

BOROUGH OF EMERSON
BERGEN COUNTY, NEW JERSEY
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

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BOROUGH OF EMERSON

COUNTY OF BERGEN

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015



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, 2015 and 2014, 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, 2015, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Borough of Emerson on the basis of the financial accounting and reporting principles and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the 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, 2015 and 2014, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As discussed in Note 17 of the financial statements, the financial statements – regulatory basis of the Length of Service Award Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Borough’s financial statements as of and for the years ended December 31, 2015 and 2014. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 38 percent and 39 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2015 and 2014.

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, 2015 and 2014, 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, 2015 in accordance with the financial accounting and reporting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

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

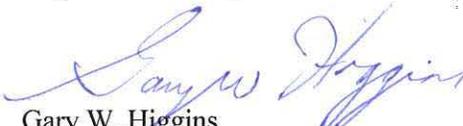
The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated May 9, 2016 on our consideration of the Borough of Emerson's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Emerson's internal control over financial reporting and compliance.


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


Gary W. Higgins
Registered Municipal Accountant
RMA Number CR00405

Fair Lawn, New Jersey
May 9, 2016

BOROUGH OF EMERSON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND
AS OF DECEMBER 31, 2015 AND 2014

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
ASSETS			
Cash - Treasurer	A-4	\$ 3,862,254	\$ 3,011,222
Cash - Change Fund	A-5	360	360
Due From State of New Jersey - Seniors and Veterans	A-8	1,226	1,243
Grants Receivable	A-15	<u>183,282</u>	<u>25,995</u>
		<u>4,047,122</u>	<u>3,038,820</u>
Receivables and Other Assets With Full Reserves			
Delinquent Property Taxes	A-7	231,959	188,605
Tax Title Liens	A-13	100,967	81,610
Property Acquired for Taxes - Assessed Valuation	A-9	13,200	13,200
Revenue Accounts Receivable	A-14	6,991	8,795
Due from General Capital Fund	C-3	448	
Due from Animal Control Fund	B-3	6,459	
Due from Other Trust Fund	B-6	<u>20,644</u>	<u>1,283</u>
		<u>380,668</u>	<u>293,493</u>
Deferred Charges			
Emergency Authorizations	A-11		100,000
Special Emergency Authorizations	A-10		18,000
Expenditure Without Appropriation	A-12	<u>5,525</u>	<u>-</u>
		<u>5,525</u>	<u>118,000</u>
 Total Assets		 <u>\$ 4,433,315</u>	 <u>\$ 3,450,313</u>

**BOROUGH OF EMERSON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND
AS OF DECEMBER 31, 2015 AND 2014**

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Appropriation Reserves	A-3,A-16	\$ 613,858	\$ 592,224
Encumbrances Payable	A-17	417,026	135,867
Accounts Payable	A-18	14,532	13,520
Prepaid Taxes	A-19	149,721	152,101
Tax Overpayments	A-20	7,349	3,714
School Taxes Payable	A-23	540,000	540,000
Prepaid Fees	A-21	6,000	4,750
Reserve for Construction Penalties	A-26	20,443	23,266
Reserve for Insurance Reimbursement	A-29	19,052	10,117
Reserve for Reassessment of Real Property	A-28	22,682	22,682
Reserve for Appropriated Grants	A-24	41,899	17,797
Reserve for Unappropriated Grants and Aid	A-27		8,197
Reserve for Tax Appeals	A-33	148,674	135,547
Reserve for Performance of Marriage License Fees	A-31		200
Reserve for Tax Sale Lien Redemption	A-32	24,434	24,434
Reserve for Tax Assessor Fees	A-34	20	
Due to State of New Jersey - DCA Fees	A-25	1,676	
Due to State of New Jersey - Marriage License Fees	A-30	145	125
		<u>2,027,511</u>	<u>1,684,541</u>
Reserve for Receivables and Other Assets	A	380,668	293,493
Fund Balance	A-1	<u>2,025,136</u>	<u>1,472,279</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 4,433,315</u>	<u>\$ 3,450,313</u>

BOROUGH OF EMERSON
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
AS OF DECEMBER 31, 2015 AND 2014

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
REVENUES AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 730,000	\$ 625,000
Miscellaneous Revenue Anticipated	A-2	1,668,480	1,582,128
Receipts from Delinquent Taxes	A-2	177,787	183,668
Receipts from Current Taxes	A-2	30,385,685	29,740,567
Nonbudget Revenue	A-2	541,246	146,568
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	A-16	341,259	288,918
Cancellation of Accounts Payable	A-18	10,070	
Statutory Excess - Animal Control Fund	B-4	6,130	
Interfunds Liquidated	A	1,283	3,523
		<u>33,861,940</u>	<u>32,570,372</u>
Total Revenues and Other Income			
EXPENDITURES			
Budget and Emergency Appropriations			
Operations			
Salaries and Wages	A-3	4,588,678	4,518,019
Other Expenses	A-3	4,814,248	4,703,625
Capital Improvements	A-3	65,000	30,000
Municipal Debt Service	A-3	1,047,180	1,047,151
Deferred Charges and Statutory Expenditures	A-3	1,004,080	938,708
County Taxes	A-22	2,915,115	2,859,036
County Open Space Taxes	A-22	30,846	31,248
Due County for Added and Omitted Taxes	A-22	7,971	5,203
Local District School Taxes	A-23	18,077,315	17,822,315
Other Debits to Income			
Expenditure Without Appropriation	A-12	5,525	
Prior Year Senior Deductions Disallowed	A-8	500	750
Cancellation of Grants Receivable	A-15	599	
Interfunds Established	A	27,551	1,283
		<u>32,584,608</u>	<u>31,957,338</u>
Total Expenditures			
Excess of Revenues and Other Income Over Expenditures		1,277,332	613,034
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budgets of Succeeding Years	A-12	5,525	100,000
Regulatory Excess to Fund Balance		1,282,857	713,034
Fund Balance, January 1	A	<u>1,472,279</u>	<u>1,384,245</u>
		2,755,136	2,097,279
Decreased by:			
Utilization as Anticipated Revenue	A-1,A-2	<u>730,000</u>	<u>625,000</u>
Fund Balance, December 31	A	<u>\$ 2,025,136</u>	<u>\$ 1,472,279</u>

See Accompanying Notes to Financial Statements

BOROUGH OF EMERSON
STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Reference	2015 Budget	Added by N.J.S.A. 40A:4-87	Realized	Excess or (Deficit)
Fund Balance Anticipated	A-1	\$ 730,000	-	\$ 730,000	-
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A-14	17,500		17,500	
Other	A-2	13,500		12,360	\$ (1,140)
Fees and Permits					
Other	A-2	12,500		12,945	445
Fines and Costs					
Municipal Court	A-14	140,000		143,597	3,597
Interest and Costs on Taxes	A-14	48,000		41,597	(6,403)
Interest on Investments and Deposits	A-2	8,000		8,075	75
Parking Meters	A-14	8,000		10,750	2,750
Energy Receipts Tax	A-14	616,300		619,905	3,605
Watershed Moratorium Offset Aid	A-14	18,189		18,189	-
Construction Code Official	A-14	220,000		219,966	(34)
Borough of Old Tappan Shared Service - Court	A-14	14,588		10,944	(3,644)
Public and Private Programs					
Offset with Appropriations					
Municipal Alliance on Alcoholism and Drug Abuse - 2015	A-15	9,876	\$ 9,876	19,752	
Reserve for Recycling Tonnage Grant	A-27	8,197		8,197	
Body Armor Replacement Grant	A-15;A-27	2,019	2,100	4,119	
Drunk Driving Enforcement Fund Grant	A-15	11,693		11,693	
Click It or Ticket	A-27		4,000	4,000	
Alcohol Education Rehab Grant	A-27		648	648	
Clean Communities Grant	A-27		15,158	15,158	
NJ DOT - 2015 Municipal Aid Program	A-15		149,000	149,000	
Other Special Items					
Uniform Fire Safety Act	A-14	12,000		22,469	10,469
Sewer Service Fees	A-14	16,000		11,721	(4,279)
Cellular Tower Fees	A-14	200,000		188,872	(11,128)
Cable Television Franchise Fees	A-14	106,932		107,023	91
Insurance Dividends	A-29	10,000	-	10,000	-
Total Miscellaneous Revenues	A-1	1,493,294	180,782	1,668,480	(5,596)
Receipts from Delinquent Taxes	A-7	197,068	-	177,787	(19,281)
Amount to be Raised by Taxes for Support of Municipal Budget -					
Local Tax for Municipal Purposes	A-2	8,892,370		9,058,763	166,393
Minimum Library Tax	A-2	409,675	-	409,675	-
		9,302,045	-	9,468,438	166,393
Total Budget Revenues	A-3	\$ 11,722,407	\$ 180,782	12,044,705	\$ 141,516
Nonbudget Revenue	A-1,A-2			541,246	
				\$ 12,585,951	

BOROUGH OF EMERSON
STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

	<u>Reference</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenue from Collections	A-1,A-7	\$ 30,385,685
Less: Allocated to School and County Taxes	A-22,A-23	<u>21,301,247</u>
		9,084,438
Add Appropriation "Reserve for Uncollected Taxes"	A-3	<u>384,000</u>
Amount for Support of Municipal Budget Appropriation	A-2	<u>\$ 9,468,438</u>
Licenses - Other		
Borough Clerk	A-14	\$ 2,410
Health Officer	A-14	<u>9,950</u>
	A-2	<u>\$ 12,360</u>
Fees and Permits		
Borough Clerk	A-14	\$ 3,204
Health Officer	A-14	3,620
Planning/Zoning Boards	A-14	3,100
Police Department	A-14	<u>3,021</u>
	A-2	<u>\$ 12,945</u>
Interest on Investments and Deposits		
Revenue Accounts Receivable	A-14	\$ 5,239
Due from General Capital Fund	C-3	633
Due from Animal Control Trust Fund	B-3	29
Due from Unemployment Trust Fund	B-15	8
Due from Other Trust Fund	B-6	<u>2,166</u>
	A-2	<u>\$ 8,075</u>

BOROUGH OF EMERSON
STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

Reference

Nonbudget Revenue	
FEMA - Hurricane Sandy	\$ 16,721
Sale of Assets	10,539
Easement Use of Occupancy - PSE&G	25,000
BMED Insurance Refunds	447,506
Administration Fee - Senior's & Veteran's	1,435
DMV Inspection Fines	2,565
Police Outside Duty	18,663
Miscellaneous	<u>18,817</u>
	A-2
	<u>\$ 541,246</u>

BOROUGH OF EMERSON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Appropriated</u>		<u>Expended</u>		Unexpended
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT FUNCTIONS					
General Administration					
Salaries and Wages	\$ 150,000	\$ 115,000	\$ 110,900	\$ 4,100	
Other Expenses	23,650	23,650	17,024	6,626	
Mayor and Council					
Salaries and Wages	21,600	21,600	21,600	-	
Other Expenses	3,500	4,500	4,340	160	
Municipal Clerk					
Salaries and Wages	77,500	97,500	93,543	3,957	
Other Expenses	44,850	44,850	32,470	12,380	
Financial Administration					
Salaries and Wages	149,720	128,720	127,500	1,220	
Other Expenses	40,450	70,450	50,082	20,368	
Audit Services	34,000	34,000	34,000	-	
Revenue Administration					
Salaries and Wages	35,940	25,940	25,834	106	
Other Expenses	9,915	9,915	8,951	964	
Tax Assessment Administration					
Salaries and Wages	21,650	21,650	21,634	16	
Other Expenses	18,505	19,505	16,495	3,010	
Legal Services					
Other Expenses	160,000	180,000	166,633	13,367	
Engineering Services					
Other Expenses	4,750	7,750	1,399	6,351	
LAND USE ADMINISTRATION					
Land Use Board					
Salaries and Wages	5,645	5,645	4,058	1,587	
Other Expenses	17,450	17,450	10,964	6,486	
INSURANCE					
General Liability	182,100	172,100	172,100	-	
Workers Compensation	205,000	205,000	203,134	1,866	
Employee Group Health	746,500	777,500	685,666	91,834	
Unemployment Compensation Insurance	15,000	15,000	11,978	3,022	

See Accompanying Notes to Financial Statements

BOROUGH OF EMERSON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<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	\$ 2,513,800	\$ 2,503,800	\$ 2,470,215	\$ 33,585	
Other Expenses	94,500	99,500	97,815	1,685	
Acquisition of Police Vehicles (Leases)	5,430	5,430	2,634	2,796	
Police Dispatch/911					
Salaries and Wages	172,400	172,400	161,901	10,499	
Other Expenses	500	500		500	
Office of Emergency Management					
Salaries and Wages	2,350	2,400	2,388	12	
Other Expenses	8,230	8,230	5,837	2,393	
Aid to Volunteer Fire Companies					
Other Expenses	69,080	71,080	70,662	418	
Aid to Volunteer Ambulance Corps.					
Other Expenses	16,250	16,250	7,085	9,165	
Fire Department					
Salaries and Wages	17,115	17,115	17,115	-	
Other Expenses	128,920	128,920	128,457	463	
Uniform Fire Safety Act (P.L. 1983, Ch. 383)					
Salaries and Wages	14,570	14,570	13,434	1,136	
Other Expenses	3,675	3,675	1,808	1,867	
Municipal Prosecutor					
Other Expenses	11,260	11,260	11,257	3	
PUBLIC WORKS FUNCTIONS					
Streets and Road Maintenance					
Salaries and Wages	704,145	698,445	633,980	64,465	
Other Expenses	60,950	60,950	53,094	7,856	
Sewer Services					
Salaries and Wages	105,056	105,056	92,860	12,196	
Other Expenses	55,150	55,150	50,363	4,787	
Shade Tree - Advisory Committee					
Salaries and Wages	10,460	11,685	11,668	17	
Other Expenses	73,475	73,475	73,235	240	
Solid Waste Collection					
Garbage/Recycling - Other Expenses	325,000	325,000	287,120	37,880	
Buildings and Grounds					
Other Expenses	60,000	65,000	55,176	9,824	
Vehicle Maintenance					
Salaries and Wages	213,804	208,804	198,285	10,519	
Other Expenses	60,500	65,500	58,021	7,479	

See Accompanying Notes to Financial Statements

BOROUGH OF EMERSON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<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)					
HEALTH AND HUMAN SERVICES					
FUNCTIONS					
Public Health Services					
Salaries and Wages	\$ 50,894	\$ 50,894	\$ 49,638	\$ 1,256	
Other Expenses	60,767	61,767	60,514	1,253	
Environmental Health Services					
Salaries and Wages	2,085	2,085	2,081	4	
Other Expenses	1,055	1,055	992	63	
Animal Control Services					
Other Expenses	10,400	10,400	9,399	1,001	
PARKS AND RECREATION FUNCTIONS					
Recreation Services and Programs					
Salaries and Wages	21,050	22,475	22,453	22	
Other Expenses	52,345	52,345	48,090	4,255	
Municipal Court					
Salaries and Wages	79,050	79,050	75,596	3,454	
Other Expenses	9,075	9,075	7,386	1,689	
Public Defender					
Salaries and Wages	3,060	3,060	2,971	89	
OTHER COMMON OPERATING					
FUNCTIONS					
Historic Preservation					
Other Expenses	750	750	139	611	
Celebration of Public Events					
Other Expenses	1,000	1,000		1,000	
Reserve for Accumulated Absences					
Salaries and Wages	40,000	40,000	39,997	3	
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	153,791	148,791	147,020	1,771	
Other Expenses	6,450	11,950	9,080	2,870	

See Accompanying Notes to Financial Statements

BOROUGH OF EMERSON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Appropriated</u>		<u>Expended</u>		Unexpended Balance Cancelled
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Continued)					
UTILITY EXPENSES AND BULK					
PURCHASES					
Electricity	\$ 90,000	\$ 90,000	\$ 74,895	\$ 15,105	
Street Lighting	88,000	88,000	81,948	6,052	
Telephone	22,000	24,000	23,789	211	
Water	13,000	13,000	12,714	286	
Gas (Natural or Propane)	20,000	20,000	10,166	9,834	
Gasoline	100,000	61,500	57,490	4,010	
LANDFILL/SOLID WASTE DISPOSAL					
COSTS					
Dump Fees					
Other Expenses	<u>247,500</u>	<u>247,500</u>	<u>243,848</u>	<u>3,652</u>	<u>-</u>
Total Operations Within "CAPS"	<u>7,766,617</u>	<u>7,760,617</u>	<u>7,304,921</u>	<u>455,696</u>	<u>-</u>
Detail:					
Salaries and Wages	4,565,685	4,496,685	4,346,671	150,014	-
Other Expenses	<u>3,200,932</u>	<u>3,263,932</u>	<u>2,958,250</u>	<u>305,682</u>	<u>-</u>
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"					
Regulatory Expenditures					
Public Employees' Retirement System	214,778	214,778	204,497	10,281	
Social Security System (O.A.S.I.)	173,000	173,000	170,144	2,856	
Police and Firemen's Retirement System of N.J.	496,302	496,302	496,302	-	
Defined Contribution Retirement Program	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>	<u>-</u>
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	<u>886,080</u>	<u>886,080</u>	<u>870,943</u>	<u>15,137</u>	<u>-</u>
Total General Appropriations for Municipal Purposes - Within "CAPS"	<u>8,652,697</u>	<u>8,646,697</u>	<u>8,175,864</u>	<u>470,833</u>	<u>-</u>

See Accompanying Notes to Financial Statements

BOROUGH OF EMERSON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<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 - EXCLUDED FROM "CAPS"					
EDUCATION FUNCTIONS					
Municipal Library					
Other Expenses	\$ 409,675	\$ 415,675	\$ 415,576	\$ 99	
UTILITY EXPENSES AND BULK PURCHASES					
Sewerage Processing and Disposal					
Operation and Maintenance Expenses	526,014	526,014	524,484	1,530	
Debt Expenses	226,857	226,857	226,857	-	
Northwest Bergen Utilities Authority					
Other Expenses	6,100	6,100	4,600	1,500	
Reserve for Tax Appeals					
Other Expenses	50,000	50,000	18,039	31,961	
Length of Service Awards Program	70,000	70,000	750	69,250	
Recycling Tax P.L. 2007, c.311(N.J.S.A. 13:1E-96.5)	10,500	10,500	9,062	1,438	
NJPDES/Stormwater Permit Management [N.J.S.A.40A:4-45.39(cc)]					
Salaries and Wages	78,830	78,830	77,629	1,201	
Other Expenses	25,709	25,709	23,709	2,000	
Borough of Old Tappan - Court					
Salaries and Wages	13,163	13,163	13,163	-	
Other Expenses	1,425	1,425	1,421	4	-
Total Other Operations Excluded from "CAPS"	<u>1,418,273</u>	<u>1,424,273</u>	<u>1,315,290</u>	<u>108,983</u>	<u>-</u>
Public and Private Programs Offset by Revenues					
Municipal Alliance					
State Share	9,876	19,752	6,048	13,704	
Local Share	2,469	4,938	2,222	2,716	
Alcohol Education Rehab Enforcement		648		648	
Matching Funds for Grants	3,000	531		531	
Body Armor Fund	2,019	4,119		4,119	
Clean Communities		15,158	15,158	-	
Click It or Ticket		4,000	4,000	-	
Drunk Driving Enforcement	11,693	11,693	7,566	4,127	
Community Development Block Grant					
NJ DOT		149,000	149,000	-	
Recycling Tonnage Grant	8,197	8,197	-	8,197	-
Total Public and Private Programs Offset by Revenues	<u>37,254</u>	<u>218,036</u>	<u>183,994</u>	<u>34,042</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>1,455,527</u>	<u>1,642,309</u>	<u>1,499,284</u>	<u>143,025</u>	<u>-</u>
Detail:					
Salaries and Wages	91,993	91,993	90,792	1,201	-
Other Expenses	1,363,534	1,550,316	1,408,492	141,824	-

See Accompanying Notes to Financial Statements

BOROUGH OF EMERSON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	\$ 65,000	\$ 65,000	\$ 65,000	-	-
Total Capital Improvements Excluded from "CAPS"	<u>65,000</u>	<u>65,000</u>	<u>65,000</u>	<u>-</u>	<u>-</u>
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	670,000	670,000	670,000		
Interest on Bonds	190,363	190,363	190,363		
Green Trust Loans - Principal and Interest	<u>186,820</u>	<u>186,820</u>	<u>186,817</u>	-	\$ 3
Total Municipal Debt Service Excluded from "CAPS"	<u>1,047,183</u>	<u>1,047,183</u>	<u>1,047,180</u>	<u>-</u>	<u>3</u>
Deferred Charges:					
Emergency Authorization	100,000	100,000	100,000		
Special Emergency Authorizations - 5 Years (N.J.S. 40A:4-55)	<u>18,000</u>	<u>18,000</u>	<u>18,000</u>	-	-
Total Deferred Charges	<u>118,000</u>	<u>118,000</u>	<u>118,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>2,685,710</u>	<u>2,872,492</u>	<u>2,729,464</u>	\$ 143,025	3
Subtotal General Appropriations	11,338,407	11,519,189	10,905,328	613,858	3
Reserve for Uncollected Taxes	<u>384,000</u>	<u>384,000</u>	<u>384,000</u>	-	-
Total General Appropriations	<u>\$ 11,722,407</u>	<u>\$ 11,903,189</u>	<u>\$ 11,289,328</u>	<u>\$ 613,858</u>	<u>\$ 3</u>
	<u>Reference</u>	A-2		A	

BOROUGH OF EMERSON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Reference</u>	<u>Budget After Modification</u>	<u>Expended Paid or Charged</u>
Budget as Adopted	A-3	\$ 11,722,407	
Added by N.J.S.A. 40A:4-87	A-2	<u>180,782</u>	
		<u>\$ 11,903,189</u>	
Cash Disbursed	A-4		\$ 10,370,302
Special Emergency Authorizations	A-10		18,000
Emergency Authorizations	A-11		100,000
Reserve for Uncollected Taxes	A-2		384,000
Encumbrances Payable	A-17		<u>417,026</u>
			<u>\$ 11,289,328</u>

BOROUGH OF EMERSON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS
AS OF DECEMBER 31, 2015 AND 2014

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
ASSETS			
ANIMAL CONTROL TRUST FUND			
Cash	B-1	\$ 18,935	\$ 13,508
		<u>18,935</u>	<u>13,508</u>
OTHER TRUST FUND			
Cash	B-1	990,890	961,925
Other Accounts Receivable	B-5	8,917	17,176
		<u>999,807</u>	<u>979,101</u>
HOUSING TRUST FUND			
Cash	B-1	221,553	191,440
UNEMPLOYMENT INSURANCE TRUST FUND			
Cash	B-1	41,982	37,877
LENGTH OF SERVICE AWARD PROGRAM (LOSAP) TRUST FUND (UNAUDITED)			
Investments	B	692,521	685,731
Due from Other Trust Fund	B-16	28,405	28,405
Contribution Receivable	B	59,800	55,200
		<u>780,726</u>	<u>769,336</u>
Total Assets		<u>\$ 2,063,003</u>	<u>\$ 1,991,262</u>

See Accompanying Notes to Financial Statements

BOROUGH OF EMERSON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS
AS OF DECEMBER 31, 2015 AND 2014

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
LIABILITIES, RESERVES AND FUND BALANCE			
ANIMAL CONTROL TRUST FUND			
Due to Current Fund	B-3	\$ 6,459	
Reserve for Animal Control Expenditures	B-4	<u>12,476</u>	<u>\$ 13,508</u>
		<u>18,935</u>	<u>13,508</u>
OTHER TRUST FUND			
Due to LOSAP Trust Fund	B-16	28,405	28,405
Due to Current Fund	B-6	20,644	1,283
Reserve for Accrued Payroll	B-7	14,090	1,943
Reserve for Payroll Deductions Payable	B-8	29,885	9,727
Reserve for Flexible Spending	B-9	452	
Reserve for Accumulated Absences	B-10	167,852	167,852
Reserve for Escrow and Miscellaneous Reserves	B-11	<u>738,479</u>	<u>769,891</u>
		<u>999,807</u>	<u>979,101</u>
HOUSING TRUST FUND			
Reserve for Housing Trust Expenditures	B-12	<u>221,553</u>	<u>191,440</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Due to State of New Jersey	B-14	7	807
Reserve for Unemployment Insurance Trust Claims	B-13	<u>41,975</u>	<u>37,070</u>
		<u>41,982</u>	<u>37,877</u>
LENGTH OF SERVICE AWARD PROGRAM (LOSAP) TRUST FUND (UNAUDITED)			
Reserve for LOSAP Contributions	B	<u>780,726</u>	<u>769,336</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 2,063,003</u>	<u>\$ 1,991,262</u>

See Accompanying Notes to Financial Statements

BOROUGH OF EMERSON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2015 AND 2014

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
ASSETS			
Cash	C-1, C-2	\$ 1,555,558	\$ 1,126,454
Grants Receivable	C-4	276,083	157,641
Deferred Charges to Future Taxation			
Funded	C-5	6,963,685	7,797,133
Unfunded	C-6	<u>1,788,365</u>	<u>496,365</u>
 Total Assets		 <u>\$ 10,583,691</u>	 <u>\$ 9,577,593</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds Payable	C-10	\$ 5,918,000	\$ 6,588,000
Intergovernmental Loans Payable	C-11	1,045,685	1,209,133
Bond Anticipated Notes Payable	C-12	1,787,465	
Improvement Authorizations			
Funded	C-7	346,582	582,615
Unfunded	C-7	878,610	225,790
Contracts Payable	C-8	590,919	958,073
Due to Current Fund	C-3	448	
Capital Improvement Fund	C-9	6,732	4,732
Miscellaneous Reserves	C-13	500	500
Reserve for Capital Projects	C-14	<u>8,750</u>	<u>8,750</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 10,583,691</u>	 <u>\$ 9,577,593</u>

There were bonds and notes authorized but not issued on December 31, 2015 and 2014 in the amount of \$900 and \$496,365, respectively (Exhibit C-15).

BOROUGH OF EMERSON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u> (Restated)
General Fixed Assets		
Land	\$ 12,140,600	\$ 12,140,600
Buildings and Building Improvements	2,090,100	2,090,100
Machinery and Equipment	<u>6,244,668</u>	<u>5,828,943</u>
 Total General Fixed Assets	 <u>\$ 20,475,368</u>	 <u>\$ 20,059,643</u>
 Investment in General Fixed Assets	 <u>\$ 20,475,368</u>	 <u>\$ 20,059,643</u>

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

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 and 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, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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

The Borough has the following funds and account group:

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

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

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

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

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

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

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

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

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

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.

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

Reclassifications - Certain reclassifications may have been made to the December 31, 2014 balances to conform to the December 31, 2015 presentation.

Financial Statements – Regulatory Basis

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

D. Measurement Focus and Basis of Accounting

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

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

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

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

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

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

Deferred School Taxes – School taxes raised in advance in the Current Fund for a school fiscal year (July 1 to December 31) 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.

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

General Fixed Assets - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the Borough of Emerson has developed a fixed assets accounting and reporting system. Fixed assets are defined by the Borough as assets with an initial, individual cost of \$1,000 and an estimated useful life in excess of two years.

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

General Fixed Assets purchased after December 31, 2002 are stated as cost. Donated fixed assets are recorded at estimated fair market 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 the government-wide financial statement at historical or estimated historical cost if actual historical cost is not available. In addition, GAAP requires depreciation on capital assets to be recorded in the government-wide financial statements.

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

Trust Funds
General Capital Fund

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgets and Budgetary Accounting (Continued)

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2015 and 2014 the Borough Council increased the original budget by \$180,782 and \$135,692. The 2015 increase was funded by additional aid allotted to the Borough. The 2014 increase was funded by additional aid allotted to the Borough in the amount of \$35,692 and an emergency resolution for \$100,000. In addition, the governing body approved several budget transfers during 2015 and 2014.

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

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2015 and 2014, the book value of the Borough's deposits were \$6,691,532 and 5,342,786 and bank and brokerage firm balances of the Borough's deposits amounted to \$7,253,212 and \$5,700,651, 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>2015</u>	<u>2014</u>
Insured	\$ 7,177,379	\$ 5,624,895
Uninsured and Collateralized	<u>75,833</u>	<u>75,756</u>
	<u>\$ 7,253,212</u>	<u>\$ 5,700,651</u>

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

A. Cash Deposits (Continued)

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, 2015 and 2014, the Borough’s bank balances of \$75,833 and \$75,756 were exposed to custodial credit risk as follows:

<u>Depository Account</u>	<u>2015</u>	<u>2014</u>
Uninsured and Collateral held by pledging financial institution's trust department not in the Borough's name	\$ 75,833	\$ 75,756

B. Investments

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

As of December 31, 2015 and 2014, the Borough had the following investments:

	Fair Value (Unaudited)	
	<u>2015</u>	<u>2014</u>
Investment:		
Length of Service Award Program	\$ 692,521	\$ 685,731

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

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, 2015 and 2014, \$692,521 and \$685,731 of the Borough’s investments was exposed to custodial credit risk as follows:

	Fair Value (LOSAP - Unaudited)	
	<u>2015</u>	<u>2014</u>
Uninsured and Collateralized		
Collateral held by pledging financial institution's trust department but not in the Borough's name	\$ 692,521	\$ 685,731

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

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1). The Borough does not have an investment policy that would further limit its investment choices. As of December 31, 2015 and 2014, the Borough’s investment in Lincoln Financial Group was rated Baa1 and A- by Moody’s and Standard & Poor’s, respectively.

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

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

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

NOTE 4 TAXES RECEIVABLE

Receivables at December 31, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
<u>Current</u>		
Property Taxes	\$ 231,959	\$ 188,605
Tax Title Liens	<u>100,967</u>	<u>81,610</u>
	<u>\$ 332,926</u>	<u>\$ 270,215</u>

In 2015 and 2014, the Borough collected \$177,787 and \$183,668 from delinquent taxes, which represented 69% and 71%, respectively of the prior year delinquent taxes receivable balance.

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

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>2015</u>		<u>2014</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund	\$ 27,551		\$ 1,283	
General Capital Fund		\$ 448		
Animal Control Trust Fund		6,459		
LOSAP Trust Fund	28,405		28,405	
Other Trust Fund	<u>-</u>	<u>49,049</u>	<u>-</u>	<u>\$ 29,688</u>
Total	<u>\$ 55,956</u>	<u>\$ 55,956</u>	<u>\$ 29,688</u>	<u>\$ 29,688</u>

The above balances are the result of revenues earned or receipts received in one fund for another fund and/or 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 CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

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

	<u>Balance December 31,</u>	<u>Subsequent Year Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
<u>2015</u>			
Current Fund			
Expenditure Without Appropriation	\$ <u>5,525</u>	\$ <u>5,525</u>	\$ <u>-</u>
	\$ <u>5,525</u>	\$ <u>5,525</u>	\$ <u>-</u>
<u>2014</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$ 18,000	\$ 18,000	
Emergency Authorizations	<u>100,000</u>	<u>100,000</u>	<u>\$ -</u>
	\$ <u>118,000</u>	\$ <u>118,000</u>	\$ <u>-</u>

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 7 DEFERRED SCHOOL TAXES

Under the regulatory basis of accounting, regulations allow for the deferral to fund balance of not more than 50% of the annual levy when school taxes are raised in advance for a school year and have not been requisitioned by the school district as of December 31. The balance of unpaid school taxes levied, amount deferred and the amount reported as a liability (payable) at December 31, 2015 and 2014 are as follows:

	<u>Local District School</u>	
	<u>2015</u>	<u>2014</u>
Balance of Tax	\$ 9,150,003	\$ 8,880,003
Deferred Liability	<u>8,610,003</u>	<u>8,340,003</u>
Taxes Payable	<u>\$ 540,000</u>	<u>\$ 540,000</u>

NOTE 8 FUND BALANCES APPROPRIATED

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

	<u>2015</u>		<u>2014</u>	
	Fund Balance December 31,	Utilized in Subsequent Year's Budget	Fund Balance December 31,	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	\$ 1,835,103	\$ 880,000	\$ 1,327,041	\$ 730,000
Non-Cash Surplus	<u>190,033</u>	<u>-</u>	<u>145,238</u>	<u>-</u>
	<u>\$ 2,025,136</u>	<u>\$ 880,000</u>	<u>\$ 1,472,279</u>	<u>\$ 730,000</u>

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 9 FIXED ASSETS

General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2015 and 2014.

	Balance January 1, <u>2015</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2015</u>
<u>2015</u>				
Land	\$ 12,140,600			\$ 12,140,600
Buildings and Building Improvements	2,090,100			2,090,100
Machinery and Equipment	<u>5,828,943</u>	<u>\$ 1,014,161</u>	<u>\$ 598,436</u>	<u>6,244,668</u>
	<u>\$ 20,059,643</u>	<u>\$ 1,014,161</u>	<u>\$ 598,436</u>	<u>\$ 20,475,368</u>
	Balance January 1, <u>2014</u> (Restated) (A)	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2014</u>
<u>2014</u>				
Land	\$ 12,140,600			\$ 12,140,600
Buildings and Building Improvements	2,090,100			2,090,100
Machinery and Equipment	<u>5,803,725</u>	<u>\$ 53,349</u>	<u>\$ 28,131</u>	<u>5,828,943</u>
	<u>\$ 20,034,425</u>	<u>\$ 53,349</u>	<u>\$ 28,131</u>	<u>\$ 20,059,643</u>

(A) Land, Buildings and Building Improvements values have been restated to reflect only actual Borough owned property at the 2002 assessed valuation amounts.

NOTE 10 MUNICIPAL DEBT

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

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 10 MUNICIPAL DEBT (Continued)

The Borough's debt is summarized as follows:

	<u>2015</u>	<u>2014</u>
Issued		
General		
Bonds, Notes and Loans	\$ 8,751,150	\$ 7,797,133
Net Debt Issued	8,751,150	7,797,133
Authorized But Not Issued		
General		
Bonds and Notes	900	496,365
Net Bonds and Notes Issued and Authorized But Not Issued	\$ 8,752,050	\$ 8,293,498

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 .704% and .664% at December 31, 2015 and 2014, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2015</u>			
General Debt	\$ 8,752,050	\$ -	\$ 8,752,050
Total	\$ 8,752,050	\$ -	\$ 8,752,050
	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2014</u>			
General Debt	\$ 8,293,498	\$ -	\$ 8,293,498
Total	\$ 8,293,498	\$ -	\$ 8,293,498

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 10 MUNICIPAL DEBT (Continued)

Statutory Borrowing Power

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

	<u>2015</u>	<u>2014</u>
3-1/2% of Equalized Valuation Basis (Municipal) Net Debt	\$ 43,491,801 8,752,050	\$ 43,717,894 8,293,498
Remaining Borrowing Power	<u>\$ 34,739,751</u>	<u>\$ 35,424,396</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>2015</u>	<u>2014</u>
\$2,053,000, 2003 Bonds, due in annual installments of \$165,000 to \$168,000 through October, 2018 interest at 3.50% to 4.125%	\$ 498,000	\$ 663,000
\$2,030,000, 2007 Bonds, due in annual installments of \$200,000 to \$210,000 through August, 2019 interest at 4.0% to 4.10%	810,000	1,010,000
\$1,697,000, 2010 Bonds, due in annual installments of \$130,000 to \$517,000 through October, 2020 interest at 2.0% to 3.0%	1,302,000	1,412,000
\$3,698,000, 2013 Bonds, due in annual installments of \$195,000 to \$390,000 through December, 2026 interest at 2.0% to 3.0%	<u>3,308,000</u>	<u>3,503,000</u>
	<u>\$ 5,918,000</u>	<u>\$ 6,588,000</u>

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 10 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>2015</u>	<u>2014</u>
\$2,800,000, 2001 Loan, due in annual installments of \$155,229 to \$171,536 through September, 2021, interest at 2.00%	\$ 979,827	\$ 1,132,056
\$200,000, 2001 Loan, due in annual installments of \$6,290 to \$12,393 through March, 2021, interest at 2.00%	<u>65,858</u>	<u>77,077</u>
	<u>\$ 1,045,685</u>	<u>\$ 1,209,133</u>

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2015 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>	
2016	\$ 690,000	\$ 169,827	\$ 166,733	\$ 20,084	\$ 1,046,644
2017	715,000	148,728	170,085	16,733	1,050,546
2018	728,000	126,753	173,503	13,314	1,041,570
2019	755,000	103,823	176,991	9,827	1,045,641
2020	717,000	81,725	180,548	6,269	985,542
2021-2025	1,925,000	219,100	177,825	2,640	2,324,565
2026	<u>388,000</u>	<u>11,640</u>	<u>-</u>	<u>-</u>	<u>399,640</u>
	<u>\$ 5,918,000</u>	<u>\$ 861,596</u>	<u>\$ 1,045,685</u>	<u>\$ 68,867</u>	<u>\$ 7,894,148</u>

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 10 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years ended December 31, 2015 and 2014 were as follows:

	Balance, January 1, <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2015</u>	Due Within <u>One Year</u>
<u>2015</u>					
General Capital Fund					
Bonds Payable	\$ 6,588,000		\$ 670,000	\$ 5,918,000	\$ 690,000
Intergovernmental Loans Payable	<u>1,209,133</u>	<u>-</u>	<u>163,448</u>	<u>1,045,685</u>	<u>166,733</u>
General Capital Fund Long-Term Liabilities	<u>\$ 7,797,133</u>	<u>\$ -</u>	<u>\$ 833,448</u>	<u>\$ 6,963,685</u>	<u>\$ 856,733</u>
	Balance, January 1, <u>2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2014</u>	Due Within <u>One Year</u>
<u>2014</u>					
General Capital Fund					
Bonds Payable	\$ 7,238,000		\$ 650,000	\$ 6,588,000	\$ 670,000
Intergovernmental Loans Payable	<u>1,369,361</u>	<u>-</u>	<u>160,228</u>	<u>1,209,133</u>	<u>163,448</u>
General Capital Fund Long-Term Liabilities	<u>\$ 8,607,361</u>	<u>\$ -</u>	<u>\$ 810,228</u>	<u>\$ 7,797,133</u>	<u>\$ 833,448</u>

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 10 MUNICIPAL DEBT (Continued)

B. Short-Term Debt

The Borough's short-term debt activity for the years ended December 31, 2015 and 2014 was as follows:

Bond Anticipation Notes

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, December 31, 2014</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2015</u>
<u>2015</u>						
<u>General Capital Fund</u>						
Various Public Improvements	0.67%	8/26/2016		\$ 285,000		\$ 285,000
Various Public Improvements and Acquisition of Equipment	0.67%	8/26/2016		210,465		210,465
Various Public Improvements and Acquisition of Equipment and Vehicles	0.67%	8/26/2016	\$ -	1,292,000	\$ -	1,292,000
Total Bond Anticipation Notes Payable			\$ -	\$ 1,787,465	\$ -	\$ 1,787,465

The Borough had no short-term debt activity during 2014.

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

**BOROUGH OF EMERSON
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 10 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

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

NOTE 11 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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

	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
<u>2015</u>		
<u>Capital Projects</u>		
2013 Road Resurfacing	\$ 89,164	2016
Main Street and Linwood Avenue Improvements	318,047	2016
Vehicle Chassis	<u>159,900</u>	2016
	<u>\$ 567,111</u>	
 <u>2014</u>		
2014 Road Resurfacing	\$ 94,177	2015
Heavy Duty Custom Pumper	<u>690,283</u>	2015
	<u>\$ 784,460</u>	

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 12 OTHER LONG-TERM LIABILITIES

A. Compensated Absences

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

Members of the Police Department 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 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.

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$269,797 and \$390,030 at December 31, 2015 and 2014, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

As of December 31, 2015 and 2014, the Borough has reserved in the Other Trust Fund \$167,852 and \$167,852, respectively to fund compensated absences in accordance with NJSA 40A:4-39.

B. Deferred Pension Obligation

During the year ended December 31, 2009 the Borough elected to contribute 50% of its normal and accrued liability components of the PFRS and PERS obligations and deferred the remaining 50% in accordance with P.L. 2009, c.19. The deferred amount totaled \$276,426 and will be paid back with interest over 15 years beginning in the 2012 year. The Borough is permitted to payoff the deferred PFRS and PERS pension obligations at any time. It is estimated that the total deferred liability including accrued interest (at 7.90% effective July 1, 2012 and 8.25% prior to July 1, 2012) at December 31, 2015 and 2014 is \$276,575 and \$296,874, respectively.

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 12 OTHER LONG-TERM LIABILITIES (Continued)

B. Deferred Pension Obligation (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 footnotes 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, 2015 and 2014 were as follows:

	Balance, December 31, <u>2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2015</u>	Due Within <u>One Year</u>
<u>2015</u>					
Compensated Absences	\$ 390,030		\$ 120,233	\$ 269,797	
Deferred Pension Obligation	296,874	\$ 21,333	41,632	276,575	\$ 41,784
Net Pension Liability - PERS	4,681,720	929,203	214,778	5,396,145	214,778
Net Pension Liability - PFRS	<u>7,587,807</u>	<u>4,076,698</u>	<u>496,302</u>	<u>11,168,203</u>	<u>496,302</u>
Other Long-Term Liabilities	<u>\$ 12,956,431</u>	<u>\$ 5,027,234</u>	<u>\$ 872,945</u>	<u>\$ 17,110,720</u>	<u>\$ 752,864</u>

	Balance, December 31, <u>2013</u>	Prior Period Adjustment <u>(A)</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2014</u>	Due Within <u>One Year</u>
<u>2014</u>						
Compensated Absences	\$ 450,723			\$ 60,693	\$ 390,030	\$ 120,233
Deferred Pension Obligation	314,844		\$ 22,824	40,794	296,874	41,632
Net Pension Liability - PERS		\$ 4,829,389		147,669	4,681,720	214,778
Net Pension Liability - PFRS	<u>-</u>	<u>8,742,284</u>	<u>-</u>	<u>1,154,477</u>	<u>7,587,807</u>	<u>496,302</u>
Other Long-Term Liabilities	<u>\$ 765,567</u>	<u>\$ 13,571,673</u>	<u>\$ 22,824</u>	<u>\$ 1,403,633</u>	<u>\$ 12,956,431</u>	<u>\$ 872,945</u>

(A) Represents the proportionate share of the Borough's net pension liability of the state sponsored employer retirement systems resulting from the requirements of Governmental Accounting Standards Board's Statement No. 68 "Accounting and Financial Reporting for Pensions".

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS

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

Police and Firemen's Retirement System (PFRS) – established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after December 31, 1944. Membership is mandatory for such employees with vesting occurring after 10 years of membership. PFRS is a cost-sharing multi-employer defined benefit pension plan.

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

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.

Other Pension Funds

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

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

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

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

Basis of Accounting

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

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Investment Valuation

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

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

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, which was rolled forward to June 30, 2014, the aggregate funded ratio for all the State administered retirement systems, including PERS and PFRS is 62.8 percent with an unfunded actuarial accrued liability of \$51.0 billion. The aggregate funded ratio and unfunded accrued liability for the local PERS system is 52.08 percent and \$18.7 billion, respectively and the aggregate funded ratio and unfunded accrued liability for local PFRS is 62.4 percent and \$13.9 billion, respectively.

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

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

Actuarial Methods and Assumptions

In the July 1, 2013 actuarial valuations, the date of the most recent actuarial valuations, the projected unit credit was used as actuarial cost method, and the five year average of market value was used as asset valuation method for pension trust funds. The actuarial assumptions included (a) 7.90% for investment rate of return for all the retirement systems and (b) changes to projected salary increases of 2.15-5.40 percent based on age for PERS and 3.95-9.62 percent based on age for PFRS.

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 13 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 based on 10.0% for PFRS and 6.92% for fiscal year 2015 for PERS of employee’s annual compensation.

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employees*, for the year ended December 31, 2015 for PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made.

During the years ended December 31, 2015, 2014 and 2013, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension contributions, early retirement incentive program contributions, deferred pension obligation contributions, and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS</u>
2015	\$ 496,302	\$ 214,778
2014	512,127	192,839
2013	506,311	222,460

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

Public Employees Retirement System (PERS)

At December 31, 2015 and 2014, the Borough had a liability of \$5,396,145 and \$4,681,720, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 and 2013, respectively. The Borough’s proportionate share of the net pension liability was based on a projection of the Borough’s long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2015, the Borough’s proportionate share was .02403 percent, which was a decrease of .00097 percent from its proportionate share measured as of June 30, 2014 of .02500.

**BOROUGH OF EMERSON
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 13 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)

For the year ended December 31, 2015 and 2014, the pension system has determined the Borough's pension expense to be \$313,624 and \$239,296, respectively for PERS based on the actuarial valuation which is more than the actual contributions reported in the Borough's financial statements of \$214,778 and \$192,839, respectively. At December 31, 2015 and 2014, the Borough's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Borough's financial statements are from the following sources:

	<u>2015</u>		<u>2014</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 128,733			
Changes of Assumptions	579,503		\$ 147,218	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		\$ 86,760		\$ 279,005
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	<u>-</u>	<u>188,323</u>	<u>-</u>	<u>42,519</u>
Total	<u>\$ 708,236</u>	<u>\$ 275,083</u>	<u>\$ 147,218</u>	<u>\$ 321,524</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

Fiscal Year Ending <u>June 30,</u>	<u>Total</u>
2016	\$ 50,218
2017	50,218
2018	50,218
2019	50,218
2020	71,908
Thereafter	<u>160,373</u>
	<u>\$ 433,153</u>

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 13 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)

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2015</u>	<u>2014</u>
Inflation Rate	3.04%	3.01%
Salary Increases:		
2012-2021	2.15-4.40%	2.15-4.40%
	Based on Age	Based on Age
Thereafter	3.15-5.40%	3.15-5.40%
	Based on Age	Based on Age
Investment Rate of Return	7.90%	7.90%
Mortality Rate Table	RP-2000	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

The actuarial assumptions used in the July 1, 2014 and 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

**BOROUGH OF EMERSON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 13 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, 2015 and 2014 are summarized in the following table:

<u>Asset Class</u>	<u>2015</u>		<u>2014</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>
Cash	5.00%	1.04%	6.00%	0.80%
U.S. Treasuries	1.75%	1.64%		
Investment Grade Credit	10.00%	1.79%		
Core Bonds			1.00%	2.49%
Intermediate-Term Bonds			11.20%	2.26%
Mortgages	2.10%	1.62%	2.50%	2.17%
High Yield Bonds	2.00%	4.03%	5.50%	4.82%
Inflation-Indexed Bonds	1.50%	3.25%	2.50%	3.51%
Broad US Equities	27.25%	8.52%	25.90%	8.22%
Developed Foreign Equities	12.00%	6.88%	12.70%	8.12%
Emerging Market Equities	6.40%	10.00%	6.50%	9.91%
Private Equity	9.25%	12.41%	8.25%	13.02%
Hedge Funds/Absolute Return	12.00%	4.72%	12.25%	4.92%
Real Estate (Property)	2.00%	6.83%	3.20%	5.80%
Commodities	1.00%	5.32%	2.50%	5.35%
Global Debt ex US	3.50%	-0.40%		
REIT	4.25%	5.12%		

Discount Rate

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

<u>Year</u>	<u>Discount Rate</u>
2015	4.90%
2014	5.39%

**BOROUGH OF EMERSON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 13 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:

PERS

Period of Projected Benefit Payments for which the Following Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2033
Municipal Bond Rate *	From July 1, 2033 and Thereafter

* The municipal bond return rate used is 3.80% and 4.29% as of June 30, 2015 and 2014, 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, 2015 calculated using the discount rate of 4.90%, 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 (3.90 percent) or 1-percentage-point higher (5.90 percent) than the current rate:

	1% Decrease <u>(3.90%)</u>	Current Discount Rate <u>(4.90%)</u>	1% Increase <u>(5.90%)</u>
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 6,706,748</u>	<u>\$ 5,396,145</u>	<u>\$ 4,297,345</u>

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2015. A sensitivity analysis specific to the Borough's net pension liability was not provided by the pension system.

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.

**BOROUGH OF EMERSON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Police and Firemen's Retirement System (PFRS)

At December 31, 2015 and 2014, the Borough had a liability of \$11,168,203 and \$7,587,807, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 and 2013, respectively. The Borough's proportionate share of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2015, the Borough's proportionate share was .06705 percent, which was an increase of .00129 percent from its proportionate share measured as of June 30, 2014 of .06576.

For the years ended December 31, 2015 and 2014, the pension system has determined the Borough pension expense to be \$1,009,450 and \$436,005, respectively, for PFRS based on the actuarial valuation, however the actual contribution made by the Borough was \$496,302 and \$512,127 for PFRS, respectively. At December 31, 2015 and 2014, the Borough's deferred outflows of resources and deferred inflows of resources related to PFRS which are not reported on the Borough's financial statements are from the following sources:

	2015		2014	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience		\$ 96,329		
Changes of Assumptions	\$ 2,061,928		\$ 284,872	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		194,373		\$ 774,310
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	<u>738,128</u>	<u>488,753</u>	<u>-</u>	<u>605,960</u>
Total	<u>\$ 2,800,056</u>	<u>\$ 779,455</u>	<u>\$ 284,872</u>	<u>\$ 1,380,270</u>

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 <u>December 31,</u>	<u>Total</u>
2016	\$ 376,279
2017	376,279
2018	376,279
2019	376,279
2020	424,872
Thereafter	<u>90,613</u>
	<u>\$ 2,020,601</u>

**BOROUGH OF EMERSON
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 13 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)

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PFRS</u>	<u>2015</u>	<u>2014</u>
Inflation Rate	3.04%	3.01%
Salary Increases:		
2012-2021	2.60-9.48%	3.95-8.62%
	Based on Age	Based on Age
Thereafter	3.60-10.48%	4.95-9.62%
	Based on Age	Based on Age
Investment Rate of Return	7.90%	7.90%
Mortality Rate Table	RP-2000	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale AA and one year using Scale BB.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013. The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2010.

**BOROUGH OF EMERSON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 13 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, 2015 and 2014 are summarized in the following table:

<u>Asset Class</u>	<u>2015</u>		<u>2014</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>
Cash	5.00%	1.04%	6.00%	0.80%
U.S. Treasuries	1.75%	1.64%		
Investment Grade Credit Core Bonds	10.00%	1.79%	1.00%	2.49%
Intermediate-Term Bonds			11.20%	2.26%
Mortgages	2.10%	1.62%	2.50%	2.17%
High Yield Bonds	2.00%	4.03%	5.50%	4.82%
Inflation-Indexed Bonds	1.50%	3.25%	2.50%	3.51%
Broad US Equities	27.25%	8.52%	25.90%	8.22%
Developed Foreign Equities	12.00%	6.88%	12.70%	8.12%
Emerging Market Equities	6.40%	10.00%	6.50%	9.91%
Private Equity	9.25%	12.41%	8.25%	13.02%
Hedge Funds/Absolute Return	12.00%	4.72%	12.25%	4.92%
Real Estate (Property)	2.00%	6.83%	3.20%	5.80%
Commodities	1.00%	5.32%	2.50%	5.35%
Global Debt ex US	3.50%	-0.40%		
REIT	4.25%	5.12%		

Discount Rate

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

<u>Year</u>	<u>Discount Rate</u>
2015	5.79%
2014	6.32%

**BOROUGH OF EMERSON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 13 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:

PFRS

Period of Projected Benefit

Payments for which the Following
Rates were Applied:

Long-Term Expected Rate of Return Through June 30, 2045

Municipal Bond Rate * From July 1, 2045
and Thereafter

* The municipal bond return rate used is 3.80% and 4.29% as of June 30, 2015 and 2014, 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, 2015 calculated using the discount rate of 5.79%, 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 (4.79 percent) or 1-percentage-point higher (6.79 percent) than the current rate:

	1% Decrease (4.79%)	Current Discount Rate (5.79%)	1% Increase (6.79%)
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 14,723,237</u>	<u>\$ 11,168,203</u>	<u>\$ 8,269,390</u>

The sensitivity analysis was based on the proportionate share of the Borough’s net pension liability at December 31, 2015. 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, 2015 AND 2014**

NOTE 13 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 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, 2015 and 2014, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$979,414 and \$817,079, respectively. For the years ended December 31, 2015 and 2014, 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 \$122,168 and \$103,528, respectively, which is more than the actual contributions the State made on behalf of the Borough of \$50,984 and \$33,927, respectively. 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.

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.

**BOROUGH OF EMERSON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 14 RISK MANAGEMENT (Continued)

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

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

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

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

<u>Year Ended December 31</u>	<u>Borough Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2015	\$ 10,000	\$ 5,958	\$ 11,063	\$ 41,975
2014	10,000	5,656	16,828	37,070
2013	10,000	5,514	7,332	38,242

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, 2015 and 2014. 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, 2015 and 2014, the Borough reserved \$148,674 and \$135,547, 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.

**BOROUGH OF EMERSON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 15 CONTINGENT LIABILITIES (Continued)

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, 2015 and 2014, 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, 2015 and 2014, the Borough has not estimated its estimated arbitrage earnings due to the IRS, if any.

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

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

The first year of eligibility for entrance into the Plan was calendar year 2000. The tax deferred income benefits for emergency services volunteers, consisting of the Volunteer Fire Department and the Volunteer Ambulance Corps, come from contributions made solely by the Borough on behalf of those volunteers who meet the criteria of a plan created by the governing body.

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

The Borough of Emerson has contributed \$1,150 for both 2015 and 2014 for each eligible volunteer fire department member and each eligible volunteer ambulance corps member into the Plan. The total Borough contributions were \$50,600 and \$48,300 for 2015 and 2014, 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.

**BOROUGH OF EMERSON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

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

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.

NOTE 18 HURRICANE SANDY

On October 29, 2012 Hurricane Sandy, the largest Atlantic hurricane on record made landfall in New Jersey and resulted in severe damage in numerous communities and a federal disaster was declared throughout the State. The Borough has incurred significant costs in the clean up and recovery from this federal disaster. The Federal Emergency Management Agency ("FEMA") provides emergency grant assistance (voluntary nonexchange transaction) to help government's cope with losses. Although the Borough has applied for reimbursement from FEMA, the total amount to be received in conjunction with this event is not considered to be measurable with sufficient reliability and therefore has not been recognized in the financial statements as of December 31, 2015. As of December 31, 2015, the Borough has received \$71,157 in FEMA reimbursements relating to Hurricane Sandy which have been reflected in the financial statements.

NOTE 19 SUBSEQUENT EVENTS

Debt Authorized

On February 2, 2016 the Borough adopted two bond ordinances authorizing the issuance of \$423,200 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.

**BOROUGH OF EMERSON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 19 SUBSEQUENT EVENTS (Continued)

On March 1, 2016 the Borough adopted a bond ordinance authorizing the issuance of \$309,500 in bonds or bond anticipation notes to fund certain capital projects. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.

On March 15, 2016 the Borough adopted a bond ordinance authorizing the issuance of \$409,500 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, 2015		\$ 3,011,222
Increased by Receipts:		
Taxes Receivable	\$ 30,339,138	
Petty Cash Returned	700	
2016 Prepaid Taxes	149,721	
Tax Overpayments	3,635	
Revenue Accounts Receivable	1,438,327	
Non-Budget Revenue	541,246	
Due from State of NJ - Senior Citizens and Veterans Deductions	71,750	
Grant Receivable	24,578	
Unappropriated Grants	21,906	
Receipts from General Capital Fund	185	
Receipts from Other Trust Fund	1,478	
Receipts from Animal Control Trust Fund	14	
Receipts from Unemployment Trust Fund	8	
Receipts from Construction Penalties	8,450	
Reserve for Insurance Reimbursement	18,935	
Due to State of New Jersey - Marriage Licenses	675	
Reserve for the Performance of Marriage Licenses	200	
Reserve for Tax Sale Lien Redemption	92,271	
Reserve for Tax Assessor Fees	310	
Reserve for Prepaid Fees	6,000	
Due to State of New Jersey - DCA Fees	9,915	
	<u>32,729,442</u>	
		35,740,664
Decreased by Disbursements:		
2015 Budget Appropriation	10,370,302	
2014 Appropriation Reserves	205,686	
Encumbrances Payable	128,505	
Accounts Payable	3,450	
Deferred Charge - Expenditure Without Appropriation	5,525	
Petty Cash Received	700	
Local District School Taxes Payable	18,077,315	
County Taxes Payable	2,953,932	
Reserve for Appropriated Grants	880	
Reserve for Tax Sale Lien Redemption	92,271	
Due to State of New Jersey - Marriage Licenses	655	
Due to State of New Jersey - DCA Fees	8,239	
Reserve for the Performance of Marriage Licenses	400	
Reserve for Tax Assessor Fees	290	
Payments of Construction Penalties	11,273	
Payments On Behalf of Animal Control Trust Fund	314	
Payments On Behalf of Other Trust	11,158	
Payments to Other Trust	7,515	
	<u>31,878,410</u>	
Balance, December 31, 2015		<u>\$ 3,862,254</u>

EXHIBIT A-5

**BOROUGH OF EMERSON
STATEMENT OF CHANGE FUND**

<u>Office</u>	Balance, January 1, 2015	Balance, December 31, 2015
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, January 1, 2015	2015 Levy	Senior Citizens' and Veterans' Deductions Disallowed	Collected by Cash		Senior Citizens' and Veterans' Deductions Allowed	Transfer to Tax Title Liens	Cancelled	Balance, December 31, 2015
				2014	2015				
2013	\$ 11,318							\$ 11,318	
2014	177,287	-	\$ 500	-	\$ 177,787	-	-	-	-
	188,605	-	500	-	177,787	-	-	11,318	-
2015	-	\$ 30,678,891	1,517	\$ 152,101	30,161,351	\$ 73,750	\$ 19,357	41,890	\$ 231,959
	<u>\$ 188,605</u>	<u>\$ 30,678,891</u>	<u>\$ 2,017</u>	<u>\$ 152,101</u>	<u>\$ 30,339,138</u>	<u>\$ 73,750</u>	<u>\$ 19,357</u>	<u>\$ 53,208</u>	<u>\$ 231,959</u>

Analysis of 2015 Property Tax Levy

Tax Yield	
General Purpose Tax	\$ 30,596,269
Added Taxes (54:4-63.1 et seq.)	82,622
	<u>\$ 30,678,891</u>
Tax Levy	
Local District School Tax (Abstract)	\$ 18,347,315
County Taxes	\$ 2,915,115
County Open Space Taxes	30,846
Due County for Added Taxes (54:4-63.1 et seq.)	<u>7,971</u>
	2,953,932
Local Tax for Municipal Purposes	8,892,370
Minimum Library Tax	409,675
Add Additional Tax Levied	<u>75,599</u>
	<u>9,377,644</u>
	<u>\$ 30,678,891</u>

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

Balance, January 1, 2015	\$	1,243
Increased by:		
Senior Citizens' Deductions Per Tax Billings	\$	8,000
Veterans' Deductions Per Tax Billings		65,000
Senior Citizens' and Veterans' Deductions Allowed by Tax Collector		<u>750</u>
		<u>73,750</u>
		74,993
Decreased by:		
Received from State of New Jersey		71,750
Senior Citizens' and Veterans' Deductions Disallowed - 2014		500
Senior Citizens' and Veterans' Deductions Disallowed - 2015		<u>1,517</u>
		<u>73,767</u>
Balance, December 31, 2015	\$	<u><u>1,226</u></u>

EXHIBIT A-9

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

Balance, January 1, 2015	\$	<u>13,200</u>
Balance, December 31, 2015	\$	<u><u>13,200</u></u>

BOROUGH OF EMERSON
STATEMENT OF DEFERRED CHARGES - SPECIAL EMERGENCY AUTHORIZATIONS

	<u>Amount</u>		<u>1/5 of</u>	<u>Amount</u>	<u>Balance,</u>	<u>Raised in</u>	<u>Balance,</u>
	<u>Authorized</u>	<u>Authorized</u>	<u>Authorized</u>	<u>January 1,</u>	<u>2015</u>	<u>2015</u>	<u>December 31,</u>
				<u>2015</u>	<u>Budget</u>		<u>2015</u>
Reassessment of Real Property	\$ 90,000	\$ 18,000		<u>\$ 18,000</u>	<u>\$ 18,000</u>		<u>\$ -</u>

EXHIBIT A-11

STATEMENT OF DEFERRED CHARGES - EMERGENCY AUTHORIZATIONS

Balance, January 1, 2015	\$ <u>100,000</u>
Decreased by:	
Raised in 2015 Budget	\$ <u>100,000</u>

EXHIBIT A-12

STATEMENT OF DEFERRED CHARGES - EXPENDITURE WITHOUT APPROPRIATION

Increased by:	
Added in 2015	\$ <u>5,525</u>
Balance, December 31, 2015	\$ <u>5,525</u>

EXHIBIT A-13

STATEMENT OF TAX TITLE LIENS

Balance, January 1, 2015	\$ 81,610
Increased by:	
Transfer from Taxes Receivable	<u>19,357</u>
Balance, December 31, 2015	\$ <u>100,967</u>

BOROUGH OF EMERSON
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, January 1, <u>2015</u>	Accrued in 2015	<u>Collected</u>	Balance, December 31, <u>2015</u>
Borough Clerk				
Licenses				
Alcoholic Beverage		\$ 17,500	\$ 17,500	
Other		2,410	2,410	
Fees and Permits		3,204	3,204	
Health Officer				
Licenses		9,950	9,950	
Fees and Permits		3,620	3,620	
Construction Code Official				
Fees and Permits		219,966	219,966	
Planning/Zoning Boards				
Fees and Permits		3,100	3,100	
Police Department				
Fees and Permits		3,021	3,021	
Municipal Court				
Fines and Costs	\$ 8,795	141,793	143,597	\$ 6,991
Interest and Costs on Taxes		41,597	41,597	
Interest on Investments and Deposits		5,239	5,239	
Parking Meters		10,750	10,750	
Consolidated Municipal Property Tax Relief Aid				
Energy Receipts Tax		619,905	619,905	
Watershed Moratorium Offset Aid		18,189	18,189	
Borough of Old Tappan Shared Service - Court		10,944	10,944	
Uniform Fire Safety Act		22,469	22,469	
Sewer Service Fees		11,721	11,721	
Cellular Tower Fees		188,872	188,872	
Cable Television Franchise Fees	-	107,023	107,023	-
	<u>\$ 8,795</u>	<u>\$ 1,441,273</u>	<u>\$ 1,443,077</u>	<u>\$ 6,991</u>
		Cash Receipts	\$ 1,438,327	
		Prepaid Fees Applied	<u>4,750</u>	
			<u>\$ 1,443,077</u>	

**BOROUGH OF EMERSON
STATEMENT OF GRANTS RECEIVABLE**

	Balance, January 1, <u>2015</u>	<u>Accrued</u>	<u>Received</u>	<u>Cancelled</u>	Balance, December 31, <u>2015</u>
Municipal Alliance Program (2014)	\$ 11,307				\$ 11,307
CDBG - Senior Activities (2013-2014)	3,274			\$ 599	2,675
CDBG - Senior Activities (2014-2015)	5,500		\$ 5,000		500
CDBG - SC Flooring Rehab	5,914				5,914
Municipal Alliance Program (2015)		\$ 19,752	7,885		11,867
Body Armor		2,019			2,019
Drunk Driving Enforcement Fund Grant		11,693	11,693		
NJ DOT - 2015 Municipal Program	<u>-</u>	<u>149,000</u>	<u>-</u>	<u>-</u>	<u>149,000</u>
	<u>\$ 25,995</u>	<u>\$ 182,464</u>	<u>\$ 24,578</u>	<u>\$ 599</u>	<u>\$ 183,282</u>
		Cash Receipts	<u>\$ 24,578</u>		

BOROUGH OF EMERSON
STATEMENT OF 2014 APPROPRIATION RESERVES

	Balance, January 1, <u>2015</u>	<u>Modified</u> <u>Balance</u>	<u>Expended</u>	Balance <u>Lapsed</u>
Salaries and Wages				
General Administration	\$ 26	\$ 26		\$ 26
Mayor and Council	75	75		75
Municipal Clerk	1,373	1,373		1,373
Financial Administration	225	225		225
Revenue Administration	6,014	6,014		6,014
Land Use Board	2	2		2
Police Department	12,018	12,018		12,018
Police Dispatch / 911	15,052	15,052		15,052
Office of Emergency Management	9	9		9
Fire Department	391	391		391
Uniform Fire Safety Act	46	46		46
Streets and Roads Maintenance	38,103	38,103		38,103
Sewer Services	10,977	10,977		10,977
Shade Tree - Advisory Committee	190	190		190
Vehicle Maintenance	11,269	11,269		11,269
Public Health Services	2,281	2,281		2,281
Environmental Health Services	5	5		5
Recreation Services and Programs	9	9		9
Municipal Court	1,113	1,113		1,113
Public Defender	245	245		245
Construction Code Official	7,087	7,087		7,087
Other Expenses				
General Administration	1,062	1,559	\$ 1,143	416
Mayor and Council	919	919		919
Municipal Clerk	900	900	51	849
Financial Administration	5,257	5,257	3,673	1,584
Audit Services		3,500	3,500	-
Revenue Administration	1,516	1,516	177	1,339
Tax Assessment Administration	4,847	4,847	9	4,838
Legal Services and Costs	37,125	37,125	37,125	-
Engineering Services and Costs	1,002	1,002	315	687
Land Use Board	8,856	8,856		8,856
General Liability	1,264	1,264		1,264
Employee Group Health	48,422	48,422		48,422
Unemployment Insurance	3,095	3,095		3,095
Police Department	7,802	7,914	228	7,686
Police Department - Acquisition of Police Vehicles	2,930	2,930	2,485	445
Police Dispatch / 911	340	340		340
Office of Emergency Management	1,575	1,636		1,636
Aid to Volunteer Fire Companies	69	745		745
Aid to Volunteer Ambulance Corps.	2,313	2,313	291	2,022
Fire Department	5	5		5
Uniform Fire Safety	1,141	1,141		1,141
Municipal Prosecutor	3	3		3
Streets and Roads Maintenance	15,172	15,172		15,172
Sewer Services	8,332	17,332	15,640	1,692
Shade Tree - Advisory Committee	1,139	1,514	375	1,139

**BOROUGH OF EMERSON
STATEMENT OF 2014 APPROPRIATION RESERVES**

	Balance, January 1, <u>2015</u>	Modified <u>Balance</u>	<u>Expended</u>	Balance <u>Lapsed</u>
Other Expenses (Continued)				
Solid Waste Collection	\$ 12,880	\$ 3,880		\$ 3,880
Buildings and Grounds	16,754	16,956		16,956
Vehicle Maintenance	7,915	9,265		9,265
Public Health Services	1,749	1,749		1,749
Environmental Health Services	729	729		729
Animal Control Services	800	800		800
Recreation Services and Programs	10,194	10,783	\$ 589	10,194
Historic Preservation	640	640		640
Municipal Court	3,361	3,361		3,361
Construction Code Official	2,402	2,402	928	1,474
Electricity	9,730	9,730	5,529	4,201
Street Lighting	9,903	9,903	8,286	1,617
Telephone	5,347	5,347		5,347
Water	2,893	2,893		2,893
Gas (Natural or Propane)	4,485	4,485	3,089	1,396
Gasoline	11,138	11,138		11,138
Landfill / Solid Waste Disposal Cost - Dump Fees	183	183		183
Public Employees' Retirement System	18,533	18,533		18,533
Social Security System	8,043	8,043		8,043
Police and Fireman's Retirement System of NJ	210	210		210
Defined Contribution Retirement Program	2,000	2,000		2,000
Municipal Library	2,985	2,985	2,985	-
Sewerage Processing and Disposal	1,536	1,536		1,536
Reserve for Tax Appeals	98,027	98,027	98,027	-
Length of Service Award Program	69,250	69,250	48,300	20,950
Recycling Tax P.L. 2001, C311(N.J.S.A.13:1E-96.5)	1,834	1,834		1,834
NJPDES/Stormwater Permit Management	1,525	1,525		1,525
Municipal Alliance				
State Share	6,955	6,955	6,955	-
Local Share	2,469	2,469	2,469	-
Alcohol Education Rehab Enforcement	886	886	886	-
Body Armor Fund	4,574	4,574	4,574	-
Clean Communities	9,148	9,148	9,148	-
Community Development Block Grant	1,550	1,550	1,550	-
	<u>\$ 592,224</u>	<u>\$ 599,586</u>	<u>\$ 258,327</u>	<u>\$ 341,259</u>
Appropriation Reserves		\$ 592,224		
Encumbrance Payables Canceled		<u>7,362</u>		
		<u>\$ 599,586</u>		
Cash Disbursements			\$ 205,686	
Reserve for Tax Appeals			13,127	
Transfer to Appropriated Grant Reserves			24,982	
Accounts Payable			<u>14,532</u>	
			<u>\$ 258,327</u>	

**BOROUGH OF EMERSON
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, January 1, 2015		\$ 135,867
Increased by:		
Transferred from 2015 Budget Appropriation		<u>417,026</u>
		552,893
Decreased by:		
Cash Disbursements	\$ 128,505	
Cancelled - Restored to Appropriation Reserves	<u>7,362</u>	
		<u>135,867</u>
Balance, December 31, 2014		<u>\$ 417,026</u>

STATEMENT OF ACCOUNTS PAYABLE

Balance, January 1, 2015		\$ 13,520
Increased by:		
Transferred from 2014 Appropriation Reserves		<u>14,532</u>
		28,052
Decreased by:		
Cash Disbursement	\$ 3,450	
Cancelled	<u>10,070</u>	
		<u>13,520</u>
Balance, December 31, 2015		<u>\$ 14,532</u>

STATEMENT OF PREPAID TAXES

Balance, January 1, 2015		\$ 152,101
Increased by:		
Collection - 2016 Taxes		<u>149,721</u>
		301,822
Decreased by:		
Application to 2015 Taxes Receivable		<u>152,101</u>
Balance, December 31, 2015		<u>\$ 149,721</u>

**BOROUGH OF EMERSON
STATEMENT OF TAX OVERPAYMENTS**

Balance, January 1, 2015	\$	3,714
Increased by:		
Cash Receipts		3,635
Balance, December 31, 2015	\$	7,349

EXHIBIT A-21

STATEMENT OF RESERVE FOR PREPAID FEES

Balance, January 1, 2015	\$	4,750
Increased by:		
Cash Receipts for Parking Permits for 2016		6,000
		10,750
Decreased by:		
Permits Realized in 2015		4,750
Balance, December 31, 2015	\$	6,000

EXHIBIT A-22

STATEMENT OF COUNTY TAXES PAYABLE

Increased by:			
2015 Tax Levy - General	\$	2,915,115	
2015 Tax Levy - Open Space		30,846	
Added Taxes (54:4-63.1)		7,971	
	\$		2,953,932
Decreased by:			
Payments	\$		2,953,932

BOROUGH OF EMERSON
STATEMENT OF LOCAL DISTRICT SCHOOL TAXES PAYABLE

Balance, January 1, 2015		
School Tax Payable	\$ 540,000	
School Tax Deferred	<u>8,340,003</u>	
		\$ 8,880,003
Increased by:		
Levy School Year July 1, 2015 to June 30, 2016		<u>18,347,315</u>
		27,227,318
Decreased by:		
Payments		<u>18,077,315</u>
Balance, December 31, 2015		
School Tax Payable	540,000	
School Tax Deferred	<u>8,610,003</u>	
		<u>\$ 9,150,003</u>
<u>2015 Liability for Local District School Taxes Payable</u>		
Tax Paid		\$ 18,077,315
Add: Taxes Payable December 31, 2015		<u>540,000</u>
		18,617,315
Less: Taxes Payable January 1, 2015		<u>540,000</u>
Amount Charged to 2015 Operations		<u>\$ 18,077,315</u>

BOROUGH OF EMERSON
STATEMENT OF RESERVE FOR APPROPRIATED GRANTS

<u>Grant</u>	<u>Balance, January 1, 2015</u>	<u>Transferred from 2014 Appropriation Reserves</u>	<u>Cash Disbursements</u>	<u>Balance, December 31, 2015</u>
Alcohol Education and Rehabilitation Grant	\$ 947	\$ 886		\$ 1,833
Body Armor Replacement Grant	7,213	3,974	\$ 880	10,307
Municipal Alliance				
State Share		6,955		6,955
Local Share	263	2,469		2,732
Clean Communities	186	9,148		9,334
CDBG - Senior Citizen Activities (2014-2015)		1,550		1,550
CDBG - SC Flooring Rehab	9,188	-	-	9,188
	<u>\$ 17,797</u>	<u>\$ 24,982</u>	<u>\$ 880</u>	<u>\$ 41,899</u>

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

Increased by:		
Cash Receipts	\$	9,915
Decreased by:		
Cash Disbursements		<u>8,239</u>
Balance, December 31, 2015	\$	<u><u>1,676</u></u>

STATEMENT OF RESERVE FOR CONSTRUCTION PENALTIES

Balance, January 1, 2015	\$	23,266
Increased by:		
Cash Receipts		<u>8,450</u>
		31,716
Decreased by:		
Cash Disbursements		<u>11,273</u>
Balance, December 31, 2015	\$	<u><u>20,443</u></u>

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

Balance, January 1, 2015	\$	8,197
Increased by:		
Cash Receipts		21,906
		30,103
Decreased by:		
Appropriated in 2015 Budget	\$	30,103

EXHIBIT A-28

STATEMENT OF RESERVE FOR REASSESSMENT OF REAL PROPERTY

Balance, January 1, 2015	\$	22,682
Balance, December 31, 2015	\$	22,682

EXHIBIT A-29

STATEMENT OF RESERVE FOR INSURANCE REIMBURSEMENT

Balance, January 1, 2015	\$	10,117
Increased by:		
Cash Receipts		18,935
		29,052
Decreased by:		
Realized as Anticipated Revenue		10,000
Balance, December 31, 2015	\$	19,052

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

Balance, January 1, 2015	\$	125
Increased by:		
Cash Receipts		675
		800
Decreased by:		
Cash Disbursements		655
Balance, December 31, 2015	\$	145

EXHIBIT A-31

STATEMENT OF RESERVE FOR THE PERFORMANCE OF MARRIAGE LICENSES

Balance, January 1, 2015	\$	200
Increased by:		
Cash Receipts		200
		400
Decreased by:		
Cash Disbursements	\$	400

EXHIBIT A-32

STATEMENT OF RESERVE FOR TAX SALE LIEN REDEMPTION

Balance, January 1, 2015	\$	24,434
Increased by:		
Cash Receipts		92,271
		116,705
Decreased by:		
Cash Disbursements		92,271
Balance, December 31, 2015	\$	24,434

EXHIBIT A-33

STATEMENT OF RESERVE FOR TAX APPEALS

Balance, January 1, 2015	\$	135,547
Increased by:		
Transfer from 2014 Appropriation Reserves		13,127
Balance, December 31, 2015	\$	148,674

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

Increased by:	
Cash Receipts	\$ 310
Decreased by:	
Cash Disbursements	<u>290</u>
Balance, December 31, 2015	<u>\$ 20</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, 2015	\$ 13,508	\$ 961,925	\$ 191,440	\$ 37,877
Increased by Receipts:				
Animal Control Fees	\$ 5,430			
Late Fees	1,702			
State Fees	766			
Interest on Deposits	29	\$ 2,166	\$ 138	\$ 18
Developers Fees			53,121	
Miscellaneous Reserves		660,284		
Employee Contributions				5,958
Budget Appropriations				10,000
Payroll Deposits		3,377,712		
Payroll Deductions Payable		5,956,335		
Flexible Spending		2,218		
Reserve for Accumulated Absences				
Other Accounts Receivable		8,259		
Receipts from Current Fund		7,515		
Escrow Deposits	-	44,634	-	-
	<u>7,927</u>	<u>10,059,123</u>	<u>53,259</u>	<u>15,976</u>
	21,435	11,021,048	244,699	53,853
Decreased by Disbursements:				
Expenditures Under R.S 4:19-15.11	2,034			
Miscellaneous Reserves		664,135		
Affordable Housing Expenditures			23,146	
Payments to State of New Jersey	452			11,863
Payments to Current Fund	14	1,478		8
Payroll Deposits		3,365,565		
Payroll Deductions Payable		5,936,177		
Flexible Spending		1,766		
Escrow Deposits	-	61,037	-	-
	<u>2,500</u>	<u>10,030,158</u>	<u>23,146</u>	<u>11,871</u>
Balance, December 31, 2015	<u>\$ 18,935</u>	<u>\$ 990,890</u>	<u>\$ 221,553</u>	<u>\$ 41,982</u>

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

Increased by:		
State Fees		\$ <u>766</u>
Decreased by:		
Payments to State of New Jersey	\$ 452	
Payments to State of New Jersey by the Current Fund on behalf of Animal Control Trust Fund	<u>314</u>	
		\$ <u>766</u>

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

Increased by:		
Interest on Deposits	\$ 29	
Statutory Excess	6,130	
Animal Control Expenditures Paid by Current Fund	<u>314</u>	
		\$ 6,473
Decreased by:		
Cash Disbursements		<u>14</u>
Balance, December 31, 2015		\$ <u>6,459</u>

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

Balance, January 1, 2015		\$ 13,508
Increased by:		
Animal Control Fees	\$ 5,430	
Late and Other Fees	<u>1,702</u>	
		<u>7,132</u>
		20,640
Decreased by:		
Statutory Excess	6,130	
Disbursements	<u>2,034</u>	
		<u>8,164</u>
Balance, December 31, 2015		<u>\$ 12,476</u>

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

Balance, January 1, 2015		\$ 17,176
Decreased by:		
Cash Receipts		<u>8,259</u>
Balance, December 31, 2015		<u>\$ 8,917</u>

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

Balance, January 1, 2015		\$	1,283
Increased by:			
Interest on Deposits		\$	2,166
Other Trust Expenditure Paid by Current Fund			11,158
Receipts from Current Fund			<u>7,515</u>
			<u>20,839</u>
			22,122
Decreased by:			
Payments to Current Fund			<u>1,478</u>
Balance, December 31, 2015		\$	<u>20,644</u>

EXHIBIT B-7

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

Balance, January 1, 2015		\$	1,943
Increased by:			
Cash Receipts			<u>3,377,712</u>
			3,379,655
Decreased by:			
Cash Disbursements			<u>3,365,565</u>
Balance, December 31, 2015		\$	<u>14,090</u>

EXHIBIT B-8

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

Balance, January 1, 2015		\$	9,727
Increased by:			
Cash Receipts			<u>5,956,335</u>
			5,966,062
Decreased by:			
Cash Disbursements			<u>5,936,177</u>
Balance, December 31, 2015		\$	<u>29,885</u>

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

Increased by:		
Cash Receipts	\$	2,218
Decreased by:		
Cash Disbursements		<u>1,766</u>
Balance, December 31, 2015	\$	<u>452</u>

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

Balance, January 1, 2015	\$	<u>167,852</u>
Balance, December 31, 2015	\$	<u>167,852</u>

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

Balance, January 1, 2015	\$	769,891
Increased by:		
Escrow Deposit Receipts	\$	44,634
Miscellaneous Reserves Receipts		<u>660,284</u>
		<u>704,918</u>
		1,474,809
Decreased by:		
Escrow Deposit Disbursements		61,037
Miscellaneous Reserve Disbursements		664,135
Other Trust Expenditure Paid by Current Fund		<u>11,158</u>
		<u>736,330</u>
Balance, December 31, 2015	\$	<u>738,479</u>
Developer's Escrow Deposits		
Recreation	\$	192,693
Community Policing		88,256
Recycling Program		35,768
Centennial Celebration		127,819
Shade Tree Donations (Wagner)		2,115
Environmental Comm. Partnership		9,113
Snow Removal		981
Emergency Management		43,736
Uniform Fire Penalties		3,028
Municipal Court POAA Fees		2,517
Municipal Alliance - DARE		376
Outside Employment Off- Duty Police Officers		1,135
Tax Sale Premium		25,540
Donations - Retirement Dinner		200,200
Public Defender Fees		4,855
		<u>347</u>
	\$	<u>738,479</u>

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

Balance, January 1, 2015		\$ 191,440
Increased by:		
Developers Fees	\$ 53,121	
Interest on Deposits	<u>138</u>	
		<u>53,259</u>
		244,699
Decreased by:		
Cash Disbursements		<u>23,146</u>
Balance, December 31, 2015		<u>\$ 221,553</u>

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

Balance, January 1, 2015		\$ 37,070
Increased by:		
Employee Contributions	\$ 5,958	
Interest on Deposits	10	
2014 Budget Appropriation	<u>10,000</u>	
		<u>15,968</u>
		53,038
Decreased by:		
Unemployment Compensation Claims		<u>11,063</u>
Balance, December 31, 2015		<u>\$ 41,975</u>

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

Balance, January 1, 2015	\$	807
Increased by:		
Unemployment Compensation Claims		11,063
		11,870
Decreased by:		
Cash Disbursements		11,863
Balance, December 31, 2015	\$	7

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

Increased by:		
Interest on Deposits	\$	8
Decreased by:		
Cash Disbursements	\$	8

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

Balance, January 1, 2015	\$	28,405
Balance, December 31, 2015	\$	28,405

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GENERAL CAPITAL FUND

BOROUGH OF EMERSON
STATEMENT OF GENERAL CAPITAL CASH

Balance, January 1, 2015		\$ 1,126,454
Increased by Receipts:		
Interest on Deposits	\$ 633	
Grant Receipts	75,535	
Bond Anticipated Notes Receipts	1,787,465	
Contribution from Other Trust - Recycling Account	5,000	
Budget Appropriation - Capital Improvement Fund	<u>65,000</u>	
		<u>1,933,633</u>
		3,060,087
Decreased by Disbursements:		
Improvement Authorizations	546,471	
Contracts Payable	957,873	
Payments to Current Fund	<u>185</u>	
		<u>1,504,529</u>
Balance, December 31, 2015		<u>\$ 1,555,558</u>

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

	Balance December 31, <u>2015</u>
Capital Improvement Fund	\$ 6,732
Due to Current Fund	448
Grants Receivables	(276,083)
Contracts Payable	590,919
Miscellaneous Reserves	500
Reserve for Capital Projects	8,750

Ord. <u>No.</u>	<u>Improvement Description</u>	
1109/1120	Various Improvements & Acq. of Equipment	1,345
1194	Various Improvements	648
1223/1242	Various Capital Acquisitions & Improvements	1,963
1224/1243	Various Capital Acquisitions & Improvements	387
1322/1331	Various Public Improvements	687
1348/1386	Various General Improvements	26,562
1349	Various General Improvements	742
1375	Various General Improvements	886
1387	Various General Improvements	270
1409	Various General Improvements	37,784
1432	Various General Improvements	7,216
1441	Various Public Improvements	63,547
1444	Various Public Improvements and Acquisition of Equipment	4,329
1452	Resurfacing of High Street	4,674
1453	Various Public Improvements	50,166
1457	Various Public Improvements and Acquisition of Equipment	145,376
1477	Various Public Improvements	75,994
1489/1495	Various Public Improvements and Acquisition of Equipment	54,254
1500	Various Public Improvements and Acquisition of Equipment and Vehicles	<u>747,462</u>
		<u>\$ 1,555,558</u>

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

Increased by:		
Interest on Deposits		\$ 633
Decreased by:		
Payments to Current Fund		<u>185</u>
Balance, December 31, 2015		<u>\$ 448</u>

EXHIBIT C-4

STATEMENT OF GRANTS RECEIVABLE

Balance, January 1, 2015		\$ 157,641
Increased by:		
Grant Awards		
NJ DOT - Ordinance 1500	\$ 149,000	
FEMA - Ordinance 1500	<u>75,000</u>	
		<u>224,000</u>
		381,641
Decreased by:		
Cancellation	30,023	
Cash Receipts	<u>75,535</u>	
		<u>105,558</u>
Balance, December 31, 2015		<u>\$ 276,083</u>

NJ DOT - Ordinance 1452	\$ 1,618
NJ DOT - Ordinance 1457	50,465
NJ DOT - Ordinance 1500	149,000
FEMA - Ordinance 1500	<u>75,000</u>
	<u>\$ 276,083</u>

EXHIBIT C-5

STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance, January 1, 2015		\$ 7,797,133
Decreased by:		
2015 Budget Appropriation to Pay Bonds	\$ 670,000	
2015 Budget Appropriation to Pay Loans	<u>163,448</u>	
		<u>833,448</u>
Balance, December 31, 2015		<u>\$ 6,963,685</u>

**BOROUGH OF EMERSON
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ord. No.	Improvement Description	Ordinance Amount	Balance, January 1, 2015		2015 Authorizations	Paid or Charged	Contract Payables Cancelled	Authorization Cancelled	Balance, December 31, 2015	
			Funded	Unfunded					Funded	Unfunded
1109/1120	Various Improvements & Acq. of Equipment	\$ 715,000	\$ 1,797			\$ 452			\$ 1,345	
1194	Various Improvements	380,000	648						648	
1223/1242	Various Capital Acquisitions & Improvements	100,000	1,963						1,963	
1224/1243	Various Capital Acquisitions & Improvements	245,000	387						387	
1322/1331	Various Public Improvements	855,000	687						687	
1348/1386	Various General Improvements	595,000	26,562						26,562	
1349	Various General Improvements	405,000	742						742	
1375	Various General Improvements	361,000	886						886	
1387	Various General Improvements	237,147	270						270	
1409	Various General Improvements	260,000	37,584				\$ 200		37,784	
1423	Various General Improvements	604,984	5,468					\$ 5,468	-	
1432	Various General Improvements	475,000	31,771					24,555	7,216	
1441	Various Public Improvements	475,000	129,878			66,331			63,547	
1444	Various Public Improvements and Acquisition of Equipment	525,000	9,979			5,650			4,329	
1452	Resurfacing of High Street	163,000	6,002			1,328			4,674	
1453	Various Public Improvements	400,000	122,906			72,740			50,166	
1457	Various Public Improvements and Acquisition of Equipment	1,450,000	205,085	\$ 900		59,709			145,376	\$ 900
1477	Various Public Improvements	300,000		99,486		23,492				75,994
1489/1495	Various Public Improvements and Acquisition of Equipment	221,535		125,404		71,150				54,254
1500	Various Public Improvements and Acquisition of Equipment and Vehicles	1,584,000	-	-	\$ 1,584,000	836,538				747,462
			<u>\$ 582,615</u>	<u>\$ 225,790</u>	<u>\$ 1,584,000</u>	<u>\$ 1,137,390</u>	<u>\$ 200</u>	<u>\$ 30,023</u>	<u>\$ 346,582</u>	<u>\$ 878,610</u>

Capital Improvement Fund	\$ 63,000
Miscellaneous Reserves	5,000
Grant Awards	224,000
Deferred Charges to Future Taxation - Unfunded	<u>1,292,000</u>
	<u>\$ 1,584,000</u>

Cash Disbursements	\$ 546,471
Contracts Payable	590,919
	<u>\$ 1,137,390</u>

**BOROUGH OF EMERSON
STATEMENT OF CONTRACTS PAYABLE**

Balance, January 1, 2015		\$ 958,073
Increased by:		
Charges to Improvement Authorizations		<u>590,919</u>
		1,548,992
Decreased by:		
Cash Disbursements	\$ 957,873	
Cancelled	<u>200</u>	
		<u>958,073</u>
Balance, December 31, 2015		<u>\$ 590,919</u>

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, January 1, 2015		\$ 4,732
Increased By:		
Budget Appropriation - Capital Improvement Fund		<u>65,000</u>
		69,732
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>63,000</u>
Balance, December 31, 2015		<u>\$ 6,732</u>

BOROUGH OF EMERSON
STATEMENT OF GENERAL SERIAL BONDS PAYABLE

Issue	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance, January 1, 2015	Decreased	Balance, December 31, 2015
			Date	Amount				
General Improvement	10/15/2003	\$ 2,053,000	10/15/2016	\$ 165,000	3.5-4.125%	\$ 663,000	\$ 165,000	\$ 498,000
			10/15/2017	165,000				
			10/15/2018	168,000				
General Improvement	8/1/2007	2,030,000	8/1/2016-2018	200,000	4.00%	1,010,000	200,000	810,000
			8/1/2019	210,000	4.10%			
General Improvement	10/1/2010	1,697,000	10/1/2016	130,000	2.00%	1,412,000	110,000	1,302,000
			10/1/2017	150,000	2.25%			
			10/1/2018	160,000	2.50%			
			10/1/2019	345,000	2.75%			
			10/1/2020	517,000	3.00%			
General Improvement	12/15/2013	3,698,000	12/15/2016	195,000	2.00%	3,503,000	195,000	3,308,000
			12/15/17-2020	200,000	2.00%			
			12/15/2021	380,000	2.125%			
			12/15/2022-2024	385,000	2.50-3.00%			
			12/15/2025	390,000	3.00%			
			12/15/2026	388,000	3.00%			
						<u>\$ 6,588,000</u>	<u>\$ 670,000</u>	<u>\$ 5,918,000</u>
Paid by Budget Appropriation							<u>\$ 670,000</u>	

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

<u>Description</u>	<u>Date of Issue</u>	Amount of <u>Original Loan</u>	<u>Outstanding</u>		<u>Interest Rate</u>	<u>Balance, January 1, 2015</u>	<u>Decreased</u>	<u>Balance, December 31, 2015</u>
			<u>Date</u>	<u>Amount</u>				
NJ DEP	12/17/2001	\$ 2,800,000	2016	\$ 155,289	2.00%	\$ 1,132,056	\$ 152,229	\$ 979,827
			2017	158,410				
			2018	161,594				
			2019	164,842				
			2020	168,156				
			2021	171,536				
NJ DEP	6/25/2001 12/17/2001	182,500 17,500	2016	11,444	2.00%	<u>77,077</u>	<u>11,219</u>	<u>65,858</u>
			2017	11,674				
			2018	11,909				
			2019	12,148				
			2020	12,393				
			2021	6,290				
						<u>\$ 1,209,133</u>	<u>\$ 163,448</u>	<u>\$ 1,045,685</u>
Paid by Budget Appropriation							<u>\$ 163,448</u>	

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

Ord. <u>No.</u>	<u>Improvement Description</u>	<u>Date of Original Note</u>	<u>Amount of Original Note</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Increased</u>	<u>Balance, December 31, 2015</u>
1477	Various Public Improvements	8/26/2015	\$ 285,000	8/26/2015	8/26/2016	0.67	% \$ 285,000	\$ 285,000
1489/1495	Various Public Improvements and Acquisition of Equipment	8/26/2015	210,465	8/26/2015	8/26/2016	0.67	210,465	210,465
1500	Various Public Improvements and Acquisition of Equipment and Vehicles	8/26/2015	1,292,000	8/26/2015	8/26/2016	0.67	<u>1,292,000</u>	<u>1,292,000</u>
							<u>\$ 1,787,465</u>	<u>\$ 1,787,465</u>
						Issued for Cash		<u>\$ 1,787,465</u>

**BOROUGH OF EMERSON
STATEMENT OF MISCELLANEOUS RESERVES**

Balance, January 1, 2015	\$ 500
Increased by:	
Contribution from Other Trust - Reserve for Recycling	<u>5,000</u>
	5,500
Decreased by:	
Appropriated to Finance Improvement Authorization	<u>5,000</u>
Balance, December 31, 2015	<u>\$ 500</u>
<u>Analysis of Balance</u>	
Veterans Monument Donation	<u>\$ 500</u>

STATEMENT OF RESERVE FOR CAPITAL PROJECTS

Balance, January 1, 2015	\$ 8,750
Balance, December 31, 2015	<u>\$ 8,750</u>

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

<u>Ord.</u> <u>No.</u>	<u>Improvement Description</u>	Balance, January 1, <u>2015</u>	2015 <u>Authorizations</u>	Bond Anticipation Notes Issued	Balance, December 31, <u>2015</u>
1457	Various Public Improvements and Acquisition of Equipment	\$ 900			\$ 900
1477	Various Public Improvements	285,000		\$ 285,000	
1489/1495	Various Public Improvements and Acquisition of Equipment	210,465		210,465	
92 1500	Various Public Improvements and Acquisition of Equipment and Vehicles	-	\$ 1,292,000	1,292,000	-
		<u>\$ 496,365</u>	<u>\$ 1,292,000</u>	<u>\$ 1,787,465</u>	<u>\$ 900</u>

BERGEN COUNTY, NEW JERSEY

PART II
GOVERNMENT AUDITING STANDARDS
YEAR ENDED DECEMBER 31, 2015



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. NICOLOSI, CPA
ROBERT AMPONSAH, 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, 2015, and the related notes to the financial statements, and have issued our report thereon dated May 9, 2016. 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 presentation of the unaudited LOSAP Trust Fund financial statements.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

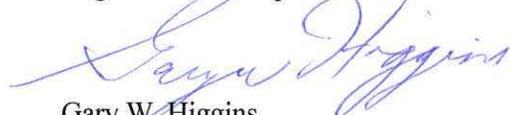
However, we noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Borough of Emerson in Part III of this report of audit entitled, "Letter of Comments and Recommendations".

Purpose of this Report

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



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



Gary W. Higgins
Registered Municipal Accountant
RMA Number CR00405

Fair Lawn, New Jersey
May 9, 2016

**BOROUGH OF EMERSON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Grant Program	State Account Number	Federal CFDA Number	Grant Period	2015 Grant Receipts	Grant Award Amount	Balance, January 1, 2015	Revenue	Expended	Balance, December 31, 2015	(Memo) Cumulative Expenditures
U.S. Department of Housing and Urban Development (Passed Through Bergen County Dept. of Community Development)										
Community Development Block Grant	N/A	14.218								
Senior Citizen Activities			2014	\$ 5,000	\$ 5,500	\$ 1,550			\$ 1,550	\$ 3,950
Senior Citizen Flooring Rehab			2013		17,488	9,188			9,188	8,300
U.S. Department of Transportation (Passed Through State Department of Law and Public Safety)										
Click It or Ticket	066-1160-100-155	20.616	2015	4,000	4,000		\$ 4,000	\$ 4,000	-	4,000
U.S. Department of Homeland Security (Passed Through State Department of Law and Public Safety)										
FEMA - Hazard Mitigation Grant - Ord. 1500-15	N/A	97.036	2015		75,000		75,000	75,000	-	75,000
FEMA - Hurricane Sandy	066-1200-100-A92	97.036	2013	16,721	181,383	-	16,721	16,721	-	181,383
						<u>\$ 10,738</u>	<u>\$ 95,721</u>	<u>\$ 95,721</u>	<u>\$ 10,738</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, 2015**

<u>State Grant Program</u>	<u>Grant Number</u>	<u>Year</u>	<u>2015 Grant Receipts</u>	<u>Balance, January 1, 2015</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Cancelled</u>	<u>Balance, December 31, 2015</u>	<u>Cumulative Expenditures</u>
Municipal Alliance Program	N/A	2015	\$ 7,885		\$ 19,752	\$ 6,048		\$ 13,704	\$ 6,048
		2014		\$ 6,955				6,955	4,795
Clean Communities Program	N/A	2015	15,158		15,158	15,158		-	15,158
		2014		9,148				9,148	3,325
		2010		186				186	114
Recycling Tonnage Grant	4900-752-001	2015			8,197			8,197	
Alcohol Education and Rehabilitation	760-098-9735-001	2015	648		648			648	
		2014		886				886	
		2012		432				432	
		2010		26				26	225
		2009		139				139	
		2008		114				114	154
		2007		236				236	
Drunk Driving Enforcement Fund Grant	N/A	2015	11,693		11,693	7,566		4,127	7,566
Body Armor Replacement Program	N/A	2015	2,100		4,119			4,119	
	N/A	2014		4,574		600		3,974	600
	N/A	2012		3,937				3,937	
	N/A	2011		1,919				1,919	
	N/A	2010		964		487		477	487
	N/A	2008		393		393		-	3,876
New Jersey Department of Transportation									
Ord. 1432-11	2011-078-6320-480-AK3	2011		16,074			\$ 16,074	-	110,615
Ord. 1452-12	2012-078-6320-480-ALC	2012		1,618				1,618	144,882
Ord. 1457-13	2013-078-6320-480-ALL	2013	75,535	52,157		1,692		50,465	75,535
Ord. 1500-15	N/A	2014			149,000	1,051		147,949	1,051
NJ DOT - 2015 Municipal Aid Program	N/A	2015		-	149,000	-	-	149,000	
				<u>\$ 99,758</u>	<u>\$ 357,567</u>	<u>\$ 32,995</u>	<u>\$ 16,074</u>	<u>\$ 408,256</u>	

96

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, 2015**

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	\$ 20,721	\$ 357,567	\$ 378,288
General Capital Fund	<u>75,000</u>	<u>-</u>	<u>75,000</u>
	<u>\$ 95,721</u>	<u>\$ 357,567</u>	<u>\$ 453,288</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, 2015**

NOTE 5 STATE LOANS OUTSTANDING

The Borough's state loans outstanding at December 31, 2015, which are not required to be reported on the schedules 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	\$ 979,827
New Jersey Department of Environmental Protection	0214-97-109	<u>65,858</u>
		<u>\$ 1,045,685</u>

**BOROUGH OF EMERSON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015**

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, 2015**

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, 2015**

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, 2015

**BOROUGH OF EMERSON
SUPPLEMENTARY DATA**

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

	<u>Year 2015</u>		<u>Year 2014</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUES AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 730,000	2.16 %	\$ 625,000	1.92 %
Miscellaneous - From Other Than Local				
Property Tax Levies	2,209,726	6.52	1,728,696	5.31
Collection of Delinquent Taxes and Tax Title Liens	177,787	0.53	183,668	0.56
Collection of Current Tax Levy	30,385,685	89.73	29,740,567	91.31
Other Credits to Income	<u>358,742</u>	<u>1.06</u>	<u>292,441</u>	<u>0.90</u>
Total Revenues and Other Income	<u>33,861,940</u>	<u>100.00 %</u>	<u>32,570,372</u>	<u>100.00 %</u>
EXPENDITURES				
Budget Expenditures				
Municipal Purposes	11,519,186	35.35 %	11,237,503	35.16 %
County Taxes	2,953,932	9.07	2,895,487	9.06
Local School Taxes	18,077,315	55.48	17,822,315	55.77
Other Expenditures	<u>34,175</u>	<u>0.10</u>	<u>2,033</u>	<u>0.01</u>
Total Expenditures	<u>32,584,608</u>	<u>100.00 %</u>	<u>31,957,338</u>	<u>100.00 %</u>
Excess of Revenues and Other Income Over Expenditures	1,277,332		613,034	
Adjustments to Income Before Fund Balance: Expenditures Included Above Which are by Statute Deferred Charges to Budgets of Succeeding Years	<u>5,525</u>		<u>100,000</u>	
Statutory Excess to Fund Balance	1,282,857		713,034	
Fund Balance, January 1	<u>1,472,279</u>		<u>1,384,245</u>	
	2,755,136		2,097,279	
Decreased by: Utilization as Anticipated Revenue	<u>730,000</u>		<u>625,000</u>	
Fund Balance, December 31	<u>\$ 2,025,136</u>		<u>\$ 1,472,279</u>	

**BOROUGH OF EMERSON
SUPPLEMENTARY DATA**

Comparative Schedule of Tax Rate Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Tax Rate</u>	<u>\$2.550</u>	<u>\$2.496</u>	<u>\$2.443</u>
<u>Apportionment of Tax Rate</u>			
Municipal	.741	.732	.715
Library	.034	.034	.035
County	.243	.239	.241
County Open Space	.003	.003	.003
Local School	1.529	1.488	1.449

Assessed Valuation

2015	<u>\$1,199,853,696</u>	
2014		<u>\$1,198,075,818</u>
2013		<u>\$1,198,470,270</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>
2015	\$ 30,678,891	\$ 30,385,685	99.04%
2014	29,957,596	29,740,567	99.27%
2013	29,368,882	29,085,569	99.03%

**BOROUGH OF EMERSON
SUPPLEMENTARY DATA**

Delinquent Taxes and Tax Title Liens

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

<u>December 31 Year</u>	<u>Delinquent Taxes</u>	<u>Tax Title Liens</u>	<u>Total</u>	<u>Percentage of Tax Levy</u>
2015	\$ 231,959	\$ 100,967	\$ 332,926	1.08%
2014	188,605	81,610	270,215	0.90%
2013	208,355	70,743	279,098	0.95%

Property Acquired by Tax Title Lien Liquidation

No properties have been acquired in 2015 or 2014 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>
2015	\$13,200
2014	13,200
2013	13,200

Comparative Schedule of Fund Balance

	<u>Year</u>	<u>Balance, December 31</u>	<u>Utilized In Budget of Succeeding Year</u>
Current Fund	2015	\$2,025,136	\$880,000
	2014	1,472,279	730,000
	2013	1,384,245	625,000
	2012	1,219,045	550,000
	2011	960,948	500,000

**BOROUGH OF EMERSON
SUPPLEMENTARY DATA**

OFFICIALS IN OFFICE AND SURETY BONDS

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

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
Louis J. Lamatina	Mayor	
Scott Rivers	Council President	
Vincent Tripodi	Councilman	
Christopher Knoller	Councilman	
Richard Worthington	Councilman	
Danielle Di Paola	Councilwoman	
Stephen Paino	Councilman	
Jane Dietsche	Municipal Clerk	
Joseph Kolodziej	Clerk/Administrator (January-April 2015)	
Robert S. Hoffmann	Borough Administrator (May 2015-Present)	
Catherine Henderson	Chief Financial Officer/Treasurer	
Catherine Henderson	Tax Collector	
Catherine Henderson	Qualified Purchasing Agent	
Claire Psota	Tax Assessor	
Wendy Rubinstein	Borough Attorney	
Boswell Engineering	Borough Engineer	
Donald Rossi	Chief of Police	
Florence Mammolitti	Registrar of Vital Statistics	
Michael Sartori	Construction Code Official, Building Sub-Code Official, Fire Protection Sub-Code Official Zoning Official	
Guiseppe Lamastra	Plumbing Sub-Code Official	
Michael Heflich	Part-Time Electrical Sub-Code Official	
Kevin Doherty	Elevator Sub-Code Official	
Joseph F. Mara	Fire Protection Inspector (Const.)	
Francis J. Leddy, Jr.	Municipal Court Judge	
Michele O'Donohue	Municipal Court Administrator (January-December 30, 2015)	
Laurel Carnazza	Acting Municipal Court Administrator (December 30, 2015-Present)	

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 a certain contract award was not encumbered and recorded at year end. In addition two contracts encumbered at year end were deemed invalid. It is recommended that contracts be encumbered when awarded and open encumbrances be reviewed for validity at year end.

Our audit of the net payroll and payroll agency bank reconciliations revealed old outstanding checks and excess available balances exist at year end. It is recommended that old outstanding checks and year end balances in the net payroll and payroll agency accounts be reviewed and cleared of record.

Our audit of police outside duty services revealed that a billing and cash receipts ledger for police outside duty services was not maintained on a current basis. It is recommended that a detailed billing and cash receipts ledger for police outside duty services be maintained on a current basis.

Our audit revealed that certain new employees were not enrolled timely in the PFRS and PERS pension systems. It is recommended that employee pension and benefit enrollment forms be completed and submitted in a timely manner.

Prior Year Unresolved

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

- Certain fees collected were not turned over to the Chief Financial Officer within forty-eight (48) hours of receipt.
- Registration receipt reports were not available for certain bank deposits.

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

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

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 appointed the Chief Financial Officer as the qualified purchasing agent effective March 1, 2011 and 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.

**BOROUGH OF EMERSON
SUPPLEMENTARY DATA**

GENERAL COMMENTS (Continued)

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

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

- NJ DOT FY 2014 and FY 2015 – Main Street and Linwood Avenue Improvements
- Recycling Collection and Disposal for 2016

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

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

Collection of Interest on Delinquent Taxes and Assessments

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

The Governing Body on January 6, 2015, adopted the following resolution authorizing interest to be charged on delinquent taxes:

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

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

Delinquent Taxes and Tax Title Liens

The last tax sale was held on October 27, 2015.

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>
2015	2
2014	2
2013	2

BOROUGH OF EMERSON

RECOMMENDATIONS

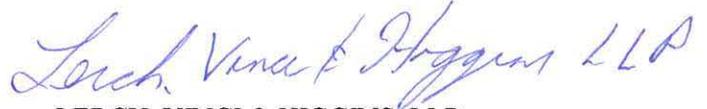
It is recommended that:

1. Contracts be encumbered when awarded and open encumbrances be reviewed for validity at year end.
2. Old outstanding checks and year end balances in the net payroll and payroll agency accounts be reviewed and cleared of record.
3. A detailed billing and cash receipts ledger for police outside duty services be maintained on a current basis.
4. Employee pension and benefit enrollment forms be completed and submitted in a timely manner.
- * 5. Internal controls relating to the Recreation Department revenue cycle be reviewed and enhanced.
- * 6. The Borough file the required annual financial report accounting for the transactions related to affordable housing with the State of New Jersey.

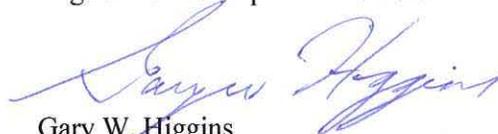
* * * * *

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

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



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Registered Municipal Accountants



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