

BOROUGH OF EMERSON
BERGEN COUNTY, NEW JERSEY
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011

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BOROUGH OF EMERSON

COUNTY OF BERGEN

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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Honorable Mayor and Members

of the Borough Council

Borough of Emerson

Emerson, New Jersey

INDEPENDENT AUDITOR'S REPORT

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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, 2012 and 2011, 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, 2012, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of Emerson as a whole. The supplementary schedules listed in the table of contents and the 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 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 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 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.

BOROUGH OF EMERSON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND
AS OF DECEMBER 31, 2012 AND 2011

ASSETS	<u>Reference</u>	<u>2012</u>	<u>2011</u>
Cash - Treasurer	A-4	\$ 2,321,971	\$ 1,775,391
Cash - Change Fund	A-5	360	250
Due From State of New Jersey - Seniors and Veterans	A-8	-	372
Grants Receivable	A-14	<u>44,744</u>	<u>75,111</u>
		<u>2,367,075</u>	<u>1,851,124</u>
Receivables and Other Assets With Full Reserves			
Delinquent Property Taxes	A-7	244,939	242,428
Tax Title Liens	A-12	42,953	34,726
Property Acquired for Taxes - Assessed Valuation	A-9	13,200	13,200
Revenue Accounts Receivable	A-13	7,207	12,708
Due from Animal Control Fund	B-3	2,801	113
Due from General Capital Fund	C-4	<u>-</u>	<u>1,126</u>
		<u>311,100</u>	<u>304,301</u>
Deferred Charges			
Emergency Authorizations	A-11	105,000	130,000
Special Emergency Authorizations	A-10	<u>54,000</u>	<u>72,000</u>
Total Assets		<u>\$ 2,837,175</u>	<u>\$ 2,357,425</u>

BOROUGH OF EMERSON
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
AS OF DECEMBER 31, 2012 AND 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
REVENUE AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 500,000	\$ 500,000
Miscellaneous Revenue Anticipated	A-2	1,641,622	1,612,941
Receipts from Delinquent Taxes	A-2	244,911	283,653
Receipts from Current Taxes	A-2	28,526,425	27,830,846
Nonbudget Revenue	A-2	84,969	86,671
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	A-15	412,712	193,171
Cancellation of Appropriated Grant Reserve	A-21	1,585	29,721
Cancellation of Accounts Payable	A		65
Statutory Excess - Animal Control Fund	B-3	2,801	113
Interfunds Liquidated	A	<u>1,126</u>	<u>-</u>
 Total Revenue and Other Income		 <u>31,416,151</u>	 <u>30,537,181</u>
 EXPENDITURES			
Budget and Emergency Appropriations			
Operations			
Salaries and Wages	A-3	4,470,011	4,399,698
Other Expenses	A-3	4,427,007	4,484,412
Capital Improvements	A-3	50,000	25,000
Municipal Debt Service	A-3	777,055	768,428
Deferred Charges and Statutory Expenditures	A-3	1,096,835	1,002,337
County Taxes	A-19	2,859,911	2,620,874
County Open Space Taxes	A-19	33,109	32,066
Due County for Added and Omitted Taxes	A-19	5,660	10,141
Local District School Taxes	A-20	17,032,833	16,832,370
Other Debits to Income			
Prior Year Senior Deductions Disallowed	A-7,A-8	3,073	1,250
Cancellation of Due from State of New Jersey	A-8	4,872	
Cancellation of Grants Receivable	A-1		300
Interfunds Established	A	<u>2,688</u>	<u>1,239</u>
 Total Expenditures		 <u>30,763,054</u>	 <u>30,178,115</u>
 Excess of Revenue and Other Income Over Expenditures		 653,097	 359,066
 Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budgets of Succeeding Years	A-11	<u>105,000</u>	<u>130,000</u>
 Regulatory Excess to Fund Balance		 758,097	 489,066
 Fund Balance, January 1	A	 <u>960,948</u>	 <u>971,882</u>
		1,719,045	1,460,948
Decreased by:			
Utilization as Anticipated Revenue	A-1,A-2	<u>500,000</u>	<u>500,000</u>
 Fund Balance, December 31	A	 <u>\$ 1,219,045</u>	 <u>\$ 960,948</u>

See Accompanying Notes to Financial Statements

BOROUGH OF EMERSON
STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

	<u>Reference</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenue from Collections	A-1,A-7	\$ 28,526,425
Less: Allocated to School and County Taxes	A-19,A-20	<u>19,931,513</u>
		8,594,912
Add Appropriation "Reserve for Uncollected Taxes"	A-3	<u>450,000</u>
Amount for Support of Municipal Budget Appropriation	A-2	<u>\$ 9,044,912</u>
Licenses - Other		
Borough Clerk	A-13	\$ 3,185
Health Officer	A-13	<u>10,875</u>
	A-2	<u>\$ 14,060</u>
Fees and Permits		
Borough Clerk	A-13	\$ 1,590
Health Officer	A-13	1,981
Planning/Zoning Boards	A-13	5,155
Police Department	A-13	<u>2,427</u>
	A-2	<u>\$ 11,153</u>
Interest on Investments and Deposits		
Revenue Accounts Receivable	A-13	\$ 14,495
Due from General Capital Fund	C-4	250
Due from Public Assistance Trust Fund	D-5	46
Due from Animal Control Trust Fund	B-3	52
Due from Other Trust Fund	B-6	<u>4,661</u>
	A-2	<u>\$ 19,504</u>

BOROUGH OF EMERSON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Appropriated</u>	<u>Expended</u>	<u>Unexpended</u>	
	<u>Budget</u>	<u>Budget After</u>	<u>Balance</u>	
		<u>Modification</u>	<u>Cancelled</u>	
			<u>Charged</u>	
			<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS"				
GENERAL GOVERNMENT FUNCTIONS				
General Administration				
Salaries and Wages	\$ 126,435	\$ 126,435	\$ 126,429	\$ 6
Other Expenses	13,500	13,500	10,040	3,460
Mayor and Council				
Salaries and Wages	21,600	15,600	15,600	
Other Expenses	4,000	4,000	3,243	757
Municipal Clerk				
Salaries and Wages	130,790	130,790	129,714	1,076
Other Expenses	42,000	42,000	31,226	10,774
Financial Administration				
Salaries and Wages	133,885	133,885	131,784	2,101
Other Expenses	24,000	24,000	21,717	2,283
Audit Services	27,500	27,500	27,500	
Revenue Administration				
Salaries and Wages	34,060	34,060	33,686	374
Other Expenses	9,000	9,000	8,464	536
Tax Assessment Administration				
Salaries and Wages	20,390	20,390	20,386	4
Other Expenses	17,835	12,835	7,859	4,976
Legal Services				
Other Expenses	120,000	125,000	117,243	7,757
Engineering Services				
Other Expenses	4,750	4,750	3,159	1,591
LAND USE ADMINISTRATION				
Land Use Board				
Salaries and Wages	6,765	6,765	6,763	2
Other Expenses	5,325	5,325	5,314	11
INSURANCE				
Unemployment Insurance	15,000	15,000	11,774	3,226
General Liability	171,305	171,305	168,247	3,058
Workers Compensation	178,800	178,800	171,855	6,945
Employee Group Health	763,800	756,800	744,152	12,648

**BOROUGH OF EMERSON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Appropriated</u>		<u>Expended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
				<u>Unexpended Balance Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Continued)				
HEALTH AND HUMAN SERVICES				
FUNCTIONS				
Public Health Services				
Salaries and Wages	\$ 47,415	\$ 47,665	\$ 47,650	\$ 15
Other Expenses	56,045	56,045	55,713	332
Environmental Health Services				
Salaries and Wages	2,890	2,890	2,884	6
Other Expenses	320	320	286	34
Animal Control Services				
Other Expenses	12,200	12,200	11,990	210
PARKS AND RECREATION FUNCTIONS				
Recreation Services and Programs				
Salaries and Wages	20,040	20,230	20,224	6
Other Expenses	46,145	46,445	40,781	5,664
OTHER COMMON OPERATING FUNCTIONS				
Celebration of Public Events				
Other Expenses	1,000			
Historic Preservation				
Other Expenses	2,000	2,000	2,000	
Reserve for Accumulated Absences				
Salaries and Wages	80,000	87,770	87,770	
MUNICIPAL COURT				
Court Operations				
Salaries and Wages	75,750	76,850	76,709	141
Other Expenses	6,450	5,850	5,560	290
Public Defender				
Salaries and Wages	2,600	2,705	2,705	
UNIFORM CONSTRUCTION CODE APPROPRIATIONS OFFSET BY DEDICATED REVENUES (N.J.A.C. 5:23-4-17) STATE UNIFORM CONSTRUCTION CODE				
CODE ENFORCEMENT AND ADMINISTRATION				
Salaries and Wages	174,140	174,140	173,877	263
Other Expenses	6,000	6,000	5,394	606

**BOROUGH OF EMERSON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Appropriated</u>	<u>Expended</u>	<u>Unexpended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
EDUCATION FUNCTIONS					
Municipal Library					
Other Expenses	\$ 439,225	\$ 439,225	\$ 439,225		
UTILITY EXPENSES AND BULK PURCHASES					
Sewerage Processing and Disposal	688,410	688,410	686,909	\$ 1,501	
Other Expenses					
Reserve for Tax Appeals					
Other Expenses	125,000	125,000	27,968	97,032	
Length of Service Award Program	70,000	70,000	750	69,250	
Recycling Tax P.L. 2007, c.311(N.J.S.A. 13:1E-96.5)	10,500	10,500	8,303	2,197	
NJPDES/Stormwater Permit Management [N.J.S.A.40A:4-45.39(cc)]					
Salaries and Wages	68,760	68,760	67,338	1,422	
Other Expenses	22,710	22,710	21,185	1,525	
Borough of Hillsdale - Chief Financial Officer					
Salaries and Wages	2,370	2,370	2,370		
Other Expenses	1,055	1,055	1,055		
Borough of Old Tappan - Court					
Salaries and Wages	12,376	12,376	12,376		
Other Expenses	1,364	1,364	1,364	-	-
Total Other Operations Excluded from "CAPS"	<u>1,441,770</u>	<u>1,441,770</u>	<u>1,268,843</u>	<u>172,927</u>	<u>-</u>
Public and Private Programs Offset by Revenues					
Municipal Alliance					
State Share	10,356	10,356	10,356		
Local Share	2,875	2,875	2,875		
Alcohol Education Rehab Enforcement		432	432		
Matching Funds for Grants	1,000	1,000		1,000	
Body Armor Fund	1,948	3,937	3,937		
Clean Communities Grant	11,560	22,887	11,328		\$ 11,559
Division of Highway Grant		4,400	2,403		1,997
Recycling Tonnage Grant	-	17,452	17,452	-	-
Total Public and Private Programs Offset by Revenues	<u>27,739</u>	<u>63,339</u>	<u>48,783</u>	<u>1,000</u>	<u>13,556</u>
Total Operations Excluded from "CAPS"	<u>1,469,509</u>	<u>1,505,109</u>	<u>1,317,626</u>	<u>173,927</u>	<u>13,556</u>
Detail:					
Salaries and Wages	83,506	83,506	82,084	1,422	-
Other Expenses	1,386,003	1,421,603	1,235,542	172,505	13,556

BOROUGH OF EMERSON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Reference</u>	<u>Budget After Modification</u>	<u>Expended Paid or Charged</u>
Budget as Adopted	A-3	\$ 11,143,874	
Added by N.J.S.A. 40A:4-87	A-2	35,600	
Special Emergency Appropriation	A-11	<u>105,000</u>	
		<u>\$ 11,284,474</u>	
Cash Disbursed	A-4		\$ 9,846,712
Due from Other Trust Fund	B-6		(8,622)
Emergency Authorization	A-11		130,000
Special Emergency Authorizations	A-10		18,000
Reserve for Uncollected Taxes	A-2		450,000
Transfer to Appropriated Grants Reserve	A-21		48,782
Encumbrances Payable	A-16		<u>296,409</u>
			<u>\$ 10,781,281</u>

BOROUGH OF EMERSON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS
AS OF DECEMBER 31, 2012 AND 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
LIABILITIES, RESERVES AND FUND BALANCE			
ANIMAL CONTROL TRUST FUND			
Reserve for Animal Control Expenditures	B-4	\$ 5,656	\$ 5,482
Due to Current Fund	B-3	<u>2,801</u>	<u>113</u>
		<u>8,457</u>	<u>5,595</u>
OTHER TRUST FUND			
Due to LOSAP Trust Fund	B-13	28,405	67,975
Reserve for Accrued Payroll	B-8	3,142	3,142
Reserve for Payroll Deductions Payable	B-9	26,269	23,571
Reserve for Escrow and Miscellaneous Reserves	B-5	460,737	517,997
Reserve for Accumulated Absences	B-7	<u>98,252</u>	<u>98,252</u>
		<u>616,805</u>	<u>710,937</u>
HOUSING TRUST FUND			
Reserve for Housing Trust Expenditures	B-10	<u>160,880</u>	<u>338,389</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Due to State of New Jersey	B-12	178	7,176
Reserve for Unemployment Insurance Trust Claims	B-11	<u>30,060</u>	<u>34,600</u>
		<u>30,238</u>	<u>41,776</u>
LENGTH OF SERVICE AWARD PROGRAM (LOSAP) TRUST FUND (UNAUDITED)			
Reserve for LOSAP Contributions	B	<u>595,873</u>	<u>541,925</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 1,412,253</u>	<u>\$ 1,638,622</u>

BOROUGH OF EMERSON
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
Balance, January 1	C	\$ 701	\$ 701
Increased by:			
Premium on Issuance of Bond Anticipation Note	C-4	<u>6,740</u>	<u>-</u>
		7,441	701
Decreased by:			
Realized as Current Fund Budgeted Revenue	C-4	<u>701</u>	<u>-</u>
Balance, December 31	C	<u>\$ 6,740</u>	<u>\$ 701</u>

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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.

B. Reporting Entity

The Borough of Emerson (the "Borough") was incorporated in 1903 and operates under an elected Mayor/Council form of government. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

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

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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:

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

Miscellaneous Revenues - 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 - 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.

BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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.

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick leave and terminal leave benefits 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.

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.

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.

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.

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

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

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

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 2 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.

Deposits

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

Bank balances for interest bearing accounts are insured up to \$250,000 in the aggregate by the FDIC for each bank. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, temporary unlimited deposit insurance coverage was provided for non-interest bearing accounts from December 31, 2010 through December 31, 2012. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2012 and 2011, the book value of the Borough's deposits were \$3,561,066 and \$3,437,690 and bank and brokerage firm balances of the Borough's deposits amounted to \$3,828,470 and \$3,712,442, 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>2012</u>	<u>2011</u>
Insured	\$ 3,752,801	\$ 3,187,704
Uninsured and Collateralized	<u>75,669</u>	<u>524,738</u>
	<u>\$ 3,828,470</u>	<u>\$ 3,712,442</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, 2012 and 2011, the Borough's bank balances of \$75,669 and \$524,738 were exposed to custodial credit risk as follows:

	<u>2012</u>	<u>2011</u>
Uninsured and Collateral held by pledging financial institution's trust department not in the Borough's name	<u>\$ 75,669</u>	<u>\$ 524,738</u>

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1). The Borough does not have an investment policy that would further limit its investment choices. As of December 31, 2012 and 2011, the Borough’s investment in Lincoln Financial a subsidiary of Lincoln National Corporation was rated Baa2 by Moody’s Investors Service.

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

The fair value of the above-listed investments were based on quoted market prices.

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

NOTE 3 TAXES RECEIVABLE

Receivables at December 31, 2012 and 2011 consisted of the following:

	<u>2012</u>	<u>2011</u>
<u>Current</u>		
Property Taxes	\$ 244,939	\$ 242,428
Tax Title Liens	<u>42,953</u>	<u>34,726</u>
	<u>\$ 287,892</u>	<u>\$ 277,154</u>

In 2012 and 2011, the Borough collected \$244,911 and \$283,653 from delinquent taxes, which represented 88% and 89% of the prior year delinquent taxes receivable balance.

NOTE 4 MUNICIPAL DEBT

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

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 4 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>2012</u>	<u>2011</u>
3-1/2% of Equalized Valuation Basis (Municipal) Net Debt	\$ 46,051,183 <u>7,590,331</u>	\$ 47,212,402 <u>7,148,706</u>
Remaining Borrowing Power	<u>\$ 38,460,852</u>	<u>\$ 40,063,696</u>

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>2012</u>	<u>2011</u>
\$2,053,000, 2003 Bonds, due in annual installments of \$160,000 to \$168,000 through October, 2018 interest at 3.50% to 4.125%	\$ 988,000	\$ 1,148,000
\$2,030,000, 2007 Bonds, due in annual installments of \$200,000 to \$210,000 through August, 2019 interest at 4.0% to 4.1%	1,410,000	1,610,000
\$1,697,000, 2010 Bonds, due in annual installments of \$80,000 to \$517,000 through October, 2020 interest at 2.0% to 3.0%	<u>1,582,000</u>	<u>1,647,000</u>
	<u>\$ 3,980,000</u>	<u>\$ 4,405,000</u>

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 4 MUNICIPAL DEBT (Continued)

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years ended December 31, 2012 and 2011 were as follows:

	Balance, January 1, <u>2012</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2012</u>	Due Within <u>One Year</u>
<u>2012</u>					
General Capital Fund					
Bonds Payable	\$ 4,405,000		\$ 425,000	\$ 3,980,000	\$ 440,000
Intergovernmental Loans Payable	<u>1,680,407</u>	<u>-</u>	<u>153,976</u>	<u>1,526,431</u>	<u>157,070</u>
General Capital Fund Long-Term Liabilities	<u>\$ 6,085,407</u>	<u>\$ -</u>	<u>\$ 578,976</u>	<u>\$ 5,506,431</u>	<u>\$ 597,070</u>
	Balance, January 1, <u>2011</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2011</u>	Due Within <u>One Year</u>
<u>2011</u>					
General Capital Fund					
Bonds Payable	\$ 4,815,000		\$ 410,000	\$ 4,405,000	\$ 425,000
Intergovernmental Loans Payable	<u>1,831,348</u>	<u>-</u>	<u>150,941</u>	<u>1,680,407</u>	<u>153,976</u>
General Capital Fund Long-Term Liabilities	<u>\$ 6,646,348</u>	<u>\$ -</u>	<u>\$ 560,941</u>	<u>\$ 6,085,407</u>	<u>\$ 578,976</u>

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 5 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, 2012 and 2011.

	Balance January 1, <u>2012</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2012</u>
<u>2012</u>				
Land	\$ 11,161,700			\$ 11,161,700
Buildings and Building Improvements	2,421,522			2,421,522
Machinery and Equipment	<u>5,416,754</u>	<u>\$ 390,475</u>	<u>\$ 69,495</u>	<u>5,737,734</u>
	<u>\$ 18,999,976</u>	<u>\$ 390,475</u>	<u>\$ 69,495</u>	<u>\$ 19,320,956</u>
	January 1, <u>2011</u>	<u>Additions</u>	<u>Retirements</u>	December 31, <u>2011</u>
<u>2011</u>				
Land	\$ 11,161,700			\$ 11,161,700
Buildings and Building Improvements	2,421,522			2,421,522
Machinery and Equipment	<u>5,678,732</u>	<u>\$ 258,186</u>	<u>\$ 520,164</u>	<u>5,416,754</u>
	<u>\$ 19,261,954</u>	<u>\$ 258,186</u>	<u>\$ 520,164</u>	<u>\$ 18,999,976</u>

NOTE 6 DUE TO/FROM OTHER FUNDS

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

	<u>2012</u>		<u>2011</u>	
	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>
Current Fund	\$ 2,801	\$ 6,740	\$ 1,239	
Animal Control Fund		2,801		\$ 113
LOSAP Trust Fund	28,405		67,975	
General Capital Fund	6,740			1,126
Other Trust Fund	<u>-</u>	<u>28,405</u>	<u>-</u>	<u>67,975</u>
Total	<u>\$ 37,946</u>	<u>\$ 37,946</u>	<u>\$ 69,214</u>	<u>\$ 69,214</u>

The above balances are the result of revenues earned or receipts received in one fund for another fund.

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

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 9 COMPENSATED ABSENCES

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

Members of the Police Department after serving the required number of years and reaching the prescribed retirement age as set forth by the Police and Firemen's Retirement System of the State of New Jersey, are entitled to six (6) months terminal leave with pay. These payouts are charged to the current year budget at the time the payments are made to the respective officer.

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$409,552 and \$554,271 at December 31, 2012 and 2011, 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, 2012 and 2011, the Borough has reserved in the Other Trust Fund \$98,252 and \$98,252, respectively to fund compensated absences in accordance with NJSA 40A:4-39.

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS

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

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

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

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

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership.

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Significant Legislation (Continued)

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

Investment Valuation

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

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. The financial reports 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.

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS and PFRS, is 67.5 percent with an unfunded actuarial accrued liability of \$41.7 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 60.8 percent and \$30.1 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 77.5 percent and \$11.6 billion, respectively.

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

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

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 11 RISK MANAGEMENT

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

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

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

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

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

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

<u>Year Ended</u> <u>December 31</u>	<u>Borough</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2012	\$ 10,000	\$ 5,249	\$ 19,789	\$ 30,060
2011	10,000	5,133	18,713	34,600
2010	10,000	5,270	15,564	38,180

**BOROUGH OF EMERSON
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 14 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED (Continued)

The Borough of Emerson has contributed \$1,150 for both 2012 and 2011, for each eligible volunteer fire department member and volunteer ambulance corp. member into the Plan.

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

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

Vesting and Benefits

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

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

Reporting Requirements

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

NOTE 15 DEFERRED SCHOOL TAXES

Under the regulatory basis of accounting, regulations allow for the deferral to fund balance of not more than 50% of the annual levy when school taxes are raised in advance for a school year and have not been requisitioned by the school district as of December 31.

	<u>Local District School</u>	
	<u>2012</u>	<u>2011</u>
Balance of Tax	\$ 8,460,003	\$ 8,340,003
Deferred Liability	<u>8,340,003</u>	<u>8,340,003</u>
Taxes Payable	<u>\$ 120,000</u>	<u>\$ -</u>

CURRENT FUND

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

Balance, January 1, 2012		\$	1,775,391
Increased by Receipts:			
Taxes Receivable	\$	28,518,093	
Petty Cash Returned		700	
2012 Prepaid Taxes		301,715	
Tax Overpayments		15,477	
Revenue Accounts Receivable		1,536,653	
Non-Budget Revenue		84,969	
Due from State of NJ - Senior Citizens and Veterans Deductions		74,677	
Grant Receivable		74,178	
Receipts from General Capital Fund		55,428	
General Capital Fund Receipts Deposited in Current Fund		6,740	
Receipts from Other Trust Fund		13,283	
Receipts from Animal Control Trust Fund		165	
Receipts from Public Assistance Trust Fund		46	
Receipts from Construction Penalties		26,283	
Reserve for Insurance Reimbursement		8,257	
Due to State of New Jersey - Fees		7,080	
		30,723,744	
			32,499,135
Decreased by Disbursements:			
2012 Budget Appropriation		9,846,712	
2011 Appropriation Reserves		151,864	
Encumbrances Payable		240,312	
Petty Cash Received		700	
Local District School Taxes Payable		16,912,833	
County Taxes Payable		2,898,680	
Reserve for Appropriated Grants		74,784	
Tax Overpayments		15,853	
Due to State of New Jersey - Fees		7,334	
Reserve for Reassessment of Real Property		400	
Payment of Construction Penalties		27,582	
Change Fund		110	
		30,177,164	
Balance, December 31, 2012		\$	2,321,971

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

Year	Balance, January 1, 2011	2012 Levy	Added Taxes	Senior Citizens' and Veterans' Deductions Disallowed	Collected by Cash 2011	2012	Senior Citizens' and Veterans' Deductions Allowed	Tax Overpayments Applied	Transfer to Tax Title Liens Cancelled	Balance, December 31, 2012
2010	\$ 6,984				\$ 6,984					
2011	235,444			3,073		237,927			590	
	242,428			3,073		244,911			590	
2012		\$ 28,738,979	\$ 56,057	2,750	\$ 159,856	28,273,182	\$ 85,000	\$ 11,137	\$ 8,180	\$ 244,939
	\$ 242,428	\$ 28,738,979	\$ 56,057	5,823	\$ 159,856	28,518,093	\$ 85,000	\$ 11,137	\$ 8,180	\$ 244,939

Analysis of 2012 Property Tax Levy:

Tax Yield	
General Purpose Tax	\$ 28,738,979
Added Taxes (54:4-63.1 et seq.)	56,057
	<u>\$ 28,795,036</u>
Tax Levy	
Local District School Tax (Abstract)	\$ 17,032,833
County Taxes	2,859,911
County Open Space Taxes	33,109
Due County for Added Taxes (54:4-63.1 et seq.)	5,660
	<u>2,898,680</u>
Local Tax for Municipal Purposes	8,370,176
Minimum Library Tax	439,225
Add Additional Tax Levied	54,122
	<u>8,863,523</u>
	<u>\$ 28,795,036</u>

BOROUGH OF EMERSON
STATEMENT OF DEFERRED CHARGES - SPECIAL EMERGENCY AUTHORIZATIONS

	<u>Amount</u> <u>Authorized</u>	<u>1/5 of</u> <u>Amount</u> <u>Authorized</u>	<u>Balance,</u> <u>January 1,</u> <u>2012</u>	<u>Raised in</u> <u>2012</u> <u>Budget</u>	<u>Balance,</u> <u>December 31,</u> <u>2012</u>
Reassessment of Real Property	\$ 90,000	\$ 18,000	<u>\$ 72,000</u>	<u>\$ 18,000</u>	<u>\$ 54,000</u>

EXHIBIT A-11

STATEMENT OF DEFERRED CHARGES - EMERGENCY AUTHORIZATIONS

Balance, January 1, 2012	\$ 130,000
Increased by:	
Authorized in 2012	<u>105,000</u>
	235,000
Decreased by:	
2012 Budget Appropriation	<u>130,000</u>
Balance, December 31, 2012	<u>\$ 105,000</u>

EXHIBIT A-12

STATEMENT OF TAX TITLE LIENS

Balance, January 1, 2012	\$ 34,726
Increased by:	
Transfer from Taxes Receivable	\$ 8,180
Interest and Costs on Tax Sale	<u>47</u>
	<u>8,227</u>
Balance, December 31, 2012	<u>\$ 42,953</u>

**BOROUGH OF EMERSON
STATEMENT OF GRANTS RECEIVABLE**

	Balance, January 1, <u>2012</u>	<u>Accrued</u>	<u>Received</u>	<u>Cancelled</u>	Balance, December 31, <u>2012</u>
Municipal Alliance Program (2011)	\$ 5,945		\$ 5,829	\$ 116	
Municipal Alliance Program (2012)		\$ 10,356	6,947		\$ 3,409
CDBG - Senior Activities (2011)	4,469		4,469		
CDBG - Senior Center Improvement	41,335				41,335
Federal Buffer Zone Protection Program	23,362		23,330	32	
Alcohol Education Rehab		432	432		
Body Armor Replacement		1,989	1,989		
Clean Communities Program		11,327	11,327		
NJ Division of Highway		2,403	2,403		
NJDEP - Recycling Tonnage Grant	-	17,452	17,452	-	-
	<u>\$ 75,111</u>	<u>\$ 43,959</u>	<u>\$ 74,178</u>	<u>\$ 148</u>	<u>\$ 44,744</u>
			Cash Receipts <u>\$ 74,178</u>		
			Appropriated Grant Reserves <u>\$ 148</u>		

**BOROUGH OF EMERSON
STATEMENT OF 2011 APPROPRIATION RESERVES**

	Balance, December 31, <u>2011</u>	Modified <u>Balance</u>	<u>Expended</u>	Balance <u>Lapsed</u>
Other Expenses (Continued)				
Solid Waste Collection	\$ 2,824	\$ 2,824		\$ 2,824
Buildings and Grounds	1,364	6,364	\$ 4,059	2,305
Vehicle Maintenance	12,567	7,567	3,022	4,545
Public Health Services	64	64	31	33
Environmental Health Services	229	410		410
Animal Control Services	252	252		252
Recreation Services and Programs	9,004	9,004	62	8,942
Celebration of Public Events	970	970		970
Municipal Library	5,194	5,194	5,194	
Municipal Court	33	1,033	324	709
Construction Code Official	1,914	1,914	605	1,309
Electricity	2,750	2,750		2,750
Street Lighting	44	44		44
Telephone	411	411		411
Water	2,785	2,785		2,785
Gas (Natural or Propane)	5,838	5,838		5,838
Gasoline	18,313	19,313		19,313
Landfill / Solid Waste Disposal Cost - Dump Fees	35,614	35,614		35,614
Social Security System	8,298	8,298	362	7,936
Defined Contribution Retirement Program	2,000	2,000		2,000
Sewerage Processing and Disposal	1,044	1,044		1,044
Northwest Bergen Utilities Authority	3	3		3
Reserve for Tax Appeals	27,992	27,992	27,991	1
Length of Service Award Program	69,250	69,250	51,000	18,250
Recycling Tax P.L. 2001, C311(N.J.S.A.13:1E-96.5)	2,495	2,495		2,495
NJPDES/Stormwater Permit Management	5	5	-	5
	<u>\$ 556,451</u>	<u>\$ 564,576</u>	<u>\$ 151,864</u>	<u>\$ 412,712</u>
Appropriation Reserves		\$ 556,451		
Encumbrances Payable		<u>8,125</u>		
		<u>\$ 564,576</u>		
Cash Disbursements			<u>\$ 151,864</u>	

**BOROUGH OF EMERSON
STATEMENT OF TAX OVERPAYMENTS**

Balance, January 1, 2012		\$ 11,513
Increased by:		
Cash Receipts		15,477
		26,990
Decreased by:		
Cash Disbursements	\$ 15,853	
Applied to 2012 Taxes	11,137	
		\$ 26,990

STATEMENT OF COUNTY TAXES PAYABLE

Increased by:		
2012 Tax Levy - General	\$ 2,859,911	
2012 Tax Levy - Open Space	33,109	
Added Taxes (54:4-63.1)	5,660	
		\$ 2,898,680
Decreased by:		
Payments		\$ 2,898,680

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

<u>Grant</u>	Balance, January 1, 2012	Transferred from 2012 Budget	Cash Disbursements	Cancelled	Balance, December 31, 2012
Alcohol Education and Rehabilitation Grant	\$ 515	\$ 432			\$ 947
Body Armor Replacement Grant	5,027	3,937	\$ 850		8,114
Municipal Alliance					
State Share	113			\$ 113	
Local Share	230			230	
Drunk Driving Enforcement Fund	466				466
Recycling Tonnage Grant	10,155	17,452	4,166		23,441
Clean Communities	375	11,327	11,327		375
NJ Division of Highway Safety Grant		2,403	2,403		
Municipal Alliance (2011)					
State Share	116			116	
Local Share	242			242	
Municipal Alliance (2012)					
State Share		10,356	10,356		263
Local Share		2,875	2,612		300
Reserve for Clean Communities Program Mini Grant	300				
Federal Buffer Zone Protection Program	93		61	32	
CDBG - Senior Activities	4,469		4,469		
CDBG - Senior Center Imprvts.	41,335		38,540		2,795
Matching Funds or Grants	1,000		-	1,000	-
	<u>\$ 64,436</u>	<u>\$ 48,782</u>	<u>\$ 74,784</u>	<u>\$ 1,733</u>	<u>\$ 36,701</u>
		Operations	\$	1,585	
		Grants Receivable		148	
			<u>\$</u>	<u>1,733</u>	

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

Balance, January 1, 2012	\$ <u>1,949</u>
Decreased by:	
Utilized as 2012 Budget Revenue	\$ <u>1,949</u>

STATEMENT OF RESERVE FOR REASSESSMENT OF REAL PROPERTY

Balance, January 1, 2012	\$ 26,982
Decreased by:	
Cash Disbursements	<u>400</u>
Balance, December 31, 2012	\$ <u>26,582</u>

STATEMENT OF RESERVE FOR INSURANCE REIMBURSEMENT

Increased by:	
Prepaid Insurance Dividend Receipt	\$ <u>8,257</u>
Balance, December 31, 2012	\$ <u>8,257</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, 2012	\$ 5,595	\$ 710,937	\$ 338,389	\$ 41,776
Increased by Receipts:				
Animal Control Fees	\$ 5,416			
Late Fees	2,115			
State Fees	834			
Interest on Deposits	52	\$ 4,661	\$ 153	
Developers Fees			10,404	
Miscellaneous Reserves		344,770		
Employee Contributions		8,622		\$ 5,249
Cash Received from Outside Police Services				
Budget Appropriations				
Payroll Deposits		3,156,305		10,000
Payroll Deductions Payable		5,741,316		
Reserve for Accumulated Absences				
Receipts from Current Fund				
Escrow Deposits	8,417	61,235	-	-
	<u>14,012</u>	<u>9,316,909</u>	<u>10,557</u>	<u>15,249</u>
		10,027,846	348,946	57,025
Decreased by Disbursements:				
Expenditures Under R.S 4:19-15.11	4,556			
Miscellaneous Reserves		368,327		
Housing Trust			188,066	
Payments to LOSAP Trust Fund		39,570		
Payments to State of New Jersey	834			26,787
Payments for Current Fund	165			
Payments to Current Fund		13,283		
Payroll Deposits		3,156,305		
Payroll Deductions Payable		5,738,618		
Escrow Deposits	-	94,938	-	-
	<u>5,555</u>	<u>9,411,041</u>	<u>188,066</u>	<u>26,787</u>
Balance, December 31, 2012	<u>\$ 8,457</u>	<u>\$ 616,805</u>	<u>\$ 160,880</u>	<u>\$ 30,238</u>

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

Balance, January 1, 2012		\$ 517,997
Increased by:		
Escrow Deposit Receipts	\$ 61,235	
Miscellaneous Reserves Receipts	<u>344,770</u>	
		<u>406,005</u>
		924,002
Decreased by:		
Escrow Deposit Disbursements	94,938	
Miscellaneous Reserve Disbursements	<u>368,327</u>	
		<u>463,265</u>
Balance, December 31, 2012		<u>\$ 460,737</u>
Developer's Escrow Deposits		\$ 168,857
Recreation		52,875
Community Policing		20,906
Recycling Program		83,030
Centennial Celebration		2,115
Shade Tree Donations (Wagner)		2,188
Environmental Comm. Partnership		571
Acceptance of Bequests / Gifts		15,556
Emergency Management		2,035
Uniform Fire Penalties		3,033
Municipal Court Adjunct Fees		379
Municipal Alliance - DARE		490
Outside Empl Off- Duty Police Officers		8,655
Tax Sale Premium		99,700
Public Defender Fees		<u>347</u>
		<u>\$ 460,737</u>

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

Balance, January 1, 2012	\$	98,252
		<u> </u>
Balance, December 31, 2012	\$	98,252
		<u> </u>

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

Balance, January 1, 2012	\$	3,142
Increased by:		
Cash Receipts		<u>3,156,305</u>
		3,159,447
Decreased by:		
Cash Disbursements		<u>3,156,305</u>
Balance, December 31, 2012	\$	<u>3,142</u>

BOROUGH OF EMERSON
STATEMENT OF RESERVE FOR UNEMPLOYMENT INSURANCE TRUST FUND CLAIMS
UNEMPLOYMENT INSURANCE TRUST FUND

Balance, January 1, 2012	\$	34,600
Increased by:		
Employee Contributions	\$	5,249
2012 Budget Appropriation		<u>10,000</u>
		<u>15,249</u>
		49,849
Decreased by:		
Unemployment Compensation Claims		<u>19,789</u>
Balance, December 31, 2012	\$	<u>30,060</u>

EXHIBIT B-12

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

Balance, January 1, 2012	\$	7,176
Increased by:		
Unemployment Compensation Claims		<u>19,789</u>
		26,965
Decreased by:		
Cash Disbursements		<u>26,787</u>
Balance, December 31, 2012	\$	<u>178</u>

EXHIBIT B-13

STATEMENT OF DUE TO LOSAP TRUST FUND
OTHER TRUST FUND

Balance, January 1, 2012	\$	67,975
Decreased by:		
Cash Disbursements		<u>39,570</u>
Balance, December 31, 2012	\$	<u>28,405</u>

GENERAL CAPITAL FUND

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

Balance, January 1, 2012		\$	557,176
Increased by Receipts:			
Interest on Deposits	\$	250	
Grants Receivable		2,034	
Budget Appropriation - Capital Improvement Fund		50,000	
Bond Anticipation Notes		<u>950,750</u>	
			<u>1,003,034</u>
			1,560,210
Decreased by Disbursements:			
Improvement Authorizations		706,478	
Contracts Payable		384,125	
Payments to Current Fund		<u>55,428</u>	
			<u>1,146,031</u>
Balance, December 31, 2012		\$	<u>414,179</u>

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

Balance, January 1, 2012 (Due to)		\$	1,126
Increased by:			
Interest on Deposits		\$	250
Current Fund Budgeted Revenue			
Reserve for Payment of Debt		53,351	
Fund Balance		<u>701</u>	
			<u>54,302</u>
			55,428
Decreased by:			
Payments to Current Fund		55,428	
General Capital Fund Receipt Deposited in Current Fund			
Premium on Issuance of Bond Anticipation Note		<u>6,740</u>	
			<u>62,168</u>
Balance, December 31, 2012 (Due from)		\$	<u>6,740</u>

EXHIBIT C-5

STATEMENT OF MISCELLANEOUS RESERVES

Balance, January 1, 2012		\$	<u>500</u>
Balance, December 31, 2012		\$	<u>500</u>
<u>Analysis of Balance</u>			
Veterans Monument Donation		\$	<u>500</u>

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

Ord. No.	Improvement Description	Balance, January 1, 2012	2012 Authorizations	Balance, December 31, 2012	Analysis of Balance	
					Bond Anticipation Notes	Improvement Authorization
1409	Various General Improvements	\$ 247,000		\$ 247,000	\$ 247,000	
1423	Various General Improvements	560,900		560,900	560,900	
1432	Various General Improvements	308,750		308,750	308,750	
1441	Various Public Improvements		\$ 452,000	452,000	452,000	
1444	Various Public Improvements and Acquisition of Equipment		498,750	498,750	498,750	
1452	Resurfacing of High Street	-	16,500	16,500	-	\$ 16,500
		<u>\$ 1,116,650</u>	<u>\$ 967,250</u>	<u>\$ 2,083,900</u>	<u>\$ 2,067,400</u>	<u>\$ 16,500</u>
Improvement Authorizations - Unfunded						\$ 336,295
Less: Unexpended Proceeds of Bond Anticipation Notes						
	Ord. 1409				\$ 39,669	
	Ord. 1423				9,319	
	Ord. 1432				19,620	
	Ord. 1441				150,787	
	Ord. 1444				<u>100,400</u>	
						<u>319,795</u>
						<u>\$ 16,500</u>

EXHIBIT C-9

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, January 1, 2012	\$ 52
Increased By:	
Budget Appropriation - Capital Improvement Fund	<u>50,000</u>
	50,052
Decreased by:	
Appropriated to Finance Improvement Authorizations	<u>49,250</u>
Balance, December 31, 2012	<u>\$ 802</u>

**BOROUGH OF EMERSON
STATEMENT OF CONTRACTS PAYABLE**

Balance, January 1, 2012	\$ 384,125
Increased by:	
Charges to Improvement Authorizations	<u>178,244</u>
	562,369
Decreased by:	
Cash Disbursements	<u>384,125</u>
Balance, December 31, 2012	<u>\$ 178,244</u>

STATEMENT OF RESERVE FOR DEBT SERVICE

Balance, January 1, 2012	\$ <u>53,351</u>
Decreased by:	
Realized as Current Fund Budgeted Revenue	<u>\$ 53,351</u>

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

Issue	Date of Issue	Amount of Original Issue	Maturities of Bonds		Interest Rate	Balance, January 1, 2012	Decreased	Balance, December 31, 2012
			Date	Outstanding December 31, 2012				
General Improvement	10/15/2003	\$ 2,053,000	10/15/2013	\$ 160,000				
			10/15/2014	165,000				
			10/15/2015	165,000				
			10/15/2016	165,000				
			10/15/2017	165,000				
			10/15/2018	168,000	3.5-4.125%	\$ 1,148,000	\$ 160,000	\$ 988,000
General Improvement	8/1/2007	2,030,000	8/1/2013-2018	200,000	4.00%			
			8/1/2019	210,000	4.10%	1,610,000	200,000	1,410,000
General Improvement	10/1/2010	1,697,000	10/1/2013	80,000	2.00%			
			10/1/2014	90,000	2.00%			
			10/1/2015	110,000	2.00%			
			10/1/2016	130,000	2.00%			
			10/1/2017	150,000	2.25%			
			10/1/2018	160,000	2.50%			
			10/1/2019	345,000	2.75%			
10/1/2020	517,000	3.00%						
						<u>1,647,000</u>	<u>65,000</u>	<u>1,582,000</u>
						<u>\$ 4,405,000</u>	<u>\$ 425,000</u>	<u>\$ 3,980,000</u>
							<u>\$ 425,000</u>	

Paid by Budget Appropriation \$ 425,000

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

Balance, January 1, 2012	<u>\$ 8,750</u>
Balance, December 31, 2012	<u>\$ 8,750</u>

PUBLIC ASSISTANCE FUND

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

	PATF <u>Account #1</u>
Balance, January 1, 2012	\$ 8,176
Increased by:	
Cash Receipts	46
	8,222
Decreased by:	
Disbursements	46
Balance, December 31, 2012	\$ 8,176

STATEMENT OF RESERVE FOR PUBLIC ASSISTANCE EXPENDITURES

	PATF <u>Account #1</u>
Balance, January 1, 2012	\$ 8,176
Balance, December 31, 2012	\$ 8,176

BERGEN COUNTY, NEW JERSEY

PART II

GOVERNMENT AUDITING STANDARDS

YEAR ENDED DECEMBER 31, 2012

LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
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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

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, 2012, and the related notes to the financial statements, and have issued our report thereon dated May 15, 2013. Our report on the financial statements – regulatory basis indicated that the financial statements were not prepared and presented in accordance with accounting principles generally accepted in the United States of America but rather prepared and presented in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the requirements of the State of New Jersey for municipal government entities as described in Note 1. In addition, our report on the financial statements – regulatory basis was qualified on the regulatory basis of accounting because of the presentation of the unaudited LOSAP Trust Fund financial statements.

Internal Control over Financial Reporting

Management of the Borough of Emerson is responsible for establishing and maintaining effective 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 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.

**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, 2012**

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 schedule 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	\$ 114,218	\$ 43,504	\$ 157,722
General Capital	<u>146,500</u>	<u>-</u>	<u>146,500</u>
	<u>\$ 260,718</u>	<u>\$ 43,504</u>	<u>\$ 304,222</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
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012**

Part I – Summary of Auditors' Results

Financial Statements Section

Type of auditors' report issued on financial statements Qualified

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

**BOROUGH OF EMERSON
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

STATUS OF PRIOR YEAR FINDINGS

There were none.

BOROUGH OF EMERSON

PART III

SUPPLEMENTARY DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2012

**BOROUGH OF EMERSON
SUPPLEMENTARY DATA**

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

	<u>Year 2012</u>		<u>Year 2011</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 500,000	1.59 %	\$ 500,000	1.64 %
Miscellaneous - From Other Than Local				
Property Tax Levies	1,726,591	5.50	1,699,725	5.57
Collection of Delinquent Taxes and Tax Title Liens	244,911	0.78	283,653	0.93
Collection of Current Tax Levy	28,526,425	90.80	27,830,846	91.14
Other Credits to Income	418,224	1.33	222,957	0.73
	<u>31,416,151</u>	<u>100.00</u> %	<u>30,537,181</u>	<u>100.00</u> %
EXPENDITURES				
Budget Expenditures				
Municipal Purposes	10,820,908	35.18 %	10,679,875	35.39 %
County Taxes	2,898,680	9.42	2,663,081	8.82
Local School Taxes	17,032,833	55.37	16,832,370	55.78
Other Expenditures	10,633	0.03	2,789	0.01
	<u>30,763,054</u>	<u>100.00</u> %	<u>30,178,115</u>	<u>100.00</u> %
Excess of Revenue and Other Income Over Expenditures	653,097		359,066	
Adjustments to Income Before Fund Balance: Expenditures Included Above Which are by Statute Deferred Charges to Budgets of Succeeding Years	<u>105,000</u>		<u>130,000</u>	
Statutory Excess to Fund Balance	758,097		489,066	
Fund Balance, January 1	<u>960,948</u>		<u>971,882</u>	
	1,719,045		1,460,948	
Decreased by: Utilization as Anticipated Revenue	<u>500,000</u>		<u>500,000</u>	
Fund Balance, December 31	<u>\$ 1,219,045</u>		<u>\$ 960,948</u>	

**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>
2012	\$ 244,939	\$ 42,953	\$ 287,892	1.00%
2011	242,428	34,726	277,154	0.99%
2010	289,137	26,745	315,882	1.13%

Property Acquired by Tax Title Lien Liquidation

No properties have been acquired in 2012 or 2011 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>
2012	\$13,200
2011	13,200
2010	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	2012	\$1,219,045	\$550,000
	2011	960,948	500,000
	2010	971,882	500,000
	2009	921,537	650,000
	2008	992,325	700,000

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 the Recreation Department fees collected indicate the following:

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

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

Current Year

Various tickets included on the Municipal Court's "Tickets Assigned Not Issued Report" were outstanding in excess of six months. It is recommended that all tickets outstanding in excess of six months on the Municipal Court's "Tickets Assigned Not Issued Report" be recalled.

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

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

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

The threshold permitted by the State of New Jersey is \$17,500 unless the Borough has a qualified purchasing agent. If the Borough's purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c.198 (c.40A:11-9), the Borough may establish a bid threshold up to \$36,000. The Borough appointed the Chief Financial Officer as the qualified purchasing agent effective March 1, 2011 and approved the bid threshold to be \$36,000.

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

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

- 2012 Road Program (Co-op)
- 2013 Chassis with Hook Lift, Chipper Box, Contractor Box, and Snow Plow
- Sanitary Sewer Relining of Vivian Ave. and Hillcrest Ave.
- Fire Department Turnout Gear
- Senior Citizen Center Kitchen remodel
- Police Vehicles

BOROUGH OF EMERSON

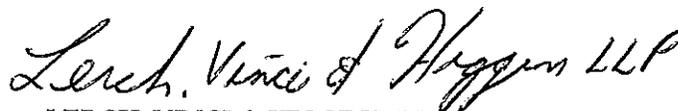
RECOMMENDATIONS

It is recommended that:

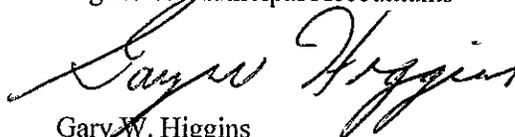
- * 1. Internal controls relating to the Recreation Department revenue cycle be reviewed and enhanced.
- 2. All tickets outstanding in excess of six months on the Municipal Court's "Tickets Assigned Not Issued Report" be recalled.
- 3. The inactive bank accounts in the Municipal Court be closed of record.

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

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



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