

BOROUGH OF EMERSON
BERGEN COUNTY, NEW JERSEY
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

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BOROUGH OF EMERSON

COUNTY OF BERGEN

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Emerson, as of December 31, 2018 and 2017, 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, 2018, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of Emerson as of December 31, 2018 and 2017, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

The notes to the Borough of Emerson’s financial statements do not disclose the 2018 other post-employment benefit obligation and other information related to post-retirement medical benefits provided to its eligible retirees and their dependents as required by Government Accounting Standards Board Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions and the Division of Local Government Services, Department of Community Affairs, State of New Jersey. In our opinion, disclosure of that information is required to conform with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

As discussed in Note 17 of the financial statements, the financial statements – regulatory basis of the Length of Service Awards Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Borough’s financial statements as of and for the years ended December 31, 2018 and 2017. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 41 percent and 44 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2018 and 2017.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the omission of the 2018 note disclosures regarding the other post-employment benefit obligation and related information and 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, 2018 and 2017, 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, 2018 in accordance with the financial accounting and reporting provisions and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated June 28, 2019 on our consideration of the Borough of Emerson's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough of Emerson's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Emerson's internal control over financial reporting and compliance.



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



Gary W. Higgins
Registered Municipal Accountant
RMA Number CR00405

Fair Lawn, New Jersey
June 28, 2019

**BOROUGH OF EMERSON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND
AS OF DECEMBER 31, 2018 AND 2017**

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
ASSETS			
Cash - Treasurer	A-4	\$ 4,392,095	\$ 6,291,847
Cash - Change Fund	A-5	360	360
Due From State of New Jersey - Seniors and Veterans	A-8	1,476	1,226
Grants Receivable	A-12	<u>629,242</u>	<u>280,023</u>
		<u>5,023,173</u>	<u>6,573,456</u>
Receivables and Other Assets With Full Reserves			
Delinquent Property Taxes	A-7	226,781	160,024
Tax Title Liens	A-10	161,566	140,941
Property Acquired for Taxes - Assessed Valuation	A-9	13,200	13,200
Revenue Accounts Receivable	A-11	5,673	7,552
Due from Animal Control Fund	B-3	<u>5,905</u>	<u>5,431</u>
		<u>413,125</u>	<u>327,148</u>
 Total Assets		 <u>\$ 5,436,298</u>	 <u>\$ 6,900,604</u>

**BOROUGH OF EMERSON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND
AS OF DECEMBER 31, 2018 AND 2017**

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Appropriation Reserves	A-3,A-13	\$ 696,434	\$ 726,358
Encumbrances Payable	A-14	458,383	293,546
Accounts Payable	A-15	233,248	69,376
Prepaid Taxes	A-16	177,706	2,005,537
Tax Overpayments	A-17	12,519	7,575
School Taxes Payable	A-20	540,000	540,000
County Taxes Payable	A-19	8,176	11,324
Prepaid Fees	A-18	1,750	4,250
Due to General Capital Fund	C-4		1,051
Reserve for Construction Penalties	A-23		9,737
Reserve for Insurance Reimbursement	A-26	19,052	19,052
Reserve for Reassessment of Real Property	A-25	22,682	22,682
Reserve for Appropriated Grants	A-21	73,697	89,052
Reserve for Unappropriated Grants and Aid	A-24		8,963
Reserve for Tax Appeals	A-29	54,258	87,565
Reserve for Tax Sale Lien Redemption	A-28		24,434
Reserve for Tax Assessor Fees	A-30	180	
Due to State of New Jersey - DCA Fees	A-22	1,615	1,807
Due to State of New Jersey - Marriage License Fees	A-27	-	125
		<u>2,299,700</u>	<u>3,922,434</u>
Reserve for Receivables and Other Assets	A	413,125	327,148
Fund Balance	A-1	<u>2,723,473</u>	<u>2,651,022</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 5,436,298</u>	<u>\$ 6,900,604</u>

BOROUGH OF EMERSON
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
REVENUES AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 1,000,000	\$ 830,000
Miscellaneous Revenue Anticipated	A-2	2,061,181	1,735,304
Receipts from Delinquent Taxes	A-2	161,420	145,363
Receipts from Current Taxes	A-2	32,511,258	31,901,679
Nonbudget Revenue	A-2	159,662	205,937
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	A-13	273,066	436,729
Cancellation of Accounts Payable	A-15	3,720	27,062
Cancellation of Tax Sale Lien Redemption	A-28	24,434	
Statutory Excess - Animal Control Fund	B-4	5,905	5,337
Interfunds Liquidated	A	<u>5,431</u>	<u>2,448</u>
 Total Revenues and Other Income		 <u>36,206,077</u>	 <u>35,289,859</u>
EXPENDITURES			
Budget and Emergency Appropriations			
Operations			
Salaries and Wages	A-3	4,613,514	4,569,134
Other Expenses	A-3	5,414,597	4,961,538
Capital Improvements	A-3	35,000	72,296
Municipal Debt Service	A-3	1,195,849	1,088,831
Deferred Charges and Statutory Expenditures	A-3	967,730	1,007,290
County Taxes	A-19	3,042,132	3,044,112
County Open Space Taxes	A-19	129,495	126,745
Due County for Added and Omitted Taxes	A-19	8,176	11,324
Local District School Taxes	A-20	19,719,808	19,108,059
Other Debits to Income			
Prior Year Senior Deductions Disallowed	A-8	1,396	1,962
Cancellation of Grants Receivable	A-12	24	21,374
Interfunds Established	A	<u>5,905</u>	<u>5,431</u>
 Total Expenditures		 <u>35,133,626</u>	 <u>34,018,096</u>
 Excess of Revenues and Other Income Over Expenditures		 1,072,451	 1,271,763
 Fund Balance, January 1	A	 <u>2,651,022</u>	 <u>2,209,259</u>
		3,723,473	3,481,022
Decreased by:			
Utilization as Anticipated Revenue	A-1,A-2	<u>1,000,000</u>	<u>830,000</u>
 Fund Balance, December 31	A	 <u>\$ 2,723,473</u>	 <u>\$ 2,651,022</u>

BOROUGH OF EMERSON
STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Reference	2018 Budget	Added by N.J.S.A. 40A:4-87	Realized	Excess or (Deficit)
Fund Balance Anticipated	A-1	\$ 1,000,000	-	\$ 1,000,000	-
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A-11	17,500		17,500	
Other	A-2	16,000		15,446	\$ (554)
Fees and Permits					
Other	A-2	15,000		27,827	12,827
Fines and Costs					
Municipal Court	A-11	106,000		86,925	(19,075)
Interest and Costs on Taxes	A-11	34,000		29,941	(4,059)
Interest on Investments and Deposits	A-2	25,144		32,465	7,321
Parking Meters	A-11	9,000		10,000	1,000
Energy Receipts Tax	A-11	619,905		619,905	-
Watershed Moratorium Offset Aid	A-11	18,189		18,189	-
Construction Code Official	A-11	185,000		144,800	(40,200)
Borough of Old Tappan Shared Service - Court	A-11	15,480		15,480	-
Public and Private Programs					
Offset with Appropriations					
Municipal Alliance on Alcoholism and Drug Abuse	A-12		\$ 9,876	9,876	
Recycling Tonnage Grant	A-24	8,963		8,963	
Drunk Driving Enforcement Fund Grant	A-12	2,780		2,780	
CDBG - Continental Woods Phase 2	A-12	100,000		100,000	
CDBG - Drainage Improvements Pine Drive	A-12	40,000		39,817	(183)
Alcohol Education Rehab Grant	A-24		513	513	
Clean Communities Grant - Reserve	A-24		14,087	14,087	
NJ Department of Transportation - Main Street/Linwood Ave (Section 5)	A-12		215,000	215,000	
NJ Department of Transportation - Vivian Ave Drainage	A-12		145,000	145,000	
County of Bergen's ADA Cooperative Curb Ramp Construction Grant Prgm	A-12		66,000	66,000	
Other Special Items					
Uniform Fire Safety Act	A-11	20,000		22,823	2,823
Sewer Service Fees	A-11	10,500		10,627	127
Cellular Tower Fees	A-11	190,000		219,408	29,408
Cable Television Franchise Fees	A-11	111,000		115,398	4,398
PILOT - Advancing Opportunities - 5 Pine Drive	A-11	6,000		5,700	(300)
PILOT - Veteran's Home	A-11	2,360		1,225	(1,135)
Anticipated General Capital Fund Surplus	C-1	40,000		40,000	-
Insurance Dividends	A-11	12,000	-	25,486	13,486
Total Miscellaneous Revenues	A-1	1,604,821	450,476	2,061,181	5,884
Receipts from Delinquent Taxes	A-7	150,000	-	161,420	11,420
Amount to be Raised by Taxes for Support of Municipal Budget -					
Local Tax for Municipal Purposes	A-2	8,950,089		9,118,095	168,006
Minimum Library Tax	A-2	430,034	-	430,034	-
		9,380,123	-	9,548,129	168,006
Total Budget Revenues	A-3	\$ 12,134,944	\$ 450,476	12,770,730	\$ 185,310
Nonbudget Revenue	A-1,A-2			159,662	
				\$ 12,930,392	

BOROUGH OF EMERSON
STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)

	<u>Reference</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenue from Collections	A-1,A-7	\$ 32,511,258
Less: Allocated to School and County Taxes	A-19,A-20	<u>23,317,129</u>
		9,194,129
Add Appropriation "Reserve for Uncollected Taxes"	A-3	<u>354,000</u>
Amount for Support of Municipal Budget Appropriation	A-2	<u>\$ 9,548,129</u>
Licenses - Other		
Borough Clerk	A-11	\$ 3,730
Health Officer	A-11	<u>11,716</u>
	A-2	<u>\$ 15,446</u>
Fees and Permits		
Borough Clerk	A-11	\$ 13,287
Planning/Zoning Boards	A-11	8,900
Police Department	A-11	<u>5,640</u>
	A-2	<u>\$ 27,827</u>
Interest on Investments and Deposits		
Revenue Accounts Receivable	A-11	\$ 28,144
Due from Other Trust Fund	B-6	449
Due from General Capital Fund	C-4	<u>3,872</u>
	A-2	<u>\$ 32,465</u>

BOROUGH OF EMERSON
STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)

Reference

Nonbudget Revenue		
Sale of Assets	\$	37,116
Administration Fee - Senior's & Veteran's		1,167
Administration Fee - Homestead Benefit Program		607
Police Outside Duty		111,792
6% Penalty		1,959
Sandy OEM Payment		857
Excess Grant Proceeds - NJ DOT - 2015 Municipal Program		1,947
Reimbursement of Prior Year Expenditures		3,681
Miscellaneous		<u>536</u>
	A-2, A-4	<u>\$ 159,662</u>

BOROUGH OF EMERSON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<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"					
GENERAL GOVERNMENT FUNCTIONS					
General Administration					
Salaries and Wages	\$ 198,450	\$ 178,450	\$ 177,979	\$ 471	
Other Expenses	107,225	118,225	115,341	2,884	
Mayor and Council					
Salaries and Wages	21,600	21,600	21,600	-	
Other Expenses	3,350	3,950	3,575	375	
Municipal Clerk					
Salaries and Wages	112,630	112,630	111,411	1,219	
Other Expenses	34,450	28,200	25,508	2,692	
Financial Administration					
Salaries and Wages	119,450	119,450	119,449	1	
Other Expenses	30,516	25,516	24,209	1,307	
Audit Services	37,500	37,500	-	37,500	
Revenue Administration					
Salaries and Wages	29,450	29,450	29,450	-	
Other Expenses	4,962	4,962	4,558	404	
Tax Assessment Administration					
Salaries and Wages	22,960	22,960	22,960	-	
Other Expenses	13,495	11,945	8,961	2,984	
Legal Services					
Other Expenses	210,000	251,500	241,630	9,870	
Engineering Services					
Other Expenses	22,000	45,000	38,696	6,304	
LAND USE ADMINISTRATION					
Land Use Board					
Salaries and Wages	3,500	3,500	3,300	200	
Other Expenses	21,400	21,400	20,581	819	
INSURANCE					
General Liability	192,635	192,635	192,627	8	
Workers Compensation	205,075	205,075	196,910	8,165	
Employee Group Health	777,100	753,100	697,393	55,707	
Health Benefit Waiver	13,404	13,554	13,508	46	
Unemployment Compensation Insurance	15,000	15,000	15,000	-	

BOROUGH OF EMERSON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
PUBLIC SAFETY FUNCTIONS					
Police Department					
Salaries and Wages	\$ 2,555,995	\$ 2,528,995	\$ 2,520,102	\$ 8,893	
Other Expenses	136,500	163,500	135,604	27,896	
Police Dispatch/911					
Salaries and Wages	175,156	175,156	164,497	10,659	
Other Expenses	1,500	1,500	85	1,415	
Office of Emergency Management					
Salaries and Wages	2,500	2,500	2,500	-	
Other Expenses	11,600	11,600	6,273	5,327	
Aid to Volunteer Fire Companies					
Other Expenses	73,500	78,000	77,156	844	
Aid to Volunteer Ambulance Corps.					
Other Expenses	16,250	19,250	18,789	461	
Fire Department					
Salaries and Wages	17,500	17,500	17,499	1	
Other Expenses	131,000	126,500	125,180	1,320	
Uniform Fire Safety Act (P.L. 1983, Ch. 383)					
Salaries and Wages	15,340	15,340	15,337	3	
Other Expenses	3,675	3,675	3,005	670	
Municipal Prosecutor					
Other Expenses	11,750	11,750	11,482	268	
PUBLIC WORKS FUNCTIONS					
Streets and Road Maintenance					
Salaries and Wages	574,100	574,100	502,036	72,064	
Other Expenses	60,000	60,000	44,613	15,387	
Sewer Services					
Salaries and Wages	198,400	184,400	175,773	8,627	
Other Expenses	81,550	81,550	74,836	6,714	
Shade Tree - Advisory Committee					
Other Expenses	58,000	58,000	45,365	12,635	
Solid Waste Collection					
Garbage/Recycling - Other Expenses	582,912	582,912	579,016	3,896	
Buildings and Grounds					
Other Expenses	61,500	61,500	59,885	1,615	
Vehicle Maintenance					
Salaries and Wages	150,650	150,650	150,101	549	
Other Expenses	67,300	67,300	62,938	4,362	

BOROUGH OF EMERSON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Continued)					
HEALTH AND HUMAN SERVICES					
FUNCTIONS					
Public Health Services					
Salaries and Wages	\$ 47,915	\$ 47,915	\$ 47,913	\$ 2	
Other Expenses	61,695	61,695	60,304	1,391	
Environmental Health Services					
Salaries and Wages	2,250	2,250	1,350	900	
Other Expenses	1,055	1,055	547	508	
Animal Control Services					
Other Expenses	10,500	10,500	8,465	2,035	
PARKS AND RECREATION FUNCTIONS					
Recreation Services and Programs					
Salaries and Wages	23,207	23,207	23,201	6	
Other Expenses	51,745	51,745	49,437	2,308	
Municipal Court					
Salaries and Wages	101,106	101,106	96,599	4,507	
Other Expenses	8,725	8,725	8,129	596	
Public Defender					
Salaries and Wages	2,990	2,990	2,987	3	
OTHER COMMON OPERATING					
FUNCTIONS					
Historic Preservation					
Other Expenses	500	500	165	335	
Celebration of Public Events					
Other Expenses	1,000	1,000	287	713	
Reserve for Accumulated Absences					
Salaries and Wages	35,000	35,000	35,000	-	
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY DEDICATED					
REVENUES (N.J.A.C. 5:23-4-17)					
STATE UNIFORM CONSTRUCTION CODE					
UNIFORM CONSTRUCTION CODE					
ADMINISTRATION					
Salaries and Wages	172,545	166,545	164,269	2,276	
Other Expenses	8,425	8,425	7,410	1,015	

BOROUGH OF EMERSON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Appropriated</u>		<u>Expended</u>		Unexpended Balance Cancelled
	<u>Budget</u>	Budget After <u>Modification</u>	Paid or <u>Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Continued)					
UTILITY EXPENSES AND BULK PURCHASES					
Electricity	\$ 71,000	\$ 71,000	\$ 68,011	\$ 2,989	
Street Lighting	88,000	84,500	76,139	8,361	
Telephone	26,400	26,400	25,338	1,062	
Water	14,100	14,100	9,959	4,141	
Gas (Natural or Propane)	19,000	19,000	19,000	-	
Gasoline	65,000	65,000	58,670	6,330	
LANDFILL/SOLID WASTE DISPOSAL COSTS					
Dump Fees					
Other Expenses	71,000	71,000	71,000	-	-
Total Operations Within "CAPS"	<u>8,065,988</u>	<u>8,064,938</u>	<u>7,710,898</u>	<u>354,040</u>	<u>-</u>
Detail:					
Salaries and Wages	4,582,694	4,515,694	4,405,313	110,381	-
Other Expenses	3,483,294	3,549,244	3,305,585	243,659	-
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"					
Regulatory Expenditures					
Public Employees' Retirement System	193,393	193,393	193,393	-	-
Social Security System (O.A.S.I.)	185,000	185,400	185,308	92	
Police and Firemen's Retirement System of N.J.	586,727	586,727	586,727	-	
Defined Contribution Retirement Program	1,560	2,210	2,009	201	-
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	<u>966,680</u>	<u>967,730</u>	<u>967,437</u>	<u>293</u>	<u>-</u>
Total General Appropriations for Municipal Purposes - Within "CAPS"	<u>9,032,668</u>	<u>9,032,668</u>	<u>8,678,335</u>	<u>354,333</u>	<u>-</u>

**BOROUGH OF EMERSON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<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	\$ 430,034	\$ 430,034	\$ 413,758	\$ 16,276	
UTILITY EXPENSES AND BULK PURCHASES					
Sewerage Processing and Disposal					
Operation and Maintenance Expenses	510,575	510,575	510,575	-	
Debt Expenses	190,354	190,354	190,354	-	
Northwest Bergen Utilities Authority					
Other Expenses	7,000	7,000	4,600		\$ 2,400
Reserve for Tax Appeals					
Other Expenses	40,000	40,000	40,000	-	
Length of Service Awards Program	50,000	50,000	-	50,000	
Recycling Tax P.L. 2007, c.311(N.J.S.A. 13:1E-96.5)	10,500	10,500	7,435	3,065	
NJPDES/Stormwater Permit Management [N.J.S.A.40A:4-45.39(cc)]					
Salaries and Wages	86,020	86,020	86,011	9	
Other Expenses	22,574	22,574	20,574		2,000
Borough of Old Tappan - Court					
Salaries and Wages	11,800	11,800	11,800	-	
Other Expenses	3,680	3,680	-	3,680	-
Total Other Operations Excluded from "CAPS"	<u>1,362,537</u>	<u>1,362,537</u>	<u>1,285,107</u>	<u>73,030</u>	<u>4,400</u>
Public and Private Programs Offset by Revenues					
Municipal Alliance					
State Share		9,876	1,396	8,480	
Local Share		2,469	-	2,469	
Alcohol Education Rehab Enforcement		513	513	-	
Matching Funds for Grants	3,000	531		531	
Clean Communities		14,087	4,412	9,675	
Drunk Driving Enforcement	2,780	2,780	-	2,780	
Bergen County ADA Ramps Grant		66,000	60,000	6,000	
CDBG - Senior Citizen Activities Woods Phase 2	100,000	100,000	100,000	-	
CDBG - Senior Citizen Activities Drainage Imp Pine Dr.	40,000	40,000	39,817		183
NJ Department of Transportation Main St. Section 5		215,000	129,827	85,173	
NJ Department of Transportation Drainage - Vivian Ave		145,000	-	145,000	
Recycling Tonnage Grant	8,963	8,963	-	8,963	-
Total Public and Private Programs Offset by Revenues	<u>154,743</u>	<u>605,219</u>	<u>335,965</u>	<u>269,071</u>	<u>183</u>
Total Operations Excluded from "CAPS"	<u>1,517,280</u>	<u>1,967,756</u>	<u>1,621,072</u>	<u>342,101</u>	<u>4,583</u>
Detail:					
Salaries and Wages	97,820	97,820	97,811	9	-
Other Expenses	1,419,460	1,869,936	1,523,261	342,092	4,583

BOROUGH OF EMERSON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Appropriated</u>	<u>Expended</u>	<u>Unexpended</u>		
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Balance</u>	
		<u>Modification</u>	<u>Charged</u>	<u>Reserved</u>	
				<u>Cancelled</u>	
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	\$ 35,000	\$ 35,000	\$ 35,000	-	-
 Total Capital Improvements Excluded from "CAPS"	 35,000	 35,000	 35,000	 -	 -
 MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	728,000	728,000	728,000		
Bond Anticipatio Note Principal	103,026	103,026	103,026		
Interest on Bonds	126,753	126,753	126,750		\$ 3
Interest on Notes	51,399	51,399	51,255		144
Green Trust Loans - Principal and Interest	186,818	186,818	186,818	-	-
 Total Municipal Debt Service Excluded from "CAPS"	 1,195,996	 1,195,996	 1,195,849	 -	 147
 Total General Appropriations for Municipal Purposes Excluded from "CAPS"	 2,748,276	 3,198,752	 2,851,921	 \$ 342,101	 4,730
 Subtotal General Appropriations	 11,780,944	 12,231,420	 11,530,256	 696,434	 4,730
 Reserve for Uncollected Taxes	 354,000	 354,000	 354,000	 -	 -
 Total General Appropriations	 \$ 12,134,944	 \$ 12,585,420	 \$ 11,884,256	 \$ 696,434	 \$ 4,730
<u>Reference</u>	A-2			A	

BOROUGH OF EMERSON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Reference</u>	<u>Budget After Modification</u>	<u>Expended Paid or Charged</u>
Budget as Adopted	A-3	\$ 12,134,944	
Added by N.J.S.A. 40A:4-87	A-2	<u>450,476</u>	
		<u>\$ 12,585,420</u>	
Cash Disbursed	A-4		\$ 11,033,001
Reserve for Uncollected Taxes	A-2		354,000
Reserve for Tax Appeals	A-29		40,000
Encumbrances Payable	A-14		<u>457,255</u>
			<u>\$ 11,884,256</u>

BOROUGH OF EMERSON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS
AS OF DECEMBER 31, 2018 AND 2017

ASSETS	<u>Reference</u>	<u>2018</u>	<u>2017</u>
ANIMAL CONTROL TRUST FUND			
Cash	B-1	\$ <u>15,366</u>	\$ <u>17,484</u>
OTHER TRUST FUND			
Cash	B-1	858,498	768,295
Other Accounts Receivable	B-5	<u>2,472</u>	<u>5,919</u>
		<u>860,970</u>	<u>774,214</u>
HOUSING TRUST FUND			
Cash	B-1	<u>288,526</u>	<u>263,768</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Cash	B-1	<u>67,185</u>	<u>57,556</u>
LENGTH OF SERVICE AWARDS PROGRAM (LOSAP) TRUST FUND (UNAUDITED)			
Investments	B	804,713	812,014
Due from Other Trust Fund	B-16	28,405	28,405
Contribution Receivable	B	<u>41,600</u>	<u>36,800</u>
		<u>874,718</u>	<u>877,219</u>
Total Assets		\$ <u>2,106,765</u>	\$ <u>1,990,241</u>

BOROUGH OF EMERSON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS
AS OF DECEMBER 31, 2018 AND 2017

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
LIABILITIES, RESERVES AND FUND BALANCE			
ANIMAL CONTROL TRUST FUND			
Due to Current Fund	B-3	\$ 5,905	\$ 5,431
Reserve for Animal Control Expenditures	B-4	<u>9,461</u>	<u>12,053</u>
		<u>15,366</u>	<u>17,484</u>
OTHER TRUST FUND			
Due to LOSAP Trust Fund	B-16	28,405	28,405
Due to Emerson Public Library	B-7	41	259
Reserve for Payroll Deductions Payable	B-9	7,611	7,073
Reserve for Flexible Spending	B-10	133	
Reserve for Accumulated Absences	B-11	59,374	171,060
Reserve for Escrow and Miscellaneous Reserves	B-12	<u>765,406</u>	<u>567,417</u>
		<u>860,970</u>	<u>774,214</u>
HOUSING TRUST FUND			
Reserve for Housing Trust Expenditures	B-13	<u>288,526</u>	<u>263,768</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Reserve for Unemployment Insurance Trust Claims	B-14	<u>67,185</u>	<u>57,556</u>
LENGTH OF SERVICE AWARDS PROGRAM (LOSAP) TRUST FUND (UNAUDITED)			
Reserve for LOSAP Contributions	B	<u>874,718</u>	<u>877,219</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 2,106,765</u>	<u>\$ 1,990,241</u>

BOROUGH OF EMERSON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2018 AND 2017

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
ASSETS			
Cash	C-2,C-3	\$ 727,279	\$ 586,869
Grants Receivable	C-5	39,618	83,381
Due from Current Fund	C-4		1,051
Deferred Charges to Future Taxation			
Funded	C-6	4,320,365	5,221,868
Unfunded	C-7	<u>5,160,223</u>	<u>4,620,328</u>
 Total Assets		 <u>\$ 10,247,485</u>	 <u>\$ 10,513,497</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds Payable	C-11	\$ 3,785,000	\$ 4,513,000
Intergovernmental Loans Payable	C-12	535,365	708,868
Bond Anticipated Notes Payable	C-13	5,113,779	4,508,570
Improvement Authorizations			
Funded	C-8	6,835	56,295
Unfunded	C-8	415,321	446,942
Contracts Payable	C-9	270,014	138,318
Capital Improvement Fund	C-10	32,083	26,108
Miscellaneous Reserves	C-14	500	500
Reserve for Grant Receivables	C-15		43,763
Reserve for Capital Projects	C-16	8,750	8,750
Fund Balance	C-1	<u>79,838</u>	<u>62,383</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 10,247,485</u>	 <u>\$ 10,513,497</u>

There were bonds and notes authorized but not issued on December 31, 2018 and 2017 in the amount of \$79,349 and \$111,758, respectively (Exhibit C-17).

BOROUGH OF EMERSON
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
Balance, January 1	C	\$ 62,383	\$ 68,490
Increased by:			
Premium on Sale of Notes	C-2	38,355	
Funded Improvement Authorizations Canceled	C-8	<u>19,100</u>	<u>48,893</u>
		119,838	117,383
Decreased by:			
Due to Current Fund as Anticipated Revenue	C-4	<u>40,000</u>	<u>55,000</u>
Balance, December 31	C	<u>\$ 79,838</u>	<u>\$ 62,383</u>

**BOROUGH OF EMERSON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
General Fixed Assets		
Land	\$ 12,652,320	\$ 12,676,320
Buildings and Building Improvements	2,349,064	2,349,064
Machinery and Equipment	<u>6,220,252</u>	<u>6,105,445</u>
Total General Fixed Assets	<u>\$ 21,221,636</u>	<u>\$ 21,130,829</u>
Investment in General Fixed Assets	<u>\$ 21,221,636</u>	<u>\$ 21,130,829</u>

NOTES TO FINANCIAL STATEMENTS

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of Emerson (the "Borough") was incorporated in 1903 and operates under an elected Mayor and Council form of government. The Mayor is elected to a four-year term and the six council members are elected at-large, two each year for terms of three years. The Mayor is the Chief Executive Officer of the Borough and as such presides over all public meetings and makes appointments to various boards. The Borough Council exercises all legislative powers including final adoption of the municipal budget and bond ordinances and confirmation of the Mayor's appointments, and all executive authority which is not specifically provided to the Mayor, by state law. A Borough Administrator is appointed by the Borough Council and is responsible for the implementation of the policies of the Mayor and Council, for the administration of all Borough affairs and for the day to day operations of the Borough. The Borough Administrator is the Chief Administrative Officer for the Borough. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

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

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

B. Description of Regulatory Basis of Accounting

The financial statements of the Borough of Emerson have been prepared on a basis of accounting in conformity with accounting principles and practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a regulatory basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough accounts for its financial transactions through separate funds, which differ from the fund structure required by GAAP.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB has adopted accounting statements to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America. (GAAP). The municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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

The Borough has the following funds and account group:

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

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

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

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

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

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

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

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

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

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

Reclassifications - Certain reclassifications may have been made to the December 31, 2017 balances to conform to the December 31, 2018 presentation.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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.

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

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

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

Land and Buildings	Assessed Value
Machinery and Equipment	Replacement Cost

No depreciation has been provided for in the financial statements.

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

Trust Funds
General Capital Fund

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2018 and 2017 the Borough Council increased the original budget by \$450,476 and \$197,753. The 2018 and 2017 increases were funded by additional aid allotted to the Borough. In addition, the governing body approved several budget transfers during 2018 and 2017.

NOTE 3 CASH DEPOSITS AND INVESTMENTS

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

A. Cash Deposits

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

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

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

A. Cash Deposits (Continued)

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2018 and 2017, the book value of the Borough's deposits were \$6,349,309 and \$7,986,179 and bank and brokerage firm balances of the Borough's deposits amounted to \$6,462,146 and \$7,446,038, 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>2018</u>	<u>2017</u>
Insured	\$ 6,383,948	\$ 7,369,251
Uninsured and Collateralized	<u>78,198</u>	<u>76,787</u>
	<u>\$ 6,462,146</u>	<u>\$ 7,446,038</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2018 and 2017, the Borough's bank balances of \$78,198 and \$76,787 were exposed to custodial credit risk as follows:

<u>Depository Account</u>	<u>2018</u>	<u>2017</u>
Uninsured and Collateral held by pledging financial institution's trust department not in the Borough's name	<u>\$ 78,198</u>	<u>\$ 76,787</u>

B. Investments

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

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

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

As of December 31, 2018 and 2017, the Borough had the following investments:

	Fair Value (Unaudited)	
	<u>2018</u>	<u>2017</u>
Investment:		
Length of Service Award Program	\$ <u>804,713</u>	\$ <u>812,014</u>

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, 2018 and 2017, \$804,713 and \$812,014 of the Borough’s investments was exposed to custodial credit risk as follows:

	Fair Value (LOSAP - Unaudited)	
	<u>2018</u>	<u>2017</u>
Uninsured and Collateralized		
Collateral held by pledging financial institution's trust department but not in the Borough's name	\$ <u>804,713</u>	\$ <u>812,014</u>

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

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1 and NJAC 5:30-14.19). The Borough does not have an investment policy that would further limit its investment choices. As of December 31, 2018 and 2017, the Borough’s investment in Lincoln Financial Group was rated Baa1 by Moody’s Investor Services.

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

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

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

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

NOTE 4 TAXES RECEIVABLE

Receivables at December 31, 2018 and 2017 consisted of the following:

<u>Current</u>	<u>2018</u>	<u>2017</u>
Property Taxes	\$ 226,781	\$ 160,024
Tax Title Liens	<u>161,566</u>	<u>140,941</u>
	<u>\$ 388,347</u>	<u>\$ 300,965</u>

In 2018 and 2017, the Borough collected \$161,420 and \$145,363 from delinquent taxes, which represented 53% and 55%, respectively of the prior year delinquent taxes receivable balance.

NOTE 5 DUE TO/FROM OTHER FUNDS

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

	<u>2018</u>		<u>2017</u>	
	<u>Due from</u> <u>Other Funds</u>	<u>Due to</u> <u>Other Funds</u>	<u>Due from</u> <u>Other Funds</u>	<u>Due to</u> <u>Other Funds</u>
Current Fund	\$ 5,905		\$ 5,431	\$ 1,051
General Capital Fund	-		1,051	
Animal Control Trust Fund		\$ 5,905		5,431
Other Trust Fund		28,405		28,405
LOSAP Trust Fund	<u>28,405</u>	<u>-</u>	<u>28,405</u>	<u>-</u>
Total	<u>\$ 34,310</u>	<u>\$ 34,310</u>	<u>\$ 34,887</u>	<u>\$ 34,887</u>

The above balances are the result of revenues earned or receipts received in one fund for another fund and expenditures being paid by one fund on behalf of another.

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

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

NOTE 6 DEFERRED SCHOOL TAXES

Under the regulatory basis of accounting, regulations allow for the deferral to fund balance of not more than 50% of the annual school levy when school taxes are raised in advance for a school year and have not been requisitioned by the school district as of December 31. The balance of unpaid school taxes levied, amount deferred and the amount reported as a liability (payable) at December 31, 2018 and 2017 are as follows:

	<u>Local District School</u>	
	<u>2018</u>	<u>2017</u>
Balance of Tax	\$ 10,197,521	\$ 9,780,003
Deferred Liability	<u>9,657,521</u>	<u>9,240,003</u>
Taxes Payable	<u>\$ 540,000</u>	<u>\$ 540,000</u>

NOTE 7 FUND BALANCES APPROPRIATED

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

	<u>2018</u>		<u>2017</u>	
	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>
Current Fund				
Cash Surplus	\$ 2,092,755	\$ 1,040,000	\$ 2,369,773	\$ 1,000,000
Non-Cash Surplus	<u>630,718</u>	<u>-</u>	<u>281,249</u>	<u>-</u>
	<u>\$ 2,723,473</u>	<u>\$ 1,040,000</u>	<u>\$ 2,651,022</u>	<u>\$ 1,000,000</u>

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

NOTE 8 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, 2018 and 2017.

	Balance January 1, <u>2018</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2018</u>
<u>2018</u>				
Land	\$ 12,676,320		\$ 24,000	\$ 12,652,320
Buildings and Building Improvements	2,349,064			2,349,064
Machinery and Equipment	<u>6,105,445</u>	<u>\$ 212,507</u>	<u>97,700</u>	<u>6,220,252</u>
	<u>\$ 21,130,829</u>	<u>\$ 212,507</u>	<u>\$ 121,700</u>	<u>\$ 21,221,636</u>
	Balance January 1, <u>2017</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2017</u>
<u>2017</u>				
Land	\$ 12,656,320	\$ 20,000		\$ 12,676,320
Buildings and Building Improvements	2,349,064			2,349,064
Machinery and Equipment	<u>6,048,649</u>	<u>91,296</u>	<u>\$ 34,500</u>	<u>6,105,445</u>
	<u>\$ 21,054,033</u>	<u>\$ 111,296</u>	<u>\$ 34,500</u>	<u>\$ 21,130,829</u>

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

NOTE 9 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.

The Borough's debt is summarized as follows:

	<u>2018</u>	<u>2017</u>
Issued		
General		
Bonds, Notes and Loans	\$ 9,434,144	\$ 9,730,438
Less Funds Temporarily Held to Pay Notes	<u>32,905</u>	<u>-</u>
Net Debt Issued	9,401,239	9,730,438
Authorized But Not Issued		
General		
Bonds and Notes	<u>79,349</u>	<u>111,758</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 9,480,588</u>	<u>\$ 9,842,196</u>

Statutory Net Debt

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of .736% and .776% at December 31, 2018 and 2017, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2018</u>			
General Debt	\$ 9,513,493	\$ 32,905	\$ 9,480,588
School Debt	<u>13,368,446</u>	<u>13,368,446</u>	<u>-</u>
Total	<u>\$ 22,881,939</u>	<u>\$ 13,401,351</u>	<u>\$ 9,480,588</u>
	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2017</u>			
General Debt	<u>\$ 9,842,196</u>	<u>\$ -</u>	<u>\$ 9,842,196</u>
Total	<u>\$ 9,842,196</u>	<u>\$ -</u>	<u>\$ 9,842,196</u>

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

NOTE 9 MUNICIPAL DEBT (Continued)

Statutory Borrowing Power

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

	<u>2018</u>	<u>2017</u>
3-1/2% of Equalized Valuation Basis (Municipal) Net Debt	\$ 45,083,787 <u>9,480,588</u>	\$ 44,410,069 <u>9,842,196</u>
Remaining Borrowing Power	<u>\$ 35,603,199</u>	<u>\$ 34,567,873</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>2018</u>	<u>2017</u>
\$2,053,000, 2003 Bonds		\$ 168,000
\$2,030,000, 2007 Bonds, due in an annual installment of \$210,000 through August, 2019 interest at 4.10%	\$ 210,000	410,000
\$1,697,000, 2010 Bonds, due in annual installments of \$345,000 to \$517,000 through October, 2020 interest at 2.75% to 3.00%	862,000	1,022,000
\$3,698,000, 2013 Bonds, due in annual installments of \$200,000 to \$390,000 through December, 2026 interest at 2.00% to 3.00%	<u>2,713,000</u>	<u>2,913,000</u>
	<u>\$ 3,785,000</u>	<u>\$ 4,513,000</u>

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

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

General Intergovernmental Loans Payable

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

	<u>2018</u>	<u>2017</u>
\$2,800,000, 2001 Loan, due in annual installments of \$164,842 to \$171,536 through September, 2021, interest at 2.00%	\$ 504,534	\$ 666,128
\$200,000, 2001 Loan, due in annual installments of \$6,290 to \$12,392 through March, 2021, interest at 2.00%	<u>30,831</u>	<u>42,740</u>
	<u>\$ 535,365</u>	<u>\$ 708,868</u>

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2018 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>	
2019	\$ 755,000	\$ 103,823	\$ 176,991	\$ 9,827	\$ 1,045,641
2020	717,000	81,725	180,549	6,269	985,543
2021	380,000	62,215	177,825	2,640	622,680
2022	385,000	54,140			439,140
2023	385,000	44,515	-	-	429,515
2024-2026	<u>1,163,000</u>	<u>69,870</u>	<u>-</u>	<u>-</u>	<u>1,232,870</u>
	<u>\$ 3,785,000</u>	<u>\$ 416,288</u>	<u>\$ 535,365</u>	<u>\$ 18,736</u>	<u>\$ 4,755,389</u>

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

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years ended December 31, 2018 and 2017 were as follows:

	Balance, January 1, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>	Due Within <u>One Year</u>
<u>2018</u>					
General Capital Fund					
Bonds Payable	\$ 4,513,000		\$ 728,000	\$ 3,785,000	\$ 755,000
Intergovernmental Loans Payable	<u>708,868</u>	<u>-</u>	<u>173,503</u>	<u>535,365</u>	<u>176,991</u>
General Capital Fund Long-Term Liabilities	<u>\$ 5,221,868</u>	<u>\$ -</u>	<u>\$ 901,503</u>	<u>\$ 4,320,365</u>	<u>\$ 931,991</u>
	Balance, January 1, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>	Due Within <u>One Year</u>
<u>2017</u>					
General Capital Fund					
Bonds Payable	\$ 5,228,000		\$ 715,000	\$ 4,513,000	\$ 728,000
Intergovernmental Loans Payable	<u>878,952</u>	<u>-</u>	<u>170,084</u>	<u>708,868</u>	<u>173,503</u>
General Capital Fund Long-Term Liabilities	<u>\$ 6,106,952</u>	<u>\$ -</u>	<u>\$ 885,084</u>	<u>\$ 5,221,868</u>	<u>\$ 901,503</u>

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

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt

The Borough's short-term debt activity for the years ended December 31, 2018 and 2017 was as follows:

Bond Anticipation Notes

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

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

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, January 1, 2017</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2017</u>
2017						
<u>General Capital Fund</u>						
Various Public Improvements	0.85%	8/25/2017	\$ 285,000		\$ 285,000	
	1.14%	8/24/2018		\$ 285,000		\$ 285,000
Various Public Improvements and Acquisition of Equipment	0.85%	8/25/2017	210,465		210,465	
	1.14%	8/24/2018		210,465		210,465
Various Public Improvements and Acquisition of Equipment and Vehicles	0.85%	8/25/2017	2,879,000		2,879,000	
	1.14%	8/24/2018		2,870,905		2,870,905
Various Improvements to Hillman Field	0.85%	8/25/2017	18,500		18,500	
	1.14%	8/24/2018		18,500		18,500
Acquisition of Real Property for Municipal Purposes	0.85%	8/25/2017	814,200		814,200	
	1.14%	8/24/2018		814,200		814,200
2015 Road Resurfacing Program	0.85%	8/25/2017	309,500		309,500	
	1.14%	8/24/2018	-	309,500	-	309,500
Total Bond Anticipation Notes Payable			<u>\$ 4,516,665</u>	<u>\$ 4,508,570</u>	<u>\$ 4,516,665</u>	<u>\$ 4,508,570</u>

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

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

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

NOTE 10 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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

<u>Capital Projects</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
<u>2018</u>		
2018 Road Paving Program	\$ 37,666	2019
ADA Curb Ramp Improvements	60,000	2019
Main Street and Linwood Avenue (Sections 4 & 5)	<u>297,454</u>	2019
	<u>\$ 395,120</u>	

As of December 31, the Borough has other significant commitments as follows:

<u>Purpose</u>	<u>Remaining Commitment</u>
<u>2018</u>	
Acquisition of Body for New Hook Lift	\$ 64,269
Acquisition of SUV for the Fire Department	<u>40,691</u>
	<u>\$ 104,960</u>

NOTE 11 OTHER LONG-TERM LIABILITIES

A. Compensated Absences

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

Members of the Police Department hired before January 1, 2013 after serving the required number of years and reaching the prescribed retirement age as set forth by the Police and Firemen’s Retirement System of the State of New Jersey are entitled to twenty-seven (27) weeks terminal leave with pay. Members of the Police Department hired on or after January 1, 2013 upon eligibility for retirement according to the New Jersey Police and PFRS guidelines who have less than twenty-six (26) years of service shall be entitled to twenty-six (26) weeks of terminal leave with pay. Members with twenty-six (26) completed years of service, but less than thirty (30) completed years of service shall be entitled to thirteen (13) weeks of terminal leave with pay. Members with thirty (30) or more completed years of service shall not be entitled to terminal leave. All employees hired after January 1, 2017 shall be entitled to thirteen (13) weeks terminal leave.

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$0 and \$146,098 at December 31, 2018 and 2017, 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, 2018 and 2017, the Borough has reserved in the Other Trust Fund \$59,374 and \$171,060, respectively to fund compensated absences in accordance with NJSA 40A:4-39.

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

NOTE 11 OTHER LONG-TERM LIABILITIES (Continued)

B. Deferred Pension Obligation (Delete or modify as necessary)

During the year ended December 31, 2009 the Borough elected to contribute 50% of its normal and accrued liability components of the PFRS and PERS obligations and deferred the remaining 50% in accordance with P.L. 2009, c.19. The deferred amount totaled \$276,426 and will be paid back with interest over 15 years beginning in the 2012 year. The Borough is permitted to payoff the deferred PFRS and PERS pension obligations at any time. It is estimated that the total deferred liability including accrued interest (7.00% effective July 1, 2017 and 7.65% effective July 1, 2016 through June 30, 2017 at December 31, 2018 and 2017 is \$199,904 and \$230,189, respectively.

During the years ended December 31, 2018, 2017 and 2016 the Borough was required to contribute for the deferred pension obligation the following amounts which equaled the required contribution for each year.

<u>Years Ended</u> <u>December 31,</u>	<u>PERS</u>	<u>PFRS</u>
2018	\$ 8,897	\$ 33,755
2017	8,786	33,416
2016	8,690	33,094

Changes in Other Long-Term Liabilities

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

The Borough's changes in other long-term liabilities for the years ended December 31, 2018 and 2017 were as follows:

	<u>Balance,</u> <u>January 1,</u> <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance,</u> <u>December 31,</u> <u>2018</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
<u>2018</u>					
Compensated Absences	\$ 146,098		\$ 146,098		
Deferred Pension Obligation	230,189	\$ 12,367	42,652	\$ 199,904	\$ 42,854
Net OPEB Liability (1)	6,421,582			6,421,582	
Net Pension Liability - PERS	4,620,510	280,571	235,687	4,665,394	
Net Pension Liability - PFRS	<u>9,645,922</u>	<u>-</u>	<u>1,594,884</u>	<u>8,051,038</u>	<u>-</u>
Other Long-Term Liabilities	<u>\$ 21,064,301</u>	<u>\$ 292,938</u>	<u>\$ 2,019,321</u>	<u>\$ 19,337,918</u>	<u>\$ 42,854</u>

(1) Information for 2018 was not made available from the State of New Jersey.

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

NOTE 11 OTHER LONG-TERM LIABILITIES (Continued)

Changes in Other Long-Term Liabilities (Continued)

	Balance, January 1, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>	Due Within <u>One Year</u>
<u>2017</u>					
Compensated Absences	\$ 143,939	\$ 2,159		\$ 146,098	
Deferred Pension Obligation	254,489	17,902	\$ 42,202	230,189	\$ 42,652
Net OPEB Liability	6,862,502		440,920	6,421,582	
Net Pension Liability - PERS	6,773,078		2,152,568	4,620,510	
Net Pension Liability - PFRS	<u>12,571,191</u>	<u>-</u>	<u>2,925,269</u>	<u>9,645,922</u>	<u>-</u>
Other Long-Term Liabilities	<u>\$ 26,605,199</u>	<u>\$ 20,061</u>	<u>\$ 5,560,959</u>	<u>\$ 21,064,301</u>	<u>\$ 42,652</u>

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS

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

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

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

The following represents the membership tiers for PFRS:

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

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

The following represents the membership tiers for PERS:

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

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

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

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Other Pension Funds

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

Investment Valuation

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

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Collective Net Pension Liability

The collective net pension liability of the participating employers for PERS at June 30, 2018 and 2017 is \$43.4 billion and \$48.9 billion, respectively, and the plan fiduciary net position as a percentage of the total pension liability is 40.45% and 36.78%, respectively. The collective net pension liability of the participating employers for PFRS at June 30, 2018 and 2017 is \$19.7 billion and \$21.6 billion, respectively and the plan fiduciary net position as a percentage of total pension liability is 57.91% and 54.52%, respectively.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2017 and 2016 which were rolled forward to June 30, 2018 and 2017, respectively.

Actuarial Methods and Assumptions

In the July 1, 2017 and 2016 PERS and PFRS actuarial valuations, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The pension systems selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 68. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

Employer and Employee Pension Contributions

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

For the years ended December 31, 2018 and 2017 for PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution. All contributions made by the Borough for 2018, 2017 and 2016 were equal to the required contributions.

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Annual Pension Cost (APC) (Continued)

During the years ended December 31, 2018, 2017 and 2016, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2018	\$ 552,972	\$ 183,879	\$ 2,009
2017	536,567	203,163	1,129
2016	545,017	206,666	398

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

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

The regulatory basis of accounting requires participating employers in PERS and PFRS to disclose in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, (GASB No.68)* their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS and PFRS during the fiscal years ended June 30, 2018 and 2017. Employer allocation percentages have been rounded for presentation purposes.

Public Employees Retirement System (PERS)

At December 31, 2018 and 2017, the Borough reported a liability of \$4,665,394 and \$4,620,510, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016, 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. As of the measurement date of June 30, 2018, the Borough's proportionate share was .02369 percent, which was an increase of .00384 percent from its proportionate share measured as of June 30, 2017 of .01985 percent.

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

For the years ended December 31, 2018 and 2017, the pension system has determined the Borough's pension expense to be \$218,114 and \$131,052, respectively, for PERS based on the actuarial valuations. The Borough's pension expense for the year ended December 31, 2018 was more than the actual contribution reported in the Borough's financial statements of \$183,879. The Borough's pension expense for the year ended December 31, 2017 was less than the actual contribution reported in the Borough's financial statements of \$203,163. At December 31, 2018 and 2017, 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:

	2018		2017	
	<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	\$ 88,970	\$ 24,056	\$ 108,797	
Changes of Assumptions	768,780	1,491,745	930,874	\$ 927,461
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		43,762	31,463	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>713,356</u>	<u>592,530</u>	<u>-</u>	<u>794,747</u>
Total	<u>\$ 1,571,106</u>	<u>\$ 2,152,093</u>	<u>\$ 1,071,134</u>	<u>\$ 1,722,208</u>

At December 31, 2018 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2019	\$ (18,567)
2020	(85,744)
2021	(310,517)
2022	(176,044)
2023	9,885
Thereafter	<u>-</u>
	<u>\$ (580,987)</u>

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The Borough's total pension liability reported for the year ended December 31, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The total pension liability reported for the year ended December 31, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2018</u>	<u>2017</u>
Inflation Rate	2.25%	2.25%
Salary Increases:		
Through 2026	1.65-4.15% Based on Age	1.65-4.15% Based on Age
Thereafter	2.65%-5.15% Based on Age	2.65-5.15% Based on Age
Investment Rate of Return	7.00%	7.00%
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, 2017 and 2016 valuations were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014, respectively.

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2018 and 2017, as reported for the years ended December 31, 2018 and 2017, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2018</u>		<u>2017</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%	5.00%	5.51%
Cash Equivalents	5.50%	1.00%	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%	10.00%	3.78%
US Equity	30.00%	8.19%	30.00%	8.19%
Non-US Developed Markets Equity	11.50%	9.00%	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%	6.50%	11.64%
High Yield	2.50%	6.82%	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%	1.00%	6.61%
Private Real Asset	2.50%	11.83%	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%	6.25%	9.23%
Buyouts/Venture Capital	8.25%	13.08%	8.25%	13.08%

Discount Rate

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

<u>Calendar Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2018	5.66%
2017	June 30, 2017	5.00%

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

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

	<u>2018</u>	<u>2017</u>
Period of Projected Benefit Payments for which the Following Rates were Applied:		
Long-Term Expected Rate of Return	Through June 30, 2046	Through June 30, 2040
Municipal Bond Rate *	From July 1, 2046 and Thereafter	From July 1, 2040 and Thereafter

* The municipal bond return rate used is 3.87% and 3.58% as of the measurement dates of June 30, 2018 and 2017, 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, 2018 and 2017 calculated using the discount rate of 5.66% and 5.00%, respectively, as well as what the Borough's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 4.66% and 4.00%, respectively or 1-percentage-point higher 6.66% and 6.00%, respectively than the current rate:

	1% Decrease <u>(4.66%)</u>	Current Discount Rate <u>(5.66%)</u>	1% Increase <u>(6.66%)</u>
<u>2018</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 5,866,195</u>	<u>\$ 4,665,394</u>	<u>\$ 3,657,998</u>
	1% Decrease <u>(4.00%)</u>	Current Discount Rate <u>(5.00%)</u>	1% Increase <u>(6.00%)</u>
<u>2017</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 5,732,056</u>	<u>\$ 4,620,510</u>	<u>\$ 3,694,454</u>

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2018 and 2017. 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, 2018 AND 2017**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Pension Plan Fiduciary Net Position

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

Police and Firemen's Retirement System (PFRS)

At December 31, 2018 and 2017, the Borough reported a liability of \$8,051,038 and \$9,645,922, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016, 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. As of the measurement date of June 30, 2018, the Borough's proportionate share was .05950 percent, which was a decrease of .00298 percent from its proportionate share measured as of June 30, 2017 of .06248 percent.

For the years ended December 31, 2018 and 2017, the pension system has determined the Borough pension expense to be \$467,566 and \$798,642, respectively, for PFRS based on the actuarial valuations. Pension expense for the year ended December 31, 2018 was less than the actual contribution reported in the Borough's financial statements of \$552,972. The Borough's pension expense, for the year ended December 31, 2017, was more than the actual contribution reported in the Borough's financial statements of \$536,537. The Borough's At December 31, 2018 and 2017, the Borough's deferred outflows of resources and deferred inflows of resources related to PFRS pension which are not reported on the Borough's financial statements are from the following sources:

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 81,909	\$ 33,317	\$ 62,577	\$ 56,614
Changes of Assumptions	691,073	2,063,342	1,189,450	1,579,720
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		44,046	184,067	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	249,302	931,424	412,244	782,428
Total	\$ 1,022,284	\$ 3,072,129	\$ 1,848,338	\$ 2,418,762

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

At December 31, 2018 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS pension will be recognized in pension expense as follows:

Year Ending <u>December 31,</u>	<u>Total</u>
2019	\$ (57,692)
2020	(359,418)
2021	(881,827)
2022	(565,112)
2023	(185,796)
Thereafter	<u>-</u>
	<u>\$ (2,049,845)</u>

Actuarial Assumptions

The Borough’s total pension liability reported for the year ended December 31, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The total pension liability reported for the year ended December 31, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PFRS</u>	<u>2018</u>	<u>2017</u>
Inflation Rate	2.25%	2.25%
Salary Increases:		
Through 2026	2.10%-8.98% Based on Age	2.10-8.98% Based on Age
Thereafter	3.10%-9.98% Based on Age	3.10-9.98% Based on Age
Investment Rate of Return	7.00%	7.00%
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, 2017 and July 1, 2016 valuations were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans’ target asset allocation as of June 30, 2018 and 2017, as reported for the years ended December 31, 2018 and 2017, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2018</u>		<u>2017</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%	5.00%	5.51%
Cash	5.50%	1.00%	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%	3.00%	1.87%
Investment Grade Credit	10.00%	3.87%	10.00%	3.78%
US Equity	30.00%	8.19%	30.00%	8.19%
Non-US Developed Markets Equity	11.50%	9.00%	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%	6.50%	11.64%
High Yield	2.50%	6.82%	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%	1.00%	6.61%
Private Real Asset	2.50%	11.83%	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%	6.25%	9.23%
Buyouts/Venture Capital	8.25%	13.08%	8.25%	13.08%

Discount Rate

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

<u>Calendar Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2018	6.51%
2017	June 30, 2017	6.14%

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Discount Rate (Continued)

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

	<u>2018</u>	<u>2017</u>
Period of Projected Benefit		
Payments for which the Following		
Rates were Applied:		
Long-Term Expected Rate of Return	Through June 30, 2062	Through June 30, 2057
Municipal Bond Rate *	From July 1, 2062 and Thereafter	From July 1, 2057 and Thereafter

* The municipal bond return rate used is 3.87% and 3.58% as of the measurement dates of June 30, 2018 and 2017, 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, 2018 and 2017 calculated using the discount rate of 6.51% and 6.14%, respectively, as well as what the Borough’s proportionate share of the PFRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 5.51% and 5.14%, respectively or 1-percentage-point higher 7.51% and 7.14%, respectively than the current rate:

	1% Decrease <u>(5.51%)</u>	Current Discount Rate <u>(6.51%)</u>	1% Increase <u>(7.51%)</u>
<u>2018</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	\$ <u>10,775,315</u>	\$ <u>8,051,038</u>	\$ <u>5,804,005</u>
	1% Decrease <u>(5.14%)</u>	Current Discount Rate <u>(6.14%)</u>	1% Increase <u>(7.14%)</u>
<u>2017</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	\$ <u>12,709,297</u>	\$ <u>9,645,922</u>	\$ <u>7,129,011</u>

The sensitivity analysis was based on the proportionate share of the Borough’s net pension liability at December 31, 2018 and 2017. 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, 2018 AND 2017**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Special Funding Situation – PFRS

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

At December 31, 2018 and 2017, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,093,600 and \$1,080,424, respectively. For the years ended December 31, 2018 and 2017, 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 \$129,535 and \$132,160, respectively, which are more than the actual contributions the State made on behalf of the Borough of \$64,768 and \$54,026, respectively. At December 31, 2018 (measurement date June 30, 2018) the State's share of the PFRS net pension liability attributable to the Borough was .05950 percent, which was a decrease of .00298 percent from its proportionate share measured as of December 31, 2017 (measurement date June 30, 2017) of .06248 percent. The State's proportionate share attributable to the Borough was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the Borough's financial statements.

Pension Plan Fiduciary Net Position

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

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS

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

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

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Plan Description and Benefits Provided

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

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

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

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

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

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

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Plan Description and Benefits Provided (Continued)

State Health Benefit Program Fund – Local Government Retired (the Plan) (Continued)

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

Measurement Focus and Basis of Accounting

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

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

Investment Valuation

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

Collective Net OPEB Liability

The collective net OPEB liability of the participating employers and the State, as the non-employer contributing entity, of the Plan at June 30, 2017 is \$20.4 billion and the plan fiduciary net position as a percentage of the total OPEB liability is 1.03%.

The total OPEB liabilities were determined based on actuarial valuations as of July 1, 2017 and 2016.

Actuarial Methods and Assumptions

In the July 1, 2017 OPEB actuarial valuations, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The Plan selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 75. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

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

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Post-Retirement Medical Benefits Contribution (Continued)

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

The employers participating in the OPEB plan made contributions of \$381.8 million and the State of New Jersey, as the non-employer contributing entity, contributed \$531.1 million for fiscal year 2017.

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the actuarial determined contribution an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The actuarial determined contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any unfunded actuarial liabilities (or funding excess) of the plan—using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan. The Borough's contributions to the State Health Benefits Program Fund—Local Government Retired Plan for post-retirement benefits for the years ended December 31, 2018, 2017 and 2016 were \$50,603, \$7,556 and \$7,203, respectively, which equaled the required contributions for each year.

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

The regulatory basis of accounting requires participating employers in the State Health Benefit Program Fund – Local Government Retired Plan to disclose in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pension (GASB No. 75)* their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense excluding that attributable to retiree-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions made as an individual employer toward the actuarially determined contribution amount to total contributions to the plan during the fiscal year ended June 30, 2017. Employer allocation percentages have been rounded for presentation purposes.

The information pertaining to GASB 75 for the State fiscal year ending June 30, 2018 was not made available from the State of New Jersey.

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

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

At December 31, 2017, the Borough reported a liability of \$6,421,582 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2016 rolled forward to June 30, 2017. The Borough's proportionate share of the net OPEB liability was based on the ratio of the Borough's proportionate share of the OPEB liability attributable to the Borough at June 30, 2017 to the total OPEB liability for the State Health Benefit Program Fund – Local Government Retired Plan at June 30, 2017. As of the measurement date of June 30, 2017 the Borough's proportionate share was .03145 percent.

For the year ended December 31, 2017, the Plan has determined the Borough's OPEB expense to be \$435,081, based on the actuarial valuation which is more than the actual contributions reported in the Borough's financial statements of \$7,556. At December 31, 2017, the Borough's deferred outflows of resources and deferred inflows of resources related to the OPEB plan which are not reported on the Borough's financial statements are from the following sources:

	2017	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions		\$ 712,741
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	\$ 1,100	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	-	<u>27,574</u>
Total	<u>\$ 1,100</u>	<u>\$ 740,315</u>

At December 31, 2017 the amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in OPEB expense as follows:

Year Ending <u>December 31,</u>	<u>Total</u>
2018	\$ (104,884)
2019	(104,884)
2020	(104,884)
2021	(104,884)
2022	(105,159)
2023	(105,159)
Thereafter	<u>(109,361)</u>
	<u>\$ (739,215)</u>

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

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

Actuarial Assumptions

The Borough's total OPEB liability reported for the year ended December 31, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2017</u>
Inflation Rate	2.50%
Salary Increases*	
Initial Fiscal Year Applied Through	2026
Rate	1.65% to 8.98%
Rate Thereafter	2.65% to 9.98%
Mortality	RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using Scale MP-2017.
Long-Term Rate of Return	1.00%

*Salary increases are based on the defined benefit pension plan that the member is enrolled in and his or her age.

Healthcare cost trend rates for pre-Medicare Preferred Provider Organization (PPO) medical benefits, this amount initially is 5.9 percent and decreases to a 5.0 percent long-term trend rate after nine year. For self-insured post-65 PPO medical benefits, the trend rate is 4.5 percent. For health maintenance organization (HMO) medical benefit, the trend rate is initially 5.9 percent and decreases to a 5.0 percent long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5 percent and decreases to a 5.0 percent long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0 percent. This reflects the known underlying cost of the Part B premium. The Medicare Advantage trend rate is 4.5 percent and will continue in all future years.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2010 to June 30, 2013.

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

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

Long-Term Expected Rate of Return

As the OPEB plan only invests in the State of New Jersey Cash Management Fund, the long-term expected rate of return on OPEB investments was based off the best-estimate ranges of future real rates of return (expected returns, net of OPEB plan investment expense and inflation) for cash equivalents, which is 1.00% as of June 30, 2017.

Discount Rate

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

Calendar Year	Measurement Date	Discount Rate
2017	June 30, 2017	3.58%

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

Sensitivity of Net OPEB Liability to Changes in the Discounts Rate

The following presents the Borough's proportionate share of the OPEB net liability as of December 31, 2017 calculated using the discount rate of 3.58%, as well as what the Borough's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower 2.58%, or 1-percentage-point higher 4.58%, respectively than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
<u>2017</u>			
Borough's Proportionate Share of the Net OPEB Liability	<u>\$ 7,574,447</u>	<u>\$ 6,421,582</u>	<u>\$ 5,506,803</u>

The sensitivity analysis was based on the proportionate share of the Borough's net OPEB liability at December 31, 2017. A sensitivity analysis specific to the Borough's net OPEB liability was not provided by the Plan.

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

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

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

The following presents the Borough’s proportionate share of the OPEB net liability as of December 31, 2017 calculated using the healthcare trend rates as disclosed above as well as what the Borough’s proportionate share of the net OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

<u>2017</u>	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Borough's Proportionate Share of the Net OPEB Liability	<u>\$ 5,336,522</u>	<u>\$ 6,421,582</u>	<u>\$ 7,834,456</u>

The sensitivity analysis was based on the proportionate share of the Borough’s net OPEB liability at December 31, 2017. A sensitivity analysis specific to the Borough’s net OPEB liability was not provided by the pension system.

Special Funding Situation

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

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

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

Special Funding Situation (Continued)

At December 31, 2017, the State's proportionate share of the net OPEB liability attributable to the Borough for the OPEB special funding situation is \$9,996,508. For the year ended December 31, 2017 the plan has determined the State's proportionate share of the OPEB expense attributable to the Borough for the OPEB special funding situation is \$715,411. At December 31, 2017, (measurement date June 30, 2018), the State's share of the OPEB liability attributable to the Borough was .11496 percent. The State's proportionate share attributable to the Borough was developed based on eligible plan members subject to the special funding situation. This data takes into account active members from both participating and non-participating employer locations and retired members currently receiving OPEB benefits.

OPEB Plan Fiduciary Net Position

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

NOTE 14 RISK MANAGEMENT

The Borough is exposed to various risks of loss related to general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; termination of employees and natural disasters. The Borough has obtained commercial insurance coverage to guard against these events to minimize the exposure to the Borough should they occur.

The Borough of Emerson is a member of the Bergen County Municipal Joint Insurance Fund (BJIF) and Municipal Excess Liability Joint Insurance Fund (MEL). The joint insurance funds are both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and worker's compensation. The Funds are risk-sharing public entity pools. The BJIF and MEL coverage amounts are on file with the Borough.

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

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

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

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

NOTE 14 RISK MANAGEMENT (Continued)

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

<u>Year Ended December 31</u>	<u>Borough Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2018	\$ 15,000	\$ 6,650	\$ 12,321	\$ 67,185
2017	12,909	6,313	10,089	57,556
2016	11,000	6,356	11,165	48,166

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, 2018 and 2017. 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, 2018 and 2017, the Borough reserved \$54,258 and \$87,565, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years’ budget or from fund balance.

Federal and State Awards - The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2018 and 2017, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

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

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, 2018 and 2017, 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 Awards 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 Emerson Volunteer Fire Department and the Emerson Volunteer Ambulance Corps., come from contributions made solely by the Borough on behalf of those volunteers who meet the criteria of a plan created by the governing body.

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

The Borough of Emerson has contributed \$1,300 and \$1,150 for 2018 and 2017, respectively, for each eligible Emerson Volunteer Fire Department member and each eligible Emerson Volunteer Ambulance Corps. member into the Plan. The total Borough contributions were \$41,600 and \$36,800 for 2018 and 2017, respectively.

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

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

Vesting and Benefits

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

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

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

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

Reporting Requirements

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

NOTE 18 TAX ABATEMENTS

For the years ended December 31, 2018 and 2017, the Borough provided property tax abatements through a certain program authorized under State statute. This program includes the New Jersey Housing and Mortgage Financing Act (NJHMFA).

- The New Jersey Housing and Mortgage Financing Act (NJSA 55:14K et. seq.) allows for property tax abatements for residential rental housing projects financed by the New Jersey Housing and Mortgage Finance Agency. These property tax abatements last for the term of the original mortgage financing so long as the residential rental housing project remains subject to the NJHMFA Law and regulations. The process begins when the municipality passes by ordinance or resolution, as appropriate, that such residential rental housing project shall be exempt from property tax provided that an agreement is entered into with the housing sponsor for payments in lieu of taxes (PILOTs) to the municipality. The agreement can require the housing sponsor to a PILOT payment to the municipality in an amount up to 20% of the annual gross revenue from each housing project. For the years ended December 31, 2018 and 2017 the Borough abated property taxes totaling \$40,828 and \$40,002, respectively, under the NJHMFA program. The Borough received \$6,925 and \$16,200 in PILOT payments under this program for the years ended December 31, 2018 and 2017, respectively.

NOTE 19 SUBSEQUENT EVENTS

Debt Authorized

On February 19, 2019 the Borough adopted a bond ordinance authorizing the issuance \$83,000 in bonds or bond anticipation notes to fund certain capital projects. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.

CURRENT FUND

BOROUGH OF EMERSON
STATEMENT OF CASH - TREASURER

Balance, January 1, 2018		\$ 6,291,847
Increased by Receipts:		
Taxes Receivable	\$ 30,607,141	
Petty Cash Returned	700	
2019 Prepaid Taxes	171,300	
Tax Overpayments	12,194	
Revenue Accounts Receivable	1,398,574	
Non-Budget Revenue	159,662	
Due from State of NJ - Senior Citizens and Veterans Deductions	58,354	
Grant Receivable	222,938	
Unappropriated Grants	14,600	
Receipts from Other Trust Fund	449	
Receipts from Animal Control Trust Fund	5,431	
Receipts from General Capital Fund	43,872	
Receipts from Construction Penalties	345	
Reserve for Tax Sale Lien Redemption	115,519	
Reserve for Insurance Reimbursement	12,000	
Reserve for Tax Assessor Fees	290	
Reserve for Prepaid Fees	1,750	
Due to State of New Jersey - DCA Fees	<u>6,034</u>	
		<u>32,831,153</u>
		39,123,000
Decreased by Disbursements:		
2018 Budget Appropriation	11,033,001	
2017 Appropriation Reserves	265,119	
Encumbrances Payable	283,410	
Accounts Payable	18,891	
Petty Cash Received	700	
Tax Overpayment Refunds	844	
Local District School Taxes Payable	19,719,808	
County Taxes Payable	3,182,951	
Reserve for Appropriated Grants	19,761	
Reserve for Tax Appeals	73,307	
Due to State of New Jersey - Marriage Licenses	125	
Due to State of New Jersey - DCA Fees	6,226	
Disbursements to General Capital Fund	1,051	
Reserve for Tax Sale Lien Redemption	115,519	
Reserve for Tax Assessor Fees	110	
Payments of Construction Penalties	<u>10,082</u>	
		<u>34,730,905</u>
Balance, December 31, 2018		<u><u>\$ 4,392,095</u></u>

EXHIBIT A-5

**BOROUGH OF EMERSON
STATEMENT OF CHANGE FUND**

<u>Office</u>	Balance, January 1, 2018	Balance, December 31, 2018
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**

<u>Year</u>	<u>Balance, January 1, 2018</u>	<u>2018 Levy</u>	<u>Senior Citizens' and Veterans' Deductions Disallowed</u>	<u>Collected by Cash</u>		<u>Senior Citizens' and Veterans' Deductions Allowed</u>	<u>Transfer to Tax Title Liens</u>	<u>Cancelled</u>	<u>Balance, December 31, 2018</u>
				<u>2017</u>	<u>2018</u>				
2017	\$ 160,024		\$ 1,396		\$ 161,420				
2018	<u>-</u>	<u>\$ 32,781,963</u>	<u>-</u>	<u>\$ 2,005,537</u>	<u>30,445,721</u>	<u>\$ 60,000</u>	<u>\$ 20,625</u>	<u>\$ 23,299</u>	<u>\$ 226,781</u>
	<u>\$ 160,024</u>	<u>\$ 32,781,963</u>	<u>\$ 1,396</u>	<u>\$ 2,005,537</u>	<u>\$ 30,607,141</u>	<u>\$ 60,000</u>	<u>\$ 20,625</u>	<u>\$ 23,299</u>	<u>\$ 226,781</u>

Analysis of 2017 Property Tax Levy

Tax Yield		
General Purpose Tax	\$ 32,697,498	
Added Taxes (54:4-63.1 et seq.)	<u>84,465</u>	
		<u>\$ 32,781,963</u>
Tax Levy		
Local District School Tax (Abstract)	\$ 20,137,326	
County Taxes	\$ 3,042,132	
County Open Space Taxes	129,495	
Due County for Added Taxes (54:4-63.1 et seq.)	<u>8,176</u>	
		3,179,803
Local Tax for Municipal Purposes	8,950,089	
Minimum Library Tax	430,034	
Additional Tax Levied	8,422	
Added Taxes (54:4-63.1 et seq.)	<u>76,289</u>	
		<u>9,464,834</u>
		<u>\$ 32,781,963</u>

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

Balance, January 1, 2018		\$	1,226
Increased by:			
Senior Citizens' Deductions Per Tax Billings	\$	6,750	
Veterans' Deductions Per Tax Billings		52,500	
Senior Citizens' and Veterans' Deductions Allowed by Tax Collector		<u>750</u>	
			<u>60,000</u>
			61,226
Decreased by:			
Received from State of New Jersey		58,354	
Senior Citizens' and Veterans' Deductions Disallowed - 2017		<u>1,396</u>	
			<u>59,750</u>
Balance, December 31, 2018		\$	<u>1,476</u>

EXHIBIT A-9

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

Balance, January 1, 2018		\$	<u>13,200</u>
Balance, December 31, 2018		\$	<u>13,200</u>

EXHIBIT A-10

STATEMENT OF TAX TITLE LIENS

Balance, January 1, 2018		\$	140,941
Increased by:			
Transfer from Taxes Receivable			<u>20,625</u>
Balance, December 31, 2018		\$	<u>161,566</u>

BOROUGH OF EMERSON
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, January 1, <u>2018</u>	Accrued <u>in 2018</u>	<u>Collected</u>	Balance, December 31, <u>2018</u>
Borough Clerk				
Licenses				
Alcoholic Beverage		\$ 17,500	\$ 17,500	
Other		3,730	3,730	
Fees and Permits		13,287	13,287	
Health Officer				
Licenses		11,716	11,716	
Construction Code Official				
Fees and Permits		144,800	144,800	
Planning/Zoning Boards				
Fees and Permits		8,900	8,900	
Police Department				
Fees and Permits		5,640	5,640	
Municipal Court				
Fines and Costs	\$ 7,552	85,046	86,925	\$ 5,673
Interest and Costs on Taxes		29,941	29,941	
Interest on Investments and Deposits		28,144	28,144	
Parking Meters		10,000	10,000	
Energy Receipts Tax		619,905	619,905	
Watershed Moratorium Offset Aid		18,189	18,189	
Borough of Old Tappan Shared Service - Court		15,480	15,480	
Uniform Fire Safety Act		22,823	22,823	
Sewer Service Fees		10,627	10,627	
Cellular Tower Fees		219,408	219,408	
Cable Television Franchise Fees		115,398	115,398	
PILOT - Advancing Opportunities - 5 Pine Drive		5,700	5,700	
PILOT - Veteran's Home		1,225	1,225	
Insurance Dividends	-	25,486	25,486	-
	<u>\$ 7,552</u>	<u>\$ 1,412,945</u>	<u>\$ 1,414,824</u>	<u>\$ 5,673</u>
		Cash Receipts	\$ 1,398,574	
		Reserve for Insurance Reimbursements	12,000	
		Prepaid Fees Applied	<u>4,250</u>	
			<u>\$ 1,414,824</u>	

**BOROUGH OF EMERSON
STATEMENT OF GRANTS RECEIVABLE**

	Balance, January 1, <u>2018</u>	<u>Accrued</u>	<u>Received</u>	<u>Cancelled</u>	Balance, December 31, <u>2018</u>
Municipal Alliance Program (2014)	\$ 11,307				\$ 11,307
CDBG - Senior Activities (2013-2014)	2,675				2,675
CDBG - Senior Activities (2014-2015)	500				500
CDBG - SC Flooring Rehab	5,914				5,914
Municipal Alliance Program (2015)	2,991				2,991
Body Armor	2,019				2,019
NJ DOT - 2015 Municipal Program	53,443		\$ 53,443		
NJ DOT - 2017 Municipal Program - Section 4	167,627				167,627
Municipal Alliance Program (2017)	9,876		9,774	\$ 102	
Municipal Alliance Program (2018)		\$ 9,876			9,876
CDBG - Senior Activities (2017)	3,338		3,338		
CDBG - Continental Woods Phase 2		100,000	100,000		
CDBG - Drainage Improvements Pine Drive		39,817	39,817		
NJ Department of Transportation - Main Street/Linwood Ave (Section 5)		215,000			215,000
NJ Department of Transportation - Vivian Ave Drainage		145,000			145,000
County of Bergen's ADA Cooperative Curb Ramp Construction Grant Prgm		66,000			66,000
Drunk Driving Enforcement Fund Grant		2,780	2,780		
Environmental Grant - Anjec	333				333
Bergen County Open Space Grant	<u>20,000</u>	<u>-</u>	<u>13,786</u>	<u>6,214</u>	<u>-</u>
	<u>\$ 280,023</u>	<u>\$ 578,473</u>	<u>\$ 222,938</u>	<u>\$ 6,316</u>	<u>\$ 629,242</u>

2017 Appropriation Reserves	\$ 78
Reserve for Appropriated Grants	6,214
Fund Balance	<u>24</u>
	<u>\$ 6,316</u>

**BOROUGH OF EMERSON
STATEMENT OF 2017 APPROPRIATION RESERVES**

	Balance, January 1, <u>2018</u>	<u>Modified</u> Balance	<u>Expended</u>	Balance <u>Lapsed</u>
Salaries and Wages				
General Administration	\$ 2,231	\$ 2,231	\$ 776	\$ 1,455
Municipal Clerk	5	5		5
Financial Administration	2,514	514		514
Revenue Administration	999	339		339
Tax Assessment Administration	37	37		37
Land Use Board	2,300	2,300		2,300
Police Department	17,763	8,942		8,942
Police Dispatch / 911	3,940	3,940		3,940
Uniform Fire Safety Act	39	39		39
Streets and Roads Maintenance	16,377	16,377	2,646	13,731
Sewer Services	8,619	3,619		3,619
Vehicle Maintenance	8,183	683		683
Public Health Services	361	361		361
Environmental Health Services	35	35		35
Recreation Services and Programs	23	23		23
Municipal Court	12,644	12,644		12,644
Public Defender	132	132		132
Reserve for Accumulated Absences	40,001	40,001	40,000	1
Construction Code Official	2,408	1,100		1,100
NJPDES/Stormwater Permit Management	91	91		91
Other Expenses				
General Administration	4,884	4,884	4,788	96
Mayor and Council	499	499	342	157
Municipal Clerk	5,309	2,723	2,625	98
Financial Administration	4,164	4,164	1,430	2,734
Audit Services	37,500	37,500	35,900	1,600
Revenue Administration	2,527	2,527	105	2,422
Tax Assessment Administration	6,277	6,277		6,277
Legal Services and Costs	3,212	43,712	43,431	281
Engineering Services and Costs	2,608	3,374		3,374
Land Use Board	1,251	1,251	896	355
General Liability	1,871	1,871		1,871
Workers Compensation	83	83		83
Employee Group Health	96,471	96,471	7,055	89,416
Police Department	114	114	114	
Office of Emergency Management	1,100	1,100	1,100	
Aid to Volunteer Fire Companies	516	1,951		1,951
Aid to Volunteer Ambulance Corps.	6,187	6,187	2,052	4,135
Fire Department	436	436		436
Uniform Fire Safety	1,132	1,132		1,132
Municipal Prosecutor	1,178	1,178		1,178
Streets and Roads Maintenance	8,896	646	271	375
Sewer Services	3,628	21,478	20,846	632
Shade Tree - Advisory Committee	13,160	5,660		5,660

**BOROUGH OF EMERSON
STATEMENT OF 2017 APPROPRIATION RESERVES**

	Balance, January 1, <u>2018</u>	<u>Modified</u> Balance	<u>Expended</u>	Balance <u>Lapsed</u>
Other Expenses (Continued)				
Solid Waste Collection	\$ 4,000	\$ 4,000		\$ 4,000
Buildings and Grounds	2,448	2,448	\$ 148	2,300
Vehicle Maintenance	7,015	3,315	17	3,298
Public Health Services	69	69		69
Environmental Health Services	851	851	37	814
Animal Control Services	965	965		965
Recreation Services and Programs	1,148	1,148	116	1,032
Municipal Court	3,019	3,019		3,019
Celebration of Public Events	875	875		875
Construction Code Official	186	846	839	7
Electricity	17,415	17,415	4,168	13,247
Street Lighting	6,348	6,348	5,211	1,137
Telephone	451	451	384	67
Water	3,579	3,579	457	3,122
Gas (Natural or Propane)	4,473	4,473	1,635	2,838
Gasoline	15,154	3,154		3,154
Landfill / Solid Waste Disposal Cost - Dump Fees	55,068	55,068	26,983	28,085
Social Security System	1,130	1,130	40	1,090
Defined Contribution Retirement Program	371	371		371
Municipal Library	14,703	14,703	14,678	25
Northwest Bergen Utilities Authority	3,550	3,550		3,550
Length of Service Award Program	60,000	60,000	36,800	23,200
Recycling Tax P.L. 2001, C311(N.J.S.A.13:1E-96.5)	2,768	2,768	752	2,016
Municipal Alliance				
State Share	8,915	8,915	8,915	
Local Share	2,469	2,469	2,469	
Matching Funds for Grants	531	531		531
Body Armor Fund	2,187	2,187	2,187	
Clean Communities	10,451	10,451	10,451	
NJ Department of Transportation	167,627	167,627	167,627	
CDBG - Senior Citizen Activities	2,038	2,038	2,038	
Recycling Tonnage Grant	4,849	4,849	4,849	
Capital Improvement Fund	-	8,250	8,250	-
	<u>\$ 726,358</u>	<u>\$ 736,494</u>	<u>\$ 463,428</u>	<u>\$ 273,066</u>
Appropriation Reserves		\$ 726,358		
Encumbrance Payables Canceled		<u>10,136</u>		
		<u>\$ 736,494</u>		
Cash Disbursements			\$ 265,119	
Transfer to Appropriated Grant Reserves			11,748	
Cancelled Grant Receivable			78	
Accounts Payable			<u>186,483</u>	
			<u>\$ 463,428</u>	

**BOROUGH OF EMERSON
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, January 1, 2018		\$ 293,546
Increased by:		
Charges to 2018 Budget Appropriations	\$ 457,255	
Charges to Reserve for Appropriated Grants	<u>1,128</u>	
		<u>458,383</u>
		751,929
Decreased by:		
Cash Disbursements	283,410	
Cancelled - Restored to Appropriation Reserves	<u>10,136</u>	
		<u>293,546</u>
Balance, December 31, 2018		<u>\$ 458,383</u>

STATEMENT OF ACCOUNTS PAYABLE

Balance, January 1, 2018		\$ 69,376
Increased by:		
Transferred from 2017 Appropriation Reserves		<u>186,483</u>
		255,859
Decreased by:		
Cash Disbursements	\$ 18,891	
Cancelled to Fund Balance	<u>3,720</u>	
		<u>22,611</u>
Balance, December 31, 2018		<u>\$ 233,248</u>

STATEMENT OF PREPAID TAXES

Balance, January 1, 2018		\$ 2,005,537
Increased by:		
Transferred from Overpayments	\$ 6,406	
Collection - 2019 Taxes	<u>171,300</u>	
		<u>177,706</u>
		2,183,243
Decreased by:		
Application to 2018 Taxes Receivable		<u>2,005,537</u>
Balance, December 31, 2018		<u>\$ 177,706</u>

**BOROUGH OF EMERSON
STATEMENT OF TAX OVERPAYMENTS**

Balance, January 1, 2018		\$ 7,575
Increased by:		
Cash Receipts		12,194
		19,769
Decreased by:		
Transferred to Prepaid Taxes	\$ 6,406	
Refunds	844	
		7,250
Balance, December 31, 2018		\$ 12,519

EXHIBIT A-18

STATEMENT OF RESERVE FOR PREPAID FEES

Balance, January 1, 2018		\$ 4,250
Increased by:		
Cash Receipts for Parking Permits for 2019		1,750
		6,000
Decreased by:		
Permits Realized in 2018		4,250
Balance, December 31, 2018		\$ 1,750

EXHIBIT A-19

STATEMENT OF COUNTY TAXES PAYABLE

Balance, January 1, 2018		\$ 11,324
Increased by:		
2018 Tax Levy - General	\$ 3,042,132	
2018 Tax Levy - Open Space	129,495	
Added Taxes (54:4-63.1)	8,176	
		3,179,803
		3,191,127
Decreased by:		
Payments		3,182,951
Balance, December 31, 2018		\$ 8,176

BOROUGH OF EMERSON
STATEMENT OF LOCAL DISTRICT SCHOOL TAXES PAYABLE

Balance, January 1, 2018		
School Tax Payable	\$ 540,000	
School Tax Deferred	<u>9,240,003</u>	
		\$ 9,780,003
Increased by:		
Levy School Year July 1, 2018 to June 30, 2019		<u>20,137,326</u>
		29,917,329
Decreased by:		
Payments		<u>19,719,808</u>
Balance, December 31, 2018		
School Tax Payable	540,000	
School Tax Deferred	<u>9,657,521</u>	
		<u>\$ 10,197,521</u>
<u>2018 Liability for Local District School Taxes Payable</u>		
Tax Paid		\$ 19,719,808
Add: Taxes Payable December 31, 2018		<u>540,000</u>
		20,259,808
Less: Taxes Payable January 1, 2018		<u>540,000</u>
Amount Charged to 2018 Operations		<u>\$ 19,719,808</u>

BOROUGH OF EMERSON
STATEMENT OF RESERVE FOR APPROPRIATED GRANTS

<u>Grant</u>	<u>Balance, January 1, 2018</u>	<u>Transferred from 2017 Appropriation Reserves</u>	<u>Paid or Charged</u>	<u>Cancelled</u>	<u>Balance, December 31, 2018</u>
Alcohol Education and Rehabilitation Grant	\$ 1,704		\$ 1,287		\$ 417
Body Armor Replacement Grant	8,387	\$ 2,187	880		9,694
Municipal Alliance					
State Share	14,189				14,189
Local Share	3,305				3,305
Clean Communities	20,337	4,712			25,049
CDBG - Senior Citizen Activities (2014-2015)	1,550				1,550
CDBG - SC Flooring Rehab	9,188				9,188
Drunk Driving Enforcement	9,611		2,969		6,642
Environmental Grant - Anjec	140				140
Bergen County Open Space Grant	6,214			\$ 6,214	
Recycling Tonnage Grant	14,427	4,849	15,753	-	3,523
	<u>\$ 89,052</u>	<u>\$ 11,748</u>	<u>\$ 20,889</u>	<u>\$ 6,214</u>	<u>\$ 73,697</u>
			Cash Disbursements \$ 19,761		
			Encumbrances Payable <u>1,128</u>		
			<u>\$ 20,889</u>		
			Grants Receivable \$ <u>6,214</u>		

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

Balance, January 1, 2018	\$	1,807
Increased by:		
Cash Receipts		6,034
		7,841
Decreased by:		
Cash Disbursements		6,226
Balance, December 31, 2018	\$	1,615

STATEMENT OF RESERVE FOR CONSTRUCTION PENALTIES

Balance, January 1, 2018	\$	9,737
Increased by:		
Cash Receipts		345
		10,082
Decreased by:		
Cash Disbursements	\$	10,082

BOROUGH OF EMERSON
STATEMENT OF RESERVE FOR UNAPPROPRIATED GRANTS AND AID

Balance, January 1, 2018	\$	8,963
Increased by:		
Cash Receipts		14,600
		23,563
Decreased by:		
Anticipated in 2018 Budget	\$	23,563

STATEMENT OF RESERVE FOR REASSESSMENT OF REAL PROPERTY

Balance, January 1, 2018	\$	22,682
Balance, December 31, 2018	\$	22,682

STATEMENT OF RESERVE FOR INSURANCE REIMBURSEMENT

Balance, January 1, 2018	\$	19,052
Increased by:		
Cash Receipts		12,000
		31,052
Decreased by:		
Realized as Anticipated Revenue		12,000
Balance, December 31, 2018	\$	19,052

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

Balance, January 1, 2018		\$ <u>125</u>
Decreased by:		
Cash Disbursements		\$ <u><u>125</u></u>

EXHIBIT A-28

STATEMENT OF RESERVE FOR TAX SALE LIEN REDEMPTION

Balance, January 1, 2018		\$ 24,434
Increased by:		
Cash Receipts		<u>115,519</u>
		139,953
Decreased by:		
Cash Disbursements	\$ 115,519	
Cancelled to Operations	<u>24,434</u>	
		<u>\$ 139,953</u>

EXHIBIT A-29

STATEMENT OF RESERVE FOR TAX APPEALS

Balance, January 1, 2018		\$ 87,565
Increased by:		
Transfer from 2018 Appropriations		<u>40,000</u>
		127,565
Decreased by:		
Cash Disbursements		<u>73,307</u>
Balance, December 31, 2018		<u>\$ 54,258</u>

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

Increased by:		
Cash Receipts	\$	290
Decreased by:		
Cash Disbursements		<u>110</u>
Balance, December 31, 2018	\$	<u><u>180</u></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, 2018	\$ 17,484	\$ 768,295	\$ 263,768	\$ 57,556
Increased by Receipts:				
Animal Control Fees	\$ 3,890			
Late Fees	574			
State Fees	613			
Interest on Deposits	81	\$ 449	\$ 1,408	\$ 300
Developers Fees			24,400	
Miscellaneous Reserves		874,381		
Receipts from Current Fund				
Employee Contributions				6,650
Budget Appropriations				15,000
Payroll Deposits		3,585,389		
Payroll Deductions Payable		2,246,248		
Flexible Spending		4,311		
Reserve for Accumulated Absences		75,000		
Other Accounts Receivable		3,447		
Due from Emerson Library		294,719		
Escrow Deposits	-	218,528	-	-
	<u>5,158</u>	<u>7,302,472</u>	<u>25,808</u>	<u>21,950</u>
	22,642	8,070,767	289,576	79,506
Decreased by Disbursements:				
Expenditures Under R.S 4:19-15.11	1,232			
Miscellaneous Reserves		689,352		
Affordable Housing Expenditures			1,050	
Payments to State of New Jersey	613			12,321
Payments to Current Fund	5,431	449		
Payroll Deposits		3,585,389		
Payroll Deductions Payable		2,245,710		
Flexible Spending		4,178		
Reserve for Accumulated Absences		186,686		
Other Accounts Receivable				
Due from Emerson Library		294,937		
Escrow Deposits	-	205,568	-	-
	<u>7,276</u>	<u>7,212,269</u>	<u>1,050</u>	<u>12,321</u>
Balance, December 31, 2018	<u>\$ 15,366</u>	<u>\$ 858,498</u>	<u>\$ 288,526</u>	<u>\$ 67,185</u>

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

Increased by:		
State Fees	\$	<u>613</u>
Decreased by:		
Payments to State of New Jersey	\$	<u>613</u>

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

Balance, January 1, 2018	\$	5,431
Increased by:		
Statutory Excess		<u>5,905</u>
		11,336
Decreased by:		
Cash Disbursements		<u>5,431</u>
Balance, December 31, 2018	\$	<u><u>5,905</u></u>

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

Balance, January 1, 2018		\$ 12,053
Increased by:		
Animal Control Fees	\$ 3,890	
Late and Other Fees	574	
Interest on Deposits	<u>81</u>	
		<u>4,545</u>
		16,598
Decreased by:		
Statutory Excess	5,905	
Disbursements	<u>1,232</u>	
		<u>7,137</u>
Balance, December 31, 2018		<u><u>\$ 9,461</u></u>

EXHIBIT B-5

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

Balance, January 1, 2018		\$ 5,919
Decreased by:		
Cash Receipts - Employee Back Pension Deduction		<u>3,447</u>
Balance, December 31, 2018		<u><u>\$ 2,472</u></u>
	<u>Analysis of Balance:</u>	
	Employee Back Pension Deduction	<u><u>\$ 2,472</u></u>

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

Increased by:	
Payments to Current Fund	\$ <u>449</u>
Decreased by:	
Interest on Deposits	\$ <u>449</u>

EXHIBIT B-7

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

Balance, January 1, 2018	\$ 259
Increased by:	
Cash Receipts	<u>294,719</u>
	294,978
Decreased by:	
Cash Disbursements	<u>294,937</u>
Balance, December 31, 2018	<u><u>\$ 41</u></u>

EXHIBIT B-8

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

Increased by:	
Cash Receipts	<u>\$ 3,585,389</u>
Decreased by:	
Cash Disbursements	<u>\$ 3,585,389</u>

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

Balance, January 1, 2018	\$	7,073
Increased by:		
Cash Receipts		2,246,248
		2,253,321
Decreased by:		
Cash Disbursements		2,245,710
Balance, December 31, 2018	\$	7,611

EXHIBIT B-10

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

Increased by:		
Cash Receipts		4,311
		4,311
Decreased by:		
Cash Disbursements		4,178
Balance, December 31, 2018	\$	133

EXHIBIT B-11

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

Balance, January 1, 2018	\$	171,060
Increased by:		
Cash Receipts		75,000
		246,060
Decreased by:		
Cash Disbursements		186,686
Balance, December 31, 2018	\$	59,374

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

Balance, January 1, 2018		\$ 567,417
Increased by:		
Escrow Deposit Receipts	\$ 218,528	
Miscellaneous Reserves Receipts	<u>874,381</u>	
		<u>1,092,909</u>
		1,660,326
Decreased by:		
Escrow Deposit Disbursements	205,568	
Miscellaneous Reserve Disbursements	<u>689,352</u>	
		<u>894,920</u>
Balance, December 31, 2018		<u>\$ 765,406</u>
Developer's Escrow Deposits		\$ 207,652
Recreation		100,311
Community Policing		36,305
Recycling Program		88,175
Centennial Celebration		2,115
Shade Tree Donations (Wagner)		26,438
Environmental Comm. Partnership		1,314
Storm Recovery Trust Fund		144,648
Emergency Management		2,028
Uniform Fire Penalties		773
Uniform Construction Code Penalty		3,263
Municipal Court POAA Fees		502
Municipal Alliance - DARE		635
Outside Police Duty (Reserve)		33,913
Outside Police Duty (Accounts Receivable)		(54,504)
Tax Sale Premium		169,900
Historic Preservation Committee		291
Public Defender Fees		<u>1,647</u>
		<u>\$ 765,406</u>

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

Balance, January 1, 2018		\$ 263,768
Increased by:		
Developers Fees	\$ 24,400	
Interest on Deposits	<u>1,408</u>	
		<u>25,808</u>
		289,576
Decreased by:		
Cash Disbursements		<u>1,050</u>
Balance, December 31, 2018		<u><u>\$ 288,526</u></u>

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

Balance, January 1, 2018		\$ 57,556
Increased by:		
Employee Contributions	\$ 6,650	
Interest on Deposits	300	
2018 Budget Appropriation	<u>15,000</u>	
		<u>21,950</u>
		79,506
Decreased by:		
Unemployment Compensation Claims		<u>12,321</u>
Balance, December 31, 2018		<u><u>\$ 67,185</u></u>

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

Increased by:	
Unemployment Compensation Claims	\$ <u>12,321</u>
Decreased by:	
Cash Disbursements	\$ <u>12,321</u>

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

Balance, January 1, 2018	\$ <u>28,405</u>
Balance, December 31, 2018	\$ <u><u>28,405</u></u>

GENERAL CAPITAL FUND

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

Balance, January 1, 2018		\$	586,869
Increased by Receipts:			
Interest on Deposits	\$	3,872	
Grant Receipts			
Grant Receivable		43,763	
Deferred Charges - Unfunded		20,651	
Bond Anticipated Notes		708,235	
Premium on Sale of Notes		38,355	
Budget Appropriation - Capital Improvement Fund		35,000	
Appropriation Reserve - Capital Improvement Fund		8,250	
Refunds		42,842	
Receipts from Current Fund		<u>1,051</u>	
			<u>902,019</u>
			1,488,888
Decreased by Disbursements:			
Improvement Authorizations		579,493	
Contracts Payable		138,244	
Payments to Current Fund:			
Interest on Deposit		3,872	
Fund Balance - Anticipated as Current Fund Revenue		<u>40,000</u>	
			<u>761,609</u>
Balance, December 31, 2018		\$	<u><u>727,279</u></u>

BOROUGH OF EMERSON
ANALYSIS OF GENERAL CAPITAL CASH

	Balance December 31, <u>2018</u>
Grants Receivables	\$ (39,618)
Contracts Payable	270,014
Capital Improvement Fund	32,083
Miscellaneous Reserves	500
Reserve for Capital Projects	8,750
Fund Balance	79,838
Excess Note Proceeds	32,905

Ord.

<u>No.</u>	<u>Improvement Description</u>	
1109/1120	Various Improvements & Acq. of Equipment	1,345
1441	Various Public Improvements	74
1444	Various Public Improvements and Acquisition of Equipment	561
1452	Resurfacing of High Street	355
1453	Various Public Improvements	345
1457	Various Public Improvements and Acquisition of Equipment	222
1477	Various Public Improvements	102
1489/1495	Various Public Improvements and Acquisition of Equipment	501
1500	Various Public Improvements and Acquisition of Equipment and Vehicles	1,179
1517	Acquisition of Real Property for Municipal Purposes	41,966
1519	2016 Road Resurfacing Program	164
1520	Acquisition of Real Property for Municipal Purposes	66,086
1527	Various Public Improvements and Acquisition of Equipment and Vehicles	18,702
1540	Various Public Improvements and Acquisition of Equipment and Vehicles	99,065
1542	Undertaking of GIS Mapping and Television Inspection of the Sanitary Sewer and Stormwater Systems	(8,537)
1543	Acquisition of Easements in Real Property for the Kinderkamack Road Improvement Project	3,933
1555	Various Public Improvements and Acquisition of Equipment and Vehicles	116,744
		<u>116,744</u>
		<u>\$ 727,279</u>

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

Balance, January 1, 2018		\$ 1,051
Increased by:		
Payments to Current Fund		<u>43,872</u>
		44,923
Decreased by:		
Receipts from Current Fund	\$ 1,051	
Fund Balance Anticipated as Current Fund Revenue	40,000	
Interest on Deposits	<u>3,872</u>	
		<u>\$ 44,923</u>

STATEMENT OF GRANTS RECEIVABLE

Balance, January 1, 2018		\$ 83,381
Decreased by:		
Grant Receipts		<u>43,763</u>
Balance, December 31, 2018		<u>\$ 39,618</u>
	NJ DOT - Ordinance 1452	\$ 1,618
	County Open Space - Ordinance 1540	<u>38,000</u>
		<u>\$ 39,618</u>

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

Balance, January 1, 2018		\$ 5,221,868
Decreased by:		
2018 Budget Appropriation to Pay Bonds	\$ 728,000	
2018 Budget Appropriation to Pay Loans	<u>173,503</u>	
		<u>901,503</u>
Balance, December 31, 2018		<u>\$ 4,320,365</u>

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

Ord. No.	Improvement Description	Balance, January 1, 2018	2018 Authorizations	Decreased by:		Balance, December 31, 2018	Bond Anticipation Note	Analysis of Balance		
				Grant Proceeds	Notes Paid by Budget Appropriation			Improvement Authorizations Cancelled	Expenditures	Unexpended Improvement Authorization
1457	Various Public Improvements and Acquisition of Equipment	\$ 900				\$ 900				
1477	Various Public Improvements	285,000			\$ 15,000		\$ 270,000			
1489/1495	Various Public Improvements and Acquisition of Equipment	210,465			14,616		195,849	195,849		
1500	Various Public Improvements and Acquisition of Equipment and Vehicles	1,292,000			73,410		1,218,590	1,218,590		
1515	Various Improvements to Hillman Field	18,500					18,500	18,500		
1517	Acquisition of Real Property for Municipal Purposes	404,700					404,700	404,700		
1519	2016 Road Resurfacing Program	309,500					309,500	309,500		
1520	Acquisition of Real Property for Municipal Purposes	409,500					409,500	409,500		
1527	Various Public Improvements and Acquisition of Equipment and Vehicles	1,059,763		\$ 43,763			1,016,000	1,016,000		
1540	Various Public Improvements and Acquisition of Equipment and Vehicles	530,000					530,000	530,000		
1542	Undertaking of GIS Mapping and Television Inspection of the Sanitary Sewer and Stormwater Systems	100,000		20,651			79,349	\$ 8,537	\$ 70,812	
1555	Various Public Improvements and Acquisition of Equipment and Vehicles	-	\$ 708,235	-	-	-	708,235	708,235	-	
		<u>\$ 4,620,328</u>	<u>\$ 708,235</u>	<u>\$ 64,414</u>	<u>\$ 103,026</u>	<u>\$ 900</u>	<u>\$ 5,160,223</u>	<u>\$ 5,080,874</u>	<u>\$ 8,537</u>	<u>\$ 70,812</u>
	Bond Anticipation Notes						\$ 5,113,779			
	Less: Excess Note Proceeds									
	Ord. No. 1527						<u>32,905</u>			
	Cash Receipts		\$ 20,651							
	Reserve for Grants Receivable		<u>43,763</u>				<u>\$ 5,080,874</u>			
			<u>\$ 64,414</u>							
	Improvement Authorizations - Unfunded								\$ 415,321	
	Less: Unexpended Proceeds of Bond Anticipation Notes Issued:									
	Ord. No. 1477							\$ 102		
	Ord. No. 1489/1495							501		
	Ord. No. 1500							1,179		
	Ord. No. 1517							41,966		
	Ord. No. 1519							164		
	Ord. No. 1520							66,086		
	Ord. No. 1527							18,702		
	Ord. No. 1540							99,065		
	Ord. No. 1555							<u>116,744</u>		
									<u>344,509</u>	
									<u>\$ 70,812</u>	

**BOROUGH OF EMERSON
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ord. No.	Improvement Description	Ordinance Amount	Balance, January 1, 2018		2018 Authori- zations	Paid or Charged	Refunds	Contract Payables Cancelled	Authorization Cancelled	Balance, December 31, 2018	
			Funded	Unfunded						Funded	Unfunded
1109/1120	Various Improvements & Acq. of Equipment	\$ 715,000	\$ 1,345							\$ 1,345	
1441	Various Public Improvements	475,000						\$ 74		74	
1444	Various Public Improvements and Acquisition of Equipment	525,000	955			\$ 394				561	
1452	Resurfacing of High Street	163,000	2,355			2,000				355	
1453	Various Public Improvements	400,000	1,345			1,000				345	
1457	Various Public Improvements and Acquisition of Equipment	1,450,000	46,362	\$ 900		27,040			\$ 20,000	222	
1477	Various Public Improvements	300,000		102							\$ 102
1489/1495	Various Public Improvements and Acquisition of Equipment	221,535		9,243		8,742					501
1500	Various Public Improvements and Acquisition of Equipment and Vehicles	1,584,000		4,631		3,452					1,179
1515	Various Improvements to Hillman Field	35,000									
1517	Acquisition of Real Property for Municipal Purposes	425,000		58,129		16,163					41,966
1519	2016 Road Resurfacing Program	325,000		9,241		9,077					164
1520	Acquisition of Real Property for Municipal Purposes	430,000		66,377		291					66,086
1527	Various Public Improvements and Acquisition of Equipment and Vehicles	1,822,900		11,385		35,525	\$ 42,842				18,702
1540	Various Public Improvements and Acquisition of Equipment and Vehicles	595,920		186,934		87,869					99,065
1542	Undertaking of GIS Mapping and Television Inspection of the Sanitary Sewer and Stormwater Systems	100,000		100,000		29,188					70,812
1543	Acquisition of Easements in Real Property for the Kinderkamack Road Improvement Project	25,000	3,933							3,933	
1555	Various Public Improvements and Acquisition of Equipment and Vehicles	745,510	-	-	\$ 745,510	628,766	-	-	-	-	116,744
			<u>\$ 56,295</u>	<u>\$ 446,942</u>	<u>\$ 745,510</u>	<u>\$ 849,507</u>	<u>\$ 42,842</u>	<u>\$ 74</u>	<u>\$ 20,000</u>	<u>\$ 6,835</u>	<u>\$ 415,321</u>
	Capital Improvement Fund					37,275					
	Deferred Charges to Future Taxation - Unfunded					<u>708,235</u>					
						<u>\$ 745,510</u>					
						Cash Disbursements	\$ 579,493				
						Contracts Payable	<u>270,014</u>				
							<u>\$ 849,507</u>				
						Deferred Charges Unfunded		\$ 900			
						Fund Balance		<u>19,100</u>			
								<u>\$ 20,000</u>			

**BOROUGH OF EMERSON
STATEMENT OF CONTRACTS PAYABLE**

Balance, January 1, 2018		\$ 138,318
Increased by:		
Charges to Improvement Authorizations		<u>270,014</u>
		408,332
Decreased by:		
Cash Disbursements	\$ 138,244	
Cancelled	<u>74</u>	
		<u>138,318</u>
Balance, December 31, 2018		<u>\$ 270,014</u>

EXHIBIT C-10

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, January 1, 2018		\$ 26,108
Increased By:		
2018 Budget Appropriation	\$ 35,000	
2017 Appropriation Reserve	<u>8,250</u>	
		<u>43,250</u>
		69,358
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>37,275</u>
Balance, December 31, 2018		<u>\$ 32,083</u>

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

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturities of Bonds Outstanding December 31, 2018</u>		<u>Interest Rate</u>	<u>Balance, January 1, 2018</u>	<u>Decreased</u>	<u>Balance, December 31, 2018</u>
			<u>Date</u>	<u>Amount</u>				
General Improvement	10/15/2003	\$ 2,053,000				\$ 168,000	\$ 168,000	
General Improvement	8/1/2007	2,030,000	8/1/2019	\$ 210,000	4.10%	410,000	200,000	\$ 210,000
General Improvement	10/1/2010	1,697,000	10/1/2019 10/1/2020	345,000 517,000	2.75% 3.00%	1,022,000	160,000	862,000
97 General Improvement	12/15/2013	3,698,000	12/15/19-2020 12/15/2021 12/15/2022-2024 12/15/2025 12/15/2026	200,000 380,000 385,000 390,000 388,000	2.00% 2.125% 2.50-3.00% 3.00% 3.00%	<u>2,913,000</u>	<u>200,000</u>	<u>2,713,000</u>
						<u>\$ 4,513,000</u>	<u>\$ 728,000</u>	<u>\$ 3,785,000</u>
					Paid by Budget Appropriation		<u>\$ 728,000</u>	

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

Ord. No.	Improvement Description	Date of Original Note	Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance, January 1, 2018	Increased	Decreased	Balance, December 31, 2018
1477	Various Public Improvements	8/26/2015	\$ 285,000	8/25/2017 8/24/2018	8/24/2018 8/23/2019	1.14 % 2.75	\$ 285,000	\$ 270,000	\$ 285,000	\$ 270,000
1489/1495	Various Public Improvements and Acquisition of Equipment	8/26/2015	210,465	8/25/2017 8/24/2018	8/24/2018 8/23/2019	1.14 2.75	210,465	195,849	210,465	195,849
1500	Various Public Improvements and Acquisition of Equipment and Vehicles	8/26/2015	1,292,000	8/25/2017 8/24/2018	8/24/2018 8/23/2019	1.14 2.75	1,292,000	1,218,590	1,292,000	1,218,590
1515	Various Improvements to Hillman Field	8/26/2016	18,500	8/25/2017 8/24/2018	8/24/2018 8/23/2019	1.14 2.75	18,500	18,500	18,500	18,500
1517	Acquisition of Real Property for Municipal Purposes	8/26/2016	404,700	8/25/2017 8/24/2018	8/24/2018 8/23/2019	1.14 2.75	404,700	404,700	404,700	404,700
1519	2016 Road Resurfacing Program	8/26/2016	309,500	8/25/2017 8/24/2018	8/24/2018 8/23/2019	1.14 2.75	309,500	309,500	309,500	309,500
1520	Acquisition of Real Property for Municipal Purposes	8/26/2016	409,500	8/25/2017 8/24/2018	8/24/2018 8/23/2019	1.14 2.75	409,500	409,500	409,500	409,500
1527	Various Public Improvements and Acquisition of Equipment and Vehicles	8/26/2016	1,587,000	8/25/2017 8/24/2018	8/24/2018 8/23/2019	1.14 2.75	1,048,905	1,048,905	1,048,905	1,048,905
1540	Various Public Improvements and Acquisition of Equipment and Vehicles	8/25/2017	168,739	8/25/2017 8/24/2018	8/24/2018 8/23/2019	1.14 2.75	530,000	530,000	530,000	530,000
1555	Various Public Improvements and Acquisition of Equipment and Vehicles	8/24/2018	708,235	8/24/2018	8/23/2019	2.75	-	708,235	-	708,235
							<u>\$ 4,508,570</u>	<u>\$ 5,113,779</u>	<u>\$ 4,508,570</u>	<u>\$ 5,113,779</u>
						Issued for Cash		\$ 708,235		
						Renewals		4,405,544	\$ 4,405,544	
						Paid by Budget Appropriation		-	103,026	
							<u>\$ 5,113,779</u>	<u>\$ 4,508,570</u>		

**BOROUGH OF EMERSON
STATEMENT OF MISCELLANEOUS RESERVES**

Balance, January 1, 2018	\$ <u>500</u>
Balance, December 31, 2018	\$ <u>500</u>
<u>Analysis of Balance</u>	
Veterans Monument Donation	\$ <u>500</u>

STATEMENT OF RESERVE FOR GRANT RECEIVABLES

Balance, January 1, 2018	\$ <u>43,763</u>
Decreased by:	
Grant Receipts	\$ <u>43,763</u>

STATEMENT OF RESERVE FOR CAPITAL PROJECTS

Balance, January 1, 2018	\$ <u>8,750</u>
Balance, December 31, 2018	\$ <u>8,750</u>

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

Ord. No.	<u>Improvement Description</u>	Balance, January 1, <u>2018</u>	2018 <u>Authorizations</u>	Grant <u>Receipts</u>	Improvement Authorization <u>Cancelled</u>	Bond Anticipation Notes <u>Issued</u>	Balance, December 31, <u>2018</u>
1457	Various Public Improvements and Acquisition of Equipment	\$ 900			\$ 900		
1527	Various Public Improvements and Acquisition of Equipment and Vehicles	10,858		\$ 10,858			
1542	Undertaking of GIS Mapping and Television Inspection of the Sanitary Sewer and Stormwater Systems	100,000		20,651			\$ 79,349
1555	Various Public Improvements and Acquisition of Equipment and Vehicles	-	\$ 708,235	-	-	\$ 708,235	-
		<u>\$ 111,758</u>	<u>\$ 708,235</u>	<u>\$ 31,509</u>	<u>\$ 900</u>	<u>\$ 708,235</u>	<u>\$ 79,349</u>

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BERGEN COUNTY, NEW JERSEY

PART II

GOVERNMENT AUDITING STANDARDS

YEAR ENDED DECEMBER 31, 2018



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
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MARK SACO, CPA
SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA
CHRIS SOHN, CPA

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

INDEPENDENT AUDITOR’S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis of the Borough of Emerson as of and for the year ended December 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated June 28, 2019. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the financial reporting requirements of the State of New Jersey for municipal government entities as described in Note 1. In addition, our report on the financial statements – regulatory basis was modified on the regulatory basis of accounting because of the omission of the 2018 note disclosures regarding the other post-employment benefits obligation and related information and the presentation of the unaudited LOSAP Trust Fund financial statements.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

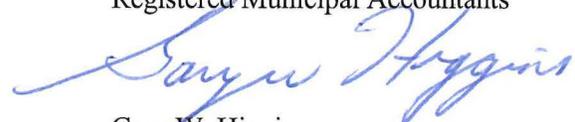
However, we noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Borough of Emerson in Part III of this report of audit entitled, "Letter of Comments and Recommendations".

Purpose of this Report

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



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



Gary W. Higgins
Registered Municipal Accountant
RMA Number CR00405

Fair Lawn, New Jersey
June 28, 2019

**BOROUGH OF EMERSON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

<u>Grant Program</u>	<u>State Account Number</u>	<u>Federal CFDA Number</u>	<u>Grant Period</u>	<u>2018 Grant Receipts</u>	<u>Grant Award Amount</u>	<u>Balance, January 1, 2018</u>	<u>Revenue</u>	<u>Expended</u>	<u>Balance, December 31, 2018</u>	<u>(Memo) Cumulative Expenditures</u>
U.S. Department of Housing and Urban Development (Passed Through Bergen County Dept. of Community Development)										
Community Development Block Grant										
Continental Woods Phase 2	N/A	14.218	2018	\$ 100,000	\$ 100,000		\$ 100,000	\$ 100,000		\$ 100,000
Drainage Improvements Pine Dr	N/A	14.218	2018	39,817	39,817		39,817	39,817		39,817
Senior Citizen Activities	N/A	14.218	2017	3,338	3,338	\$ 2,038		2,038		3,338
Senior Citizen Activities	N/A	14.218	2014		5,500	1,550			\$ 1,550	3,950
Senior Citizen Flooring Rehab	N/A	14.218	2013		17,488	9,188		-	9,188	8,300
Total Community Development Block Grant								<u>141,855</u>		
U.S. Department of Law and Public Safety (Passed through the Division of Highway Traffic Safety)										
Impaired Driving Countermeasure	2018-066-1160-100-157	20.616	2018	1,760	1,760		1,760	1,760		1,760
U.S. Department of Homeland Security (Passed Through State Department of Law and Public Safety)										
Disaster Grants - Public Assistance										
FEMA - Hurricane Sandy	2013-066-1200-100-A92	97.036	2012	857	857		857	857		857
FEMA - Severe Winter Storm and Snow Storm Quinn	2019-066-1200-100-C27	97.036	2018	80,072	80,072		80,072	<u>80,072</u>		80,072
Total Disaster Grants - Public Assistance						<u>-</u>	<u>-</u>	<u>80,929</u>	<u>-</u>	
						<u>\$ 12,776</u>	<u>\$ 222,506</u>	<u>\$ 224,544</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, 2018**

<u>State Grant Program</u>	<u>Grant Number</u>	<u>Year</u>	2018 Grant Receipts	Balance, January 1, 2018	Revenue Realized	Expended	Cancelled	Balance, December 31, 2018	Cumulative Expenditures
Municipal Alliance Program	N/A	2018			\$ 9,876	\$ 1,396		\$ 8,480	\$ 1,396
		2017	\$ 9,774	\$ 8,915		8,837	\$ 78		12,048
		2015		7,234				7,234	12,518
		2014		6,955		-		6,955	4,795
Total Municipal Alliance Program						10,233			
Clean Communities Program	N/A	2018	14,087		14,087	4,412		9,675	4412
		2017		10,451				10,451	4,274
		2016		12,403				12,403	4,929
		2014		7,934		5,739		2,195	10,278
Total Clean Communities Program						10,151			
Recycling Tonnage Grant	4900-752-001	2018			8,963			8,963	
		2017		4,849		1,326		3,523	5,539
		2016		6,230					8,664
		2015		8,197		8,197			8,197
Total Recycling Tonnage Grant						15,753			
Alcohol Education and Rehabilitation	760-098-9735-001	2018	513		513	513			513
		2016		423		6		417	6
		2015		648		648			648
		2014		633		633			886
Total Alcohol Education and Rehabilitation						1,800			
Drunk Driving Enforcement Fund Grant	N/A	2018	2,780		2,780			2,780	
		2016		6,281				6,281	1
		2015		3,330		2,969		361	11,332
Body Armor Replacement Program	N/A	2017		2,187				2,187	
	N/A	2016		2,104				2,104	
	N/A	2015		4,119				4,119	
	N/A	2014		2,164		880		1,284	3,290
Community Policing Initiative	2018-066-1000-100-177	2018	4,840		4,840	4,840			4,840
New Jersey Department of Transportation									
NJ DOT - Vivian Ave	2017-480-078-6320-10-AM5	2018			145,000			145,000	
NJ DOT - 2018 Municipal Program - Section 5	2018-480-078-6320-10-AM2	2018			215,000	129,827		85,173	129,827
NJ DOT - 2017 Municipal Program - Section 4	2017-480-078-6320-AMQ-6010	2017		167,627		167,627			167,627
2015 Municipal Road Program	2015-480-078-6320-AL5	2015	55,390						
Ord. 1527	2016-480-078-6320-AMF	2016	43,763						
Ord. 1452	2012-480-078-6320-ALC	2012		1,618		1,263		355	146,145
					\$ 264,302	\$ 401,059	\$ 345,343	\$ 78	\$ 319,940

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, 2018**

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	\$ 222,506	\$ 401,059	\$ 623,565
	<u>\$ 222,506</u>	<u>\$ 401,059</u>	<u>\$ 623,565</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, 2018**

NOTE 5 STATE LOANS OUTSTANDING

The Borough's state loans outstanding at December 31, 2018, which are not required to be reported on the schedule of expenditures of state financial assistance, are as follows:

<u>Loan Program</u>	<u>State Account Number</u>	<u>State</u>
New Jersey Department of Environmental Protection	0214-97-109	\$ 504,534
New Jersey Department of Environmental Protection	0214-97-109	<u>30,831</u>
		<u>\$ 535,365</u>

NOTE 6 RECLASSIFICATIONS

The following grant program has been reclassified at December 31, 2017 from federal (schedule A) to state programs (schedule B):

<u>Federal/State Grant Program</u>	<u>Account Number</u>	<u>Balance, December 31, 2017</u>
NJ DOT – 2017 Municipal Program – Section 4	2017-480-078-6320-AMQ-6010	\$167,627

**BOROUGH OF EMERSON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018**

Part 1 – Summary of Auditors' Results

Financial Statements Section

Type of auditors' report issued on financial statements

Modified - Unaudited LOSAP
- Note Disclosures OPEB

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, 2018**

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, 2018**

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

Condition

Our audit of the Recreation Department revealed the following:

- Fees collected by the football and soccer programs were not turned over to the Borough and deposited into a designated Borough Bank account.
- Disbursements by the football and soccer programs were not processed through the Borough's purchasing procedures and approved in the official minutes of the Borough.

Current Status

Corrective action has been taken.

BOROUGH OF EMERSON

PART III

SUPPLEMENTARY DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2018

**BOROUGH OF EMERSON
SUPPLEMENTARY DATA**

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

	<u>Year 2018</u>		<u>Year 2017</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUES AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 1,000,000	2.76 %	\$ 830,000	2.35 %
Miscellaneous - From Other Than Local				
Property Tax Levies	2,220,843	6.13	1,941,241	5.50
Collection of Delinquent Taxes and Tax Title Liens	161,420	0.45	145,363	0.41
Collection of Current Tax Levy	32,511,258	89.80	31,901,679	90.40
Other Credits to Income	<u>312,556</u>	<u>0.86</u>	<u>471,576</u>	<u>1.34</u>
Total Revenues and Other Income	<u>36,206,077</u>	<u>100.00</u> %	<u>35,289,859</u>	<u>100.00</u> %
EXPENDITURES				
Budget Expenditures				
Municipal Purposes	12,226,690	34.80 %	11,699,089	34.39 %
County Taxes	3,179,803	9.05	3,182,181	9.36
Local School Taxes	19,719,808	56.13	19,108,059	56.17
Other Expenditures	<u>7,325</u>	<u>0.02</u>	<u>28,767</u>	<u>0.08</u>
Total Expenditures	<u>35,133,626</u>	<u>100.00</u> %	<u>34,018,096</u>	<u>100.00</u> %
Excess of Revenues and Other Income Over Expenditures	1,072,451		1,271,763	
Fund Balance, January 1	<u>2,651,022</u>		<u>2,209,259</u>	
	3,723,473		3,481,022	
Decreased by: Utilization as Anticipated Revenue	<u>1,000,000</u>		<u>830,000</u>	
Fund Balance, December 31	<u>\$ 2,723,473</u>		<u>\$ 2,651,022</u>	

**BOROUGH OF EMERSON
SUPPLEMENTARY DATA**

Comparative Schedule of Tax Rate Information

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Tax Rate</u>	<u>\$2.717</u>	<u>\$2.662</u>	<u>\$2.604</u>
<u>Apportionment of Tax Rate</u>			
Municipal	.744	.745	.741
Library	.036	.035	.034
County	.253	.254	.255
County Open Space	.010	.011	.003
Local School	1.674	1.617	1.571

Assessed Valuation

2018	<u>\$1,203,441,209</u>	
2017		<u>\$1,201,785,629</u>
2016		<u>\$1,202,207,291</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>
2018	\$ 32,781,963	\$ 32,511,258	99.17%
2017	32,105,293	31,901,679	99.36%
2016	31,393,093	31,089,224	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>
2018	\$ 226,781	\$ 161,566	\$ 388,347	1.18%
2017	160,024	140,941	300,965	0.94%
2016	143,401	120,734	264,135	0.84%

Property Acquired by Tax Title Lien Liquidation

No properties have been acquired in 2018 or 2017 by foreclosure or deed, as a result of liquidation of tax title liens.

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

<u>Year</u>	<u>Amount</u>
2018	\$13,200
2017	13,200
2016	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	2018	\$2,723,473	\$1,040,000
	2017	2,651,022	1,000,000
	2016	2,209,259	830,000
	2015	2,025,136	880,000
	2014	1,472,279	730,000

**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	
Christopher Knoller	Council President	
Gerald Falotico	Councilman	
Karen Wolf	Councilwoman	
James Bayley	Councilman	
Danielle Di Paola	Councilwoman	
Brian Downing	Councilman	
Jane Dietsche	Municipal Clerk	
Robert S. Hoffmann	Borough Administrator /Qualified Purchasing Agent	
Lauren Roehrer	Chief Financial Officer/Treasurer Tax Collector	
Claire Psota	Tax Assessor	
Wendy Rubinstein	Borough Attorney	
Boswell Engineering	Borough Engineer	
Michael Mazzeo	Chief of Police	
Carmen Nist	Registrar of Vital Statistics	
Michael Sartori	Construction Code Official, Building Sub-Code Official, Fire Protection Sub-Code Official Zoning Official	
Nelson Fullam	Zoning Official	
Guiseppe Lamastra	Plumbing Sub-Code Official	
Michael Heflich	Electrical Sub-Code Official	
Kevin Doherty	Elevator Sub-Code Official	
Francis J. Leddy, Jr.	Municipal Court Judge	
Laurel Carnazza	Municipal Court Administrator	

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

**BOROUGH OF EMERSON
SUPPLEMENTARY DATA**

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

GENERAL COMMENTS

Prior Year Unresolved

The audit of outside police duty revealed a prior year receivable balance due from certain vendors. It was noted that the prior year receivable balance has been significantly reduced however, certain balances remain uncollected. It is recommended the remaining prior year police outside duty receivable balances due from vendors be reviewed and cleared of record.

Current Year

Our audit revealed one vendor was awarded a contract under a National Cooperative purchasing agreement for the acquisition of an International Hook Lift Truck where the procedures required under State procurement guidelines for National Cooperative contract awards were not followed by the Borough. It is recommended purchases made under National Cooperative purchasing agreements be undertaken in accordance with State procurement guidelines.

Our audit of the various departments indicated that certain revenues per the department records were not in agreement with the revenue report maintained by the Finance Office. It is recommended that monthly revenue reports be prepared and submitted by each municipal department to the finance office for review and reconciliation.

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

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

The threshold permitted by the State of New Jersey is \$17,500 unless the Borough has a qualified purchasing agent. If the Borough's purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c.198 (c.40A:11-9), the Borough may establish a bid threshold up to \$40,000. The Borough approved the bid threshold to be \$40,000. The Borough Administrator was appointed as the qualified purchasing agent.

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:

- Information Technology Services
- Pine Drive Drainage Improvements Phase 1 and Phase II
- Main Street – Linwood Ave. Sections 4 and 5

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 2, 2018, 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.

**BOROUGH OF EMERSON
SUPPLEMENTARY DATA**

GENERAL COMMENTS (Continued)

Delinquent Taxes and Tax Title Liens

The tax sale was held on October 23, 2018.

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>
2018	2
2017	2
2016	3

Suggestions to Management

- Amounts due to the LOSAP Trust Fund from prior year volunteer contributions be reviewed and cleared of record.

BOROUGH OF EMERSON

RECOMMENDATIONS

It is recommended that:

- * 1. The remaining prior year police outside duty receivable balances due from vendors be reviewed and cleared of record.
- 2. Purchases made under National Cooperative purchasing agreements be undertaken in accordance with State procurement guidelines.
- 3. Monthly revenue reports be prepared and submitted by each municipal department to the finance office for review and reconciliation.

* * * * *

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

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



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



Gary W. Higgins
Registered Municipal Accountant
RMA Number CR00405