

BOROUGH OF EMERSON
BERGEN COUNTY, NEW JERSEY
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

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BOROUGH OF EMERSON

COUNTY OF BERGEN

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the Borough Council
Borough of 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, 2019 and 2018, 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, 2019, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial accounting and reporting provisions and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of Emerson as of December 31, 2019 and 2018, 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 Awards Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Borough’s financial statements as of and for the years ended December 31, 2019 and 2018. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 43 percent and 41 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2019 and 2018.

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, 2019 and 2018, 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, 2019 in accordance with the financial accounting and reporting provisions and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

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.

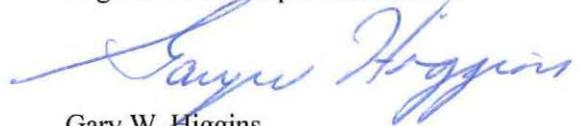
The supplementary data and letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated June 30, 2020 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough of Emerson's 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 30, 2020

BOROUGH OF EMERSON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND
AS OF DECEMBER 31, 2019 AND 2018

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
ASSETS			
Cash - Treasurer	A-4	\$ 4,862,063	\$ 4,392,095
Cash - Change Fund	A-5	360	360
Due From State of New Jersey - Seniors and Veterans	A-8	976	1,476
Grants Receivable	A-12	<u>260,319</u>	<u>629,242</u>
		<u>5,123,718</u>	<u>5,023,173</u>
Receivables and Other Assets With Full Reserves			
Delinquent Property Taxes	A-7	325,297	226,781
Tax Title Liens	A-10	173,942	161,566
Property Acquired for Taxes - Assessed Valuation	A-9	13,200	13,200
Revenue Accounts Receivable	A-11	4,298	5,673
Due from Animal Control Fund	B-3	<u>3,439</u>	<u>5,905</u>
		<u>520,176</u>	<u>413,125</u>
Total Assets		<u>\$ 5,643,894</u>	<u>\$ 5,436,298</u>

BOROUGH OF EMERSON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND
AS OF DECEMBER 31, 2019 AND 2018

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Appropriation Reserves	A-3,A-13	\$ 588,104	\$ 696,434
Encumbrances Payable	A-14	345,478	458,383
Accounts Payable	A-15	10,335	233,248
Prepaid Taxes	A-16	165,344	177,706
Tax Overpayments	A-17	9,020	12,519
School Taxes Payable	A-20	540,000	540,000
County Taxes Payable	A-19	4,317	8,176
Prepaid Fees	A-18	5,000	1,750
Due to Other Trust Fund	B-6	3,863	
Reserve for Insurance Reimbursement	A-24	19,052	19,052
Reserve for Reassessment of Real Property	A-23	682	22,682
Reserve for Appropriated Grants	A-21	73,315	73,697
Reserve for Tax Appeals	A-27	84,258	54,258
Reserve for Tax Assessor Fees	A-28	180	180
Due to State of New Jersey - DCA Fees	A-22	<u>2,000</u>	<u>1,615</u>
		1,850,768	2,299,700
Reserve for Receivables and Other Assets	A	520,176	413,125
Fund Balance	A-1	<u>3,272,950</u>	<u>2,723,473</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 5,643,894</u>	<u>\$ 5,436,298</u>

BOROUGH OF EMERSON
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
REVENUES AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 1,040,000	\$ 1,000,000
Miscellaneous Revenue Anticipated	A-2	1,838,220	2,061,181
Receipts from Delinquent Taxes	A-2	228,866	161,420
Receipts from Current Taxes	A-2	34,024,873	32,511,258
Nonbudget Revenue	A-2	507,319	159,662
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	A-13	162,832	273,066
Cancellation of Accounts Payable	A-15	87,546	3,720
Cancellation of Tax Sale Lien Redemption	A-1		24,434
Statutory Excess - Animal Control Fund	B-3	3,439	5,905
Cancellation of Appropriated Grant Reserves	A-21	4,845	
Interfunds Liquidated	A	<u>2,466</u>	<u>5,431</u>
 Total Revenues and Other Income		 <u>37,900,406</u>	 <u>36,206,077</u>
EXPENDITURES			
Budget and Emergency Appropriations			
Operations			
Salaries and Wages	A-3	4,689,634	4,613,514
Other Expenses	A-3	5,046,487	5,414,597
Capital Improvements	A-3	104,300	35,000
Municipal Debt Service	A-3	1,362,713	1,195,849
Deferred Charges and Statutory Expenditures	A-3	1,065,958	967,730
County Taxes	A-19	3,075,964	3,042,132
County Open Space Taxes	A-19	131,980	129,495
Due County for Added and Omitted Taxes	A-19	4,317	8,176
Local District School Taxes	A-20	20,782,100	19,719,808
Other Debits to Income			
Prior Year Senior Deductions Disallowed	A-8	2,085	1,396
Cancellation of Grants Receivable	A-12	41,528	24
Deficit Other Trust Fund - Escrow Deposits	B-6	<u>3,863</u>	<u>5,905</u>
 Total Expenditures		 <u>36,310,929</u>	 <u>35,133,626</u>
 Excess of Revenues and Other Income Over Expenditures		 1,589,477	 1,072,451
 Fund Balance, January 1	A	 <u>2,723,473</u>	 <u>2,651,022</u>
		4,312,950	3,723,473
Decreased by:			
Utilization as Anticipated Revenue	A-1,A-2	<u>1,040,000</u>	<u>1,000,000</u>
 Fund Balance, December 31	A	 <u>\$ 3,272,950</u>	 <u>\$ 2,723,473</u>

See Accompanying Notes to Financial Statements

BOROUGH OF EMERSON
STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Reference	2019 Budget	Added by N.J.S.A. 40A:4-87	Realized	Excess or (Deficit)
Fund Balance Anticipated	A-1	\$ 1,040,000	-	\$ 1,040,000	-
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A-11	17,500		17,500	
Other	A-2	15,000		21,346	\$ 6,346
Fees and Permits					
Other	A-2	25,000		25,143	143
Fines and Costs					
Municipal Court	A-11	85,000		74,363	(10,637)
Interest and Costs on Taxes	A-11	29,000		61,035	32,035
Interest on Investments and Deposits	A-2	32,000		101,619	69,619
Parking Meters	A-11	9,000		10,400	1,400
Energy Receipts Tax	A-11	619,905		619,905	-
Watershed Moratorium Offset Aid	A-11	18,189		18,189	-
Construction Code Official	A-11	144,000		228,110	84,110
Borough of Old Tappan Shared Service - Court	A-11	15,790		15,790	-
Borough of Westwood Shared Service - Vivian Ave	A-11	185,000		107,953	(77,047)
Public and Private Programs					
Offset with Appropriations					
Municipal Alliance on Alcoholism and Drug Abuse	A-12		\$ 9,876	9,876	
Recycling Tonnage Grant	A-12	12,129		12,129	
Body Armor Replacement Grant	A-12	2,411		2,411	
CDBG - Senior Citizen Activities	A-12	5,623		1,563	(4,060)
Alcohol Education Rehab Grant	A-12		80	80	
Clean Communities Grant	A-12		15,723	15,723	
Other Special Items					
Uniform Fire Safety Act	A-11	20,000		25,277	5,277
Sewer Service Fees	A-11	10,000		9,287	(713)
Cellular Tower Fees	A-11	195,000		218,722	23,722
Cable Television Franchise Fees	A-11	113,000		113,394	394
PILOT - Advancing Opportunities - 5 Pine Drive	A-11	5,700		5,700	-
PILOT - Veteran's Home	A-11	1,200		2,964	1,764
Anticipated General Capital Fund Surplus	C-1	78,355		78,355	-
Reserve for Revaluation Program	A-23	22,000		22,000	-
Insurance Dividends	A-11	12,000	-	19,386	7,386
Total Miscellaneous Revenues	A-1	<u>1,672,802</u>	<u>25,679</u>	<u>1,838,220</u>	<u>139,739</u>
Receipts from Delinquent Taxes	A-7	<u>205,000</u>	-	<u>228,866</u>	<u>23,866</u>
Amount to be Raised by Taxes for Support of Municipal Budget -					
Local Tax for Municipal Purposes	A-2	9,251,178		9,268,954	17,776
Minimum Library Tax	A-2	437,288	-	437,288	-
		<u>9,688,466</u>	-	<u>9,706,242</u>	<u>17,776</u>
Total Budget Revenues	A-3	<u>\$ 12,606,268</u>	<u>\$ 25,679</u>	12,813,328	<u>\$ 181,381</u>
Nonbudget Revenue	A-1, A-2			<u>507,319</u>	
				<u>\$ 13,320,647</u>	

BOROUGH OF EMERSON
STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

	<u>Reference</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenue from Collections	A-1,A-7	\$ 34,024,873
Less: Allocated to School and County Taxes	A-19,A-20	<u>24,672,631</u>
		9,352,242
Add Appropriation "Reserve for Uncollected Taxes"	A-3	<u>354,000</u>
Amount for Support of Municipal Budget Appropriation	A-2	<u>\$ 9,706,242</u>
Licenses - Other		
Borough Clerk	A-11	\$ 10,711
Health Officer	A-11	<u>10,635</u>
	A-2	<u>\$ 21,346</u>
Fees and Permits		
Borough Clerk	A-11	\$ 18,375
Health Officer	A-11	423
Planning/Zoning Boards	A-11	950
Police Department	A-11	<u>5,395</u>
	A-2	<u>\$ 25,143</u>
Interest on Investments and Deposits		
Revenue Accounts Receivable	A-11	\$ 85,710
Due from Other Trust Fund	B-6	1,429
Due from General Capital Fund	C-4	<u>14,480</u>
	A-2	<u>\$ 101,619</u>

BOROUGH OF EMERSON
STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

Reference

Nonbudget Revenue		
Snap On Wheel Balancer		\$ 691
Administration Fee - Senior's & Veteran's		1,113
Police Outside Duty		481,682
6% Penalty		1,787
Decorative Light		5,840
Reimbursement of Prior Year Expenditures		5,286
Miscellaneous		<u>10,920</u>
	A-2, A-4	<u>\$ 507,319</u>

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

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT FUNCTIONS					
General Administration					
Salaries and Wages	\$ 153,450	\$ 153,450	\$ 133,246	\$ 20,204	
Other Expenses	94,400	94,400	82,972	11,428	
Mayor and Council					
Salaries and Wages	21,600	21,600	21,600	-	
Other Expenses	3,850	3,850	3,381	469	
Municipal Clerk					
Salaries and Wages	114,870	114,870	113,833	1,037	
Other Expenses	34,450	34,450	32,427	2,023	
Financial Administration					
Salaries and Wages	123,500	123,500	122,440	1,060	
Other Expenses	28,222	28,222	19,954	8,268	
Audit Services	37,600	37,600		37,600	
Revenue Administration					
Salaries and Wages	33,500	33,500	32,440	1,060	
Other Expenses	5,187	5,187	4,709	478	
Tax Assessment Administration					
Salaries and Wages	23,420	23,420	23,420	-	
Other Expenses	13,495	9,495	8,804	691	
Legal Services					
Other Expenses	189,000	189,000	174,229	14,771	
Engineering Services					
Other Expenses	22,000	22,000	17,904	4,096	
LAND USE ADMINISTRATION					
Planning Board					
Salaries and Wages	6,500	4,200	3,000	1,200	
Other Expenses	21,400	12,400	10,389	2,011	
INSURANCE					
General Liability	201,894	201,894	194,319	7,575	
Workers Compensation	203,841	203,841	201,763	2,078	
Employee Group Health	761,200	758,700	702,547	56,153	
Health Benefit Waiver	14,590	17,090	16,467	623	
Unemployment Compensation Insurance	15,000	15,000	15,000	-	

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

	<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	\$ 2,601,800	\$ 2,583,800	\$ 2,542,260	\$ 41,540	
Other Expenses	149,900	149,900	145,339	4,561	
Police Dispatch/911					
Salaries and Wages	178,600	181,600	180,881	719	
Other Expenses	1,500	1,500		1,500	
Office of Emergency Management					
Salaries and Wages	2,550	2,550	2,500	50	
Other Expenses	11,600	11,600	5,794	5,806	
Aid to Volunteer Fire Companies					
Other Expenses	77,900	77,900	72,600	5,300	
Aid to Volunteer Ambulance Corps.					
Other Expenses	16,750	16,750	14,237	2,513	
Fire Department					
Salaries and Wages	17,850	17,850	17,850	-	
Other Expenses	131,000	128,000	122,703	5,297	
Uniform Fire Safety Act (P.L. 1983, Ch. 383)					
Salaries and Wages	15,650	15,650	15,644	6	
Other Expenses	3,675	3,675	3,493	182	
Municipal Prosecutor					
Other Expenses	12,000	12,000	11,947	53	
PUBLIC WORKS FUNCTIONS					
Streets and Road Maintenance					
Salaries and Wages	599,526	599,526	576,198	23,328	
Other Expenses	59,700	59,700	50,224	9,476	
Sewer Services					
Salaries and Wages	201,975	201,975	189,819	12,156	
Other Expenses	91,550	91,550	62,786	28,764	
Shade Tree - Advisory Committee					
Salaries and Wages	9,000	4,000	3,233	767	
Other Expenses	53,000	73,000	68,089	4,911	
Solid Waste Collection					
Garbage/Recycling - Other Expenses	580,032	580,032	579,433	599	
Buildings and Grounds					
Other Expenses	58,800	58,800	50,232	8,568	
Vehicle Maintenance					
Salaries and Wages	157,834	157,834	157,333	501	
Other Expenses	69,300	69,300	63,211	6,089	

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

	<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	\$ 47,285	\$ 42,785	\$ 36,382	\$ 6,403	
Other Expenses	61,695	61,695	59,913	1,782	
Environmental Health Services					
Salaries and Wages	2,250	2,250	1,200	1,050	
Other Expenses	1,055	1,055	116	939	
Animal Control Services					
Other Expenses	10,500	10,500	8,860	1,640	
PARKS AND RECREATION FUNCTIONS					
Recreation Services and Programs					
Salaries and Wages	21,720	21,720	21,319	401	
Other Expenses	53,245	53,245	48,488	4,757	
Municipal Court					
Salaries and Wages	70,735	70,735	67,355	3,380	
Other Expenses	8,925	8,925	8,335	590	
Public Defender					
Salaries and Wages	3,050	3,050	3,047	3	
OTHER COMMON OPERATING					
FUNCTIONS					
Historic Preservation					
Other Expenses	500	500	78	422	
Celebration of Public Events					
Other Expenses	1,000	1,000	125	875	
Reserve for Accumulated Absences					
Salaries and Wages	35,000	35,000	35,000	-	
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	175,500	175,000	168,429	6,571	
Other Expenses	7,800	26,600	24,733	1,867	

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

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Continued)					
UTILITY EXPENSES AND BULK					
PURCHASES					
Electricity	\$ 77,000	\$ 77,000	\$ 61,737	\$ 15,263	
Street Lighting	87,000	87,000	71,977	15,023	
Telephone	26,400	26,400	26,299	101	
Water	13,100	16,100	13,609	2,491	
Gas (Natural or Propane)	24,000	24,000	12,603	11,397	
Gasoline	70,000	5,500	-	5,500	
LANDFILL/SOLID WASTE DISPOSAL					
COSTS					
Dump Fees					
Other Expenses	<u>121,500</u>	<u>121,500</u>	<u>116,428</u>	<u>5,072</u>	<u>-</u>
Total Operations Within "CAPS"	<u>8,143,721</u>	<u>8,077,721</u>	<u>7,656,683</u>	<u>421,038</u>	<u>-</u>
Detail:					
Salaries and Wages	4,617,165	4,589,865	4,468,429	121,436	-
Other Expenses	<u>3,526,556</u>	<u>3,487,856</u>	<u>3,188,254</u>	<u>299,602</u>	<u>-</u>
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"					
Regulatory Expenditures					
Public Employees' Retirement System	245,522	245,522	239,281	6,241	
Social Security System (O.A.S.I.)	189,150	203,650	202,360	1,290	
Police and Firemen's Retirement System of N.J.	615,586	615,586	615,586	-	
Defined Contribution Retirement Program	<u>1,200</u>	<u>1,200</u>	<u>1,200</u>	<u>-</u>	<u>-</u>
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	<u>1,051,458</u>	<u>1,065,958</u>	<u>1,058,427</u>	<u>7,531</u>	<u>-</u>
Total General Appropriations for Municipal Purposes - Within "CAPS"	<u>9,195,179</u>	<u>9,143,679</u>	<u>8,715,110</u>	<u>428,569</u>	<u>-</u>

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

	<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 - EXCLUDED FROM "CAPS"					
EDUCATION FUNCTIONS					
Municipal Library					
Other Expenses	\$ 437,288	\$ 437,288	\$ 437,288		
UTILITY EXPENSES AND BULK PURCHASES					
Sewerage Processing and Disposal					
Operation and Maintenance Expenses	579,433	579,433	579,433		
Debt Expenses	192,702	192,702	192,700		\$ 2
Northwest Bergen Utilities Authority					
Other Expenses	7,000	7,000	4,600		2,400
Reserve for Tax Appeals					
Other Expenses	30,000	30,000	30,000		
Length of Service Awards Program	50,000	50,000		\$ 50,000	
Recycling Tax P.L. 2007, c.311(N.J.S.A. 13:1E-96.5)	10,500	10,500	7,841	2,659	
NJPDES/Stormwater Permit Management [N.J.S.A.40A:4-45.39(cc)]					
Salaries and Wages	87,733	87,733	75,263	12,470	
Other Expenses	22,574	22,574	20,574	-	2,000
Borough of Westwood - Vivian Ave	185,000	185,000	118,184	66,816	
Borough of Old Tappan - Court					
Salaries and Wages	12,036	12,036	12,036	-	
Other Expenses	3,754	3,754	-	3,754	-
Total Other Operations Excluded from "CAPS"	<u>1,618,020</u>	<u>1,618,020</u>	<u>1,477,919</u>	<u>135,699</u>	<u>4,402</u>
Public and Private Programs Offset by Revenues					
Municipal Alliance					
State Share		9,876	1,407	8,469	
Local Share		2,469		2,469	
Alcohol Education Rehab Enforcement		80		80	
Matching Funds for Grants	3,000	531		531	
Body Armor Replacement Grant	2,411	2,411	1,760	651	
Clean Communities		15,723	4,401	11,322	
CDBG - Senior Citizen Activities	5,623	5,623	1,563	-	4,060
Recycling Tonnage Grant	12,129	12,129	11,815	314	-
Total Public and Private Programs Offset by Revenues	<u>23,163</u>	<u>48,842</u>	<u>20,946</u>	<u>23,836</u>	<u>4,060</u>
Total Operations Excluded from "CAPS"	<u>1,641,183</u>	<u>1,666,862</u>	<u>1,498,865</u>	<u>159,535</u>	<u>8,462</u>
Detail:					
Salaries and Wages	99,769	99,769	87,299	12,470	-
Other Expenses	1,541,414	1,567,093	1,411,566	147,065	8,462

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

	<u>Appropriated</u>	<u>Expended</u>	<u>Unexpended</u>	
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>	<u>Cancelled</u>
			<u>Reserved</u>	
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"				
Capital Improvement Fund	\$ 52,800	\$ 104,300	\$ 104,300	\$ -
			-	-
Total Capital Improvements Excluded from "CAPS"	<u>52,800</u>	<u>104,300</u>	<u>104,300</u>	<u>-</u>
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"				
Payment of Bond Principal	755,000	755,000	755,000	
Bond Anticipation Note Principal	176,834	176,834	176,834	
Interest on Bonds	103,823	103,823	103,823	
Interest on Notes	140,630	140,630	140,238	\$ 392
Green Trust Loans - Principal and Interest	<u>186,819</u>	<u>186,819</u>	<u>186,818</u>	<u>1</u>
Total Municipal Debt Service Excluded from "CAPS"	<u>1,363,106</u>	<u>1,363,106</u>	<u>1,362,713</u>	<u>393</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>3,057,089</u>	<u>3,134,268</u>	<u>2,965,878</u>	<u>\$ 159,535</u>
Subtotal General Appropriations	12,252,268	12,277,947	11,680,988	588,104
Reserve for Uncollected Taxes	<u>354,000</u>	<u>354,000</u>	<u>354,000</u>	<u>-</u>
Total General Appropriations	<u>\$ 12,606,268</u>	<u>\$ 12,631,947</u>	<u>\$ 12,034,988</u>	<u>\$ 588,104</u>
	<u>Reference</u>	A-2		A

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

	<u>Reference</u>	<u>Budget After Modification</u>	<u>Expended Paid or Charged</u>
Budget as Adopted	A-3	\$ 12,606,268	
Added by N.J.S.A. 40A:4-87	A-2	<u>25,679</u>	
		<u>\$ 12,631,947</u>	
Cash Disbursed	A-4		\$ 11,305,510
Reserve for Uncollected Taxes	A-2		354,000
Reserve for Tax Appeals	A-27		30,000
Encumbrances Payable	A-14		<u>345,478</u>
			<u>\$ 12,034,988</u>

BOROUGH OF EMERSON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS
AS OF DECEMBER 31, 2019 AND 2018

ASSETS	<u>Reference</u>	<u>2019</u>	<u>2018</u>
ANIMAL CONTROL TRUST FUND			
Cash	B-1	\$ 12,419	\$ 15,366
OTHER TRUST FUND			
Cash	B-1	952,527	858,498
Other Accounts Receivable	B-5	217	2,472
Due from Current Fund	B-6	<u>3,863</u>	<u>-</u>
		<u>956,607</u>	<u>860,970</u>
HOUSING TRUST FUND			
Cash	B-1	<u>325,051</u>	<u>288,526</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Cash	B-1	<u>79,860</u>	<u>67,185</u>
LENGTH OF SERVICE AWARDS PROGRAM (LOSAP) TRUST FUND (UNAUDITED)			
Investments	B	982,031	804,713
Due from Other Trust Fund	B-16	-	28,405
Contribution Receivable	B	<u>37,700</u>	<u>39,000</u>
		<u>1,019,731</u>	<u>872,118</u>
Total Assets		<u>\$ 2,393,668</u>	<u>\$ 2,104,165</u>

BOROUGH OF EMERSON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS
AS OF DECEMBER 31, 2019 AND 2018

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
LIABILITIES, RESERVES AND FUND BALANCE			
ANIMAL CONTROL TRUST FUND			
Due to Current Fund	B-3	\$ 3,439	\$ 5,905
Reserve for Animal Control Expenditures	B-4	<u>8,980</u>	<u>9,461</u>
		<u>12,419</u>	<u>15,366</u>
OTHER TRUST FUND			
Due to LOSAP Trust Fund	B-16		28,405
Due to General Capital Fund	C-6	60,000	
Due to Emerson Public Library	B-7	41	41
Reserve for Payroll Deductions Payable	B-9	7,611	7,611
Reserve for Flexible Spending	B-10	118	133
Reserve for Accumulated Absences	B-11	94,374	59,374
Reserve for Escrow and Miscellaneous Reserves	B-12	<u>794,463</u>	<u>765,406</u>
		<u>956,607</u>	<u>860,970</u>
HOUSING TRUST FUND			
Reserve for Housing Trust Expenditures	B-13	<u>325,051</u>	<u>288,526</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Reserve for Unemployment Insurance Trust Claims	B-14	<u>79,860</u>	<u>67,185</u>
LENGTH OF SERVICE AWARDS PROGRAM (LOSAP) TRUST FUND (UNAUDITED)			
Reserve for LOSAP Contributions	B	<u>1,019,731</u>	<u>872,118</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 2,393,668</u>	<u>\$ 2,104,165</u>

BOROUGH OF EMERSON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2019 AND 2018

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
ASSETS			
Cash	C-2,C-3	\$ 1,327,201	\$ 727,279
Grants Receivable	C-5	65,375	39,618
Due from Other Trust Fund	C-6	60,000	
Deferred Charges to Future Taxation			
Funded	C-7	3,388,374	4,320,365
Unfunded	C-8	<u>5,918,227</u>	<u>5,160,223</u>
 Total Assets		 <u>\$ 10,759,177</u>	 <u>\$ 10,247,485</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds Payable	C-12	\$ 3,030,000	\$ 3,785,000
Intergovernmental Loans Payable	C-13	358,374	535,365
Bond Anticipated Notes Payable	C-14	5,918,315	5,113,779
Improvement Authorizations			
Funded	C-9	18,334	6,835
Unfunded	C-9	987,533	415,321
Contracts Payable	C-10	350,177	270,014
Capital Improvement Fund	C-11	82,808	32,083
Miscellaneous Reserves	C-15	500	500
Reserve for Capital Projects	C-16	8,750	8,750
Fund Balance	C-1	<u>4,386</u>	<u>79,838</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 10,759,177</u>	 <u>\$ 10,247,485</u>

There were bonds and notes authorized but not issued on December 31, 2019 and 2018 in the amount of \$34,717 and \$79,349, respectively (Exhibit C-17).

BOROUGH OF EMERSON
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
Balance, January 1	C	\$ 79,838	\$ 62,383
Increased by:			
Premium on Sale of Notes	C-1		38,355
Canceled Improvement Authorizations	C-9	<u>2,903</u>	<u>19,100</u>
		82,741	119,838
Decreased by:			
Due to Current Fund as Anticipated Revenue	C-2	<u>78,355</u>	<u>40,000</u>
Balance, December 31	C	<u>\$ 4,386</u>	<u>\$ 79,838</u>

BOROUGH OF EMERSON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
General Fixed Assets		
Land	\$ 12,652,320	\$ 12,652,320
Buildings and Building Improvements	2,363,564	2,349,064
Machinery and Equipment	<u>6,297,714</u>	<u>6,220,252</u>
 Total General Fixed Assets	 <u>\$ 21,313,598</u>	 <u>\$ 21,221,636</u>
 Investment in General Fixed Assets	 <u>\$ 21,313,598</u>	 <u>\$ 21,221,636</u>

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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

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

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

B. Description of Regulatory Basis of Accounting

The financial statements of the Borough of 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, 2019 AND 2018**

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

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

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

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

Reclassifications - Certain reclassifications may have been made to the December 31, 2018 balances to conform to the December 31, 2019 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.

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting

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

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

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

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

Property Tax Revenues/Receivables - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. A penalty of up to 6% of the delinquency may be imposed on a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the fiscal year in which the charges become delinquent. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of December 31, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The Borough also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11th day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The Borough may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

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

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

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

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

**BOROUGH OF EMERSON
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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 \$5,000 and an estimated useful life in excess of two years.

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

General Fixed Assets purchased after December 31, 2002 are stated at cost. Donated fixed assets are recorded at acquisition value at the date of donation.

General Fixed Assets purchased prior to December 31, 2002 are stated as follows:

Land and Buildings	Assessed Value
Machinery and Equipment	Replacement Cost

No depreciation has been provided for in the financial statements.

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

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

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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 2019 and 2018 the Borough Council increased the original budget by \$25,679 and \$450,476, respectively. The 2019 and 2018 increases were funded by additional aid allotted to the Borough. In addition, the governing body approved several budget transfers during 2019 and 2018.

NOTE 3 CASH DEPOSITS AND INVESTMENTS

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

A. Cash Deposits

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

BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

A. Cash Deposits (Continued)

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2019 and 2018, the book value of the Borough's deposits were \$7,559,481 and \$6,349,309 and bank and brokerage firm balances of the Borough's deposits amounted to \$7,596,255 and \$6,462,146, 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>2019</u>	<u>2018</u>
Insured	\$ 7,516,304	\$ 6,383,948
Uninsured and Collateralized	79,951	78,198
	<u>\$ 7,596,255</u>	<u>\$ 6,462,146</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, 2019 and 2018, the Borough's bank balances of \$79,951 and \$78,198 were exposed to custodial credit risk as follows:

<u>Depository Account</u>	<u>2019</u>	<u>2018</u>
Uninsured and Collateral held by pledging financial institution's trust department not in the Borough's name	\$ 79,951	\$ 78,198

B. Investments

The Borough is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor; bonds or other obligations of the Borough or bonds or other obligations of the school districts which are a part of the Borough or school districts located within the Borough, Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school district, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law, " (C.40A:5A-1 et seq.); Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investments in the Department of the Treasury for investment by local units; Local Government investment pools, deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e). In addition, the Borough is permitted to invest LOSAP Funds with the types of eligible investments authorized in NJAC 5:30-14.19. LOSAP investments include interest bearing accounts or securities, in which savings banks of New Jersey are authorized to invest their funds, New Jersey Cash Management Fund, fixed and variable individual or group annuity contracts, mutual fund shares or fixed and variable life insurance contracts.

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

As of December 31, 2019 and 2018, the Borough had the following investments:

	Fair Value (Unaudited)	
	<u>2019</u>	<u>2018</u>
Investment:		
Length of Service Awards Program	\$ 982,031	\$ 804,713

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, 2019 and 2018, \$982,031 and \$804,713 of the Borough’s investments was exposed to custodial credit risk as follows:

	Fair Value (LOSAP - Unaudited)	
	<u>2019</u>	<u>2018</u>
Uninsured and Collateralized		
Collateral held by pledging financial institution's trust department but not in the Borough's name	\$ 982,031	\$ 804,713

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

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1 and NJAC 5:30-14.19). The Borough does not have an investment policy that would further limit its investment choices. As of December 31, 2019 and 2018, the Borough’s investment in Lincoln Financial Group was rated Baa1 by Moody’s.

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

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

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

NOTE 4 TAXES RECEIVABLE

Receivables at December 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
<u>Current</u>		
Property Taxes	\$ 325,297	\$ 226,781
Tax Title Liens	<u>173,942</u>	<u>161,566</u>
	<u>\$ 499,239</u>	<u>\$ 388,347</u>

In 2019 and 2018, the Borough collected \$228,866 and \$161,420 from delinquent taxes, which represented 59% and 53%, respectively of the prior year delinquent taxes receivable balance.

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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>2019</u>		<u>2018</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	\$ 3,439	\$ 3,863	\$ 5,905	
Animal Control Trust Fund		3,439		\$ 5,905
Other Trust Fund	3,863	60,000		28,405
LOSAP Trust Fund			28,405	-
General Capital Fund	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total	 <u>\$ 67,302</u>	 <u>\$ 67,302</u>	 <u>\$ 34,310</u>	 <u>\$ 34,310</u>

The above balances are the result of expenditures being paid by one fund on behalf of another.

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

NOTE 6 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 school 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. The balance of unpaid school taxes levied, amount deferred and the amount reported as a liability (payable) at December 31, 2019 and 2018 are as follows:

	<u>Local District School</u>	
	<u>2019</u>	<u>2018</u>
Balance of Tax	\$ 10,875,791	\$ 10,197,521
Deferred Liability	<u>10,335,791</u>	<u>9,657,521</u>
 Taxes Payable	 <u>\$ 540,000</u>	 <u>\$ 540,000</u>

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 7 FUND BALANCES APPROPRIATED

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

	2019		2018	
	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>
Current Fund				
Cash Surplus	\$ 3,011,655	\$ 1,495,000	\$ 2,092,755	\$ 1,040,000
Non-Cash Surplus	<u>261,295</u>	<u>-</u>	<u>630,718</u>	<u>-</u>
	<u>\$ 3,272,950</u>	<u>\$ 1,495,000</u>	<u>\$ 2,723,473</u>	<u>\$ 1,040,000</u>

NOTE 8 FIXED ASSETS

A. General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2019 and 2018.

	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance,</u>
	<u>January 1,</u>			<u>December 31,</u>
	<u>2019</u>			<u>2019</u>
2019				
Land	\$ 12,652,320			\$ 12,652,320
Buildings and Building Improvements	2,349,064	\$ 14,500		2,363,564
Machinery and Equipment	<u>6,220,252</u>	<u>107,462</u>	<u>\$ 30,000</u>	<u>6,297,714</u>
	<u>\$ 21,221,636</u>	<u>\$ 121,962</u>	<u>\$ 30,000</u>	<u>\$ 21,313,598</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance,</u>
	<u>January 1,</u>			<u>December 31,</u>
	<u>2018</u>			<u>2018</u>
2018				
Land	\$ 12,676,320		\$ 24,000	\$ 12,652,320
Buildings and Building Improvements	2,349,064			2,349,064
Machinery and Equipment	<u>6,105,445</u>	<u>\$ 212,507</u>	<u>97,700</u>	<u>6,220,252</u>
	<u>\$ 21,130,829</u>	<u>\$ 212,507</u>	<u>\$ 121,700</u>	<u>\$ 21,221,636</u>

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 9 MUNICIPAL DEBT

The Local Bond Law (N.J.S.A. 40A:2 et.seq.) governs the issuance of bonds and notes used to finance capital expenditures. General obligation bonds have been issued for both general capital fund projects or other purposes permitted by the Local Bond Law. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond anticipation notes, which are issued to temporarily finance capital projects, must be paid off within ten years and four months or retired by the issuance of bonds.

The Borough's debt is summarized as follows:

	<u>2019</u>	<u>2018</u>
Issued		
General		
Bonds, Notes and Loans	\$ 9,306,689	\$ 9,434,144
Less Funds Temporarily Held to Pay Notes	<u>34,805</u>	<u>32,905</u>
Net Debt Issued	9,271,884	9,401,239
Authorized But Not Issued		
General		
Bonds and Notes	<u>34,717</u>	<u>79,349</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 9,306,601</u>	<u>\$ 9,480,588</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 .710% and .736% at December 31, 2019 and 2018, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2019</u>			
General Debt	\$ 9,341,406	\$ 34,805	\$ 9,306,601
School Debt	<u>12,895,446</u>	<u>12,895,446</u>	<u>-</u>
Total	<u>\$ 22,236,852</u>	<u>\$ 12,930,251</u>	<u>\$ 9,306,601</u>
	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2018</u>			
General Debt	\$ 9,513,493	\$ 32,905	\$ 9,480,588
School Debt	<u>13,368,446</u>	<u>13,368,446</u>	<u>-</u>
Total	<u>\$ 22,881,939</u>	<u>\$ 13,401,351</u>	<u>\$ 9,480,588</u>

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 9 MUNICIPAL DEBT (Continued)

Statutory Borrowing Power

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

	<u>2019</u>	<u>2018</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 45,907,024	\$ 45,083,787
Net Debt	<u>9,306,601</u>	<u>9,480,588</u>
Remaining Borrowing Power	<u>\$ 36,600,423</u>	<u>\$ 35,603,199</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>2019</u>	<u>2018</u>
\$2,030,000, 2007 Bonds		\$ 210,000
\$1,697,000, 2010 Bonds, due in an annual installment \$517,000 through October, 2020 interest at 3.00%	\$ 517,000	862,000
\$3,698,000, 2013 Bonds, due in an annual installments of \$200,000 to \$390,000 through December, 2026 interest at 2.00% to 3.00%	<u>2,513,000</u>	<u>2,713,000</u>
	<u>\$ 3,030,000</u>	<u>\$ 3,785,000</u>

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

General Intergovernmental Loans Payable

The Borough has entered into a loan agreement with the New Jersey Department of Environmental Protection for the financing relating to the acquisition of 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>2019</u>	<u>2018</u>
\$2,800,000, 2001 Loan, due in annual installments of \$168,156 to \$171,536 through September, 2021, interest at 2.00%	\$ 339,692	\$ 504,534
\$200,000, 2001 Loan, due in annual installments of \$6,290 to \$12,392 through March, 2021, interest at 2.00%	<u>18,682</u>	<u>30,831</u>
	<u>\$ 358,374</u>	<u>\$ 535,365</u>

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2019 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>	
2020	\$ 717,000	\$ 81,725	\$ 180,548	\$ 6,269	\$ 985,542
2021	380,000	62,215	177,826	2,640	622,681
2022	385,000	54,140			439,140
2023	385,000	44,515	-	-	429,515
2024	385,000	34,890	-	-	419,890
2025-2026	<u>778,000</u>	<u>34,980</u>	<u>-</u>	<u>-</u>	<u>812,980</u>
	<u>\$ 3,030,000</u>	<u>\$ 312,465</u>	<u>\$ 358,374</u>	<u>\$ 8,909</u>	<u>\$ 3,709,748</u>

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Changes in Long-Term Municipal Debt

The Borough’s long-term capital debt activity for the years ended December 31, 2019 and 2018 were as follows:

	Balance, January 1, <u>2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2019</u>	Due Within <u>One Year</u>
<u>2019</u>					
General Capital Fund					
Bonds Payable	\$ 3,785,000		\$ 755,000	\$ 3,030,000	\$ 717,000
Intergovernmental Loans Payable	<u>535,365</u>	<u>-</u>	<u>176,991</u>	<u>358,374</u>	<u>180,548</u>
General Capital Fund Long-Term Liabilities	<u>\$ 4,320,365</u>	<u>\$ -</u>	<u>\$ 931,991</u>	<u>\$ 3,388,374</u>	<u>\$ 897,548</u>
	Balance, January 1, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>	Due Within <u>One Year</u>
<u>2018</u>					
General Capital Fund					
Bonds Payable	\$ 4,513,000		\$ 728,000	\$ 3,785,000	\$ 755,000
Intergovernmental Loans Payable	<u>708,868</u>	<u>-</u>	<u>173,503</u>	<u>535,365</u>	<u>176,991</u>
General Capital Fund Long-Term Liabilities	<u>\$ 5,221,868</u>	<u>\$ -</u>	<u>\$ 901,503</u>	<u>\$ 4,320,365</u>	<u>\$ 931,991</u>

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt

The Borough's short-term debt activity for the years ended December 31, 2019 and 2018 was as follows:

Bond Anticipation Notes

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, January 1, 2019</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2019</u>
<u>2019</u>						
<u>General Capital Fund</u>						
Various Public Improvements	2.75% 1.25%	8/23/2019 8/21/2020	\$ 270,000		\$ 270,000	
				\$ 255,000		\$ 255,000
Various Public Improvements and Acquisition of Equipment	2.75% 1.25%	8/23/2019 8/21/2020	195,849		195,849	
				181,233		181,233
Various Public Improvements and Acquisition of Equipment and Vehicles	2.75% 1.25%	8/23/2019 8/21/2020	3,505,730		3,505,730	
				3,353,141		3,353,141
Various Improvements to Hillman Field	2.75% 1.25%	8/23/2019 8/21/2020	18,500		18,500	
				17,862		17,862
Acquisition of Real Property for Municipal Purposes	2.75% 1.25%	8/23/2019 8/21/2020	814,200		814,200	
				800,399		800,399
2016 Road Resurfacing Program	2.75% 1.25%	8/23/2019 8/21/2020	309,500		309,500	
				293,210		293,210
Storm Drainage Improvements at Dogwood Lane	1.25%	8/21/2020				
				83,000		83,000
Various Public Improvements, Reconditioning of a Fire Engine and Acquisition of Equipment and Vehicles	1.25%	8/21/2020	-		-	
				934,470		934,470
Total Bond Anticipation Notes Payable			\$ 5,113,779	\$ 5,918,315	\$ 5,113,779	\$ 5,918,315

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, January 1, 2018</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2018</u>
2018						
<u>General Capital Fund</u>						
Various Public Improvements	1.14%	8/24/2018	\$ 285,000		\$ 285,000	
	2.75%	8/23/2019		\$ 270,000		\$ 270,000
Various Public Improvements and Acquisition of Equipment	1.14%	8/24/2018	210,465		210,465	
	2.75%	8/23/2019		195,849		195,849
Various Public Improvements and Acquisition of Equipment and Vehicles	1.14%	8/24/2018	2,870,905		2,870,905	
	2.75%	8/23/2019		3,505,730		3,505,730
Various Improvements to Hillman Field	1.14%	8/24/2018	18,500		18,500	
	2.75%	8/23/2019		18,500		18,500
Acquisition of Real Property for Municipal Purposes	1.14%	8/24/2018	814,200		814,200	
	2.75%	8/23/2019		814,200		814,200
2016 Road Resurfacing Program	1.14%	8/24/2018	309,500		309,500	
	2.75%	8/23/2019	-	309,500	-	309,500
Total Bond Anticipation Notes Payable			<u>\$ 4,508,570</u>	<u>\$ 5,113,779</u>	<u>\$ 4,508,570</u>	<u>\$ 5,113,779</u>

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

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

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 10 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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

<u>2019</u>	<u>Capital Projects</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
	NJDOT Vivian Avenue Drainage Improvement	\$ 10,231	2020
	Fire House Flooring	22,735	2020
<u>2018</u>			
	2018 Road Paving Program	\$ 37,666	2019
	ADA Curb Ramp Improvements	60,000	2019
	Main Street and Linwood Avenue (Sections 4 & 5)	297,454	2019
<u>2019</u>	<u>Purpose</u>		<u>Remaining Commitment</u>
	Acquisition of Police Interceptor		\$ 39,097
	Acquisition of SCBA Gear		77,000
<u>2018</u>			
	Acquisition of Body for New Hook Lift		\$ 64,269
	Acquisition of SUV for the Fire Department		40,691

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 11 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 hired before January 1, 2013 after serving the required number of years and reaching the prescribed retirement age as set forth by the Police and Firemen’s Retirement System (PFRS) of the State of New Jersey are entitled to twenty-seven (27) weeks terminal leave with pay. 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 who have less than twenty-six (26) years of service shall be entitled to twenty-six (26) weeks of terminal leave with pay. 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. All employees hired after January 1, 2017 shall be entitled to thirteen (13) weeks terminal leave. At December 31, 2019 no members of the Police Department have reached the required retirement age as set forth by the PFRS.

As of December 31, 2019 and 2018, the Borough has reserved in the Other Trust Fund \$94,374 and \$59,374, 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 (7.00% effective July 1, 2017 and 7.65% effective July 1, 2016 through June 30, 2017) at December 31, 2019 and 2018 is \$168,793 and \$199,904, respectively.

During the years ended December 31, 2019, 2018 and 2017 the Borough was required to contribute for the deferred pension obligation the following amounts which equaled the required contribution for each year.

<u>Years Ended</u> <u>December 31,</u>	<u>PERS</u>	<u>PFRS</u>
2019	\$ 8,947	\$ 33,907
2018	8,897	33,755
2017	8,786	33,416

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 11 OTHER LONG-TERM LIABILITIES (Continued)

Changes in Other Long-Term Liabilities

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

The Borough's changes in other long-term liabilities for the years ended December 31, 2019 and 2018 were as follows:

	Balance, January 1, <u>2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2019</u>	Due Within <u>One Year</u>
<u>2019</u>					
Deferred Pension Obligation	\$ 199,904	\$ 11,743	\$ 42,854	\$ 168,793	\$ 43,097
Net OPEB Liability	4,992,168		1,237,197	3,754,971	
Net Pension Liability - PERS	4,665,394	170,306	248,357	4,587,343	
Net Pension Liability - PFRS	<u>8,051,038</u>	<u>287,083</u>	<u>635,754</u>	<u>7,702,367</u>	<u>-</u>
Other Long-Term Liabilities	<u>\$ 17,908,504</u>	<u>\$ 469,132</u>	<u>\$ 2,164,162</u>	<u>\$ 16,213,474</u>	<u>\$ 43,097</u>
	Balance, January 1, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u> (Restated)	Due Within <u>One Year</u>
<u>2018</u>					
Compensated Absences	\$ 146,098		\$ 146,098		
Deferred Pension Obligation	230,189	\$ 12,367	42,652	\$ 199,904	\$ 42,854
Net OPEB Liability	6,421,582			\$ (1,429,414)	4,992,168
Net Pension Liability - PERS	4,620,510	280,571	235,687	4,665,394	
Net Pension Liability - PFRS	<u>9,645,922</u>	<u>-</u>	<u>1,594,884</u>	<u>8,051,038</u>	<u>-</u>
Other Long-Term Liabilities	<u>\$ 21,064,301</u>	<u>\$ 292,938</u>	<u>\$ 2,019,321</u>	<u>\$ (1,429,414)</u>	<u>\$ 42,854</u>

Restatement – The Net OPEB Liability has been restated to reflect an updated liability as provided by the State of New Jersey. Information for 2018 was not available from the State at December 31, 2018. The effect of this restatement is a decrease of \$1,429,414 in the Net OPEB Liability.

**BOROUGH OF EMERSON
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS

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

Police and Firemen’s Retirement System (PFRS) – established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after December 31, 1944. Membership is mandatory for such employees. PFRS is a cost-sharing multi-employer defined benefit pension plan with a special funding situation. For additional information about PFRS, please refer to the State Division of Pension and Benefits (Division’s) Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions.

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

The following represents the membership tiers for PFRS:

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

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

Public Employees’ Retirement System (PERS) – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees. PERS is a cost-sharing multi-employer defined benefit pension plan. For additional information about PERS, please refer to the State Division of Pension and Benefits (Division’s) Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions.

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

**BOROUGH OF EMERSON
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees' Retirement System (PERS) (Continued)

The following represents the membership tiers for PERS:

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

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

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

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

Other Pension Funds

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

The cost of living increase for PERS 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.

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Other Pension Funds (Continued)

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.

Measurement Focus and Basis of Accounting

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

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

Investment Valuation

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

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

Collective Net Pension Liability

The collective net pension liability of the participating employers for local PERS at June 30, 2019 and 2018 is \$18.1 billion and \$19.7 billion, respectively, and the plan fiduciary net position as a percentage of the total pension liability is 56.27% and 53.60% respectively. The collective net pension liability of the participating employers for local PFRS at June 30, 2019 and 2018 is \$14.2 billion and \$15.4 billion, respectively and the plan fiduciary net position as a percentage of total pension liability is 65.00% and 62.48%, respectively.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2018 and 2017 which were rolled forward to June 30, 2019 and 2018, respectively.

Actuarial Methods and Assumptions

In the July 1, 2018 and 2017 PERS and PFRS actuarial valuations, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The pension systems selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 68. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions for 2019 and 2018 based on 10.0% for PFRS, 7.50% (effective July 1, 2018) and 7.34% (effective July 1, 2017) for PERS and 5.50% for DCRP of employee’s annual compensation.

For the years ended December 31, 2019 and 2018 for PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, employers’ contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution. All contributions made by the Borough for 2019, 2018 and 2017 were equal to the required contributions.

During the years ended December 31, 2019, 2018 and 2017, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2019	\$ 581,679	\$ 235,687	\$ -
2018	552,972	183,879	2,009
2017	536,567	203,163	1,129

In addition for the years ended December 31, 2019, 2018 and 2017 the Borough contributed for long-term disability insurance premiums (LTDI) \$888, \$617 and \$321, respectively for PERS.

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

The regulatory basis of accounting requires participating employers in PERS and PFRS to disclose in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, (GASB No.68) their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS and PFRS during the fiscal years ended June 30, 2019 and 2018. Employer allocation percentages have been rounded for presentation purposes.

Public Employees Retirement System (PERS)

At December 31, 2019 and 2018, the Borough reported a liability of \$4,587,343 and \$4,665,394, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 and 2017, respectively. The Borough’s proportionate share of the net pension liability was based on the ratio of the Borough’s contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. As of the measurement date of June 30, 2019, the Borough’s proportionate share was .02546 percent, which was an increase of .00177 percent from its proportionate share measured as of June 30, 2018 of .02369 percent.

**BOROUGH OF EMERSON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

For the years ended December 31, 2019 and 2018, the pension system has determined the Borough's pension expense to be \$241,998 and \$218,114, respectively, for PERS based on the actuarial valuations which are more than the actual contributions reported in the Borough's financial statements of \$235,687 and \$183,879, respectively. At December 31, 2019 and 2018, the Borough's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Borough's financial statements are from the following sources:

	2019		2018	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 82,337	\$ 20,265	\$ 88,970	\$ 24,056
Changes of Assumptions	458,063	1,592,252	768,780	1,491,745
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		72,413		43,762
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>882,209</u>	<u>390,313</u>	<u>713,356</u>	<u>592,530</u>
Total	<u>\$ 1,422,609</u>	<u>\$ 2,075,243</u>	<u>\$ 1,571,106</u>	<u>\$ 2,152,093</u>

At December 31, 2019 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2020	\$ (107,051)
2021	(331,824)
2022	(197,351)
2023	(11,422)
2024	(4,986)
Thereafter	<u>-</u>
	<u>\$ (652,634)</u>

**BOROUGH OF EMERSON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The Borough's total pension liability reported for the year ended December 31, 2019 was based on the June 30, 2019 measurement date as determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. The total pension liability reported for the year ended December 31, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2019</u>	<u>2018</u>
Inflation Rate:		2.25%
Price	2.75%	
Wage	3.25%	
Salary Increases:		
Through 2026	2.00-6.00% Based on Years of Service	1.65-4.15% Based on Age
Thereafter	3.00%-7.00% Based on Years of Service	2.65%-5.15% Based on Age
Investment Rate of Return	7.00%	7.00%
Mortality Rate Table	Pub-2010	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale MP for 2019 and AA for 2018.

The actuarial assumptions used in the July 1, 2018 and 2017 valuations were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018 and July 1, 2011 to June 30, 2014, respectively.

BOROUGH OF EMERSON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2019 and 2018, as reported for the years ended December 31, 2019 and 2018, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2019</u>		<u>2018</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%	5.00%	5.51%
Cash Equivalents	5.00%	2.00%	5.50%	1.00%
U.S. Treasuries	5.00%	2.68%	3.00%	1.87%
Investment Grade Credit	10.00%	4.25%	10.00%	3.78%
US Equity	28.00%	8.26%	30.00%	8.19%
Non-US Developed Markets Equity	12.50%	9.00%	11.50%	9.00%
Emerging Markets Equity	6.50%	11.37%	6.50%	11.64%
High Yield	2.00%	5.37%	2.50%	6.82%
Global Diversified Credit	-	-	5.00%	7.10%
Credit Oriented Hedge Funds	-	-	1.00%	6.60%
Debt Related Private Equity	-	-	2.00%	10.63%
Debt Related Real Estate	-	-	1.00%	6.61%
Real Assets	2.50%	9.31%	2.50%	11.83%
Equity Related Real Estate	-	-	6.25%	9.23%
Buyouts/Venture Capital	-	-	8.25%	13.08%
Private Credit	6.00%	7.92%	-	-
Real Estate	7.50%	8.33%	-	-
Private Equity	12.00%	10.85%	-	-

Discount Rate

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

<u>Calendar Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2019	June 30, 2019	6.28%
2018	June 30, 2018	5.66%

**BOROUGH OF EMERSON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

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

	<u>2019</u>	<u>2018</u>
Period of Projected Benefit Payments for which the Following Rates were Applied:		
Long-Term Expected Rate of Return	Through June 30, 2057	Through June 30, 2046
Municipal Bond Rate *	From July 1, 2057 and Thereafter	From July 1, 2046 and Thereafter

* The municipal bond return rate used is 3.50% and 3.87% as of the measurement dates of June 30, 2019 and 2018, respectively. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the Borough's proportionate share of the PERS net pension liability as of December 31, 2019 and 2018 calculated using the discount rate of 6.28% and 5.66%, respectively, as well as what the Borough's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 5.28% and 4.66%, respectively or 1-percentage-point higher 7.28% and 6.66%, respectively than the current rate:

<u>2019</u>	1% Decrease (5.28%)	Current Discount Rate (6.28%)	1% Increase (7.28%)
Borough's Proportionate Share of the PERS Net Pension Liability	\$ 5,794,560	\$ 4,587,343	\$ 3,570,092
<u>2018</u>	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Borough's Proportionate Share of the PERS Net Pension Liability	\$ 5,866,195	\$ 4,665,394	\$ 3,657,998

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2019 and 2018. A sensitivity analysis specific to the Borough's net pension liability was not provided by the pension system.

**BOROUGH OF EMERSON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Pension Plan Fiduciary Net Position

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

Police and Firemen’s Retirement System (PFRS)

At December 31, 2019 and 2018, the Borough reported a liability of \$7,702,367 and \$8,051,038, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 and 2017, respectively. The Borough’s proportionate share of the net pension liability was based on the ratio of the Borough’s contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. . As of the measurement date of June 30, 2019, the Borough’s proportionate share was .06294 percent, which was an increase of .00344 percent from its proportionate share measured as of June 30, 2018 of .05950 percent.

For the years ended December 31, 2019 and 2018, the pension system has determined the Borough pension expense to be \$634,444 and \$467,566, respectively, for PFRS based on the actuarial valuations which are more for 2019 and less for 2018 than the actual contributions reported in the Borough’s financial statements of \$581,679 and \$552,972, respectively. At December 31, 2019 and 2018, the Borough’s deferred outflows of resources and deferred inflows of resources related to PFRS pension which are not reported on the Borough’s financial statements are from the following sources:

	2019		2018	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 65,018	\$ 48,765	\$ 81,909	\$ 33,317
Changes of Assumptions	263,925	2,489,334	691,073	2,063,342
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		104,365		44,046
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>539,099</u>	<u>610,252</u>	<u>249,302</u>	<u>931,424</u>
Total	<u>\$ 868,042</u>	<u>\$ 3,252,716</u>	<u>\$ 1,022,284</u>	<u>\$ 3,072,129</u>

**BOROUGH OF EMERSON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

At December 31, 2019 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS pension will be recognized in pension expense as follows:

Year Ending December 31,	Total
2020	\$ (318,198)
2021	(826,674)
2022	(755,977)
2023	(360,024)
2024	(123,801)
Thereafter	<u>-</u>
	<u>\$ (2,384,674)</u>

Actuarial Assumptions

The Borough’s total pension liability reported for the year ended December 31, 2019 was based on the June 30, 2019 measurement date as determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. The total pension liability reported for the year ended December 31, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PFRS</u>	<u>2019</u>	<u>2018</u>
Inflation Rate:		2.25%
Price	2.75%	
Wage	3.25%	
Salary Increases:		
Through	All Future Years 3.25%-15.25% Based on Years of Service	2026 2.10%-8.98% Based on Age
Thereafter	Not Applicable	3.10%-9.98% Based on Age
Investment Rate of Return	7.00%	7.00%
Mortality Rate Table	Pub - 2010	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale MP for 2019 and AA for 2018.

The actuarial assumptions used in the July 1, 2018 and July 1, 2017 valuations were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018 and July 1, 2010 to June 30, 2013, respectively.

**BOROUGH OF EMERSON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2019 and 2018, as reported for the years ended December 31, 2019 and 2018, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2019</u>		<u>2018</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%	5.00%	5.51%
Cash Equivalents	5.00%	2.00%	5.50%	1.00%
U.S. Treasuries	5.00%	2.68%	3.00%	1.87%
Investment Grade Credit	10.00%	4.25%	10.00%	3.87%
US Equity	28.00%	8.26%	30.00%	8.19%
Non-US Developed Markets Equity	12.50%	9.00%	11.50%	9.00%
Emerging Markets Equity	6.50%	11.37%	6.50%	11.64%
High Yield	2.00%	5.37%	2.50%	6.82%
Global Diversified Credit	-	-	5.00%	7.10%
Credit Oriented Hedge Funds	-	-	1.00%	6.60%
Debt Related Private Equity	-	-	2.00%	10.63%
Debt Related Real Estate	-	-	1.00%	6.61%
Real Assets	2.50%	9.31%	2.50%	11.83%
Equity Related Real Estate	-	-	6.25%	9.23%
Buyouts/Venture Capital	-	-	8.25%	13.08%
Private Credit	6.00%	7.92%	-	-
Real Estate	7.50%	8.33%	-	-
Private Equity	12.00%	10.85%	-	-

Discount Rate

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

<u>Calendar Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2019	June 30, 2019	6.85%
2018	June 30, 2018	6.51%

**BOROUGH OF EMERSON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Discount Rate (Continued)

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

	<u>2019</u>	<u>2018</u>
Period of Projected Benefit		
Payments for which the Following		
Rates were Applied:		
Long-Term Expected Rate of Return	Through June 30, 2076	Through June 30, 2062
Municipal Bond Rate *	From July 1, 2076 and Thereafter	From July 1, 2062 and Thereafter

* The municipal bond return rate used is 3.50% and 3.87% as of the measurement dates of June 30, 2019 and 2018, respectively. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the Borough’s proportionate share of the PFRS net pension liability as of December 31, 2019 and 2018 calculated using the discount rate of 6.85% and 6.51%, respectively, as well as what the Borough’s proportionate share of the PFRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 5.85% and 5.51%, respectively or 1-percentage-point higher 7.85% and 7.51%, respectively than the current rate:

<u>2019</u>	1% Decrease <u>(5.85%)</u>	Current Discount Rate <u>(6.85%)</u>	1% Increase <u>(7.85%)</u>
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 10,410,793</u>	<u>\$ 7,702,367</u>	<u>\$ 5,460,754</u>
	1% Decrease <u>(5.51%)</u>	Current Discount Rate <u>(6.51%)</u>	1% Increase <u>(7.51%)</u>
<u>2018</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 10,775,315</u>	<u>\$ 8,051,038</u>	<u>\$ 5,804,005</u>

The sensitivity analysis was based on the proportionate share of the Borough’s net pension liability at December 31, 2019 and 2018. A sensitivity analysis specific to the Borough’s net pension liability was not provided by the pension system.

**BOROUGH OF EMERSON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Special Funding Situation – PFRS

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

At December 31, 2019 and 2018, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,216,218 and \$1,093,600, respectively. For the years ended December 31, 2019 and 2018, the pension system has determined the State's proportionate share of the pension expense attributable to the Borough for the PFRS special funding situation is \$141,315 and \$129,535, respectively, which are more than the actual contributions the State made on behalf of the Borough of \$81,948 and \$64,768, respectively. At December 31, 2019 (measurement date June 30, 2019) the State's share of the PFRS net pension liability attributable to the Borough was .06294 percent, which was an increase of .00344 percent from its proportionate share measured as of December 31, 2018 (measurement date June 30, 2018) of .05950 percent. The State's proportionate share attributable to the Borough was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the Borough's financial statements.

Pension Plan Fiduciary Net Position

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

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS

The State of New Jersey sponsors and administers the post-retirement health benefit program plan for participating municipalities including the Borough.

Plan Description and Benefits Provided

The State of New Jersey sponsors and administers the following post-retirement health benefit program covering substantially all eligible local government employees from local participating employers.

State Health Benefit Program Fund – Local Government Retired (the Plan) (including Prescription Drug Program Fund) – The Plan is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions* (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits’ (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The Plan provides medical and prescription drug to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retires with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retires and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A. 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree’s annual retirement benefit and level coverage.

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

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Measurement Focus and Basis of Accounting

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

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

Investment Valuation

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

Collective Net OPEB Liability

The collective net OPEB liability of the participating employers and the State, as the non-employer contributing entity, of the Plan at June 30, 2019 and 2018 is \$13.5 billion and \$15.7 billion, respectively, and the plan fiduciary net position as a percentage of the total OPEB liability is 1.98% and 1.97%, respectively.

The total OPEB liabilities were determined based on actuarial valuations as of June 30, 2018 and 2017 which were rolled forward to June 30, 2019 and 2018.

- Actuarial Methods and Assumptions

In the June 30, 2018 and 2017 OPEB actuarial valuations, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The Plan selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 75. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

Post-Retirement Medical Benefits Contribution

The funding policy for the OPEB plan is pay-as-you-go; therefore, there is no prefunding of the liability. However, due to premium rates being set prior to each calendar year, there is a minimal amount of net position available to cover benefits in future years. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are collected from the State of New Jersey, participating local employers, and retired members. The State of New Jersey makes contributions to cover those employees eligible under Chapter 330, P.L. 1967, as disclosed previously. Local employers remit employer contributions on a monthly basis. Retired member contributions are generally received on a monthly basis.

The employers participating in the OPEB plan made contributions of \$346.4 million and \$421.2 million and the State of New Jersey, as the non-employer contributing entity, contributed \$43.9 million and \$53.5 million for fiscal years 2019 and 2018, respectively.

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the actuarial determined contribution amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The actuarial determined contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any unfunded actuarial liabilities (or funding excess) of the plan using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan. The Borough's contributions to the State Health Benefits Program Fund-Local Government Retired Plan for post-retirement benefits for the years ended December 31, 2019, 2018 and 2017 were \$49,157, \$50,603 and \$7,556, respectively, which equaled the required contributions for each year.

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

The regulatory basis of accounting requires participating employers in the State Health Benefit Program Fund – Local Government Retired Plan to disclose in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pension (GASB No. 75)* their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense excluding that attributable to retiree-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions made as an individual employer toward the actuarially determined contribution amount to total contributions to the plan during the fiscal years ended June 30, 2019 and 2018. Employer allocation percentages have been rounded for presentation purposes.

At December 31, 2019 and 2018, the Borough reported a liability of \$3,754,971 and \$4,992,168, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019 and 2018, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018 and 2017, respectively. The Borough’s proportionate share of the net OPEB liability was based on the ratio of the Borough’s proportionate share of the OPEB liability attributable to the Borough at June 30, 2019 and 2018 to the total OPEB liability for the State Health Benefit Program Fund – Local Government Retired Plan at June 30, 2019 and 2018, respectively. As of the measurement date of June 30, 2019 the Borough’s proportionate share was .02772 percent, which was a decrease of .03187 percent from benefit its proportionate share measured as of June 30, 2018 of .00415 percent.

For the years ended December 31, 2019 and 2018, the Plan has determined the Borough’s OPEB expense to be \$144,931 and \$201,827, respectively, based on the actuarial valuations which are more than the actual contributions reported in the Borough’s financial statements of \$49,157 and \$50,603, respectively. At December 31, 2019 and 2018, the Borough’s deferred outflows of resources and deferred inflows of resources related to the OPEB plan which are not reported on the Borough’s financial statements are from the following sources:

	2019		2018	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience		\$ 1,098,100		\$ 1,013,588
Changes of Assumptions		1,330,678		1,266,329
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	\$ 3,093		\$ 2,638	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>70,306</u>	<u>847,883</u>	<u>81,757</u>	<u>23,657</u>
Total	<u>\$ 73,399</u>	<u>\$ 3,276,661</u>	<u>\$ 84,395</u>	<u>\$ 2,303,574</u>

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

At December 31, 2019 the amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in OPEB expense as follows:

Year Ending <u>December 31,</u>	<u>Total</u>
2020	\$ (494,029)
2021	(494,029)
2022	(494,031)
2023	(494,690)
2024	(494,968)
Thereafter	<u>(731,515)</u>
	<u>\$ (3,203,262)</u>

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

Actuarial Assumptions

The Borough’s total OPEB liability reported for the year ended December 31, 2019 was based on the June 30, 2019 measurement date as determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The total OPEB liability reported for the year ended December 31, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2019</u>	<u>2018</u>
Inflation Rate	2.50%	2.50%
Salary Increases*		
PERS:		
Initial Fiscal Year Applied Through	2026	2026
Rate	2.00% to 6.00%	1.65% to 8.98%
Rate Thereafter	3.00% to 7.00%	2.65% to 9.98%
PFRS:		
Initial Fiscal Year Applied Through	Rate for All Future Years	2026
Rate	3.25% to 15.25%	1.65% to 8.98%
Rate Thereafter	Not Applicable	2.65% to 9.98%
Mortality		
PERS	Pub-2010 General Classification Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using Scale MP-2019.	RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using Scale MP-2017.
PFRS	Pub-2010 Safety Classification Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using Scale MP-2019.	RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using Scale MP-2017.
Long-Term Rate of Return	2.00%	1.00%

*Salary increases are based on the defined benefit pension plan that the member is enrolled in and for 2019 the members years of service and for 2018 the members age.

For the June 30, 2019 measurement date healthcare cost trend rates for pre-Medicare medical benefits, the trend is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years.

**BOROUGH OF EMERSON
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

For the June 30, 2018 measurement date healthcare cost trend rates for pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively. The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

100% of active members are considered to participate in the plan upon retirement.

Long-Term Expected Rate of Return

As the OPEB plan only invests in the State of New Jersey Cash Management Fund, the long-term expected rate of return on OPEB investments was based off the best-estimate ranges of future real rates of return (expected returns, net of OPEB plan investment expense and inflation) for cash equivalents, which is 2.00% and 1.00% as of June 30, 2019 and 2018, respectively.

Discount Rate

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

<u>Calendar Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2019	June 30, 2019	3.50%
2018	June 30, 2018	3.87%

The discount rate represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

Sensitivity of Net OPEB Liability to Changes in the Discounts Rate

The following presents the Borough's proportionate share of the OPEB net liability as of December 31, 2019 and 2018 calculated using the discount rate of 3.50% and 3.87%, respectively, as well as what the Borough's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower 2.50% and 2.87%, respectively or 1-percentage-point higher 4.50% and 4.87%, respectively than the current rate:

<u>2019</u>	1% Decrease <u>(2.50%)</u>	Current Discount Rate <u>(3.50%)</u>	1% Increase <u>(4.50%)</u>
Borough's Proportionate Share of the Net OPEB Liability	\$ <u>4,341,702</u>	\$ <u>3,754,971</u>	\$ <u>3,278,175</u>
<u>2018</u>	1% Decrease <u>(2.87%)</u>	Current Discount Rate <u>(3.87%)</u>	1% Increase <u>(4.87%)</u>
Borough's Proportionate Share of the Net OPEB Liability	\$ <u>5,857,133</u>	\$ <u>4,992,168</u>	\$ <u>4,301,257</u>

The sensitivity analysis was based on the proportionate share of the Borough's net OPEB liability at December 31, 2019 and 2018. A sensitivity analysis specific to the Borough's net OPEB liability was not provided by the Plan.

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

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

The following presents the Borough's proportionate share of the OPEB net liability as of December 31, 2019 and 2018 calculated using the healthcare trend rates as disclosed above as well as what the Borough's proportionate share of the net OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

<u>2019</u>	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Borough's Proportionate Share of the Net OPEB Liability	<u>\$ 3,168,733</u>	<u>\$ 3,754,971</u>	<u>\$ 4,502,817</u>
<u>2018</u>	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Borough's Proportionate Share of the Net OPEB Liability	<u>\$ 4,164,269</u>	<u>\$ 4,992,168</u>	<u>\$ 6,063,593</u>

The sensitivity analysis was based on the proportionate share of the Borough's net OPEB liability at December 31, 2019 and 2018. A sensitivity analysis specific to the Borough's net OPEB liability was not provided by the pension system.

Special Funding Situation

Under N.J.S.A. 43:3C-24 the Borough is responsible for their own OPEB contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State to make contributions if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 330, P.L. 1997 and Chapter 271, P.L., 1989. Under Chapter 330, P.L. 1997, the State pays the premiums or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium of periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989. The amounts contributed on behalf of the Borough by the State under this legislation is considered to be a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. Accordingly, the Borough's proportionate share percentage of the net pension liability, deferred outflows and inflows determined under GASB Statement No. 75 is zero percent and the State's proportionate share is 100% of OPEB under this legislation.

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

Special Funding Situation (Continued)

At December 31, 2019 and 2018, the State's proportionate share of the net OPEB liability attributable to the Borough for the OPEB special funding situation is \$6,487,304 and \$6,997,597, respectively. For the years ended December 31, 2019 and 2018 the plan has determined the State's proportionate share of the OPEB expense attributable to the Borough for the OPEB special funding situation is \$85,991 and \$211,825, respectively. At December 31, 2019, (measurement date June 30, 2019), the State's share of the OPEB liability attributable to the Borough was .11740 percent, which was an increase of .00479 percent from its proportionate share measured as of December 31, 2018 (measurement date June 30, 2018) of .11261 percent. The State's proportionate share attributable to the Borough was developed based on eligible plan members subject to the special funding situation. This data takes into account active members from both participating and non-participating employer locations and retired members currently receiving OPEB benefits.

OPEB Plan Fiduciary Net Position

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

NOTE 14 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.

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 14 RISK MANAGEMENT (Continued)

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>
2019	\$ 15,000	\$ 6,597	\$ 9,993	\$ 79,860
2018	15,000	6,650	12,321	67,185
2017	12,909	6,313	10,089	57,556

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, 2019 and 2018. 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, 2019 and 2018, the Borough reserved \$84,258 and \$54,258, 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, 2019 and 2018, 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, 2019 and 2018, the Borough has not estimated its estimated arbitrage earnings due to the IRS, if any.

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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 First Aid Organization, come from contributions made solely by the Borough on behalf of those volunteers who meet the criteria of a plan created by the governing body.

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 \$1,300 and \$1,300 for 2019 and 2018, respectively, for each eligible volunteer fire department and volunteer ambulance corp. member into the Plan. The total Borough contributions were \$39,000 and \$41,600 for 2019 and 2018, respectively.

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

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

Vesting and Benefits

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

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

Reporting Requirements

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

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 18 TAX ABATEMENTS

For the years ended December 31, 2019 and 2018, the Borough provided property tax abatements through certain programs authorized under State statutes. These programs include the New Jersey Housing and Mortgage Financing Act (NJHMFA).

- The New Jersey Housing and Mortgage Financing Act (NJSA 55:14K et. seq.) allows for property tax abatements for residential rental housing projects financed by the New Jersey Housing and Mortgage Finance Agency. These property tax abatements last for the term of the original mortgage financing so long as the residential rental housing project remains subject to the NJHMFA Law and regulations. The process begins when the municipality passes by ordinance or resolution, as appropriate, that such residential rental housing project shall be exempt from property tax provided that an agreement is entered into with the housing sponsor for payments in lieu of taxes (PILOTs) to the municipality. The agreement can require the housing sponsor to a PILOT payment to the municipality in an amount up to 20% of the annual gross revenue from each housing project. For the years ended December 31, 2019 and 2018 the Borough abated property taxes totaling \$42,752 and \$40,828, respectively, under the NJHMFA program. The Borough received \$8,664 and \$6,925 in PILOT payments under this program for the years ended December 31, 2019 and 2018, respectively.

NOTE 19 INFECTIOUS DISEASE OUTBREAK – COVID-19 PANDEMIC

The World Health Organization has declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which was first discovered in China and has since spread to other countries, including the United States (and to the Borough) (the “COVID-19 Crisis”). On March 13, 2020, President Trump declared a national emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. Governor Phil Murphy, of the State of New Jersey, has also instituted mandatory measures via various executive orders to contain the spread of the virus, including closing schools and nonessential businesses and limiting social gatherings. These measures, which alter the behavior of businesses and people, are expected to have negative impacts on regional, state and local economies and significant declines in the financial markets in the United States and volatility attributed to concerns about the duration of the pandemic and its continued economic impact. Recently, the United States Congress has passed relief and stimulus legislation. This legislation is intended to address the financial impact of the pandemic on the U.S. economy and financial markets. It is too early to predict if the legislation will have its intended affect.

In compliance with the Governor’s executive orders, the Borough has instituted necessary precautions and procedures, so as to allow the Borough to continue to provide services during this time. The Borough is functioning administratively, and its departments continue to operate both remotely and on-site, where safe and practicable. The Borough will continue to collect property taxes and other municipal revenues. At this time, it is not possible to predict any other financial impacts as a result of this pandemic on the Borough’s operations; however, such amounts, if any, could be material.

NOTE 20 SUBSEQUENT EVENTS

Debt Authorized

On February 18, and May 5, 2020 the Borough adopted two bond ordinances authorizing the issuance \$1,706,635 in bonds or bond anticipation notes to fund certain capital projects. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.

CURRENT FUND

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

Balance, January 1, 2019		\$ 4,392,095
Increased by Receipts:		
Taxes Receivable	\$ 34,018,783	
Petty Cash Returned	700	
2019 Prepaid Taxes	165,344	
Tax Overpayments	8,695	
Revenue Accounts Receivable	1,666,424	
Non-Budget Revenue	507,319	
Due from State of NJ - Senior Citizens and Veterans Deductions	55,665	
Grant Receivable	260,343	
Receipts from Other Trust Fund	1,429	
Receipts from Animal Control Trust Fund	5,905	
Receipts from General Capital Fund	92,835	
Reserve for Tax Sale Lien Redemption	97,947	
Reserve for Insurance Reimbursement	12,000	
Reserve for Tax Assessor Fees	180	
Reserve for Prepaid Fees	5,000	
Due to State of New Jersey - Marriage Licenses	550	
Due to State of New Jersey - DCA Fees	8,237	
	<u>36,907,356</u>	
		41,299,451
Decreased by Disbursements:		
2019 Budget Appropriation	11,305,510	
2018 Appropriation Reserves	428,585	
Encumbrances Payable	437,282	
Accounts Payable	142,660	
Petty Cash Received	700	
Tax Overpayment Refunds	12,194	
Local District School Taxes Payable	20,782,100	
County Taxes Payable	3,216,120	
Reserve for Appropriated Grants	5,528	
Due to State of New Jersey - Marriage Licenses	550	
Due to State of New Jersey - DCA Fees	7,852	
Reserve for Tax Sale Lien Redemption	97,947	
Reserve for Tax Assessor Fees	360	
	<u>36,437,388</u>	
Balance, December 31, 2019		<u>\$ 4,862,063</u>

EXHIBIT A-5

**BOROUGH OF EMERSON
STATEMENT OF CHANGE FUND**

<u>Office</u>	<u>Balance, January 1, 2019</u>	<u>Balance, December 31, 2019</u>
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>

EXHIBIT A-6

STATEMENT OF PETTY CASH FUND

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

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

Year	Balance,	2019	Senior Citizens'	Collected by Cash		Senior Citizens'	Transfer to	Cancelled	Balance,
	January 1,		and			and			
	2019	Levy	Deductions	2018	2019	Deductions			2019
			Disallowed			Allowed			
2018	\$ 226,781		\$ 2,085		\$ 228,866				
2019	<u>-</u>	<u>\$ 34,411,200</u>	<u>-</u>	<u>\$ 177,706</u>	<u>33,789,917</u>	<u>\$ 57,250</u>	<u>\$ 12,376</u>	<u>\$ 48,654</u>	<u>\$ 325,297</u>
	<u>\$ 226,781</u>	<u>\$ 34,411,200</u>	<u>\$ 2,085</u>	<u>\$ 177,706</u>	<u>\$ 34,018,783</u>	<u>\$ 57,250</u>	<u>\$ 12,376</u>	<u>\$ 48,654</u>	<u>\$ 325,297</u>

Analysis of 2019 Property Tax Levy

Tax Yield

General Purpose Tax	\$ 34,365,125
Added Taxes (54:4-63.1 et seq.)	<u>46,075</u>
	<u>\$ 34,411,200</u>

Tax Levy

Local District School Tax (Abstract)	\$ 21,460,370
County Taxes	\$ 3,075,964
County Open Space Taxes	131,980
Due County for Added Taxes (54:4-63.1 et seq.)	<u>4,317</u>
	3,212,261

Local Tax for Municipal Purposes

Minimum Library Tax	437,288
Additional Tax Levied	4,028
Added Taxes (54:4-63.1 et seq.)	<u>46,075</u>
	<u>9,738,569</u>
	<u>\$ 34,411,200</u>

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

Balance, January 1, 2019		\$	1,476
Increased by:			
Senior Citizens' Deductions Per Tax Billings		\$	6,000
Veterans' Deductions Per Tax Billings			51,000
Senior Citizens' and Veterans' Deductions Allowed by Tax Collector			<u>250</u>
			<u>57,250</u>
			58,726
Decreased by:			
Received from State of New Jersey			55,665
Senior Citizens' and Veterans' Deductions Disallowed - 2018			<u>2,085</u>
			<u>57,750</u>
Balance, December 31, 2019		\$	<u>976</u>

EXHIBIT A-9

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

Balance, January 1, 2019		\$	<u>13,200</u>
Balance, December 31, 2019		\$	<u>13,200</u>

EXHIBIT A-10

STATEMENT OF TAX TITLE LIENS

Balance, January 1, 2019		\$	161,566
Increased by:			
Transfer from Taxes Receivable			<u>12,376</u>
Balance, December 31, 2019		\$	<u>173,942</u>

BOROUGH OF EMERSON
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, January 1, <u>2019</u>	Accrued in 2019	Collected	Balance, December 31, <u>2019</u>
Borough Clerk				
Licenses				
Alcoholic Beverage		\$ 17,500	\$ 17,500	
Other		10,711	10,711	
Fees and Permits		18,375	18,375	
Health Officer				
Licenses		10,635	10,635	
Fees and Permits		423	423	
Construction Code Official				
Fees and Permits		228,110	228,110	
Planning/Zoning Boards				
Fees and Permits		950	950	
Police Department				
Fees and Permits		5,395	5,395	
Municipal Court				
Fines and Costs	\$ 5,673	72,988	74,363	\$ 4,298
Interest and Costs on Taxes		61,035	61,035	
Interest on Investments and Deposits		85,710	85,710	
Parking Meters		10,400	10,400	
Energy Receipts Tax		619,905	619,905	
Watershed Moratorium Offset Aid		18,189	18,189	
Borough of Old Tappan Shared Service - Court		15,790	15,790	
Borough of Westwood Shared Service - Vivian Ave		107,953	107,953	
Uniform Fire Safety Act		25,277	25,277	
Sewer Service Fees		9,287	9,287	
Cellular Tower Fees		218,722	218,722	
Cable Television Franchise Fees		113,394	113,394	
PILOT - Advancing Opportunities - 5 Pine Drive		5,700	5,700	
PILOT - Veteran's Home		2,964	2,964	
Insurance Dividends	-	19,386	19,386	-
	<u>\$ 5,673</u>	<u>\$ 1,678,799</u>	<u>\$ 1,680,174</u>	<u>\$ 4,298</u>
			Cash Receipts \$ 1,666,424	
			Reserve for Insurance Reimbursements 12,000	
			Prepaid Fees Applied 1,750	
			<u>\$ 1,680,174</u>	

**BOROUGH OF EMERSON
STATEMENT OF GRANTS RECEIVABLE**

	Balance, January 1, 2019	<u>Accrued</u>	<u>Received</u>	<u>Cancelled</u>	Balance, December 31, 2019
Municipal Alliance Program (2014)	\$ 11,307			\$ 11,307	
Recycling Tonnage (2019)		\$ 12,129	\$ 12,129		
NJ DEP Clean Communities		15,723	15,723		
Municipal Alcohol Education and Rehab		80	80		
CDBG - Senior Activities (2013-2014)	2,675			2,675	
CDBG - Senior Activities (2014-2015)	500			500	
CDBG - SC Flooring Rehab	5,914			5,914	
CDBG - Senior Activities (2019)		1,563	1,563		
Municipal Alliance Program (2015)	2,991			2,991	
Body Armor	2,019				\$ 2,019
Body Armor (2019)		2,411	2,411		
NJ DOT - 2017 Municipal Program - Section 4	167,627		165,627	2,000	
Municipal Alliance Program (2018)	9,876		9,472	404	
Municipal Alliance Program (2019)		9,876			9,876
NJ Department of Transportation - Main Street/Linwood Ave (Section 5)	215,000		53,338	124,571	37,091
NJ Department of Transportation - Vivian Ave Drainage	145,000				145,000
County of Bergen's ADA Cooperative Curb Ramp Construction Grant Prgm	66,000				66,000
Environmental Grant - Anjec	333	-	-	-	333
	<u>\$ 629,242</u>	<u>\$ 41,782</u>	<u>\$ 260,343</u>	<u>\$ 150,362</u>	<u>\$ 260,319</u>

2018 Appropriation Reserves	\$ 85,447
Reserve for Appropriated Grants	23,387
Operations - Fund Balance	<u>41,528</u>
	<u>\$ 150,362</u>

BOROUGH OF EMERSON
STATEMENT OF 2018 APPROPRIATION RESERVES

	Balance, January 1, <u>2019</u>	Encumbrances <u>Cancelled</u>	<u>Transfers</u>	Modified <u>Balance</u>	<u>Expended</u>	Balance <u>Lapsed</u>
Salaries and Wages						
General Administration	\$ 471			\$ 471		\$ 471
Municipal Clerk	1,219			1,219		1,219
Financial Administration	1			1		1
Land Use Board	200			200		200
Police Department	8,893			8,893	\$ 7,576	1,317
Police Dispatch / 911	10,659		\$ (5,000)	5,659	5,532	127
Fire Department	1			1		1
Uniform Fire Safety Act	3			3		3
Streets and Roads Maintenance	72,064		(60,262)	11,802		11,802
Sewer Services	8,627		(8,000)	627		627
Vehicle Maintenance	549			549		549
Public Health Services	2			2		2
Environmental Health Services	900			900		900
Recreation Services and Programs	6			6		6
Municipal Court	4,507			4,507		4,507
Public Defender	3			3		3
Construction Code Official	2,276		(1,000)	1,276		1,276
NJPD/Stormwater Permit Management	9			9		9
Other Expenses						
General Administration	2,884		5,000	7,884	7,015	869
Mayor and Council	375	\$ 90		465		465
Municipal Clerk	2,692		(500)	2,192	1,335	857
Financial Administration	1,307			1,307	975	332
Audit Services	37,500			37,500	36,372	1,128
Revenue Administration	404			404		404
Tax Assessment Administration	2,984	1,377	(2,500)	1,861		1,861
Legal Services and Costs	9,870			9,870	8,468	1,402
Engineering Services and Costs	6,304			6,304	395	5,909
Land Use Board	819			819	235	584
General Liability	8	6,237		6,245		6,245
Workers Compensation	8,165			8,165	6,237	1,928
Employee Group Health	55,707		(3,000)	52,707	1,643	51,064
Health Benefit Waiver	46			46		46
Police Department	27,896			27,896	26,311	1,585
Police Dispatch / 911	1,415			1,415		1,415
Office of Emergency Management	5,327			5,327		5,327
Aid to Volunteer Fire Companies	844			844	531	313
Aid to Volunteer Ambulance Corps.	461			461	455	6
Fire Department	1,320			1,320		1,320
Uniform Fire Safety	670			670		670
Municipal Prosecutor	268			268		268
Streets and Roads Maintenance	15,387		57,262	72,649	60,251	12,398
Sewer Services	6,714		13,300	20,014	19,910	104
Shade Tree - Advisory Committee	12,635			12,635		12,635

BOROUGH OF EMERSON
STATEMENT OF 2018 APPROPRIATION RESERVES

	Balance, January 1, <u>2019</u>	Encumbrances <u>Cancelled</u>	<u>Transfers</u>	Modified <u>Balance</u>	<u>Expended</u>	Balance <u>Lapsed</u>
Other Expenses (Continued)						
Solid Waste Collection	\$ 3,896			\$ 3,896		\$ 3,896
Buildings and Grounds	1,615			1,615	\$ 1,455	160
Vehicle Maintenance	4,362			4,362	4,112	250
Public Health Services	1,391			1,391		1,391
Environmental Health Services	508			508		508
Animal Control Services	2,035			2,035	715	1,320
Recreation Services and Programs	2,308			2,308	21	2,287
Historic Preservation	335			335		335
Municipal Court	596			596		596
Celebration of Public Events	713			713		713
Construction Code Official	1,015			1,015	947	68
Electricity	2,989		\$ 1,200	4,189	4,150	39
Street Lighting	8,361			8,361	7,550	811
Telephone	1,062			1,062		1,062
Water	4,141			4,141	487	3,654
Gas (Natural or Propane)			3,500	3,500	3,391	109
Gasoline	6,330			6,330	4,424	1,906
Social Security System	92			92	90	2
Defined Contribution Retirement Program	201			201		201
Municipal Library	16,276			16,276	16,276	
Length of Service Award Program	50,000			50,000	41,600	8,400
Recycling Tax P.L. 2001, C311(N.J.S.A.13:1E-96.5)	3,065			3,065	627	2,438
Borough of Old Tappan - Court	3,680			3,680	3,680	
Municipal Alliance						
State Share	8,480			8,480	8,480	
Local Share	2,469			2,469	2,469	
Matching Funds for Grants	531			531		531
Clean Communities	9,675			9,675	9,675	
Drunk Driving Enforcement	2,780			2,780	2,780	
Bergen County ADA Ramps Grant	6,000	\$ 13,397		19,397	19,397	
NJ Department of Transportation - Main St. Section 5	85,173			85,173	85,173	
NJ Department of Transportation - Drainage - Vivian Ave	145,000			145,000	145,000	
Recycling Tonnage Grant	8,963	-	-	8,963	8,963	-
	<u>\$ 696,434</u>	<u>\$ 21,101</u>	<u>\$ -</u>	<u>\$ 717,535</u>	<u>\$ 554,703</u>	<u>\$ 162,832</u>

Cash Disbursements	\$ 428,585
Transfer to Appropriated Grant Reserves	33,378
Cancelled Grant Receivable	85,447
Accounts Payable	<u>7,293</u>
	<u>\$ 554,703</u>

**BOROUGH OF EMERSON
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, January 1, 2019		\$ 458,383
Increased by:		
Charges to 2019 Budget Appropriations		<u>345,478</u>
		803,861
Decreased by:		
Cash Disbursements	\$ 437,282	
Cancelled - Restored to Appropriation Reserves	<u>21,101</u>	
		<u>458,383</u>
Balance, December 31, 2019		<u>\$ 345,478</u>

STATEMENT OF ACCOUNTS PAYABLE

Balance, January 1, 2019		\$ 233,248
Increased by:		
Transferred from 2018 Appropriation Reserves		<u>7,293</u>
		240,541
Decreased by:		
Cash Disbursements	\$ 142,660	
Cancelled Accounts Payable	<u>87,546</u>	
		<u>230,206</u>
Balance, December 31, 2019		<u>\$ 10,335</u>

STATEMENT OF PREPAID TAXES

Balance, January 1, 2019		\$ 177,706
Increased by:		
Collection - 2020 Taxes		<u>165,344</u>
		343,050
Decreased by:		
Application to 2019 Taxes Receivable		<u>177,706</u>
Balance, December 31, 2019		<u>\$ 165,344</u>

**BOROUGH OF EMERSON
STATEMENT OF TAX OVERPAYMENTS**

Balance, January 1, 2019	\$	12,519
Increased by:		
Cash Receipts		8,695
		21,214
Decreased by:		
Refunds		12,194
Balance, December 31, 2019	\$	9,020

EXHIBIT A-18

STATEMENT OF RESERVE FOR PREPAID FEES

Balance, January 1, 2019	\$	1,750
Increased by:		
Cash Receipts for Parking Permits for 2020		5,000
		6,750
Decreased by:		
Permits Realized in 2019		1,750
Balance, December 31, 2019	\$	5,000

EXHIBIT A-19

STATEMENT OF COUNTY TAXES PAYABLE

Balance, January 1, 2019	\$	8,176
Increased by:		
2019 Tax Levy - General	\$	3,075,964
2019 Tax Levy - Open Space		131,980
Added Taxes (54:4-63.1)		4,317
		3,212,261
		3,220,437
Decreased by:		
Payments		3,216,120
Balance, December 31, 2019	\$	4,317

BOROUGH OF EMERSON
STATEMENT OF LOCAL DISTRICT SCHOOL TAXES PAYABLE

Balance, January 1, 2019		
School Tax Payable	\$	540,000
School Tax Deferred		<u>9,657,521</u>
	\$	10,197,521
Increased by:		
Levy School Year July 1, 2019 to June 30, 2020		<u>21,460,370</u>
		31,657,891
Decreased by:		
Payments		<u>20,782,100</u>
Balance, December 31, 2019		
School Tax Payable		540,000
School Tax Deferred		<u>10,335,791</u>
	\$	<u>10,875,791</u>
<u>2019 Liability for Local District School Taxes Payable</u>		
Tax Paid	\$	20,782,100
Add: Taxes Payable December 31, 2019		<u>540,000</u>
		21,322,100
Less: Taxes Payable January 1, 2019		<u>540,000</u>
		20,782,100
Amount Charged to 2019 Operations	\$	<u>20,782,100</u>

BOROUGH OF EMERSON
STATEMENT OF RESERVE FOR APPROPRIATED GRANTS

<u>Grant</u>	Balance, January 1, 2019	Transferred from 2018 Appropriation Reserves	Paid or Charged	Cancelled	Balance, December 31, 2019
Alcohol Education and Rehabilitation Grant	\$ 417		\$ 300		\$ 117
Body Armor Replacement Grant	9,694		880		8,814
Municipal Alliance					
State Share	14,189			\$ 14,189	
Local Share	3,305			3,305	
Clean Communities	25,049	\$ 2,238			27,287
CDBG - Senior Citizen Activities (2014-2015)	1,550			1,550	
CDBG - SC Flooring Rehab	9,188			9,188	
Drunk Driving Enforcement	6,642	2,780	1,100		8,322
Environmental Grant - Anjec	140				140
Bergen County ADA Ramps Grant		19,397			19,397
Recycling Tonnage Grant	3,523	8,963	3,248	-	9,238
	<u>\$ 73,697</u>	<u>\$ 33,378</u>	<u>\$ 5,528</u>	<u>\$ 28,232</u>	<u>\$ 73,315</u>
		Cash Disbursements	<u>\$ 5,528</u>		
			Grants Receivable	\$ 23,387	
			Operations - Fund Balance	<u>4,845</u>	
				<u>\$ 28,232</u>	

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

Balance, January 1, 2019	\$	1,615
Increased by:		
Cash Receipts		<u>8,237</u>
		9,852
Decreased by:		
Cash Disbursements		<u>7,852</u>
Balance, December 31, 2019	\$	<u>2,000</u>

EXHIBIT A-23

STATEMENT OF RESERVE FOR REASSESSMENT OF REAL PROPERTY

Balance, January 1, 2019	\$	22,682
Decreased by:		
Realized as Anticipated Revenue		<u>22,000</u>
Balance, December 31, 2019	\$	<u>682</u>

EXHIBIT A-24

STATEMENT OF RESERVE FOR INSURANCE REIMBURSEMENT

Balance, January 1, 2019	\$	19,052
Increased by:		
Cash Receipts		<u>12,000</u>
		31,052
Decreased by:		
Realized as Anticipated Revenue		<u>12,000</u>
Balance, December 31, 2019	\$	<u>19,052</u>

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

Increased by:		
Cash Receipts	\$	<u>550</u>
Decreased by:		
Cash Disbursements	\$	<u>550</u>

EXHIBIT A-26

STATEMENT OF RESERVE FOR TAX SALE LIEN REDEMPTION

Increased by:		
Cash Receipts	\$	<u>97,947</u>
Decreased by:		
Cash Disbursements	\$	<u>97,947</u>

EXHIBIT A-27

STATEMENT OF RESERVE FOR TAX APPEALS

Balance, January 1, 2019	\$	54,258
Increased by:		
Transfer from 2019 Appropriations		<u>30,000</u>
Balance, December 31, 2019	\$	<u>84,258</u>

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

Balance, January 1, 2019	\$ 180
Increased by:	
Cash Receipts	<u>180</u>
	360
Decreased by:	
Cash Disbursements	<u>\$ 360</u>

TRUST FUND

BOROUGH OF EMERSON
STATEMENT OF TRUST FUND CASH - TREASURER

	<u>Animal Control Trust Fund</u>	<u>Other Trust Fund</u>	<u>Housing Trust Fund</u>	<u>Unemployment Insurance Trust Fund</u>
Balance, January 1, 2019	\$ 15,366	\$ 858,498	\$ 288,526	\$ 67,185
Increased by Receipts:				
Animal Control Fees	\$ 3,326			
Late Fees	585			
State Fees	520			
Interest on Deposits	186	\$ 1,429	\$ 5,220	\$ 1,071
Developers Fees			32,419	
Miscellaneous Reserves		2,833,795		
Employee Contributions				6,597
Budget Appropriations				15,000
Payroll Deposits		3,986,040		
Payroll Deductions Payable		2,441,159		
Flexible Spending		5,367		
Reserve for Accumulated Absences		35,000		
Other Accounts Receivable		2,255		
Due from Emerson Library		211,249		
Escrow Deposits	-	68,096	-	-
	<u>4,617</u>	<u>9,584,390</u>	<u>37,639</u>	<u>22,668</u>
	19,983	10,442,888	326,165	89,853
Decreased by Disbursements:				
Expenditures Under R.S 4:19-15.11	1,139			
Miscellaneous Reserves		2,771,907		
Affordable Housing Expenditures			1,114	
Payments to State of New Jersey	520			9,993
Payments to Current Fund	5,905	1,429		
Payroll Deposits		3,986,040		
Payroll Deductions Payable		2,441,159		
Flexible Spending		5,382		
Due from Emerson Library		211,249		
Escrow Deposits	-	73,195	-	-
	<u>7,564</u>	<u>9,490,361</u>	<u>1,114</u>	<u>9,993</u>
Balance, December 31, 2019	<u>\$ 12,419</u>	<u>\$ 952,527</u>	<u>\$ 325,051</u>	<u>\$ 79,860</u>

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

Increased by:		
State Fees		\$ <u>520</u>
Decreased by:		
Payments to State of New Jersey		\$ <u>520</u>

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

Balance, January 1, 2019		\$ 5,905
Increased by:		
Statutory Excess		<u>3,439</u>
		9,344
Decreased by:		
Cash Disbursements		<u>5,905</u>
Balance, December 31, 2019		<u>\$ 3,439</u>

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

Increased by:	
Charge to Operations - Escrow Deficit	\$ 3,863
Payments to Current Fund	<u>1,429</u>
	<u>\$ 5,292</u>
Decreased by:	
Interest on Deposits	<u>1,429</u>
Balance, December 31, 2019	<u>\$ 3,863</u>

EXHIBIT B-7

**STATEMENT OF DUE TO EMERSON PUBLIC LIBRARY
OTHER TRUST FUND**

Balance, January 1, 2019	\$ 41
Increased by:	
Cash Receipts	<u>211,249</u>
	211,290
Decreased by:	
Cash Disbursements	<u>211,249</u>
Balance, December 31, 2019	<u>\$ 41</u>

EXHIBIT B-8

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

Increased by:	
Cash Receipts	<u>\$ 3,986,040</u>
Decreased by:	
Cash Disbursements	<u>\$ 3,986,040</u>

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

Balance, January 1, 2019	\$	7,611
Increased by:		
Cash Receipts		2,441,159
		2,448,770
Decreased by:		
Cash Disbursements		2,441,159
Balance, December 31, 2019	\$	7,611

EXHIBIT B-10

**STATEMENT OF RESERVE FOR FLEXIBLE SPENDING
OTHER TRUST FUND**

Balance, January 1, 2019	\$	133
Increased by:		
Cash Receipts		5,367
		5,500
Decreased by:		
Cash Disbursements		5,382
Balance, December 31, 2019	\$	118

EXHIBIT B-11

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

Balance, January 1, 2019	\$	59,374
Increased by:		
Cash Receipts		35,000
Balance, December 31, 2019	\$	94,374

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

Balance, January 1, 2019	\$	765,406
Increased by:		
Escrow Deposit Receipts	\$	68,096
Miscellaneous Reserves Receipts		2,833,795
Cancelled Due to LOSAP		28,405
Due from Current Fund - Funded Escrow Deficit		<u>3,863</u>
		<u>2,934,159</u>
		3,699,565
Decreased by:		
Escrow Deposit Disbursements		73,195
Miscellaneous Reserve Disbursements		2,771,907
Due to General Capital - Funded Improvement Authorization		<u>60,000</u>
		<u>2,905,102</u>
Balance, December 31, 2019	\$	<u><u>794,463</u></u>
Developer's Escrow Deposits		
Recreation	\$	202,553
Community Policing		96,043
Municipal Court POAA Fees		19,585
Public Defender Fees		530
Recycling Program		2,097
Environmental Comm. Partnership		62,652
Storm Recovery Trust Fund		1,314
Emergency Management		166,010
Shade Tree Donations (Wagner)		2,028
Uniform Fire Penalties		29,028
Centennial Celebration		773
Outside Police Duty (Reserve)		2,115
Outside Police Duty (Accounts Receivable)		52,244
Tax Sale Premium		(95,615)
Municipal Alliance - DARE		250,000
Historic Preservation Committee		635
Uniform Construction Code Penalty		291
		<u>2,180</u>
	\$	<u><u>794,463</u></u>

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

Balance, January 1, 2019		\$ 288,526
Increased by:		
Developers Fees	\$ 32,419	
Interest on Deposits	<u>5,220</u>	
		<u>37,639</u>
		326,165
Decreased by:		
Cash Disbursements		<u>1,114</u>
Balance, December 31, 2019		<u><u>\$ 325,051</u></u>

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

Balance, January 1, 2019		\$ 67,185
Increased by:		
Employee Contributions	\$ 6,597	
Interest on Deposits	1,071	
2019 Budget Appropriation	<u>15,000</u>	
		<u>22,668</u>
		89,853
Decreased by:		
Unemployment Compensation Claims		<u>9,993</u>
Balance, December 31, 2019		<u><u>\$ 79,860</u></u>

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

Increased by:	
Unemployment Compensation Claims	\$ 9,993
Decreased by:	
Cash Disbursements	<u>9,993</u>

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

Balance, January 1, 2019	\$ 28,405
Decreased by:	
Cancelled Due to LOSAP	<u>28,405</u>

GENERAL CAPITAL FUND

BOROUGH OF EMERSON
STATEMENT OF GENERAL CAPITAL CASH

Balance, January 1, 2019		\$	727,279
Increased by Receipts:			
Interest on Deposits	\$		14,480
Grant Receipts			
Grant Receivable		126,868	
Deferred Charges - Unfunded		44,632	
Bond Anticipated Notes		1,017,470	
Budget Appropriation - Capital Improvement Fund		<u>104,300</u>	
			<u>1,307,750</u>
			2,035,029
Decreased by Disbursements:			
Improvement Authorizations		340,688	
Contracts Payable		238,205	
Bond Anticipation Notes		36,100	
Payments to Current Fund:			
Interest on Deposit		14,480	
Fund Balance - Anticipated as Current Fund Revenue		<u>78,355</u>	
			<u>707,828</u>
Balance, December 31, 2019		\$	<u><u>1,327,201</u></u>

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

		Balance December 31, <u>2019</u>
	Grants Receivables	\$ (65,375)
	Due from Other Trust	(60,000)
	Contracts Payable	350,177
	Capital Improvement Fund	82,808
	Miscellaneous Reserves	500
	Reserve for Capital Projects	8,750
	Fund Balance	4,386
	Excess Note Proceeds	34,805
Ord.		
No.	<u>Improvement Description</u>	
	1441 Various Public Improvements	6
	1453 Various Public Improvements	186
	1457 Various Public Improvements and Acquisition of Equipment	15,309
	1477 Various Public Improvements	102
	1489/1495 Various Public Improvements and Acquisition of Equipment	14,901
	1500 Various Public Improvements and Acquisition of Equipment and Vehicles	1,179
	1517 Acquisition of Real Property for Municipal Purposes	10,883
	1519 2016 Road Resurfacing Program	164
	1520 Acquisition of Real Property for Municipal Purposes	28,586
	1527 Various Public Improvements and Acquisition of Equipment and Vehicles	20,609
	1540 Various Public Improvements and Acquisition of Equipment and Vehicles	56,070
	1542 Undertaking of GIS Mapping and Television Inspection of the Sanitary Sewer and Stormwater Systems	(4,307)
	1543 Acquisition of Easements in Real Property for the Kinderkamack Road Improvement Project	2,833
	1555 Various Public Improvements and Acquisition of Equipment and Vehicles	49,212
	1581 Storm Drainage Improvements at Dogwood Lane	30,071
	1592 Various Public Improvements, Reconditioning of a Fire Engine and Acquisition of Equipment and Vehicles	745,346
		<u>\$ 1,327,201</u>

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

Increased by:	
Interests on Deposits	\$ 14,480
Anticipated Revenue - General Capital Fund Balance	<u>78,355</u>
	<u>\$ 92,835</u>
Decreased by:	
Payments to Current Fund	<u>\$ 92,835</u>

EXHIBIT C-5

STATEMENT OF GRANTS RECEIVABLE

Balance, January 1, 2019	\$ 39,618
Increased by:	
Grant Awards	
CDBG - Ordinance 1581	<u>152,625</u>
	192,243
Decreased by:	
Grant Receipts	<u>126,868</u>
Balance, December 31, 2019	<u>\$ 65,375</u>
<u>Analysis of Grant Receivable:</u>	
	NJ DOT - Ordinance 1452 \$ 1,618
	County Open Space - Ordinance 1540 38,000
	CDBG - Ordinance 1581 <u>25,757</u>
	<u>\$ 65,375</u>

EXHIBIT C-6

STATEMENT OF DUE FROM OTHER TRUST FUND

Increased by:	
Improvement Authorization Funded by Other Trust Fund	<u>\$ 60,000</u>
Balance, December 31, 2019	<u>\$ 60,000</u>

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

Balance, January 1, 2019		\$ 4,320,365
Decreased by:		
2019 Budget Appropriation to Pay Bonds	\$ 755,000	
2019 Budget Appropriation to Pay Loans	<u>176,991</u>	
		<u>931,991</u>
Balance, December 31, 2019		<u>\$ 3,388,374</u>

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

Ord. No.	Improvement Description	Balance, January 1, 2019	Decreased by:			Balance, December 31, 2019	Analysis of Balance			
			2019 Authorizations	Notes Paid by Budget Appropriation	Grant Receipts		Improvement Authorizations Cancelled	Bond Anticipation Note	Expenditures	Unexpended Improvement Authorization
1477	Various Public Improvements	\$ 270,000		\$ 15,000		\$ 255,000	\$ 255,000			
1489/1495	Various Public Improvements and Acquisition of Equipment	195,849		14,616		181,233	181,233			
1500	Various Public Improvements and Acquisition of Equipment and Vehicles	1,218,590		73,410		1,145,180	1,145,180			
1515	Various Improvements to Hillman Field	18,500		638		17,862	17,862			
1517	Acquisition of Real Property for Municipal Purposes	404,700		6,860		397,840	397,840			
1519	2016 Road Resurfacing Program	309,500		16,290		293,210	293,210			
1520	Acquisition of Real Property for Municipal Purposes	409,500		6,941		402,559	402,559			
1527	Various Public Improvements and Acquisition of Equipment and Vehicles	1,016,000		43,079		972,921	972,921			
1540	Various Public Improvements and Acquisition of Equipment and Vehicles	530,000			\$ 38,000	492,000	492,000			
1542	Undertaking of GIS Mapping and Television Inspection of the Sanitary Sewer and Stormwater Systems	79,349		\$ 44,632		34,717		\$ 4,307	\$ 30,410	
1555	Various Public Improvements and Acquisition of Equipment and Vehicles	708,235				708,235	708,235			
1581	Storm Drainage Improvements at Dogwood Lane	\$ 83,000				83,000	83,000			
1592	Various Public Improvements, Reconditioning of a Fire Engine and Acquisition of Equipment and Vehicles	-	934,470	-	-	934,470	934,470	-	-	
		<u>\$ 5,160,223</u>	<u>\$ 1,017,470</u>	<u>\$ 176,834</u>	<u>\$ 44,632</u>	<u>\$ 38,000</u>	<u>\$ 5,918,227</u>	<u>\$ 5,883,510</u>	<u>\$ 4,307</u>	<u>\$ 30,410</u>
	Bond Anticipation Notes						\$ 5,918,315			
	Less: Excess Note Proceeds									
	Ord. No. 1527					\$ 32,905				
	Ord. No. 1540					1,900				
							34,805			
							<u>\$ 5,883,510</u>			
	Improvement Authorizations - Unfunded							\$ 987,533		
	Less: Unexpended Proceeds of Notes Issued:									
	Ord. No. 1477						\$ 102			
	Ord. No. 1489/1495						14,901			
	Ord. No. 1500						1,179			
	Ord. No. 1517						10,883			
	Ord. No. 1519						164			
	Ord. No. 1520						28,586			
	Ord. No. 1527						20,609			
	Ord. No. 1540						56,070			
	Ord. No. 1555						49,212			
	Ord. No. 1581						30,071			
	Ord. No. 1592						745,346			
									<u>957,123</u>	
									<u>\$ 30,410</u>	

**BOROUGH OF EMERSON
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ord. No.	Improvement Description	Ordinance Amount	Balance, January 1, 2019		2019 Authorizations	Paid or Charged	Contract Payables Cancelled	Authorization Cancelled	Balance, December 31, 2019	
			Funded	Unfunded					Funded	Unfunded
1109/1120	Various Improvements & Acq. of Equipment	\$ 715,000	\$ 1,345					\$ 1,345		
1441	Various Public Improvements	475,000	74				\$ 7	75	\$ 6	
1444	Various Public Improvements and Acquisition of Equipment			525,000				561		
1452	Resurfacing of High Street	163,000		355				355		
1453	Various Public Improvements	400,000		345			186	345	186	
1457	Various Public Improvements and Acquisition of Equipment			1,450,000				15,309	222	15,309
1477	Various Public Improvements	300,000		\$ 102						\$ 102
1489/1495	Various Public Improvements and Acquisition of Equipment			221,535			14,400			14,901
1500	Various Public Improvements and Acquisition of Equipment and Vehicles	1,584,000		1,179						1,179
1517	Acquisition of Real Property for Municipal Purposes	425,000		41,966	\$ 31,083					10,883
1519	2016 Road Resurfacing Program	325,000		164						164
1520	Acquisition of Real Property for Municipal Purposes	430,000		66,086	37,500					28,586
1527	Various Public Improvements and Acquisition of Equipment and Vehicles	1,822,900		18,702			1,907			20,609
1540	Various Public Improvements and Acquisition of Equipment and Vehicles	595,920		99,065	4,995			38,000		56,070
1542	Undertaking of GIS Mapping and Television Inspection of the Sanitary Sewer and Stormwater Systems	100,000		70,812	40,402					30,410
1543	Acquisition of Easements in Real Property for the Kinderkamack Road Improvement Project	25,000	3,933		1,100				2,833	
1555	Various Public Improvements and Acquisition of Equipment and Vehicles	745,510		116,744	67,532					49,212
1581	Storm Drainage Improvements at Dogwood Lane	240,000			\$ 240,000	209,929				30,071
1592	Various Public Improvements, Reconditioning of a Fire Engine and Acquisition of Equipment and Vehicles	1,043,670	-	-	1,043,670	298,324	-	-	-	745,346
		<u>\$ 6,835</u>	<u>\$ 415,321</u>	<u>\$ 1,283,670</u>	<u>\$ 690,865</u>	<u>\$ 31,809</u>	<u>\$ 40,903</u>	<u>\$ 18,334</u>	<u>\$ 987,533</u>	

Capital Improvement Fund \$ 53,575
 Grant Award - CDBG 152,625
 Other Trust Fund - Snow Recovery Reserve 60,000
 Deferred Charges to Future Taxation - Unfunded 1,017,470
\$ 1,283,670

Cash Disbursements \$ 340,688
 Contracts Payable 350,177
\$ 690,865

Deferred Charges Unfunded \$ 38,000
 Fund Balance 2,903
\$ 40,903

**BOROUGH OF EMERSON
STATEMENT OF CONTRACTS PAYABLE**

Balance, January 1, 2019		\$ 270,014
Increased by:		
Charges to Improvement Authorizations		<u>350,177</u>
		620,191
Decreased by:		
Cash Disbursements	\$ 238,205	
Cancelled	<u>31,809</u>	
		<u>270,014</u>
Balance, December 31, 2019		<u>\$ 350,177</u>

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, January 1, 2019		\$ 32,083
Increased By:		
2019 Budget Appropriation		<u>104,300</u>
		136,383
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>53,575</u>
Balance, December 31, 2019		<u>\$ 82,808</u>

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

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturities of Bonds Outstanding December 31, 2019</u>		<u>Interest Rate</u>	<u>Balance, January 1, 2019</u>	<u>Decreased</u>	<u>Balance, December 31, 2019</u>
			<u>Date</u>	<u>Amount</u>				
General Improvement	8/1/2007	\$ 2,030,000				\$ 210,000	\$ 210,000	
General Improvement	10/1/2010	1,697,000	10/1/2020	\$ 517,000	3.00%	862,000	345,000	\$ 517,000
General Improvement	12/15/2013	3,698,000	12/15/2020	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%			
						<u>2,713,000</u>	<u>200,000</u>	<u>2,513,000</u>
						<u>\$ 3,785,000</u>	<u>\$ 755,000</u>	<u>\$ 3,030,000</u>
							<u>\$ 755,000</u>	

Paid by Budget Appropriation

**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, 2019</u>		<u>Interest Rate</u>	<u>Balance, January 1, 2019</u>	<u>Decreased</u>	<u>Balance, December 31, 2019</u>
NJ DEP	12/17/2001	\$ 2,800,000	2020	\$ 168,156				
			2021	171,536	2.00%	\$ 504,534	\$ 164,842	\$ 339,692
NJ DEP	6/25/2001	182,500	2020	12,392				
	12/17/2001	17,500	2021	6,290	2.00%	<u>30,831</u>	<u>12,149</u>	<u>18,682</u>
						<u>\$ 535,365</u>	<u>\$ 176,991</u>	<u>\$ 358,374</u>
						Paid by Budget Appropriation	<u>\$ 176,991</u>	

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

Ord. No.	<u>Improvement Description</u>	Date of Original Note	Amount of Original Note	Date of Issue	Maturity	Interest Rate	%	Balance, January 1, 2019	<u>Increased</u>	<u>Decreased</u>	Balance, December 31, 2019
1477	Various Public Improvements	8/26/2015	\$ 285,000	8/24/2018 8/23/2019	8/23/2019 8/21/2020	2.75 1.25		\$ 270,000	\$ 255,000	\$ 270,000	\$ 255,000
1489/1495	Various Public Improvements and Acquisition of Equipment	8/26/2015	210,465	8/24/2018 8/23/2019	8/23/2019 8/21/2020	2.75 1.25		195,849	181,233	195,849	181,233
1500	Various Public Improvements and Acquisition of Equipment and Vehicles	8/26/2015	1,292,000	8/24/2018 8/23/2019	8/23/2019 8/21/2020	2.75 1.25		1,218,590	1,145,180	1,218,590	1,145,180
1515	Various Improvements to Hillman Field	8/26/2016	18,500	8/24/2018 8/23/2019	8/23/2019 8/21/2020	2.75 1.25		18,500	17,862	18,500	17,862
1517	Acquisition of Real Property for Municipal Purposes	8/26/2016	404,700	8/24/2018 8/23/2019	8/23/2019 8/21/2020	2.75 1.25		404,700	397,840	404,700	397,840
1519	2016 Road Resurfacing Program	8/26/2016	309,500	8/24/2018 8/23/2019	8/23/2019 8/21/2020	2.75 1.25		309,500	293,210	309,500	293,210
1520	Acquisition of Real Property for Municipal Purposes	8/26/2016	409,500	8/24/2018 8/23/2019	8/23/2019 8/21/2020	2.75 1.25		409,500	402,559	409,500	402,559
1527	Various Public Improvements and Acquisition of Equipment and Vehicles	8/26/2016	1,587,000	8/24/2018 8/23/2019	8/23/2019 8/21/2020	2.75 1.25		1,048,905	1,005,826	1,048,905	1,005,826
1540	Various Public Improvements and Acquisition of Equipment and Vehicles	8/25/2017	168,739	8/24/2018 8/23/2019	8/23/2019 8/21/2020	2.75 1.25		530,000	493,900	530,000	493,900
1555	Various Public Improvements and Acquisition of Equipment and Vehicles	8/24/2018	708,235	8/24/2018 8/23/2019	8/23/2019 8/21/2020	2.75 1.25		708,235	708,235	708,235	708,235
1581	Storm Drainage Improvements at Dogwood Lane	8/23/2019	83,000	8/23/2019	8/21/2020	1.25			83,000		83,000
1592	Various Public Improvements, Reconditioning of a Fire Engine and Acquisition of Equipment and Vehicles	8/23/2019	934,470	8/23/2019	8/21/2020	1.25		-	934,470	-	934,470
								<u>\$ 5,113,779</u>	<u>\$ 5,918,315</u>	<u>\$ 5,113,779</u>	<u>\$ 5,918,315</u>
								Issued for Cash	\$ 1,017,470		
								Renewals	4,900,845	\$ 4,900,845	
								Paid by Capital Funds		36,100	
								Paid by Budget Appropriation	-	176,834	
								<u>\$ 5,918,315</u>	<u>\$ 5,113,779</u>		

**BOROUGH OF EMERSON
STATEMENT OF MISCELLANEOUS RESERVES**

Balance, January 1, 2019	\$ <u>500</u>
Balance, December 31, 2019	\$ <u>500</u>
<u>Analysis of Balance</u>	
Veterans Monument Donation	\$ <u>500</u>

STATEMENT OF RESERVE FOR CAPITAL PROJECTS

Balance, January 1, 2019	\$ <u>8,750</u>
Balance, December 31, 2019	\$ <u>8,750</u>

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

Ord. No.	Improvement Description	Balance, January 1, 2019	2019 Authorizations	Grant Receipts	Notes Not Renewed	Improvement Authorization Cancelled	Bond Anticipation Notes Issued	Balance, December 31, 2019
1540	Various Public Improvements and Acquisition of Equipment and Vehicles				\$ 36,100	\$ 36,100		
1542	Undertaking of GIS Mapping and Television Inspection of the Sanitary Sewer and Stormwater Systems	\$ 79,349		\$ 44,632				\$ 34,717
1581	Storm Drainage Improvements at Dogwood Lane		\$ 83,000				\$ 83,000	
1592	Various Public Improvements, Reconditioning of a Fire Engine and Acquisition of Equipment and Vehicles	-	934,470	-	-	-	934,470	-
		<u>\$ 79,349</u>	<u>\$ 1,017,470</u>	<u>\$ 44,632</u>	<u>\$ 36,100</u>	<u>\$ 36,100</u>	<u>\$ 1,017,470</u>	<u>\$ 34,717</u>

BERGEN COUNTY, NEW JERSEY

PART II

GOVERNMENT AUDITING STANDARDS

YEAR ENDED DECEMBER 31, 2019



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
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GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
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DEBRA GOLLE, CPA
MARK SACO, CPA
SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA
CHRIS SOHN, CPA

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

INDEPENDENT AUDITOR’S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis of the Borough of Emerson as of and for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated June 30, 2020. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the financial reporting requirements of the State of New Jersey for municipal government entities as described in Note 1. In addition, our report on the financial statements – regulatory basis was modified on the regulatory basis of accounting because of the omission of the 2019 note disclosures regarding the other post-employment benefits obligation and related information and 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.

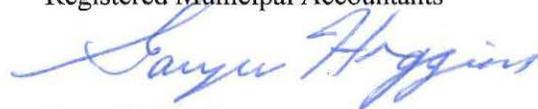
However, we noted a certain matter that is not required to be reported under Government Auditing Standards that we reported to management of the Borough of Emerson in Part III of this report of audit entitled, "Letter of Comments and Recommendations".

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 30, 2020

**BOROUGH OF EMERSON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

<u>Grant Program</u>	<u>Grant Year</u>	<u>Federal CFDA Number</u>	<u>Award Amount</u>	<u>2019 Grant Receipts</u>	<u>Balance, January 1, 2019</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Cancelled</u>	<u>Balance, December 31, 2019</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										
Drainage and Road Improvements	2019	14.218	\$ 152,625	\$ 126,868		\$ 152,625	\$ 126,868		\$ 25,757	\$ 126,868
Senior Citizen Activities	2019	14.218	1,563	1,563		1,563			1,563	-
Senior Citizen Activities	2014	14.218			\$ 1,550	-	-	\$ 1,550		
Senior Citizen Flooring Rehab	2013	14.218			9,188	-	-	9,188		
Total Community Development Block Grant					<u>10,738</u>	<u>154,188</u>	<u>126,868</u>	<u>10,738</u>	<u>27,320</u>	
					<u>\$ 10,738</u>	<u>\$ 154,188</u>	<u>\$ 126,868</u>	<u>\$ 10,738</u>	<u>\$ 27,320</u>	

N/A = Not Available.

Note: This schedule was not subject to an audit in accordance with U.S. Uniform Guidance

**BOROUGH OF EMERSON
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2019**

<u>State Grant Program</u>	<u>Grant Number</u>	<u>Year</u>	<u>Award Amount</u>	<u>2019 Grant Receipts</u>	<u>Balance, January 1, 2019</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Cancelled</u>	<u>Balance, December 31, 2019</u>	<u>Cumulative Expenditures</u>
Municipal Alliance Program	N/A	2019	\$ 9,876			\$ 9,876	\$ 1,407		\$ 8,469	\$ 1,407
		2018	9,876	\$ 9,472	\$ 8,480		8,076	\$ 404	-	9,472
		2015	9,876		7,234			7,234	-	2,642
		2014	9,876		6,955	-	-	6,955	-	2,921
Total Municipal Alliance Program					<u>22,669</u>	<u>9,876</u>	<u>9,483</u>	<u>14,593</u>	<u>8,469</u>	
Clean Communities Program	N/A	2019	15,723	15,723		15,723	4,401		11,322	4,401
		2018	14,087		9,675		7,437		2,238	11,849
		2017	14,725		10,451				10,451	4,274
		2016	17,332		12,403				12,403	4,929
		2014	12,473		2,195	-	-	-	2,195	10,278
Total Clean Communities Program					<u>34,724</u>	<u>15,723</u>	<u>11,838</u>	<u>-</u>	<u>38,609</u>	
Recycling Tonnage Grant	4900-752-001	2019	12,129	12,129		12,129	11,815		314	11,815
		2018	8,963		8,963				8,963	-
		2017	9,062		3,523	-	3,248	-	275	8,787
Total Recycling Tonnage Grant					<u>12,486</u>	<u>12,129</u>	<u>15,063</u>	<u>-</u>	<u>9,552</u>	
Alcohol Education and Rehabilitation	760-098-9735-001	2019	80	80		80			80	-
		2016	423		417	-	300	-	117	306
Total Alcohol Education and Rehabilitation					<u>417</u>	<u>80</u>	<u>300</u>	<u>-</u>	<u>197</u>	
Drunk Driving Enforcement Fund Grant	N/A	2018	2,780		2,780				2,780	-
		2016	6,282		6,281		739		5,542	740
		2015	11,693		361	-	361	-	-	11,693
Total Drunk Driving Enforcement Fund Grant					<u>9,422</u>	<u>-</u>	<u>1,100</u>	<u>-</u>	<u>8,322</u>	
Body Armor Replacement Program	N/A	2019	2,411	2,411		2,411	1,760		651	1,760
	N/A	2017	2,187		2,187				2,187	-
	N/A	2016	2,104		2,104				2,104	-
	N/A	2015	4,119		4,119				4,119	-
	N/A	2014	4,574		1,284	-	880	-	404	4,170
Total Body Armor Replacement Program					<u>9,694</u>	<u>2,411</u>	<u>2,640</u>	<u>-</u>	<u>9,465</u>	
New Jersey Department of Transportation										
NJ DOT - Vivian Ave	2017-480-078-6320-10-AM5	2018	145,000		145,000		145,000		-	145,000
NJ DOT - 2018 Municipal Program - Section 5 Ord. 1452	2018-480-078-6320-10-AM2	2018	215,000	53,338	85,173			85,173	-	129,827
	2012-480-078-6320-ALC	2012			355	-	-	-	355	
Total New Jersey Department of Transportation					<u>230,528</u>	<u>-</u>	<u>145,000</u>	<u>85,173</u>	<u>355</u>	
					<u>\$ 319,940</u>	<u>\$ 40,219</u>	<u>\$ 185,424</u>	<u>\$ 99,766</u>	<u>\$ 74,969</u>	

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N/A - Not Available

Note: This Schedule was not subject to an audit in accordance with requirements of NJ OMB Circular 15-08.

**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, 2019**

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	\$ 154,188	\$ 40,219	\$ 194,407
	<u>\$ 154,188</u>	<u>\$ 40,219</u>	<u>\$ 194,407</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, 2019**

NOTE 5 STATE LOANS OUTSTANDING

The Borough's state loans outstanding at December 31, 2019, 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	\$ 339,692
New Jersey Department of Environmental Protection	0214-97-109	<u>18,682</u>
		<u>\$ 358,374</u>

**BOROUGH OF EMERSON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

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, 2019**

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, 2019**

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. Uniform Guidance 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, 2019

**BOROUGH OF EMERSON
SUPPLEMENTARY DATA**

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

	<u>Year 2019</u>		<u>Year 2018</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUES AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 1,040,000	2.74 %	\$ 1,000,000	2.76 %
Miscellaneous - From Other Than Local				
Property Tax Levies	2,345,539	6.18	2,220,843	6.13
Collection of Delinquent Taxes and Tax Title Liens	228,866	0.61	161,420	0.45
Collection of Current Tax Levy	34,024,873	89.78	32,511,258	89.80
Other Credits to Income	<u>261,128</u>	<u>0.69</u>	<u>312,556</u>	<u>0.86</u>
Total Revenues and Other Income	<u>37,900,406</u>	<u>100.00 %</u>	<u>36,206,077</u>	<u>100.00 %</u>
EXPENDITURES				
Budget Expenditures				
Municipal Purposes	12,269,092	33.79 %	12,226,690	34.80 %
County Taxes	3,212,261	8.85	3,179,803	9.05
Local School Taxes	20,782,100	57.23	19,719,808	56.13
Other Expenditures	<u>47,476</u>	<u>0.13</u>	<u>7,325</u>	<u>0.02</u>
Total Expenditures	<u>36,310,929</u>	<u>100.00 %</u>	<u>35,133,626</u>	<u>100.00 %</u>
Excess of Revenues and Other Income Over Expenditures	1,589,477		1,072,451	
Fund Balance, January 1	<u>2,723,473</u>		<u>2,651,022</u>	
	4,312,950		3,723,473	
Decreased by: Utilization as Anticipated Revenue	<u>1,040,000</u>		<u>1,000,000</u>	
Fund Balance, December 31	<u>\$ 3,272,950</u>		<u>\$ 2,723,473</u>	

**BOROUGH OF EMERSON
SUPPLEMENTARY DATA**

Comparative Schedule of Tax Rate Information

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Tax Rate</u>	<u>\$2.845</u>	<u>\$2.717</u>	<u>\$2.662</u>
<u>Apportionment of Tax Rate</u>			
Municipal	.765	.744	.745
Library	.037	.036	.035
County	.255	.253	.254
County Open Space	.011	.010	.011
Local School	1.777	1.674	1.617

Assessed Valuation

2019	<u>\$1,207,912,807</u>	
2018		<u>\$1,203,441,209</u>
2017		<u>\$1,201,785,629</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>
2019	\$ 34,411,200	\$ 34,024,873	98.87%
2018	32,781,963	32,511,258	99.17%
2017	32,105,293	31,901,679	99.36%

**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>
2019	\$ 325,297	\$ 173,942	\$ 499,239	1.45%
2018	226,781	161,566	388,347	1.18%
2017	160,024	140,941	300,965	0.94%

Property Acquired by Tax Title Lien Liquidation

No properties have been acquired in 2018 or 2017 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>
2019	\$13,200
2018	13,200
2017	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	2019	\$3,272,950	\$1,495,000
	2018	2,723,473	1,040,000
	2017	2,651,022	1,000,000
	2016	2,209,259	830,000
	2015	2,025,136	880,000

**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>
Danielle DiPaola	Mayor	
Gerald Falotico	Council President	
James Bayley	Councilman	
Brian Gordon	Councilman	
Kenneth Hoffman	Councilman	
Christopher Knoller	Councilman	
Jill McGuire	Councilwoman	
Jane Dietsche	Municipal Clerk	
Robert Hermansen	Borough Administrator	
Lauren Roehrer	Chief Financial Officer/Treasurer	
	Tax Collector	
Claire Psota	Tax Assessor	
John McCann	Borough Attorney	
Neglia Engineering	Borough Engineer	
Michael Mazzeo	Chief of Police	
Carmen Nist	Registrar of Vital Statistics	
Michael Sartori	Construction Code Official, Building Sub-Code Official, Fire Protection Sub-Code Official	
	Zoning Official	
Nelson Fullam	Plumbing Sub-Code Official	
Guiseppe Lamastra	Electrical Sub-Code Official	
Michael Heflich	Electrical Sub-Code Official	
Kevin Doherty	Elevator Sub-Code Official	
Francis J. Leddy, Jr.	Municipal Court Judge	
Laurel Carnazza	Municipal Court Administrator	

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

BOROUGH OF EMERSON SUPPLEMENTARY DATA

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

GENERAL COMMENTS

Current Year

Our audit revealed that amounts paid to certain vendors for time and material contracts exceeded the maximum amount approved in the minutes. It is recommended that vendor contract awards approved in the minutes for time and material contracts be periodically reviewed and updated as required.

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 \$40,000. The Borough approved the bid threshold to be \$40,000.

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

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

- 2019 Tree Services
- Vivian Avenue and Pershing Street Drainages Improvements
- Dogwood Lane Drainage Improvements

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.

**BOROUGH OF EMERSON
SUPPLEMENTARY DATA**

GENERAL COMMENTS (Continued)

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 2, 2019, 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 tax sale was held on October 16, 2019.

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>
2019	2
2018	2
2017	2

BOROUGH OF EMERSON

RECOMMENDATIONS

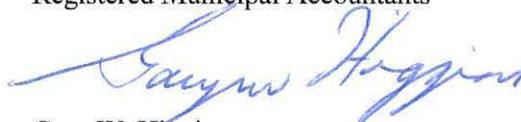
1. It is recommended that vendor contact awards approved in the minutes for time and material contracts be periodically reviewed and updated as required.

A review was performed on all prior year's recommendations and corrective action was taken on all.

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



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



Gary W. Higgins
Registered Municipal Accountant
RMA Number CR00405