

**PRELIMINARY OFFICIAL STATEMENT DATED JULY 28, 2020**

**NEW ISSUE**  
**SERIAL BONDS**

**RATING: Standard & Poor’s: “AA+”**  
**(See “RATING” herein)**

*In the opinion of Rogut McCarthy LLC, Bond Counsel to the Borough, assuming compliance by the Borough with its Tax Certificate described herein, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). In addition, under existing law, interest on the Bonds is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals. In addition, Bond Counsel is further of the opinion that, under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof, interest on the Bonds and any gain from the sale of the Bonds are not includable in gross income of the holders thereof. See “TAX MATTERS” herein.*

**\$6,820,000 GENERAL IMPROVEMENT BONDS**

**BOROUGH OF EMERSON**  
**COUNTY OF BERGEN, NEW JERSEY**  
**(Book-Entry Only) (Bank-Qualified) (Callable)**

**Dated: August 15, 2020**

**Due: August 15, as shown below**

The \$6,820,000 General Improvement Bonds (the “Bonds”) of the Borough of Emerson, in the County of Bergen, New Jersey (the “Borough”), will be issued as fully registered bonds registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), as registered owner of the Bonds, with the Bonds immobilized in the custody of DTC. Owners of beneficial interests in the Bonds will not receive physical delivery of bond certificates, but are to receive statements or other evidence of such ownership of beneficial interests from sources from which such interests were purchased. Investors may purchase beneficial interests in the Bonds in book-entry form in the denomination of \$5,000 or any integral multiple thereof. See “THE BONDS – Book-Entry Only System” herein. So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made directly to DTC or its nominee, Cede & Co., which will remit such payments to the DTC Participants, which will, in turn, remit such payments to the owners of beneficial interests in the Bonds. Principal of the Bonds is payable on August 15 of each of the years set forth below, and interest on the Bonds is payable on each February 15 and August 15, commencing February 15, 2021 in each year until maturity or prior redemption.

The Bonds are subject to optional redemption prior to their stated maturities. See “THE BONDS – Prior Redemption” herein.

The Bonds are general obligations of the Borough and are secured by a pledge of the full faith and credit of the Borough for the payment of the principal thereof and the interest thereon. The Borough is authorized and required by law to levy *ad valorem* taxes upon all the taxable real property within the Borough for the payment of the principal of and interest on the Bonds, without limitation as to rate or amount.

**MATURITY SCHEDULE, INTEREST RATES AND YIELDS**

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2021	\$325,000	%	%	2027	\$650,000	%	%
2022	510,000			2028	650,000		
2023	515,000			2029	650,000		
2024	520,000			2030	650,000		
2025	525,000			2031	650,000		
2026	525,000			2032	650,000		

*(plus accrued interest from August 15, 2020)*

*The Bonds are offered for sale upon the terms of the notice of sale and subject to the final approving opinion of Rogut McCarthy LLC, Cranford, New Jersey, Bond Counsel. It is anticipated that the Bonds in definitive form will be available for delivery to DTC in New York, New York, on or about August 20, 2020.*

**ELECTRONIC BIDS VIA PARITY AND  
SEALED PROPOSALS WILL BE RECEIVED  
UNTIL 11:00 O’CLOCK A.M. ON AUGUST 6, 2020  
AT ONE MUNICIPAL PLACE  
EMERSON, NEW JERSEY 07630**

This is a Preliminary Official Statement “deemed final” within the meaning of, and with the exception of certain information permitted to be omitted by, Rule 15c2-12 of the Securities and Exchange Commission, and the information contained herein is subject to completion or amendment in accordance with applicable law. The Borough will deliver a final Official Statement in compliance with Rule 15c2-12. This Preliminary Official Statement shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or exemption under the securities laws of any such jurisdiction.

**BOROUGH OF EMERSON  
BERGEN COUNTY  
STATE OF NEW JERSEY**

**MAYOR**

Danielle DiPaola

**BOROUGH COUNCIL**

Kenneth Hoffman – Council President

Nicole Argenzia

James Bayley

Patricia L. Dinallo

Brian Gordon

Jill McGuire

**BOROUGH ADMINISTRATOR**

Robert G. Hermansen

**CHIEF FINANCIAL OFFICER**

Lauren Roehrer

**BOROUGH CLERK**

Jane Dietsche, RMC

**BOROUGH ATTORNEY**

John J. McCann, Esq.

Oakland, New Jersey

**BOROUGH AUDITOR**

Lerch, Vinci & Higgins, LLP

Fair Lawn, New Jersey

**BOND COUNSEL**

Rogut McCarthy LLC

Cranford, New Jersey

No broker, dealer, salesperson or other person has been authorized by the Borough or the Underwriter to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. The information contained herein has been provided by the Borough and other sources deemed reliable; however, no representation or warranty is made as to its accuracy or completeness and such information is not to be construed as a representation of accuracy or completeness and such information is not to be construed as a representation or warranty by the Underwriter or, as to information from sources other than itself, by the Borough. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in any of the information herein since the date hereof, or the date as of which such information is given, if earlier.

References in this Official Statement to laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein, and copies of which may be inspected at the offices of the Borough during normal business hours.

The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the Borough or the Underwriter.

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**OFFICIAL STATEMENT  
OF THE BOROUGH OF EMERSON  
IN THE COUNTY OF BERGEN, NEW JERSEY  
relating to**

**\$6,820,000 GENERAL IMPROVEMENT BONDS**

**INTRODUCTION**

This Official Statement (the “Official Statement”) which includes the cover page and the appendices attached hereto, has been prepared by the Borough of Emerson (the “Borough”), in the County of Bergen (the “County”), State of New Jersey (the “State”) in connection with the sale and issuance of its \$6,820,000 General Improvement Bonds (the “Bonds”) dated August 15, 2020. This Official Statement has been executed by and on behalf of the Borough by the Chief Financial Officer and the Borough Clerk and may be distributed in connection with the Bonds.

This Preliminary Official Statement is “deemed final”, as of its date, within the meaning of Rule 15c2-12 of the Securities and Exchange Commission (“Rule 15c2-12”), but is subject to (a) completion with certain pricing and other information to be made available by the Underwriter and (b) amendment. This Preliminary Official Statement, as so revised, will constitute the “final official statement” within the meaning of Rule 15c2-12.

**THE BONDS**

**General Description**

The Bonds will be dated and bear interest from August 15, 2020 and will mature on August 15 in the years and in the principal amounts as set forth on the cover page. Interest on the Bonds is payable on each February 15 and August 15, commencing February 15, 2021 (each, an “Interest Payment Date”), in each year until maturity or prior redemption at the respective interest rates set forth on the cover page of this Official Statement. Principal of and interest on the Bonds will be paid to The Depository Trust Company, New York, New York (“DTC”), acting as securities depository, by the Chief Financial Officer, as “Bond Registrar/Paying Agent”. Interest on the Bonds will be credited to the DTC Participants (as hereinafter defined) as listed on the records of DTC as of the last business day of the month preceding the month in which such Interest Payment Date occurs (the “Record Dates” for the payment of interest on the Bonds).

The Bonds are issuable as fully registered book-entry bonds in the form of one certificate for each maturity and in the principal amount of such maturity. The Bonds will be issued in book-entry form only. Purchases of the Bonds will be made in book-entry form, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in Bonds purchased. So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Bond Registrar/Paying Agent directly to Cede & Co. (or any successor or assign), as nominee for DTC, which will remit such payments to the participants of DTC which will in turn remit such payments to the owners of beneficial interests in the Bonds. See “Book-Entry Only System” herein.

## **Book-Entry Only System**

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each year of maturity of the Bonds, in the aggregate principal amount of each maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks and trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Borough as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Borough or the paying agent, if any, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the paying agent, if any, or the Borough, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Borough or the paying agent, if any, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Borough or the paying agent, if any. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The Borough may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Borough believes to be reliable, but the Borough takes no responsibility for the accuracy thereof.

### **Prior Redemption**

The Bonds maturing on or before August 15, 2027 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after August 15, 2028 are subject to redemption at the option of the Borough prior to maturity, in whole on any date or in part on any Interest Payment Date, on or after August 15, 2027, upon notice as hereinafter set forth at the redemption price of 100% of the principal amount being redeemed, plus accrued interest to the date fixed for redemption.

If the Borough determines to optionally redeem a portion of the Bonds prior to maturity, such Bonds so redeemed shall be in such maturities as determined by the Borough, and within any maturity, by lot; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or some multiple thereof and that, in selecting Bonds for redemption, the Bond Registrar/Paying Agent shall treat each Bond as representing that number of Bonds that is obtained by dividing the principal amount of such Bond by \$5,000.

Notice of redemption shall be given by first class mail in a sealed envelope with postage prepaid to the registered owners of the Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Bond Registrar/Paying Agent at least thirty (30) but not more than sixty (60) days before the date fixed for redemption. Such mailing is not a condition precedent to redemption and the failure to mail or to receive any redemption notice will not affect the validity of the redemption proceedings. If any Bond subject to redemption is part of a greater principal amount of the Bonds not to be redeemed, such entire amount shall be surrendered to the Bond Registrar/Paying Agent and, for that portion of the Bond not to be redeemed, a new Bond shall be issued in the name of the registered owner in an amount equal to the principal amount of the Bond surrendered less the amount to be redeemed.

### **SECURITY AND SOURCE OF PAYMENT**

The Bonds are general obligations of the Borough, and the Borough has pledged its full faith and credit for the payment of the principal of and the interest on the Bonds. The Bonds are direct obligations of the Borough and, unless paid from other sources, the Borough is required by law to levy *ad valorem* taxes upon all the real property taxable within the Borough for the payment of the principal of and the interest on the Bonds without limitation as to rate or amount.

Enforcement of a claim for the payment of principal of or interest on bonds or notes of the Borough is subject to applicable provisions of Federal bankruptcy law and to the provisions of statutes, if any, hereafter enacted by the Congress of the United States or the Legislature of the State of New Jersey, providing extension with respect to the payment of principal of or interest on the Bonds or imposing other constraints upon enforcement of such contracts insofar as any such constraints may be constitutionally applied. Under State law, a county, municipality or other political subdivision may file a petition under Federal bankruptcy laws and a plan for readjustment of its debt, but only after first receiving the approval of the State Municipal Finance Commission, whose powers have been vested in the Local Finance Board in the Division of Local Government Services in the State of New Jersey Department of Community Affairs (the "Local Finance Board").

### **AUTHORIZATION FOR THE BONDS**

The Bonds are authorized and are to be issued pursuant to the Local Bond Law of the State of New Jersey, N.J.S.A. 40A:2-1 et seq., as amended (the "Local Bond Law"). The Bonds also are authorized by various bond ordinances adopted by the Borough Council and by virtue of resolutions adopted by the Borough Council on July 21, 2020.

The bond ordinances included in the sale of the Bonds were published in full or in summary form after adoption along with the statement required by the Local Bond Law that the twenty day period of limitation within which a suit, action or proceeding questioning the validity of the authorizing bond ordinances can be commenced, began to run from the date of the first publication of such estoppel statement. The Local Bond Law provides that after issuance, all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and any person shall be estopped from questioning the sale or the execution or the delivery of the Bonds by the Borough.

### **PURPOSE OF THE BONDS**

The proceeds of the Bonds will be used to (i) currently refund \$5,117,916 of the Borough's \$5,918,315 outstanding bond anticipation notes dated August 23, 2019 and maturing on August 21, 2020 and (ii) provide funding for unfunded capital projects in the amount of \$1,702,084.



The projects to be funded by the sale are listed below:

Ord. No.	Description	Amount
1477-14	Various Public Improvements	\$ 255,000
1495-14	Various Public Improvements & Acquisitions	181,233
1500-15	Various Public Improvements & Acquisitions	1,145,180
1515-16	Various Improvements to Hillman Field	17,862
1519-16	2016 Road Program	293,210
1527-16	Various Public Improvements & Acquisitions	1,005,826
1540-17	Various Public Improvements & Acquisitions	493,900
1555-18	Various Public Improvements & Acquisitions	708,235
1581-19	Storm Drainage Improvements on Dogwood Lane	83,000
1592-19	Various Public Improvements & Acquisitions	934,470
1606-20	Various Public Improvements	362,084
1612-20	Various Public Improvements & Acquisitions	1,340,000
		<u>\$ 6,820,000</u>

#### NO DEFAULT

No principal or interest payments on Borough indebtedness are past due. The Borough has never defaulted in the payment of any bonds or notes.

#### MARKET PROTECTION – BOND AND NOTE FINANCING

The Borough does not contemplate issuing any additional bonds, or any tax anticipation notes during the remainder of 2020. The Borough may issue bond anticipation notes as needed during the remainder of 2020.

#### QUALIFIED TAX-EXEMPT OBLIGATIONS

The Borough has designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, and has represented that it reasonably expects that neither it nor its subordinate entities will issue more than \$10,000,000 of new money tax-exempt obligations in the current calendar year.

#### CERTAIN STATUTORY PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

##### **Local Bond Law (N.J.S.A. 40A:2-1 et seq.)**

The Local Bond Law governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes. All bonds and notes issued by the Borough are general full faith and credit obligations.

## **The Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 et seq.)**

This law regulates the non-budgetary financial activities of local governments. The Chief Financial Officer of every local unit must file annually, with the Director of the Division (the “Director”), a verified statement of the financial condition of the local unit and all constituent boards, agencies or commissions.

An independent examination of the Borough’s accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services’ “Requirements of Audit”, includes recommendations for improvement of the local units’ financial procedures and must be filed with the Director within six months after the close of the fiscal year. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within 30 days of its completion.

### **Debt Limits**

The net authorized bonded indebtedness of the Borough is limited by statute, subject to the exceptions noted below, to an amount equal to 3.50% of its average equalized valuation basis. The average equalized valuation basis of the Borough is set by statute as the average for the last 3 years of the equalized value of all taxable real property and improvements and certain Class II railroad property within its boundaries, as annually determined by the State Board of Taxation. Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit.

The Borough has not exceeded its statutory debt limit. On December 31, 2019 the statutory net debt as a percentage of average equalized valuation was 0.710%. As noted above, the statutory limit is 3.50%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Purposes	\$ 9,341,406	\$ 34,805	\$ 9,306,601
School Purposes	<u>12,895,446</u>	<u>12,895,446</u>	<u>-</u>
Total	<u>\$ 22,236,852</u>	<u>\$ 12,930,251</u>	<u>\$ 9,306,601</u>

### **Exceptions to Debt Limits - Extensions of Credit**

The Borough may exceed its debt limit with the approval of the Local Finance Board. If all or any part of a proposed debt authorization would exceed its debt limit, the Borough may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the Borough or substantially reduce the ability of the Borough to meet its obligations or to provide essential public improvements and services, or make certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, to provide for purposes in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

### **Short-Term Financing**

The Borough may sell short-term “bond anticipation notes” to temporarily finance a capital improvement or project in anticipation of the issuance of bonds, if the bond ordinance or subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance, as may be amended and supplemented, creating such capital expenditure. Bond anticipation notes may be issued for periods not greater than one year. Such notes shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original notes. At the third and at each

subsequent anniversary date from the original date of issuance, the amount of notes that may be issued must be decreased by the minimum amount required for the first year's principal payment for a bond issue.

### **School Debt (N.J.S.A. 18A:24-1 et seq.)**

New Jersey's school districts operate under the same comprehensive review and regulation as do its municipalities. Certain exceptions and differences are provided, but the state supervision of school finance closely parallels that of local governments.

School district bonds and temporary notes are issued in conformity with the cited statute, which closely parallels the Local Bond Law. Although school districts are exempted from the 5% down payment provision applicable to municipalities, they are subject to debt limits (which vary depending on the grades the school system provides), and to state regulation of their borrowing.

The Local Finance Board and the Commissioner of Education must approve any proposed authorization of debt which exceeds the statutory debt limit of a Type II district. A Type II school district has an elected board of education; a Type I school district has an appointed board and issues debt without a referendum. All authorizations of debt in a Type II school district require an approving referendum of the voters in the school district. The Borough's school district is a Type II district.

All authorizations of debt must be reported to the Division of Local Government Services by means of a Supplemental Debt Statement prior to final approval to ensure that the proposed authorization is within all applicable debt limitations.

The School Bond Reserve Act, Chapter 72 of the Laws of 1980 of the State, as amended, devotes a portion of the Fund for the Support of Free Public Schools as security for payment of school bonds.

### **The Municipal Finance Commission (N.J.S.A. 52:27-1 et seq.)**

The Municipal Finance Commission was created in 1931 to assist in the financial rehabilitation of municipalities which had defaulted in their obligations. The powers of such Commission are exercised today by the Local Finance Board. Several elements of the local finance system are intended to prevent default on obligations or occurrence of severe fiscal difficulties in any local unit. Should extreme economic conditions adversely affect any local unit, the statutory provisions are available to assist in restoring the stability of the local unit.

Any holder of bonds or notes which are in default for over sixty (60) days (for payment of principal or interest) may bring action against such municipality in the Superior Court of New Jersey. Any municipality may declare itself unable to meet its obligations and bring action in such court. In either case, the court's determination that the municipality is in default or unable to meet its obligations may place the municipality under the jurisdiction of the Municipal Finance Commission.

The Municipal Finance Commission exercises direct supervision over the finances and accounts of any local unit under its jurisdiction. Such commission is authorized to appoint an auditor to examine and approve all claims against the municipality and to serve as comptroller for that community. The Commission is also directed to supervise tax collections and assessments, to approve the funding of municipal school district indebtedness, the adjustment or composition of the claims of creditors, and the readjustment of debts under the Federal Municipal Bankruptcy Act.

The Local Finance Board also serves as the "funding commission" to exercise supervision over the funding or refunding of local government debt. Any county or municipality seeking to adjust its debt service must apply to and receive the approval of such funding commission for the proposed reorganization of its debt.

## **Investment of Municipal Funds**

Investment of funds by New Jersey municipalities is governed by State statute. Pursuant to N.J.S.A. 40A:5-15.1, municipalities are limited to purchasing the following securities: (1) direct obligations of, or obligations guaranteed by, the United States of America; (2) government money market mutual funds invested in U.S. Government securities or obligations of New Jersey school districts, municipalities, counties and entities subject to State regulation (“local obligations”); (3) obligations of Federal Government agencies or instrumentalities having a maturity of 397 days or less, provided such obligations bear a fixed rate of interest not dependent on any index or external factor; (4) bonds or other obligations of the particular municipality or a school district encompassing the geographic area of the particular municipality; (5) bonds or other obligations having a maturity of 397 days or less (a) constituting local obligations or (b) approved by the Division of Local Government Services of the State Department of Community Affairs; (6) local government investment pools, rated in the highest rating category, investing in U.S. government securities, local obligations and repurchase agreements fully collateralized by securities set forth in (1), (3) and (5) above; (7) deposits with the New Jersey Cash Management Fund (created pursuant to N.J.S.A. 52:18A-90.4; the “Cash Management Fund”); and (8) repurchase agreements with a maximum 30 day maturity fully collateralized by securities set forth in (1) and (3) above or local obligations. Municipalities are required to deposit their funds in interest-bearing bank accounts in banks satisfying certain security requirements set forth in N.J.S.A. 17:9-41 *et seq.*, or invest in permitted investments to the extent practicable, and may invest in bank certificates of deposit.

The Cash Management Fund is governed by regulations of the State Investment Council, a non-partisan oversight body, and is not permitted to invest in derivatives. The Cash Management Fund is permitted to invest in Government Obligations, Federal Government Agency Obligations, certain short-term investment-grade corporate obligations, commercial paper rated “prime”, certificates of deposit, repurchase agreements involving Government Obligations and Federal Government Agency Obligations and certain other types of instruments. The average maturity of the securities in the Cash Management Fund must be one year or less, and only a quarter of the securities are permitted to mature in as much as two years.

The Borough has no investments in derivatives.

## **MUNICIPAL BUDGET**

Pursuant to the Local Budget Law (N.J.S.A. 40A:4-1 *et seq.*) the Borough is required to have a balanced budget in which debt service is included in full for each fiscal year.

### **The Local Budget Law (N.J.S.A. 40A:4-1 *et seq.*)**

The foundation of the New Jersey local finance system is the annual cash basis budget. Every local unit must adopt a budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Items of revenue and appropriation are regulated by law and must be certified by the Director of the Division prior to final adoption of the budget. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations, among others, for certification.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review functions focusing on anticipated revenues serve to protect the solvency of all local units. Tax anticipation notes are limited in amount by law and must be paid in full within 120 days of the close of the fiscal year. The cash basis budgets of local units must be in balance, i.e., the total of anticipated revenues must equal the total of appropriations (N.J.S.A. 40A:4-22). If in any year a local

unit's expenditures exceed its realized revenues for that year, then such excess must be raised in the succeeding year's budget.

### **Limitations on Municipal Appropriations and Tax Levy**

A statute passed in 1976, as amended and supplemented (N.J.S.A. 40A:4-45.1 et seq.), commonly known as the "Cap Law", imposed limitations on increases in municipal appropriations subject to various exceptions. While the Cap Law restricts the ability of a municipality to increase its overall appropriations, the payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the Cost-of-Living Adjustment ("COLA"). Increases up to 3.5% are allowed by adoption of an ordinance whenever the COLA is less than 2.5%. If the COLA is greater than 2.5%, an increase in any amount above 2.5% will be permitted by adoption of an ordinance to 3.5% and beyond 3.5% upon passage of a referendum. The COLA is the rate of annual percentage increase in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other items including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. The Cap Law does not limit the obligation of the Borough to levy *ad valorem* taxes upon all taxable real property within the Borough to pay debt service.

Chapter 62 of the Pamphlet Laws of 2007 imposed restrictions upon the allowable annual increase in the tax levy. In general, starting with the 2008 budgets for calendar year municipalities and 2009 budgets for fiscal year municipalities, municipalities have their tax levies limited to a four percent (4%) increase. The cap calculation is subject to various adjustments, such as the value of increased assessments, and allows for an increase in the adjusted tax levy for various items, including amounts required to be added to the adjusted tax levy for increases in debt service, amounts required to replace reductions in State formula aid, certain increased pension contributions, increases greater than four percent (4%) in the reserve for uncollected taxes, and increases in health care costs in excess of four percent (4%) (but not in excess of the percentage increase in the State Health Benefits Program). The law also allows the Local Finance Board to grant waivers for extraordinary circumstances (some of which are defined in the Law) and authorizes a municipality to submit a public question to the voters for approval (by an affirmative vote of at least sixty percent (60%)) to increase the amount to be raised by taxation by more than the allowable adjusted tax levy.

For municipalities, the levy cap is in addition to the existing appropriation cap; both cap laws must be met. Neither cap law limits the obligation of the Borough to levy *ad valorem* taxes upon all taxable real property within the Borough to pay debt service.

On July 13, 2010, P.L. 2010, c. 44 was approved, effective for budget years following enactment (the 2011 budget for the Borough) reducing the tax levy cap to 2% and limiting the exclusions to amounts required to be raised by taxation for debt service as defined by law, certain pension contributions and health care costs in excess of 2% and extraordinary costs directly related to a declared emergency. Voter approval may be requested to increase the amount to be raised by taxation by more than the allowable adjusted tax levy. Chapter 44 eliminated the process for obtaining waivers for additional spending under the tax levy limitation.

The Borough's appropriation and tax levy increases for 2011 to 2020, inclusive, were within the limits allowed under the CAP Law, taking into account applicable adjustments and available "CAP" banks and without conducting a referendum to exceed the cap limits.

## Miscellaneous Revenues

The Local Budget Law (N.J.S.A. 40A:4-26) provides that: “No miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit.”

No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation of like amount. The fiscal years for such grants rarely coincide with the municipality’s fiscal year. However, grant revenue is generally not realized until received in cash.

## Real Estate Taxes

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. N.J.S.A. 40A:4-29 governs anticipation of delinquent tax collections: “The maximum which may be anticipated is the sum produced by multiplication of the amount of delinquent taxes unpaid and owing to the local unit on the first day of the current fiscal year by the percentage of collection of delinquent taxes for the year immediately preceding the current fiscal year.”

N.J.S.A. 40A:4-41 provides with regard to current taxes that: “Receipts from the collection of taxes levied or to be levied in the municipality, or in the case of a county for general county purposes and payable in the fiscal year, shall be anticipated in an amount which is not in excess of the percentage of taxes levied and payable during the next preceding fiscal year which was received in cash by the last day of the preceding fiscal year.”

This provision and N.J.S.A. 40A:4-40 require that an additional amount (the “reserve for uncollected taxes”) be added to the tax levy required to balance the budget so that when the percentage of the prior year’s tax collection is applied to the combined total, the product will at least be equal to the tax levy required to balance the budget.

The reserve requirement is calculated as follows:

$$\frac{\text{Levy required to balance budget}}{\text{Prior Year's Percentage of Current Tax Collection (or lesser \%)}} = \text{Total Taxes to be Levied}$$

Chapter 28 of the Pamphlet Laws of 1997 of New Jersey amended Section 41 of the Local Budget Law to allow municipalities to reduce the reserve for uncollected taxes by taking into account prior year tax reductions resulting from tax appeal judgments awarded to property owners. Another statute, Chapter 99 of the Pamphlet Laws of 1997 of New Jersey, allows a municipality to (1) reduce the reserve for uncollected taxes by deducting receipts anticipated during the fiscal year from the sale of unpaid taxes or municipal liens when such sale is concluded in the final month of the fiscal year or (2) not budget for the reserve for uncollected taxes if it sells its total property tax levy pursuant to such statute. See “Assessment And Collection of Taxes – Tax Collection Procedure” herein for a brief discussion of Chapter 99.

## **Deferral of Current Expenses**

Emergency appropriations (those made after the adoption of the budget and the determination of the tax rate) may be authorized by the governing body of the municipality. However, with minor exceptions, such appropriations must be included in full in the following year's budget.

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as ice, snow, and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, property revaluation programs, revision and codification of ordinances, master plan preparations, and drainage map preparation for flood control purposes which may be amortized over five years. Of course, emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

## **Budget Transfers**

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts may be made only during the last two months of the year. Appropriation reserves may be transferred during the first three (3) months of the year to the previous years' budget. Both types of transfers require a 2/3 vote of the full membership of the governing body, however, transfers cannot be made from either the down payment account or the capital improvement fund. Transfers may be made between sub-account line items within the same account at any time during the year, subject to approval by the governing body.

## **Operation of Utilities**

Municipal public utilities are supported by the revenues generated by the respective operations of the utilities in addition to the general taxing power upon real property.

For each utility, there is established a separate budget. The anticipated revenues and appropriations for each utility are set forth in the separate budget. The budget is required to be balanced and to provide fully for debt service. The regulations regarding anticipation of revenues and deferral of charges apply equally to the budgets of the utilities.

Deficits or anticipated deficits in utility operations which cannot be provided for from utility surplus, if any, are required to be raised in the "Current" or operating budget.

## **Fiscal Year**

The Borough's fiscal year is the calendar year. Chapter 75 of the Pamphlet Laws of 1991 of the State (codified as N.J.S.A. 40A:4-3.1) required municipalities with populations in excess of 35,000 or that received Municipal Revitalization Aid from the State in 1990 or 1991 to change their fiscal year from the calendar year to the State fiscal year (July 1 to June 30), unless an exemption was granted. Municipalities not meeting the criteria for a mandatory change had the option to choose to change to the State fiscal year. N.J.S.A. 40A:4-3.1 was amended by P.L. 2000, c. 126, to eliminate the criteria for mandatory change of the fiscal year, but to continue to grant all municipalities the option to change to the State fiscal year. In addition, P.L. 2008, c. 92, further amended N.J.S.A. 40A:4-3.1 to allow municipalities operating on a fiscal year basis to revert to a calendar year. The Borough did not meet the criteria for a mandatory change to the State fiscal year, and does not presently intend to optionally make such a change in the future.

## **Budget Process**

Primary responsibility for the Borough's budget process lies with the Borough Council. As prescribed by the Local Budget Law, adoption should occur by the end of March, however, extensions may be granted by the Division to any local governmental unit. In the first quarter in which the budget formulation is taking place, the Borough operates under a temporary budget which may not exceed 26.25% of the previous fiscal year's adopted budget. In addition to the temporary budget, the Borough may approve emergency temporary appropriations for any purpose for which appropriations may lawfully be made.

## **Capital Budget**

In accordance with the Local Budget Law, the Borough must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period of the next ensuing three years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over the next three years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the items were detailed.

## **ASSESSMENT AND COLLECTION OF TAXES**

### **Tax Collection Procedure**

Real property taxes are assessed locally, based upon an assessment at true value. The tax bill includes a levy for Borough, County and School purposes. Tax bills are mailed annually in June. Taxes are payable in four quarterly installments on February 1, May 1, August 1 and November 1. 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. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, is transferred as of June 30 of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15 to the County by the Borough. Annually, all properties with unpaid taxes for the previous year are placed in a tax sale in accordance with the New Jersey Statutes. Annual interim tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Borough.

Chapter 99 of the Pamphlet Laws of 1997 of New Jersey allows a municipality to sell its total property tax levy to the highest bidder either by public sale with sealed bids or by public auction. The purchaser shall pay the total property tax levy bid amount in quarterly installments or in one annual installment. Property taxes will continue to be collected by the municipal tax collector and the purchaser will receive as a credit against his payment obligation, the amount of taxes paid to the tax collector. The purchaser is required to secure his payment obligation to the municipality by an irrevocable letter of credit or a surety bond. The purchaser is entitled to receive delinquent taxes and other municipal charges collected by the tax collector. The statute sets forth bidding procedures and minimum bidding terms and requires the review and approval of the sale by the Division of Local Government Services.

In response to the \$10,000 annual limitation on an individual's federal income tax deduction for state and local taxes paid (beginning in 2018 and ending in 2025) contained in the federal "Tax Cuts and Jobs Act", Pub. L. No. 115-97, New Jersey Governor Phil Murphy signed into law Senate Bill No. 1893 ("S-1893") on May 4, 2018. S-1893, which will take effect when implementing regulations are adopted by various State agencies, authorizes municipalities, counties and school districts ("local units") to establish one or more charitable funds, each for specific public purposes, and permits certain donations to those charitable funds to be credited toward the donor's property tax obligation. Moneys held in a



charitable fund are immediately available to pay debt service. On June 13, 2019, the Internal Revenue Service issued final regulations, effective August 12, 2019, denying the deductibility (except for a de minimis amount) for federal income tax purposes of property tax credit donation mechanisms authorized by S-1893 and similar laws adopted in other states. The Borough makes no representations as to whether any local units will establish charitable funds pursuant to S-1893 or how S-1893 will be implemented.

## **Tax Appeals**

New Jersey statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. The taxpayer has a right to petition the Bergen County Tax Board on or before the first day of April of the current tax year for review. The Bergen County Tax Board has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the Bergen County Tax Board, appeal may be made to the Tax Court of New Jersey, for a further hearing. Further, an assessment in excess of \$1,000,000 can be appealed directly to the Tax Court of New Jersey. State tax appeals tend to take several years prior to settlement, and any losses in tax collections from prior years are charged directly to operations or with the permission of the Local Finance Board may be financed, generally, over a three to five year period. In addition, pursuant to Assembly Bill No. 2004, signed into law by Governor Phil Murphy on August 9, 2019, commercial tax appeal refunds exceeding \$100,000 may be paid to the property owner, with interest, in substantially equal payments within a three year period - rather than within sixty days of the final judgment (the standard period for refunds).

## **TAX MATTERS**

### **Federal Income Taxes**

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. Such requirements include requirements relating to the use and investment of proceeds of the Bonds and other amounts and rebate of certain arbitrage earnings to the United States. Noncompliance by the Borough with such requirements may cause interest on the Bonds to be included in gross income of the owners thereof retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs.

The Borough has covenanted, to the extent permitted by the Constitution and the laws of the State, to do and perform all acts and things permitted by law and necessary to assure that interest paid on the Bonds be and remain excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. The Borough’s Tax Certificate (the “Tax Certificate”), which will be delivered concurrently with the delivery of the Bonds, will contain provisions and procedures regarding compliance with the requirements of the Code. The Borough, in executing the Tax Certificate, will certify to the effect that the Borough expects and intends to comply with the provisions and procedures contained therein.

In rendering the opinion described below with respect to the Bonds, Bond Counsel has relied upon the covenant and has assumed the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate.

## **Tax Opinions**

In the opinion of Rogut McCarthy LLC, Bond Counsel to the Borough, assuming compliance by the Borough with the Tax Certificate, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. In addition, under existing law, interest on the Bonds is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals. For other Federal tax information, see “Tax Matters – Additional Federal Income Tax Consequences” herein.

In the opinion of Bond Counsel, under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof, interest on the Bonds and any gain from the sale of the Bonds are not includable in gross income of the holders thereof.

## **Additional Federal Income Tax Consequences**

Prospective purchasers of the Bonds should be aware that ownership of governmental obligations, such as the Bonds, may have collateral Federal income tax consequences for certain taxpayers, including financial institutions, property and casualty insurance companies, S Corporations, certain foreign corporations, individual recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise eligible for the earned income credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. Prospective purchasers should consult their tax advisors as to any possible collateral consequences from the ownership of the Bonds. Bond Counsel expresses no opinion regarding any such collateral Federal income tax consequences.

## **Proposals for Tax Changes**

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

**ALL POTENTIAL PURCHASERS OF THE BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE.**

## **STATEMENT OF LITIGATION**

There is no litigation pending or threatened restraining or enjoining the issuance or the delivery of the Bonds or the levy or the collection of taxes to pay the Bonds or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes. There is at present no single action pending or threatened against the Borough which would impose an undue financial burden on the Borough. In New Jersey's courts of general jurisdiction, unliquidated money damages are pleaded generally without specifying a dollar amount. The Borough is a party-defendant in certain lawsuits, none of a kind unusual for a Borough of its size, and none of which, in the opinion of the Borough Attorney, would adversely impair the Borough's ability to pay its bondholders. All of the Borough's tort actions are being defended by municipal joint insurance funds (which provide pooled private insurance coverage and self-insurance coverage to its members). The Borough is also insured for liability in excess of the limits provided by the municipal joint insurance funds. Pending municipal real estate tax appeals are limited in number and, based upon the Borough's prior experience in tax appeals, and assuming that such tax appeals are resolved adversely to the interest of the Borough, such resolution would not in any way endanger the Borough's ability to pay its bondholders.

## **LEGALITY FOR INVESTMENT**

The State and all public officers, municipalities, counties, political subdivisions and public bodies, and agencies thereof, all banks, bankers, trust companies, savings and loan associations, savings banks and institutions, building and loan associations, investment companies, and other persons carrying on banking business, all insurance companies, and all executors, administrators, guardians, trustees, and other fiduciaries may legally invest any sinking funds, moneys or other funds belonging to them or within their control in any obligations of the Borough, including the Bonds, and such Bonds are authorized security for any and all public deposits.

## **RATING**

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC (the "Rating Agency") has assigned a rating of "AA+" to the Bonds.

The rating reflects only the view of the Rating Agency and an explanation of the significance of such rating may only be obtained from the Rating Agency at the following address: 55 Water Street, New York, New York 10041. The Borough forwarded to the Rating Agency certain information and materials concerning the Bonds and the Borough. There can be no assurance that such rating will be maintained for any given period of time or that such rating will not be raised, lowered or withdrawn entirely if, in the Rating Agency's judgment, circumstances so warrant. Any downward change in or withdrawal of such rating may have an adverse effect on the marketability or market price of the Bonds.

## **UNDERWRITING**

The Bonds have been purchased at a public sale from the Borough for resale by \_\_\_\_\_ (the "Underwriter").

## DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS

### Absence of Litigation

Upon delivery of the Bonds, the Borough shall furnish a certificate of the Borough Attorney, dated the date of delivery of the Bonds, to the effect that there is no litigation of any nature pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Bonds. In addition, such certificate shall state that there is no litigation of any nature now pending or threatened by or against the Borough wherein an adverse judgment or ruling could have a material adverse impact on the financial condition of the Borough, or adversely affect the power of the Borough to enforce the collection of taxes or other revenues for the payment of its bonds and notes, which has not been disclosed in this Official Statement.

### Legal Matters

The legality of the Bonds will be subject to the approving opinion of Rogut McCarthy LLC, Cranford, New Jersey, Bond Counsel. Such opinion will be to the effect that:

1. The Bonds have been duly authorized, executed and delivered and constitute valid and legally binding obligations of the Borough, enforceable in accordance with their terms, except as enforcement of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation or other laws relating to or affecting the enforcement of creditors' rights generally now or hereafter in effect to the extent constitutionally applicable, and enforcement may also be subject to the exercise of judicial discretion in certain cases.
2. The Borough has pledged its full faith and credit for the payment of the principal of and interest on the Bonds, and unless paid from other sources, the Borough is authorized and required by law to levy on all real property taxable by the Borough such *ad valorem* taxes as may be necessary to pay the Bonds and the interest thereon, without limitation as to rate or amount.

Rogut McCarthy LLC has not verified the accuracy, completeness or fairness of the statements contained in this Official Statement and will not express, and has not been requested to express, an opinion as to the accuracy, completeness or fairness of such statements. See "Appendix C – Proposed Form of Bond Counsel Opinion" herein.

### Certificates of Borough Officials

The original purchasers of the Bonds shall also receive a certificate, dated as of the date of delivery of the Bonds and signed by the Chief Financial Officer and the Borough Clerk that (a) as of the date of the Official Statement furnished by the Borough in relation to the Bonds, said Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading, subject to the condition that while information in said Official Statement obtained from sources other than the Borough is not guaranteed as to accuracy, completeness or fairness, such officers have no reason to believe and do not believe that such information is materially inaccurate or misleading, and (b) to the knowledge of such officers, since the date of said Official Statement and since the date of the sale of the Bonds, there has been no material transactions not in the ordinary course of affairs entered into by the Borough and no material adverse change in the general affairs of the Borough or in its financial condition as shown in said Official Statement, other than as disclosed in or contemplated by said Official Statement, provided such certificate shall not include consideration of information supplied by, or that should have been supplied by, the successful bidders for the Bonds. In addition, the original

purchasers of the Bonds shall also receive certificates in form satisfactory to Rogut McCarthy LLC, Bond Counsel, evidencing the proper execution and delivery of the Bonds and receipt of payment therefor and a certificate, dated as of the date of delivery of the Bonds and signed by the officers who signed the Bonds, stating that no litigation is then pending or, to the knowledge of such officers, threatened to restrain or enjoin the issuance or delivery of the Bonds or the levy or collection of taxes to pay the Bonds or the interest thereon, or questioning the validity of the statutes or the proceedings under which the Bonds are issued, and that neither the corporate existence or boundaries of the Borough, nor the title of the said officers to their respective offices, is being contested.

## **INFECTIOUS DISEASE OUTBREAK – COVID 19**

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the “Pandemic”) by the World Health Organization and is currently affecting many parts of the world, including the United States and the State of New Jersey. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President’s Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

New Jersey Governor Phil Murphy has issued multiple Executive Orders since March 16, 2020 including but not limited to aggressive social distancing measures, restrictions on local elections, restrictions on foreclosure and evictions, suspension of all elective surgeries, closing of all schools and child care centers, the commandeering of property such as medical supplies, the cessation of all non-essential construction projects, extending insurance premium grace periods, the temporary reprieve to certain at-risk inmates and the extension of the permitted statutory grace period from May 11, 2020 to June 1, 2020 for quarterly property taxes due May 1, 2020. The Borough expects ongoing actions will be taken by State, federal and local governments and private entities to mitigate the spread and impacts of COVID-19. The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values within the Borough. To secure the payment of the principal of and interest on the Bonds, the Borough has pledged its full faith, credit and all available taxing power, which taxing power presently includes the power to levy *ad valorem* taxes on all taxable real property within the Borough, within the limits provided by law as to rate or amount for such purpose. The declaration of a public health emergency remains in effect as of the date hereof. As part of a planned multi-stage approach to restart the State’s economy, Governor Murphy has signed a series of Executive Orders beginning on April 29, 2020 permitting the resumption of certain activities. Additional Executive Orders relating to the resumption of certain activities may be executed by Governor Murphy in the future as part of the planned multi-stage approach to restart the State’s economy.

Because of the evolving nature of the outbreak and federal, state and local responses thereto, the Borough cannot predict how the outbreak will impact the financial condition or operations of the Borough, or if there will be any impact on the assessed values of property within the Borough or deferral of tax payments to municipalities. The Borough cannot predict costs associated with this or any other potential infectious disease outbreak, including whether there will be any reduction in State funding or an increase in operational costs incurred to clean, sanitize and maintain its facilities either before or after an outbreak of an infectious disease.

Additional information with respect to events surrounding the outbreak of COVID-19 and responses thereto can be found on the State's websites, including <https://covid19.nj.gov/> or [nj.gov/health](https://nj.gov/health). *The Borough has not incorporated by reference the information on such websites and the Borough does not assume any responsibility for the accuracy of the information on such websites.*

## SECONDARY MARKET DISCLOSURE

The Borough has agreed, pursuant to a resolution adopted on July 21, 2020, to undertake for the benefit of the Bondholders and the beneficial owners of the Bonds to provide certain secondary market disclosure information pursuant to Rule 15c2-12 to the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format, as prescribed by the MSRB. Specifically, the Borough will do the following for the benefit of the holders of the Bonds and the beneficial owners thereof:

(A) Not later than seven months after the end of the Borough's fiscal year (presently December 31), commencing with the report for the fiscal year ending December 31, 2020, provide or cause to be provided, annual financial information with respect to the Borough consisting of (i) audited financial statements (or unaudited financial statements if audited financial statements are not then available by the date of filing, which audited financial statements will be delivered when and if available) of the Borough and (ii) certain financial information and operating data consisting of information concerning the Borough's debt, overlapping indebtedness, tax rate, levy and collection data, property valuation, budget and fund balance of the type contained under the headings "Budget Information", "Financial Information" and "Debt Information" in Appendix "A" hereof. The audited financial statements will be prepared in accordance with mandated State statutory accounting principles, as in effect from time to time. Audited financial statements if not available by the filing date will be submitted separately when available.

(B) Provide or cause to be provided in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds or financial obligations of the Borough:

- (1) Principal or interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds ;
- (7) Modifications to the rights of Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property which secures the repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Borough (the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Borough in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Borough, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental

- authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Borough);
- (13) The consummation of a merger, consolidation, or acquisition involving the Borough or the sale of all or substantially all of the assets of the Borough, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
  - (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
  - (15) Incurrence of a financial obligation of the Borough, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Borough, any of which affect Bondholders, if material; and
  - (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Borough, any of which reflect financial difficulties.

The Borough intends the words used in paragraphs (15) and (16) and the definition of “financial obligation” to have the meanings ascribed to them in SEC Release No. 34-83885 (August 20, 2018).

(C) Provide or cause to be provided, in a timely manner, notice of a failure of the Borough to provide required annual financial information on or before the date specified above.

All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

If the Borough fails to comply with the above-described undertaking, any Bondholder or beneficial owner of the Bonds may pursue an action for specific performance to enforce the rights of all Bondholders and beneficial owners with respect to such undertaking; *provided, however*, that failure to comply with such undertaking shall not be an event of default and shall not result in any acceleration of payment of the Bonds or any liability by the Borough for monetary damages. All actions shall be instituted, had and maintained in the manner provided in this paragraph for the benefit of all Bondholders and beneficial owners of the Bonds.

The Borough reserves the right to terminate its obligation to provide annual financial information and notice of material events, as set forth above, if and when the Borough no longer remains an “obligated person” with respect to the Bonds within the meaning of Rule 15c2-12.

The undertaking may be amended by the Borough from time to time, without the consent of the Bondholders or the beneficial owners of the Bonds, in order to make modifications required in connection with a change in legal requirements, a change in law or a change in identity, nature, type of operation or status of the Borough, which in the opinion of nationally recognized bond counsel complies with Rule 15c2-12 and does not, in such bond counsel’s opinion, materially impair the interests of the Bondholders and the beneficial owners of the Bonds.

The Borough has previously entered into continuing disclosure undertakings under Rule 15c2-12. The Borough appointed Phoenix Advisors, LLC, Bordentown, New Jersey, in March of 2016 to serve as continuing disclosure agent to assist in the filing of certain information with the MSRB’s Electronic Municipal Market Access Dataport (“EMMA”) as required under its obligations.

## **PREPARATION OF OFFICIAL STATEMENT**

The firm of Lerch, Vinci & Higgins, LLP, Fair Lawn, New Jersey, takes responsibility for the financial statements to the extent specified in the Independent Auditor's Report.

The firm of Lerch, Vinci & Higgins, LLP assisted in the preparation of information contained in this Official Statement and information has been obtained from sources which Lerch, Vinci & Higgins, LLP considers to be reliable but they make no warranty, guarantee or other representation with respect to the accuracy and completeness of such information.

All other information has been obtained from sources which the Borough considers to be reliable and the Borough makes no warranty, guaranty or other representation with respect to the accuracy and completeness of such information.

## **APPROVAL OF OFFICIAL STATEMENT**

Prior to the delivery of the Bonds, the Borough Council will have adopted a resolution approving this Official Statement, deeming it a "final official statement" for purposes of Rule 15c2-12 and directing the Chief Financial Officer to deliver a reasonable number of copies thereof in final form to the Underwriter for its use in the sale, resale or distribution of the Bonds.

## **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including requests for information additional to that contained herein, may be directed to Lauren Roehrer, Chief Financial Officer, Borough of Emerson, One Municipal Place, Emerson, New Jersey 07630, telephone (201) 262-6086, ext. 1211.

## **MISCELLANEOUS**

This Official Statement is not to be construed as a contract or agreement between the Borough and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Borough, the State or any of their agencies or authorities, since the date hereof. The information contained in the Official Statement is not guaranteed as to accuracy or completeness.



This Official Statement has been duly executed and delivered by the Chief Financial Officer and the Borough Clerk on behalf of the Borough.

BOROUGH OF EMERSON, IN THE  
COUNTY OF BERGEN, NEW JERSEY

By: \_\_\_\_\_  
Lauren Roehrer  
Chief Financial Officer

By: \_\_\_\_\_  
Jane Dietsche  
Borough Clerk

Dated: August \_\_, 2020

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**APPENDIX A**  
**ECONOMIC AND DEMOGRAPHIC INFORMATION**  
**RELATING TO THE BOROUGH OF EMERSON**

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## **GENERAL INFORMATION REGARDING THE BOROUGH OF EMERSON**

### **Size and Geographical Location**

The Borough of Emerson comprises an area of approximately 2.5 square miles, located in Bergen County approximately 14 miles northwest of New York City. Surrounding municipalities include Closter, Harrington Park, Haworth, Oradell, Paramus, River Vale, Washington Township and Westwood.

### **Characteristics of the Community**

The Borough is a predominantly residential suburban community with most residences being owner occupied, single family dwellings. There is virtually no manufacturing or other industry and very little undeveloped land. The Borough has, however, a central business district and many professional and commercial offices.

### **Form of Government**

Emerson was organized in 1903 under the borough form of government. There is a Mayor and a Council, composed of six members. The Mayor is elected to serve a four-year term and may succeed that term by reelection. The Mayor is empowered, amongst the legal powers as head of the municipal government, to: (i) provide for the proper execution of local and State laws; (ii) recommend to the Borough Council measures the Mayor deems in the best interest of the Borough, (iii) nominate and, with the advice and consent of the Borough Council, appoint most subordinate officers of the Borough; and (iv) maintain peace and order. Although the Mayor presides over meetings of the Borough Council, the Mayor votes only in case of a tie. State law requires that he be a member of the Planning Board and the Board of Trustees of the municipal Public Library.

The six Council members are elected at-large, two each year, for terms of three years. The Council exercises general legislative powers conferred upon it by State law to protect and promote the general welfare of the Borough. Among these are the right to enact ordinances, approve resolutions, approve mayoral appointments, adopt the annual budget and determine the tax levy. The Council, acting in committees, oversees the various departments and functions of the Borough Government.

### **Transportation**

Because of its close proximity to New York City, many residents are employed in the City of New York and commute through access of mass transportation. New Jersey Transit offers direct rail service to Hoboken. From there, commuter rail service is available to New York City via the PATH. Recently, New Jersey Transit opened the Secaucus transfer station where residents are now able to switch train lines and head directly into Penn Station in midtown Manhattan. There are also bus transportation facilities to New York City, Paterson, Newark and other nearby cities.

### **Protection**

Emerson is served by a police department consisting of 22 officers, who operate six patrol cars, four traffic cars, one motorcycle, one chief's vehicle, one detective's vehicle and one auxiliary police vehicle. The department is active with the community and participates in programs such as DARE, Cop Camp Out, Chief for the Day and Juvenile Police Academy. Its fire services consist of 40 volunteer firemen who operate one pumper, one ladder truck, two rescue trucks, two chief's vehicles, one fire prevention vehicle and one boat. The department runs fire safety classes at the Borough's elementary schools, offers an annual open house and is involved in the Borough's youth activities such as the Easter egg hunt, Halloween ragamuffin parade and bringing Santa around the Borough on a fire truck. The Ambulance service is provided to the public by a volunteer ambulance corps consisting of 35 members who operate two ambulances.

## Sanitation and Sewerage

Garbage is collected by a private sanitation service and funded through the Borough's Current Fund budget. The Borough is a participant in the Bergen County Utilities Authority which provides sewerage treatment facilities for the entire municipality. For this service the Borough pays an annual service charge based on the metered flow of sewerage. This charge is funded annually in the Borough's Current Fund budget.

## Utilities

Gas and electric are provided by the Public Service Electric and Gas Company. Water is supplied by the Suez North America.

## Recreation

The Borough and its Recreation Commission sponsor baseball, softball, basketball, football, cheerleading, wrestling, teen programs, Gym Night, Soccer Volleyball and summer recreation programs. Hillman Park is available for outdoor recreational use as are various other recreational facilities throughout the municipality.

## Education

The Borough's school district, coterminous with the boundaries of the Borough, is a type II school district, and is an independent legal entity administered by a Board of Education elected by the voters of the school district. The school district provides for pre-kindergarten through 12th grade, and is authorized by law to issue debt for school purposes upon vote of the electorate. The school system is comprised of three schools: a pre-kindergarten through 2<sup>nd</sup> grade school, a 3<sup>rd</sup> through 6<sup>th</sup> grade school and a Junior-Senior High School.

## ECONOMIC AND DEMOGRAPHIC INFORMATION

### Population

Population trends for the Borough, County and the State of New Jersey since 1980 are shown below:

<u>Area</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2019</u>
Borough of Emerson	7,793	6,930	7,197	7,401	7,596
County of Bergen	845,385	825,380	884,118	905,116	932,202
State of New Jersey	7,365,011	7,730,188	8,414,350	8,791,894	8,882,190

Source: U.S. Census Bureau.

### Income as of 2018

	<u>Median Household</u> <u>Income</u>	<u>Median Family</u> <u>Income</u>	<u>Per Capita</u> <u>Income</u>
Borough of Emerson	\$ 123,808	\$ 136,778	\$ 45,446
County of Bergen	95,837	116,727	48,426
State of New Jersey	79,363	98,047	40,895

Source: U.S. Census Bureau, 2014-2018 American Community Survey 5 Year Estimates.

## Labor Force, Employment and Unemployment

The New Jersey Department of Labor reported the following annual average employment information for the Borough of Emerson, the County of Bergen and the State of New Jersey:

	<b><u>Total Labor Force</u></b>	<b><u>Employed Labor Force</u></b>	<b><u>Total Unemployed</u></b>	<b><u>Unemployment Rate</u></b>
<u>Borough of Emerson</u>				
2019	3,679	3,582	97	2.6%
2018	3,630	3,510	120	3.3%
2017	3,631	3,500	131	3.6%
2016	3,656	3,516	140	3.8%
2015	3,676	3,516	160	4.4%
<u>County of Bergen</u>				
2019	482,038	467,946	14,092	2.9%
2018	474,700	458,630	16,070	3.4%
2017	475,764	457,269	18,495	3.9%
2016	478,906	458,863	20,043	4.2%
2015	479,417	456,885	22,532	4.7%
<u>State of New Jersey</u>				
2019	4,493,100	4,333,300	159,800	3.6%
2018	4,432,500	4,250,800	181,700	4.1%
2017	4,454,700	4,248,700	206,000	4.6%
2016	4,473,800	4,251,200	222,600	5.0%
2015	4,487,300	4,227,600	259,700	5.8%

Source: State of New Jersey Data Center.

**BUDGET INFORMATION**  
**Current Fund**  
**(As Adopted)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Anticipated Revenues					
Fund Balance	\$ 1,495,000	\$ 1,040,000	\$ 1,000,000	\$ 830,000	\$ 880,000
Miscellaneous Revenues	2,238,251	1,672,802	1,604,821	1,531,355	1,535,440
Receipts from Delinquent Taxes	292,000	205,000	150,000	130,000	220,000
Amount to be Raised by Taxes for Support of Municipal Budget	<u>9,925,961</u>	<u>9,688,466</u>	<u>9,380,123</u>	<u>9,378,118</u>	<u>9,327,673</u>
	<u>\$ 13,951,212</u>	<u>\$ 12,606,268</u>	<u>\$ 12,134,944</u>	<u>\$ 11,869,473</u>	<u>\$ 11,963,113</u>
Appropriations					
Salaries and Wages	\$ 4,868,068	\$ 4,716,934	\$ 4,680,514	\$ 4,606,434	\$ 4,639,598
Other Expenses	5,622,723	5,067,970	4,902,754	4,735,519	4,813,520
Deferred Charges and Statutory Expenditures	1,133,508	1,051,458	966,680	1,012,285	997,367
Capital Improvement Fund	854,000	52,800	35,000	72,296	100,000
Municipal Debt Service	1,072,913	1,363,106	1,195,996	1,088,939	1,058,628
Reserve for Uncollected Taxes	<u>400,000</u>	<u>354,000</u>	<u>354,000</u>	<u>354,000</u>	<u>354,000</u>
	<u>\$ 13,951,212</u>	<u>\$ 12,606,268</u>	<u>\$ 12,134,944</u>	<u>\$ 11,869,473</u>	<u>\$ 11,963,113</u>

Source: Borough of Emerson Adopted Budgets.

**FINANCIAL INFORMATION**

**Current Fund Balance and Amounts Utilized in Succeeding Year's Budget**

<u>Year</u>	<u>Fund Balance</u> <u>December 31</u>	<u>Utilized in Budget</u> <u>of Succeeding Year</u>
2019	\$ 3,272,950	\$ 1,495,000
2018	2,723,473	1,040,000
2017	2,651,022	1,000,000
2016	2,209,259	830,000
2015	2,025,136	880,000

Source: Borough of Emerson Annual Audit Reports



**Current Tax Collections**

<u>Year</u>	<u>Tax Levy</u>	<u>Collection During Year of Levy</u>	
		<u>Amount</u>	<u>Percent</u>
2019	\$ 34,411,200	\$ 34,024,873	98.87%
2018	32,781,963	32,511,258	99.17%
2017	32,105,293	31,901,679	99.36%
2016	31,393,093	31,089,224	99.03%
2015	30,678,891	30,385,685	99.04%

Source: Borough of Emerson Annual Audit Reports.

**Delinquent Taxes and Tax Title Liens**

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Levy</u>
2019	\$ 325,297	\$ 173,942	\$ 499,239	1.45%
2018	226,781	161,566	388,347	1.18%
2017	160,024	140,941	300,965	0.94%
2016	120,734	143,401	264,135	0.84%
2015	100,967	231,959	332,926	1.08%

Source: Borough of Emerson Annual Audit Reports

**Assessed Valuation of Property Owned by the Borough Acquired for Taxes**

<u>Year</u>	<u>Amount</u>
2019	\$ 13,200
2018	13,200
2017	13,200
2016	13,200
2015	13,200

Source: Borough of Emerson Annual Audit Reports

## Ten Largest Taxpayers

The ten largest taxpayers in the Borough and their 2020 assessed valuations are listed below:

<u>Taxpayer</u>	<u>Assessed Valuation</u>
Robert Lee Realty	23,750,000
Urstadt Biddle Property Inc.	13,506,000
Emerson Convalescent Center	11,800,000
Brea Emerson	9,500,000
Hackensack Golf Club	7,029,300
452 Old Hook Road Associates LLC	5,004,000
Liberty Emerson LLC	4,105,900
Suez	4,025,500
Grand Investments IV LLC	3,742,700
Hackensack Golf Club	2,947,800
	<u>\$ 85,411,200</u>

Source: Tax Assessor.

## Assessed Valuation Land Improvements by Class

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Total</u>
2020	\$ 16,196,600	\$ 1,027,398,100	\$ 288,400	\$ 157,750,500	\$ 4,806,500	\$ 1,206,440,100
2019	14,595,400	1,026,982,700	288,400	160,413,400	4,806,500	1,207,086,400
2018	15,129,600	1,021,910,100	288,400	160,491,600	4,806,500	1,202,626,200
2017	16,703,000	1,018,155,000	288,400	161,033,100	4,806,500	1,200,986,000
2016	16,966,300	1,014,035,500	288,400	163,408,000	6,706,500	1,201,404,700

Source: Tax Duplicate.

## Assessed Valuations Net Valuation Taxable

<u>Year</u>	<u>Real Property</u>	<u>Business Personal Property</u>	<u>Net Valuation Taxable</u>	<u>Ratio of Assessed Value to True Value of Real Property</u>	<u>Total True Value of Assessed Property</u>
2020	\$ 1,206,440,100	\$ 832,705	\$ 1,207,272,805	90.45%	\$ 1,337,620,617
2019	1,207,086,400	826,407	1,207,912,807	91.73%	1,319,802,127
2018	1,202,626,200	815,009	1,203,441,209	93.16%	1,294,947,728
2017	1,200,986,000	799,629	1,201,785,629	95.05%	1,267,448,581
2016	1,201,404,700	802,591	1,202,207,291	95.67%	1,259,476,713

Source: Tax Duplicate and Abstract of Ratables of Bergen County

**Components of Real Estate Tax Rate  
(per \$100 of Assessment)**

<u>Year</u>	<u>Total</u>	<u>Municipal</u>	<u>Local School</u>	<u>County</u>
2019	\$ 2.845	\$ 0.802	\$ 1.777	\$ 0.266
2018	2.717	0.780	1.674	0.263
2017	2.662	0.780	1.617	0.265
2016	2.604	0.775	1.571	0.258
2015	2.550	0.775	1.529	0.246

Source: Tax Collector.

**Apportionment of Tax Levy  
(Including School and County Purposes)**

<u>Year</u>	<u>Total</u>	<u>Municipal</u>	<u>County</u>	<u>Local School</u>
2019	\$ 34,411,200	\$ 9,738,569	\$ 3,212,261	\$ 21,460,370
2018	32,781,963	9,464,834	3,179,803	20,137,326
2017	32,105,293	9,485,053	3,182,181	19,438,059
2016	31,393,093	9,412,708	3,098,755	18,881,630
2015	30,678,891	9,377,644	2,953,932	18,347,315

Source: Tax Collector

## DEBT INFORMATION

### Debt Statements

The Borough must report all new authorizations of debt or changes in previously authorized debt to the Division of Local Government Services, Department of Community Affairs of the State of New Jersey (the "Division"). The Supplemental Debt Statement, as this report is known, must be submitted to the Division before final passage of any debt authorization. Before January 31 of each year the Borough must file an Annual Debt Statement with the Division. This report is made under oath and states the authorized, issued and unissued debt of the Borough as of the previous December 31. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowing.

### Debt Incurring Capacity As of December 31, 2019

Municipal	
Equalized Valuation Basis (last 3 years average)	\$ 1,311,629,250
3 1/2% Borrowing Margin	45,907,024
Net Debt Issued, Outstanding and Authorized	9,306,601
Remaining Municipal Borrowing Capacity	36,600,423
Local School	
4% Borrowing Margin	52,465,170
Debt Issued, Outstanding and Authorized	12,895,446
Remaining School Borrowing Capacity	39,569,724

### Gross and Statutory Net Debt as of December 31,

<u>Year</u>	<u>Gross Debt</u>	<u>Statutory Net Debt</u>	
	<u>Amount</u>	<u>Amount</u>	<u>Percentage</u>
2019	\$ 22,236,852	\$ 9,306,601	0.71%
2018	22,881,939	9,480,588	0.74%
2017	9,842,196	9,842,196	0.78%
2016	10,773,517	10,773,517	0.86%
2015	8,752,050	8,752,050	0.70%

Source: Borough of Emerson Audit Reports.

**Statement of Indebtedness  
As of December 31, 2019**

**GENERAL PURPOSES**

Bonds Issued and Outstanding	\$ 3,030,000	
Bond Anticipation Notes	5,918,315	
Loans	358,374	
Bonds and Notes Authorized But Not Issued	<u>34,717</u>	
		\$ 9,341,406

**SCHOOL PURPOSES**

Bonds Issued, Outstanding and Authorized		<u>12,895,446</u>
--	--	-------------------

TOTAL GROSS DEBT 22,236,852

**STATUTORY DEDUCTIONS**

Municipal Purpose	34,805	
School Purpose	<u>12,895,446</u>	
		<u>12,930,251</u>

TOTAL NET DEBT \$ 9,306,601

**OVERLAPPING DEBT**

County of Bergen (1)	\$ 10,478,836	
BCUA - Water Pollution Control (2)	<u>1,945,447</u>	
		<u>\$ 12,424,283</u>

**GROSS DEBT**

Per Capita (2019 - 7,596)		\$ 2,927
Percent of Net Valuation Taxable (2020 - \$1,207,272,805)		1.84%
Percent of Estimated True Value of Real Property (2020 - \$1,337,620,617)		1.66%

**NET MUNICIPAL DEBT**

Per Capita (2019 - 7,596)		\$ 1,225
Percent of Net Valuation Taxable (2020 - \$1,207,272,805)		0.77%
Percent of Estimated True Value of Real Property (2020 - \$1,337,620,617)		0.70%

**OVERALL DEBT (Gross and Overlapping Debt)**

Per Capita (2019 - 7,596)		\$ 4,563
Percent of Net Valuation Taxable (2020 - \$1,207,272,805)		2.87%
Percent of Estimated True Value of Real Property (2020 - \$1,337,620,617)		2.59%

Note (1) Overlapping debt was computed based upon the real property ratio of equalized valuations of the municipality to all municipalities within the County as provided in the 2019 Bergen County Abstract of Ratables published by the Bergen County Board of Taxation.  
 Note (2) Overlapping debt was computed based upon usage.

Source: Borough of Emerson 2019 Annual Audit and 2019 Annual Debt Statement..

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**APPENDIX B**  
**FINANCIAL STATEMENTS**  
**OF THE BOROUGH OF EMERSON**

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# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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

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

## 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, 2019 and 2018, and the related statements of operations and changes in fund balance - regulatory basis, the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the Current Fund for the years then ended, 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, 2019 and 2018, 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, 2019 and 2018. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 43 percent and 41 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2019 and 2018.

***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, 2019 and 2018, 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, 2019 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.

By/s/

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

Fair Lawn, New Jersey  
June 30, 2020

**BOROUGH OF EMERSON**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND**  
**AS OF DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash - Treasurer	\$ 4,862,063	\$ 4,392,095
Cash - Change Fund	360	360
Due From State of New Jersey - Seniors and Veterans	976	1,476
Grants Receivable	<u>260,319</u>	<u>629,242</u>
	<u>5,123,718</u>	<u>5,023,173</u>
Receivables and Other Assets With Full Reserves		
Delinquent Property Taxes	325,297	226,781
Tax Title Liens	173,942	161,566
Property Acquired for Taxes - Assessed Valuation	13,200	13,200
Revenue Accounts Receivable	4,298	5,673
Due from Animal Control Fund	<u>3,439</u>	<u>5,905</u>
	<u>520,176</u>	<u>413,125</u>
Total Assets	<u>\$ 5,643,894</u>	<u>\$ 5,436,298</u>

**BOROUGH OF EMERSON**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND**  
**AS OF DECEMBER 31, 2019 AND 2018**

LIABILITIES, RESERVES AND FUND BALANCE	<u>2019</u>	<u>2018</u>
Appropriation Reserves	\$ 588,104	\$ 696,434
Encumbrances Payable	345,478	458,383
Accounts Payable	10,335	233,248
Prepaid Taxes	165,344	177,706
Tax Overpayments	9,020	12,519
School Taxes Payable	540,000	540,000
County Taxes Payable	4,317	8,176
Prepaid Fees	5,000	1,750
Due to Other Trust Fund	3,863	
Reserve for Insurance Reimbursement	19,052	19,052
Reserve for Reassessment of Real Property	682	22,682
Reserve for Appropriated Grants	73,315	73,697
Reserve for Tax Appeals	84,258	54,258
Reserve for Tax Assessor Fees		180
Due to State of New Jersey - DCA Fees	<u>2,000</u>	<u>1,615</u>
	1,850,768	2,299,700
Reserve for Receivables and Other Assets	520,176	413,125
Fund Balance	<u>3,272,950</u>	<u>2,723,473</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 5,643,894</u>	<u>\$ 5,436,298</u>

**BOROUGH OF EMERSON**  
**COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -**  
**REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
REVENUES AND OTHER INCOME REALIZED		
Fund Balance Utilized	\$ 1,040,000	\$ 1,000,000
Miscellaneous Revenue Anticipated	1,838,220	2,061,181
Receipts from Delinquent Taxes	228,866	161,420
Receipts from Current Taxes	34,024,873	32,511,258
Nonbudget Revenue	507,319	159,662
Other Credits to Income		
Unexpended Balance of Appropriation Reserves	162,832	273,066
Cancellation of Accounts Payable	87,546	3,720
Cancellation of Tax Sale Lien Redemption		24,434
Statutory Excess - Animal Control Fund	3,439	5,905
Cancellation of Appropriated Grant Reserves	4,845	
Interfunds Liquidated	<u>2,466</u>	<u>5,431</u>
Total Revenues and Other Income	<u>37,900,406</u>	<u>36,206,077</u>
EXPENDITURES		
Budget and Emergency Appropriations		
Operations		
Salaries and Wages	4,689,634	4,613,514
Other Expenses	5,046,487	5,414,597
Capital Improvements	104,300	35,000
Municipal Debt Service	1,362,713	1,195,849
Deferred Charges and Statutory Expenditures	1,065,958	967,730
County Taxes	3,075,964	3,042,132
County Open Space Taxes	131,980	129,495
Due County for Added and Omitted Taxes	4,317	8,176
Local District School Taxes	20,782,100	19,719,808
Other Debits to Income		
Prior Year Senior Deductions Disallowed	2,085	1,396
Cancellation of Grants Receivable	41,528	24
Deficit Other Trust Fund - Escrow Deposits	<u>3,863</u>	<u>5,905</u>
Total Expenditures	<u>36,310,929</u>	<u>35,133,626</u>
Excess of Revenues and Other Income Over Expenditures	1,589,477	1,072,451
Fund Balance, January 1	<u>2,723,473</u>	<u>2,651,022</u>
	4,312,950	3,723,473
Decreased by:		
Utilization as Anticipated Revenue	<u>1,040,000</u>	<u>1,000,000</u>
Fund Balance, December 31	<u>\$ 3,272,950</u>	<u>\$ 2,723,473</u>

See Accompanying Notes to Financial Statements

**BOROUGH OF EMERSON**  
**COMPARATIVE STATEMENTS OF REVENUES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>		<u>2018</u>	
	<u>Budget After</u>	<u>Actual</u>	<u>Budget After</u>	<u>Actual</u>
	<u>Modification</u>		<u>Modification</u>	
Fund Balance Anticipated	<u>\$ 1,040,000</u>	<u>\$ 1,040,000</u>	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Miscellaneous Revenues				
Licenses				
Alcoholic Beverages	17,500	17,500	17,500	17,500
Other	15,000	21,346	16,000	15,446
Fees and Permits				
Other	25,000	25,143	15,000	27,827
Fines and Costs				
Municipal Court	85,000	74,363	106,000	86,925
Interest and Costs on Taxes	29,000	61,035	34,000	29,941
Interest on Investments and Deposits	32,000	101,619	25,144	32,465
Parking Meters	9,000	10,400	9,000	10,000
Energy Receipts Tax	619,905	619,905	619,905	619,905
Watershed Moratorium Offset Aid	18,189	18,189	18,189	18,189
Construction Code Official	144,000	228,110	185,000	144,800
Borough of Old Tappan Shared Service - Court	15,790	15,790	15,480	15,480
Borough of Westwood Shared Service - Vivian Ave	185,000	107,953		
Public and Private Programs				
Offset with Appropriations				
Municipal Alliance on Alcoholism and Drug Abuse	9,876	9,876	9,876	9,876
Recycling Tonnage Grant	12,129	12,129	8,963	8,963
Drunk Driving Enforcement Fund			2,780	2,780
Body Armor Replacement Grant	2,411	2,411		
CDBG - Senior Citizen Activities	5,623	1,563		
CDBG - Continental Woods Phase 2			100,000	100,000
CDBG - Drainage Improvements Pine Drive			40,000	39,817
Alcohol Education Rehab Grant	80	80	513	513
Clean Communities Grant	15,723	15,723	14,087	14,087
NJ DOT - Main Street/Linwood Ave (Section 5)			215,000	215,000
NJ DOT - Vivian Ave Drainage			145,000	145,000
County of Bergen's ADA Cooperative Curb Ramp Construction Program			66,000	66,000
Other Special Items				
Uniform Fire Safety Act	20,000	25,277	20,000	22,823
Sewer Service Fees	10,000	9,287	10,500	10,627
Cellular Tower Fees	195,000	218,722	190,000	219,408
Cable Television Franchise Fees	113,000	113,394	111,000	115,398
PILOT - Advancing Opportunities - 5 Pine Drive	5,700	5,700	6,000	5,700
PILOT - Veteran's Home	1,200	2,964	2,360	1,225
Anticipated General Capital Fund Surplus	78,355	78,355	40,000	40,000
Reserve for Revaluation Program	22,000	22,000		
Insurance Dividends	12,000	19,386	12,000	25,486
Total Miscellaneous Revenues	<u>1,698,481</u>	<u>1,838,220</u>	<u>2,055,297</u>	<u>2,061,181</u>
Receipts from Delinquent Taxes	<u>205,000</u>	<u>228,866</u>	<u>150,000</u>	<u>161,420</u>
Amount to be Raised by Taxes for Support of Municipal Budget -				
Local Tax for Municipal Purposes	9,251,178	9,268,954	8,950,089	9,118,095
Minimum Library Tax	437,288	437,288	430,034	430,034
	<u>9,688,466</u>	<u>9,706,242</u>	<u>9,380,123</u>	<u>9,548,129</u>
Total Budget Revenues	<u>\$ 12,631,947</u>	<u>\$ 12,813,328</u>	<u>\$ 12,585,420</u>	<u>\$ 12,770,730</u>

See Accompanying Notes to Financial Statements

**2019 STATEMENT OF EXPENDITURES**

**BOROUGH OF EMERSON**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<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>
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT FUNCTIONS					
General Administration					
Salaries and Wages	\$ 153,450	\$ 153,450	\$ 133,246	\$ 20,204	
Other Expenses	94,400	94,400	82,972	11,428	
Mayor and Council					
Salaries and Wages	21,600	21,600	21,600	-	
Other Expenses	3,850	3,850	3,381	469	
Municipal Clerk					
Salaries and Wages	114,870	114,870	113,833	1,037	
Other Expenses	34,450	34,450	32,427	2,023	
Financial Administration					
Salaries and Wages	123,500	123,500	122,440	1,060	
Other Expenses	28,222	28,222	19,954	8,268	
Audit Services	37,600	37,600		37,600	
Revenue Administration					
Salaries and Wages	33,500	33,500	32,440	1,060	
Other Expenses	5,187	5,187	4,709	478	
Tax Assessment Administration					
Salaries and Wages	23,420	23,420	23,420	-	
Other Expenses	13,495	9,495	8,804	691	
Legal Services					
Other Expenses	189,000	189,000	174,229	14,771	
Engineering Services					
Other Expenses	22,000	22,000	17,904	4,096	
LAND USE ADMINISTRATION					
Planning Board					
Salaries and Wages	6,500	4,200	3,000	1,200	
Other Expenses	21,400	12,400	10,389	2,011	
INSURANCE					
General Liability	201,894	201,894	194,319	7,575	
Workers Compensation	203,841	203,841	201,763	2,078	
Employee Group Health	761,200	758,700	702,547	56,153	
Health Benefit Waiver	14,590	17,090	16,467	623	
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, 2019**

	<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>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
PUBLIC SAFETY FUNCTIONS					
Police Department					
Salaries and Wages	\$ 2,601,800	\$ 2,583,800	\$ 2,542,260	\$ 41,540	
Other Expenses	149,900	149,900	145,339	4,561	
Police Dispatch/911					
Salaries and Wages	178,600	181,600	180,881	719	
Other Expenses	1,500	1,500		1,500	
Office of Emergency Management					
Salaries and Wages	2,550	2,550	2,500	50	
Other Expenses	11,600	11,600	5,794	5,806	
Aid to Volunteer Fire Companies					
Other Expenses	77,900	77,900	72,600	5,300	
Aid to Volunteer Ambulance Corps.					
Other Expenses	16,750	16,750	14,237	2,513	
Fire Department					
Salaries and Wages	17,850	17,850	17,850	-	
Other Expenses	131,000	128,000	122,703	5,297	
Uniform Fire Safety Act (P.L. 1983, Ch. 383)					
Salaries and Wages	15,650	15,650	15,644	6	
Other Expenses	3,675	3,675	3,493	182	
Municipal Prosecutor					
Other Expenses	12,000	12,000	11,947	53	
PUBLIC WORKS FUNCTIONS					
Streets and Road Maintenance					
Salaries and Wages	599,526	599,526	576,198	23,328	
Other Expenses	59,700	59,700	50,224	9,476	
Sewer Services					
Salaries and Wages	201,975	201,975	189,819	12,156	
Other Expenses	91,550	91,550	62,786	28,764	
Shade Tree - Advisory Committee					
Salaries and Wages	9,000	4,000	3,233	767	
Other Expenses	53,000	73,000	68,089	4,911	
Solid Waste Collection					
Garbage/Recycling - Other Expenses	580,032	580,032	579,433	599	
Buildings and Grounds					
Other Expenses	58,800	58,800	50,232	8,568	
Vehicle Maintenance					
Salaries and Wages	157,834	157,834	157,333	501	
Other Expenses	69,300	69,300	63,211	6,089	

**BOROUGH OF EMERSON**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<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>
OPERATIONS - WITHIN "CAPS" (Continued)					
HEALTH AND HUMAN SERVICES					
FUNCTIONS					
Public Health Services					
Salaries and Wages	\$ 47,285	\$ 42,785	\$ 36,382	\$ 6,403	
Other Expenses	61,695	61,695	59,913	1,782	
Environmental Health Services					
Salaries and Wages	2,250	2,250	1,200	1,050	
Other Expenses	1,055	1,055	116	939	
Animal Control Services					
Other Expenses	10,500	10,500	8,860	1,640	
PARKS AND RECREATION FUNCTIONS					
Recreation Services and Programs					
Salaries and Wages	21,720	21,720	21,319	401	
Other Expenses	53,245	53,245	48,488	4,757	
Municipal Court					
Salaries and Wages	70,735	70,735	67,355	3,380	
Other Expenses	8,925	8,925	8,335	590	
Public Defender					
Salaries and Wages	3,050	3,050	3,047	3	
OTHER COMMON OPERATING FUNCTIONS					
Historic Preservation					
Other Expenses	500	500	78	422	
Celebration of Public Events					
Other Expenses	1,000	1,000	125	875	
Reserve for Accumulated Absences					
Salaries and Wages	35,000	35,000	35,000	-	
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY DEDICATED					
REVENUES (N.J.A.C. 5:23-4-17)					
STATE UNIFORM CONSTRUCTION CODE					
UNIFORM CONSTRUCTION CODE					
ADMINISTRATION					
Salaries and Wages	175,500	175,000	168,429	6,571	
Other Expenses	7,800	26,600	24,733	1,867	

**BOROUGH OF EMERSON**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<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>
OPERATIONS - WITHIN "CAPS" (Continued)					
UTILITY EXPENSES AND BULK					
PURCHASES					
Electricity	\$ 77,000	\$ 77,000	\$ 61,737	\$ 15,263	
Street Lighting	87,000	87,000	71,977	15,023	
Telephone	26,400	26,400	26,299	101	
Water	13,100	16,100	13,609	2,491	
Gas (Natural or Propane)	24,000	24,000	12,603	11,397	
Gasoline	70,000	5,500	-	5,500	
LANDFILL/SOLID WASTE DISPOSAL					
COSTS					
Dump Fees					
Other Expenses	<u>121,500</u>	<u>121,500</u>	<u>116,428</u>	<u>5,072</u>	-
Total Operations Within "CAPS"	<u>8,143,721</u>	<u>8,077,721</u>	<u>7,656,683</u>	<u>421,038</u>	-
Detail:					
Salaries and Wages	4,617,165	4,589,865	4,468,429	121,436	-
Other Expenses	<u>3,526,556</u>	<u>3,487,856</u>	<u>3,188,254</u>	<u>299,602</u>	-
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"					
Regulatory Expenditures					
Public Employees' Retirement System	245,522	245,522	239,281	6,241	
Social Security System (O.A.S.I.)	189,150	203,650	202,360	1,290	
Police and Firemen's Retirement System of N.J.	615,586	615,586	615,586	-	
Defined Contribution Retirement Program	<u>1,200</u>	<u>1,200</u>	<u>1,200</u>	-	-
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	<u>1,051,458</u>	<u>1,065,958</u>	<u>1,058,427</u>	<u>7,531</u>	-
Total General Appropriations for Municipal Purposes - Within "CAPS"	<u>9,195,179</u>	<u>9,143,679</u>	<u>8,715,110</u>	<u>428,569</u>	-

**BOROUGH OF EMERSON  
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Reserved</u>	<u>Balance</u> <u>Cancelled</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
EDUCATION FUNCTIONS					
Municipal Library					
Other Expenses	\$ 437,288	\$ 437,288	\$ 437,288		
UTILITY EXPENSES AND BULK PURCHASES					
Sewerage Processing and Disposal					
Operation and Maintenance Expenses	579,433	579,433	579,433		
Debt Expenses	192,702	192,702	192,700		\$ 2
Northwest Bergen Utilities Authority					
Other Expenses	7,000	7,000	4,600		2,400
Reserve for Tax Appeals					
Other Expenses	30,000	30,000	30,000		
Length of Service Awards Program	50,000	50,000		\$ 50,000	
Recycling Tax P.L. 2007, c.311(N.J.S.A. 13:1E-96.5)	10,500	10,500	7,841	2,659	
NJPDES/Stormwater Permit Management [ N.J.S.A.40A:4-45.39(cc)]					
Salaries and Wages	87,733	87,733	75,263	12,470	
Other Expenses	22,574	22,574	20,574	-	2,000
Borough of Westwood - Vivian Ave	185,000	185,000	118,184	66,816	
Borough of Old Tappan - Court					
Salaries and Wages	12,036	12,036	12,036	-	
Other Expenses	<u>3,754</u>	<u>3,754</u>	<u>-</u>	<u>3,754</u>	<u>-</u>
Total Other Operations Excluded from "CAPS"	<u>1,618,020</u>	<u>1,618,020</u>	<u>1,477,919</u>	<u>135,699</u>	<u>4,402</u>
Public and Private Programs Offset by Revenues					
Municipal Alliance					
State Share		9,876	1,407	8,469	
Local Share		2,469		2,469	
Alcohol Education Rehab Enforcement		80		80	
Matching Funds for Grants	3,000	531		531	
Body Armor Replacement Grant	2,411	2,411	1,760	651	
Clean Communities		15,723	4,401	11,322	
CDBG - Senior Citizen Activities	5,623	5,623	1,563	-	4,060
Recycling Tonnage Grant	<u>12,129</u>	<u>12,129</u>	<u>11,815</u>	<u>314</u>	<u>-</u>
Total Public and Private Programs Offset by Revenues	<u>23,163</u>	<u>48,842</u>	<u>20,946</u>	<u>23,836</u>	<u>4,060</u>
Total Operations Excluded from "CAPS"	<u>1,641,183</u>	<u>1,666,862</u>	<u>1,498,865</u>	<u>159,535</u>	<u>8,462</u>
Detail:					
Salaries and Wages	99,769	99,769	87,299	12,470	-
Other Expenses	<u>1,541,414</u>	<u>1,567,093</u>	<u>1,411,566</u>	<u>147,065</u>	<u>8,462</u>

**BOROUGH OF EMERSON**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<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>
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"				
Capital Improvement Fund	\$ 52,800	\$ 104,300	\$ 104,300	-
			-	-
Total Capital Improvements Excluded from "CAPS"	<u>52,800</u>	<u>104,300</u>	<u>104,300</u>	<u>-</u>
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"				
Payment of Bond Principal	755,000	755,000	755,000	
Bond Anticipation Note Principal	176,834	176,834	176,834	
Interest on Bonds	103,823	103,823	103,823	
Interest on Notes	140,630	140,630	140,238	\$ 392
Green Trust Loans - Principal and Interest	<u>186,819</u>	<u>186,819</u>	<u>186,818</u>	<u>-</u>
				<u>1</u>
Total Municipal Debt Service Excluded from "CAPS"	<u>1,363,106</u>	<u>1,363,106</u>	<u>1,362,713</u>	<u>-</u>
				<u>393</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>3,057,089</u>	<u>3,134,268</u>	<u>2,965,878</u>	<u>\$ 159,535</u>
			<u>\$ 159,535</u>	<u>8,855</u>
Subtotal General Appropriations	12,252,268	12,277,947	11,680,988	588,104
Reserve for Uncollected Taxes	<u>354,000</u>	<u>354,000</u>	<u>354,000</u>	<u>-</u>
				<u>-</u>
Total General Appropriations	<u>\$ 12,606,268</u>	<u>\$ 12,631,947</u>	<u>\$ 12,034,988</u>	<u>\$ 588,104</u>
			<u>\$ 588,104</u>	<u>\$ 8,855</u>
Budget as Adopted		\$ 12,606,268		
Added by N.J.S.A. 40A:4-87		<u>25,679</u>		
		<u>\$ 12,631,947</u>		

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**2018 STATEMENT OF EXPENDITURES**

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

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



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

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

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

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

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

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

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

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

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

	<u>Appropriated</u>	<u>Expended</u>	<u>Unexpended</u>		
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Balance</u>	
		<u>Modification</u>	<u>Charged</u>	<u>Reserved</u>	
				<u>Cancelled</u>	
<b>CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"</b>					
Capital Improvement Fund	\$ 35,000	\$ 35,000	\$ 35,000	-	-
Total Capital Improvements Excluded from "CAPS"	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>	-	-
<b>MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"</b>					
Payment of Bond Principal	728,000	728,000	728,000		
Bond Anticipatio Note Principal	103,026	103,026	103,026		
Interest on Bonds	126,753	126,753	126,750		3
Interest on Notes	51,399	51,399	51,255		144
Green Trust Loans - Principal and Interest	<u>186,818</u>	<u>186,818</u>	<u>186,818</u>	-	-
Total Municipal Debt Service Excluded from "CAPS"	<u>1,195,996</u>	<u>1,195,996</u>	<u>1,195,849</u>	-	147
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>2,748,276</u>	<u>3,198,752</u>	<u>2,851,921</u>	\$ 342,101	4,730
Subtotal General Appropriations	11,780,944	12,231,420	11,530,256	696,434	4,730
Reserve for Uncollected Taxes	<u>354,000</u>	<u>354,000</u>	<u>354,000</u>	-	-
Total General Appropriations	<u>\$ 12,134,944</u>	<u>\$ 12,585,420</u>	<u>\$ 11,884,256</u>	<u>\$ 696,434</u>	<u>\$ 4,730</u>
Budget as Adopted		\$ 12,134,944			
Added by N.J.S.A. 40A:4-87		<u>450,476</u>			
		<u>\$ 12,585,420</u>			

**BOROUGH OF EMERSON**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS**  
**AS OF DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>ANIMAL CONTROL TRUST FUND</b>		
Cash	\$ <u>12,419</u>	\$ <u>15,366</u>
<b>OTHER TRUST FUND</b>		
Cash	952,527	858,498
Other Accounts Receivable	217	2,472
Due from Current Fund	<u>3,863</u>	<u>-</u>
	<u>956,607</u>	<u>860,970</u>
<b>HOUSING TRUST FUND</b>		
Cash	<u>325,051</u>	<u>288,526</u>
<b>UNEMPLOYMENT INSURANCE TRUST FUND</b>		
Cash	<u>79,860</u>	<u>67,185</u>
<b>LENGTH OF SERVICE AWARDS PROGRAM (LOSAP) TRUST FUND (UNAUDITED)</b>		
Investments	982,031	804,713
Due from Other Trust Fund	-	28,405
Contribution Receivable	<u>37,700</u>	<u>39,000</u>
	<u>1,019,731</u>	<u>872,118</u>
<b>Total Assets</b>	<u>\$ 2,393,668</u>	<u>\$ 2,104,165</u>

**BOROUGH OF EMERSON**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS**  
**AS OF DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>		
<b>ANIMAL CONTROL TRUST FUND</b>		
Due to Current Fund	\$ 3,439	\$ 5,905
Reserve for Animal Control Expenditures	<u>8,980</u>	<u>9,461</u>
	<u>12,419</u>	<u>15,366</u>
<b>OTHER TRUST FUND</b>		
Due to LOSAP Trust Fund		28,405
Due to General Capital Fund	60,000	
Due to Emerson Public Library	41	41
Reserve for Payroll Deductions Payable	7,611	7,611
Reserve for Flexible Spending	118	133
Reserve for Accumulated Absences	94,374	59,374
Reserve for Escrow and Miscellaneous Reserves	<u>794,463</u>	<u>765,406</u>
	<u>956,607</u>	<u>860,970</u>
<b>HOUSING TRUST FUND</b>		
Reserve for Housing Trust Expenditures	<u>325,051</u>	<u>288,526</u>
<b>UNEMPLOYMENT INSURANCE TRUST FUND</b>		
Reserve for Unemployment Insurance Trust Claims	<u>79,860</u>	<u>67,185</u>
<b>LENGTH OF SERVICE AWARDS PROGRAM (LOSAP) TRUST FUND (UNAUDITED)</b>		
Reserve for LOSAP Contributions	<u>1,019,731</u>	<u>872,118</u>
 Total Liabilities, Reserves and Fund Balance	 <u>\$ 2,393,668</u>	 <u>\$ 2,104,165</u>

**BOROUGH OF EMERSON**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**GENERAL CAPITAL FUND**  
**AS OF DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash	\$ 1,327,201	\$ 727,279
Grants Receivable	65,375	39,618
Due from Other Trust Fund	60,000	
Deferred Charges to Future Taxation		
Funded	3,388,374	4,320,365
Unfunded	<u>5,918,227</u>	<u>5,160,223</u>
 Total Assets	 <u>\$ 10,759,177</u>	 <u>\$ 10,247,485</u>
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>		
General Serial Bonds Payable	\$ 3,030,000	\$ 3,785,000
Intergovernmental Loans Payable	358,374	535,365
Bond Anticipated Notes Payable	5,918,315	5,113,779
Improvement Authorizations		
Funded	18,334	6,835
Unfunded	987,533	415,321
Contracts Payable	350,177	270,014
Capital Improvement Fund	82,808	32,083
Miscellaneous Reserves	500	500
Reserve for Capital Projects	8,750	8,750
Fund Balance	<u>4,386</u>	<u>79,838</u>
 Total Liabilities, Reserves and Fund Balance	 <u>\$ 10,759,177</u>	 <u>\$ 10,247,485</u>

There were bonds and notes authorized but not issued on December 31, 2019 and 2018 in the amount of \$34,717 and \$79,349, respectively.



**BOROUGH OF EMERSON**  
**COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS**  
**GENERAL CAPITAL FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Balance, January 1	\$ 79,838	\$ 62,383
Increased by:		
Premium on Sale of Notes		38,355
Canceled Improvement Authorizations	<u>2,903</u>	<u>19,100</u>
	82,741	119,838
Decreased by:		
Due to Current Fund as Anticipated Revenue	<u>78,355</u>	<u>40,000</u>
Balance, December 31	<u>\$ 4,386</u>	<u>\$ 79,838</u>



**NOTES TO FINANCIAL STATEMENTS**

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

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

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

**B. Description of Regulatory Basis of Accounting**

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

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

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation – Financial Statements**

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

The Borough has the following funds and account group:

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

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

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

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

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

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

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

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

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

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

**Reclassifications** - Certain reclassifications may have been made to the December 31, 2018 balances to conform to the December 31, 2019 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.

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting**

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

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

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

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

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

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting (Continued)**

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

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

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

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

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

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

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

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

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

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting (Continued)**

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

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

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

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

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

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

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

Land and Buildings	Assessed Value
Machinery and Equipment	Replacement Cost

No depreciation has been provided for in the financial statements.

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

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



**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting (Continued)**

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

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

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

Trust Funds  
General Capital Fund

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2019 and 2018 the Borough Council increased the original budget by \$25,679 and \$450,476, respectively. The 2019 and 2018 increases were funded by additional aid allotted to the Borough. In addition, the governing body approved several budget transfers during 2019 and 2018.

**NOTE 3 CASH DEPOSITS AND INVESTMENTS**

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

**A. Cash Deposits**

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

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)**

**A. Cash Deposits (Continued)**

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2019 and 2018, the book value of the Borough's deposits were \$7,559,481 and \$6,349,309 and bank and brokerage firm balances of the Borough's deposits amounted to \$7,596,255 and \$6,462,146, 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>2019</u>	<u>2018</u>
Insured	\$ 7,516,304	\$ 6,383,948
Uninsured and Collateralized	<u>79,951</u>	<u>78,198</u>
	<u>\$ 7,596,255</u>	<u>\$ 6,462,146</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2019 and 2018, the Borough's bank balances of \$79,951 and \$78,198 were exposed to custodial credit risk as follows:

<u>Depository Account</u>	<u>2019</u>	<u>2018</u>
Uninsured and Collateral held by pledging financial institution's trust department not in the Borough's name	<u>\$ 79,951</u>	<u>\$ 78,198</u>

**B. Investments**

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

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)**

**B. Investments (Continued)**

As of December 31, 2019 and 2018, the Borough had the following investments:

	Fair Value (Unaudited)	
	<u>2019</u>	<u>2018</u>
Investment:		
Length of Service Awards Program	\$ 982,031	\$ 804,713

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, 2019 and 2018, \$982,031 and \$804,713 of the Borough’s investments was exposed to custodial credit risk as follows:

	Fair Value (LOSAP - Unaudited)	
	<u>2019</u>	<u>2018</u>
Uninsured and Collateralized		
Collateral held by pledging financial institution's trust department but not in the Borough's name	\$ 982,031	\$ 804,713

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

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1 and NJAC 5:30-14.19). The Borough does not have an investment policy that would further limit its investment choices. As of December 31, 2019 and 2018, the Borough’s investment in Lincoln Financial Group was rated Baa1 by Moody’s.

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 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, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
<u>Current</u>		
Property Taxes	\$ 325,297	\$ 226,781
Tax Title Liens	<u>173,942</u>	<u>161,566</u>
	<u>\$ 499,239</u>	<u>\$ 388,347</u>

In 2019 and 2018, the Borough collected \$228,866 and \$161,420 from delinquent taxes, which represented 59% and 53%, respectively of the prior year delinquent taxes receivable balance.

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**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>2019</u>		<u>2018</u>	
	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>
Current Fund	\$ 3,439	\$ 3,863	\$ 5,905	
Animal Control Trust Fund		3,439		\$ 5,905
Other Trust Fund	3,863	60,000		28,405
LOSAP Trust Fund			28,405	-
General Capital Fund	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total	 <u>\$ 67,302</u>	 <u>\$ 67,302</u>	 <u>\$ 34,310</u>	 <u>\$ 34,310</u>

The above balances are the result of 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 SCHOOL TAXES**

Under the regulatory basis of accounting, regulations allow for the deferral to fund balance of not more than 50% of the annual school levy when school taxes are raised in advance for a school year and have not been requisitioned by the school district as of December 31. The balance of unpaid school taxes levied, amount deferred and the amount reported as a liability (payable) at December 31, 2019 and 2018 are as follows:

	<u>Local District School</u>	
	<u>2019</u>	<u>2018</u>
Balance of Tax	\$ 10,875,791	\$ 10,197,521
Deferred Liability	<u>10,335,791</u>	<u>9,657,521</u>
 Taxes Payable	 <u>\$ 540,000</u>	 <u>\$ 540,000</u>

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 7 FUND BALANCES APPROPRIATED**

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

	<u>2019</u>		<u>2018</u>	
	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>
Current Fund				
Cash Surplus	\$ 3,011,655	\$ 1,495,000	\$ 2,092,755	\$ 1,040,000
Non-Cash Surplus	<u>261,295</u>	<u>-</u>	<u>630,718</u>	<u>-</u>
	<u>\$ 3,272,950</u>	<u>\$ 1,495,000</u>	<u>\$ 2,723,473</u>	<u>\$ 1,040,000</u>

**NOTE 8 FIXED ASSETS**

**A. General Fixed Assets**

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2019 and 2018.

	Balance January 1, <u>2019</u>			<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2019</u>	
<b><u>2019</u></b>							
Land	\$	12,652,320				\$	12,652,320
Buildings and Building Improvements		2,349,064	\$	14,500			2,363,564
Machinery and Equipment		<u>6,220,252</u>		<u>107,462</u>	\$	<u>30,000</u>	<u>6,297,714</u>
	\$	<u>21,221,636</u>	\$	<u>121,962</u>	\$	<u>30,000</u>	<u>\$ 21,313,598</u>
	Balance January 1, <u>2018</u>			<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2018</u>	
<b><u>2018</u></b>							
Land	\$	12,676,320			\$	24,000	\$ 12,652,320
Buildings and Building Improvements		2,349,064					2,349,064
Machinery and Equipment		<u>6,105,445</u>	\$	<u>212,507</u>		<u>97,700</u>	<u>6,220,252</u>
	\$	<u>21,130,829</u>	\$	<u>212,507</u>	\$	<u>121,700</u>	<u>\$ 21,221,636</u>

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 9 MUNICIPAL DEBT**

The Local Bond Law (N.J.S.A. 40A:2 et.seq.) governs the issuance of bonds and notes used to finance capital expenditures. General obligation bonds have been issued for both general capital fund projects or other purposes permitted by the Local Bond Law. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond anticipation notes, which are issued to temporarily finance capital projects, must be paid off within ten years and four months or retired by the issuance of bonds.

The Borough's debt is summarized as follows:

	<u>2019</u>	<u>2018</u>
Issued		
General		
Bonds, Notes and Loans	\$ 9,306,689	\$ 9,434,144
Less Funds Temporarily Held to Pay Notes	<u>34,805</u>	<u>32,905</u>
Net Debt Issued	9,271,884	9,401,239
Authorized But Not Issued		
General		
Bonds and Notes	<u>34,717</u>	<u>79,349</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 9,306,601</u>	<u>\$ 9,480,588</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 .710% and .736% at December 31, 2019 and 2018, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2019</u></b>			
General Debt	\$ 9,341,406	\$ 34,805	\$ 9,306,601
School Debt	<u>12,895,446</u>	<u>12,895,446</u>	<u>-</u>
Total	<u>\$ 22,236,852</u>	<u>\$ 12,930,251</u>	<u>\$ 9,306,601</u>
	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2018</u></b>			
General Debt	\$ 9,513,493	\$ 32,905	\$ 9,480,588
School Debt	<u>13,368,446</u>	<u>13,368,446</u>	<u>-</u>
Total	<u>\$ 22,881,939</u>	<u>\$ 13,401,351</u>	<u>\$ 9,480,588</u>

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**Statutory Borrowing Power**

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

	<u>2019</u>	<u>2018</u>
3-1/2% of Equalized Valuation Basis (Municipal) Net Debt	\$ 45,907,024 <u>9,306,601</u>	\$ 45,083,787 <u>9,480,588</u>
Remaining Borrowing Power	<u>\$ 36,600,423</u>	<u>\$ 35,603,199</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>2019</u>	<u>2018</u>
\$2,030,000, 2007 Bonds		\$ 210,000
\$1,697,000, 2010 Bonds, due in an annual installment of \$517,000 through October, 2020 interest at 3.00%	\$ 517,000	862,000
\$3,698,000, 2013 Bonds, due in an annual installments of \$200,000 to \$390,000 through December, 2026 interest at 2.00% to 3.00%	<u>2,513,000</u>	<u>2,713,000</u>
	<u>\$ 3,030,000</u>	<u>\$ 3,785,000</u>

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**A. Long-Term Debt (Continued)**

**General Intergovernmental Loans Payable**

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

	<u>2019</u>	<u>2018</u>
\$2,800,000, 2001 Loan, due in annual installments of \$168,156 to \$171,536 through September, 2021, interest at 2.00%	\$ 339,692	\$ 504,534
\$200,000, 2001 Loan, due in annual installments of \$6,290 to \$12,392 through March, 2021, interest at 2.00%	<u>18,682</u>	<u>30,831</u>
	<u>\$ 358,374</u>	<u>\$ 535,365</u>

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2019 is as follows:

Calendar <u>Year</u>	<u>Serial Bonds</u>		<u>Loans</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2020	\$ 717,000	\$ 81,725	\$ 180,548	\$ 6,269	\$ 985,542
2021	380,000	62,215	177,826	2,640	622,681
2022	385,000	54,140			439,140
2023	385,000	44,515	-	-	429,515
2024	385,000	34,890	-	-	419,890
2025-2026	<u>778,000</u>	<u>34,980</u>	<u>-</u>	<u>-</u>	<u>812,980</u>
	<u>\$ 3,030,000</u>	<u>\$ 312,465</u>	<u>\$ 358,374</u>	<u>\$ 8,909</u>	<u>\$ 3,709,748</u>



**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**A. Long-Term Debt (Continued)**

**Changes in Long-Term Municipal Debt**

The Borough's long-term capital debt activity for the years ended December 31, 2019 and 2018 were as follows:

	Balance, January 1, <u>2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2019</u>	Due Within <u>One Year</u>
<b><u>2019</u></b>					
General Capital Fund					
Bonds Payable	\$ 3,785,000		\$ 755,000	\$ 3,030,000	\$ 717,000
Intergovernmental Loans Payable	<u>535,365</u>	<u>-</u>	<u>176,991</u>	<u>358,374</u>	<u>180,548</u>
General Capital Fund Long-Term Liabilities	<u>\$ 4,320,365</u>	<u>\$ -</u>	<u>\$ 931,991</u>	<u>\$ 3,388,374</u>	<u>\$ 897,548</u>
	Balance, January 1, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>	Due Within <u>One Year</u>
<b><u>2018</u></b>					
General Capital Fund					
Bonds Payable	\$ 4,513,000		\$ 728,000	\$ 3,785,000	\$ 755,000
Intergovernmental Loans Payable	<u>708,868</u>	<u>-</u>	<u>173,503</u>	<u>535,365</u>	<u>176,991</u>
General Capital Fund Long-Term Liabilities	<u>\$ 5,221,868</u>	<u>\$ -</u>	<u>\$ 901,503</u>	<u>\$ 4,320,365</u>	<u>\$ 931,991</u>

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**B. Short-Term Debt**

The Borough's short-term debt activity for the years ended December 31, 2019 and 2018 was as follows:

**Bond Anticipation Notes**

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, January 1, 2019</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2019</u>
<b><u>2019</u></b>						
<b><u>General Capital Fund</u></b>						
Various Public Improvements	2.75%	8/23/2019	\$ 270,000		\$ 270,000	
	1.25%	8/21/2020		\$ 255,000		\$ 255,000
Various Public Improvements and Acquisition of Equipment	2.75%	8/23/2019	195,849		195,849	
	1.25%	8/21/2020		181,233		181,233
Various Public Improvements and Acquisition of Equipment and Vehicles	2.75%	8/23/2019	3,505,730		3,505,730	
	1.25%	8/21/2020		3,353,141		3,353,141
Various Improvements to Hillman Field	2.75%	8/23/2019	18,500		18,500	
	1.25%	8/21/2020		17,862		17,862
Acquisition of Real Property for Municipal Purposes	2.75%	8/23/2019	814,200		814,200	
	1.25%	8/21/2020		800,399		800,399
2016 Road Resurfacing Program	2.75%	8/23/2019	309,500		309,500	
	1.25%	8/21/2020		293,210		293,210
Storm Drainage Improvements at Dogwood Lane	1.25%	8/21/2020		83,000		83,000
Various Public Improvements, Reconditioning of a Fire Engine and Acquisition of Equipment and Vehicles	1.25%	8/21/2020	-	934,470	-	934,470
Total Bond Anticipation Notes Payable			<u>\$ 5,113,779</u>	<u>\$ 5,918,315</u>	<u>\$ 5,113,779</u>	<u>\$ 5,918,315</u>

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**B. Short-Term Debt (Continued)**

**Bond Anticipation Notes (Continued)**

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

The purpose of these short-term borrowings was to provide resources for capital construction, acquisitions or improvement projects and other purposes permitted by the 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, 2019 AND 2018**

**NOTE 10 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

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

<u>2019</u>	<u>Capital Projects</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
	NJDOT Vivian Avenue Drainage Improvement	\$ 10,231	2020
	Fire House Flooring	22,735	2020
<u>2018</u>			
	2018 Road Paving Program	\$ 37,666	2019
	ADA Curb Ramp Improvements	60,000	2019
	Main Street and Linwood Avenue (Sections 4 & 5)	297,454	2019
<u>2019</u>	<u>Purpose</u>		<u>Remaining Commitment</u>
	Acquisition of Police Interceptor		\$ 39,097
	Acquisition of SCBA Gear		77,000
<u>2018</u>			
	Acquisition of Body for New Hook Lift		\$ 64,269
	Acquisition of SUV for the Fire Department		40,691

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 11 OTHER LONG-TERM LIABILITIES**

**A. Compensated Absences**

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

Members of the Police Department hired before January 1, 2013 after serving the required number of years and reaching the prescribed retirement age as set forth by the Police and Firemen’s Retirement System (PFRS) of the State of New Jersey are entitled to twenty-seven (27) weeks terminal leave with pay. Members of the Police Department hired on or after January 1, 2013 upon eligibility for retirement according to the New Jersey Police and PFRS guidelines who have less than twenty-six (26) years of service shall be entitled to twenty-six (26) weeks of terminal leave with pay. Members with twenty-six (26) completed years of service, but less than thirty (30) completed years of service shall be entitled to thirteen (13) weeks of terminal leave with pay. Members with thirty (30) or more completed years of service shall not be entitled to terminal leave. All employees hired after January 1, 2017 shall be entitled to thirteen (13) weeks terminal leave. At December 31, 2019 no members of the Police Department have reached the required retirement age as set forth by the PFRS.

As of December 31, 2019 and 2018, the Borough has reserved in the Other Trust Fund \$94,374 and \$59,374, respectively to fund compensated absences in accordance with NJSA 40A:4-39.

**B. Deferred Pension Obligation**

During the year ended December 31, 2009 the Borough elected to contribute 50% of its normal and accrued liability components of the PFRS and PERS obligations and deferred the remaining 50% in accordance with P.L. 2009, c.19. The deferred amount totaled \$276,426 and will be paid back with interest over 15 years beginning in the 2012 year. The Borough is permitted to payoff the deferred PFRS and PERS pension obligations at any time. It is estimated that the total deferred liability including accrued interest (7.00% effective July 1, 2017 and 7.65% effective July 1, 2016 through June 30, 2017) at December 31, 2019 and 2018 is \$168,793 and \$199,904, respectively.

During the years ended December 31, 2019, 2018 and 2017 the Borough was required to contribute for the deferred pension obligation the following amounts which equaled the required contribution for each year.

<u>Years Ended</u> <u>December 31,</u>	<u>PERS</u>	<u>PFRS</u>
2019	\$ 8,947	\$ 33,907
2018	8,897	33,755
2017	8,786	33,416

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 11 OTHER LONG-TERM LIABILITIES (Continued)**

**Changes in Other Long-Term Liabilities**

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

The Borough's changes in other long-term liabilities for the years ended December 31, 2019 and 2018 were as follows:

	Balance, January 1, <u>2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2019</u>	Due Within <u>One Year</u>
<b><u>2019</u></b>					
Deferred Pension Obligation	\$ 199,904	\$ 11,743	\$ 42,854	\$ 168,793	\$ 43,097
Net OPEB Liability	4,992,168		1,237,197	3,754,971	
Net Pension Liability - PERS	4,665,394	170,306	248,357	4,587,343	
Net Pension Liability - PFRS	<u>8,051,038</u>	<u>287,083</u>	<u>635,754</u>	<u>7,702,367</u>	<u>-</u>
Other Long-Term Liabilities	<u>\$ 17,908,504</u>	<u>\$ 469,132</u>	<u>\$ 2,164,162</u>	<u>\$ 16,213,474</u>	<u>\$ 43,097</u>

	Balance, January 1, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	Balance, December 31, <u>2018</u> (Restated)	Due Within <u>One Year</u>
<b><u>2018</u></b>						
Compensated Absences	\$ 146,098		\$ 146,098			
Deferred Pension Obligation	230,189	\$ 12,367	42,652		\$ 199,904	\$ 42,854
Net OPEB Liability	6,421,582			\$ (1,429,414)	4,992,168	
Net Pension Liability - PERS	4,620,510	280,571	235,687		4,665,394	
Net Pension Liability - PFRS	<u>9,645,922</u>	<u>-</u>	<u>1,594,884</u>	<u>-</u>	<u>8,051,038</u>	<u>-</u>
Other Long-Term Liabilities	<u>\$ 21,064,301</u>	<u>\$ 292,938</u>	<u>\$ 2,019,321</u>	<u>\$ (1,429,414)</u>	<u>\$ 17,908,504</u>	<u>\$ 42,854</u>

Restatement – The Net OPEB Liability has been restated to reflect an updated liability as provided by the State of New Jersey. Information for 2018 was not available from the State at December 31, 2018. The effect of this restatement is a decrease of \$1,429,414 in the Net OPEB Liability.

**BOROUGH OF EMERSON  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS**

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

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

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

The following represents the membership tiers for PFRS:

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

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

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

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

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Public Employees’ Retirement System (PERS) (Continued)**

The following represents the membership tiers for PERS:

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

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

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

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

**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 PERS 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.



**BOROUGH OF EMERSON**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Other Pension Funds (Continued)**

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of 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](http://www.state.nj.us/treasury/pensions).

**Measurement Focus and Basis of Accounting**

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

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

**Investment Valuation**

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

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

**Collective Net Pension Liability**

The collective net pension liability of the participating employers for local PERS at June 30, 2019 and 2018 is \$18.1 billion and \$19.7 billion, respectively, and the plan fiduciary net position as a percentage of the total pension liability is 56.27% and 53.60% respectively. The collective net pension liability of the participating employers for local PFRS at June 30, 2019 and 2018 is \$14.2 billion and \$15.4 billion, respectively and the plan fiduciary net position as a percentage of total pension liability is 65.00% and 62.48%, respectively.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2018 and 2017 which were rolled forward to June 30, 2019 and 2018, respectively.

**Actuarial Methods and Assumptions**

In the July 1, 2018 and 2017 PERS and PFRS actuarial valuations, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The pension systems selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 68. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 12 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 for 2019 and 2018 based on 10.0% for PFRS, 7.50% (effective July 1, 2018) and 7.34% (effective July 1, 2017) for PERS and 5.50% for DCRP of employee’s annual compensation.

For the years ended December 31, 2019 and 2018 for PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, employers’ contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution. All contributions made by the Borough for 2019, 2018 and 2017 were equal to the required contributions.

During the years ended December 31, 2019, 2018 and 2017, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2019	\$ 581,679	\$ 235,687	\$ -
2018	552,972	183,879	2,009
2017	536,567	203,163	1,129

In addition for the years ended December 31, 2019, 2018 and 2017 the Borough contributed for long-term disability insurance premiums (LTDI) \$888, \$617 and \$321, respectively for PERS.

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

The regulatory basis of accounting requires participating employers in PERS and PFRS to disclose in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, (GASB No.68) their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS and PFRS during the fiscal years ended June 30, 2019 and 2018. Employer allocation percentages have been rounded for presentation purposes.

**Public Employees Retirement System (PERS)**

At December 31, 2019 and 2018, the Borough reported a liability of \$4,587,343 and \$4,665,394, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 and 2017, respectively. The Borough’s proportionate share of the net pension liability was based on the ratio of the Borough’s contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. As of the measurement date of June 30, 2019, the Borough’s proportionate share was .02546 percent, which was an increase of .00177 percent from its proportionate share measured as of June 30, 2018 of .02369 percent.

**BOROUGH OF EMERSON  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Public Employees Retirement System (PERS) (Continued)**

For the years ended December 31, 2019 and 2018, the pension system has determined the Borough's pension expense to be \$241,998 and \$218,114, respectively, for PERS based on the actuarial valuations which are more than the actual contributions reported in the Borough's financial statements of \$235,687 and \$183,879, respectively. At December 31, 2019 and 2018, 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:

	2019		2018	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 82,337	\$ 20,265	\$ 88,970	\$ 24,056
Changes of Assumptions	458,063	1,592,252	768,780	1,491,745
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		72,413		43,762
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>882,209</u>	<u>390,313</u>	<u>713,356</u>	<u>592,530</u>
Total	<u>\$ 1,422,609</u>	<u>\$ 2,075,243</u>	<u>\$ 1,571,106</u>	<u>\$ 2,152,093</u>

At December 31, 2019 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>
2020	\$ (107,051)
2021	(331,824)
2022	(197,351)
2023	(11,422)
2024	(4,986)
Thereafter	<u>-</u>
	<u>\$ (652,634)</u>

**BOROUGH OF EMERSON  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Public Employees Retirement System (PERS) (Continued)**

*Actuarial Assumptions*

The Borough’s total pension liability reported for the year ended December 31, 2019 was based on the June 30, 2019 measurement date as determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. The total pension liability reported for the year ended December 31, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2019</u>	<u>2018</u>
Inflation Rate:		2.25%
Price	2.75%	
Wage	3.25%	
Salary Increases:		
Through 2026	2.00-6.00%	1.65-4.15%
	Based on Years of Service	Based on Age
Thereafter	3.00%-7.00%	2.65%-5.15%
	Based on Years of Service	Based on Age
Investment Rate of Return	7.00%	7.00%
Mortality Rate Table	Pub-2010	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale MP for 2019 and AA for 2018.

The actuarial assumptions used in the July 1, 2018 and 2017 valuations were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018 and July 1, 2011 to June 30, 2014, respectively.

**BOROUGH OF EMERSON**  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

**Public Employees Retirement System (PERS) (Continued)**

***Long-Term Expected Rate of Return***

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2019 and 2018, as reported for the years ended December 31, 2019 and 2018, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2019</u>		<u>2018</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%	5.00%	5.51%
Cash Equivalents	5.00%	2.00%	5.50%	1.00%
U.S. Treasuries	5.00%	2.68%	3.00%	1.87%
Investment Grade Credit	10.00%	4.25%	10.00%	3.78%
US Equity	28.00%	8.26%	30.00%	8.19%
Non-US Developed Markets Equity	12.50%	9.00%	11.50%	9.00%
Emerging Markets Equity	6.50%	11.37%	6.50%	11.64%
High Yield	2.00%	5.37%	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%
Real Assets	2.50%	9.31%	2.50%	11.83%
Equity Related Real Estate	-	-	6.25%	9.23%
Buyouts/Venture Capital	-	-	8.25%	13.08%
Private Credit	6.00%	7.92%	-	-
Real Estate	7.50%	8.33%	-	-
Private Equity	12.00%	10.85%	-	-

***Discount Rate***

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

<u>Calendar Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2019	June 30, 2019	6.28%
2018	June 30, 2018	5.66%

**BOROUGH OF EMERSON  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

**Public Employees Retirement System (PERS) (Continued)**

***Discount Rate (Continued)***

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

	<u>2019</u>	<u>2018</u>
Period of Projected Benefit		
Payments for which the Following Rates were Applied:		
Long-Term Expected Rate of Return	Through June 30, 2057	Through June 30, 2046
Municipal Bond Rate *	From July 1, 2057 and Thereafter	From July 1, 2046 and Thereafter

\* The municipal bond return rate used is 3.50% and 3.87% as of the measurement dates of June 30, 2019 and 2018, 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, 2019 and 2018 calculated using the discount rate of 6.28% and 5.66%, 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 5.28% and 4.66%, respectively or 1-percentage-point higher 7.28% and 6.66%, respectively than the current rate:

<u>2019</u>	<b>1% Decrease <u>(5.28%)</u></b>	<b>Current Discount Rate <u>(6.28%)</u></b>	<b>1% Increase <u>(7.28%)</u></b>
Borough's Proportionate Share of the PERS Net Pension Liability	\$ <u>5,794,560</u>	\$ <u>4,587,343</u>	\$ <u>3,570,092</u>
	<b>1% Decrease <u>(4.66%)</u></b>	<b>Current Discount Rate <u>(5.66%)</u></b>	<b>1% Increase <u>(6.66%)</u></b>
<u>2018</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	\$ <u>5,866,195</u>	\$ <u>4,665,394</u>	\$ <u>3,657,998</u>

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2019 and 2018. 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**  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

**Public Employees Retirement System (PERS) (Continued)**

*Pension Plan Fiduciary Net Position*

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

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

At December 31, 2019 and 2018, the Borough reported a liability of \$7,702,367 and \$8,051,038, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 and 2017, respectively. The Borough's proportionate share of the net pension liability was based on the ratio of the Borough's contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. . As of the measurement date of June 30, 2019, the Borough's proportionate share was .06294 percent, which was an increase of .00344 percent from its proportionate share measured as of June 30, 2018 of .05950 percent.

For the years ended December 31, 2019 and 2018, the pension system has determined the Borough pension expense to be \$634,444 and \$467,566, respectively, for PFRS based on the actuarial valuations which are more for 2019 and less for 2018 than the actual contributions reported in the Borough's financial statements of \$581,679 and \$552,972, respectively. At December 31, 2019 and 2018, 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:

	<u>2019</u>		<u>2018</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 65,018	\$ 48,765	\$ 81,909	\$ 33,317
Changes of Assumptions	263,925	2,489,334	691,073	2,063,342
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		104,365		44,046
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>539,099</u>	<u>610,252</u>	<u>249,302</u>	<u>931,424</u>
Total	<u>\$ 868,042</u>	<u>\$ 3,252,716</u>	<u>\$ 1,022,284</u>	<u>\$ 3,072,129</u>

**BOROUGH OF EMERSON  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

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

At December 31, 2019 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>
2020	\$ (318,198)
2021	(826,674)
2022	(755,977)
2023	(360,024)
2024	(123,801)
Thereafter	<u>-</u>
	<u>\$ (2,384,674)</u>

**Actuarial Assumptions**

The Borough’s total pension liability reported for the year ended December 31, 2019 was based on the June 30, 2019 measurement date as determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. The total pension liability reported for the year ended December 31, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PFRS</u>	<u>2019</u>	<u>2018</u>
Inflation Rate:		2.25%
Price	2.75%	
Wage	3.25%	
Salary Increases:		
Through	All Future Years 3.25%-15.25% Based on Years of Service	2026 2.10%-8.98% Based on Age
Thereafter	Not Applicable	3.10%-9.98% Based on Age
Investment Rate of Return	7.00%	7.00%
Mortality Rate Table	Pub - 2010	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale MP for 2019 and AA for 2018.

The actuarial assumptions used in the July 1, 2018 and July 1, 2017 valuations were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018 and July 1, 2010 to June 30, 2013, respectively.



**BOROUGH OF EMERSON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

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

***Long-Term Expected Rate of Return***

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans’ target asset allocation as of June 30, 2019 and 2018, as reported for the years ended December 31, 2019 and 2018, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2019</u>		<u>2018</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%	5.00%	5.51%
Cash Equivalents	5.00%	2.00%	5.50%	1.00%
U.S. Treasuries	5.00%	2.68%	3.00%	1.87%
Investment Grade Credit	10.00%	4.25%	10.00%	3.87%
US Equity	28.00%	8.26%	30.00%	8.19%
Non-US Developed Markets Equity	12.50%	9.00%	11.50%	9.00%
Emerging Markets Equity	6.50%	11.37%	6.50%	11.64%
High Yield	2.00%	5.37%	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%
Real Assets	2.50%	9.31%	2.50%	11.83%
Equity Related Real Estate	-	-	6.25%	9.23%
Buyouts/Venture Capital	-	-	8.25%	13.08%
Private Credit	6.00%	7.92%	-	-
Real Estate	7.50%	8.33%	-	-
Private Equity	12.00%	10.85%	-	-

***Discount Rate***

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

<u>Calendar</u>		
<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2019	June 30, 2019	6.85%
2018	June 30, 2018	6.51%

**BOROUGH OF EMERSON  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

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

**Discount Rate (Continued)**

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

	<u>2019</u>	<u>2018</u>
Period of Projected Benefit		
Payments for which the Following		
Rates were Applied:		
Long-Term Expected Rate of Return	Through June 30, 2076	Through June 30, 2062
Municipal Bond Rate *	From July 1, 2076 and Thereafter	From July 1, 2062 and Thereafter

\* The municipal bond return rate used is 3.50% and 3.87% as of the measurement dates of June 30, 2019 and 2018, 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, 2019 and 2018 calculated using the discount rate of 6.85% and 6.51%, 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 5.85% and 5.51%, respectively or 1-percentage-point higher 7.85% and 7.51%, respectively than the current rate:

	<b>1% Decrease (5.85%)</b>	<b>Current Discount Rate (6.85%)</b>	<b>1% Increase (7.85%)</b>
<b>2019</b>			
Borough's Proportionate Share of the PFRS Net Pension Liability	\$ <u>10,410,793</u>	\$ <u>7,702,367</u>	\$ <u>5,460,754</u>
	<b>1% Decrease (5.51%)</b>	<b>Current Discount Rate (6.51%)</b>	<b>1% Increase (7.51%)</b>
<b>2018</b>			
Borough's Proportionate Share of the PFRS Net Pension Liability	\$ <u>10,775,315</u>	\$ <u>8,051,038</u>	\$ <u>5,804,005</u>

The sensitivity analysis was based on the proportionate share of the Borough’s net pension liability at December 31, 2019 and 2018. 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  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

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

***Special Funding Situation – PFRS***

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

At December 31, 2019 and 2018, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,216,218 and \$1,093,600, respectively. For the years ended December 31, 2019 and 2018, 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 \$141,315 and \$129,535, respectively, which are more than the actual contributions the State made on behalf of the Borough of \$81,948 and \$64,768, respectively. At December 31, 2019 (measurement date June 30, 2019) the State's share of the PFRS net pension liability attributable to the Borough was .06294 percent, which was an increase of .00344 percent from its proportionate share measured as of December 31, 2018 (measurement date June 30, 2018) of .05950 percent. The State's proportionate share attributable to the Borough was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the Borough's financial statements.

***Pension Plan Fiduciary Net Position***

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

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS**

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

**Plan Description and Benefits Provided**

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

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

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

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

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

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

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

**Measurement Focus and Basis of Accounting**

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

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

**Investment Valuation**

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

**Collective Net OPEB Liability**

The collective net OPEB liability of the participating employers and the State, as the non-employer contributing entity, of the Plan at June 30, 2019 and 2018 is \$13.5 billion and \$15.7 billion, respectively, and the plan fiduciary net position as a percentage of the total OPEB liability is 1.98% and 1.97%, respectively.

The total OPEB liabilities were determined based on actuarial valuations as of June 30, 2018 and 2017 which were rolled forward to June 30, 2019 and 2018.

**- Actuarial Methods and Assumptions**

In the June 30, 2018 and 2017 OPEB actuarial valuations, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The Plan selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 75. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

**Post-Retirement Medical Benefits Contribution**

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

The employers participating in the OPEB plan made contributions of \$346.4 million and \$421.2 million and the State of New Jersey, as the non-employer contributing entity, contributed \$43.9 million and \$53.5 million for fiscal years 2019 and 2018, respectively.

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the actuarial determined contribution an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The actuarial determined contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any unfunded actuarial liabilities (or funding excess) of the plan using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan. The Borough's contributions to the State Health Benefits Program Fund-Local Government Retired Plan for post-retirement benefits for the years ended December 31, 2019, 2018 and 2017 were \$49,157, \$50,603 and \$7,556, respectively, which equaled the required contributions for each year.

**BOROUGH OF EMERSON**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

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

The regulatory basis of accounting requires participating employers in the State Health Benefit Program Fund – Local Government Retired Plan to disclose in accordance with GASB Statement No. 75, Accounting and *Financial Reporting for Postemployment Benefits other than Pension (GASB No. 75)* their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense excluding that attributable to retiree-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions made as an individual employer toward the actuarially determined contribution amount to total contributions to the plan during the fiscal years ended June 30, 2019 and 2018. Employer allocation percentages have been rounded for presentation purposes.

At December 31, 2019 and 2018, the Borough reported a liability of \$3,754,971 and \$4,992,168, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019 and 2018, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018 and 2017, respectively. The Borough’s proportionate share of the net OPEB liability was based on the ratio of the Borough’s proportionate share of the OPEB liability attributable to the Borough at June 30, 2019 and 2018 to the total OPEB liability for the State Health Benefit Program Fund – Local Government Retired Plan at June 30, 2019 and 2018, respectively. As of the measurement date of June 30, 2019 the Borough’s proportionate share was .02772 percent, which was a decrease of .03187 percent from benefit its proportionate share measured as of June 30, 2018 of .00415 percent.

For the years ended December 31, 2019 and 2018, the Plan has determined the Borough’s OPEB expense to be \$144,931 and \$201,827, respectively, based on the actuarial valuations which are more than the actual contributions reported in the Borough’s financial statements of \$49,157 and \$50,603, respectively. At December 31, 2019 and 2018, the Borough’s deferred outflows of resources and deferred inflows of resources related to the OPEB plan which are not reported on the Borough’s financial statements are from the following sources:

	2019		2018	
	<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		\$ 1,098,100		\$ 1,013,588
Changes of Assumptions		1,330,678		1,266,329
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	\$ 3,093		\$ 2,638	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	70,306	847,883	81,757	23,657
Total	<u>\$ 73,399</u>	<u>\$ 3,276,661</u>	<u>\$ 84,395</u>	<u>\$ 2,303,574</u>

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

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

At December 31, 2019 the amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in OPEB expense as follows:

<u>Year</u> <u>Ending</u> <u>December 31,</u>	<u>Total</u>
2020	\$ (494,029)
2021	(494,029)
2022	(494,031)
2023	(494,690)
2024	(494,968)
Thereafter	<u>(731,515)</u>
	<u>\$ (3,203,262)</u>

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

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

*Actuarial Assumptions*

The Borough’s total OPEB liability reported for the year ended December 31, 2019 was based on the June 30, 2019 measurement date as determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The total OPEB liability reported for the year ended December 31, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2019</u>	<u>2018</u>
Inflation Rate	2.50%	2.50%
Salary Increases*		
PERS:		
Initial Fiscal Year Applied Through	2026	2026
Rate	2.00% to 6.00%	1.65% to 8.98%
Rate Thereafter	3.00% to 7.00%	2.65% to 9.98%
PFRS:		
Initial Fiscal Year Applied Through	Rate for All Future Years	2026
Rate	3.25% to 15.25%	1.65% to 8.98%
Rate Thereafter	Not Applicable	2.65% to 9.98%
Mortality		
PERS	Pub-2010 General Classification Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using Scale MP-2019.	RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using Scale MP-2017.
PFRS	Pub-2010 Safety Classification Headcount- Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using Scale MP-2019.	RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using Scale MP-2017.
Long-Term Rate of Return	2.00%	1.00%

\*Salary increases are based on the defined benefit pension plan that the member is enrolled in and for 2019 the members years of service and for 2018 the members age.

For the June 30, 2019 measurement date healthcare cost trend rates for pre-Medicare medical benefits, the trend is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years.



**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

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

For the June 30, 2018 measurement date healthcare cost trend rates for pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively. The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

100% of active members are considered to participate in the plan upon retirement.

***Long-Term Expected Rate of Return***

As the OPEB plan only invests in the State of New Jersey Cash Management Fund, the long-term expected rate of return on OPEB investments was based off the best-estimate ranges of future real rates of return (expected returns, net of OPEB plan investment expense and inflation) for cash equivalents, which is 2.00% and 1.00% as of June 30, 2019 and 2018, respectively.

**Discount Rate**

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

<b><u>Calendar</u></b>	<b><u>Measurement Date</u></b>	<b><u>Discount Rate</u></b>
<b><u>Year</u></b>		
2019	June 30, 2019	3.50%
2018	June 30, 2018	3.87%

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

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

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

*Sensitivity of Net OPEB Liability to Changes in the Discounts Rate*

The following presents the Borough's proportionate share of the OPEB net liability as of December 31, 2019 and 2018 calculated using the discount rate of 3.50% and 3.87%, respectively, as well as what the Borough's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower 2.50% and 2.87%, respectively or 1-percentage-point higher 4.50% and 4.87%, respectively than the current rate:

	<b>1% Decrease (2.50%)</b>	<b>Current Discount Rate (3.50%)</b>	<b>1% Increase (4.50%)</b>
<b><u>2019</u></b>			
Borough's Proportionate Share of the Net OPEB Liability	<u>\$ 4,341,702</u>	<u>\$ 3,754,971</u>	<u>\$ 3,278,175</u>
	<b>1% Decrease (2.87%)</b>	<b>Current Discount Rate (3.87%)</b>	<b>1% Increase (4.87%)</b>
<b><u>2018</u></b>			
Borough's Proportionate Share of the Net OPEB Liability	<u>\$ 5,857,133</u>	<u>\$ 4,992,168</u>	<u>\$ 4,301,257</u>

The sensitivity analysis was based on the proportionate share of the Borough's net OPEB liability at December 31, 2019 and 2018. A sensitivity analysis specific to the Borough's net OPEB liability was not provided by the Plan.

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

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

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

The following presents the Borough’s proportionate share of the OPEB net liability as of December 31, 2019 and 2018 calculated using the healthcare trend rates as disclosed above as well as what the Borough’s proportionate share of the net OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

<u>2019</u>	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Borough's Proportionate Share of the Net OPEB Liability	<u>\$ 3,168,733</u>	<u>\$ 3,754,971</u>	<u>\$ 4,502,817</u>
<u>2018</u>	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Borough's Proportionate Share of the Net OPEB Liability	<u>\$ 4,164,269</u>	<u>\$ 4,992,168</u>	<u>\$ 6,063,593</u>

The sensitivity analysis was based on the proportionate share of the Borough’s net OPEB liability at December 31, 2019 and 2018. A sensitivity analysis specific to the Borough’s net OPEB liability was not provided by the pension system.

*Special Funding Situation*

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

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

**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

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

*Special Funding Situation (Continued)*

At December 31, 2019 and 2018, the State's proportionate share of the net OPEB liability attributable to the Borough for the OPEB special funding situation is \$6,487,304 and \$6,997,597, respectively. For the years ended December 31, 2019 and 2018 the plan has determined the State's proportionate share of the OPEB expense attributable to the Borough for the OPEB special funding situation is \$85,991 and \$211,825, respectively. At December 31, 2019, (measurement date June 30, 2019), the State's share of the OPEB liability attributable to the Borough was .11740 percent, which was an increase of .00479 percent from its proportionate share measured as of December 31, 2018 (measurement date June 30, 2018) of .11261 percent. The State's proportionate share attributable to the Borough was developed based on eligible plan members subject to the special funding situation. This data takes into account active members from both participating and non-participating employer locations and retired members currently receiving OPEB benefits.

*OPEB Plan Fiduciary Net Position*

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

**NOTE 14 RISK MANAGEMENT**

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

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

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

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

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

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 14 RISK MANAGEMENT (Continued)**

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

<u>Year Ended December 31</u>	<u>Borough Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2019	\$ 15,000	\$ 6,597	\$ 9,993	\$ 79,860
2018	15,000	6,650	12,321	67,185
2017	12,909	6,313	10,089	57,556

**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, 2019 and 2018. 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, 2019 and 2018, the Borough reserved \$84,258 and \$54,258, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years’ budget or from fund balance.

**Federal and State Awards** - The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2019 and 2018, 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, 2019 and 2018, the Borough has not estimated its estimated arbitrage earnings due to the IRS, if any.

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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

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

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

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

The Borough of Emerson has contributed \$1,300 and \$1,300 for 2019 and 2018, respectively, for each eligible volunteer fire department and volunteer ambulance corp. member into the Plan. The total Borough contributions were \$39,000 and \$41,600 for 2019 and 2018, 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.

**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.

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 18 TAX ABATEMENTS**

For the years ended December 31, 2019 and 2018, the Borough provided property tax abatements through certain programs authorized under State statutes. These programs include the New Jersey Housing and Mortgage Financing Act (NJHMFA).

- The New Jersey Housing and Mortgage Financing Act (NJSA 55:14K et. seq.) allows for property tax abatements for residential rental housing projects financed by the New Jersey Housing and Mortgage Finance Agency. These property tax abatements last for the term of the original mortgage financing so long as the residential rental housing project remains subject to the NJHMFA Law and regulations. The process begins when the municipality passes by ordinance or resolution, as appropriate, that such residential rental housing project shall be exempt from property tax provided that an agreement is entered into with the housing sponsor for payments in lieu of taxes (PILOTs) to the municipality. The agreement can require the housing sponsor to a PILOT payment to the municipality in an amount up to 20% of the annual gross revenue from each housing project. For the years ended December 31, 2019 and 2018 the Borough abated property taxes totaling \$42,752 and \$40,828, respectively, under the NJHMFA program. The Borough received \$8,664 and \$6,925 in PILOT payments under this program for the years ended December 31, 2019 and 2018, respectively.

**NOTE 19 INFECTIOUS DISEASE OUTBREAK – COVID-19 PANDEMIC**

The World Health Organization has declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which was first discovered in China and has since spread to other countries, including the United States (and to the Borough) (the “COVID-19 Crisis”). On March 13, 2020, President Trump declared a national emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. Governor Phil Murphy, of the State of New Jersey, has also instituted mandatory measures via various executive orders to contain the spread of the virus, including closing schools and nonessential businesses and limiting social gatherings. These measures, which alter the behavior of businesses and people, are expected to have negative impacts on regional, state and local economies and significant declines in the financial markets in the United States and volatility attributed to concerns about the duration of the pandemic and its continued economic impact. Recently, the United States Congress has passed relief and stimulus legislation. This legislation is intended to address the financial impact of the pandemic on the U.S. economy and financial markets. It is too early to predict if the legislation will have its intended affect.

In compliance with the Governor’s executive orders, the Borough has instituted necessary precautions and procedures, so as to allow the Borough to continue to provide services during this time. The Borough is functioning administratively, and its departments continue to operate both remotely and on-site, where safe and practicable. The Borough will continue to collect property taxes and other municipal revenues. At this time, it is not possible to predict any other financial impacts as a result of this pandemic on the Borough’s operations; however, such amounts, if any, could be material.

**NOTE 20 SUBSEQUENT EVENTS**

**Debt Authorized**

On February 18, and May 5, 2020 the Borough adopted two bond ordinances authorizing the issuance \$1,706,635 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.

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**APPENDIX C**

**PROPOSED FORM OF BOND COUNSEL OPINION**

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STEVEN L. ROGUT  
DANIEL J. McCARTHY  
DIANE U. DABULAS  
THOMAS J. BACE ††

# ROGUT McCARTHY LLC

COUNSELLORS AT LAW

Telephone (908) 931-1150  
Facsimile (908) 931-1151  
Facsimile (908) 653-4832

ANN S. BEDDINGFIELD, Of Counsel †  
PATRICE E. HEW

37 ALDEN STREET  
CRANFORD, NEW JERSEY 07016

† ADMITTED IN NY AND NC ONLY  
†† ALSO ADMITTED IN FL AND DC

www.rogutmccarthy.com

## APPENDIX C

[Proposed Form of Bond Counsel Opinion]

August \_\_\_\_, 2020

Borough Council  
Borough of Emerson  
County of Bergen, New Jersey

Dear Council Members:

We have acted as bond counsel in connection with the issuance of \$6,820,000 aggregate principal amount of General Improvement Bonds (the "Bonds") by the Borough of Emerson, in the County of Bergen, a municipal corporation of the State of New Jersey (the "Borough"). The Bonds are dated August 15, 2020 and comprise an issue of registered bonds. The Bonds bear interest from their date, payable on each February 15 and August 15, commencing February 15, 2021 (each, an "Interest Payment Date"), in each year until maturity or prior redemption.

The Bonds are payable in annual installments on August 15 in each year, and bear interest at the rates per annum, as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2021	\$325,000	%	2027	\$650,000	%
2022	510,000		2028	650,000	
2023	515,000		2029	650,000	
2024	520,000		2030	650,000	
2025	525,000		2031	650,000	
2026	525,000		2032	650,000	

The Bonds maturing on or before August 15, 2027 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after August 15, 2028 are subject to redemption at the option of the Borough prior to maturity, in whole on any date or in part on any Interest Payment Date, on or after August 15, 2027, upon notice as set forth in the resolutions referred to below at the redemption price of 100% of the principal amount being redeemed, plus accrued interest to the date fixed for redemption.

If the Borough determines to optionally redeem a portion of the Bonds prior to maturity, such Bonds so redeemed shall be in such maturities as determined by the Borough, and within any maturity, by lot.

The Bonds are issued pursuant to the Local Bond Law (Chapter 2 of Title 40A of the New Jersey Statutes, as amended) and pursuant to twelve bond ordinances adopted by the Borough Council of the Borough on May 20, 2014 (Ord. No. 1477-14), November 12, 2014 (Ord. No. 1495-14), June 9, 2015 (Ord. No. 1500-15), February 2, 2016 (Ord. No. 1515-16), March 1, 2016 (Ord. No. 1519-16), June 28, 2016 (Ord. No. 1527-16), May 16, 2017 (Ord. No. 1540-17), April 17, 2018 (Ord. No. 1555-18), February 19, 2019 (Ord. No. 1581-19), May 21, 2019 (Ord. No. 1592-19), February 18, 2020 (Ord. No. 1606-20) and May 5, 2020 (Ord. No. 1612-20) and resolutions adopted by the Borough Council of the Borough on July 21, 2020.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. Such requirements include requirements relating to the use and investment of proceeds of the Bonds and other amounts and to the rebate of certain arbitrage earnings to the United States. Noncompliance by the Borough with such requirements may cause interest on the Bonds to be included in gross income of the owners thereof retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs.

The Borough has covenanted, to the extent permitted by the Constitution and the laws of the State of New Jersey, to do and perform all acts and things permitted by law and necessary to assure that interest paid on the Bonds be and remain excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. The Borough's Tax Certificate (the "Tax Certificate"), which will be delivered concurrently with the delivery of the Bonds, will contain provisions and procedures regarding compliance with the requirements of the Code. The Borough, in executing the Tax Certificate, will certify to the effect that the Borough expects and intends to comply with the provisions and procedures contained therein.

As bond counsel, we have examined certified copies of the bond ordinances and resolutions referred to above and related proceedings in connection with the issuance of the Bonds. We have also examined originals (or copies certified or otherwise identified to our satisfaction) of such other instruments, certificates and documents as we have deemed necessary or appropriate for the purpose of the opinion rendered below, including the Tax Certificate executed by the Chief Financial Officer of the Borough of even date herewith. We have assumed the accuracy of the factual information and the truthfulness of the expectations set forth in the Tax Certificate and the exhibits thereto. We have also examined the executed and authenticated first numbered Bond and have assumed that all of the other Bonds have been similarly executed and authenticated. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents.

We have not prepared nor have we verified the accuracy, completeness or fairness of (i) the information set forth in the Official Statement prepared by the Borough in connection with the sale and issuance of the Bonds, or (ii) other documents of the Borough delivered to the purchasers of the Bonds, and we take no responsibility therefor.

Based on the foregoing, we are of the opinion that:

1. The Bonds have been duly authorized, executed and delivered and constitute valid and legally binding obligations of the Borough enforceable in accordance with their terms, except as enforcement of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation or other laws relating to or affecting the enforcement of creditors' rights generally now or hereafter in effect to the extent constitutionally applicable, and enforcement may also be subject to the exercise of judicial discretion in certain cases.

2. The Borough has pledged its full faith and credit for the payment of the principal of and interest on the Bonds, and unless paid from other sources, the Borough is authorized and required by law to levy on all real property taxable by the Borough such ad valorem taxes as may be necessary to pay the Bonds and the interest thereon, without limitation as to rate or amount.

3. Assuming compliance by the Borough with the Tax Certificate, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. In addition, under existing law, interest on the Bonds is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals. In addition, under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof, interest on the Bonds and any gain from the sale of the Bonds are not includable in gross income of the holders thereof.

Very truly yours,

Rogut McCarthy LLC