increased by:		
Cash Receipts		<u>5,734,790</u>
		5,787,305
Decreased by:		
Cash Disbursements		<u>5,777,578</u>
Balance, December 31, 2014	\$	<u>9,727</u>

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

Balance, January 1, 2014		\$ 173,680
Increased by:		
Developers Fees	\$ 17,663	
Interest on Deposits	<u>97</u>	
		<u>17,760</u>
Balance, December 31, 2014		<u>\$ 191,440</u>

EXHIBIT B-12

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

Balance, January 1, 2014		\$ 38,242
Increased by:		
Employee Contributions	\$ 5,656	
2014 Budget Appropriation	<u>10,000</u>	
		<u>15,656</u>
		53,898
Decreased by:		
Unemployment Compensation Claims		<u>16,828</u>
Balance, December 31, 2014		<u>\$ 37,070</u>

EXHIBIT B-13

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

Increased by:		
Unemployment Compensation Claims		\$ 16,828
Decreased by:		
Cash Disbursements		<u>16,021</u>
Balance, December 31, 2014		<u>\$ 807</u>

EXHIBIT B-14

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

Increased by:		
Interest on Deposits		<u>18</u>
Decreased by:		
Cash Disbursements		<u>\$ 18</u>

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

Balance, January 1, 2014	\$ <u>28,405</u>
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Balance, December 31, 2014	\$ <u><u>28,405</u></u>
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**STATEMENT OF OTHER ACCOUNTS RECEIVABLE
OTHER TRUST FUND**

Balance, January 1, 2014	\$ 27,290
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Increased by:	
Outside Police Duty Billings	11,564

38,854

Decreased by:	
Cash Receipts	21,678

Balance, December 31, 2014	\$ <u><u>17,176</u></u>
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GENERAL CAPITAL FUND

BOROUGH OF EMERSON
STATEMENT OF GENERAL CAPITAL CASH

Balance, January 1, 2014		\$ 1,427,282
Increased by Receipts:		
Interest on Deposits	\$ 733	
Grant Receipts	255,497	
Budget Appropriation - Capital Improvement Fund	<u>30,000</u>	
		<u>286,230</u>
		1,713,512
Decreased by Disbursements:		
Improvement Authorizations	351,454	
Contracts Payable	218,296	
Payments to Current Fund	<u>17,308</u>	
		<u>587,058</u>
Balance, December 31, 2014		<u>\$ 1,126,454</u>

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

		Balance December 31, <u>2014</u>
Grants Receivables		\$ (157,641)
Capital Improvement Fund		4,732
Contracts Payable		958,073
Miscellaneous Reserves		500
Reserve for Capital Projects		8,750
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	26,562
1349	Various General Improvements	742
1375	Various General Improvements	886
1387	Various General Improvements	270
1409	Various General Improvements	37,584
1423	Various General Improvements	5,468
1432	Various General Improvements	31,771
1441	Various Public Improvements	129,878
1444	Various Public Improvements and Acquisition of Equipment	9,979
1452	Resurfacing of High Street	6,002
1453	Various Public Improvements	122,906
1457	Various Public Improvements and Acquisition of Equipment	205,085
1477	Various Public Improvements	(185,514)
1489/1495	Various Public Improvements and Acquisition of Equipment	<u>(85,061)</u>
		 <u>\$ 1,126,454</u>

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

Increased by:		
Payments to Current Fund		<u>\$ 17,308</u>
Decreased by:		
Interest on Deposits	733	
Current Fund Budgeted Revenue:		
Reserve for Payment of Debt	<u>16,575</u>	<u>\$ 17,308</u>

STATEMENT OF MISCELLANEOUS RESERVES

Balance, January 1, 2014	<u>\$ 500</u>
Balance, December 31, 2014	<u>\$ 500</u>
<u>Analysis of Balance</u>	
Veterans Monument Donation	<u>\$ 500</u>

**BOROUGH OF EMERSON
STATEMENT OF GRANTS RECEIVABLE**

Balance, January 1, 2014	\$ 413,138
Decreased by:	
Cash Receipts	<u>255,497</u>
Balance, December 31, 2014	<u>\$ 157,641</u>
County Open Space - Ordinance 1423-11	\$ 13,949
NJ DOT - Ordinance 1432-11	16,074
NJ DOT - Ordinance 1452-12	1,618
NJ DOT - Ordinance 1457-13	<u>126,000</u>
	<u>\$ 157,641</u>

STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance, January 1, 2014	\$ 8,607,361
Decreased by:	
2014 Budget Appropriation to Pay Bonds	\$ 650,000
2014 Budget Appropriation to Pay Loans	<u>160,228</u>
	<u>810,228</u>
Balance, December 31, 2014	<u>\$ 7,797,133</u>

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

Ord. No.	Improvement Description	<u>Analysis of Balance</u>				
		Balance, January 1, 2014	2014 Authorizations	Balance, December 31, 2014	Expenditures	Improvement Authorization
1457	Various Public Improvements and Acquisition of Equipment	\$ 900		\$ 900		\$ 900
1477	Various Public Improvements		\$ 285,000	285,000	\$ 185,514	99,486
1489/1495	Various Public Improvements and Acquisition of Equipment	-	210,465	210,465	85,061	125,404
		<u>\$ 900</u>	<u>\$ 495,465</u>	<u>\$ 496,365</u>	<u>\$ 270,575</u>	<u>\$ 225,790</u>
Improvement Authorizations - Unfunded						<u>\$ 225,790</u>

EXHIBIT C-9

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, January 1, 2014	\$ 802
Increased By:	
Budget Appropriation - Capital Improvement Fund	<u>30,000</u>
	30,802
Decreased by:	
Appropriated to Finance Improvement Authorizations	<u>26,070</u>
Balance, December 31, 2014	<u>\$ 4,732</u>

**BOROUGH OF EMERSON
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ord. No.	Improvement Description	Ordinance Amount	Balance, January 1, 2014		2014 Authorizations	Paid or Charged	Contract Payables Cancelled	Balance, December 31, 2014	
			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	30,092		\$ 3,530			26,562	
1349	Various General Improvements	405,000	742					742	
1375	Various General Improvements	361,000	886					886	
1387	Various General Improvements	237,147	9,930		9,660			270	
1409	Various General Improvements	260,000	39,383		1,799			37,584	
1423	Various General Improvements	604,984	7,664		2,196			5,468	
1432	Various General Improvements	475,000	13,698			\$ 18,073		31,771	
1441	Various Public Improvements	475,000	144,176		14,298			129,878	
1444	Various Public Improvements								
1452	Resurfacing of Equipment and Acquisition of Equipment	525,000	38,982		29,003			9,979	
1453	Resurfacing of High Street	163,000	17,122		11,120			6,002	
1457	Various Public Improvements	400,000	88,809			34,097		122,906	
1477	Various Public Improvements	1,450,000	1,146,361	\$ 900	941,276			205,085	\$ 900
1489/1495	Various Public Improvements and Acquisition of Equipment	300,000			200,514				99,486
		221,535	-	-	221,535			-	125,404
			\$ 1,543,327	\$ 900	\$ 521,535	\$ 1,309,527	\$ 52,170	\$ 582,615	\$ 225,790

Capital Improvement Fund \$ 26,070
 Deferred Charges to Future Taxation - Unfunded 495,465

\$ 521,535
 Cash Disbursements \$ 351,454
 Contracts Payable 958,073
 \$ 1,309,527

**BOROUGH OF EMERSON
STATEMENT OF CONTRACTS PAYABLE**

Balance, January 1, 2014		\$ 270,466
Increased by:		
Charges to Improvement Authorizations		<u>958,073</u>
		1,228,539
Decreased by:		
Cash Disbursements	\$ 218,296	
Cancelled	<u>52,170</u>	
		<u>270,466</u>
Balance, December 31, 2014		<u>\$ 958,073</u>

STATEMENT OF RESERVE FOR DEBT SERVICE

Balance, December 31, 2013		<u>\$ 16,575</u>
Decreased by:		
Anticipated as Revenue in the 2014 Current Fund Budget		<u>\$ 16,575</u>

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

Issue	Date of Issue	Amount of Original Issue	Maturities of Bonds			Interest Rate	Balance, January 1, 2014	Decreased	Balance, December 31, 2014
			Date	Outstanding December 31, 2014	Amount				
General Improvement	10/15/2003	\$ 2,053,000	10/15/2015	\$ 165,000					
			10/15/2016	165,000					
			10/15/2017	165,000					
			10/15/2018	168,000	3.5-4.125%	\$ 828,000	\$ 165,000	\$ 663,000	
General Improvement	8/1/2007	2,030,000	8/1/2015-2018	200,000	4.00%				
			8/1/2019	210,000	4.10%	1,210,000	200,000	1,010,000	
General Improvement	10/1/2010	1,697,000	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%	1,502,000	90,000	1,412,000	
General Improvement	12/15/2013	3,698,000	12/15/15-2016	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	195,000	3,503,000	
						\$ 7,238,000	\$ 650,000	\$ 6,588,000	
						Paid by Budget Appropriation			
							\$ 650,000		

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

<u>Description</u>	<u>Date of Issue</u>	<u>Amount of Original Loan</u>	<u>Outstanding December 31, 2014</u>	<u>Interest Rate</u>	<u>Balance, January 1, 2014</u>	<u>Decreased</u>	<u>Balance, December 31, 2014</u>
NJ DEP	12/17/2001	\$ 2,800,000	\$ 152,229	2.00%	\$ 1,281,286	\$ 149,230	\$ 1,132,056
			2015				
			2016				
			2017				
			2018				
			2019				
			2020				
			2021				
					\$ 88,075	10,998	<u>77,077</u>
					\$ 1,369,361	\$ 160,228	<u>\$ 1,209,133</u>
					Paid by Budget Appropriation		<u>\$ 160,228</u>

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

Balance, January 1, 2014	<u>\$ 8,750</u>
Balance, December 31, 2014	<u>\$ 8,750</u>

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

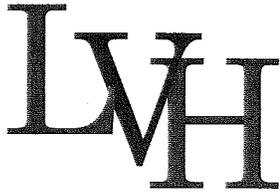
<u>Ord. No.</u>	<u>Improvement Description</u>	Balance, January 1, 2014	2014 <u>Authorizations</u>	Balance, December 31, 2014
1457	Various Public Improvements and Acquisition of Equipment	\$ 900	\$ 900	\$ 900
1477	Various Public Improvements	-	285,000	285,000
1489/1495	Various Public Improvements and Acquisition of Equipment	-	210,465	210,465
		<u>\$ 900</u>	<u>\$ 495,465</u>	<u>\$ 496,365</u>

BERGEN COUNTY, NEW JERSEY

PART II

GOVERNMENT AUDITING STANDARDS

YEAR ENDED DECEMBER 31, 2014



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

DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
LORI T. MANUKIAN, CPA, PSA
MARK SACO, CPA
KEVIN LOMSKI, CPA

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

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, 2014, and the related notes to the financial statements, and have issued our report thereon dated June 15, 2015. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared and presented in accordance with accounting principles generally accepted in the United States of America but rather prepared and presented in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the requirements of the State of New Jersey for municipal government entities as described in Note 1. In addition, our report on the financial statements – regulatory basis was modified on the regulatory basis of accounting because of the presentation of the unaudited LOSAP Trust Fund financial statements.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough of 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.

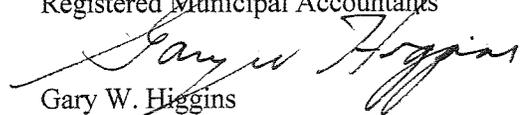
However, we noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Borough of Emerson in Part III of this report of audit entitled, "Letter of Comments and Recommendations".

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 15, 2015

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

<u>Grant Program</u>	<u>State Account Number</u>	<u>Federal CFDA Number</u>	<u>Grant Period</u>	<u>2014 Grant Receipts</u>	<u>Grant Award Amount</u>	<u>Balance, January 1, 2014</u>	<u>Revenue</u>	<u>Expended</u>	<u>Balance, December 31, 2014</u>	<u>(Memo) Cumulative Expenditures</u>
U.S. Department of Housing and Urban Development (Passed Through Bergen County Dept. of Community Development)										
Community Development Block Grant	N/A	14.218	2014		\$ 5,500	\$ 599	\$ 3,950	\$ 1,550	\$ 3,950	
Senior Citizen Activities			2013		3,274		599		9,188	3,274
Senior Citizen Activities			2013	\$ 11,574	17,488	9,188				8,300
Senior Citizen Flooring Rehab										
U.S. Department of Homeland Security FEMA - Hurricane Sandy	066-1200-100-A92	97.036	2013	54,436	54,436	-	54,436	54,436	-	164,662
						\$ 9,787	\$ 59,936	\$ 58,985	\$ 10,738	

N/A = Not Available.

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

**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, 2014**

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	\$ 59,936	\$ 42,821	\$ 102,757
	<u>\$ 59,936</u>	<u>\$ 42,821</u>	<u>\$ 102,757</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, 2014**

NOTE 5 STATE LOANS OUTSTANDING

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

<u>Loan Program</u>	<u>State Account Number</u>	<u>State</u>
New Jersey Department of Environmental Protection	0214-97-109	\$ 1,132,056
New Jersey Department of Environmental Protection	0214-97-109	<u>77,077</u>
		<u>\$ 1,209,133</u>

**BOROUGH OF EMERSON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

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, 2014**

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, 2014**

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)) and New Jersey OMB's Circular 15-08

STATUS OF PRIOR YEAR FINDINGS

There were none.

BOROUGH OF EMERSON

PART III

SUPPLEMENTARY DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2014

**BOROUGH OF EMERSON
SUPPLEMENTARY DATA**

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

	<u>Year 2014</u>		<u>Year 2013</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUES AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 625,000	1.92 %	\$ 550,000	1.73 %
Miscellaneous - From Other Than Local				
Property Tax Levies	1,728,696	5.31	1,686,861	5.30
Collection of Delinquent Taxes and Tax Title Liens	183,668	0.56	239,334	0.75
Collection of Current Tax Levy	29,740,567	91.31	29,085,569	91.41
Other Credits to Income	<u>292,441</u>	<u>0.90</u>	<u>256,799</u>	<u>0.81</u>
Total Revenues and Other Income	<u>32,570,372</u>	<u>100.00 %</u>	<u>31,818,563</u>	<u>100.00 %</u>
EXPENDITURES				
Budget Expenditures				
Municipal Purposes	11,237,503	35.16 %	10,804,020	34.74 %
County Taxes	2,895,487	9.06	2,927,131	9.41
Local School Taxes	17,822,315	55.77	17,364,797	55.83
Other Expenditures	<u>2,033</u>	<u>0.01</u>	<u>7,415</u>	<u>0.02</u>
Total Expenditures	<u>31,957,338</u>	<u>100.00 %</u>	<u>31,103,363</u>	<u>100.00 %</u>
Excess of Revenues and Other Income Over Expenditures	613,034		715,200	
Adjustments to Income Before Fund Balance: Expenditures Included Above Which are by Statute Deferred Charges to Budgets of Succeeding Years	<u>100,000</u>		<u>-</u>	
Statutory Excess to Fund Balance	713,034		715,200	
Fund Balance, January 1	<u>1,384,245</u>		<u>1,219,045</u>	
	2,097,279		1,934,245	
Decreased by: Utilization as Anticipated Revenue	<u>625,000</u>		<u>550,000</u>	
Fund Balance, December 31	<u>\$ 1,472,279</u>		<u>\$ 1,384,245</u>	

**BOROUGH OF EMERSON
SUPPLEMENTARY DATA**

Comparative Schedule of Tax Rate Information

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>Tax Rate</u>	<u>\$2.496</u>	<u>\$2.443</u>	<u>\$2.387</u>
<u>Apportionment of Tax Rate</u>			
Municipal	.732	.715	.695
Library	.034	.035	.036
County	.239	.241	.238
County Open Space	.003	.003	.003
Local School	1.488	1.449	1.415

Assessed Valuation

2014	<u>\$1,198,075,818</u>	
2013		<u>\$1,198,470,270</u>
2012		<u>\$1,203,978,960</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 of Collection</u>
2014	\$ 29,957,596	\$ 29,740,567	99.27%
2013	29,368,882	29,085,569	99.03%
2012	28,795,036	28,526,425	99.06%

**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.

December 31 <u>Year</u>	Delinquent <u>Taxes</u>	Tax Title <u>Liens</u>	<u>Total</u>	Percentage of <u>Tax Levy</u>
2014	\$ 188,605	\$ 81,610	\$ 270,215	0.90%
2013	208,355	70,743	279,098	0.95%
2012	244,939	42,953	287,892	1.00%

Property Acquired by Tax Title Lien Liquidation

No properties have been acquired in 2014 or 2013 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>
2014	\$13,200
2013	13,200
2012	13,200

Comparative Schedule of Fund Balance

	<u>Year</u>	Balance, <u>December 31</u>	Utilized In Budget of <u>Succeeding Year</u>
Current Fund	2014	\$1,472,279	\$730,000
	2013	1,384,245	625,000
	2012	1,219,045	550,000
	2011	960,948	500,000
	2010	971,882	500,000

**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	
Vincent Tripodi	Councilman	
Christopher Knoller	Councilman	
Richard Worthington	Councilman	
Danielle Di Paola	Councilwoman	
Stephen Paino	Councilman	
Carol Dray	Municipal Clerk (January-May)	
Joseph Kolodziej	Municipal Clerk/Administrator (July-December)	
Leslie Shenkler	Acting Borough Administrator (January-June)	
Catherine Henderson	Chief Financial Officer/Treasurer	
Catherine Henderson	Tax Collector	
Catherine Henderson	Qualified Purchasing Agent	
Claire Psota	Tax Assessor	
Ron Gordon	Borough Attorney	
Boswell Engineering	Borough Engineer	
Donald Rossi	Chief of Police	
Carol Dray	Registrar of Vital Statistics (January-May)	
Florence Mammolitti	Registrar of Vital Statistics (June-December)	
Michael Sartori	Construction Code Official, Building Sub-Code Official, Fire Protection Sub-Code Official Zoning Official	
Guiseppe Lamastra	Plumbing Sub-Code Official	
Chester Czerny	Part-Time Electrical Sub-Code Official (September thru March 2014)	
Michael Heflich	Part-Time Electrical Sub-Code Official (April-December 2014)	
Kevin Doher	Elevator Sub-Code Official	
Joseph F. Mara	Fire Protection Inspector (Const.)	
Francis J. Leddy, Jr.	Municipal Court Judge	
Craig Ferdinand	Municipal Court Administrator (January-August)	
Michele O'Donohue	Municipal Court Administrator (September-December 2014)	

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 revealed one vendor was awarded under a national cooperative contract for the purchase of a Ferrara Heavy Duty Custom Pumper where the procedures required under State procurement guidelines for National Co-op contract purchases was not followed by the Borough. It is recommended purchases made under National Cooperative contracts be undertaken in accordance with State procurement guidelines.

The audit indicated that the Borough did not file the required annual financial report accounting for the transactions related to the affordable housing trust fund. It is recommended that the Borough file the required annual financial report accounting for the transactions related to affordable housing with the State of New Jersey.

The Borough's fixed asset accounting and reporting system was not updated through December 31, 2014. The financial statements have been adjusted to reflect 2014 financial transactions. It is recommended that the Borough's fixed asset accounting and reporting system be currently maintained.

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.

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.

**BOROUGH OF EMERSON
SUPPLEMENTARY DATA**

GENERAL COMMENTS (Continued)

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

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

- 2014 Road Program (Co-op)
- Ferrara Heavy Duty Custom Pumper (Co-op)
- Improvements to High Street Section 2

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

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

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 7, 2014, 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 28, 2014.

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 of Liens</u>
2014	2
2013	2
2012	2

BOROUGH OF EMERSON

RECOMMENDATIONS

It is recommended that:

- * 1. Internal controls relating to the Recreation Department revenue cycle be reviewed and enhanced.
- 2. Purchases made under National Cooperative contracts be undertaken in accordance with State procurement guidelines.
- 3. The Borough file the required annual financial report accounting for the transactions related to affordable housing with the State of New Jersey.
- 4. The Borough's fixed asset accounting and reporting system be currently maintained.

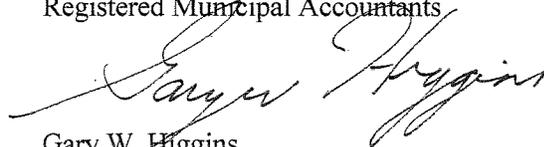
* * * * *

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
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