

BOROUGH OF EMERSON
BERGEN COUNTY, NEW JERSEY
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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BOROUGH OF EMERSON

COUNTY OF BERGEN

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017



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, 2017 and 2016, 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, 2017, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of Emerson as of December 31, 2017 and 2016, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As discussed in Note 17 of the financial statements, the financial statements – regulatory basis of the Length of Service Awards Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Borough’s financial statements as of and for the years ended December 31, 2017 and 2016. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 45 percent and 43 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2017 and 2016.

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, 2017 and 2016, 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, 2017 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.

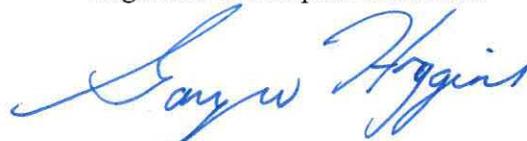
The supplementary data and letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated May 1, 2018 on our consideration of the Borough of Emerson's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough of Emerson's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Emerson's internal control over financial reporting and compliance.



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



Gary W. Higgins
Registered Municipal Accountant
RMA Number CR00405

Fair Lawn, New Jersey
May 1, 2018

BOROUGH OF EMERSON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND
AS OF DECEMBER 31, 2017 AND 2016

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
ASSETS			
Cash - Treasurer	A-4	\$ 6,291,847	\$ 4,111,376
Cash - Change Fund	A-5	360	360
Due From State of New Jersey - Seniors and Veterans	A-8	1,226	1,476
Grants Receivable	A-13	<u>280,023</u>	<u>205,145</u>
		<u>6,573,456</u>	<u>4,318,357</u>
Receivables and Other Assets With Full Reserves			
Delinquent Property Taxes	A-7	160,024	143,401
Tax Title Liens	A-11	140,941	120,734
Property Acquired for Taxes - Assessed Valuation	A-9	13,200	13,200
Revenue Accounts Receivable	A-12	7,552	6,709
Due from Animal Control Fund	B-3	<u>5,431</u>	<u>2,448</u>
		<u>327,148</u>	<u>286,492</u>
Deferred Charges			
Emergency Authorizations	A-10		44,200
Overexpenditure of Appropriation Reserves	A-10	<u>-</u>	<u>7,872</u>
		<u>-</u>	<u>52,072</u>
Total Assets		<u>\$ 6,900,604</u>	<u>\$ 4,656,921</u>

BOROUGH OF EMERSON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND
AS OF DECEMBER 31, 2017 AND 2016

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Appropriation Reserves	A-3,A-14	\$ 726,358	\$ 783,629
Encumbrances Payable	A-15	293,546	363,014
Accounts Payable	A-16	69,376	97,487
Prepaid Taxes	A-17	2,005,537	155,675
Tax Overpayments	A-18	7,575	8,079
School Taxes Payable	A-21	540,000	540,000
County Taxes Payable	A-20	11,324	8,675
Prepaid Fees	A-19	4,250	4,000
Due to Other Trust	B-6		11,158
Due to General Capital Fund	C-4	1,051	
Reserve for Construction Penalties	A-24	9,737	16,366
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	89,052	55,797
Reserve for Unappropriated Grants and Aid	A-25	8,963	
Reserve for Tax Appeals	A-30	87,565	47,565
Reserve for Tax Sale Lien Redemption	A-29	24,434	24,434
Reserve for Tax Assessor Fees	A-31		20
Due to State of New Jersey - DCA Fees	A-23	1,807	2,359
Due to State of New Jersey - Marriage License Fees	A-28	125	1,178
		<u>3,922,434</u>	<u>2,161,170</u>
Reserve for Receivables and Other Assets	A	327,148	286,492
Fund Balance	A-1	<u>2,651,022</u>	<u>2,209,259</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 6,900,604</u>	<u>\$ 4,656,921</u>

BOROUGH OF EMERSON
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
AS OF DECEMBER 31, 2017 AND 2016

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
REVENUES AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 830,000	\$ 880,000
Miscellaneous Revenue Anticipated	A-2	1,735,304	1,598,565
Receipts from Delinquent Taxes	A-2	145,363	233,844
Receipts from Current Taxes	A-2	31,901,679	31,089,224
Nonbudget Revenue	A-2	205,937	141,563
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	A-14	436,729	431,067
Cancellation of Accounts Payable	A-16	27,062	14,532
Statutory Excess - Animal Control Fund	B-4	5,337	2,398
Interfunds Liquidated	A	<u>2,448</u>	<u>27,551</u>
Total Revenues and Other Income		<u>35,289,859</u>	<u>34,418,744</u>
EXPENDITURES			
Budget and Emergency Appropriations			
Operations			
Salaries and Wages	A-3	4,569,134	4,653,669
Other Expenses	A-3	4,961,538	4,859,596
Capital Improvements	A-3	72,296	144,200
Municipal Debt Service	A-3	1,088,831	1,058,621
Deferred Charges and Statutory Expenditures	A-3	1,007,290	997,767
County Taxes	A-20	3,044,112	3,058,593
County Open Space Taxes	A-20	126,745	31,487
Due County for Added and Omitted Taxes	A-20	11,324	8,675
Local District School Taxes	A-21	19,108,059	18,581,630
Other Debits to Income			
2015 Appropriation Reserve Overexpended	A		7,872
Prior Year Senior Deductions Disallowed	A-8	1,962	2,135
Cancellation of Grants Receivable	A-13	21,374	
Interfunds Established	A	<u>5,431</u>	<u>2,448</u>
Total Expenditures		<u>34,018,096</u>	<u>33,406,693</u>
Excess of Revenues and Other Income Over Expenditures		1,271,763	1,012,051
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budgets of Succeeding Years	A	<u>-</u>	<u>52,072</u>
Regulatory Excess to Fund Balance		1,271,763	1,064,123
Fund Balance, January 1	A	<u>2,209,259</u>	<u>2,025,136</u>
		3,481,022	3,089,259
Decreased by:			
Utilization as Anticipated Revenue	A-1,A-2	<u>830,000</u>	<u>880,000</u>
Fund Balance, December 31	A	<u>\$ 2,651,022</u>	<u>\$ 2,209,259</u>

See Accompanying Notes to Financial Statements

**BOROUGH OF EMERSON
STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Reference</u>	2017 <u>Budget</u>	Added by N.J.S.A. <u>40A:4-87</u>	<u>Realized</u>	Excess or <u>(Deficit)</u>
Fund Balance Anticipated	A-1	\$ 830,000	-	\$ 830,000	-
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A-12	17,500		17,500	
Other	A-2	13,000		17,408	\$ 4,408
Fees and Permits					
Other	A-2	13,000		16,000	3,000
Fines and Costs					
Municipal Court	A-12	114,000		106,746	(7,254)
Interest and Costs on Taxes	A-12	39,000		35,589	(3,411)
Interest on Investments and Deposits	A-2	15,000		30,692	15,692
Parking Meters	A-12	8,000		11,700	3,700
Energy Receipts Tax	A-12	619,905		619,905	-
Watershed Moratorium Offset Aid	A-12	18,189		18,189	-
Construction Code Official	A-12	220,000		186,134	(33,866)
Borough of Old Tappan Shared Service - Court	A-12	15,180		15,180	-
Public and Private Programs					
Offset with Appropriations					
Municipal Alliance on Alcoholism and Drug Abuse - 2015	A-13	2,250	\$ 9,876	12,126	
Recycling Tonnage Grant	A-13	9,062		9,062	
Body Armor Replacement Grant - Reserve	A-25		2,187	2,187	
CDBG - Senior Citizen Activities	A-13		3,338	3,338	
Clean Communities Grant - Reserve	A-25		14,725	14,725	
NJ Department of Transportation	A-13		167,627	167,627	
Other Special Items					
Uniform Fire Safety Act	A-12	20,000		22,693	2,693
Sewer Service Fees	A-12	10,500		11,668	1,168
Cellular Tower Fees	A-12	180,000		195,198	15,198
Cable Television Franchise Fees	A-12	111,000		111,962	962
PILOT - Advancing Opportunities - 5 Pine Drive	A-12	21,000		16,200	(4,800)
DCA Non-Federal Cost Share Program	A-12	18,769		19,461	692
Anticipated General Capital Fund Surplus	C-1	55,000		55,000	-
Insurance Dividends	A-12	11,000	-	19,014	8,014
Total Miscellaneous Revenues	A-1	<u>1,531,355</u>	<u>197,753</u>	<u>1,735,304</u>	<u>6,196</u>
Receipts from Delinquent Taxes	A-7	<u>130,000</u>	-	<u>145,363</u>	<u>15,363</u>
Amount to be Raised by Taxes for Support of Municipal Budget -					
Local Tax for Municipal Purposes	A-2	8,956,527		9,213,848	257,321
Minimum Library Tax	A-2	<u>421,591</u>	-	<u>421,591</u>	-
		<u>9,378,118</u>	-	<u>9,635,439</u>	<u>257,321</u>
Total Budget Revenues	A-3	<u>\$ 11,869,473</u>	<u>\$ 197,753</u>	12,346,106	<u>\$ 278,880</u>
Nonbudget Revenue	A-1,A-2			<u>205,937</u>	
				<u>\$ 12,552,043</u>	

BOROUGH OF EMERSON
STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

	<u>Reference</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenue from Collections	A-1,A-7	\$ 31,901,679
Less: Allocated to School and County Taxes	A-20,A-21	<u>22,620,240</u>
		9,281,439
Add Appropriation "Reserve for Uncollected Taxes"	A-3	<u>354,000</u>
Amount for Support of Municipal Budget Appropriation	A-2	<u>\$ 9,635,439</u>
Licenses - Other		
Borough Clerk	A-12	\$ 2,780
Health Officer	A-12	<u>14,628</u>
	A-2	<u>\$ 17,408</u>
Fees and Permits		
Borough Clerk	A-12	\$ 7,700
Planning/Zoning Boards	A-12	5,575
Police Department	A-12	<u>2,725</u>
	A-2	<u>\$ 16,000</u>
Interest on Investments and Deposits		
Revenue Accounts Receivable	A-12	\$ 22,617
Due from Animal Control Trust Fund	B-3	94
Due from Other Trust Fund	B-6	3,164
Due from General Capital Fund	C-4	<u>4,817</u>
	A-2	<u>\$ 30,692</u>

BOROUGH OF EMERSON
STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

Reference

Nonbudget Revenue		
Sale of Assets	\$	1,819
Administration Fee - Senior's & Veteran's		1,216
Administration Fee - Homestead Benefit Program		337
Police Outside Duty		154,663
6% Penalty		1,959
Return of LOSAP Benefits		8,119
Return of Excess Balance in Payroll Agency Account		28,952
Miscellaneous		<u>8,872</u>
	A-2	<u>\$ 205,937</u>

BOROUGH OF EMERSON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT FUNCTIONS					
General Administration					
Salaries and Wages	\$ 204,600	\$ 169,600	\$ 167,369	\$ 2,231	
Other Expenses	79,060	103,560	98,676	4,884	
Mayor and Council					
Salaries and Wages	21,600	21,600	21,600	-	
Other Expenses	2,650	3,650	3,151	499	
Municipal Clerk					
Salaries and Wages	103,950	108,600	108,595	5	
Other Expenses	34,450	34,450	29,141	5,309	
Financial Administration					
Salaries and Wages	115,000	115,000	112,486	2,514	
Other Expenses	30,916	30,916	26,752	4,164	
Audit Services	37,500	37,500		37,500	
Revenue Administration					
Salaries and Wages	32,000	28,700	27,701	999	
Other Expenses	6,112	6,112	3,585	2,527	
Tax Assessment Administration					
Salaries and Wages	22,545	22,545	22,508	37	
Other Expenses	18,495	15,995	9,718	6,277	
Legal Services					
Other Expenses	195,000	232,500	229,288	3,212	
Engineering Services					
Other Expenses	20,000	27,500	24,892	2,608	
LAND USE ADMINISTRATION					
Land Use Board					
Salaries and Wages	5,000	5,000	2,700	2,300	
Other Expenses	21,400	21,400	20,149	1,251	
INSURANCE					
General Liability	185,200	185,200	183,329	1,871	
Workers Compensation	208,750	208,750	208,667	83	
Employee Group Health	814,956	814,956	718,485	96,471	
Health Benefit Waiver	3,630	3,630	3,630	-	
Unemployment Compensation Insurance	15,000	15,000	15,000	-	

**BOROUGH OF EMERSON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Appropriated</u>		<u>Expended</u>	
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Unexpended</u>
		<u>Modification</u>	<u>Charged</u>	<u>Balance</u>
			<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)				
PUBLIC SAFETY FUNCTIONS				
Police Department				
Salaries and Wages	\$ 2,520,220	\$ 2,520,220	\$ 2,502,457	\$ 17,763
Other Expenses	125,500	129,300	129,186	114
Police Dispatch/911				
Salaries and Wages	173,800	173,800	169,860	3,940
Other Expenses	1,500			-
Office of Emergency Management				
Salaries and Wages	2,500	2,500	2,500	-
Other Expenses	11,600	11,600	10,500	1,100
Aid to Volunteer Fire Companies				
Other Expenses	72,100	72,100	71,584	516
Aid to Volunteer Ambulance Corps.				
Other Expenses	16,250	16,250	10,063	6,187
Fire Department				
Salaries and Wages	17,350	17,350	17,350	-
Other Expenses	130,800	130,800	130,364	436
Uniform Fire Safety Act (P.L. 1983, Ch. 383)				
Salaries and Wages	14,875	15,075	15,036	39
Other Expenses	3,675	3,675	2,543	1,132
Municipal Prosecutor				
Other Expenses	12,660	12,660	11,482	1,178
PUBLIC WORKS FUNCTIONS				
Streets and Road Maintenance				
Salaries and Wages	649,000	639,000	622,623	16,377
Other Expenses	64,660	54,660	45,764	8,896
Sewer Services				
Salaries and Wages	112,730	112,730	104,111	8,619
Other Expenses	70,750	70,750	67,122	3,628
Shade Tree - Advisory Committee				
Other Expenses	63,000	63,000	49,840	13,160
Solid Waste Collection				
Garbage/Recycling - Other Expenses	359,000	359,000	355,000	4,000
Buildings and Grounds				
Other Expenses	63,300	63,300	60,852	2,448
Vehicle Maintenance				
Salaries and Wages	155,000	150,000	141,817	8,183
Other Expenses	62,300	62,300	55,285	7,015

**BOROUGH OF EMERSON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Appropriated</u>	<u>Expended</u>	<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>
			<u>Reserved</u>
			<u>Balance Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Continued)			
HEALTH AND HUMAN SERVICES			
FUNCTIONS			
Public Health Services			
Salaries and Wages	\$ 50,480	\$ 50,480	\$ 50,119
Other Expenses	52,498	52,498	52,429
Environmental Health Services			
Salaries and Wages	2,200	2,200	2,165
Other Expenses	1,055	1,055	204
Animal Control Services			
Other Expenses	10,500	10,500	9,535
PARKS AND RECREATION FUNCTIONS			
Recreation Services and Programs			
Salaries and Wages	42,770	22,770	22,747
Other Expenses	52,345	52,345	51,197
Municipal Court			
Salaries and Wages	96,310	96,310	83,666
Other Expenses	8,175	8,175	5,156
Public Defender			
Salaries and Wages	3,060	3,060	2,928
OTHER COMMON OPERATING			
FUNCTIONS			
Celebration of Public Events			
Other Expenses	1,000	1,000	125
Reserve for Accumulated Absences			
Salaries and Wages	1	40,001	40,001
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	166,400	157,550	155,142
Other Expenses	6,400	7,900	7,714

BOROUGH OF EMERSON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<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	\$ 80,000	\$ 80,000	\$ 62,585	\$ 17,415	
Street Lighting	88,000	88,000	81,652	6,348	
Telephone	27,500	33,200	32,749	451	
Water	15,100	15,100	11,521	3,579	
Gas (Natural or Propane)	20,000	20,000	15,527	4,473	
Gasoline	90,000	54,300	39,146	15,154	
LANDFILL/SOLID WASTE DISPOSAL COSTS					
Dump Fees					
Other Expenses	<u>247,900</u>	<u>247,900</u>	<u>192,832</u>	<u>55,068</u>	<u>-</u>
Total Operations Within "CAPS"	<u>7,942,078</u>	<u>7,936,578</u>	<u>7,491,900</u>	<u>444,678</u>	<u>-</u>
Detail:					
Salaries and Wages	4,511,391	4,474,091	4,355,480	118,611	-
Other Expenses	<u>3,430,687</u>	<u>3,462,487</u>	<u>3,136,420</u>	<u>326,067</u>	<u>-</u>
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"					
Deferred Charges					
Overexpenditure of 2015 Appropriation Reserve	7,872	7,872	7,872	-	
Regulatory Expenditures					
Public Employees' Retirement System	212,270	212,270	201,775	-	\$ 10,495
Social Security System (O.A.S.I.)	176,460	181,960	180,830	1,130	
Police and Firemen's Retirement System of N.J.	569,983	569,983	569,983	-	
Defined Contribution Retirement Program	<u>1,500</u>	<u>1,500</u>	<u>1,129</u>	<u>371</u>	<u>-</u>
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	<u>968,085</u>	<u>973,585</u>	<u>961,589</u>	<u>1,501</u>	<u>10,495</u>
Total General Appropriations for Municipal Purposes - Within "CAPS"	<u>8,910,163</u>	<u>8,910,163</u>	<u>8,453,489</u>	<u>446,179</u>	<u>10,495</u>

BOROUGH OF EMERSON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
EDUCATION FUNCTIONS					
Municipal Library					
Other Expenses	\$ 421,591	\$ 421,591	\$ 406,888	\$ 14,703	
UTILITY EXPENSES AND BULK PURCHASES					
Sewerage Processing and Disposal					
Operation and Maintenance Expenses	520,098	520,098	518,565	-	\$ 1,533
Debt Expenses	201,192	201,192	201,191	-	1
Northwest Bergen Utilities Authority					
Other Expenses	7,000	7,000	3,450	3,550	
Reserve for Tax Appeals					
Other Expenses	40,000	40,000	40,000	-	
Length of Service Awards Program	60,000	60,000		60,000	
Recycling Tax P.L. 2007, c.311(N.J.S.A. 13:1E-96.5)	10,500	10,500	7,732	2,768	
NJPDES/Stormwater Permit Management [N.J.S.A.40A:4-45.39(cc)]					
Salaries and Wages	83,543	83,543	83,452	91	
Other Expenses	25,709	25,709	23,709	-	2,000
Borough of Old Tappan - Court					
Salaries and Wages	11,500	11,500	11,500	-	
Other Expenses	3,680	3,680	3,680	-	-
Total Other Operations Excluded from "CAPS"	<u>1,384,813</u>	<u>1,384,813</u>	<u>1,300,167</u>	<u>81,112</u>	<u>3,534</u>
Public and Private Programs Offset by Revenues					
Municipal Alliance					
State Share	2,250	12,126	3,211	8,915	
Local Share	750	3,219	750	2,469	
Matching Funds for Grants	3,000	531		531	
Body Armor Fund		2,187	-	2,187	
Clean Communities		14,725	4,274	10,451	
CDBG - Senior Citizen Activities		3,338	1,300	2,038	
NJ Department of Transportation		167,627	-	167,627	
Recycling Tonnage Grant	9,062	9,062	4,213	4,849	-
Total Public and Private Programs Offset by Revenues	<u>15,062</u>	<u>212,815</u>	<u>13,748</u>	<u>199,067</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>1,399,875</u>	<u>1,597,628</u>	<u>1,313,915</u>	<u>280,179</u>	<u>3,534</u>
Detail:					
Salaries and Wages	95,043	95,043	94,952	91	-
Other Expenses	1,304,832	1,502,585	1,218,963	280,088	3,534

See Accompanying Notes to Financial Statements

BOROUGH OF EMERSON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Appropriated</u>		<u>Expended</u>		Unexpended
	<u>Budget</u>	Budget After <u>Modification</u>	Paid or <u>Charged</u>	<u>Reserved</u>	Balance <u>Cancelled</u>
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	\$ 72,296	\$ 72,296	\$ 72,296	-	-
Total Capital Improvements Excluded from "CAPS"	<u>72,296</u>	<u>72,296</u>	<u>72,296</u>	-	-
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	715,000	715,000	715,000		
Interest on Bonds	148,728	148,728	148,728		
Interest on Notes	38,393	38,393	38,285		\$ 108
Green Trust Loans - Principal and Interest	<u>186,818</u>	<u>186,818</u>	<u>186,818</u>	-	-
Total Municipal Debt Service Excluded from "CAPS"	<u>1,088,939</u>	<u>1,088,939</u>	<u>1,088,831</u>	-	<u>108</u>
Deferred Charges:					
Emergency Authorization	<u>44,200</u>	<u>44,200</u>	<u>44,200</u>	-	-
Total Deferred Charges	<u>44,200</u>	<u>44,200</u>	<u>44,200</u>	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>2,605,310</u>	<u>2,803,063</u>	<u>2,519,242</u>	\$ 280,179	<u>3,642</u>
Subtotal General Appropriations	11,515,473	11,713,226	10,972,731	726,358	14,137
Reserve for Uncollected Taxes	<u>354,000</u>	<u>354,000</u>	<u>354,000</u>	-	-
Total General Appropriations	<u>\$ 11,869,473</u>	<u>\$ 12,067,226</u>	<u>\$ 11,326,731</u>	<u>\$ 726,358</u>	<u>\$ 14,137</u>
<u>Reference</u>	A-2			A	

BOROUGH OF EMERSON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Reference</u>	<u>Budget After Modification</u>	<u>Expended Paid or Charged</u>
Budget as Adopted	A-3	\$ 11,869,473	
Added by N.J.S.A. 40A:4-87	A-2	<u>197,753</u>	
		<u>\$ 12,067,226</u>	
Cash Disbursed	A-4		\$ 10,587,113
Deferred Charges			
Overexpenditure of Appropriation Reserves	A-10		7,872
Emergency Authorizations	A-10		44,200
Reserve for Uncollected Taxes	A-2		354,000
Reserve for Tax Appeals	A-30		40,000
Encumbrances Payable	A-15		<u>293,546</u>
			<u>\$ 11,326,731</u>

BOROUGH OF EMERSON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS
AS OF DECEMBER 31, 2017 AND 2016

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
ASSETS			
ANIMAL CONTROL TRUST FUND			
Cash	B-1	\$ <u>17,484</u>	\$ <u>16,253</u>
OTHER TRUST FUND			
Cash	B-1	768,295	737,127
Due from Current Fund	B-6		11,158
Due from Emerson Public Library	B-7		14,325
Other Accounts Receivable	B-5	<u>5,919</u>	<u>17,990</u>
		<u>774,214</u>	<u>780,600</u>
HOUSING TRUST FUND			
Cash	B-1	<u>263,768</u>	<u>240,706</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Cash	B-1	<u>57,556</u>	<u>48,166</u>
LENGTH OF SERVICE AWARDS PROGRAM (LOSAP) TRUST FUND (UNAUDITED)			
Investments	B	812,014	740,034
Due from Other Trust Fund	B-16	28,405	28,405
Contribution Receivable	B	<u>59,800</u>	<u>66,700</u>
		<u>900,219</u>	<u>835,139</u>
Total Assets		<u>\$ 2,013,241</u>	<u>\$ 1,920,864</u>

BOROUGH OF EMERSON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS
AS OF DECEMBER 31, 2017 AND 2016

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
LIABILITIES, RESERVES AND FUND BALANCE			
ANIMAL CONTROL TRUST FUND			
Due to Current Fund	B-3	\$ 5,431	\$ 2,448
Reserve for Animal Control Expenditures	B-4	<u>12,053</u>	<u>13,805</u>
		<u>17,484</u>	<u>16,253</u>
OTHER TRUST FUND			
Due to LOSAP Trust Fund	B-16	28,405	28,405
Due to Emerson Public Library	B-7	259	
Reserve for Accrued Payroll	B-8		15,082
Reserve for Payroll Deductions Payable	B-9	7,073	20,911
Reserve for Flexible Spending	B-10		1,876
Reserve for Accumulated Absences	B-11	171,060	169,456
Reserve for Escrow and Miscellaneous Reserves	B-12	<u>567,417</u>	<u>544,870</u>
		<u>774,214</u>	<u>780,600</u>
HOUSING TRUST FUND			
Reserve for Housing Trust Expenditures	B-13	<u>263,768</u>	<u>240,706</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Reserve for Unemployment Insurance Trust Claims	B-14	<u>57,556</u>	<u>48,166</u>
LENGTH OF SERVICE AWARDS PROGRAM (LOSAP) TRUST FUND (UNAUDITED)			
Reserve for LOSAP Contributions	B	<u>900,219</u>	<u>835,139</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 2,013,241</u>	<u>\$ 1,920,864</u>

BOROUGH OF EMERSON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2017 AND 2016

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
ASSETS			
Cash	C-2,C-3	\$ 586,869	\$ 1,004,920
Grants Receivable	C-5	83,381	396,618
Due from Current Fund	C-4	1,051	
Deferred Charges to Future Taxation			
Funded	C-6	5,221,868	6,106,952
Unfunded	C-7	<u>4,620,328</u>	<u>4,666,565</u>
 Total Assets		 <u>\$ 10,513,497</u>	 <u>\$ 12,175,055</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds Payable	C-11	\$ 4,513,000	\$ 5,228,000
Intergovernmental Loans Payable	C-12	708,868	878,952
Bond Anticipated Notes Payable	C-13	4,508,570	4,516,665
Improvement Authorizations			
Funded	C-8	56,295	156,807
Unfunded	C-8	446,942	807,264
Contracts Payable	C-9	138,318	347,395
Capital Improvement Fund	C-10	26,108	6,732
Miscellaneous Reserves	C-14	500	500
Reserve for Grant Receivables	C-15	43,763	155,500
Reserve for Capital Projects	C-16	8,750	8,750
Fund Balance	C-1	<u>62,383</u>	<u>68,490</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 10,513,497</u>	 <u>\$ 12,175,055</u>

There were bonds and notes authorized but not issued on December 31, 2017 and 2016 in the amount of \$111,758 and \$149,900, respectively (Exhibit C-17).

BOROUGH OF EMERSON
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2017 AND 2016

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
Balance, January 1	C	\$ 68,490	
Increased by:			
Funded Improvement Authorizations Canceled	C-8	<u>48,893</u>	<u>\$ 68,490</u>
		117,383	68,490
Decreased by:			
Payment to Current Fund as Anticipated Revenue	C-2	<u>55,000</u>	<u>-</u>
Balance, December 31	C	<u>\$ 62,383</u>	<u>\$ 68,490</u>

BOROUGH OF EMERSON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u> Restated
General Fixed Assets		
Land	\$ 12,676,320	\$ 12,656,320
Buildings and Building Improvements	2,349,064	2,349,064
Machinery and Equipment	<u>6,105,445</u>	<u>6,048,649</u>
 Total General Fixed Assets	 <u>\$ 21,130,829</u>	 <u>\$ 21,054,033</u>
 Investment in General Fixed Assets	 <u>\$ 21,130,829</u>	 <u>\$ 21,054,033</u>

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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, 2017 AND 2016**

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, 2017 AND 2016**

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, 2016 balances to conform to the December 31, 2017 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, 2017 AND 2016**

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, 2017 AND 2016**

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, 2017 AND 2016**

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

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

General Fixed Assets purchased after December 31, 2002 are stated 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

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, 2017 AND 2016**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

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 2017 and 2016 the Borough Council increased the original budget by \$197,753 and \$104,747. The 2017 increase was funded by additional aid allotted to the Borough. 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. In addition, the governing body approved several budget transfers during 2017 and 2016.

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, 2017 and 2016, the book value of the Borough's deposits were \$7,986,179 and \$6,158,908 and bank and brokerage firm balances of the Borough's deposits amounted to \$7,446,038 and \$6,308,118, 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>2017</u>	<u>2016</u>
Insured	\$ 7,369,251	\$ 6,231,978
Uninsured and Collateralized	<u>76,787</u>	<u>76,140</u>
	<u>\$ 7,446,038</u>	<u>\$ 6,308,118</u>

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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, 2017 and 2016, the Borough’s bank balances of \$76,787 and \$76,140 were exposed to custodial credit risk as follows:

<u>Depository Account</u>	<u>2017</u>	<u>2016</u>
Uninsured and Collateral held by pledging financial institution's trust department not in the Borough's name	<u>\$ 76,787</u>	<u>\$ 76,140</u>

B. Investments

The Borough is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, 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, 2017 and 2016, the Borough had the following investments:

	Fair Value (Unaudited)	
	<u>2017</u>	<u>2016</u>
Investment: Length of Service Award Program	<u>\$ 812,014</u>	<u>\$ 740,034</u>

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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, 2017 and 2016, \$812,014 and \$740,034 of the Borough’s investments was exposed to custodial credit risk as follows:

	Fair Value (LOSAP - Unaudited)	
	<u>2017</u>	<u>2016</u>
Uninsured and Collateralized		
Collateral held by pledging financial institution's trust department but not in the Borough's name	\$ 812,014	\$ 740,034

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, 2017 and 2016, 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, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
<u>Current</u>		
Property Taxes	\$ 160,024	\$ 143,401
Tax Title Liens	140,941	120,734
	<u>\$ 300,965</u>	<u>\$ 264,135</u>

In 2017 and 2016, the Borough collected \$145,363 and \$233,844 from delinquent taxes, which represented 55% and 70%, respectively of the prior year delinquent taxes receivable balance.

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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>2017</u>		<u>2016</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund	\$ 5,431	\$ 1,051	\$ 2,448	\$ 11,158
General Capital Fund	1,051			
Animal Control Trust Fund		5,431		2,448
Other Trust Fund		28,405	11,158	28,405
LOSAP Trust Fund	28,405	-	28,405	-
Total	<u>\$ 34,887</u>	<u>\$ 34,887</u>	<u>\$ 42,011</u>	<u>\$ 42,011</u>

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

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

NOTE 6 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

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

	<u>Balance December 31.</u>	<u>Subsequent Year Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
<u>2016</u>			
Current Fund			
Emergency Authorizations	\$ 44,200	\$ 44,200	
Overexpenditure of Appropriation Reserves	<u>7,872</u>	<u>7,872</u>	<u>\$ -</u>
	<u>\$ 52,072</u>	<u>\$ 52,072</u>	<u>\$ -</u>

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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, 2017 and 2016 are as follows:

	<u>Local District School</u>	
	<u>2017</u>	<u>2016</u>
Balance of Tax	\$ 9,780,003	\$ 9,450,003
Deferred Liability	<u>9,240,003</u>	<u>8,910,003</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>2017</u>		<u>2016</u>	
	Fund Balance <u>December 31,</u>	Utilized in Subsequent Year's Budget	Fund Balance <u>December 31,</u>	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	\$ 2,369,773	\$ 1,000,000	\$ 1,950,566	\$ 830,000
Non-Cash Surplus	<u>281,249</u>	<u>-</u>	<u>258,693</u>	<u>-</u>
	<u>\$ 2,651,022</u>	<u>\$ 1,000,000</u>	<u>\$ 2,209,259</u>	<u>\$ 830,000</u>

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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, 2017 and 2016.

	Balance January 1, <u>2017</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2017</u>
<u>2017</u>				
Land	\$ 12,656,320	\$ 20,000		\$ 12,676,320
Buildings and Building Improvements	2,349,064			2,349,064
Machinery and Equipment	<u>6,048,649</u>	<u>91,296</u>	<u>\$ 34,500</u>	<u>6,105,445</u>
	<u>\$ 21,054,033</u>	<u>\$ 111,296</u>	<u>\$ 34,500</u>	<u>\$ 21,130,829</u>
	Balance January 1, <u>2016</u> Restated	<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>5,764,153</u>	<u>284,496</u>	<u>\$ -</u>	<u>6,048,649</u>
	<u>\$ 19,994,853</u>	<u>\$ 1,059,180</u>	<u>\$ -</u>	<u>\$ 21,054,033</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, 2017 AND 2016**

NOTE 10 MUNICIPAL DEBT (Continued)

The Borough's debt is summarized as follows:

	<u>2017</u>	<u>2016</u>
Issued		
General		
Bonds, Notes and Loans	\$ 9,730,438	\$ 10,623,617
Net Debt Issued	9,730,438	10,623,617
Authorized But Not Issued		
General		
Bonds and Notes	<u>111,758</u>	<u>149,900</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 9,842,196</u>	<u>\$ 10,773,517</u>

Statutory Net Debt

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of .776% and .863% at December 31, 2017 and 2016, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2017</u>			
General Debt	\$ 9,842,196	\$ -	\$ 9,842,196
Total	<u>\$ 9,842,196</u>	<u>\$ -</u>	<u>\$ 9,842,196</u>
	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2016</u>			
General Debt	\$ 10,773,517	\$ -	\$ 10,773,517
Total	<u>\$ 10,773,517</u>	<u>\$ -</u>	<u>\$ 10,773,517</u>

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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>2017</u>	<u>2016</u>
3-1/2% of Equalized Valuation Basis (Municipal) Net Debt	\$ 44,410,069 <u>9,842,196</u>	\$ 43,697,613 <u>10,773,517</u>
Remaining Borrowing Power	<u>\$ 34,567,873</u>	<u>\$ 32,924,096</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>2017</u>	<u>2016</u>
\$2,053,000, 2003 Bonds, due in an annual installment of \$168,000 through October, 2018 interest at 4.125%	\$ 168,000	\$ 333,000
\$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%	410,000	610,000
\$1,697,000, 2010 Bonds, due in annual installments of \$160,000 to \$517,000 through October, 2020 interest at 2.50% to 3.0%	1,022,000	1,172,000
\$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>2,913,000</u>	<u>3,113,000</u>
	<u>\$ 4,513,000</u>	<u>\$ 5,228,000</u>

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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>2017</u>	<u>2016</u>
\$2,800,000, 2001 Loan, due in annual installments of \$161,594 to \$171,536 through September, 2021, interest at 2.00%	\$ 666,128	\$ 824,538
\$200,000, 2001 Loan, due in annual installments of \$6,290 to \$12,392 through March, 2021, interest at 2.00%	<u>42,740</u>	<u>54,414</u>
	<u>\$ 708,868</u>	<u>\$ 878,952</u>

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2017 is as follows:

<u>Calendar Year</u>	<u>Serial Bonds</u>		<u>Loans</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
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	385,000	54,140			439,140
2023-2026	<u>1,548,000</u>	<u>114,385</u>	<u>-</u>	<u>-</u>	<u>1,662,385</u>
	<u>\$ 4,513,000</u>	<u>\$ 543,041</u>	<u>\$ 708,868</u>	<u>\$ 32,050</u>	<u>\$ 5,796,959</u>

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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, 2017 and 2016 were as follows:

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

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 10 MUNICIPAL DEBT (Continued)

B. Short-Term Debt

The Borough's short-term debt activity for the years ended December 31, 2017 and 2016 was as follows:

Bond Anticipation Notes

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

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 10 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

<u>Purpose</u>	<u>Rate</u> (%)	<u>Maturity</u> <u>Date</u>	<u>Balance,</u> <u>January 1,</u> <u>2016</u>	<u>Renewed/</u> <u>Issued</u>	<u>Retired/</u> <u>Redeemed</u>	<u>Balance,</u> <u>December 31,</u> <u>2016</u>
<u>2016</u>						
<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>

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, 2017 AND 2016**

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>2016</u>	<u>Capital Projects</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</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>	

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 \$146,098 and \$143,939 at December 31, 2017 and 2016, 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, 2017 and 2016, the Borough has reserved in the Other Trust Fund \$171,060 and \$169,456, respectively to fund compensated absences in accordance with NJSA 40A:4-39.

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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, 2017 and 2016 is \$230,189 and \$254,489, 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, 2017 and 2016 were as follows:

	Balance, January 1, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>	Due Within <u>One Year</u>
<u>2017</u>					
Compensated Absences	\$ 143,939	\$ 2,159		\$ 146,098	
Deferred Pension Obligation	254,489	17,902	\$ 42,202	230,189	\$ 42,652
Net Pension Liability - PERS	6,773,078		2,152,568	4,620,510	
Net Pension Liability - PFRS	<u>12,571,191</u>	<u>-</u>	<u>2,925,269</u>	<u>9,645,922</u>	<u>-</u>
Other Long-Term Liabilities	<u>\$ 19,742,697</u>	<u>\$ 20,061</u>	<u>\$ 5,120,039</u>	<u>\$ 14,642,719</u>	<u>\$ 42,652</u>
	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>

**BOROUGH OF EMERSON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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. DCRP is a defined contribution plan.

Other Pension Funds

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

The cost of living increase for 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, 2017 AND 2016**

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, 2016, the most recent actuarial valuation date, which was rolled forward to June 30, 2017, the aggregate funded ratio for all the State administered retirement systems, including local PERS and local PFRS is 35.79 percent with an unfunded actuarial accrued liability of \$142.3 billion. The aggregate funded ratio and unfunded accrued liability for the local PERS system is 48.10 percent and \$23.3 billion, respectively and the aggregate funded ratio and unfunded accrued liability for local PFRS is 58.60 percent and \$17.2 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, 2016 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) 7.00% 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, 2017 AND 2016**

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, 7.20% for PERS and 5.50% for DCRP of employee’s annual compensation for fiscal year 2017.

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, 2017 and 2016 for CPFPPF, 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, 2017, 2016 and 2015, 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>
2017	\$ 569,983	\$ 212,270	\$ 1,129
2016	578,111	215,356	398
2015	496,302	214,778	

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, 2017 and 2016, the Borough reported a liability of \$4,620,510 and \$6,773,078, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 and 2015, 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, 2017, the Borough’s proportionate share was .01985 percent, which was a decrease of .00302 percent from its proportionate share measured as of June 30, 2016 of .02287 percent.

**BOROUGH OF EMERSON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

For the year ended December 31, 2017 and 2016, the pension system has determined the Borough's pension expense to be \$131,052 and \$564,567, respectively, for PERS based on the actuarial valuation which is less than the contribution reported in the Borough's financial statements of \$203,163 for 2017 and more than the actual contribution reported in the Borough's financial statements of \$206,666, for 2016. At December 31, 2017 and 2016, 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:

	2017		2016	
	<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	\$ 108,797		\$ 125,959	
Changes of Assumptions	930,874	\$ 927,461	1,403,020	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	31,463		258,264	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	-	794,747	-	\$ 338,573
Total	<u>\$ 1,071,134</u>	<u>\$ 1,722,208</u>	<u>\$ 1,787,243</u>	<u>\$ 338,573</u>

At December 31, 2017 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:

Year Ending <u>December 31,</u>	<u>Total</u>
2018	\$ (75,434)
2019	(75,434)
2020	(75,434)
2021	(252,008)
2022	(172,764)
Thereafter	-
	<u>\$ (651,074)</u>

**BOROUGH OF EMERSON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The 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. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2017</u>	<u>2016</u>
Inflation Rate	2.25%	3.08%
Salary Increases:		
Through 2026	1.65-4.15% Based on Age	1.65-4.15% Based on Age
Thereafter	2.65-5.15% Based on Age	2.65-5.15% Based on Age
Investment Rate of Return	7.00%	7.65%
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, 2016 and 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014, respectively.

**BOROUGH OF EMERSON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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, 2017 and 2016, as reported for the years ended December 31, 2017 and 2016, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2017</u>		<u>2016</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>
Absolute Return/Risk Mitigation	5.00%	5.51%		
Cash Equivalents	5.50%	1.00%	5.00%	0.87%
U.S. Treasuries	3.00%	1.87%	1.50%	1.74%
Investment Grade Credit	10.00%	3.78%	8.00%	1.79%
Mortgages			2.00%	1.67%
High Yield Bonds			2.00%	4.56%
Inflation-Indexed Bonds			1.50%	3.44%
US Equity	30.00%	8.19%	26.00%	8.53%
Non-US Developed Markets Equity	11.50%	9.00%	13.25%	6.83%
Emerging Markets Equity	6.50%	11.64%	6.50%	9.95%
Private Equity			9.00%	12.40%
Hedge Funds/Absolute Return			12.50%	4.68%
Real Estate (Property)			2.00%	6.91%
Commodities			0.50%	5.45%
Global Debt ex US			5.00%	-0.25%
REIT			5.25%	5.63%
Public High Yield	2.50%	6.82%		
Global Diversified Credit	5.00%	7.10%		
Credit Oriented Hedge Funds	1.00%	6.60%		
Debt Related Private Equity	2.00%	10.63%		
Debt Related Real Estate	1.00%	6.61%		
Private Real Asset	2.50%	11.83%		
Equity Related Real Estate	6.25%	9.23%		
Buyouts/Venture Capital	8.25%	13.08%		

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>
2017	June 30, 2017	5.00%
2016	June 30, 2016	3.98%

**BOROUGH OF EMERSON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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, 2040

Municipal Bond Rate * From July 1, 2040
and Thereafter

* The municipal bond return rate used is 3.58% and 2.85% as of the measurement dates of June 30, 2017 and 2016, 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, 2017 and 2016 calculated using the discount rate of 5.00% and 3.98%, respectively, as well as what the Borough's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.00% and 2.98%, respectively) or 1-percentage-point higher (6.00% and 4.98%, respectively) than the current rate:

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

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2017 and 2016. 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, 2017 AND 2016**

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, 2017 and 2016, the Borough reported a liability of \$9,645,922 and \$12,571,191, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 and 2015, 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, 2017, the Borough’s proportionate share was .06248 percent, which was a decrease of .00333 percent from its proportionate share measured as of June 30, 2016 of .06581 percent.

For the years ended December 31, 2017 and 2016, the pension system has determined the Borough pension expense to be \$798,642 and \$1,381,554, respectively, for PFRS based on the actuarial valuation which is more than the actual contributions reported in the Borough’s financial statements of \$536,567 and \$545,017, respectively. At December 31, 2017 and 2016, 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:

	2017		2016	
	<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	\$ 62,577	\$ 56,614		\$ 82,406
Changes of Assumptions	1,189,450	1,579,720	\$ 1,741,213	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	184,067		880,838	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	412,244	782,428	575,186	514,315
Total	<u>\$ 1,848,338</u>	<u>\$ 2,418,762</u>	<u>\$ 3,197,237</u>	<u>\$ 596,721</u>

**BOROUGH OF EMERSON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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, 2017 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>
2018	\$ (118,360)
2019	(118,360)
2020	(118,360)
2021	(118,361)
2022	(96,983)
Thereafter	<u>-</u>
	<u>\$ (570,424)</u>

Actuarial Assumptions

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

PFRS

	<u>2017</u>	<u>2016</u>
Inflation Rate	2.25%	3.08%
Salary Increases:		
Through 2026	2.10-8.98% Based on Age	2.10-8.98% Based on Age
Thereafter	3.10-9.98% Based on Age	3.10-9.98% Based on Age
Investment Rate of Return	7.00%	7.65%
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, 2016 and July 1, 2015 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, 2017 AND 2016**

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, 2017 and 2016, as reported for the years ended December 31, 2017 and 2016, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2017</u>		<u>2016</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>
Absolute Return/Risk Mitigation	5.00%	5.51%		
Cash	5.50%	1.00%	5.00%	0.87%
U.S. Treasuries	3.00%	1.87%	1.50%	1.74%
Investment Grade Credit	10.00%	3.78%	8.00%	1.79%
Mortgages			2.00%	1.67%
High Yield Bonds			2.00%	4.56%
Inflation-Indexed Bonds			1.50%	3.44%
US Equity	30.00%	8.19%	26.00%	8.53%
Non-US Developed Markets Equity	11.50%	9.00%	13.25%	6.83%
Emerging Markets Equity	6.50%	11.64%	6.50%	9.95%
Private Equity			9.00%	12.40%
Hedge Funds/Absolute Return			12.50%	4.68%
Real Estate (Property)			2.00%	6.91%
Commodities			0.50%	5.45%
Global Debt ex US			5.00%	-0.25%
REIT			5.25%	5.63%
Public High Yield	2.50%	6.82%		
Global Diversified Credit	5.00%	7.10%		
Credit Oriented Hedge Funds	1.00%	6.60%		
Debt Related Private Equity	2.00%	10.63%		
Debt Related Real Estate	1.00%	6.61%		
Private Real Asset	2.50%	11.83%		
Equity Related Real Estate	6.25%	9.23%		
Buyouts/Venture Capital	8.25%	13.08%		

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>
2017	June 30, 2017	6.14%
2016	June 30, 2016	5.55%

**BOROUGH OF EMERSON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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, 2057

Municipal Bond Rate * From July 1, 2057
and Thereafter

* The municipal bond return rate used is 3.58% and 2.85% as of the measurement dates of June 30, 2017 and 2016, 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, 2017 and 2016 calculated using the discount rate of 6.14% and 5.55%, respectively, as well as what the Borough's proportionate share of the PFRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.14% and 4.55%, respectively) or 1-percentage-point higher (7.14% and 6.55%, respectively) than the current rate:

	1% Decrease <u>(5.14%)</u>	Current Discount Rate <u>(6.14%)</u>	1% Increase <u>(7.14%)</u>
<u>2017</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 12,709,297</u>	<u>\$ 9,645,922</u>	<u>\$ 7,129,011</u>
	1% Decrease <u>(4.55%)</u>	Current Discount Rate <u>(5.55%)</u>	1% Increase <u>(6.55%)</u>
<u>2016</u>			
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>

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2017 and 2016. 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, 2017 AND 2016**

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 of the net pension liability deferred outflows and inflows determined under GASB Statement No. 68 is zero percent and the State's proportionate share is 100% for PFRS under this legislation.

At December 31, 2017 and 2016, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,080,424 and \$1,055,668, respectively. For the years ended December 31, 2017 and 2016, 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 \$132,160 and \$134,834, respectively, which is more than the actual contributions the State made on behalf of the Borough of \$54,026 and \$40,450, 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, 2017 AND 2016**

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</u> <u>December 31</u>	<u>Borough</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2017	\$ 12,909	\$ 6,313	\$ 10,089	\$ 57,556
2016	11,000	6,356	11,165	48,166
2015	10,000	5,958	11,063	41,975

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, 2017 and 2016. 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, 2017 and 2016, the Borough reserved \$87,565 and \$47,656, 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, 2017 AND 2016**

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, 2017 and 2016, 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, 2017 and 2016, the Borough has not estimated its arbitrage earnings due to the IRS, if any.

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

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

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

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

The Borough of Emerson has contributed \$1,150 for both 2017 and 2016 for each eligible Emerson Volunteer Fire Department member and each eligible Emerson Volunteer Ambulance Corps. member into the Plan. The total Borough contributions were \$36,800 and \$48,300 for 2017 and 2016, respectively.

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

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

Vesting and Benefits

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

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

**BOROUGH OF EMERSON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

Reporting Requirements

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

NOTE 18 SUBSEQUENT EVENTS

Debt Authorized

On April 17, 2018, the Borough adopted a bond ordinance authorizing the issuance of \$708,235 in bonds or bond anticipation notes to fund certain capital projects. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.

NOTE 19 RESTATEMENT

The general fixed asset account group for December 31, 2016 has been restated to reflect an updated inventory of the Borough's fixed assets as provided by an independent consultant. The effect of this restatement results in a decrease of \$480,515 in machinery and equipment assets with a corresponding decrease in the investment in general fixed assets at December 31, 2016.

The results of this restatement is to decrease total investment in general fixed assets as of January 1, 2016 from \$20,475,368, as originally reported to \$19,994,853. The effect of this restatement is as follows:

	Beginning Balance Prior to Restatement <u>January 1, 2016</u>	<u>Restatement</u>	Beginning Balance Restated <u>January 1, 2016</u>
<u>General Fixed Assets</u>			
Machinery and Equipment	\$ 6,244,668	\$ (480,515)	\$ 5,764,153
Total General Fixed Assets	20,475,368	(480,515)	19,994,853
Investment in General Fixed Assets	\$ 20,475,368	\$ (480,515)	\$ 19,994,853
Total Investment in General Fixed Assets	20,475,368	(480,515)	19,994,853

CURRENT FUND

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

Balance, January 1, 2017		\$ 4,111,376
Increased by Receipts:		
Taxes Receivable	\$ 31,829,367	
Petty Cash Returned	700	
2018 Prepaid Taxes	2,001,566	
Tax Overpayments	10,838	
Revenue Accounts Receivable	1,448,164	
Non-Budget Revenue	205,937	
Due from State of NJ - Senior Citizens and Veterans Deductions	60,288	
Grant Receivable	94,175	
Unappropriated Grants	25,875	
Receipts from Other Trust Fund	3,164	
Receipts from Animal Control Trust Fund	2,448	
Receipts from General Capital Fund	59,817	
Receipts for General Capital Fund	1,051	
Receipts from Construction Penalties	3,271	
Reserve for Insurance Reimbursement	11,000	
Due to State of New Jersey - Marriage Licenses	575	
Reserve for Tax Sale Lien Redemption	118,992	
Reserve for Tax Assessor Fees	320	
Reserve for Prepaid Fees	4,250	
Due to State of New Jersey - DCA Fees	10,259	
		35,892,057
		40,003,433
Decreased by Disbursements:		
2017 Budget Appropriation	10,587,113	
2016 Appropriation Reserves	270,708	
Encumbrances Payable	351,404	
Accounts Payable	52,340	
Petty Cash Received	700	
Tax Overpayment Refunds	7,371	
Local District School Taxes Payable	19,108,059	
County Taxes Payable	3,179,532	
Reserve for Appropriated Grants	1,530	
Reserve for Tax Sale Lien Redemption	118,992	
Due to State of New Jersey - Marriage Licenses	1,628	
Due to State of New Jersey - DCA Fees	10,811	
Disbursements to Other Trust Fund	11,158	
Reserve for Tax Assessor Fees	340	
Payments of Construction Penalties	9,900	
		33,711,586
Balance, December 31, 2017		\$ 6,291,847

EXHIBIT A-5

**BOROUGH OF EMERSON
STATEMENT OF CHANGE FUND**

<u>Office</u>	Balance, January 1, 2017	Balance, December 31, 2017
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, 2017	2017 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, 2017
				2016	2017				
2015	\$ 250				\$ 250				
2016	<u>143,151</u>	-	\$ 1,962	-	<u>145,113</u>	-	-	-	-
	143,401	-	1,962	-	145,363	-	-	-	-
2017	<u>-</u>	\$ 32,105,293	<u>250</u>	\$ 155,675	<u>31,684,004</u>	\$ 62,250	\$ 20,207	\$ 23,383	<u>160,024</u>
	<u>\$ 143,401</u>	<u>\$ 32,105,293</u>	<u>\$ 2,212</u>	<u>\$ 155,675</u>	<u>\$ 31,829,367</u>	<u>\$ 62,250</u>	<u>\$ 20,207</u>	<u>\$ 23,383</u>	<u>\$ 160,024</u>

Analysis of 2017 Property Tax Levy

Tax Yield	
General Purpose Tax	\$ 31,987,034
Added Taxes (54:4-63.1 et seq.)	<u>118,259</u>
	<u>\$ 32,105,293</u>
Tax Levy	
Local District School Tax (Abstract)	\$ 19,438,059
County Taxes	\$ 3,044,112
County Open Space Taxes	126,745
Due County for Added Taxes (54:4-63.1 et seq.)	<u>11,324</u>
	3,182,181
Local Tax for Municipal Purposes	8,956,527
Minimum Library Tax	421,591
Added Taxes (54:4-63.1 et seq.)	<u>106,935</u>
	<u>9,485,053</u>
	<u>\$ 32,105,293</u>

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

Balance, January 1, 2017		\$	1,476
Increased by:			
Senior Citizens' Deductions Per Tax Billings		\$	7,000
Veterans' Deductions Per Tax Billings			54,750
Senior Citizens' and Veterans' Deductions Allowed by Tax Collector			<u>500</u>
			<u>62,250</u>
			63,726
Decreased by:			
Received from State of New Jersey			60,288
Senior Citizens' and Veterans' Deductions Disallowed - 2016			1,962
Senior Citizens' and Veterans' Deductions Disallowed - 2017			<u>250</u>
			<u>62,500</u>
Balance, December 31, 2017		\$	<u>1,226</u>

EXHIBIT A-9

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

Balance, January 1, 2017		\$	<u>13,200</u>
Balance, December 31, 2017		\$	<u>13,200</u>

**BOROUGH OF EMERSON
STATEMENT OF DEFERRED CHARGES**

	Balance, January 1, <u>2017</u>	Raised in the 2017 <u>Budget</u>	Balance, January 1, <u>2017</u>
Overexpenditure of Appropriation Reserves	\$ 7,872	\$ 7,872	\$ -
Emergency Authorizations	<u>44,200</u>	<u>44,200</u>	<u>-</u>
	<u>\$ 52,072</u>	<u>\$ 52,072</u>	<u>\$ -</u>

STATEMENT OF TAX TITLE LIENS

Balance, January 1, 2017	\$ 120,734
Increased by:	
Transfer from Taxes Receivable	<u>20,207</u>
Balance, December 31, 2017	<u>\$ 140,941</u>

BOROUGH OF EMERSON
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, January 1, <u>2017</u>	Accrued in 2017	Collected	Balance, December 31, <u>2017</u>
Borough Clerk				
Licenses				
Alcoholic Beverage		\$ 17,500	\$ 17,500	
Other		2,780	2,780	
Fees and Permits		7,700	7,700	
Health Officer				
Licenses		14,628	14,628	
Construction Code Official				
Fees and Permits		186,134	186,134	
Planning/Zoning Boards				
Fees and Permits		5,575	5,575	
Police Department				
Fees and Permits		2,725	2,725	
Municipal Court				
Fines and Costs	\$ 6,709	107,589	106,746	\$ 7,552
Interest and Costs on Taxes		35,589	35,589	
Interest on Investments and Deposits		22,617	22,617	
Parking Meters		11,700	11,700	
Energy Receipts Tax		619,905	619,905	
Watershed Moratorium Offset Aid		18,189	18,189	
Borough of Old Tappan Shared Service - Court		15,180	15,180	
Uniform Fire Safety Act		22,693	22,693	
Sewer Service Fees		11,668	11,668	
Cellular Tower Fees		195,198	195,198	
Cable Television Franchise Fees		111,962	111,962	
PILOT - Advancing Opportunities - 5 Pine Drive		16,200	16,200	
DCA Non-Federal Cost Share Program		19,461	19,461	
Insurance Dividends	-	19,014	19,014	-
	<u>\$ 6,709</u>	<u>\$ 1,464,007</u>	<u>\$ 1,463,164</u>	<u>\$ 7,552</u>
		Cash Receipts	\$ 1,448,164	
		Reserve for Insurance Reimbursements	11,000	
		Prepaid Fees Applied	<u>4,000</u>	
			<u>\$ 1,463,164</u>	

**BOROUGH OF EMERSON
STATEMENT OF GRANTS RECEIVABLE**

	Balance, January 1, <u>2017</u>	<u>Accrued</u>	<u>Received</u>	<u>Cancelled</u>	Balance, December 31, <u>2017</u>
Municipal Alliance Program (2014)	\$ 11,307				\$ 11,307
CDBG - Senior Activities (2013-2014)	2,675				2,675
CDBG - Senior Activities (2014-2015)	500				500
CDBG - SC Flooring Rehab	5,914				5,914
Municipal Alliance Program (2015)	2,991				2,991
Body Armor	2,019				2,019
NJ DOT - 2015 Municipal Program	149,000		\$ 74,500	\$ 21,057	53,443
NJ DOT - 2017 Municipal Program - Section 4		\$ 167,627			167,627
Recycling Tonnage Grant		9,062	9,062		-
Municipal Alliance Program (2016)	9,876		7,833	2,043	-
Municipal Alliance Program (2017)		12,126	2,250		9,876
CDBG - Senior Activities (2016)	530		530		-
CDBG - Senior Activities (2017)		3,338			3,338
Environmental Grant - Anjec	333				333
Bergen County Open Space Grant	20,000				20,000
	<u>\$ 205,145</u>	<u>\$ 192,153</u>	<u>\$ 94,175</u>	<u>\$ 23,100</u>	<u>\$ 280,023</u>
			2016 Appropriation Reserves	\$ 1,726	
			Fund Balance	<u>21,374</u>	
				<u>\$ 23,100</u>	

BOROUGH OF EMERSON
STATEMENT OF 2016 APPROPRIATION RESERVES

	Balance, January 1, <u>2017</u>	Modified <u>Balance</u>	<u>Expended</u>	Balance <u>Lapsed</u>
Salaries and Wages				
General Administration	\$ 5,257	\$ 5,257	\$ 883	\$ 4,374
Municipal Clerk	907	907		907
Financial Administration	386	386		386
Revenue Administration	3,957	3,957	2,969	988
Tax Assessment Administration	36	36		36
Land Use Board	750	750		750
Police Department	75,990	35,890	1,000	34,890
Police Dispatch / 911	4,601	4,601		4,601
Office of Emergency Management	64	64		64
Fire Department	1,602	1,602		1,602
Uniform Fire Safety Act	697	697		697
Streets and Roads Maintenance	102,924	102,924	29,053	73,871
Sewer Services	14,012	14,012	1,955	12,057
Shade Tree - Advisory Committee	1,705	1,705	150	1,555
Vehicle Maintenance	63,440	63,440	4,197	59,243
Public Health Services	2,386	2,386		2,386
Environmental Health Services	62	62		62
Recreation Services and Programs	595	595		595
Municipal Court	12,047	12,047		12,047
Public Defender	189	189		189
Reserve for Accumulated Absences		40,000	40,000	-
Construction Code Official	1,373	1,373		1,373
NJPDES/Stormwater Permit Management	3,466	3,466	1,552	1,914
Other Expenses				
General Administration	13,517	17,003		17,003
Mayor and Council	229	229	229	-
Municipal Clerk	6,982	9,087		9,087
Financial Administration	5,987	5,987	2,680	3,307
Audit Services	37,431	37,431	35,750	1,681
Revenue Administration	974	974		974
Tax Assessment Administration	5,161	5,161		5,161
Legal Services and Costs	5,775	23,275	22,888	387
Engineering Services and Costs	378	1,878	1,782	96
Land Use Board	556	1,656	638	1,018
General Liability	6,759	6,759	413	6,346
Workers Compensation	2,220	2,220		2,220
Employee Group Health	9,084	9,084	251	8,833
Unemployment Insurance	1,902	1,902		1,902
Police Department	1,710	6,421		6,421
Police Dispatch / 911	1,260	1,260		1,260
Office of Emergency Management	3,062	3,062	2,320	742
Aid to Volunteer Fire Companies	11,140	11,140	60	11,080
Aid to Volunteer Ambulance Corps.	6,596	6,596	1,161	5,435
Fire Department	1,000	1,000		1,000
Uniform Fire Safety	25	25		25
Municipal Prosecutor	1	228		228
Streets and Roads Maintenance	10,547	11,194		11,194
Sewer Services	13,102	35,352	35,352	-
Shade Tree - Advisory Committee	4,293	4,293		4,293

BOROUGH OF EMERSON
STATEMENT OF 2016 APPROPRIATION RESERVES

	Balance, January 1, <u>2017</u>	Modified <u>Balance</u>	<u>Expended</u>	Balance <u>Lapsed</u>
Other Expenses (Continued)				
Solid Waste Collection	\$ 1,120	\$ 1,120		\$ 1,120
Buildings and Grounds	192	526		526
Vehicle Maintenance	16,694	16,694	\$ 107	16,587
Public Health Services	14,008	14,008	300	13,708
Environmental Health Services	699	699		699
Animal Control Services	1,643	1,643		1,643
Recreation Services and Programs	3,582	3,582		3,582
Historic Preservation	530	630		630
Municipal Court	4,361	4,361		4,361
Celebration of Public Events	1,000	1,000		1,000
Construction Code Official	91	91	82	9
Electricity	29,488	7,238	3,600	3,638
Street Lighting	10,700	10,700	7,774	2,926
Telephone	912	912		912
Water	1,546	1,546	1,217	329
Gas (Natural or Propane)	11,513	11,513	2,353	9,160
Gasoline	26,444	6,444	1,419	5,025
Landfill / Solid Waste Disposal Cost - Dump Fees	36,912	36,912	19,278	17,634
Public Employees' Retirement System	10,495	10,495		10,495
Social Security System	5,135	5,135	104	5,031
Police and Firemen's Retirement System of N.J.	1	1		1
Defined Contribution Retirement Program	3	3		3
Municipal Library	3,465	3,465	3,465	-
Sewerage Processing and Disposal	1,530	1,530		1,530
Northwest Bergen Utilities Authority	2,400	2,400	2,353	47
Reserve for Tax Appeals		-		-
Length of Service Award Program	63,000	63,000	48,300	14,700
Recycling Tax P.L. 2001, C311(N.J.S.A.13:1E-96.5)	5,507	5,507	885	4,622
Borough of Old Tappan - Court		-		-
NJPDES/Stormwater Permit Management	2,000	2,000		2,000
Municipal Alliance				
State Share	8,694	8,694	8,694	-
Local Share	2,469	2,469	2,469	-
Alcohol Education Rehab Enforcement	423	423	423	-
Matching Funds for Grants	531	531		531
Body Armor Fund	2,104	2,104	2,104	-
Clean Communities	14,258	14,258	14,258	-
Environmental Grant - Anjec	1,000	1,000	1,000	-
Drunk Driving Enforcement	6,282	6,282	6,282	-
Bergen County Open Space Grant	20,000	20,000	20,000	-
Bergen County Open Space Grant - Local Share	20,000	20,000	20,000	-
CDBG - Senior Citizen Activities	530	530	530	-
Recycling Tonnage Grant	6,230	6,230	6,230	-
	<u>\$ 783,629</u>	<u>\$ 795,239</u>	<u>\$ 358,510</u>	<u>\$ 436,729</u>
Appropriation Reserves		\$ 783,629		
Encumbrance Payables Canceled		<u>11,610</u>		
		<u>\$ 795,239</u>		
Cash Disbursements			\$ 270,708	
Transfer to Appropriated Grant Reserves			33,795	
Cancelled Grant Receivable			1,726	
Accounts Payable			<u>52,281</u>	
			<u>\$ 358,510</u>	

**BOROUGH OF EMERSON
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, January 1, 2017		\$ 363,014
Increased by:		
Charges to 2017 Budget Appropriations		<u>293,546</u>
		656,560
Decreased by:		
Cash Disbursements	\$ 351,404	
Cancelled - Restored to Appropriation Reserves	<u>11,610</u>	
		<u>363,014</u>
Balance, December 31, 2017		<u><u>\$ 293,546</u></u>

STATEMENT OF ACCOUNTS PAYABLE

Balance, January 1, 2017		\$ 97,487
Increased by:		
Transferred from 2016 Appropriation Reserves		<u>52,281</u>
		149,768
Decreased by:		
Cash Disbursements	\$ 52,340	
Cancelled to Fund Balance	27,062	
Cancelled to Appropriated Grant Reserves	<u>990</u>	
		<u>80,392</u>
Balance, December 31, 2017		<u><u>\$ 69,376</u></u>

STATEMENT OF PREPAID TAXES

Balance, January 1, 2017		\$ 155,675
Increased by:		
Transferred from Overpayments	\$ 3,971	
Collection - 2018 Taxes	<u>2,001,566</u>	
		<u>2,005,537</u>
		2,161,212
Decreased by:		
Application to 2017 Taxes Receivable		<u>155,675</u>
Balance, December 31, 2017		<u><u>\$ 2,005,537</u></u>

**BOROUGH OF EMERSON
STATEMENT OF TAX OVERPAYMENTS**

Balance, January 1, 2017		\$ 8,079
Increased by:		
Cash Receipts		10,838
		18,917
Decreased by:		
Transferred to Prepaid Taxes	\$ 3,971	
Refunds	7,371	
		11,342
Balance, December 31, 2017		\$ 7,575

EXHIBIT A-19

STATEMENT OF RESERVE FOR PREPAID FEES

Balance, January 1, 2017		\$ 4,000
Increased by:		
Cash Receipts for Parking Permits for 2018		4,250
		8,250
Decreased by:		
Permits Realized in 2017		4,000
Balance, December 31, 2017		\$ 4,250

EXHIBIT A-20

STATEMENT OF COUNTY TAXES PAYABLE

Balance, January 1, 2017		\$ 8,675
Increased by:		
2017 Tax Levy - General	\$ 3,044,112	
2017 Tax Levy - Open Space	126,745	
Added Taxes (54:4-63.1)	11,324	
		3,182,181
		3,190,856
Decreased by:		
Payments		3,179,532
Balance, December 31, 2017		\$ 11,324

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

Balance, January 1, 2017		
School Tax Payable	\$ 540,000	
School Tax Deferred	<u>8,910,003</u>	
		\$ 9,450,003
Increased by:		
Levy School Year July 1, 2017 to June 30, 2018		<u>19,438,059</u>
		28,888,062
Decreased by:		
Payments		<u>19,108,059</u>
Balance, December 31, 2017		
School Tax Payable	540,000	
School Tax Deferred	<u>9,240,003</u>	
		<u>\$ 9,780,003</u>
<u>2017 Liability for Local District School Taxes Payable</u>		
Tax Paid		\$ 19,108,059
Add: Taxes Payable December 31, 2017		<u>540,000</u>
		19,648,059
Less: Taxes Payable January 1, 2017		<u>540,000</u>
Amount Charged to 2017 Operations		<u>\$ 19,108,059</u>

BOROUGH OF EMERSON
STATEMENT OF RESERVE FOR APPROPRIATED GRANTS

<u>Grant</u>	Balance, January 1, 2017	Transferred from 2016 Appropriation Reserves	Cancelled Accounts Payable	Cash Disbursements	Balance, December 31, 2017
Alcohol Education and Rehabilitation Grant	\$ 2,481	\$ 423		\$ 1,200	\$ 1,704
Body Armor Replacement Grant	5,623	2,104	\$ 990	330	8,387
Municipal Alliance					
State Share	14,189				14,189
Local Share	3,305				3,305
Clean Communities	7,934	12,403			20,337
CDBG - Senior Citizen Activities (2014-2015)	1,550				1,550
CDBG - SC Flooring Rehab	9,188				9,188
Drunk Driving Enforcement	3,330	6,281			9,611
Environmental Grant - Anjec		140			140
Bergen County Open Space Grant		6,214			6,214
Recycling Tonnage Grant	8,197	6,230	-	-	14,427
	<u>\$ 55,797</u>	<u>\$ 33,795</u>	<u>\$ 990</u>	<u>\$ 1,530</u>	<u>\$ 89,052</u>

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

Balance, January 1, 2017	\$	2,359
Increased by:		
Cash Receipts		10,259
		12,618
Decreased by:		
Cash Disbursements		10,811
Balance, December 31, 2017	\$	1,807

STATEMENT OF RESERVE FOR CONSTRUCTION PENALTIES

Balance, January 1, 2017	\$	16,366
Increased by:		
Cash Receipts		3,271
		19,637
Decreased by:		
Cash Disbursements		9,900
Balance, December 31, 2017	\$	9,737

BOROUGH OF EMERSON
STATEMENT OF RESERVE FOR UNAPPROPRIATED GRANTS AND AID

Increased by:		
Cash Receipts	\$	25,875
Decreased by:		
Anticipated in 2017 Budget		<u>16,912</u>
Balance, December 31, 2017	\$	<u>8,963</u>
<u>Analysis of Balance</u>		
Recycling Tonnage Grant	\$	<u>8,963</u>

EXHIBIT A-26

STATEMENT OF RESERVE FOR REASSESSMENT OF REAL PROPERTY

Balance, January 1, 2017	\$	<u>22,682</u>
Balance, December 31, 2017	\$	<u>22,682</u>

EXHIBIT A-27

STATEMENT OF RESERVE FOR INSURANCE REIMBURSEMENT

Balance, January 1, 2017	\$	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, 2017	\$	<u>19,052</u>

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

Balance, January 1, 2017	\$ 1,178
Increased by:	
Cash Receipts	575
	1,753
Decreased by:	
Cash Disbursements	1,628
Balance, December 31, 2017	\$ 125

EXHIBIT A-29

STATEMENT OF RESERVE FOR TAX SALE LIEN REDEMPTION

Balance, January 1, 2017	\$ 24,434
Increased by:	
Cash Receipts	118,992
	143,426
Decreased by:	
Cash Disbursements	118,992
Balance, December 31, 2017	\$ 24,434

EXHIBIT A-30

STATEMENT OF RESERVE FOR TAX APPEALS

Balance, January 1, 2017	\$ 47,565
Increased by:	
Transfer from 2017 Appropriations	40,000
Balance, December 31, 2017	\$ 87,565

BOROUGH OF EMERSON
STATEMENT OF RESERVE FOR TAX ASSESSOR FEES

Balance, January 1, 2017	\$ 20
Increased by:	
Cash Receipts	<u>320</u>
	340
Decreased by:	
Cash Disbursements	<u>340</u>
Balance, December 31, 2017	<u><u>\$ -</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, 2017	\$ 16,253	\$ 737,127	\$ 240,706	\$ 48,166
Increased by Receipts:				
Animal Control Fees	\$ 3,863			
Late Fees	677			
State Fees	608			
Interest on Deposits	94	\$ 3,164	\$ 1,470	\$ 257
Developers Fees			39,125	
Miscellaneous Reserves		822,256		
Receipts from Current Fund		11,158		
Employee Contributions				6,313
Budget Appropriations				12,909
Payroll Deposits		3,340,353		
Payroll Deductions Payable		2,102,100		
Flexible Spending		2,143		
Reserve for Accumulated Absences		40,000		
Other Accounts Receivable		12,071		
Due from Emerson Library		218,358		
Escrow Deposits	-	169,251	-	-
	<u>5,242</u>	<u>6,720,854</u>	<u>40,595</u>	<u>19,479</u>
	21,495	7,457,981	281,301	67,645
Decreased by Disbursements:				
Expenditures Under R.S 4:19-15.11	955			
Miscellaneous Reserves		845,753		
Affordable Housing Expenditures			17,533	
Payments to State of New Jersey	608			10,089
Payments to Current Fund	2,448	3,164		
Payroll Deposits		3,355,435		
Payroll Deductions Payable		2,115,938		
Flexible Spending		4,019		
Reserve for Accumulated Absences		38,396		
Other Accounts Receivable				
Due from Emerson Library		203,774		
Escrow Deposits	-	123,207	-	-
	<u>4,011</u>	<u>6,689,686</u>	<u>17,533</u>	<u>10,089</u>
Balance, December 31, 2017	<u>\$ 17,484</u>	<u>\$ 768,295</u>	<u>\$ 263,768</u>	<u>\$ 57,556</u>

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

Increased by:		
State Fees		\$ <u>608</u>
Decreased by:		
Payments to State of New Jersey		\$ <u>608</u>

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

Balance, January 1, 2017		\$ 2,448
Increased by:		
Interest on Deposits	\$ 94	
Statutory Excess	<u>5,337</u>	
		<u>5,431</u>
		7,879
Decreased by:		
Cash Disbursements		<u>2,448</u>
Balance, December 31, 2017		<u>\$ 5,431</u>

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

Balance, January 1, 2017		\$ 13,805
Increased by:		
Animal Control Fees	\$ 3,863	
Late and Other Fees	<u>677</u>	
		<u>4,540</u>
		18,345
Decreased by:		
Statutory Excess	5,337	
Disbursements	<u>955</u>	
		<u>6,292</u>
Balance, December 31, 2017		<u>\$ 12,053</u>

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

Balance, January 1, 2017		\$ 17,990
Decreased by:		
Cash Receipts - Employee Back Pension Deduction		<u>12,071</u>
Balance, December 31, 2017		<u>\$ 5,919</u>
	<u>Analysis of Balance:</u>	
	Employee Back Pension Deduction	<u>\$ 5,919</u>
		<u>\$ 5,919</u>

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

Balance, January 1, 2017		\$ 11,158
Increased by:		
Payments to Current Fund		<u>3,164</u>
		14,322
Decreased by:		
Cash Receipts	\$ 11,158	
Interest on Deposits	<u>3,164</u>	
		<u>14,322</u>
Balance, December 31, 2017		<u>\$ -</u>

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

Balance, January 1, 2017 - Due from		\$ 14,325
Increased by:		
Cash Disbursements		<u>203,774</u>
		218,099
Decreased by:		
Cash Receipts		<u>218,358</u>
Balance, December 31, 2017 - Due to		<u>\$ 259</u>

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

Balance, January 1, 2017		\$ 15,082
Increased by:		
Cash Receipts		<u>3,340,353</u>
		3,355,435
Decreased by:		
Cash Disbursements		<u>3,355,435</u>
Balance, December 31, 2017		<u>\$ -</u>

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

Balance, January 1, 2017	\$	20,911
Increased by:		
Cash Receipts		2,102,100
		2,123,011
Decreased by:		
Cash Disbursements		2,115,938
Balance, December 31, 2017	\$	7,073

EXHIBIT B-10

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

Balance, January 1, 2017	\$	1,876
Increased by:		
Cash Receipts		2,143
		4,019
Decreased by:		
Cash Disbursements		4,019
Balance, December 31, 2017	\$	-

EXHIBIT B-11

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

Balance, January 1, 2017	\$	169,456
Increased by:		
Cash Receipts		40,000
		209,456
Decreased by:		
Cash Disbursements		38,396
Balance, December 31, 2017	\$	171,060

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

Balance, January 1, 2017		\$ 544,870
Increased by:		
Escrow Deposit Receipts	\$ 169,251	
Miscellaneous Reserves Receipts	<u>822,256</u>	
		<u>991,507</u>
		1,536,377
Decreased by:		
Escrow Deposit Disbursements	123,207	
Miscellaneous Reserve Disbursements	<u>845,753</u>	
		<u>968,960</u>
Balance, December 31, 2017		<u>\$ 567,417</u>
Developer's Escrow Deposits		\$ 194,692
Recreation		93,598
Community Policing		16,583
Recycling Program		113,361
Centennial Celebration		2,115
Shade Tree Donations (Wagner)		27,977
Environmental Comm. Partnership		1,314
Snow Removal		109,648
Emergency Management		2,028
Uniform Fire Penalties		773
Municipal Court POAA Fees		476
Municipal Alliance - DARE		635
Outside Police Duty (Reserve)		36,536
Outside Police Duty (Accounts Receivable)		(126,313)
Tax Sale Premium		93,400
Historic Preservation Committee		247
Public Defender Fees		<u>347</u>
		<u>\$ 567,417</u>

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

Balance, January 1, 2017		\$ 240,706
Increased by:		
Developers Fees	\$ 39,125	
Interest on Deposits	<u>1,470</u>	
		<u>40,595</u>
		281,301
Decreased by:		
Cash Disbursements		<u>17,533</u>
Balance, December 31, 2017		<u>\$ 263,768</u>

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

Balance, January 1, 2017		\$ 48,166
Increased by:		
Employee Contributions	\$ 6,313	
Interest on Deposits	257	
2017 Budget Appropriation	<u>12,909</u>	
		<u>19,479</u>
		67,645
Decreased by:		
Unemployment Compensation Claims		<u>10,089</u>
Balance, December 31, 2017		<u>\$ 57,556</u>

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

Increased by:	
Unemployment Compensation Claims	\$ <u>10,089</u>
Decreased by:	
Cash Disbursements	\$ <u>10,089</u>

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

Balance, January 1, 2017	\$ <u>28,405</u>
Balance, December 31, 2017	\$ <u><u>28,405</u></u>

GENERAL CAPITAL FUND

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

Balance, January 1, 2017		\$ 1,004,920
Increased by Receipts:		
Interest on Deposits	\$ 4,817	
Grant Receipts	350,186	
Bond Anticipated Notes	530,000	
Budget Appropriation - Capital Improvement Fund	<u>72,296</u>	
		<u>957,299</u>
		1,962,219
Decreased by Disbursements:		
Improvement Authorizations	443,992	
Contracts Payable	333,446	
Bond Anticipated Notes	538,095	
Payments to Current Fund:		
Interest on Deposit	4,817	
Fund Balance - Anticipated as Current Fund Revenue	<u>55,000</u>	
		<u>1,375,350</u>
Balance, December 31, 2017		<u>\$ 586,869</u>

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

	Balance December 31, <u>2017</u>
Grants Receivables	\$ (39,618)
Due from Current Fund	(1,051)
Contracts Payable	138,318
Capital Improvement Fund	26,108
Miscellaneous Reserves	500
Reserve for Capital Projects	8,750
Fund Balance	62,383

Ord.

<u>No.</u>	<u>Improvement Description</u>	
1109/1120	Various Improvements & Acq. of Equipment	1,345
1444	Various Public Improvements and Acquisition of Equipment	955
1452	Resurfacing of High Street	2,355
1453	Various Public Improvements	1,345
1457	Various Public Improvements and Acquisition of Equipment	46,362
1477	Various Public Improvements	102
1489/1495	Various Public Improvements and Acquisition of Equipment	9,243
1500	Various Public Improvements and Acquisition of Equipment and Vehicles	4,631
1517	Acquisition of Real Property for Municipal Purposes	58,129
1519	2016 Road Resurfacing Program	9,241
1520	Acquisition of Real Property for Municipal Purposes	66,377
1527	Various Public Improvements and Acquisition of Equipment and Vehicles	527
1540	Various Public Improvements and Acquisition of Equipment and Vehicles	186,934
1543	Acquisition of Easements in Real Property for the Kinderkamack Road Improvement Project	<u>3,933</u>
		<u>\$ 586,869</u>

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

Increased by:		
Payments to Current Fund	\$ 4,817	
Grant Receipts Due to General Capital Fund	<u>1,051</u>	
		\$ 5,868
Decreased by:		
Interest on Deposits		<u>4,817</u>
Balance, December 31, 2017		<u>\$ 1,051</u>

EXHIBIT C-5

STATEMENT OF GRANTS RECEIVABLE

Balance, January 1, 2017		\$ 396,618
Increased by:		
Grant Awards		
Bergen County Open Space - Ordinance 1540		<u>38,000</u>
		434,618
Decreased by:		
Grant Receipts Due from Current Fund	\$ 1,051	
Grant Receipts	<u>350,186</u>	
		<u>351,237</u>
Balance, December 31, 2017		<u>\$ 83,381</u>
	NJ DOT - Ordinance 1452	\$ 1,618
	NJ DOT - Ordinance 1527	43,763
	County Open Space - Ordinance 1540	<u>38,000</u>
		<u>\$ 83,381</u>

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

Balance, January 1, 2017		\$ 6,106,952
Decreased by:		
2017 Budget Appropriation to Pay Bonds	\$ 715,000	
2017 Budget Appropriation to Pay Loans	<u>170,084</u>	
		<u>885,084</u>
Balance, December 31, 2017		<u>\$ 5,221,868</u>

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

Ord. No.	Improvement Description	Balance, January 1, 2017	Decreased by:		Balance, December 31, 2017	Analysis of Balance		
			2017 Authorizations	Grant Receipts		Improvement Authorizations Cancelled	Bond Anticipation Note	Unexpended Improvement Authorization
1457	Various Public Improvements and Acquisition of Equipment	\$ 900			\$ 900		\$ 900	
1477	Various Public Improvements	285,000			285,000	\$ 285,000		
1489/1495	Various Public Improvements and Acquisition of Equipment	210,465			210,465	210,465		
1500	Various Public Improvements and Acquisition of Equipment and Vehicles	1,292,000			1,292,000	1,292,000		
1515	Various Improvements to Hillman Field	18,500			18,500	18,500		
1517	Acquisition of Real Property for Municipal Purposes	404,700			404,700	404,700		
1519	2016 Road Resurfacing Program	309,500			309,500	309,500		
1520	Acquisition of Real Property for Municipal Purposes	409,500			409,500	409,500		
1527	Various Public Improvements and Acquisition of Equipment and Vehicles	1,736,000		\$ 111,737	\$ 564,500	1,048,905	10,858	
1540	Various Public Improvements and Acquisition of Equipment and Vehicles		\$ 530,000		530,000	530,000		
1542	Undertaking of GIS Mapping and Television Inspection of the Sanitary Sewer and Stormwater Systems	-	100,000	-	-	-	100,000	
		<u>\$ 4,666,565</u>	<u>\$ 630,000</u>	<u>\$ 111,737</u>	<u>\$ 564,500</u>	<u>\$ 4,620,328</u>	<u>\$ 4,508,570</u>	<u>\$ 111,758</u>
	Improvement Authorizations - Unfunded						\$ 446,942	
	Less: Unexpended Proceeds of Bond Anticipation Notes Issued:							
	Ord. No. 1477					\$ 102		
	Ord. No. 1489/1495					9,243		
	Ord. No. 1500					4,631		
	Ord. No. 1517					58,129		
	Ord. No. 1519					9,241		
	Ord. No. 1520					66,377		
	Ord. No. 1527					527		
	Ord. No. 1540					186,934		
							<u>335,184</u>	
							<u>\$ 111,758</u>	

**BOROUGH OF EMERSON
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ord. No.	Improvement Description	Ordinance Amount	Balance, January 1, 2017		2017 Authori- zations	Paid or Charged	Contract Payables Cancelled	Authorization Cancelled	Balance, December 31, 2017	
			Funded	Unfunded					Funded	Unfunded
1109/1120	Various Improvements & Acq. of Equipment	\$ 715,000	\$ 1,345						\$ 1,345	
1322/1331	Various Public Improvements	855,000	1,157					\$ 1,157	-	
1348/1386	Various General Improvements	595,000	11,562					11,562	-	
1375	Various General Improvements	361,000	4,075		\$ 4,075				-	
1409	Various General Improvements	260,000	577					577	-	
1423	Various General Improvements	604,984					\$ 13,949	13,949	-	
1441	Various Public Improvements	475,000	3,266			1,951		1,315	-	
1444	Various Public Improvements and Acquisition of Equipment	525,000	7,005			4,450		1,600	955	
1452	Resurfacing of High Street	163,000	3,101			746			2,355	
1453	Various Public Improvements	400,000	18,514			17,169			1,345	
1457	Various Public Improvements and Acquisition of Equipment	1,450,000	90,480	\$ 900		25,385		18,733	46,362	\$ 900
1477	Various Public Improvements	300,000		359		257				102
1489/1495	Various Public Improvements and Acquisition of Equipment	221,535		52,509		43,266				9,243
1500	Various Public Improvements and Acquisition of Equipment and Vehicles	1,584,000		15,785		11,154				4,631
1515	Various Improvements to Hillman Field	35,000	15,725	18,500		34,225				
1517	Acquisition of Real Property for Municipal Purposes	425,000		58,695		566				58,129
1519	2016 Road Resurfacing Program	325,000		11,839		2,598				9,241
1520	Acquisition of Real Property for Municipal Purposes	430,000		66,684		307				66,377
1527	Various Public Improvements and Acquisition of Equipment and Vehicles	1,822,900		581,993		6,108		564,500		11,385
1540	Various Public Improvements and Acquisition of Equipment and Vehicles	595,920			\$ 595,920	408,986				186,934
1542	Undertaking of GIS Mapping and Television Inspection of the Sanitary Sewer and Stormwater Systems	100,000			100,000					100,000
1543	Acquisition of Easements in Real Property for the Kinderkamack Road Improvement Project	25,000	-	-	25,000	21,067		-	-	3,933
			<u>\$ 156,807</u>	<u>\$ 807,264</u>	<u>\$ 720,920</u>	<u>\$ 582,310</u>	<u>\$ 13,949</u>	<u>\$ 613,393</u>	<u>\$ 56,295</u>	<u>\$ 446,942</u>
	Capital Improvement Fund					52,920				
	Grant Awards					38,000				
	Deferred Charges to Future Taxation - Unfunded					<u>630,000</u>				
						<u>\$ 720,920</u>				
					Cash Disbursements	\$ 443,992				
					Contracts Payable	<u>138,318</u>				
						<u>\$ 582,310</u>				
					Deferred Charges Unfunded		\$ 564,500			
					Fund Balance		<u>48,893</u>			
							<u>\$ 613,393</u>			

**BOROUGH OF EMERSON
STATEMENT OF CONTRACTS PAYABLE**

Balance, January 1, 2017		\$ 347,395
Increased by:		
Charges to Improvement Authorizations		<u>138,318</u>
		485,713
Decreased by:		
Cash Disbursements	\$ 333,446	
Cancelled	<u>13,949</u>	
		<u>347,395</u>
Balance, December 31, 2017		<u>\$ 138,318</u>

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, January 1, 2017		\$ 6,732
Increased By:		
2017 Budget Appropriation		<u>72,296</u>
		79,028
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>52,920</u>
		<u>\$ 26,108</u>
Balance, December 31, 2017		

**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, 2017</u>		<u>Interest Rate</u>	<u>Balance, January 1, 2017</u>	<u>Decreased</u>	<u>Balance, December 31, 2017</u>
			<u>Date</u>	<u>Amount</u>				
General Improvement	10/15/2003	\$ 2,053,000	10/15/2018	\$ 168,000	4.125%	\$ 333,000	\$ 165,000	\$ 168,000
General Improvement	8/1/2007	2,030,000	8/1/2018 8/1/2019	200,000 210,000	4.00% 4.10%	610,000	200,000	410,000
General Improvement	10/1/2010	1,697,000	10/1/2018 10/1/2019 10/1/2020	160,000 345,000 517,000	2.50% 2.75% 3.00%	1,172,000	150,000	1,022,000
General Improvement	12/15/2013	3,698,000	12/15/18-2020 12/15/2021 12/15/2022-2024 12/15/2025 12/15/2026	200,000 380,000 385,000 390,000 388,000	2.00% 2.125% 2.50-3.00% 3.00% 3.00%	<u>3,113,000</u>	<u>200,000</u>	<u>2,913,000</u>
						<u>\$ 5,228,000</u>	<u>\$ 715,000</u>	<u>\$ 4,513,000</u>
					Paid by Budget Appropriation		<u>\$ 715,000</u>	

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

Ord. No.	Improvement Description	Date of Original Note	Original Note	Date of		Interest Rate	Balance, January 1, 2017	Increased	Decreased	Balance, December 31, 2017
				Issue	Maturity					
1477	Various Public Improvements	8/26/2015	\$ 285,000	8/26/2016 8/25/2017	8/25/2017 8/24/2018	0.85 % 1.14	\$ 285,000	\$ 285,000	\$ 285,000	\$ 285,000
1489/1495	Various Public Improvements and Acquisition of Equipment	8/26/2015	210,465	8/26/2016 8/25/2017	8/25/2017 8/24/2018	0.85 1.14	210,465	210,465	210,465	210,465
1500	Various Public Improvements and Acquisition of Equipment and Vehicles	8/26/2015	1,292,000	8/26/2016 8/25/2017	8/25/2017 8/24/2018	0.85 1.14	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	8/25/2017 8/24/2018	0.85 1.14	18,500	18,500	18,500	18,500
1517	Acquisition of Real Property for Municipal Purposes	8/26/2016	404,700	8/26/2016 8/25/2017	8/25/2017 8/24/2018	0.85 1.14	404,700	404,700	404,700	404,700
1519	2016 Road Resurfacing Program	8/26/2016	309,500	8/26/2016 8/25/2017	8/25/2017 8/24/2018	0.85 1.14	309,500	309,500	309,500	309,500
1520	Acquisition of Real Property for Municipal Purposes	8/26/2016	409,500	8/26/2016 8/25/2017	8/25/2017 8/24/2018	0.85 1.14	409,500	409,500	409,500	409,500
1527	Various Public Improvements and Acquisition of Equipment and Vehicles	8/26/2016	1,587,000	8/26/2016 8/25/2017	8/25/2017 8/24/2018	0.85 1.14	1,587,000	1,048,905	1,587,000	1,048,905
1540	Various Public Improvements and Acquisition of Equipment and Vehicles	8/25/2017	168,739	8/25/2017	8/24/2018	1.14	-	530,000	-	530,000
							<u>\$ 4,516,665</u>	<u>\$ 4,508,570</u>	<u>\$ 4,516,665</u>	<u>\$ 4,508,570</u>
								\$ 530,000		
								3,978,570	\$ 3,978,570	
								-	538,095	
								<u>\$ 4,508,570</u>	<u>\$ 4,516,665</u>	

**BOROUGH OF EMERSON
STATEMENT OF MISCELLANEOUS RESERVES**

Balance, January 1, 2017	\$ <u>500</u>
Balance, December 31, 2017	\$ <u>500</u>
<u>Analysis of Balance</u>	
Veterans Monument Donation	\$ <u>500</u>

STATEMENT OF RESERVE FOR GRANT RECEIVABLES

Balance, January 1, 2017	\$ 155,500
Decreased by:	
Grant Receipts	<u>111,737</u>
Balance, December 31, 2017	\$ <u>43,763</u>

STATEMENT OF RESERVE FOR CAPITAL PROJECTS

Balance, January 1, 2017	\$ <u>8,750</u>
Balance, December 31, 2017	\$ <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>2017</u>	2017 <u>Authorizations</u>	Grant <u>Receipts</u>	Improvement Authorization <u>Cancelled</u>	Bond Anticipation Notes <u>Issued</u>	Balance, December 31, <u>2017</u>
1457	Various Public Improvements and Acquisition of Equipment	\$ 900					\$ 900
1527	Various Public Improvements and Acquisition of Equipment and Vehicles	149,000		\$ 111,737	\$ 26,405		10,858
1540	Various Public Improvements and Acquisition of Equipment and Vehicles		\$ 530,000			\$ 530,000	
1542	Undertaking of GIS Mapping and Television Inspection of the Sanitary Sewer and Stormwater Systems	-	100,000	-	-	-	100,000
		<u>\$ 149,900</u>	<u>\$ 630,000</u>	<u>\$ 111,737</u>	<u>\$ 26,405</u>	<u>\$ 530,000</u>	<u>\$ 111,758</u>

BERGEN COUNTY, NEW JERSEY

PART II

GOVERNMENT AUDITING STANDARDS

YEAR ENDED DECEMBER 31, 2017



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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ADWOA BOACHIE, 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, 2017, and the related notes to the financial statements, and have issued our report thereon dated May 1, 2018. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the financial reporting requirements of the State of New Jersey for municipal government entities as described in Note 1. In addition, our report on the financial statements – regulatory basis was modified on the regulatory basis of accounting because of the presentation of the unaudited LOSAP Trust Fund financial statements.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and responses as item 2017-001 that we consider to be a significant deficiency in internal control over financial reporting.

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 an instance of noncompliance or other matter that is 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 and which is described in the accompanying schedule of findings and responses as item 2017-001.

We also 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”.

Borough of Emerson’s Response to Finding

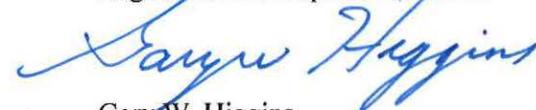
The Borough of Emerson’s response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Borough of Emerson’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



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



Gary W. Higgins
Registered Municipal Accountant
RMA Number CR00405

Fair Lawn, New Jersey
May 1, 2018

**BOROUGH OF EMERSON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

<u>Grant Program</u>	<u>State Account Number</u>	<u>Federal CFDA Number</u>	<u>Grant Period</u>	<u>2017 Grant Receipts</u>	<u>Grant Award Amount</u>	<u>Balance, January 1, 2017</u>	<u>Revenue</u>	<u>Expended</u>	<u>Balance, December 31, 2017</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										
Senior Citizen Activities	N/A	14.218	2017		\$ 3,338		\$ 3,338	\$ 1,300	\$ 2,038	\$ 1,300
Senior Citizen Activities	N/A	14.218	2016	\$ 530	3,530	\$ 530		530	-	3,530
Senior Citizen Activities	N/A	14.218	2014		5,500	1,550			1,550	3,950
Senior Citizen Flooring Rehab	N/A	14.218	2013		17,488	9,188			9,188	8,300
FEMA - Hazard Mitigation	2013-022-8022-100-004	14.269	2017	19,461	19,461		19,461	19,461		19,461
U.S. Department of Transportation (Passed Through State Department of Transportation)										
NJ DOT - 2017 Municipal Program - Section 4	N/A	20.205	2017		167,627	-	167,627	-	167,627	
						<u>\$ 11,268</u>	<u>\$ 190,426</u>	<u>\$ 21,291</u>	<u>\$ 180,403</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, 2017**

<u>State Grant Program</u>	<u>Grant Number</u>	<u>Year</u>	<u>2017 Grant Receipts</u>	<u>Balance, January 1, 2017</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Cancelled Prior Year Accounts Payable</u>	<u>Balance, December 31, 2017</u>	<u>Cumulative Expenditures</u>
Municipal Alliance Program	N/A	2017	\$ 2,250		\$ 12,126	\$ 3,211		\$ 8,915	\$ 3,211
		2016	7,833	\$ 8,694		8,694		-	9,876
		2015		7,234				7,234	12,518
		2014		6,955				6,955	4,795
Clean Communities Program	N/A	2017	14,725		14,725	4,274		10,451	4,274
		2016		14,258		1,855		12,403	4,929
		2014		7,934				7,934	4,539
Recycling Tonnage Grant	4900-752-001	2017	9,062		9,062	4,213		4,849	4,213
		2016		6,230				6,230	2,434
		2015		8,197				8,197	
Alcohol Education and Rehabilitation	760-098-9735-001	2016		423				423	
		2015		648				648	
		2014		886		253		633	253
		2012		432		432		-	432
		2010		26		26		-	251
		2009		139		139		-	139
		2008		114		114		-	268
		2007		236		236		-	236
Drunk Driving Enforcement Fund Grant	N/A	2016		6,282		1		6,281	1
		2015		3,330				3,330	8,363
Body Armor Replacement Program	N/A	2017	2,187		2,187			2,187	
	N/A	2016		2,104				2,104	
	N/A	2015		4,119				4,119	
	N/A	2014		1,504		330	\$ 990	2,164	2,410
New Jersey Department of Transportation Ord. 1452-12	2012-078-6320-480-ALC	2012		1,618	-	-	-	1,618	144,882
			<u>\$ 81,363</u>	<u>\$ 38,100</u>	<u>\$ 38,100</u>	<u>\$ 23,778</u>	<u>\$ 990</u>	<u>\$ 96,675</u>	

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N/A - Not Available

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

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

**BOROUGH OF EMERSON
 NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
 AND STATE FINANCIAL ASSISTANCE
 YEAR ENDED DECEMBER 31, 2017**

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	\$ 190,426	\$ 38,100	\$ 228,526
	<u>\$ 190,426</u>	<u>\$ 38,100</u>	<u>\$ 228,526</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, 2017**

NOTE 5 STATE LOANS OUTSTANDING

The Borough’s state loans outstanding at December 31, 2017, 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	\$ 666,128
New Jersey Department of Environmental Protection	0214-97-109	<u>42,740</u>
		<u>\$ 708,868</u>

**BOROUGH OF EMERSON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

Part 1 – Summary of Auditors' Results

Financial Statements Section

Type of auditors' report issued on financial statements

Modified - Unaudited LOSAP

Internal control over financial reporting:

1) Material weakness(es) identified?

 yes X no

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

 X yes none reported

Noncompliance material to basic financial statements noted?

 X yes no

Federal Awards Section

NOT APPLICABLE

State Awards Section

NOT APPLICABLE

**BOROUGH OF EMERSON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

Part 2 – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

Finding 2017-001:

Our audit of the Recreation Department revealed the following:

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

Criteria or specific requirement:

N.J.S.A. 40A:5-15 Deposits of funds paid to the local unit.

N.J.S.A. 40A:5-17 Approval and payments of claims and required general books of accounts.

Condition:

See Finding 2017-001.

Context:

Football and soccer program fees were not deposited into an approved Borough bank account. In addition, disbursements of soccer and football program fees were not processed through the existing purchasing procedures.

Effect:

Football and soccer program fees and disbursements were not recorded in the Borough's Other Trust Fund. In addition, the program fees and disbursements were not in accordance with State requirements.

Cause:

Unknown.

Recommendation:

Internal controls be reviewed and implemented by the Borough to ensure all football and soccer program fees are deposited into a designated Borough bank account and all disbursements are processed and approved through the Borough's existing purchasing procedures.

Management's Response:

Management has reviewed this finding and has indicated corrective action will be developed and implemented in 2018 to address this finding.

**BOROUGH OF EMERSON
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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, 2017

**BOROUGH OF EMERSON
SUPPLEMENTARY DATA**

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

	<u>Year 2017</u>		<u>Year 2016</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUES AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 830,000	2.35 %	\$ 880,000	2.56 %
Miscellaneous - From Other Than Local				
Property Tax Levies	1,941,241	5.50	1,740,128	5.05
Collection of Delinquent Taxes and Tax Title Liens	145,363	0.41	233,844	0.68
Collection of Current Tax Levy	31,901,679	90.40	31,089,224	90.33
Other Credits to Income	<u>471,576</u>	<u>1.34</u>	<u>475,548</u>	<u>1.38</u>
Total Revenues and Other Income	<u>35,289,859</u>	<u>100.00 %</u>	<u>34,418,744</u>	<u>100.00 %</u>
EXPENDITURES				
Budget Expenditures				
Municipal Purposes	11,699,089	34.39 %	11,713,853	35.06 %
County Taxes	3,182,181	9.36	3,098,755	9.28
Local School Taxes	19,108,059	56.17	18,581,630	55.62
Other Expenditures	<u>28,767</u>	<u>0.08</u>	<u>12,455</u>	<u>0.04</u>
Total Expenditures	<u>34,018,096</u>	<u>100.00 %</u>	<u>33,406,693</u>	<u>100.00 %</u>
Excess of Revenues and Other Income Over Expenditures	1,271,763		1,012,051	
Adjustments to Income Before Fund Balance: Expenditures Included Above Which are by Statute Deferred Charges to Budgets of Succeeding Years	<u>-</u>		<u>52,072</u>	
Statutory Excess to Fund Balance	1,271,763		1,064,123	
Fund Balance, January 1	<u>2,209,259</u>		<u>2,025,136</u>	
	3,481,022		3,089,259	
Decreased by: Utilization as Anticipated Revenue	<u>830,000</u>		<u>880,000</u>	
Fund Balance, December 31	<u>\$ 2,651,022</u>		<u>\$ 2,209,259</u>	

**BOROUGH OF EMERSON
SUPPLEMENTARY DATA**

Comparative Schedule of Tax Rate Information

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Tax Rate</u>	<u>\$2.662</u>	<u>\$2.604</u>	<u>\$2.550</u>
 <u>Apportionment of Tax Rate</u>			
Municipal	.745	.741	.741
Library	.035	.034	.034
County	.254	.255	.243
County Open Space	.011	.003	.003
Local School	1.617	1.571	1.529

Assessed Valuation

2017	<u>\$1,201,785,629</u>	
2016		<u>\$1,202,207,291</u>
2015		<u>\$1,199,853,696</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>
2017	\$ 32,105,293	\$ 31,901,679	99.36%
2016	31,393,093	31,089,224	99.03%
2015	30,678,891	30,385,685	99.04%

**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>
2017	\$ 160,024	\$ 140,941	\$ 300,965	0.94%
2016	143,401	120,734	264,135	0.84%
2015	231,959	100,967	332,926	1.08%

Property Acquired by Tax Title Lien Liquidation

No properties have been acquired in 2017 or 2016 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>
2017	\$13,200
2016	13,200
2015	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	2017	\$2,651,022	\$1,000,000
	2016	2,209,259	830,000
	2015	2,025,136	880,000
	2014	1,472,279	730,000
	2013	1,384,245	625,000

**BOROUGH OF EMERSON
SUPPLEMENTARY DATA**

OFFICIALS IN OFFICE AND SURETY BONDS

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

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
Louis J. Lamatina	Mayor	
Christopher Knoller	Council President	
Gerald Falotico	Councilman	
John Lazar	Councilman	
Richard Worthington	Councilman	
Danielle Di Paola	Councilwoman	
Brian Downing	Councilman	
Jane Dietsche	Municipal Clerk	
Robert S. Hoffmann	Borough Administrator /Qualified Purchasing Agent	
Lauren Roehrer	Chief Financial Officer/Treasurer	
	Tax Collector	
Claire Psota	Tax Assessor	
Wendy Rubinstein	Borough Attorney	
Boswell Engineering	Borough Engineer	
Michael Mazzeo	Chief of Police	
Carmen Nist	Registrar of Vital Statistics	
Michael Sartori	Construction Code Official, Building Sub-Code Official, Fire Protection Sub-Code Official	
	Zoning Official	
Nelson Fullam	Plumbing Sub-Code Official	
Guiseppe Lamastra	Part-Time Electrical Sub-Code Official	
Michael Heflich	Part-Time Electrical Sub-Code Official	
Kevin Doherty	Elevator Sub-Code Official	
Nelson Fullam	Fire Protection Inspector (Const.)	
Mike Sartora	Fire Protection Inspector (Const.)	
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 Recreation Department revealed:

- Detailed cash receipt ledgers 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 for each recreation activity and pre-numbered receipts be issued for fees collected.

Our audit of outside police duty revealed the following:

- Escrow deposits are not reviewed from vendors prior to services being rendered.
- Numerous receivable balances exist that are due from vendors for police outside duty services rendered in both the current and prior years.

It is recommended that escrow deposits be reviewed for sufficiency prior to police outside duty services being rendered and the receivable balances due from vendors be billed and collected in a timely manner.

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:

- 2017 Pascaack Valley Cooperative Paving Program
- Solid waste collection and disposal and recycling collections and disposal services
- Tree Services

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 3, 2017, 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

There was no tax sale in 2017. 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>
2017	2
2016	3
2015	2

Suggestions to Management

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

BOROUGH OF EMERSON

RECOMMENDATIONS

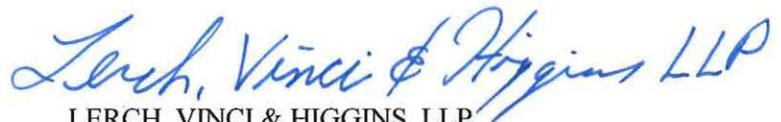
It is recommended that:

1. Internal controls be reviewed and implemented by the Borough to ensure football and soccer program fees are deposited into a designated Borough bank account and all disbursements are processed and approved through the Borough's existing purchase procedures.
- * 2. The Recreation Department maintain a detail cash receipts ledger for each recreation activity and pre-numbered receipts be issued for fees collected.
- * 3. Escrow deposits be reviewed for sufficiency prior to police outside duty services being rendered and the receivable balances due from vendors be billed and collected in a timely manner.

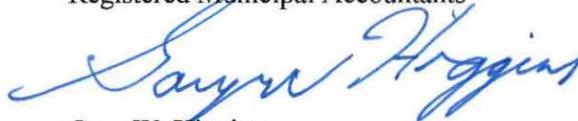
* * * * *

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

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



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



Gary W. Higgins
Registered Municipal Accountant
RMA Number CR00405