

BOROUGH OF EMERSON
BERGEN COUNTY, NEW JERSEY
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

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BOROUGH OF EMERSON

COUNTY OF BERGEN

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016



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, 2016 and 2015, 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, 2016, 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. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Borough of Emerson on the basis of the financial accounting and reporting 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, 2016 and 2015, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As discussed in Note 17 of the financial statements, the financial statements – regulatory basis of the Length of Service Award Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Borough’s financial statements as of and for the years ended December 31, 2016 and 2015. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 43 percent and 38 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2016 and 2015.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited as described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph above, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the Borough of Emerson as of December 31, 2016 and 2015, 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, 2016 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

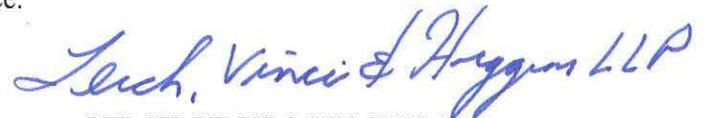
Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of Emerson as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, schedule of expenditures of state financial assistance and the supplementary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

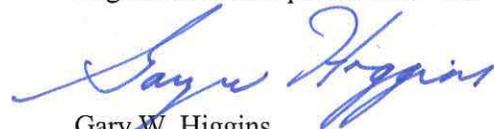
The supplementary data and letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated April 20, 2017 on our consideration of the Borough of Emerson's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Emerson's internal control over financial reporting and compliance.



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



Gary W. Higgins
Registered Municipal Accountant
RMA Number CR00405

Fair Lawn, New Jersey
April 20, 2017

BOROUGH OF EMERSON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND
AS OF DECEMBER 31, 2016 AND 2015

| | <u>Reference</u> | <u>2016</u> | <u>2015</u> |
|---|------------------|---------------------|---------------------|
| ASSETS | | | |
| Cash - Treasurer | A-4 | \$ 4,111,376 | \$ 3,862,254 |
| 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-13 | <u>205,145</u> | <u>183,282</u> |
| | | <u>4,318,357</u> | <u>4,047,122</u> |
| Receivables and Other Assets With Full Reserves | | | |
| Delinquent Property Taxes | A-7 | 143,401 | 231,959 |
| Tax Title Liens | A-11 | 120,734 | 100,967 |
| Property Acquired for Taxes - Assessed Valuation | A-9 | 13,200 | 13,200 |
| Revenue Accounts Receivable | A-12 | 6,709 | 6,991 |
| Due from General Capital Fund | C-4 | | 448 |
| Due from Animal Control Fund | B-3 | 2,448 | 6,459 |
| Due from Other Trust Fund | B-6 | <u>-</u> | <u>20,644</u> |
| | | <u>286,492</u> | <u>380,668</u> |
| Deferred Charges | | | |
| Emergency Authorizations | A-10 | 44,200 | |
| Overexpenditure of Appropriation Reserves | A-10 | 7,872 | |
| Expenditure Without Appropriation | A-10 | <u>-</u> | <u>5,525</u> |
| | | <u>52,072</u> | <u>5,525</u> |
| Total Assets | | <u>\$ 4,656,921</u> | <u>\$ 4,433,315</u> |

BOROUGH OF EMERSON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND
AS OF DECEMBER 31, 2016 AND 2015

| LIABILITIES, RESERVES AND FUND BALANCE | <u>Reference</u> | <u>2016</u> | <u>2015</u> |
|--|------------------|-------------------------|-------------------------|
| Appropriation Reserves | A-3,A-14 | \$ 783,629 | \$ 613,858 |
| Encumbrances Payable | A-15 | 363,014 | 417,026 |
| Accounts Payable | A-16 | 97,487 | 14,532 |
| Prepaid Taxes | A-17 | 155,675 | 149,721 |
| Tax Overpayments | A-18 | 8,079 | 7,349 |
| School Taxes Payable | A-21 | 540,000 | 540,000 |
| County Taxes Payable | A-20 | 8,675 | |
| Prepaid Fees | A-19 | 4,000 | 6,000 |
| Due to Other Trust | B-6 | 11,158 | |
| Reserve for Construction Penalties | A-24 | 16,366 | 20,443 |
| Reserve for Insurance Reimbursement | A-27 | 19,052 | 19,052 |
| Reserve for Reassessment of Real Property | A-26 | 22,682 | 22,682 |
| Reserve for Appropriated Grants | A-22 | 55,797 | 41,899 |
| Reserve for Tax Appeals | A-30 | 47,565 | 148,674 |
| Reserve for Tax Sale Lien Redemption | A-29 | 24,434 | 24,434 |
| Reserve for Tax Assessor Fees | A-31 | 20 | 20 |
| Due to State of New Jersey - DCA Fees | A-23 | 2,359 | 1,676 |
| Due to State of New Jersey - Marriage License Fees | A-28 | 1,178 | 145 |
| | | <u>2,161,170</u> | <u>2,027,511</u> |
| Reserve for Receivables and Other Assets | A | 286,492 | 380,668 |
| Fund Balance | A-1 | <u>2,209,259</u> | <u>2,025,136</u> |
| Total Liabilities, Reserves and Fund Balance | | <u>\$ 4,656,921</u> | <u>\$ 4,433,315</u> |

BOROUGH OF EMERSON
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
AS OF DECEMBER 31, 2016 AND 2015

| | <u>Reference</u> | <u>2016</u> | <u>2015</u> |
|---|------------------|---------------------|---------------------|
| REVENUES AND OTHER INCOME REALIZED | | | |
| Fund Balance Utilized | A-2 | \$ 880,000 | \$ 730,000 |
| Miscellaneous Revenue Anticipated | A-2 | 1,598,565 | 1,668,480 |
| Receipts from Delinquent Taxes | A-2 | 233,844 | 177,787 |
| Receipts from Current Taxes | A-2 | 31,089,224 | 30,385,685 |
| Nonbudget Revenue | A-2 | 141,563 | 541,246 |
| Other Credits to Income | | | |
| Unexpended Balance of Appropriation Reserves | A-14 | 431,067 | 341,259 |
| Cancellation of Accounts Payable | A-16 | 14,532 | 10,070 |
| Statutory Excess - Animal Control Fund | B-4 | 2,398 | 6,130 |
| Interfunds Liquidated | A | 27,551 | 1,283 |
| | | <u>34,418,744</u> | <u>33,861,940</u> |
| EXPENDITURES | | | |
| Budget and Emergency Appropriations | | | |
| Operations | | | |
| Salaries and Wages | A-3 | 4,653,669 | 4,588,678 |
| Other Expenses | A-3 | 4,859,596 | 4,814,248 |
| Capital Improvements | A-3 | 144,200 | 65,000 |
| Municipal Debt Service | A-3 | 1,058,621 | 1,047,180 |
| Deferred Charges and Statutory Expenditures | A-3 | 997,767 | 1,004,080 |
| County Taxes | A-20 | 3,058,593 | 2,915,115 |
| County Open Space Taxes | A-20 | 31,487 | 30,846 |
| Due County for Added and Omitted Taxes | A-20 | 8,675 | 7,971 |
| Local District School Taxes | A-21 | 18,581,630 | 18,077,315 |
| Other Debits to Income | | | |
| Expenditure Without Appropriation | A-1 | | 5,525 |
| 2015 Appropriation Reserve Overexpended | A-10, A-14 | 7,872 | |
| Prior Year Senior Deductions Disallowed | A-7 | 2,135 | 500 |
| Cancellation of Grants Receivable | A-1 | | 599 |
| Interfunds Established | A | 2,448 | 27,551 |
| | | <u>33,406,693</u> | <u>32,584,608</u> |
| Excess of Revenues and Other Income Over Expenditures | | 1,012,051 | 1,277,332 |
| Adjustments to Income Before Fund Balance: | | | |
| Expenditures Included Above Which are by Statute | | | |
| Deferred Charges to Budgets of Succeeding Years | A-10 | 52,072 | 5,525 |
| Regulatory Excess to Fund Balance | | 1,064,123 | 1,282,857 |
| Fund Balance, January 1 | A | 2,025,136 | 1,472,279 |
| | | 3,089,259 | 2,755,136 |
| Decreased by: | | | |
| Utilization as Anticipated Revenue | A-1, A-2 | 880,000 | 730,000 |
| Fund Balance, December 31 | A | <u>\$ 2,209,259</u> | <u>\$ 2,025,136</u> |

See Accompanying Notes to Financial Statements

BOROUGH OF EMERSON
STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

| | Reference | 2016 Budget | Added by N.J.S.A. 40A:4-87 | Realized | Excess or (Deficit) |
|---|-----------|----------------------|----------------------------------|----------------------|------------------------|
| Fund Balance Anticipated | A-1 | \$ 880,000 | - | \$ 880,000 | - |
| Miscellaneous Revenues | | | | | |
| Licenses | | | | | |
| Alcoholic Beverages | A-12 | 17,500 | | 17,500 | |
| Other | A-2 | 12,000 | | 14,026 | \$ 2,026 |
| Fees and Permits | | | | | |
| Other | A-2 | 12,500 | | 17,235 | 4,735 |
| Fines and Costs | | | | | |
| Municipal Court | A-12 | 140,000 | | 114,602 | (25,398) |
| Interest and Costs on Taxes | A-12 | 40,000 | | 39,316 | (684) |
| Interest on Investments and Deposits | A-2 | 10,500 | | 21,313 | 10,813 |
| Parking Meters | A-12 | 8,000 | | 10,250 | 2,250 |
| Energy Receipts Tax | A-12 | 619,905 | | 619,905 | - |
| Watershed Moratorium Offset Aid | A-12 | 18,189 | | 18,189 | - |
| Construction Code Official | A-12 | 219,000 | | 228,275 | 9,275 |
| Borough of Old Tappan Shared Service - Court | A-12 | 14,884 | | 14,592 | (292) |
| Public and Private Programs | | | | | |
| Offset with Appropriations | | | | | |
| Municipal Alliance on Alcoholism and Drug Abuse - 2015 | A-13,A-25 | | \$ 9,876 | 9,876 | |
| Recycling Tonnage Grant | A-13 | 8,664 | | 8,664 | |
| Body Armor Replacement Grant | A-25 | | 2,104 | 2,104 | |
| Drunk Driving Enforcement Fund Grant | A-25 | | 6,282 | 6,282 | |
| CDBG - Senior Citizen Activities | A-13,A-25 | | 3,530 | 3,530 | |
| Alcohol Education Rehab Grant | A-25 | | 423 | 423 | |
| Clean Communities Grant | A-25 | | 17,332 | 17,332 | |
| Environmental Grant - Anjec | A-13,A-25 | | 1,000 | 1,000 | |
| Bergen County Open Space Grant | A-13,A-25 | | 20,000 | 20,000 | |
| Other Special Items | | | | | |
| Uniform Fire Safety Act | A-12 | 20,000 | | 20,184 | 184 |
| Sewer Service Fees | A-12 | 11,500 | | 10,884 | (616) |
| Cellular Tower Fees | A-12 | 188,000 | | 180,540 | (7,460) |
| Cable Television Franchise Fees | A-12 | 107,000 | | 111,065 | 4,065 |
| Additional Dedicated Uniform Construction Code Fees | A-12 | 76,798 | | 76,798 | |
| Insurance Dividends | A-12 | 11,000 | - | 14,680 | 3,680 |
| Total Miscellaneous Revenues | A-1 | <u>1,535,440</u> | <u>60,547</u> | <u>1,598,565</u> | <u>2,578</u> |
| Receipts from Delinquent Taxes | A-7 | <u>220,000</u> | - | <u>233,844</u> | <u>13,844</u> |
| Amount to be Raised by Taxes for Support of Municipal Budget - | | | | | |
| Local Tax for Municipal Purposes | A-2 | 8,909,633 | | 9,044,799 | 135,166 |
| Minimum Library Tax | A-2 | 418,040 | - | 418,040 | - |
| | | <u>9,327,673</u> | - | <u>9,462,839</u> | <u>135,166</u> |
| Total Budget Revenues | A-3 | <u>\$ 11,963,113</u> | <u>\$ 60,547</u> | <u>12,175,248</u> | <u>\$ 151,588</u> |
| Nonbudget Revenue | A-1,A-2 | | | <u>141,563</u> | |
| | | | | <u>\$ 12,316,811</u> | |

BOROUGH OF EMERSON
STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

| | <u>Reference</u> | |
|--|------------------|---------------------|
| ANALYSIS OF REALIZED REVENUES | | |
| Allocation of Current Tax Collections | | |
| Revenue from Collections | A-1,A-7 | \$ 31,089,224 |
| Less: Allocated to School and County Taxes | A-20,A-21 | <u>21,980,385</u> |
| | | 9,108,839 |
| Add Appropriation "Reserve for Uncollected Taxes" | A-3 | <u>354,000</u> |
| Amount for Support of Municipal Budget Appropriation | A-2 | <u>\$ 9,462,839</u> |
| | | |
| Licenses - Other | | |
| Borough Clerk | A-12 | \$ 3,175 |
| Health Officer | A-12 | <u>10,851</u> |
| | A-2 | <u>\$ 14,026</u> |
| Fees and Permits | | |
| Borough Clerk | A-12 | \$ 7,078 |
| Health Officer | A-12 | 340 |
| Planning/Zoning Boards | A-12 | 6,875 |
| Police Department | A-12 | <u>2,942</u> |
| | A-2 | <u>\$ 17,235</u> |
| Interest on Investments and Deposits | | |
| Revenue Accounts Receivable | A-12 | \$ 14,521 |
| Due from General Capital Fund | C-4 | 3,861 |
| Due from Animal Control Trust Fund | B-3 | 50 |
| Due from Unemployment Trust Fund | B-16 | 59 |
| Due from Other Trust Fund | B-6 | <u>2,822</u> |
| | A-2 | <u>\$ 21,313</u> |

BOROUGH OF EMERSON
STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

Reference

| | | |
|---|-----|-------------------|
| Nonbudget Revenue | | |
| Sale of Assets | | \$ 12,974 |
| Administration Fee - Senior's & Veteran's | | 1,342 |
| Police Outside Duty | | 89,750 |
| Hurricane Sandy FEMA Reimbursement | | 8,036 |
| DMV Inspection Fine | | 2,903 |
| 6% Penalty | | 4,846 |
| 2015 Flood Reimbursement from JIF | | 2,963 |
| Miscellaneous | | <u>18,749</u> |
| | A-2 | <u>\$ 141,563</u> |

BOROUGH OF EMERSON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

| | <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 | \$ 175,400 | \$ 175,400 | \$ 170,143 | \$ 5,257 | |
| Other Expenses | 41,400 | 41,400 | 27,883 | 13,517 | |
| Mayor and Council | | | | | |
| Salaries and Wages | 21,600 | 21,600 | 21,600 | - | |
| Other Expenses | 2,650 | 3,650 | 3,421 | 229 | |
| Municipal Clerk | | | | | |
| Salaries and Wages | 104,470 | 101,920 | 101,013 | 907 | |
| Other Expenses | 46,550 | 47,100 | 40,118 | 6,982 | |
| Financial Administration | | | | | |
| Salaries and Wages | 113,500 | 113,500 | 113,114 | 386 | |
| Other Expenses | 38,772 | 38,772 | 32,785 | 5,987 | |
| Audit Services | 37,500 | 37,500 | 69 | 37,431 | |
| Revenue Administration | | | | | |
| Salaries and Wages | 29,500 | 29,500 | 25,543 | 3,957 | |
| Other Expenses | 8,290 | 8,290 | 7,316 | 974 | |
| Tax Assessment Administration | | | | | |
| Salaries and Wages | 22,103 | 22,103 | 22,067 | 36 | |
| Other Expenses | 18,615 | 18,615 | 13,454 | 5,161 | |
| Legal Services | | | | | |
| Other Expenses | 145,000 | 240,000 | 234,225 | 5,775 | |
| Engineering Services | | | | | |
| Other Expenses | 4,850 | 19,850 | 19,472 | 378 | |
| LAND USE ADMINISTRATION | | | | | |
| Land Use Board | | | | | |
| Salaries and Wages | 7,600 | 4,600 | 3,850 | 750 | |
| Other Expenses | 21,400 | 24,400 | 23,844 | 556 | |
| INSURANCE | | | | | |
| General Liability | 182,100 | 182,100 | 175,341 | 6,759 | |
| Workers Compensation | 210,000 | 210,000 | 207,780 | 2,220 | |
| Employee Group Health | 805,428 | 805,428 | 796,344 | 9,084 | |
| Unemployment Compensation Insurance | 15,000 | 15,000 | 13,098 | 1,902 | |

BOROUGH OF EMERSON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

| | <u>Appropriated</u> | | <u>Expended</u> | | <u>Unexpended Balance Cancelled</u> |
|---|---------------------|--------------------------------------|----------------------------|-----------------|---|
| | <u>Budget</u> | <u>Budget After Modification</u> | <u>Paid or Charged</u> | <u>Reserved</u> | |
| OPERATIONS - WITHIN "CAPS" (Cont'd) | | | | | |
| PUBLIC SAFETY FUNCTIONS | | | | | |
| Police Department | | | | | |
| Salaries and Wages | \$ 2,579,421 | \$ 2,504,421 | \$ 2,428,431 | \$ 75,990 | |
| Other Expenses | 110,150 | 122,580 | 120,870 | 1,710 | |
| Acquisition of Police Vehicles (Leases) | 5,430 | | | - | |
| Police Dispatch/911 | | | | | |
| Salaries and Wages | 173,800 | 173,800 | 169,199 | 4,601 | |
| Other Expenses | 1,500 | 1,500 | 240 | 1,260 | |
| Office of Emergency Management | | | | | |
| Salaries and Wages | 2,500 | 2,500 | 2,436 | 64 | |
| Other Expenses | 11,300 | 11,300 | 8,238 | 3,062 | |
| Aid to Volunteer Fire Companies | | | | | |
| Other Expenses | 71,050 | 71,050 | 59,910 | 11,140 | |
| Aid to Volunteer Ambulance Corps. | | | | | |
| Other Expenses | 16,250 | 16,250 | 9,654 | 6,596 | |
| Fire Department | | | | | |
| Salaries and Wages | 17,350 | 17,350 | 15,748 | 1,602 | |
| Other Expenses | 128,920 | 129,920 | 128,920 | 1,000 | |
| Uniform Fire Safety Act (P.L. 1983, Ch. 383) | | | | | |
| Salaries and Wages | 14,570 | 14,570 | 13,873 | 697 | |
| Other Expenses | 3,675 | 3,775 | 3,750 | 25 | |
| Municipal Prosecutor | | | | | |
| Other Expenses | 11,485 | 11,485 | 11,484 | 1 | |
| PUBLIC WORKS FUNCTIONS | | | | | |
| Streets and Road Maintenance | | | | | |
| Salaries and Wages | 677,350 | 677,350 | 574,426 | 102,924 | |
| Other Expenses | 60,000 | 50,000 | 39,453 | 10,547 | |
| Sewer Services | | | | | |
| Salaries and Wages | 104,195 | 104,195 | 90,183 | 14,012 | |
| Other Expenses | 55,750 | 55,750 | 42,648 | 13,102 | |
| Shade Tree - Advisory Committee | | | | | |
| Salaries and Wages | 10,460 | 10,460 | 8,755 | 1,705 | |
| Other Expenses | 66,312 | 66,312 | 62,019 | 4,293 | |
| Solid Waste Collection | | | | | |
| Garbage/Recycling - Other Expenses | 356,120 | 356,120 | 355,000 | 1,120 | |
| Buildings and Grounds | | | | | |
| Other Expenses | 61,100 | 63,650 | 63,458 | 192 | |
| Vehicle Maintenance | | | | | |
| Salaries and Wages | 220,497 | 220,497 | 157,057 | 63,440 | |
| Other Expenses | 62,500 | 44,950 | 28,256 | 16,694 | |

**BOROUGH OF EMERSON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

| | <u>Appropriated</u> | <u>Budget After</u> | <u>Expended</u> | <u>Unexpended</u> |
|--|---------------------|---------------------|----------------------------------|------------------------------------|
| | <u>Budget</u> | <u>Modification</u> | <u>Paid or</u> <u>Charged</u> | <u>Balance</u> <u>Cancelled</u> |
| OPERATIONS - WITHIN "CAPS" (Continued) | | | | |
| HEALTH AND HUMAN SERVICES | | | | |
| FUNCTIONS | | | | |
| Public Health Services | | | | |
| Salaries and Wages | \$ 51,912 | \$ 51,912 | \$ 49,526 | \$ 2,386 |
| Other Expenses | 67,970 | 67,970 | 53,962 | 14,008 |
| Environmental Health Services | | | | |
| Salaries and Wages | 2,085 | 2,185 | 2,123 | 62 |
| Other Expenses | 1,055 | 1,055 | 356 | 699 |
| Animal Control Services | | | | |
| Other Expenses | 10,400 | 10,400 | 8,757 | 1,643 |
| PARKS AND RECREATION FUNCTIONS | | | | |
| Recreation Services and Programs | | | | |
| Salaries and Wages | 22,896 | 22,896 | 22,301 | 595 |
| Other Expenses | 52,345 | 52,345 | 48,763 | 3,582 |
| Municipal Court | | | | |
| Salaries and Wages | 84,109 | 84,109 | 72,062 | 12,047 |
| Other Expenses | 10,225 | 10,225 | 5,864 | 4,361 |
| Public Defender | | | | |
| Salaries and Wages | 3,060 | 3,060 | 2,871 | 189 |
| OTHER COMMON OPERATING | | | | |
| FUNCTIONS | | | | |
| Historic Preservation | | | | |
| Other Expenses | 750 | 750 | 220 | 530 |
| Celebration of Public Events | | | | |
| Other Expenses | 1,000 | 1,000 | | 1,000 |
| Reserve for Accumulated Absences | | | | |
| Salaries and Wages | 40,000 | 40,000 | 40,000 | - |
| 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 | 161,220 | 161,220 | 159,847 | 1,373 |
| Other Expenses | 6,450 | 6,450 | 6,359 | 91 |

BOROUGH OF EMERSON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

| | <u>Appropriated</u> | | <u>Expended</u> | | <u>Unexpended Balance Cancelled</u> |
|---|---------------------|--------------------------------------|----------------------------|-----------------|---|
| | <u>Budget</u> | <u>Budget After Modification</u> | <u>Paid or Charged</u> | <u>Reserved</u> | |
| OPERATIONS - WITHIN "CAPS" (Continued) | | | | | |
| UTILITY EXPENSES AND BULK PURCHASES | | | | | |
| Electricity | \$ 90,000 | \$ 90,000 | \$ 60,512 | \$ 29,488 | |
| Street Lighting | 88,000 | 88,000 | 77,300 | 10,700 | |
| Telephone | 22,000 | 24,000 | 23,088 | 912 | |
| Water | 14,800 | 14,800 | 13,254 | 1,546 | |
| Gas (Natural or Propane) | 20,000 | 20,000 | 8,487 | 11,513 | |
| Gasoline | 90,000 | 70,400 | 43,956 | 26,444 | |
| | | | | | |
| LANDFILL/SOLID WASTE DISPOSAL COSTS | | | | | |
| Dump Fees | | | | | |
| Other Expenses | <u>247,900</u> | <u>247,900</u> | <u>210,988</u> | <u>36,912</u> | <u>-</u> |
| Total Operations Within "CAPS" | <u>7,961,590</u> | <u>7,961,190</u> | <u>7,357,084</u> | <u>604,106</u> | <u>-</u> |
| Detail: | | | | | |
| Salaries and Wages | 4,639,598 | 4,559,148 | 4,266,168 | 292,980 | - |
| Other Expenses | <u>3,321,992</u> | <u>3,402,042</u> | <u>3,090,916</u> | <u>311,126</u> | <u>-</u> |
| | | | | | |
| Deferred Charges and Statutory Expenditures - Municipal Within "CAPS" | | | | | |
| Deferred Charges | | | | | |
| Expenditure without Appropriation | 5,525 | 5,525 | 5,525 | - | |
| Regulatory Expenditures | | | | | |
| Public Employees' Retirement System | 215,356 | 215,356 | 204,861 | 10,495 | |
| Social Security System (O.A.S.I.) | 176,460 | 176,460 | 171,325 | 5,135 | |
| Police and Firemen's Retirement System of N.J. | 600,025 | 600,025 | 600,024 | 1 | |
| Defined Contribution Retirement Program | <u>1</u> | <u>401</u> | <u>398</u> | <u>3</u> | <u>-</u> |
| Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS" | <u>997,367</u> | <u>997,767</u> | <u>982,133</u> | <u>15,634</u> | <u>-</u> |
| Total General Appropriations for Municipal Purposes - Within "CAPS" | <u>8,958,957</u> | <u>8,958,957</u> | <u>8,339,217</u> | <u>619,740</u> | <u>-</u> |

BOROUGH OF EMERSON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

| | <u>Appropriated</u> | | <u>Expended</u> | | <u>Unexpended Balance Cancelled</u> |
|---|---------------------|--------------------------------------|----------------------------|-----------------|---|
| | <u>Budget</u> | <u>Budget After Modification</u> | <u>Paid or Charged</u> | <u>Reserved</u> | |
| OPERATIONS - EXCLUDED FROM "CAPS" | | | | | |
| EDUCATION FUNCTIONS | | | | | |
| Municipal Library | | | | | |
| Other Expenses | \$ 418,040 | \$ 418,040 | \$ 414,575 | \$ 3,465 | |
| UTILITY EXPENSES AND BULK PURCHASES | | | | | |
| Sewerage Processing and Disposal | | | | | |
| Operation and Maintenance Expenses | 560,606 | 560,606 | 559,076 | 1,530 | |
| Debt Expenses | 229,034 | 229,034 | 229,034 | - | |
| Northwest Bergen Utilities Authority | | | | | |
| Other Expenses | 7,000 | 7,000 | 4,600 | 2,400 | |
| Reserve for Tax Appeals | | | | | |
| Other Expenses | 50,000 | 50,000 | 50,000 | | |
| Length of Service Awards Program | 63,000 | 63,000 | | 63,000 | |
| Recycling Tax P.L. 2007, c.311(N.J.S.A. 13:1E-96.5) | 10,500 | 10,500 | 4,993 | 5,507 | |
| NJPDES/Stormwater Permit Management [N.J.S.A.40A:4-45.39(cc)] | | | | | |
| Salaries and Wages | 81,095 | 81,095 | 77,629 | 3,466 | |
| Other Expenses | 25,709 | 25,709 | 23,709 | 2,000 | |
| Borough of Old Tappan - Court | | | | | |
| Salaries and Wages | 13,426 | 13,426 | 13,426 | - | |
| Other Expenses | 1,454 | 1,454 | 1,454 | - | - |
| Total Other Operations Excluded from "CAPS" | <u>1,459,864</u> | <u>1,459,864</u> | <u>1,378,496</u> | <u>81,368</u> | <u>-</u> |
| Public and Private Programs Offset by Revenues | | | | | |
| Municipal Alliance | | | | | |
| State Share | | 9,876 | 1,182 | 8,694 | |
| Local Share | | 2,469 | | 2,469 | |
| Alcohol Education Rehab Enforcement | | 423 | | 423 | |
| Matching Funds for Grants | 23,000 | 531 | | 531 | |
| Body Armor Fund | | 2,104 | | 2,104 | |
| Clean Communities | | 17,332 | 3,074 | 14,258 | |
| Environmental Grant - Anjec | | 1,000 | | 1,000 | |
| Drunk Driving Enforcement | | 6,282 | | 6,282 | |
| Bergen County Open Space Grant | | 20,000 | | 20,000 | |
| Bergen County Open Space Grant - Local Share | | 20,000 | | 20,000 | |
| CDBG - Senior Citizen Activities | | 3,530 | 3,000 | 530 | |
| Recycling Tonnage Grant | 8,664 | 8,664 | 2,434 | 6,230 | - |
| Total Public and Private Programs Offset by Revenues | <u>31,664</u> | <u>92,211</u> | <u>9,690</u> | <u>82,521</u> | <u>-</u> |
| Total Operations Excluded from "CAPS" | <u>1,491,528</u> | <u>1,552,075</u> | <u>1,388,186</u> | <u>163,889</u> | <u>-</u> |
| Detail: | | | | | |
| Salaries and Wages | 94,521 | 94,521 | 91,055 | 3,466 | - |
| Other Expenses | <u>1,397,007</u> | <u>1,457,554</u> | <u>1,297,131</u> | <u>160,423</u> | <u>-</u> |

See Accompanying Notes to Financial Statements

BOROUGH OF EMERSON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

| | <u>Appropriated</u> | | <u>Expended</u> | | <u>Unexpended Balance Cancelled</u> |
|---|----------------------|--------------------------------------|----------------------------|-------------------|---|
| | <u>Budget</u> | <u>Budget After Modification</u> | <u>Paid or Charged</u> | <u>Reserved</u> | |
| CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS" | | | | | |
| Capital Improvement Fund | \$ 100,000 | \$ 100,000 | \$ 100,000 | | |
| Down Payments on Improvements | - | 44,200 | 44,200 | - | - |
| Total Capital Improvements Excluded from "CAPS" | <u>100,000</u> | <u>144,200</u> | <u>144,200</u> | <u>-</u> | <u>-</u> |
| MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS" | | | | | |
| Payment of Bond Principal | 690,000 | 690,000 | 690,000 | | |
| Interest on Bonds | 169,828 | 169,828 | 169,828 | | |
| Interest on Notes | 11,980 | 11,980 | 11,976 | | \$ 4 |
| Green Trust Loans - Principal and Interest | <u>186,820</u> | <u>186,820</u> | <u>186,817</u> | <u>-</u> | <u>3</u> |
| Total Municipal Debt Service Excluded from "CAPS" | <u>1,058,628</u> | <u>1,058,628</u> | <u>1,058,621</u> | <u>-</u> | <u>7</u> |
| Total General Appropriations for Municipal Purposes Excluded from "CAPS" | <u>2,650,156</u> | <u>2,754,903</u> | <u>2,591,007</u> | <u>\$ 163,889</u> | <u>7</u> |
| Subtotal General Appropriations | 11,609,113 | 11,713,860 | 10,930,224 | 783,629 | 7 |
| Reserve for Uncollected Taxes | <u>354,000</u> | <u>354,000</u> | <u>354,000</u> | <u>-</u> | <u>-</u> |
| Total General Appropriations | <u>\$ 11,963,113</u> | <u>\$ 12,067,860</u> | <u>\$ 11,284,224</u> | <u>\$ 783,629</u> | <u>\$ 7</u> |
| <u>Reference</u> | A-2 | | | A | |

BOROUGH OF EMERSON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

| | <u>Reference</u> | <u>Budget After Modification</u> | <u>Expended Paid or Charged</u> |
|--|------------------|--------------------------------------|---|
| Budget as Adopted | A-3 | \$ 11,963,113 | |
| Emergency Appropriation 40A:4-47 | A-10 | 44,200 | |
| Added by N.J.S.A. 40A:4-87 | A-2 | <u>60,547</u> | |
| | | <u>\$ 12,067,860</u> | |
| | | | |
| Cash Disbursed | A-4 | | \$ 10,530,270 |
| Deferred Charges - Expenditure Without Appropriation | A-10 | | 5,525 |
| Reserve for Uncollected Taxes | A-2 | | 354,000 |
| Reserve for Tax Appeals | A-30 | | 31,415 |
| Encumbrances Payable | A-15 | | <u>363,014</u> |
| | | | <u>\$ 11,284,224</u> |

BOROUGH OF EMERSON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS
AS OF DECEMBER 31, 2016 AND 2015

| | <u>Reference</u> | <u>2016</u> | <u>2015</u> |
|---|------------------|---------------------|---------------------|
| ASSETS | | | |
| ANIMAL CONTROL TRUST FUND | | | |
| Cash | B-1 | \$ 16,253 | \$ 18,935 |
| | | <u>16,253</u> | <u>18,935</u> |
| OTHER TRUST FUND | | | |
| Cash | B-1 | 737,127 | 990,890 |
| Due from Current Fund | B-6 | 11,158 | |
| Due from Emerson Public Library | B-7 | 14,325 | |
| Other Accounts Receivable | B-5 | 17,990 | 8,917 |
| | | <u>780,600</u> | <u>999,807</u> |
| HOUSING TRUST FUND | | | |
| Cash | B-1 | 240,706 | 221,553 |
| UNEMPLOYMENT INSURANCE TRUST FUND | | | |
| Cash | B-1 | 48,166 | 41,982 |
| LENGTH OF SERVICE AWARD PROGRAM (LOSAP) TRUST FUND (UNAUDITED) | | | |
| Investments | B | 740,034 | 692,521 |
| Due from Other Trust Fund | B-17 | 28,405 | 28,405 |
| Contribution Receivable | B | 66,700 | 59,800 |
| | | <u>835,139</u> | <u>780,726</u> |
| Total Assets | | <u>\$ 1,920,864</u> | <u>\$ 2,063,003</u> |

See Accompanying Notes to Financial Statements

BOROUGH OF EMERSON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS
AS OF DECEMBER 31, 2016 AND 2015

| | <u>Reference</u> | <u>2016</u> | <u>2015</u> |
|---|------------------|---------------------|---------------------|
| LIABILITIES, RESERVES AND FUND BALANCE | | | |
| ANIMAL CONTROL TRUST FUND | | | |
| Due to Current Fund | B-3 | \$ 2,448 | \$ 6,459 |
| Reserve for Animal Control Expenditures | B-4 | <u>13,805</u> | <u>12,476</u> |
| | | <u>16,253</u> | <u>18,935</u> |
| OTHER TRUST FUND | | | |
| Due to LOSAP Trust Fund | B-17 | 28,405 | 28,405 |
| Due to Current Fund | B-6 | | 20,644 |
| Reserve for Accrued Payroll | B-8 | 15,082 | 14,090 |
| Reserve for Payroll Deductions Payable | B-9 | 20,911 | 29,885 |
| Reserve for Flexible Spending | B-10 | 1,876 | 452 |
| Reserve for Accumulated Absences | B-11 | 169,456 | 167,852 |
| Reserve for Escrow and Miscellaneous Reserves | B-12 | <u>544,870</u> | <u>738,479</u> |
| | | <u>780,600</u> | <u>999,807</u> |
| HOUSING TRUST FUND | | | |
| Reserve for Housing Trust Expenditures | B-13 | <u>240,706</u> | <u>221,553</u> |
| UNEMPLOYMENT INSURANCE TRUST FUND | | | |
| Due to State of New Jersey | B-15 | | 7 |
| Reserve for Unemployment Insurance Trust Claims | B-14 | <u>48,166</u> | <u>41,975</u> |
| | | <u>48,166</u> | <u>41,982</u> |
| LENGTH OF SERVICE AWARD PROGRAM (LOSAP) TRUST FUND (UNAUDITED) | | | |
| Reserve for LOSAP Contributions | B | <u>835,139</u> | <u>780,726</u> |
| Total Liabilities, Reserves and Fund Balance | | <u>\$ 1,920,864</u> | <u>\$ 2,063,003</u> |

BOROUGH OF EMERSON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2016 AND 2015

| | <u>Reference</u> | <u>2016</u> | <u>2015</u> |
|---|------------------|--------------------------|--------------------------|
| ASSETS | | | |
| Cash | C-2,C-3 | \$ 1,004,920 | \$ 1,555,558 |
| Grants Receivable | C-5 | 396,618 | 276,083 |
| Deferred Charges to Future Taxation | | | |
| Funded | C-6 | 6,106,952 | 6,963,685 |
| Unfunded | C-7 | <u>4,666,565</u> | <u>1,788,365</u> |
| Total Assets | | <u>\$ 12,175,055</u> | <u>\$ 10,583,691</u> |
| LIABILITIES, RESERVES AND FUND BALANCE | | | |
| General Serial Bonds Payable | C-12 | \$ 5,228,000 | \$ 5,918,000 |
| Intergovernmental Loans Payable | C-13 | 878,952 | 1,045,685 |
| Bond Anticipated Notes Payable | C-14 | 4,516,665 | 1,787,465 |
| Improvement Authorizations | | | |
| Funded | C-8 | 156,807 | 346,582 |
| Unfunded | C-8 | 807,264 | 878,610 |
| Contracts Payable | C-9 | 347,395 | 590,919 |
| Due to Current Fund | C-4 | | 448 |
| Capital Improvement Fund | C-10 | 6,732 | 6,732 |
| Miscellaneous Reserves | C-15 | 500 | 500 |
| Reserve for Grant Receivables | C-16 | 155,500 | |
| Reserve for Capital Projects | C-17 | 8,750 | 8,750 |
| Fund Balance | C-1 | <u>68,490</u> | <u>-</u> |
| Total Liabilities, Reserves and Fund Balance | | <u>\$ 12,175,055</u> | <u>\$ 10,583,691</u> |

There were bonds and notes authorized but not issued on December 31, 2016 and 2015 in the amount of \$149,900 and \$900, respectively (Exhibit C-18).

BOROUGH OF EMERSON
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2016 AND 2015

| | <u>Reference</u> | <u>2016</u> | <u>2015</u> |
|--|------------------|------------------|-------------|
| Increased by: | | | |
| Funded Improvement Authorizations Canceled | C-7 | \$ 68,490 | - |
| Balance, December 31 | C | <u>\$ 68,490</u> | <u>\$ -</u> |

BOROUGH OF EMERSON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2016 AND 2015

| | <u>2016</u> | <u>2015</u> |
|--|--------------------------|--------------------------|
| General Fixed Assets | | |
| Land | \$ 12,656,320 | \$ 12,140,600 |
| Buildings and Building Improvements | 2,349,064 | 2,090,100 |
| Machinery and Equipment | <u>6,529,164</u> | <u>6,244,668</u> |
| Total General Fixed Assets | <u>\$ 21,534,548</u> | <u>\$ 20,475,368</u> |
| Investment in General Fixed Assets | <u>\$ 21,534,548</u> | <u>\$ 20,475,368</u> |

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

B. Description of Regulatory Basis of Accounting

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

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

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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

The Borough has the following funds and account group:

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

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

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

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

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

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

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

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

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

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

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

Reclassifications - Certain reclassifications may have been made to the December 31, 2015 balances to conform to the December 31, 2016 presentation.

Financial Statements – Regulatory Basis

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

D. Measurement Focus and Basis of Accounting

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

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

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

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

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

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

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

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

| | |
|-------------------------|------------------|
| Land and Buildings | Assessed Value |
| Machinery and Equipment | Replacement Cost |

No depreciation has been provided for in the financial statements.

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

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

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

| |
|----------------------|
| Trust Funds |
| General Capital Fund |

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgets and Budgetary Accounting (Continued)

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2016 and 2015 the Borough Council increased the original budget by \$104,747 and \$180,782. The 2016 increase was funded by additional aid allotted to the Borough in the amount of \$60,547 and an emergency resolution for \$44,200. The 2015 increase was funded by additional aid allotted to the Borough. In addition, the governing body approved several budget transfers during 2016 and 2015.

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.

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, 2016 and 2015, the book value of the Borough's deposits were \$6,158,908 and \$6,691,532 and bank and brokerage firm balances of the Borough's deposits amounted to \$6,308,118 and \$7,253,212, 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>2016</u> | <u>2015</u> |
| Insured | \$ 6,231,978 | \$ 7,177,379 |
| Uninsured and Collateralized | 76,140 | 75,833 |
| | <u>\$ 6,308,118</u> | <u>\$ 7,253,212</u> |

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

A. Cash Deposits (Continued)

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2016 and 2015, the Borough’s bank balances of \$76,140 and \$75,833 were exposed to custodial credit risk as follows:

| <u>Depository Account</u> | <u>2016</u> | <u>2015</u> |
|--|-------------|-------------|
| Uninsured and Collateral held by pledging financial institution's trust department not in the Borough's name | \$ 76,140 | \$ 75,833 |

B. Investments

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

As of December 31, 2016 and 2015, the Borough had the following investments:

| | Fair Value (Unaudited) | |
|---------------------------------|---------------------------|-------------|
| | <u>2016</u> | <u>2015</u> |
| Investment: | | |
| Length of Service Award Program | \$ 740,034 | \$ 692,521 |

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Borough does not have a policy for custodial risk. As of December 31, 2016 and 2015, \$740,034 and \$692,521 of the Borough’s investments was exposed to custodial credit risk as follows:

| | Fair Value (LOSAP - Unaudited) | |
|---|-----------------------------------|------------|
| | 2016 | 2015 |
| Uninsured and Collateralized | | |
| Collateral held by pledging financial institution's trust department but not in the Borough's name | \$ 740,034 | \$ 692,521 |

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, 2016 and 2015, the Borough’s investment in Lincoln Financial Group was rated Baa1 and Baa1 by Moody’s Investor Services, respectively.

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

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

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

NOTE 4 TAXES RECEIVABLE

Receivables at December 31, 2016 and 2015 consisted of the following:

| | 2016 | 2015 |
|-----------------|------------|------------|
| <u>Current</u> | | |
| Property Taxes | \$ 143,401 | \$ 231,959 |
| Tax Title Liens | 120,734 | 100,967 |
| | \$ 264,135 | \$ 332,926 |

In 2016 and 2015, the Borough collected \$233,844 and \$177,787 from delinquent taxes, which represented 70% and 69%, respectively of the prior year delinquent taxes receivable balance.

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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>2016</u> | | <u>2015</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 | \$ 2,448 | \$ 11,158 | \$ 27,551 | |
| General Capital Fund | | | | \$ 448 |
| Animal Control Trust Fund | | 2,448 | | 6,459 |
| Other Trust Fund | 11,158 | 28,405 | - | 49,049 |
| LOSAP Trust Fund | <u>28,405</u> | <u>-</u> | <u>28,405</u> | <u>-</u> |
| Total | <u>\$ 42,011</u> | <u>\$ 42,011</u> | <u>\$ 55,956</u> | <u>\$ 55,956</u> |

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

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

NOTE 6 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

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

| | Balance <u>December 31,</u> | Subsequent Year Budget <u>Appropriation</u> | Balance to Succeeding <u>Budgets</u> |
|---|--------------------------------|---|--|
| <u>2016</u> | | | |
| Current Fund | | | |
| Emergency Authorizations | \$ 44,200 | \$ 44,200 | |
| Overexpenditure of Appropriation Reserves | <u>7,872</u> | <u>7,872</u> | \$ - |
| | <u>\$ 52,072</u> | <u>\$ 52,072</u> | <u>\$ -</u> |
| <u>2015</u> | | | |
| Current Fund | | | |
| Expenditure Without Appropriation | \$ 5,525 | \$ 5,525 | \$ - |
| | <u>\$ 5,525</u> | <u>\$ 5,525</u> | <u>\$ -</u> |

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 7 DEFERRED SCHOOL TAXES

Under the regulatory basis of accounting, regulations allow for the deferral to fund balance of not more than 50% of the annual levy when school taxes are raised in advance for a school year and have not been requisitioned by the school district as of December 31. The balance of unpaid school taxes levied, amount deferred and the amount reported as a liability (payable) at December 31, 2016 and 2015 are as follows:

| | <u>Local District School</u> | |
|--------------------|------------------------------|-------------------|
| | <u>2016</u> | <u>2015</u> |
| Balance of Tax | \$ 9,450,003 | \$ 9,150,003 |
| Deferred Liability | <u>8,910,003</u> | <u>8,610,003</u> |
| Taxes Payable | <u>\$ 540,000</u> | <u>\$ 540,000</u> |

NOTE 8 FUND BALANCES APPROPRIATED

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

| | <u>2016</u> | | <u>2015</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 | \$ 1,950,566 | \$ 830,000 | \$ 1,835,103 | \$ 880,000 |
| Non-Cash Surplus | <u>258,693</u> | <u>-</u> | <u>190,033</u> | <u>-</u> |
| | <u>\$ 2,209,259</u> | <u>\$ 830,000</u> | <u>\$ 2,025,136</u> | <u>\$ 880,000</u> |

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 9 FIXED ASSETS

General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2016 and 2015.

| | Balance January 1, <u>2016</u> | <u>Additions</u> | <u>Retirements</u> | Balance, December 31, <u>2016</u> |
|-------------------------------------|--------------------------------------|---------------------|--------------------|---|
| <u>2016</u> | | | | |
| Land | \$ 12,140,600 | \$ 515,720 | | \$ 12,656,320 |
| Buildings and Building Improvements | 2,090,100 | 258,964 | | 2,349,064 |
| Machinery and Equipment | <u>6,244,668</u> | <u>284,496</u> | <u>\$ -</u> | <u>6,529,164</u> |
| | <u>\$ 20,475,368</u> | <u>\$ 1,059,180</u> | <u>\$ -</u> | <u>\$ 21,534,548</u> |
| | | | | |
| | Balance January 1, <u>2015</u> | <u>Additions</u> | <u>Retirements</u> | Balance, December 31, <u>2015</u> |
| <u>2015</u> | | | | |
| Land | \$ 12,140,600 | | | \$ 12,140,600 |
| Buildings and Building Improvements | 2,090,100 | | | 2,090,100 |
| Machinery and Equipment | <u>5,828,943</u> | <u>\$ 1,014,161</u> | <u>\$ 598,436</u> | <u>6,244,668</u> |
| | <u>\$ 20,059,643</u> | <u>\$ 1,014,161</u> | <u>\$ 598,436</u> | <u>\$ 20,475,368</u> |

NOTE 10 MUNICIPAL DEBT

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

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 10 MUNICIPAL DEBT (Continued)

The Borough's debt is summarized as follows:

| | <u>2016</u> | <u>2015</u> |
|---|---------------|--------------|
| Issued | | |
| General | | |
| Bonds, Notes and Loans | \$ 10,623,617 | \$ 8,751,150 |
| Net Debt Issued | 10,623,617 | 8,751,150 |
| Authorized But Not Issued | | |
| General | | |
| Bonds and Notes | 149,900 | 900 |
| Net Bonds and Notes Issued and Authorized But Not Issued | \$ 10,773,517 | \$ 8,752,050 |

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 .863% and .704% at December 31, 2016 and 2015, respectively.

| | <u>Gross Debt</u> | <u>Deductions</u> | <u>Net Debt</u> |
|--------------------|-------------------|-------------------|-----------------|
| <u>2016</u> | | | |
| General Debt | \$ 10,773,517 | \$ - | \$ 10,773,517 |
| Total | \$ 10,773,517 | \$ - | \$ 10,773,517 |
| | | | |
| | <u>Gross Debt</u> | <u>Deductions</u> | <u>Net Debt</u> |
| <u>2015</u> | | | |
| General Debt | \$ 8,752,050 | \$ - | \$ 8,752,050 |
| Total | \$ 8,752,050 | \$ - | \$ 8,752,050 |

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 10 MUNICIPAL DEBT (Continued)

Statutory Borrowing Power

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

| | <u>2016</u> | <u>2015</u> |
|---|------------------------------------|-----------------------------------|
| 3-1/2% of Equalized Valuation Basis (Municipal) Net Debt | \$ 43,697,613 <u>10,773,517</u> | \$ 43,491,801 <u>8,752,050</u> |
| Remaining Borrowing Power | <u>\$ 32,924,096</u> | <u>\$ 34,739,751</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>2016</u> | <u>2015</u> |
|---|---------------------|---------------------|
| \$2,053,000, 2003 Bonds, due in annual installments of \$165,000 to \$168,000 through October, 2018 interest at 3.50% to 4.125% | \$ 333,000 | \$ 498,000 |
| \$2,030,000, 2007 Bonds, due in annual installments of \$200,000 to \$210,000 through August, 2019 interest at 4.0% to 4.10% | 610,000 | 810,000 |
| \$1,697,000, 2010 Bonds, due in annual installments of \$150,000 to \$517,000 through October, 2020 interest at 2.25% to 3.0% | 1,172,000 | 1,302,000 |
| \$3,698,000, 2013 Bonds, due in annual installments of \$200,000 to \$390,000 through December, 2026 interest at 2.0% to 3.0% | <u>3,113,000</u> | <u>3,308,000</u> |
| | <u>\$ 5,228,000</u> | <u>\$ 5,918,000</u> |

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 10 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

General Intergovernmental Loans Payable

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

| | <u>2016</u> | <u>2015</u> |
|---|-------------------|---------------------|
| \$2,800,000, 2001 Loan, due in annual installments of \$158,410 to \$171,536 through September, 2021, interest at 2.00% | \$ 824,538 | \$ 979,827 |
| \$200,000, 2001 Loan, due in annual installments of \$6,290 to \$12,393 through March, 2021, interest at 2.00% | <u>54,414</u> | <u>65,858</u> |
| | <u>\$ 878,952</u> | <u>\$ 1,045,685</u> |

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2016 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> | |
| 2017 | \$ 715,000 | \$ 148,728 | \$ 170,084 | \$ 16,733 | \$ 1,050,545 |
| 2018 | 728,000 | 126,753 | 173,503 | 13,314 | 1,041,570 |
| 2019 | 755,000 | 103,823 | 176,990 | 9,827 | 1,045,640 |
| 2020 | 717,000 | 81,725 | 180,549 | 6,269 | 985,543 |
| 2021 | 380,000 | 62,215 | 177,826 | 2,640 | 622,681 |
| 2022-2026 | <u>1,933,000</u> | <u>168,525</u> | <u>-</u> | <u>-</u> | <u>2,101,525</u> |
| | <u>\$ 5,228,000</u> | <u>\$ 691,769</u> | <u>\$ 878,952</u> | <u>\$ 48,783</u> | <u>\$ 6,847,504</u> |

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 10 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years ended December 31, 2016 and 2015 were as follows:

| | Balance, January 1, <u>2016</u> | <u>Additions</u> | <u>Reductions</u> | Balance, December 31, <u>2016</u> | Due Within <u>One Year</u> |
|--|---------------------------------------|------------------|-------------------|---|----------------------------------|
| <u>2016</u> | | | | | |
| General Capital Fund | | | | | |
| Bonds Payable | \$ 5,918,000 | | \$ 690,000 | \$ 5,228,000 | \$ 715,000 |
| Intergovernmental Loans Payable | <u>1,045,685</u> | <u>-</u> | <u>166,733</u> | <u>878,952</u> | <u>170,084</u> |
| General Capital Fund Long-Term Liabilities | <u>\$ 6,963,685</u> | <u>\$ -</u> | <u>\$ 856,733</u> | <u>\$ 6,106,952</u> | <u>\$ 885,084</u> |
| | | | | | |
| | Balance, January 1, <u>2015</u> | <u>Additions</u> | <u>Reductions</u> | Balance, December 31, <u>2015</u> | Due Within <u>One Year</u> |
| <u>2015</u> | | | | | |
| General Capital Fund | | | | | |
| Bonds Payable | \$ 6,588,000 | | \$ 670,000 | \$ 5,918,000 | \$ 690,000 |
| Intergovernmental Loans Payable | <u>1,209,133</u> | <u>-</u> | <u>163,448</u> | <u>1,045,685</u> | <u>166,733</u> |
| General Capital Fund Long-Term Liabilities | <u>\$ 7,797,133</u> | <u>\$ -</u> | <u>\$ 833,448</u> | <u>\$ 6,963,685</u> | <u>\$ 856,733</u> |

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 10 MUNICIPAL DEBT (Continued)

B. Short-Term Debt

The Borough's short-term debt activity for the years ended December 31, 2016 and 2015 was as follows:

Bond Anticipation Notes

| <u>Purpose</u> | <u>Rate (%)</u> | <u>Maturity Date</u> | <u>Balance, January 1, 2016</u> | <u>Renewed/ Issued</u> | <u>Retired/ Redeemed</u> | <u>Balance, December 31, 2016</u> |
|---|-----------------|----------------------|---------------------------------|------------------------|--------------------------|-----------------------------------|
| 2016 | | | | | | |
| <u>General Capital Fund</u> | | | | | | |
| Various Public Improvements | 0.67% | 8/26/2016 | \$ 285,000 | | \$ 285,000 | |
| | 0.85% | 8/25/2017 | | \$ 285,000 | | \$ 285,000 |
| Various Public Improvements and Acquisition of Equipment | 0.67% | 8/26/2016 | 210,465 | | 210,465 | |
| | 0.85% | 8/25/2017 | | 210,465 | | 210,465 |
| Various Public Improvements and Acquisition of Equipment and Vehicles | 0.67% | 8/26/2016 | 1,292,000 | | 1,292,000 | |
| | 0.85% | 8/25/2017 | | 2,879,000 | | 2,879,000 |
| Various Improvements to Hillman Field | 0.85% | 8/25/2017 | | 18,500 | | 18,500 |
| Acquisition of Real Property for Municipal Purposes | 0.85% | 8/25/2017 | | 814,200 | | 814,200 |
| 2016 Road Resurfacing Program | 0.85% | 8/25/2017 | - | 309,500 | - | 309,500 |
| Total Bond Anticipation Notes Payable | | | <u>\$ 1,787,465</u> | <u>\$ 4,516,665</u> | <u>\$ 1,787,465</u> | <u>\$ 4,516,665</u> |

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 10 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 2015</u> | <u>Renewed/ Issued</u> | <u>Retired/ Redeemed</u> | <u>Balance, December 31, 2015</u> |
|---|-----------------|----------------------|--------------------------------|------------------------|--------------------------|-----------------------------------|
| <u>2015</u> | | | | | | |
| <u>General Capital Fund</u> | | | | | | |
| Various Public Improvements | 0.67% | 8/26/2016 | | \$ 285,000 | | \$ 285,000 |
| Various Public Improvements and Acquisition of Equipment | 0.67% | 8/26/2016 | | 210,465 | | 210,465 |
| Various Public Improvements and Acquisition of Equipment and Vehicles | 0.67% | 8/26/2016 | \$ - | 1,292,000 | \$ - | 1,292,000 |
| Total Bond Anticipation Notes Payable | | | \$ - | \$ 1,787,465 | \$ - | \$ 1,787,465 |

The 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, 2016 AND 2015**

NOTE 11 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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

| <u>Capital Projects</u> | <u>Construction Commitment</u> | <u>Estimated Date of Completion</u> |
|---|------------------------------------|---|
| <u>2016</u> | | |
| 2016 Road Paving Program | \$ 20,367 | 2017 |
| Main Street and Linwood Avenue (Section 3) | 158,983 | 2017 |
| Main Street and Linwood Avenue Improvements | <u>94,774</u> | 2017 |
| | <u>\$ 274,124</u> | |
| <u>2015</u> | | |
| 2013 Road Resurfacing | \$ 89,164 | 2016 |
| Main Street and Linwood Avenue Improvements | 318,047 | 2016 |
| Vehicle Chassis | <u>159,900</u> | 2016 |
| | <u>\$ 567,111</u> | |

NOTE 12 OTHER LONG-TERM LIABILITIES

A. Compensated Absences

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

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

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$143,939 and \$269,797 at December 31, 2016 and 2015, 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, 2016 and 2015, the Borough has reserved in the Other Trust Fund \$169,456 and \$167,852, respectively to fund compensated absences in accordance with NJSA 40A:4-39.

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 12 OTHER LONG-TERM LIABILITIES (Continued)

B. Deferred Pension Obligation

During the year ended December 31, 2009 the Borough elected to contribute 50% of its normal and accrued liability components of the PFRS and PERS obligations and deferred the remaining 50% in accordance with P.L. 2009, c.19. The deferred amount totaled \$276,426 and will be paid back with interest over 15 years beginning in the 2012 year. The Borough is permitted to payoff the deferred PFRS and PERS pension obligations at any time. It is estimated that the total deferred liability including accrued interest (at 7.90% effective July 1, 2012 and 8.25% prior to July 1, 2012) at December 31, 2016 and 2015 is \$254,489 and \$276,575, respectively.

Changes in Other Long-Term Liabilities

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

The Borough's changes in other long-term liabilities for the years ended December 31, 2016 and 2015 were as follows:

| | Balance, January 1, <u>2016</u> | <u>Additions</u> | <u>Reductions</u> | Balance, December 31, <u>2016</u> | Due Within <u>One Year</u> |
|------------------------------|---------------------------------------|---------------------|-------------------|---|----------------------------------|
| <u>2016</u> | | | | | |
| Compensated Absences | \$ 269,797 | | \$ 125,858 | \$ 143,939 | |
| Deferred Pension Obligation | 276,575 | \$ 19,698 | 41,784 | 254,489 | \$ 42,202 |
| Net Pension Liability - PERS | 5,396,145 | 1,580,096 | 203,163 | 6,773,078 | |
| Net Pension Liability - PFRS | <u>11,168,203</u> | <u>1,939,555</u> | <u>536,567</u> | <u>12,571,191</u> | <u>-</u> |
| Other Long-Term Liabilities | <u>\$ 17,110,720</u> | <u>\$ 3,539,349</u> | <u>\$ 907,372</u> | <u>\$ 19,742,697</u> | <u>\$ 42,202</u> |

| | Balance, January 1, <u>2015</u> | <u>Additions</u> | <u>Reductions</u> | Balance, December 31, <u>2015</u> | Due Within <u>One Year</u> |
|------------------------------|---------------------------------------|---------------------|-------------------|---|----------------------------------|
| <u>2015</u> | | | | | |
| Compensated Absences | \$ 390,030 | | \$ 120,233 | \$ 269,797 | |
| Deferred Pension Obligation | 296,874 | \$ 21,333 | 41,632 | 276,575 | \$ 41,784 |
| Net Pension Liability - PERS | 4,681,720 | 921,091 | 206,666 | 5,396,145 | |
| Net Pension Liability - PFRS | <u>7,587,807</u> | <u>4,125,413</u> | <u>545,017</u> | <u>11,168,203</u> | <u>-</u> |
| Other Long-Term Liabilities | <u>\$ 12,956,431</u> | <u>\$ 5,067,837</u> | <u>\$ 913,548</u> | <u>\$ 17,110,720</u> | <u>\$ 41,784</u> |

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS

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

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

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

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

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. This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees (Tier 2) of the PFRS and new employees who would otherwise be eligible to participate in PERS and do not work the minimum required hours but earn a base salary of at least \$5,000 are eligible for participation in the DCRP.

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.

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Basis of Accounting

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

Investment Valuation

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

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

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, which was rolled forward to June 30, 2016, the aggregate funded ratio for all the State administered retirement systems, including local PERS and local PFRS is 45.7 percent with an unfunded actuarial accrued liability of \$50.3 billion. The aggregate funded ratio and unfunded accrued liability for the local PERS system is 40.14 percent and \$29.6 billion, respectively and the aggregate funded ratio and unfunded accrued liability for local PFRS is 52.01 percent and \$20.7 billion, respectively.

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

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

Actuarial Methods and Assumptions

In the July 1, 2015 actuarial valuations, the date of the most recent actuarial valuations, the projected unit credit was used as actuarial cost method, and the five year average of market value was used as asset valuation method for pension trust funds. The actuarial assumptions included (a) 7.65% for investment rate of return for all the retirement systems and (b) changes to projected salary increases applied through the year 2026 of 1.65-5.15 percent based on age for PERS and 2.10-9.98 percent based on age for PFRS.

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 10.0% for PFRS, 7.06% for PERS and 5.50% for DCRP of employee's annual compensation for fiscal year 2016.

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employees*, for the years ended December 31, 2016 and 2015 for CPFPF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended December 31, 2016, 2015 and 2014, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension contributions, early retirement incentive program contributions, deferred pension obligation contributions, and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

| <u>Year Ended</u> <u>December 31</u> | <u>PFRS</u> | <u>PERS</u> | <u>DCRP</u> |
|---|-------------|-------------|-------------|
| 2016 | \$ 578,111 | \$ 215,356 | \$ 398 |
| 2015 | 496,302 | 214,778 | |
| 2014 | 512,127 | 192,839 | |

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

Public Employees Retirement System (PERS)

At December 31, 2016 and 2015, the Borough reported a liability of \$6,773,078 and \$5,396,145, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016 and 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 and 2014, 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, 2016, the Borough's proportionate share was .02287 percent, which was a decrease of .00116 percent from its proportionate share measured as of June 30, 2015 of .02403 percent.

**BOROUGH OF EMERSON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

For the year ended December 31, 2016 and 2015, the pension system has determined the Borough's pension expense to be \$564,567 and \$313,624, respectively, for PERS based on the actuarial valuation which is more than the actual contributions reported in the Borough's financial statements of \$206,666 and \$206,142, respectively. At December 31, 2016 and 2015, 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:

| | 2016 | | 2015 | |
|--|---|--|---|--|
| | <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 | \$ 125,959 | | \$ 128,733 | |
| Changes of Assumptions | 1,403,020 | | 579,503 | |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 258,264 | | | \$ 86,760 |
| Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions | - | \$ 338,573 | - | 188,323 |
| Total | <u>\$ 1,787,243</u> | <u>\$ 338,573</u> | <u>\$ 708,236</u> | <u>\$ 275,083</u> |

At December 31, 2016 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> |
|---|---------------------|
| 2017 | \$ 319,708 |
| 2018 | 319,708 |
| 2019 | 389,459 |
| 2020 | 322,285 |
| 2021 | 97,510 |
| Thereafter | - |
| | <u>\$ 1,448,670</u> |

**BOROUGH OF EMERSON
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 13 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, 2016 was based on the June 30, 2016 measurement date as determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The total pension liability reported for the year ended December 31, 2015 was based on the June 30, 2015 measurement date as determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

| <u>PERS</u> | <u>2016</u> | <u>2015</u> |
|---------------------------|--------------|--------------|
| Inflation Rate | 3.08% | 3.04% |
| Salary Increases: | | |
| 2012-2021 | | 2.15-4.40% |
| Through 2026 | 1.65-4.15% | Based on Age |
| Thereafter | 2.65-5.15% | 3.15-5.40% |
| | Based on Age | Based on Age |
| Investment Rate of Return | 7.65% | 7.90% |
| Mortality Rate Table | RP-2000 | RP-2000 |

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

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial study for the period July 1, 2008 to June 30, 2011.

**BOROUGH OF EMERSON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2016 and 2015, as reported for the years ended December 31, 2016 and 2015, respectively, are summarized in the following table:

| <u>Asset Class</u> | <u>2016</u> | | <u>2015</u> | |
|-----------------------------|------------------------------|---|------------------------------|---|
| | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
| Cash | 5.00% | 0.87% | 5.00% | 1.04% |
| U.S. Treasuries | 1.50% | 1.74% | 1.75% | 1.64% |
| Investment Grade Credit | 8.00% | 1.79% | 10.00% | 1.79% |
| Mortgages | 2.00% | 1.67% | 2.10% | 1.62% |
| High Yield Bonds | 2.00% | 4.56% | 2.00% | 4.03% |
| Inflation-Indexed Bonds | 1.50% | 3.44% | 1.50% | 3.25% |
| Broad US Equities | 26.00% | 8.53% | 27.25% | 8.52% |
| Developed Foreign Equities | 13.25% | 6.83% | 12.00% | 6.88% |
| Emerging Market Equities | 6.50% | 9.95% | 6.40% | 10.00% |
| Private Equity | 9.00% | 12.40% | 9.25% | 12.41% |
| Hedge Funds/Absolute Return | 12.50% | 4.68% | 12.00% | 4.72% |
| Real Estate (Property) | 2.00% | 6.91% | 2.00% | 6.83% |
| Commodities | 0.50% | 5.45% | 1.00% | 5.32% |
| Global Debt ex US | 5.00% | -0.25% | 3.50% | -0.40% |
| REIT | 5.25% | 5.63% | 4.25% | 5.12% |

Discount Rate

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

| <u>Year</u> | <u>Measurement Date</u> | <u>Discount Rate</u> |
|-------------|-------------------------|----------------------|
| 2016 | June 30, 2016 | 3.98% |
| 2015 | June 30, 2015 | 4.90% |

**BOROUGH OF EMERSON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

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

| | |
|-----------------------------------|-------------------------------------|
| Period of Projected Benefit | |
| Payments for which the Following | |
| Rates were Applied: | |
| Long-Term Expected Rate of Return | Through June 30, 2034 |
| Municipal Bond Rate * | From July 1, 2034 and Thereafter |

* The municipal bond return rate used is 2.85% and 3.80% as of the measurement dates of June 30, 2016 and 2015, 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, 2016 and 2015 calculated using the discount rate of 3.98% and 4.90%, 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 (2.98% and 3.90%, respectively) or 1-percentage-point higher (4.98% and 5.90%, respectively) than the current rate:

| | 1% Decrease (2.98%) | Current Discount Rate (3.98%) | 1% Increase (4.98%) |
|--|------------------------------------|--|------------------------------------|
| <u>2016</u> | | | |
| Borough's Proportionate Share of the PERS Net Pension Liability | <u>\$ 8,299,617</u> | <u>\$ 6,773,078</u> | <u>\$ 5,512,788</u> |
| | 1% Decrease (3.90%) | Current Discount Rate (4.90%) | 1% Increase (5.90%) |
| <u>2015</u> | | | |
| Borough's Proportionate Share of the PERS Net Pension Liability | <u>\$ 6,706,748</u> | <u>\$ 5,396,145</u> | <u>\$ 4,297,345</u> |

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2016 and 2015. A sensitivity analysis specific to the Borough's net pension liability was not provided by the pension system.

**BOROUGH OF EMERSON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 13 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, 2016 and 2015, the Borough reported a liability of \$12,571,191 and \$11,168,203, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2016 and 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 and 2014, 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, 2016, the Borough's proportionate share was .06581 percent, which was a decrease of .00124 percent from its proportionate share measured as of June 30, 2015 of .06705 percent.

For the years ended December 31, 2016 and 2015, the pension system has determined the Borough pension expense to be \$1,381,554 and \$1,009,450, respectively, for PFRS based on the actuarial valuation which is more than the actual contributions reported in the Borough's financial statements of \$545,017 and \$463,306, respectively. At December 31, 2016 and 2015, 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:

| | 2016 | | 2015 | |
|--|---|--|---|--|
| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
| Difference Between Expected and Actual Experience | | \$ 82,406 | | \$ 96,329 |
| Changes of Assumptions | \$ 1,741,213 | | \$ 2,061,928 | |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 880,838 | | | 194,373 |
| Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions | <u>575,186</u> | <u>514,315</u> | <u>738,128</u> | <u>488,753</u> |
| Total | <u>\$ 3,197,237</u> | <u>\$ 596,721</u> | <u>\$ 2,800,056</u> | <u>\$ 779,455</u> |

**BOROUGH OF EMERSON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

At December 31, 2016 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> |
|---------------------------------------|---------------------|
| 2017 | \$ 629,128 |
| 2018 | 629,128 |
| 2019 | 822,705 |
| 2020 | 520,982 |
| 2021 | (1,427) |
| Thereafter | - |
| | <u>\$ 2,600,516</u> |

Actuarial Assumptions

The Borough's total pension liability reported for the year ended December 31, 2016 was based on the June 30, 2016 measurement date as determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The total pension liability reported for the year ended December 31, 2015 was based on the June 30, 2015 measurement date as determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

PFRS

| | <u>2016</u> | <u>2015</u> |
|--------------------------------|--------------|--------------|
| Inflation Rate | 3.08% | 3.04% |
| Salary Increases: 2012-2021 | | 2.60-9.48% |
| Through 2026 | 2.10-8.98% | Based on Age |
| Thereafter | 3.10-9.98% | 3.60-10.48% |
| | Based on Age | Based on Age |
| Investment Rate of Return | 7.65% | 7.90% |
| Mortality Rate Table | RP-2000 | RP-2000 |

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

The actuarial assumptions used in the July 1, 2015 and July 1, 2014 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, 2016 AND 2015**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans’ target asset allocation as of June 30, 2016 and 2015, as reported for the years ended December 31, 2016 and 2015, respectively, are summarized in the following table:

| <u>Asset Class</u> | <u>2016</u> | | <u>2015</u> | |
|-----------------------------|--------------------------|---|--------------------------|---|
| | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
| Cash | 5.00% | 0.87% | 5.00% | 1.04% |
| U.S. Treasuries | 1.50% | 1.74% | 1.75% | 1.64% |
| Investment Grade Credit | 8.00% | 1.79% | 10.00% | 1.79% |
| Mortgages | 2.00% | 1.67% | 2.10% | 1.62% |
| High Yield Bonds | 2.00% | 4.56% | 2.00% | 4.03% |
| Inflation-Indexed Bonds | 1.50% | 3.44% | 1.50% | 3.25% |
| Broad US Equities | 26.00% | 8.53% | 27.25% | 8.52% |
| Developed Foreign Equities | 13.25% | 6.83% | 12.00% | 6.88% |
| Emerging Market Equities | 6.50% | 9.95% | 6.40% | 10.00% |
| Private Equity | 9.00% | 12.40% | 9.25% | 12.41% |
| Hedge Funds/Absolute Return | 12.50% | 4.68% | 12.00% | 4.72% |
| Real Estate (Property) | 2.00% | 6.91% | 2.00% | 6.83% |
| Commodities | 0.50% | 5.45% | 1.00% | 5.32% |
| Global Debt ex US | 5.00% | -0.25% | 3.50% | -0.40% |
| REIT | 5.25% | 5.63% | 4.25% | 5.12% |

Discount Rate

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

| <u>Year</u> | <u>Measurement Date</u> | <u>Discount Rate</u> |
|-------------|-------------------------|----------------------|
| 2016 | June 30, 2016 | 5.55% |
| 2015 | June 30, 2015 | 5.79% |

**BOROUGH OF EMERSON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Discount Rate (Continued)

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

| | |
|--|----------------------------------|
| Period of Projected Benefit Payments for which the Following Rates were Applied: | |
| Long-Term Expected Rate of Return | Through June 30, 2050 |
| Municipal Bond Rate * | From July 1, 2050 and Thereafter |

* The municipal bond return rate used is 2.85% and 3.80% as of the measurement dates of June 30, 2016 and 2015, 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, 2016 and 2015 calculated using the discount rate of 5.55% and 5.79%, 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 (4.55% and 4.79%, respectively) or 1-percentage-point higher (6.55% and 6.79%, respectively) than the current rate:

| | 1% Decrease (4.55%) | Current Discount Rate (5.55%) | 1% Increase (6.55%) |
|---|------------------------------------|--|------------------------------------|
| 2016 | | | |
| Borough's Proportionate Share of the PFRS Net Pension Liability | <u>\$ 16,209,629</u> | <u>\$ 12,571,191</u> | <u>\$ 9,604,264</u> |
| | 1% Decrease (4.79%) | Current Discount Rate (5.79%) | 1% Increase (6.79%) |
| 2015 | | | |
| Borough's Proportionate Share of the PFRS Net Pension Liability | <u>\$ 14,723,237</u> | <u>\$ 11,168,203</u> | <u>\$ 8,269,390</u> |

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2016 and 2015. A sensitivity analysis specific to the Borough's net pension liability was not provided by the pension system.

**BOROUGH OF EMERSON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Special Funding Situation – PFRS

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

At December 31, 2016 and 2015, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,055,668 and \$979,414, respectively. For the years ended December 31, 2016 and 2015, 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 \$134,834 and \$122,168, respectively, which is more than the actual contributions the State made on behalf of the Borough of \$40,450 and \$50,984, respectively. The State's proportionate share attributable to the Borough was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the Borough's financial statements.

Pension Plan Fiduciary Net Position

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

NOTE 14 RISK MANAGEMENT

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

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

**BOROUGH OF EMERSON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 14 RISK MANAGEMENT (Continued)

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

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

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

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

| <u>Year Ended December 31</u> | <u>Borough Contributions</u> | <u>Employee Contributions</u> | <u>Amount Reimbursed</u> | <u>Ending Balance</u> |
|-----------------------------------|----------------------------------|-----------------------------------|------------------------------|---------------------------|
| 2016 | \$ 11,000 | \$ 6,356 | \$ 11,165 | \$ 48,166 |
| 2015 | 10,000 | 5,958 | 11,063 | 41,975 |
| 2014 | 10,000 | 5,656 | 16,828 | 37,070 |

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, 2016 and 2015. 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, 2016 and 2015, the Borough reserved \$47,565 and \$148,674, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years’ budget or from fund balance.

**BOROUGH OF EMERSON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 15 CONTINGENT LIABILITIES (Continued)

Federal and State Awards - The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2016 and 2015, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

NOTE 16 FEDERAL ARBITRAGE REGULATIONS

The Borough is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2016 and 2015, the Borough has not estimated its estimated arbitrage earnings due to the IRS, if any.

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

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

The first year of eligibility for entrance into the Plan was calendar year 2000. The tax deferred income benefits for emergency services volunteers, consisting of the 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 \$1,150 for both 2016 and 2015 for each eligible Emerson Volunteer Fire Department member and each eligible Emerson Volunteer Ambulance Corps. member into the Plan. The total Borough contributions were \$48,300 and \$50,600 for 2016 and 2015, respectively.

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

**BOROUGH OF EMERSON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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

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

Vesting and Benefits

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

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

Reporting Requirements

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

CURRENT FUND

BOROUGH OF EMERSON
STATEMENT OF CASH - TREASURER

| | | |
|--|-------------------|---------------------|
| Balance, January 1, 2016 | | \$ 3,862,254 |
| Increased by Receipts: | | |
| Taxes Receivable | \$ 31,103,847 | |
| Petty Cash Returned | 700 | |
| 2017 Prepaid Taxes | 155,675 | |
| Tax Overpayments | 730 | |
| Revenue Accounts Receivable | 1,505,562 | |
| Non-Budget Revenue | 141,563 | |
| Due from State of NJ - Senior Citizens and Veterans Deductions | 67,115 | |
| Grant Receivable | 21,207 | |
| Unappropriated Grants | 26,141 | |
| Receipts from General Capital Fund | 4,309 | |
| Receipts from Other Trust Fund | 34,624 | |
| Receipts from Animal Control Trust Fund | 6,459 | |
| Receipts from Unemployment Trust Fund | 59 | |
| Receipts from Construction Penalties | 3,600 | |
| Reserve for Insurance Reimbursement | 11,000 | |
| Due to State of New Jersey - Marriage Licenses | 1,608 | |
| Reserve for Tax Sale Lien Redemption | 81,894 | |
| Reserve for Tax Assessor Fees | 130 | |
| Reserve for Prepaid Fees | 4,000 | |
| Due to State of New Jersey - DCA Fees | 13,846 | |
| | <u>33,184,069</u> | |
| | | 37,046,323 |
| Decreased by Disbursements: | | |
| 2016 Budget Appropriation | 10,530,270 | |
| 2015 Appropriation Reserves | 67,838 | |
| Encumbrances Payable | 401,316 | |
| Petty Cash Received | 700 | |
| Local District School Taxes Payable | 18,581,630 | |
| County Taxes Payable | 3,090,080 | |
| Reserve for Appropriated Grants | 11,000 | |
| Reserve for Tax Sale Lien Redemption | 81,894 | |
| Due to State of New Jersey - Marriage Licenses | 575 | |
| Due to State of New Jersey - DCA Fees | 13,163 | |
| Reserve for Tax Appeals | 148,674 | |
| Reserve for Tax Assessor Fees | 130 | |
| Payments of Construction Penalties | 7,677 | |
| | <u>32,934,947</u> | |
| Balance, December 31, 2016 | | <u>\$ 4,111,376</u> |

EXHIBIT A-5

**BOROUGH OF EMERSON
STATEMENT OF CHANGE FUND**

| <u>Office</u> | <u>Balance, January 1, 2016</u> | <u>Balance, December 31, 2016</u> |
|---------------------|---|---|
| Tax Collector | \$ 160 | \$ 160 |
| Health Department | 50 | 50 |
| Building Department | 50 | 50 |
| Municipal Court | <u>100</u> | <u>100</u> |
| | <u>\$ 360</u> | <u>\$ 360</u> |

EXHIBIT A-6

STATEMENT OF PETTY CASH FUND

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

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

| Year | Balance, January 1, 2016 | 2016 Levy | Senior Citizens' and Veterans' Deductions Disallowed | Collected by Cash | | Senior Citizens' and Veterans' Deductions Allowed | Transfer to Tax Title Liens | Cancelled | Balance, December 31, 2016 |
|------|--------------------------------|---------------|--|-------------------|---------------|---|--------------------------------|------------|----------------------------------|
| | | | | 2015 | 2016 | | | | |
| 2015 | \$ 231,959 | - | \$ 2,135 | - | \$ 233,844 | - | - | - | \$ 250 |
| | 231,959 | - | 2,135 | - | 233,844 | - | - | - | 250 |
| 2016 | - | \$ 31,393,093 | 500 | \$ 149,721 | 30,870,003 | \$ 70,000 | \$ 19,767 | \$ 140,951 | 143,151 |
| | \$ 231,959 | \$ 31,393,093 | \$ 2,635 | \$ 149,721 | \$ 31,103,847 | \$ 70,000 | \$ 19,767 | \$ 140,951 | \$ 143,401 |

Analysis of 2016 Property Tax Levy

| | |
|--|----------------------|
| Tax Yield | |
| General Purpose Tax | \$ 31,305,478 |
| Added Taxes (54:4-63.1 et seq.) | 87,615 |
| | <u>\$ 31,393,093</u> |
| Tax Levy | |
| Local District School Tax (Abstract) | \$ 18,881,630 |
| County Taxes | \$ 3,058,593 |
| County Open Space Taxes | 31,487 |
| Due County for Added Taxes (54:4-63.1 et seq.) | 8,675 |
| | 3,098,755 |
| Local Tax for Municipal Purposes | 8,909,633 |
| Minimum Library Tax | 418,040 |
| Add Additional Tax Levied | 6,095 |
| Added Taxes (54:4-63.1 et seq.) | 78,940 |
| | <u>9,412,708</u> |
| | <u>\$ 31,393,093</u> |

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

| | | |
|---|----|---------------|
| Balance, January 1, 2016 | \$ | 1,226 |
| Increased by: | | |
| Senior Citizens' Deductions Per Tax Billings | \$ | 7,500 |
| Veterans' Deductions Per Tax Billings | | 61,500 |
| Senior Citizens' and Veterans' Deductions Allowed by Tax Collector | | <u>1,000</u> |
| | | <u>70,000</u> |
| | | 71,226 |
| Decreased by: | | |
| Received from State of New Jersey | | 67,115 |
| Senior Citizens' and Veterans' Deductions Disallowed - 2015 | | 2,135 |
| Senior Citizens' and Veterans' Deductions Disallowed - 2016 | | <u>500</u> |
| | | <u>69,750</u> |
| Balance, December 31, 2016 | \$ | <u>1,476</u> |

EXHIBIT A-9

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

| | | |
|----------------------------|----|---------------|
| Balance, January 1, 2016 | \$ | <u>13,200</u> |
| Balance, December 31, 2016 | \$ | <u>13,200</u> |

**BOROUGH OF EMERSON
STATEMENT OF DEFERRED CHARGES**

| | Balance, January 1, <u>2016</u> | Added in <u>2016</u> | Raised in <u>2016</u> | Balance, January 1, <u>2016</u> |
|---|---------------------------------------|-------------------------|--------------------------|---------------------------------------|
| Expenditures without Appropriation | \$ 5,525 | | \$ 5,525 | |
| Overexpenditure of Appropriation Reserves | | \$ 7,872 | | \$ 7,872 |
| Emergency Authorizations | <u>-</u> | <u>44,200</u> | <u>-</u> | <u>44,200</u> |
| | <u>\$ 5,525</u> | <u>\$ 52,072</u> | <u>\$ 5,525</u> | <u>\$ 52,072</u> |

STATEMENT OF TAX TITLE LIENS

| | |
|--------------------------------|-------------------|
| Balance, January 1, 2016 | \$ 100,967 |
| Increased by: | |
| Transfer from Taxes Receivable | <u>19,767</u> |
| Balance, December 31, 2016 | <u>\$ 120,734</u> |

BOROUGH OF EMERSON
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

| | Balance, January 1, <u>2016</u> | Accrued in 2016 | <u>Collected</u> | Balance, December 31, <u>2016</u> |
|--|---------------------------------------|---------------------|---|---|
| Borough Clerk | | | | |
| Licenses | | | | |
| Alcoholic Beverage | | \$ 17,500 | \$ 17,500 | |
| Other | | 3,175 | 3,175 | |
| Fees and Permits | | 7,078 | 7,078 | |
| Health Officer | | | | |
| Licenses | | 10,851 | 10,851 | |
| Fees and Permits | | 340 | 340 | |
| Construction Code Official | | | | |
| Fees and Permits | | 305,073 | 305,073 | |
| Planning/Zoning Boards | | | | |
| Fees and Permits | | 6,875 | 6,875 | |
| Police Department | | | | |
| Fees and Permits | | 2,942 | 2,942 | |
| Municipal Court | | | | |
| Fines and Costs | \$ 6,991 | 114,320 | 114,602 | \$ 6,709 |
| Interest and Costs on Taxes | | 39,316 | 39,316 | |
| Interest on Investments and Deposits | | 14,521 | 14,521 | |
| Parking Meters | | 10,250 | 10,250 | |
| Energy Receipts Tax | | 619,905 | 619,905 | |
| Watershed Moratorium Offset Aid | | 18,189 | 18,189 | |
| Borough of Old Tappan Shared Service - Court | | 14,592 | 14,592 | |
| Uniform Fire Safety Act | | 20,184 | 20,184 | |
| Sewer Service Fees | | 10,884 | 10,884 | |
| Cellular Tower Fees | | 180,540 | 180,540 | |
| Cable Television Franchise Fees | | 111,065 | 111,065 | |
| Insurance Dividends | - | 14,680 | 14,680 | - |
| | <u>\$ 6,991</u> | <u>\$ 1,522,280</u> | <u>\$ 1,522,562</u> | <u>\$ 6,709</u> |
| | | | Cash Receipts \$ 1,505,562 | |
| | | | Reserve for Insurance Reimbursements 11,000 | |
| | | | Prepaid Fees Applied <u>6,000</u> | |
| | | | <u>\$ 1,522,562</u> | |

**BOROUGH OF EMERSON
STATEMENT OF GRANTS RECEIVABLE**

| | Balance, January 1, <u>2016</u> | <u>Accrued</u> | <u>Received</u> | Balance, December 31, <u>2016</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) | 11,867 | | | 11,867 |
| Body Armor | 2,019 | | | 2,019 |
| NJ DOT - 2015 Municipal Program | 149,000 | | | 149,000 |
| Recycling Tonnage Grant | | \$ 8,664 | \$ 8,664 | |
| Municipal Alliance Program (2016) | | 9,876 | 8,876 | 1,000 |
| CDBG - Senior Activities (2016) | | 3,530 | 3,000 | 530 |
| Environmental Grant - Anjec | | 1,000 | 667 | 333 |
| Bergen County Open Space Grant | - | 20,000 | - | 20,000 |
| | <u>\$ 183,282</u> | <u>\$ 43,070</u> | <u>\$ 21,207</u> | <u>\$ 205,145</u> |
| 2016 Anticipated Revenue | | \$ 8,664 | | |
| Unappropriated Grants and Aid | | <u>34,406</u> | | |
| | | <u>\$ 43,070</u> | | |

**BOROUGH OF EMERSON
STATEMENT OF 2015 APPROPRIATION RESERVES**

| | Balance, January 1, <u>2016</u> | Modified Balance | <u>Expended</u> | Balance <u>Lapsed</u> | Over <u>Expended</u> |
|--|---------------------------------------|---------------------|-----------------|--------------------------|-------------------------|
| Salaries and Wages | | | | | |
| General Administration | \$ 4,100 | \$ 4,100 | | \$ 4,100 | |
| Municipal Clerk | 3,957 | 3,957 | | 3,957 | |
| Financial Administration | 1,220 | 1,220 | | 1,220 | |
| Revenue Administration | 106 | 106 | | 106 | |
| Tax Assessment Administration | 16 | 16 | | 16 | |
| Land Use Board | 1,587 | 1,587 | | 1,587 | |
| Police Department | 33,585 | 33,585 | | 33,585 | |
| Police Dispatch / 911 | 10,499 | 10,499 | | 10,499 | |
| Office of Emergency Management | 12 | 12 | | 12 | |
| Uniform Fire Safety Act | 1,136 | 1,136 | | 1,136 | |
| Streets and Roads Maintenance | 64,465 | 52,465 | | 52,465 | |
| Sewer Services | 12,196 | 7,196 | | 7,196 | |
| Shade Tree - Advisory Committee | 17 | 17 | | 17 | |
| Vehicle Maintenance | 10,519 | 10,519 | | 10,519 | |
| Public Health Services | 1,256 | 1,256 | | 1,256 | |
| Environmental Health Services | 4 | 4 | | 4 | |
| Recreation Services and Programs | 22 | 22 | | 22 | |
| Municipal Court | 3,454 | 3,454 | | 3,454 | |
| Public Defender | 89 | 89 | | 89 | |
| Reserve for Accumulated Absences | 3 | 3 | | 3 | |
| Construction Code Official | 1,771 | 1,771 | | 1,771 | |
| NJPDES/Stormwater Permit Management | 1,201 | 1,201 | | 1,201 | |
| Other Expenses | | | | | |
| General Administration | 6,626 | 10,945 | | 10,945 | |
| Mayor and Council | 160 | 160 | | 160 | |
| Municipal Clerk | 12,380 | 12,380 | \$ 1,069 | 11,311 | |
| Financial Administration | 20,368 | 20,368 | 14,508 | 5,860 | |
| Audit Services | | 11,000 | | 11,000 | |
| Revenue Administration | 964 | 964 | | 964 | |
| Tax Assessment Administration | 3,010 | 3,010 | 8 | 3,002 | |
| Legal Services and Costs | 13,367 | 13,367 | 750 | 12,617 | |
| Engineering Services and Costs | 6,351 | 6,351 | 6,280 | 71 | |
| Land Use Board | 6,486 | 6,486 | 2,894 | 3,592 | |
| General Liability | | 5,000 | 4,994 | 6 | |
| Workers Compensation | 1,866 | 1,866 | | 1,866 | |
| Employee Group Health | 91,834 | 91,834 | | 91,834 | |
| Unemployment Insurance | 3,022 | 3,022 | | 3,022 | |
| Police Department | 1,685 | 1,685 | 320 | 1,365 | |
| Police Department - Acquisition of Police Vehicles | 2,796 | 2,796 | | 2,796 | |
| Police Dispatch / 911 | 500 | 500 | | 500 | |
| Office of Emergency Management | 2,393 | 2,393 | | 2,393 | |
| Aid to Volunteer Fire Companies | 418 | 418 | 57 | 361 | |
| Aid to Volunteer Ambulance Corps. | 9,165 | 9,165 | 2,812 | 6,353 | |
| Fire Department | 463 | 463 | | 463 | |
| Uniform Fire Safety | 1,867 | 1,867 | | 1,867 | |
| Municipal Prosecutor | 3 | 3 | | 3 | |
| Streets and Roads Maintenance | 7,856 | 7,856 | | 7,856 | |
| Sewer Services | 4,787 | 13,787 | 21,659 | - | \$ 7,872 |
| Shade Tree - Advisory Committee | 240 | 240 | | 240 | |

**BOROUGH OF EMERSON
STATEMENT OF 2015 APPROPRIATION RESERVES**

| | Balance, January 1, 2016 | Modified Balance | Expended | Balance Lapsed | Over Expended |
|---|--------------------------------|---------------------|-------------------|-------------------|------------------|
| Other Expenses (Continued) | | | | | |
| Solid Waste Collection | \$ 37,880 | \$ 28,880 | | \$ 28,880 | |
| Buildings and Grounds | 9,824 | 9,824 | \$ 382 | 9,442 | |
| Vehicle Maintenance | 7,479 | 7,870 | | 7,870 | |
| Public Health Services | 1,253 | 1,253 | 318 | 935 | |
| Environmental Health Services | 63 | 63 | | 63 | |
| Animal Control Services | 1,001 | 1,001 | | 1,001 | |
| Recreation Services and Programs | 4,255 | 4,255 | 35 | 4,220 | |
| Historic Preservation | 611 | 611 | | 611 | |
| Municipal Court | 1,689 | 1,689 | | 1,689 | |
| Celebration of Public Events | 1,000 | 1,000 | | 1,000 | |
| Construction Code Official | 2,870 | 2,870 | 402 | 2,468 | |
| Electricity | 15,105 | 15,105 | 13,681 | 1,424 | |
| Street Lighting | 6,052 | 6,052 | 296 | 5,756 | |
| Telephone | 211 | 211 | | 211 | |
| Water | 286 | 286 | | 286 | |
| Gas (Natural or Propane) | 9,834 | 9,834 | 1,783 | 8,051 | |
| Gasoline | 4,010 | 4,010 | | 4,010 | |
| Landfill / Solid Waste Disposal Cost - Dump Fees | 3,652 | 15,652 | 15,624 | 28 | |
| Public Employees' Retirement System | 10,281 | 10,281 | | 10,281 | |
| Social Security System | 2,856 | 2,856 | 112 | 2,744 | |
| Defined Contribution Retirement Program | 2,000 | 2,000 | | 2,000 | |
| Municipal Library | 99 | 99 | 99 | - | |
| Sewerage Processing and Disposal | 1,530 | 1,530 | | 1,530 | |
| Northwest Bergen Utilities Authority | 1,500 | 1,500 | 1,500 | - | |
| Reserve for Tax Appeals | 31,961 | 31,961 | 31,961 | - | |
| Length of Service Award Program | 69,250 | 69,250 | 50,600 | 18,650 | |
| Recycling Tax P.L. 2001, C311(N.J.S.A.13:1E-96.5) | 1,438 | 1,438 | 718 | 720 | |
| Borough of Old Tappan - Court | 4 | 4 | | 4 | |
| NJPDES/Stormwater Permit Management | 2,000 | 2,000 | | 2,000 | |
| Municipal Alliance | | | | | |
| State Share | 13,704 | 13,704 | 13,704 | - | |
| Local Share | 2,716 | 2,716 | 2,716 | - | |
| Alcohol Education Rehab Enforcement | 648 | 648 | 648 | - | |
| Matching Funds for Grants | 531 | 531 | | 531 | |
| Body Armor Fund | 4,119 | 4,119 | 4,119 | - | |
| Drunk Driving Enforcement | 4,127 | 4,127 | 4,127 | - | |
| Recycling Tonnage Grant | 8,197 | 8,197 | 8,197 | - | |
| | <u>\$ 613,858</u> | <u>\$ 629,568</u> | <u>\$ 206,373</u> | <u>\$ 431,067</u> | <u>\$ 7,872</u> |
| Appropriation Reserves | | \$ 613,858 | | | |
| Encumbrance Payables Canceled | | <u>15,710</u> | | | |
| | | <u>\$ 629,568</u> | | | |
| Cash Disbursements | | | \$ 67,838 | | |
| Reserve for Tax Appeals | | | 16,150 | | |
| Transfer to Appropriated Grant Reserves | | | 24,898 | | |
| Accounts Payable | | | <u>97,487</u> | | |
| | | | <u>\$ 206,373</u> | | |

**BOROUGH OF EMERSON
STATEMENT OF ENCUMBRANCES PAYABLE**

| | | |
|--|---------------|--------------------------|
| Balance, January 1, 2016 | | \$ 417,026 |
| Increased by: | | |
| Transferred from 2016 Budget Appropriation | | <u>363,014</u> |
| | | 780,040 |
| Decreased by: | | |
| Cash Disbursements | \$ 401,316 | |
| Cancelled - Restored to Appropriation Reserves | <u>15,710</u> | |
| | | <u>417,026</u> |
| Balance, December 31, 2016 | | <u><u>\$ 363,014</u></u> |

STATEMENT OF ACCOUNTS PAYABLE

| | | |
|--|--|-------------------------|
| Balance, January 1, 2016 | | \$ 14,532 |
| Increased by: | | |
| Transferred from 2015 Appropriation Reserves | | <u>97,487</u> |
| | | 112,019 |
| Decreased by: | | |
| Cancelled | | <u>14,532</u> |
| Balance, December 31, 2016 | | <u><u>\$ 97,487</u></u> |

STATEMENT OF PREPAID TAXES

| | | |
|--------------------------------------|--|--------------------------|
| Balance, January 1, 2016 | | \$ 149,721 |
| Increased by: | | |
| Collection - 2017 Taxes | | <u>155,675</u> |
| | | 305,396 |
| Decreased by: | | |
| Application to 2016 Taxes Receivable | | <u>149,721</u> |
| Balance, December 31, 2016 | | <u><u>\$ 155,675</u></u> |

**BOROUGH OF EMERSON
STATEMENT OF TAX OVERPAYMENTS**

| | | |
|----------------------------|----|-------|
| Balance, January 1, 2016 | \$ | 7,349 |
| Increased by: | | |
| Cash Receipts | | 730 |
| Balance, December 31, 2016 | \$ | 8,079 |

EXHIBIT A-19

STATEMENT OF RESERVE FOR PREPAID FEES

| | | |
|--|----|--------|
| Balance, January 1, 2016 | \$ | 6,000 |
| Increased by: | | |
| Cash Receipts for Parking Permits for 2017 | | 4,000 |
| | | 10,000 |
| Decreased by: | | |
| Permits Realized in 2016 | | 6,000 |
| Balance, December 31, 2016 | \$ | 4,000 |

EXHIBIT A-20

STATEMENT OF COUNTY TAXES PAYABLE

| | | | |
|----------------------------|----|-----------|-----------|
| Increased by: | | | |
| 2016 Tax Levy - General | \$ | 3,058,593 | |
| 2016 Tax Levy - Open Space | | 31,487 | |
| Added Taxes (54:4-63.1) | | 8,675 | |
| | \$ | | 3,098,755 |
| Decreased by: | | | |
| Payments | | | 3,090,080 |
| Balance, December 31, 2016 | \$ | | 8,675 |

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

| | | |
|---|------------------|----------------------|
| Balance, January 1, 2016 | | |
| School Tax Payable | \$ 540,000 | |
| School Tax Deferred | <u>8,610,003</u> | |
| | | \$ 9,150,003 |
| Increased by: | | |
| Levy School Year July 1, 2016 to June 30, 2017 | | <u>18,881,630</u> |
| | | 28,031,633 |
| Decreased by: | | |
| Payments | | <u>18,581,630</u> |
| Balance, December 31, 2016 | | |
| School Tax Payable | 540,000 | |
| School Tax Deferred | <u>8,910,003</u> | |
| | | <u>\$ 9,450,003</u> |
| <u>2016 Liability for Local District School Taxes Payable</u> | | |
| Tax Paid | | \$ 18,581,630 |
| Add: Taxes Payable December 31, 2016 | | <u>540,000</u> |
| | | 19,121,630 |
| Less: Taxes Payable January 1, 2016 | | <u>540,000</u> |
| Amount Charged to 2016 Operations | | <u>\$ 18,581,630</u> |

BOROUGH OF EMERSON
STATEMENT OF RESERVE FOR APPROPRIATED GRANTS

| <u>Grant</u> | <u>Balance, January 1, 2016</u> | <u>Transferred from 2015 Appropriation Reserves</u> | <u>Cash Disbursements</u> | <u>Balance, December 31, 2016</u> |
|--|---|---|-------------------------------|---|
| Alcohol Education and Rehabilitation Grant | \$ 1,833 | \$ 648 | | \$ 2,481 |
| Body Armor Replacement Grant | 10,307 | 4,119 | \$ 8,803 | 5,623 |
| Municipal Alliance | | | | |
| State Share | 6,955 | 7,234 | | 14,189 |
| Local Share | 2,732 | 573 | | 3,305 |
| Clean Communities | 9,334 | | 1,400 | 7,934 |
| CDBG - Senior Citizen Activities (2014-2015) | 1,550 | | | 1,550 |
| CDBG - SC Flooring Rehab | 9,188 | | | 9,188 |
| Drunk Driving Enforcement | | 4,127 | 797 | 3,330 |
| Recycling Tonnage Grant | - | 8,197 | - | 8,197 |
| | <u>\$ 41,899</u> | <u>\$ 24,898</u> | <u>\$ 11,000</u> | <u>\$ 55,797</u> |

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

| | | |
|----------------------------|----|--------|
| Balance, January 1, 2016 | \$ | 1,676 |
| Increased by: | | |
| Cash Receipts | | 13,846 |
| | | 15,522 |
| Decreased by: | | |
| Cash Disbursements | | 13,163 |
| Balance, December 31, 2016 | \$ | 2,359 |

STATEMENT OF RESERVE FOR CONSTRUCTION PENALTIES

| | | |
|----------------------------|----|--------|
| Balance, January 1, 2016 | \$ | 20,443 |
| Increased by: | | |
| Cash Receipts | | 3,600 |
| | | 24,043 |
| Decreased by: | | |
| Cash Disbursements | | 7,677 |
| Balance, December 31, 2016 | \$ | 16,366 |

BOROUGH OF EMERSON
STATEMENT OF RESERVE FOR UNAPPROPRIATED GRANTS AND AID

| | | | |
|----------------------------|----|---------------|------------------|
| Increased by: | | | |
| Grant Awards | \$ | 34,406 | |
| Cash Receipts | | <u>26,141</u> | |
| | | | <u>\$ 60,547</u> |
| Decreased by: | | | |
| Anticipated in 2016 Budget | | | <u>\$ 60,547</u> |

EXHIBIT A-26

STATEMENT OF RESERVE FOR REASSESSMENT OF REAL PROPERTY

| | |
|----------------------------|------------------|
| Balance, January 1, 2016 | <u>\$ 22,682</u> |
| Balance, December 31, 2016 | <u>\$ 22,682</u> |

EXHIBIT A-27

STATEMENT OF RESERVE FOR INSURANCE REIMBURSEMENT

| | |
|---------------------------------|------------------|
| Balance, January 1, 2016 | \$ 19,052 |
| Increased by: | |
| Cash Receipts | <u>11,000</u> |
| | 30,052 |
| Decreased by: | |
| Realized as Anticipated Revenue | <u>11,000</u> |
| Balance, December 31, 2016 | <u>\$ 19,052</u> |

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

| | | |
|----------------------------|--|----------|
| Balance, January 1, 2016 | | \$ 145 |
| Increased by: | | |
| Cash Receipts | | 1,608 |
| | | 1,753 |
| Decreased by: | | |
| Cash Disbursements | | 575 |
| Balance, December 31, 2016 | | \$ 1,178 |

EXHIBIT A-29

STATEMENT OF RESERVE FOR TAX SALE LIEN REDEMPTION

| | | |
|----------------------------|--|-----------|
| Balance, January 1, 2016 | | \$ 24,434 |
| Increased by: | | |
| Cash Receipts | | 81,894 |
| | | 106,328 |
| Decreased by: | | |
| Cash Disbursements | | 81,894 |
| Balance, December 31, 2016 | | \$ 24,434 |

EXHIBIT A-30

STATEMENT OF RESERVE FOR TAX APPEALS

| | | |
|---|-----------|------------|
| Balance, January 1, 2016 | | \$ 148,674 |
| Increased by: | | |
| Transfer from 2015 Appropriation Reserves | \$ 16,150 | |
| Transfer from 2016 Appropriations | 31,415 | |
| | | 47,565 |
| | | 196,239 |
| Decreased by: | | |
| Cash Disbursements | | 148,674 |
| Balance, December 31, 2016 | | \$ 47,565 |

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

| | | |
|----------------------------|----|------------------|
| Balance, January 1, 2016 | \$ | 20 |
| Increased by: | | |
| Cash Receipts | | <u>130</u> |
| | | 150 |
| Decreased by: | | |
| Cash Disbursements | | <u>130</u> |
| Balance, December 31, 2016 | \$ | <u><u>20</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, 2016 | \$ 18,935 | \$ 990,890 | \$ 221,553 | \$ 41,982 |
| Increased by Receipts: | | | | |
| Animal Control Fees | \$ 4,101 | | | |
| Late Fees | 820 | | | |
| State Fees | 656 | | | |
| Interest on Deposits | 50 | \$ 2,822 | \$ 615 | \$ 59 |
| Developers Fees | | | 59,212 | |
| Miscellaneous Reserves | | 673,372 | | |
| Employee Contributions | | | | 6,356 |
| Budget Appropriations | | | | 11,000 |
| Payroll Deposits | | 3,781,790 | | |
| Payroll Deductions Payable | | 2,159,644 | | |
| Flexible Spending | | 6,379 | | |
| Reserve for Accumulated Absences | | 1,604 | | |
| Other Accounts Receivable | | 8,917 | | |
| Due from Emerson Library | | 234,158 | | |
| Escrow Deposits | - | 21,825 | - | - |
| | <u>5,627</u> | <u>6,890,511</u> | <u>59,827</u> | <u>17,415</u> |
| | 24,562 | 7,881,401 | 281,380 | 59,397 |
| Decreased by Disbursements: | | | | |
| Expenditures Under R.S 4:19-15.11 | 1,194 | | | |
| Miscellaneous Reserves | | 822,936 | | |
| Affordable Housing Expenditures | | | 40,674 | |
| Payments to State of New Jersey | 656 | | | 11,172 |
| Payments to Current Fund | 6,459 | 34,624 | | 59 |
| Payroll Deposits | | 3,780,798 | | |
| Payroll Deductions Payable | | 2,168,618 | | |
| Flexible Spending | | 4,955 | | |
| Other Accounts Receivable | | 17,990 | | |
| Due from Emerson Library | | 248,483 | | |
| Escrow Deposits | - | 65,870 | - | - |
| | <u>8,309</u> | <u>7,144,274</u> | <u>40,674</u> | <u>11,231</u> |
| Balance, December 31, 2016 | <u>\$ 16,253</u> | <u>\$ 737,127</u> | <u>\$ 240,706</u> | <u>\$ 48,166</u> |

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

| | | |
|---------------------------------|--|---------------|
| Increased by: | | |
| State Fees | | \$ <u>656</u> |
| Decreased by: | | |
| Payments to State of New Jersey | | \$ <u>656</u> |

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

| | | |
|----------------------------|--------------|-----------------|
| Balance, January 1, 2016 | | \$ 6,459 |
| Increased by: | | |
| Interest on Deposits | \$ 50 | |
| Statutory Excess | <u>2,398</u> | |
| | | <u>2,448</u> |
| | | 8,907 |
| Decreased by: | | |
| Cash Disbursements | | <u>6,459</u> |
| Balance, December 31, 2016 | | <u>\$ 2,448</u> |

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

| | | | |
|----------------------------|--|----|---------------|
| Balance, January 1, 2016 | | \$ | 12,476 |
| Increased by: | | | |
| Animal Control Fees | | \$ | 4,101 |
| Late and Other Fees | | | <u>820</u> |
| | | | <u>4,921</u> |
| | | | 17,397 |
| Decreased by: | | | |
| Statutory Excess | | | 2,398 |
| Disbursements | | | <u>1,194</u> |
| | | | <u>3,592</u> |
| Balance, December 31, 2016 | | \$ | <u>13,805</u> |

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

| | | | |
|---|--|----|---------------|
| Balance, January 1, 2016 | | \$ | 8,917 |
| Increased by: | | | |
| Cash Disbursements for Borough Employees' Back Pension Deductions | | | <u>17,990</u> |
| | | | 26,907 |
| Decreased by: | | | |
| Cash Receipts | | | <u>8,917</u> |
| Balance, December 31, 2016 | | \$ | <u>17,990</u> |

**BOROUGH OF EMERSON
STATEMENT OF DUE TO/(FROM) CURRENT FUND
OTHER TRUST FUND**

| | |
|---|------------------|
| Balance, January 1, 2016 - (Due to) | \$ 20,644 |
| Increased by: | |
| Interest on Deposits | <u>2,822</u> |
| | 23,466 |
| Decreased by: | |
| Payments to Current Fund | <u>34,624</u> |
| Balance, December 31, 2016 - (Due from) | <u>\$ 11,158</u> |

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

| | |
|----------------------------|------------------|
| Increased by: | |
| Cash Disbursements | \$ 248,483 |
| Decreased by: | |
| Cash Receipts | <u>234,158</u> |
| Balance, December 31, 2016 | <u>\$ 14,325</u> |

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

| | |
|----------------------------|------------------|
| Balance, January 1, 2016 | \$ 14,090 |
| Increased by: | |
| Cash Receipts | <u>3,781,790</u> |
| | 3,795,880 |
| Decreased by: | |
| Cash Disbursements | <u>3,780,798</u> |
| Balance, December 31, 2016 | <u>\$ 15,082</u> |

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

| | | |
|----------------------------|----|-----------|
| Balance, January 1, 2016 | \$ | 29,885 |
| Increased by: | | |
| Cash Receipts | | 2,159,644 |
| | | 2,189,529 |
| Decreased by: | | |
| Cash Disbursements | | 2,168,618 |
| Balance, December 31, 2016 | \$ | 20,911 |

EXHIBIT B-10

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

| | | |
|----------------------------|----|-------|
| Balance, January 1, 2016 | \$ | 452 |
| Increased by: | | |
| Cash Receipts | | 6,379 |
| | | 6,831 |
| Decreased by: | | |
| Cash Disbursements | | 4,955 |
| Balance, December 31, 2016 | \$ | 1,876 |

EXHIBIT B-11

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

| | | |
|----------------------------|----|---------|
| Balance, January 1, 2016 | \$ | 167,852 |
| Increased by: | | |
| Cash Receipts | | 1,604 |
| Balance, December 31, 2016 | \$ | 169,456 |

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

| | | |
|--|----------------|----------------|
| Balance, January 1, 2016 | \$ | 738,479 |
| Increased by: | | |
| Escrow Deposit Receipts | \$ 21,825 | |
| Miscellaneous Reserves Receipts | <u>673,372</u> | |
| | | <u>695,197</u> |
| | | 1,433,676 |
| Decreased by: | | |
| Escrow Deposit Disbursements | 65,870 | |
| Miscellaneous Reserve Disbursements | <u>822,936</u> | |
| | | <u>888,806</u> |
| Balance, December 31, 2016 | \$ | <u>544,870</u> |
| Developer's Escrow Deposits | | |
| Recreation | \$ | 148,648 |
| Community Policing | | 67,098 |
| Recycling Program | | 25,396 |
| Centennial Celebration | | 113,966 |
| Shade Tree Donations (Wagner) | | 2,115 |
| Environmental Comm. Partnership | | 19,445 |
| Snow Removal | | 981 |
| Emergency Management | | 50,188 |
| Uniform Fire Penalties | | 3,028 |
| Municipal Court POAA Fees | | 2,517 |
| Municipal Alliance - DARE | | 414 |
| Outside Employment Off- Duty Police Officers (Reserve) | | 635 |
| Outside Employment Off- Duty Police Officers (Accounts Receivable) | | 129,462 |
| Tax Sale Premium | | (126,470) |
| Public Defender Fees | | 107,100 |
| | | <u>347</u> |
| | \$ | <u>544,870</u> |

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

| | | |
|----------------------------|------------|-------------------|
| Balance, January 1, 2016 | | \$ 221,553 |
| Increased by: | | |
| Developers Fees | \$ 59,212 | |
| Interest on Deposits | <u>615</u> | |
| | | <u>59,827</u> |
| | | 281,380 |
| Decreased by: | | |
| Cash Disbursements | | <u>40,674</u> |
| Balance, December 31, 2016 | | <u>\$ 240,706</u> |

EXHIBIT B-14

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

| | | |
|----------------------------------|---------------|------------------|
| Balance, January 1, 2016 | | \$ 41,975 |
| Increased by: | | |
| Employee Contributions | \$ 6,356 | |
| 2016 Budget Appropriation | <u>11,000</u> | |
| | | <u>17,356</u> |
| | | 59,331 |
| Decreased by: | | |
| Unemployment Compensation Claims | | <u>11,165</u> |
| Balance, December 31, 2016 | | <u>\$ 48,166</u> |

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

| | | |
|----------------------------------|----|-----------------|
| Balance, January 1, 2016 | \$ | 7 |
| Increased by: | | |
| Unemployment Compensation Claims | | <u>11,165</u> |
| | | 11,172 |
| Decreased by: | | |
| Cash Disbursements | | <u>11,172</u> |
| Balance, December 31, 2016 | \$ | <u><u>-</u></u> |

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

| | | |
|----------------------|----|------------------|
| Increased by: | | |
| Interest on Deposits | \$ | <u>59</u> |
| Decreased by: | | |
| Cash Disbursements | \$ | <u><u>59</u></u> |

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

| | | |
|----------------------------|----|----------------------|
| Balance, January 1, 2016 | \$ | <u>28,405</u> |
| Balance, December 31, 2016 | \$ | <u><u>28,405</u></u> |

GENERAL CAPITAL FUND

BOROUGH OF EMERSON
STATEMENT OF GENERAL CAPITAL CASH

| | | |
|---|----------------|---------------------|
| Balance, January 1, 2016 | | \$ 1,555,558 |
| Increased by Receipts: | | |
| Interest on Deposits | \$ 3,861 | |
| Bond Anticipated Notes Receipts | 2,729,200 | |
| Budget Appropriation - Capital Improvement Fund | <u>144,200</u> | |
| | | <u>2,877,261</u> |
| | | 4,432,819 |
| Decreased by Disbursements: | | |
| Improvement Authorizations | 2,840,579 | |
| Contracts Payable | 583,011 | |
| Payments to Current Fund | <u>4,309</u> | |
| | | <u>3,427,899</u> |
| Balance, December 31, 2016 | | <u>\$ 1,004,920</u> |

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

| | | Balance December 31, <u>2016</u> |
|------------------------------|--|--|
| Grants Receivables | | \$ (241,118) |
| Contracts Payable | | 347,395 |
| Capital Improvement Fund | | 6,732 |
| Miscellaneous Reserves | | 500 |
| Reserve for Capital Projects | | 8,750 |
| Fund Balance | | 68,490 |
| | | |
| Ord. | | |
| <u>No.</u> | <u>Improvement Description</u> | |
| 1109/1120 | Various Improvements & Acq. of Equipment | 1,345 |
| 1322/1331 | Various Public Improvements | 1,157 |
| 1348/1386 | Various General Improvements | 11,562 |
| 1375 | Various General Improvements | 4,075 |
| 1409 | Various General Improvements | 577 |
| 1441 | Various Public Improvements | 3,266 |
| 1444 | Various Public Improvements and Acquisition of Equipment | 7,005 |
| 1452 | Resurfacing of High Street | 3,101 |
| 1453 | Various Public Improvements | 18,514 |
| 1457 | Various Public Improvements and Acquisition of Equipment | 90,480 |
| 1477 | Various Public Improvements | 359 |
| 1489/1495 | Various Public Improvements and Acquisition of Equipment | 52,509 |
| 1500 | Various Public Improvements and Acquisition of Equipment and Vehicles | 15,785 |
| 1515 | Various Improvements to Hillman Field | 34,225 |
| 1517 | Acquisition of Real Property for Municipal Purposes | 58,695 |
| 1519 | 2016 Road Resurfacing Program | 11,839 |
| 1520 | Acquisition of Real Property for Municipal Purposes | 66,684 |
| 1527 | Various Public Improvements and Acquisition of Equipment and Vehicles | 432,993 |
| | | <u>\$ 1,004,920</u> |

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

| | |
|----------------------------|--------|
| Balance, January 1, 2016 | \$ 448 |
| Increased by: | |
| Interest on Deposits | 3,861 |
| | 4,309 |
| Decreased by: | |
| Payments to Current Fund | 4,309 |
| Balance, December 31, 2016 | \$ - |

EXHIBIT C-5

STATEMENT OF GRANTS RECEIVABLE

| | |
|---|------------|
| Balance, January 1, 2016 | \$ 276,083 |
| Increased by: | |
| Grant Awards | |
| NJ DOT - Ordinance 1527 | \$ 155,500 |
| Bergen County Open Space - Ordinance 1515 | 15,500 |
| | 171,000 |
| | 447,083 |
| Decreased by: | |
| Cancellation | 50,465 |
| | 50,465 |
| Balance, December 31, 2016 | \$ 396,618 |

| | | |
|---|----|---------|
| NJ DOT - Ordinance 1452 | \$ | 1,618 |
| NJ DOT - Ordinance 1500 | | 149,000 |
| NJ DOT - Ordinance 1527 | | 155,500 |
| Bergen County Open Space - Ordinance 1515 | | 15,500 |
| FEMA - Ordinance 1500 | | 75,000 |
| | \$ | 396,618 |

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

| | | |
|--|----------------|---------------------|
| Balance, January 1, 2016 | | \$ 6,963,685 |
| Decreased by: | | |
| 2016 Budget Appropriation to Pay Bonds | \$ 690,000 | |
| 2016 Budget Appropriation to Pay Loans | <u>166,733</u> | |
| | | <u>856,733</u> |
| Balance, December 31, 2016 | | <u>\$ 6,106,952</u> |

**BOROUGH OF EMERSON
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

| Ord. No. | Improvement Description | Ordinance Amount | Balance, January 1, 2016 | | 2016 Authori- zations | Paid or Charged | Contract Payables Cancelled | Authorization Cancelled | Balance, December 31, 2016 | |
|-------------|--|---------------------|-----------------------------|-------------------|-----------------------------|---------------------|-----------------------------------|----------------------------|-------------------------------|-------------------|
| | | | Funded | Unfunded | | | | | Funded | Unfunded |
| 1109/1120 | Various Improvements & Acq. of Equipment | \$ 715,000 | \$ 1,345 | | | | | | \$ 1,345 | |
| 1194 | Various Improvements | 380,000 | 648 | | | | | \$ 648 | - | |
| 1223/1242 | Various Capital Acquisitions & Improvements | 100,000 | 1,963 | | | | | 1,963 | - | |
| 1224/1243 | Various Capital Acquisitions & Improvements | 245,000 | 387 | | | | | 387 | - | |
| 1322/1331 | Various Public Improvements | 855,000 | 687 | | | | \$ 1,157 | 687 | 1,157 | |
| 1348/1386 | Various General Improvements | 595,000 | 26,562 | | | | | 15,000 | 11,562 | |
| 1349 | Various General Improvements | 405,000 | 742 | | | | | 742 | - | |
| 1375 | Various General Improvements | 361,000 | 886 | | | | 4,075 | 886 | 4,075 | |
| 1387 | Various General Improvements | 237,147 | 270 | | | | | 270 | - | |
| 1409 | Various General Improvements | 260,000 | 37,784 | | | \$ 27,207 | | 10,000 | 577 | |
| 1423 | Various General Improvements | 604,984 | - | | | | | - | - | |
| 1432 | Various General Improvements | 475,000 | 7,216 | | | | | 7,216 | - | |
| 1441 | Various Public Improvements | 475,000 | 63,547 | | | 40,281 | | 20,000 | 3,266 | |
| 1444 | Various Public Improvements and Acquisition of Equipment | 525,000 | 4,329 | | | | | 2,676 | 7,005 | |
| 1452 | Resurfacing of High Street | 163,000 | 4,674 | | | 1,573 | | | 3,101 | |
| 1453 | Various Public Improvements | 400,000 | 50,166 | | | 20,961 | | 10,691 | 18,514 | |
| 1457 | Various Public Improvements and Acquisition of Equipment | 1,450,000 | 145,376 | \$ 900 | | 4,431 | | 50,465 | 90,480 | \$ 900 |
| 1477 | Various Public Improvements | 300,000 | | 75,994 | | 75,635 | | | | 359 |
| 1489/1495 | Various Public Improvements and Acquisition of Equipment | 221,535 | | 54,254 | | 1,745 | | | | 52,509 |
| 1500 | Various Public Improvements and Acquisition of Equipment and Vehicles | 1,584,000 | | 747,462 | | 731,677 | | | | 15,785 |
| 1515 | Various Improvements to Hillman Field | 35,000 | | | \$ 35,000 | 775 | | | 15,725 | 18,500 |
| 1517 | Acquisition of Real Property for Municipal Purposes | 425,000 | | | | 425,000 | | | | 58,695 |
| 1519 | 2016 Road Resurfacing Program | 325,000 | | | | 325,000 | | | | 11,839 |
| 1520 | Acquisition of Real Property for Municipal Purposes | 430,000 | | | | 430,000 | | | | 66,684 |
| 1527 | Various Public Improvements and Acquisition of Equipment and Vehicles | 1,822,900 | - | - | | 1,822,900 | | | | 581,993 |
| | | | <u>\$ 346,582</u> | <u>\$ 878,610</u> | <u>\$ 3,037,900</u> | <u>\$ 3,187,974</u> | <u>\$ 7,908</u> | <u>\$ 118,955</u> | <u>\$ 156,807</u> | <u>\$ 807,264</u> |
| | Downpayment on Improvements | | | | \$ 44,200 | | | | | |
| | Capital Improvement Fund | | | | 100,000 | | | | | |
| | Grant Awards | | | | 15,500 | | | | | |
| | Deferred Charges to Future Taxation - Unfunded | | | | <u>2,878,200</u> | | | | | |
| | | | | | <u>\$ 3,037,900</u> | | | | | |
| | | | | | Cash Disbursements | \$ 2,840,579 | | | | |
| | | | | | Contracts Payable | <u>347,395</u> | | | | |
| | | | | | | <u>\$ 3,187,974</u> | | | | |
| | | | | | | | | Grant Receivable | \$ 50,465 | |
| | | | | | | | | Fund Balance | <u>68,490</u> | |
| | | | | | | | | | <u>\$ 118,955</u> | |

**BOROUGH OF EMERSON
STATEMENT OF CONTRACTS PAYABLE**

| | | |
|---------------------------------------|--------------|-------------------|
| Balance, January 1, 2016 | | \$ 590,919 |
| Increased by: | | |
| Charges to Improvement Authorizations | | <u>347,395</u> |
| | | 938,314 |
| Decreased by: | | |
| Cash Disbursements | \$ 583,011 | |
| Cancelled | <u>7,908</u> | |
| | | <u>590,919</u> |
| Balance, December 31, 2016 | | <u>\$ 347,395</u> |

EXHIBIT C-10

STATEMENT OF CAPITAL IMPROVEMENT FUND

| | | |
|--|--|-----------------|
| Balance, January 1, 2016 | | \$ 6,732 |
| Increased By: | | |
| 2016 Budget Appropriation | | <u>100,000</u> |
| | | 106,732 |
| Decreased by: | | |
| Appropriated to Finance Improvement Authorizations | | <u>100,000</u> |
| | | <u>\$ 6,732</u> |
| Balance, December 31, 2016 | | |

EXHIBIT C-11

STATEMENT OF DOWNPAYMENTS ON IMPROVEMENTS

| | | |
|--|--|------------------|
| Increased By: | | |
| 2016 Budget Appropriation | | <u>\$ 44,200</u> |
| Decreased By: | | |
| Appropriated to Finance Improvement Authorizations | | <u>\$ 44,200</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, 2016</u> | | <u>Interest Rate</u> | <u>Balance, January 1, 2016</u> | <u>Decreased</u> | <u>Balance, December 31, 2016</u> |
|---------------------|----------------------|---------------------------------|--|---------------|----------------------|---------------------------------|-------------------|-----------------------------------|
| | | | <u>Date</u> | <u>Amount</u> | | | | |
| General Improvement | 10/15/2003 | \$ 2,053,000 | 10/15/2017 | \$ 165,000 | 3.5-4.125% | \$ 498,000 | \$ 165,000 | \$ 333,000 |
| | | | 10/15/2018 | 168,000 | | | | |
| General Improvement | 8/1/2007 | 2,030,000 | 8/1/2017-2018 | 200,000 | 4.00% | 810,000 | 200,000 | 610,000 |
| | | | 8/1/2019 | 210,000 | 4.10% | | | |
| General Improvement | 10/1/2010 | 1,697,000 | 10/1/2017 | 150,000 | 2.25% | 1,302,000 | 130,000 | 1,172,000 |
| | | | 10/1/2018 | 160,000 | 2.50% | | | |
| | | | 10/1/2019 | 345,000 | 2.75% | | | |
| | | | 10/1/2020 | 517,000 | 3.00% | | | |
| General Improvement | 12/15/2013 | 3,698,000 | 12/15/17-2020 | 200,000 | 2.00% | <u>3,308,000</u> | <u>195,000</u> | <u>3,113,000</u> |
| | | | 12/15/2021 | 380,000 | 2.125% | | | |
| | | | 12/15/2022-2024 | 385,000 | 2.50-3.00% | | | |
| | | | 12/15/2025 | 390,000 | 3.00% | | | |
| | | | 12/15/2026 | 388,000 | 3.00% | | | |
| | | | | | | <u>\$ 5,918,000</u> | <u>\$ 690,000</u> | <u>\$ 5,228,000</u> |
| | | | | | | | <u>\$ 690,000</u> | |

Paid by Budget Appropriation

\$ 690,000

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

| <u>Description</u> | <u>Date of Issue</u> | <u>Amount of Original Loan</u> | <u>Outstanding December 31, 2016</u> | | <u>Interest Rate</u> | <u>Balance, January 1, 2016</u> | <u>Decreased</u> | <u>Balance, December 31, 2016</u> |
|------------------------------|----------------------|--------------------------------|--------------------------------------|---------------|----------------------|---------------------------------|-------------------|-----------------------------------|
| | | | <u>Date</u> | <u>Amount</u> | | | | |
| NJ DEP | 12/17/2001 | \$ 2,800,000 | 2017 | \$ 158,410 | 2.00% | \$ 979,827 | \$ 155,289 | \$ 824,538 |
| | | | 2018 | 161,594 | | | | |
| | | | 2019 | 164,842 | | | | |
| | | | 2020 | 168,156 | | | | |
| | | | 2021 | 171,536 | | | | |
| NJ DEP | 6/25/2001 | 182,500 | 2017 | 11,674 | 2.00% | <u>65,858</u> | <u>11,444</u> | <u>54,414</u> |
| | 12/17/2001 | 17,500 | 2018 | 11,909 | | | | |
| | | | 2019 | 12,149 | | | | |
| | | | 2020 | 12,393 | | | | |
| | | | 2021 | 6,290 | | | | |
| | | | | | | <u>\$ 1,045,685</u> | <u>\$ 166,733</u> | <u>\$ 878,952</u> |
| Paid by Budget Appropriation | | | | | | | <u>\$ 166,733</u> | |

06

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

| Ord. No. | Improvement Description | Date of Original Note | Amount of Original Note | Date of | | Interest Rate | Balance, January 1, 2016 | Increased | Decreased | Balance, December 31, 2016 |
|-------------|--|-----------------------------|-------------------------------|------------------------|------------------------|------------------|--------------------------------|---------------------|---------------------|----------------------------------|
| | | | | Issue | Maturity | | | | | |
| 1477 | Various Public Improvements | 8/26/2015 | \$ 285,000 | 8/26/2015 8/26/2016 | 8/26/2016 8/25/2017 | 0.67 % 0.85 | \$ 285,000 | \$ 285,000 | \$ 285,000 | \$ 285,000 |
| 1489/1495 | Various Public Improvements and Acquisition of Equipment | 8/26/2015 | 210,465 | 8/26/2015 8/26/2016 | 8/26/2016 8/25/2017 | 0.67 0.85 | 210,465 | 210,465 | 210,465 | 210,465 |
| 1500 | Various Public Improvements and Acquisition of Equipment and Vehicles | 8/26/2015 | 1,292,000 | 8/26/2015 8/26/2016 | 8/26/2016 8/25/2017 | 0.67 0.85 | 1,292,000 | 1,292,000 | 1,292,000 | 1,292,000 |
| 1515 | Various Improvements to Hillman Field | 8/26/2016 | 18,500 | 8/26/2016 | 8/25/2017 | 0.85 | | 18,500 | | 18,500 |
| 1517 | Acquisition of Real Property for Municipal Purposes | 8/26/2016 | 404,700 | 8/26/2016 | 8/25/2017 | 0.85 | | 404,700 | | 404,700 |
| 1519 | 2016 Road Resurfacing Program | 8/26/2016 | 309,500 | 8/26/2016 | 8/25/2017 | 0.85 | | 309,500 | | 309,500 |
| 1520 | Acquisition of Real Property for Municipal Purposes | 8/26/2016 | 409,500 | 8/26/2016 | 8/25/2017 | 0.85 | | 409,500 | | 409,500 |
| 1527 | Various Public Improvements and Acquisition of Equipment and Vehicles | 8/26/2016 | 1,587,000 | 8/26/2016 | 8/25/2017 | 0.85 | - | 1,587,000 | - | 1,587,000 |
| | | | | | | | <u>\$ 1,787,465</u> | <u>\$ 4,516,665</u> | <u>\$ 1,787,465</u> | <u>\$ 4,516,665</u> |
| | | | | | | | Issued for Cash | \$ 2,729,200 | | |
| | | | | | | | Renewals | <u>1,787,465</u> | <u>\$ 1,787,465</u> | |
| | | | | | | | | <u>\$ 4,516,665</u> | <u>\$ 1,787,465</u> | |

**BOROUGH OF EMERSON
STATEMENT OF MISCELLANEOUS RESERVES**

| | |
|----------------------------|---------------|
| Balance, January 1, 2016 | <u>\$ 500</u> |
| Balance, December 31, 2016 | <u>\$ 500</u> |
| <u>Analysis of Balance</u> | |
| Veterans Monument Donation | <u>\$ 500</u> |

STATEMENT OF RESERVE FOR GRANT RECEIVABLES

| | |
|----------------------------|-------------------|
| Increased by: | |
| Grant Award | |
| NJ DOT - Ordinance 1527 | <u>\$ 155,500</u> |
| Balance, December 31, 2016 | <u>\$ 155,500</u> |

STATEMENT OF RESERVE FOR CAPITAL PROJECTS

| | |
|----------------------------|-----------------|
| Balance, January 1, 2016 | <u>\$ 8,750</u> |
| Balance, December 31, 2016 | <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>2016</u> | 2016 <u>Authorizations</u> | Bond Anticipation Notes <u>Issued</u> | Balance, December 31, <u>2016</u> |
|-------------|--|---------------------------------------|-------------------------------|--|---|
| 1457 | Various Public Improvements and Acquisition of Equipment | \$ 900 | | | \$ 900 |
| 1515 | Various Improvements to Hillman Field | | \$ 18,500 | \$ 18,500 | |
| 1517 | Acquisition of Real Property for Municipal Purposes | | 404,700 | 404,700 | |
| 1519 | 2016 Road Resurfacing Program | | 309,500 | 309,500 | |
| 1520 | Acquisition of Real Property for Municipal Purposes | | 409,500 | 409,500 | |
| 1527 | Various Public Improvements and Acquisition of Equipment and Vehicles | - | <u>\$ 1,736,000</u> | <u>1,587,000</u> | <u>149,000</u> |
| | | <u>\$ 900</u> | <u>\$ 2,878,200</u> | <u>\$ 2,729,200</u> | <u>\$ 149,900</u> |

BERGEN COUNTY, NEW JERSEY

PART II
GOVERNMENT AUDITING STANDARDS
YEAR ENDED DECEMBER 31, 2016



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. NICOLOSI, CPA

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, 2016, and the related notes to the financial statements, and have issued our report thereon dated April 20, 2017. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the financial reporting requirements of the State of New Jersey for municipal government entities as described in Note 1. In addition, our report on the financial statements – regulatory basis was modified on the regulatory basis of accounting because of the presentation of the unaudited LOSAP Trust Fund financial statements.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Borough’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. 17-17 ROUTE 208 • FAIR LAWN, NJ 07410 • TELEPHONE (201) 791-7100 • FACSIMILE (201) 791-3035

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.

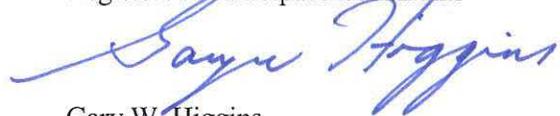
However, we noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Borough of Emerson in Part III of this report of audit entitled, "Letter of Comments and Recommendations".

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
April 20, 2017

**BOROUGH OF EMERSON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

| <u>Grant Program</u> | <u>State Account Number</u> | <u>Federal CFDA Number</u> | <u>Grant Period</u> | <u>2016 Grant Receipts</u> | <u>Grant Award Amount</u> | <u>Balance, January 1, 2016</u> | <u>Revenue</u> | <u>Expended</u> | <u>Balance, December 31, 2016</u> | <u>(Memo) Cumulative Expenditures</u> |
|--|-----------------------------|----------------------------|---------------------|----------------------------|---------------------------|---------------------------------|------------------|------------------|-----------------------------------|---------------------------------------|
| U.S. Department of Housing and Urban Development (Passed Through Bergen County Dept. of Community Development) | | | | | | | | | | |
| Community Development Block Grant | N/A | 14.218 | | | | | | | | |
| Senior Citizen Activities | | | 2016 | \$ 3,000 | \$ 3,530 | | \$ 3,530 | \$ 3,000 | \$ 530 | \$ 3,000 |
| Senior Citizen Activities | | | 2014 | | 5,500 | \$ 1,550 | | | 1,550 | 3,950 |
| Senior Citizen Flooring Rehab | | | 2013 | | 17,488 | 9,188 | | | 9,188 | 8,300 |
| U.S. Department of Homeland Security (Passed Through State Department of Law and Public Safety) | | | | | | | | | | |
| FEMA - Hurricane Sandy | 066-1200-100-A77 | 97.036 | 2012 | 8,036 | 8,036 | | 8,036 | 8,036 | - | 8,036 |
| FEMA - Severe Winter Storm | 066-1200-100-B80 | 97.036 | 2016 | 28,618 | 28,618 | - | 28,618 | 28,618 | - | 28,618 |
| | | | | | | <u>\$ 10,738</u> | <u>\$ 40,184</u> | <u>\$ 39,654</u> | <u>\$ 11,268</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, 2016

| <u>State Grant Program</u> | <u>Grant Number</u> | <u>Year</u> | <u>2016 Grant Receipts</u> | <u>Balance, January 1, 2016</u> | <u>Revenue Realized</u> | <u>Expended</u> | <u>Balance, December 31, 2016</u> | <u>Cumulative Expenditures</u> |
|---|-----------------------|-------------|------------------------------------|---|-----------------------------|-------------------|---|------------------------------------|
| Municipal Alliance Program | N/A | 2016 | \$ 8,876 | | \$ 9,876 | \$ 1,182 | \$ 8,694 | \$ 1,182 |
| | | 2015 | | \$ 13,704 | | 6,470 | 7,234 | 12,518 |
| | | 2014 | | 6,955 | | | 6,955 | 4,795 |
| Clean Communities Program | N/A | 2016 | 17,332 | | 17,332 | 3,074 | 14,258 | 3,074 |
| | | 2014 | | 9,148 | | 1,214 | 7,934 | 4,539 |
| | | 2010 | | 186 | | 186 | - | 300 |
| Recycling Tonnage Grant | 4900-752-001 | 2016 | 8,664 | | 8,664 | 2,434 | 6,230 | 2,434 |
| | | 2015 | | 8,197 | | | 8,197 | |
| Alcohol Education and Rehabilitation | 760-098-9735-001 | 2016 | 423 | | 423 | | 423 | |
| | | 2015 | | 648 | | | 648 | |
| | | 2014 | | 886 | | | 886 | |
| | | 2012 | | 432 | | | 432 | |
| | | 2010 | | 26 | | | 26 | 225 |
| | | 2009 | | 139 | | | 139 | |
| | | 2008 | | 114 | | | 114 | 154 |
| | | 2007 | | 236 | | | 236 | |
| Drunk Driving Enforcement Fund Grant | N/A | 2016 | 6,282 | | 6,282 | | 6,282 | |
| | | 2015 | | 4,127 | | 797 | 3,330 | 8,363 |
| Body Armor Replacement Program | N/A | 2016 | 2,104 | | 2,104 | | 2,104 | |
| | N/A | 2015 | | 4,119 | | | 4,119 | |
| | N/A | 2014 | | 3,974 | | 2,470 | 1,504 | 3,070 |
| | N/A | 2012 | | 3,937 | | 3,937 | - | 3,937 |
| | N/A | 2011 | | 1,919 | | 1,919 | - | 1,919 |
| | N/A | 2010 | | 477 | | 477 | - | 964 |
| New Jersey Department of Transportation | | | | | | | | |
| Ord. 1452-12 | 2012-078-6320-480-ALC | 2012 | | 1,618 | | | 1,618 | 144,882 |
| Ord. 1457-13 | 2013-078-6320-480-ALL | 2013 | | 50,465 | | 50,465 | - | 126,000 |
| Ord. 1500-15 | N/A | 2014 | | 147,949 | | 147,949 | - | 149,000 |
| NJ DOT - 2015 Municipal Aid Program | N/A | 2015 | | 149,000 | | 149,000 | - | 149,000 |
| Ord. 1527-15 | N/A | 2016 | | - | 155,500 | 155,500 | - | 155,500 |
| | | | | <u>\$ 408,256</u> | <u>\$ 200,181</u> | <u>\$ 527,074</u> | <u>\$ 81,363</u> | |

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, 2016**

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 | \$ 40,184 | \$ 44,681 | \$ 84,865 |
| General Capital Fund | - | 155,500 | 155,500 |
| | <u>\$ 40,184</u> | <u>\$ 200,181</u> | <u>\$ 240,365</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, 2016**

NOTE 5 STATE LOANS OUTSTANDING

The Borough's state loans outstanding at December 31, 2016, 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 | \$ 824,538 |
| New Jersey Department of Environmental Protection | 0214-97-109 | <u>54,414</u> |
| | | <u>\$ 878,952</u> |

**BOROUGH OF EMERSON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

Part I – Summary of Auditors' Results

Financial Statements Section

Type of auditors' report issued on financial statements

Modified - Unaudited LOSAP

Internal control over financial reporting:

1) Material weakness(es) identified?

___ yes X no

2) Significant Deficiency(ies) identified that are not considered to be material weakness(es)?

___ yes X none reported

Noncompliance material to basic financial statements noted?

___ yes X no

Federal Awards Section

NOT APPLICABLE

State Awards Section

NOT APPLICABLE

**BOROUGH OF EMERSON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

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, 2016**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. Uniform Guidance and New Jersey OMB's Circular 15-08

STATUS OF PRIOR YEAR FINDINGS

There were none.

BOROUGH OF EMERSON

PART III

SUPPLEMENTARY DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2016

**BOROUGH OF EMERSON
SUPPLEMENTARY DATA**

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

| | <u>Year 2016</u> | | <u>Year 2015</u> | |
|--|---------------------|-----------------|---------------------|-----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| REVENUES AND OTHER INCOME REALIZED | | | | |
| Fund Balance Utilized | \$ 880,000 | 2.56 % | \$ 730,000 | 2.16 % |
| Miscellaneous - From Other Than Local | | | | |
| Property Tax Levies | 1,740,128 | 5.05 | 2,209,726 | 6.52 |
| Collection of Delinquent Taxes and Tax Title Liens | 233,844 | 0.68 | 177,787 | 0.53 |
| Collection of Current Tax Levy | 31,089,224 | 90.33 | 30,385,685 | 89.73 |
| Other Credits to Income | <u>475,548</u> | <u>1.38</u> | <u>358,742</u> | <u>1.06</u> |
| Total Revenues and Other Income | <u>34,418,744</u> | <u>100.00</u> % | <u>33,861,940</u> | <u>100.00</u> % |
| EXPENDITURES | | | | |
| Budget Expenditures | | | | |
| Municipal Purposes | 11,713,853 | 35.06 % | 11,519,186 | 35.35 % |
| County Taxes | 3,098,755 | 9.28 | 2,953,932 | 9.07 |
| Local School Taxes | 18,581,630 | 55.62 | 18,077,315 | 55.48 |
| Other Expenditures | <u>12,455</u> | <u>0.04</u> | <u>34,175</u> | <u>0.10</u> |
| Total Expenditures | <u>33,406,693</u> | <u>100.00</u> % | <u>32,584,608</u> | <u>100.00</u> % |
| Excess of Revenues and Other Income Over Expenditures | 1,012,051 | | 1,277,332 | |
| Adjustments to Income Before Fund Balance: Expenditures Included Above Which are by Statute Deferred Charges to Budgets of Succeeding Years | <u>52,072</u> | | <u>5,525</u> | |
| Statutory Excess to Fund Balance | 1,064,123 | | 1,282,857 | |
| Fund Balance, January 1 | <u>2,025,136</u> | | <u>1,472,279</u> | |
| | 3,089,259 | | 2,755,136 | |
| Decreased by: Utilization as Anticipated Revenue | <u>880,000</u> | | <u>730,000</u> | |
| Fund Balance, December 31 | <u>\$ 2,209,259</u> | | <u>\$ 2,025,136</u> | |

**BOROUGH OF EMERSON
SUPPLEMENTARY DATA**

Comparative Schedule of Tax Rate Information

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|----------------------------------|----------------|----------------|----------------|
| <u>Tax Rate</u> | <u>\$2.604</u> | <u>\$2.550</u> | <u>\$2.496</u> |
| <u>Apportionment of Tax Rate</u> | | | |
| Municipal | .741 | .741 | .732 |
| Library | .034 | .034 | .034 |
| County | .255 | .243 | .239 |
| County Open Space | .003 | .003 | .003 |
| Local School | 1.571 | 1.529 | 1.488 |

Assessed Valuation

| | | |
|------|------------------------|------------------------|
| 2016 | <u>\$1,259,476,713</u> | |
| 2015 | | <u>\$1,199,853,696</u> |
| 2014 | | <u>\$1,198,075,818</u> |

Comparison of Tax Levies and Collection

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies.

| <u>Year</u> | <u>Tax Levy</u> | <u>Cash Collections</u> | <u>Percentage of Collection</u> |
|-------------|-----------------|-------------------------|---------------------------------|
| 2015 | \$ 31,393,093 | \$ 31,089,224 | 99.03% |
| 2015 | 30,678,891 | 30,385,685 | 99.04% |
| 2014 | 29,957,596 | 29,740,567 | 99.27% |

**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> |
|-----------------------------|-----------------------------|----------------------------|--------------|---------------------------------------|
| 2016 | \$ 143,401 | \$ 120,734 | \$ 264,135 | 0.84% |
| 2015 | 231,959 | 100,967 | 332,926 | 1.08% |
| 2014 | 188,605 | 81,610 | 270,215 | 0.90% |

Property Acquired by Tax Title Lien Liquidation

No properties have been acquired in 2016 or 2015 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> |
|-------------|---------------|
| 2016 | \$13,200 |
| 2015 | 13,200 |
| 2014 | 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 | 2016 | \$2,209,259 | \$830,000 |
| | 2015 | 2,025,136 | 880,000 |
| | 2014 | 1,472,279 | 730,000 |
| | 2013 | 1,384,245 | 625,000 |
| | 2012 | 1,219,045 | 550,000 |

**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 | |
| Vincent Tripodi | Councilman | |
| John Lazar | Councilman | |
| Richard Worthington | Councilman | |
| Danielle Di Paola | Councilwoman | |
| Brian Donning | Councilman | |
| Jane Dietsche | Municipal Clerk | |
| Robert S. Hoffmann | Borough Administrator /Qualified Purchasing Agent | |
| Catherine Henderson | Chief Financial Officer/Treasurer (January-March 31, 2016) | |
| Catherine Henderson | Tax Collector (January-March 31, 2016) | |
| Lauren Roehrer | Chief Financial Officer/Treasurer (April 1, 2016-Present) Tax Collector (April 1, 2016-Present) | |
| Claire Psota | Tax Assessor | |
| Wendy Rubinstein | Borough Attorney | |
| Boswell Engineering | Borough Engineer | |
| Donald Rossi | Chief of Police (January-December 1, 2016) | |
| Michael Mazzeo | Chief of Police (December 1, 2016-Present) | |
| Florence Mammolitti | Registrar of Vital Statistics | |
| Michael Sartori | Construction Code Official, Building Sub-Code Official, Fire Protection Sub-Code Official | |
| Nelson Fullam | Zoning Official | |
| Guiseppe Lamastra | Plumbing Sub-Code Official | |
| Michael Heflich | Part-Time Electrical Sub-Code Official | |
| Kevin Doherty | Elevator Sub-Code Official | |
| Joseph F. Mara | Fire Protection Inspector (Const.) (January-November 2016) | |
| 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

Previous Year Unresolved

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

Current Year

Our audit of the police outside duty services revealed numerous receivable balances due from vendors for police outside duty services rendered in both the current and prior years. It is recommended that the receivable balances due from vendors for police outside duty services be billed and collected in a timely manner.

Our audit of the Recreation Department revealed:

- Detailed cash receipts ledger were not maintained for each individual program.
- Pre-numbered receipts were not issued for all fees collected.

It is recommended that the Recreation Department maintain a detail cash receipts ledger and issue pre-numbered receipts for all fees collected.

Our audit of fixed assets revealed that the fixed asset ledger was not updated for current year additions and deletions. It is recommended that the Borough's fixed asset accounting and reporting system be updated and currently maintained.

Our audit of payroll transfers revealed that amounts transferred to the respective payroll accounts did not include the amounts pertaining to the Borough Library and were not in agreement with the supporting payroll documentation. It is recommended that amounts transferred to the payroll accounts include the Borough's Library portion and the Current Fund budget appropriation be charged.

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 effective January 5, 2016.

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

**BOROUGH OF EMERSON
SUPPLEMENTARY DATA**

GENERAL COMMENTS (Continued)

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

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

- NJ DOT FY 2016– Main Street and Linwood Avenue Section 3 Improvements
- 2017 Choris with multi-purpose dump body liquid system and plan

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 5, 2016, 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 last tax sale was held on October 25, 2016.

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> |
|-------------|----------------------------|
| 2016 | 3 |
| 2015 | 2 |
| 2014 | 2 |

Suggestion to Management

- Escrow deposits and miscellaneous reserve general ledger account balances be reviewed and reconciled to detailed subsidiary ledgers.

BOROUGH OF EMERSON

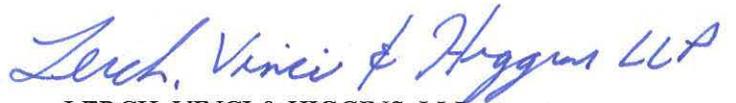
RECOMMENDATIONS

It is recommended that:

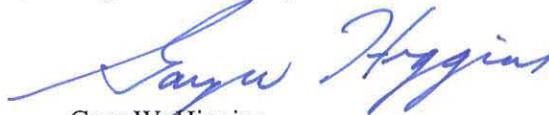
- * 1. Year end balances in the net payroll and payroll agency accounts be reviewed and cleared of record.
- 2. The receivable balances due from vendors for police outside duty services be billed and collected in a timely manner.
- 3. The Recreation Department maintain a detail cash receipt ledger and issue pre-numbered receipts for all fees collected.
- 4. The Borough's fixed asset accounting and reporting system be updated and currently maintained.
- 5. Amounts transferred to the payroll accounts include the Borough's Library portion and the Current Fund budget appropriation be charged accordingly.

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
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Registered Municipal Accountants



Gary W. Higgins
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