

**PRELIMINARY OFFICIAL STATEMENT DATED JULY 6, 2026**

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

**RATING: S&P: "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; however, interest on the Bonds that is included in the "adjusted financial statement income" of certain corporations is not excluded from the Federal corporate alternative minimum tax. 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.*

**\$6,655,000\***  
**GENERAL IMPROVEMENT BONDS**  
**BOROUGH OF EMERSON,**  
**IN THE COUNTY OF BERGEN, NEW JERSEY**  
**(Book-Entry Only) (Callable) (Bank-Qualified)**

**Dated: July 15, 2026**

**Due: July 15, as shown on the inside cover page**

The \$6,655,000\* 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, Brooklyn, 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 July 15 of each of the years set forth on the inside cover page, and interest on the Bonds is payable on each January 15 and July 15, commencing January 15, 2027 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.

*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. Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Hamilton, New Jersey, has served as Municipal Advisor to the Borough in connection with the issuance of the Bonds. It is anticipated that the Bonds in definitive form will be available for delivery to DTC in Brooklyn, New York, on or about July 23, 2026.*

**ELECTRONIC BIDS VIA PARITY AND  
SEALED PROPOSALS WILL BE RECEIVED  
UNTIL 11:00 O'CLOCK A.M. ON JULY 14, 2026  
AT THE MUNICIPAL BUILDING  
1 MUNICIPAL PLACE  
EMERSON, NEW JERSEY 07630**

Dated: July \_\_, 2026

\* Preliminary, subject to change.

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.

**MATURITY SCHEDULE, INTEREST RATES, YIELDS AND CUSIP NUMBERS\*\***

<b><u>Year</u></b>	<b><u>Principal Amount</u></b> *	<b><u>Interest Rate</u></b>	<b><u>Yield</u></b>	<b><u>CUSIP</u></b> **
2027	\$310,000	%	%	
2028	330,000			
2029	350,000			
2030	375,000			
2031	390,000			
2032	410,000			
2033	500,000			
2034	520,000			
2035	540,000			
2036	555,000			
2037	570,000			
2038	585,000			
2039	600,000			
2040	620,000			

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\* Preliminary, subject to change.

\*\* Registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the Borough does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

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

**BOROUGH COUNCIL**

Danielle DiPaola, Mayor  
Ashley Rice, Council President  
Nicole Argenzia, Councilmember  
Megan Ciolino, Councilmember  
O'Neil Ellis, Councilmember  
Ashley Sayers, Councilmember  
Michael Timmerman, Councilmember

**BOROUGH ADMINISTRATOR**

Michael Carelli

**CHIEF FINANCIAL OFFICER**

Lauren Roehrer

**BOROUGH CLERK**

Triessa DeSimone

**BOROUGH ATTORNEY**

John McCann, Esq.  
Oakland, New Jersey

**BOROUGH AUDITOR**

PKF O'Connor Davies, LLP  
Woodcliff Lake, New Jersey

**MUNICIPAL ADVISOR**

Phoenix Advisors  
a division of First Security Municipal Advisors, Inc.  
Hamilton, New Jersey

**BOND COUNSEL**

Rogut McCarthy LLC  
Cranford, New Jersey

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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.

**TABLE OF CONTENTS**

	<u>PAGE</u>
INTRODUCTION .....	1
THE BONDS .....	1
SECURITY AND SOURCE OF PAYMENT .....	4
AUTHORIZATION FOR THE BONDS.....	4
PURPOSE OF THE BONDS.....	5
NO DEFAULT.....	6
MARKET PROTECTION – BOND AND NOTE FINANCING .....	6
CERTAIN STATUTORY PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT .....	6
MUNICIPAL BUDGET .....	9
ASSESSMENT AND COLLECTION OF TAXES .....	13
TAX MATTERS.....	14
STATEMENT OF LITIGATION.....	16
LEGALITY FOR INVESTMENT.....	16
FINANCIAL STATEMENTS .....	16
RATING .....	16
UNDERWRITING .....	17
MUNICIPAL ADVISOR.....	17
DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS.....	17
SECONDARY MARKET DISCLOSURE.....	18
PREPARATION OF OFFICIAL STATEMENT .....	20
APPROVAL OF OFFICIAL STATEMENT.....	21
ADDITIONAL INFORMATION.....	21
MISCELLANEOUS .....	21
Economic and Demographic Information Relating to the Borough .....	Appendix A
Financial Statements of the Borough.....	Appendix B
Proposed Form of Bond Counsel Opinion.....	Appendix C

**OFFICIAL STATEMENT  
OF THE BOROUGH OF EMERSON,  
IN THE COUNTY OF BERGEN, NEW JERSEY  
RELATING TO**

**\$6,655,000\* 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 \$6,655,000\* General Improvement Bonds (the “Bonds”) dated July 15, 2026. This Official Statement has been executed by and on behalf of the Borough by the Chief Financial Officer 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 July 15, 2026 and will mature on July 15 in the years and in the principal amounts as set forth on the inside cover page. Interest on the Bonds is payable on each January 15 and July 15, commencing January 15, 2027 (each, an “Interest Payment Date”), in each year until maturity or prior redemption at the respective interest rates set forth on the inside cover page of this Official Statement. Principal of and interest on the Bonds will be paid to The Depository Trust Company, Brooklyn, 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 of the Bonds, in the aggregate 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 “THE BONDS – Book-Entry Only System” herein.

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\* Preliminary, subject to change.

## **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 an issue are being redeemed, DTC's practice is to determine by lot the amount of interest of each Direct Participant in such issue 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 July 15, 2033 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after July 15, 2034 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 July 15, 2033, 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 June 9, 2026.

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 (20) 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 \$5,917,889 of the Borough’s \$6,108,000 Bond Anticipation Notes maturing on July 24, 2026 and (ii) to provide funding for unfunded capital projects in the amount of \$737,111.

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

<b><u>Ordinance No.</u></b>	<b><u>Description</u></b>	<b><u>Amount</u></b>
1517-16	Acquisition of real property (58 Locust Avenue), including an existing structure, for municipal purposes.	\$356,310
1520-16	Acquisition of real property (64 Locust Avenue), including an existing structure, for municipal purposes.	360,536
1632-21	Acquisition of a front end loader for the use of the Department of Public Works (the “DPW”), acquisition of a tree bucket truck and a pickup truck with plow for the use of the DPW, undertaking of the 2021 Road Resurfacing Program, and acquisition of self-contained breathing apparatus equipment for the use of the Fire Department.	707,650
1648-22	2022 Road Resurfacing Program, acquisition of in-vehicle camera systems equipment for the use of the Police Department, acquisition of a trunk radio system for us of the Fire Department and the Volunteer Ambulance Corps, and roof replacement and installation of solar panels on the new roof at the public library.	792,676
1656-22	Various improvements to the Cindy Lane Pump Station.	185,567
1673-23	Installation of lighting at Benkovic Field, undertaking of the 2023 Road Resurfacing Program, undertaking improvements to the Randolph Avenue Sanitary Sewer Pump Station, and acquisition of a dump truck with plow and salter for the use of the DPW.	960,847
1688-24	Acquisition of a stump grinder for the use of the Shade Tree Commission, undertaking of the 2024 Road Resurfacing Program, acquisition of a new pumper fire engine, acquisition of a wood chipper for the use of the DPW, acquisition of radio equipment and a power load stretcher mount for the use of the Volunteer Ambulance Corps, rehabilitation of the basketball courts at Ackerman Park, and installation of an elevator at the Firehouse.	1,696,214
1690-24	Borough’s portion of the cost of the Tennis and Pickleball Court Project at Emerson Junior/Senior High School.	82,800

<u>Ordinance No.</u>	<u>Description</u>	<u>Amount</u>
1703-25	Borough's share of the cost of the acquisition of a catch basin cleaning machine for the use of DPW to be used jointly with the Borough of Westwood (as lead agency), undertaking of the 2025 Road Resurfacing Program, undertaking of the Vivian Avenue and Dorchester Road Drainage Project (Phase I), undertaking of the Emerson Stormwater Project (Forest Avenue), and installation of ADA-accessible doors at the Senior Center.	776,150
1718-26	Replacement of the salt shed at the DPW garage and undertaking of the 2026 Road Resurfacing Program.	736,250
	<b>Total</b>	<u>\$6,655,000</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 anticipate issuing any additional bonds or any tax anticipation notes during the remainder of 2026. The Borough may issue bond anticipation notes for new money borrowing, as needed, during the remainder of 2026.

### 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 eight 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, 2025, the statutory net debt as a percentage of average equalized valuation was 0.625%. As noted above, the statutory limit is 3.50%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Purposes	\$10,921,861	\$168,636	\$10,753,225
Local School Purposes	9,665,446	9,665,446	0
Total:	\$20,587,307	\$9,834,082	\$10,753,225

**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).

**Overlapping Debt**

The County is not considered in the calculation of the debt limits of the Borough. It represents the debt outstanding at the County levels, for which the Borough will fund its portion of debt service through the normal payments of County taxes contained in the municipal budget, respectively.

**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. 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 (“U.S. Government Securities”); (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 U.S. Government Securities, Federal Government Agency obligations, certain short-term investment-grade corporate obligations, commercial paper rated “prime”, certificates of deposit, repurchase agreements involving U.S. Government Securities 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 2026, 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 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 35% 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.

## **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). Further, pursuant to Assembly Bill No. 862, signed into law by Governor Murphy on January 18, 2022, residential tax appeal refunds, or commercial tax appeal refunds exceeding \$100,000, may be paid to the property owner, with interest, as a credit against the balance of property taxes that become due within a three year period, with any excess after three years being paid immediately.

## **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; however, interest on the Bonds that is included in the "adjusted financial statement income" of certain corporations is not excluded from the Federal corporate alternative minimum tax. 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.

### **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 Code, 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.

### **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 municipality 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 the Municipal Joint Insurance Fund and the Municipal Excess Liability Fund. 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 materially or adversely impair 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.

## **FINANCIAL STATEMENTS**

Appendix "B" to this Official Statement contains audited financial statements of the Borough for the years ended December 31, 2025 and 2024. The financial statements were provided by PKF O'Connor Davies, LLP, Woodcliff Lake, New Jersey (the "Auditor"), and is included herein in reliance upon the authority of such firm. The Auditor has consented to the inclusion of their report in this Official Statement. Copies of the complete Reports of Audits may be obtained upon request to the office of the Chief Financial Officer of the Borough.

The Borough Auditor has not participated in the preparation of this Official Statement except to the extent as previously stated.

## **RATING**

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC (the "Rating Agency") has assigned an underlying 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 55 Water Street, New York, New York 10041. The Borough furnished to the Rating Agency certain information and materials concerning the Bonds and the Borough. There can be no assurance that such rating will continue for any given period of time or that such rating will not be revised downward entirely by the Rating Agency if, in their 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 at a public sale by \_\_\_\_\_, (the “Underwriter”) at a price of \$\_\_\_\_\_.

## **MUNICIPAL ADVISOR**

Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Hamilton, New Jersey, has served as Municipal Advisor to the Borough in connection with the issuance of the Bonds (the “Municipal Advisor”) and has assisted in matters related to the planning, structuring and terms of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of, or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement and the Appendices hereto. The Municipal Advisor is an Independent Registered Municipal Advisor pursuant to the Dodd-Frank Act and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

## **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 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 officer has no reason to believe and does not believe that such information is materially inaccurate or misleading, and (b) to the knowledge of such officer, 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.

### **SECONDARY MARKET DISCLOSURE**

The Borough has agreed, pursuant to a resolution adopted on June 9, 2026, 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, 2026, 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 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 secondary market disclosure undertakings in accordance with Rule 15c2-12. The Borough has engaged Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Hamilton, New Jersey to serve as continuing disclosure agent to assist in the filing of certain information on MSRB’s Electronic Municipal Market Access (“EMMA”) website as required under its prior secondary market disclosure undertakings.

## **PREPARATION OF OFFICIAL STATEMENT**

The Municipal Advisor has participated in the preparation and review of the information contained in this Official Statement, including the collection of financial, statistical and demographic information; however, it has not verified the accuracy, completeness or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto. Certain information set forth herein has been obtained from the Borough and other sources, which are deemed reliable, but no warranty, guaranty or other representation as to the accuracy or completeness is made as to such information contained herein. There is no assurance that any of the assumptions or estimates contained herein will be realized.

The Borough Auditor takes responsibility for the financial statements to the extent specified in the Independent Auditors’ Report as presented in Appendix “B”.

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, 1 Municipal Place, Emerson, New Jersey 07630, telephone (201) 262-6086 ext. 1211, or to its Municipal Advisor, at 2000 Waterview Drive, Suite 101, Hamilton, New Jersey 08691, telephone (609) 291-0130.

## **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 on behalf of the Borough.

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

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

Dated: July \_\_, 2026

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

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## **INFORMATION REGARDING THE BOROUGH<sup>1</sup>**

The following material presents certain economic and demographic information of the Borough of Emerson (the “Borough”), in the County of Bergen (the “County”), State of New Jersey (the “State”).

### **General Information**

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

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**

The Borough 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. He or she is empowered, amongst their 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 he 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 he or she presides over meetings of the Borough Council, the Mayor votes only in case of a tie. State law requires that he or she 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. New Jersey Transit has also 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.

<sup>1</sup> Source: The Borough, unless otherwise indicated.

## **Pension and Retirement Systems**

Substantially all eligible employees participate in the Public Employees' Retirement System, the Police and Firemen's Retirement System or the Defined Contribution Retirement Program, which have been established by State statute and are administered by the New Jersey Division of Pensions and Benefits (the "Division"). Benefits, contributions, means of funding and the manner of administration are established pursuant to State statute. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations and the employees contribute a portion of the cost. Each Plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes the financial statements and required supplementary information. This report may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625 or is available online at [www.nj.gov/treasury/pensions/financial-reports.shtml](http://www.nj.gov/treasury/pensions/financial-reports.shtml).

The Public Employees' Retirement System ("PERS") is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A, to provide retirement, death, disability and medical benefits to certain qualified members. Membership is mandatory for substantially all full-time employees of the State or any county, municipality, school district or public agency, provided the employee is not required to be a member of another State-administered retirement system or other State pension fund or local jurisdiction's pension fund.

The Police and Firemen's Retirement System ("PFRS") is a cost-sharing multiple-employer defined benefit pension plan which was established as of July 1, 1944, under the provisions of N.J.S.A. 43:16A, to provide retirement, death, disability and medical benefits to certain qualified members. Membership is mandatory for substantially all full-time county and municipal police and firemen or officer employees with police powers appointed after June 30, 1944.

The Defined Contribution Retirement Program ("DCRP") is a multiple-employer defined contribution pension fund which was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, and was expanded under the provisions of Chapter 89, P.L. 2009. The DCRP provides eligible employees and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance coverage and disability coverage.

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## **Employment and Unemployment Comparisons**

For the following years, the New Jersey Department of Labor reported the following annual average employment information for the Borough, the County, and the State:

	<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>
<b><u>Borough</u></b>				
2025	4,020	3,869	151	3.8%
2024	4,037	3,901	136	3.4%
2023	4,009	3,876	133	3.3%
2022	3,895	3,791	104	2.7%
2021	3,749	3,548	201	5.4%
<b><u>County</u></b>				
2025	538,487	515,300	23,187	4.3%
2024	540,094	519,526	20,568	3.8%
2023	536,155	516,755	19,400	3.6%
2022	522,154	504,541	17,613	3.4%
2021	502,698	471,385	31,313	6.2%
<b><u>State</u></b>				
2025	4,905,633	4,648,499	257,134	5.2%
2024	4,899,384	4,672,089	227,295	4.6%
2023	4,879,285	4,668,296	210,989	4.3%
2022	4,771,781	4,586,675	185,106	3.9%
2021	4,674,518	4,361,147	313,371	6.7%

Source: New Jersey Department of Labor, Office of Research and Planning, Division of Labor Market and Demographic Research, Bureau of Labor Force Statistics, Local Area Unemployment Statistics

## **Income (as of 2024)**

	<b><u>Borough</u></b>	<b><u>County</u></b>	<b><u>State</u></b>
Median Household Income	\$155,536	\$124,884	\$103,556
Median Family Income	161,741	152,200	127,025
Per Capita Income	67,188	63,735	54,253

Source: US Bureau of the Census, 2024 American Community Survey 5-Year Estimates

**Population**

The following tables summarize population increases and the decreases for the Borough, the County, and the State.

<u>Year</u>	<u>Borough</u>		<u>County</u>		<u>State</u>	
	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2024 est.	7,413	1.7%	978,641	2.4%	9,500,851	2.3%
2020	7,290	-1.5%	955,732	5.6%	9,288,994	5.7%
2010	7,401	2.8%	905,116	2.4%	8,791,894	4.5%
2000	7,197	3.9%	884,118	7.1%	8,414,350	8.9%
1990	6,930	-11.1%	825,380	-2.4%	7,730,188	5.0%

Source: United States Department of Commerce, Bureau of the Census

**Largest Taxpayers**

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

<u>Taxpayers</u>	<u>2025 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
ROBERT LEE REALTY% AFS LEASE ACCT	\$23,750,000	1.95%
URSTADT BIDDLE PROPERTY INC	12,600,000	1.03%
EMERSON CONVALESCENT CENTER	11,800,000	0.97%
BREA EMERSON LLC-% STE.2300	9,500,000	0.78%
HACKENSACK GOLF CLUB	7,029,300	0.58%
452 OLD HOOK RD ASSOC LLC	5,004,000	0.41%
LIBERTY EMERSON LLC	4,105,900	0.34%
SUEZ % ALTUS GROUP US INC.	4,025,500	0.33%
GRAND INVESTMTS IV LLC	3,742,700	0.31%
ARMENIAN HOME FOUNDATION	<u>3,440,600</u>	<u>0.28%</u>
<b>Total</b>	<b><u>\$84,998,000</u></b>	<b><u>6.97%</u></b>

Source: Annual Comprehensive Financial Report of the School District and Municipal Tax Assessor

**Comparison of Tax Levies and Collections**

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2025	\$41,805,375	\$41,306,215	98.81%
2024	40,344,696	39,807,801	98.66%
2023	39,194,003	38,685,006	98.70%
2022	36,764,844	36,370,244	98.92%
2021	35,987,529	35,664,646	99.10%

Source: Annual Audit Reports of the Borough

**Delinquent Taxes and Tax Title Liens**

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>Delinquent % of Tax Levy</u>
2025	\$255,988	\$774,300	\$1,030,288	2.46%
2024	241,087	679,267	920,354	2.28%
2023	226,682	582,781	809,463	2.07%
2022	212,692	353,252	565,944	1.54%
2021	199,520	183,298	382,818	1.06%

Source: Annual Audit Reports of the Borough

**Property Acquired by Tax Lien Liquidation**

<u>Year</u>	<u>Property Acquired For Taxes</u>
2025	\$13,200
2024	13,200
2023	13,200
2022	13,200
2021	13,200

Source: Annual Audit Reports of the Borough

## **Tax Rates per \$100 of Net Valuations Taxable and Allocations**

The table below lists the tax rates for Borough residents for the past five (5) years.

<u>Year</u>	<u>General Municipal</u>	<u>Local School</u>	<u>Total County</u>	<u>Total</u>
2025	\$1.044	\$2.045	\$0.331	\$3.420
2024	1.015	1.978	0.310	3.303
2023	0.992	1.925	0.299	3.216
2022	0.863	1.874	0.291	3.028
2021	0.841	1.847	0.281	2.969

Source: Abstract of Ratables and State of New Jersey – Property Taxes

## **Valuation of Property**

<u>Year</u>	<u>Assessed Value of Real Property</u>	<u>True Value of Real Property</u>	<u>Ratio of Assessed to True Value</u>	<u>Assessed Value of Public Utility Equip.</u>	<u>Equalized Valuation</u>
2025	\$1,219,936,500	\$1,835,042,870	66.48%	\$0	\$1,835,042,870
2024	1,219,198,500	1,717,422,876	70.99%	0	1,717,422,876
2023	1,215,603,800	1,612,848,348	75.37%	0	1,612,848,348
2022	1,212,242,300	1,512,844,503	80.13%	779,764	1,513,624,267
2021	1,206,960,900	1,449,977,054	83.24%	835,135	1,450,812,189

Source: Abstract of Ratables and State of New Jersey – Table of Equalized Valuations

## **Classification of Ratables**

The table below lists the comparative assessed valuation for each classification of real property within the Borough for the past five (5) years.

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2025	\$17,256,500	\$1,039,895,000	\$293,200	\$157,685,300	\$4,806,500	\$0	\$1,219,936,500
2024	18,413,500	1,038,975,100	293,200	156,710,200	4,806,500	0	1,219,198,500
2023	18,623,500	1,035,199,900	293,200	156,680,700	4,806,500	0	1,215,603,800
2022	16,942,000	1,032,987,500	293,200	157,213,100	4,806,500	0	1,212,242,300
2021	16,643,100	1,030,870,500	288,400	154,352,400	4,806,500	0	1,206,960,900

Source: Abstract of Ratables and State of New Jersey – Property Value Classification

## Financial Operations

The following table summarizes the Borough's Current Fund Adopted budget for the past five (5) fiscal years ending December 31. The following summary should be used in conjunction with the tables in the sourced documents from which it is derived.

### **Summary of Current Fund Adopted Budget**

<b><u>REVENUE</u></b>	<b><u>2022</u></b>	<b><u>2023</u></b>	<b><u>2024</u></b>	<b><u>2025</u></b>	<b><u>2026</u></b>
Fund Balance Utilized	\$1,255,000	\$1,076,000	\$1,125,000	\$1,641,500	\$1,390,000
Miscellaneous Revenues	2,295,595	1,710,569	1,787,452	1,948,078	1,975,480
Municipal Grants	281,163	126,363	263,687	173,156	237,687
Receipts from Delinquent Taxes	175,000	249,000	255,000	255,000	270,000
Amount to be Raised by Taxation	<u>10,468,765</u>	<u>12,058,593</u>	<u>12,384,061</u>	<u>12,757,199</u>	<u>13,031,118</u>
Total Revenue:	<u>\$14,475,523</u>	<u>\$15,220,525</u>	<u>\$15,815,200</u>	<u>\$16,774,933</u>	<u>\$16,904,285</u>
<b><u>APPROPRIATIONS</u></b>					
General Purpose (Inside CAP)	\$10,445,428	\$10,817,258	\$11,578,912	\$11,941,740	\$12,356,581
Operations (Outside CAP)	1,664,116	2,257,767	1,847,052	2,001,011	2,075,588
Municipal Grants	284,163	129,363	266,687	176,156	240,687
Capital Improvement Fund	595,000	300,000	335,000	686,500	358,000
Municipal Debt Service	1,041,816	1,201,137	1,222,549	1,328,824	1,205,429
Deferred Charges	0	0	0	25,702	23,000
Reserve for Uncollected Taxes	<u>445,000</u>	<u>515,000</u>	<u>565,000</u>	<u>615,000</u>	<u>645,000</u>
Total Appropriations:	<u>\$14,475,523</u>	<u>\$15,220,525</u>	<u>\$15,815,200</u>	<u>\$16,774,933</u>	<u>\$16,904,285</u>

Source: Annual Adopted Budgets of the Borough

## **Fund Balance**

### Current Fund

The following table lists the Borough's fund balance and the amount utilized in the succeeding year's budget for the Current Fund for the past five (5) fiscal years ending December 31.

### **Fund Balance - Current Fund**

<b><u>Year</u></b>	<b><u>Fund Balance</u></b>	<b><u>Utilized in Budget of Succeeding Year</u></b>
2025	\$3,449,417	\$1,390,000
2024	3,562,860	1,641,500
2023	2,832,444	1,125,000
2022	2,665,399	1,076,000
2021	2,899,596	1,255,000

Source: Annual Audit Reports of the Borough

**Borough Indebtedness as of December 31, 2025**

<b>General Purpose Debt</b>	
Serial/Term Bonds	\$4,813,000
Bond Anticipation Notes	6,108,000
Bonds and Notes Authorized but Not Issued	861
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$10,921,861

<b>Local/Regional School District Debt</b>	
Serial/Term Bonds	\$9,665,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	446
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$9,665,446

<b>Self-Liquidating Debt</b>	
Serial/Term Bonds	\$0
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$0

**TOTAL GROSS DEBT** \$20,587,307

<b>Less: Statutory Deductions</b>	
General Purpose Debt	\$168,636
Local/Regional School District Debt	9,665,446
Self-Liquidating Debt	<u>0</u>
Total:	\$9,834,082

**TOTAL NET DIRECT DEBT** \$10,753,225

Source: 2025 Annual Audit Report and/or 2025 Annual Debt Statement of the Borough

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**Overlapping Debt (as of December 31, 2025)**

<b><u>Name of Related Entity</u></b>	<b><u>Related Entity Debt Outstanding</u></b>	<b><u>Borough Percentage</u></b>	<b><u>Borough Share*</u></b>
Local School District	\$9,665,446	100.0%	\$9,665,446
County of Bergen <sup>2</sup>	1,770,600,392	0.7%	13,273,775
			<hr/>
Net Indirect Debt			\$22,939,221
Net Direct Debt			10,753,225
Total Net Direct and Indirect Debt			<hr/> <b>\$33,692,446</b> <hr/>

**Debt Limit**

**DEBT LIMIT AND BORROWING CAPACITY**

Average Equalized Valuation Basis (2023, 2024, 2025)	\$1,721,771,365
Permitted Debt Limitation (3.50%)	60,261,998
Less: Net Debt	10,753,225
Remaining Borrowing Power	<hr/> <b>\$49,508,773</b> <hr/>

Percentage of Net Debt to Average Equalized Valuation 0.624%

Gross Direct Debt Per Capita based on 2020 population of 7,290 \$2,824  
 Net Direct Debt Per Capita based on 2020 population of 7,290 \$1,475

Source: Annual Audit Reports and/or Annual Debt Statement of the Borough

<sup>2</sup> Borough percentage of County of Bergen debt is based on the Borough's share of total equalized valuation in the County.

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

**INDEPENDENT AUDITORS' REPORT  
AND FINANCIAL STATEMENTS OF THE  
BOROUGH OF EMERSON,  
IN THE COUNTY OF BERGEN,  
STATE OF NEW JERSEY**



## **Independent Auditors' Report**

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

### **Report on the Audit of the Regulatory Basis Financial Statements**

#### **Opinions on Regulatory Basis Financial Statements**

We have audited the regulatory basis financial statements of the various funds and the governmental fixed assets of the Borough of Emerson (the "Borough"), County of Bergen, New Jersey, which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of operations and changes in fund balance, and the statements of changes in fund balance for the years then ended, the statement of revenues and statement of expenditures of the Current Fund for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

#### **Unmodified Opinion on Regulatory Basis of Accounting**

In our opinion, the accompanying regulatory basis financial statements present fairly, in all material respects, the regulatory basis balance sheets of the Borough as of December 31, 2025 and 2024, and the regulatory basis revenues, expenditures, and changes in fund balances and the statements of changes in fund balance for the years then ended, the statements of revenues and statements of expenditures of the Current Fund for the year ended December 31, 2025 and the related notes to the financial statements, in accordance with the financial reporting provisions of the Department of Community Affairs, Division of Local Government Services, State of New Jersey ("Division") described in Note 1.

#### **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 section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Borough as of December 31, 2025 and 2024, or its revenues, expenditures and changes in fund balances thereof for the years then ended.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and requirements prescribed by the Division. Our responsibilities under those standards and requirements are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Borough, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

PKF O'CONNOR DAVIES, LLP  
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### **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 on the basis of the financial reporting provisions of the Division (regulatory basis), which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Division. 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 and pervasive.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions of the Division. 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 misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events considered in the aggregate, that raise substantial doubt about the Borough's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and requirements prescribed by the Division, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and requirements prescribed by the Division, we:


- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Borough's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough's ability to continue as a going concern for a reasonable period of time.

**The Honorable Mayor and Members  
of the Borough Council  
Borough of Emerson  
Emerson, New Jersey  
Page 3**

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*PKF O'Connor Davies, LLP*

Woodcliff Lake, New Jersey  
May 5, 2026



Gary W. Higgins, CPA  
Registered Municipal Accountant, No. 405

**BOROUGH OF EMERSON**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND**  
**AS OF DECEMBER 31, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
<b>ASSETS AND DEFERRED CHARGES</b>		
Cash - Treasurer	\$ 6,262,171	\$ 5,500,619
Cash - Change Fund	360	360
Due From State of New Jersey - Seniors and Veterans Deductions	726	476
Grants Receivable	<u>1,172,140</u>	<u>1,194,807</u>
	<u>7,435,397</u>	<u>6,696,262</u>
Receivables and Other Assets With Full Reserves		
Delinquent Property Taxes	774,300	679,267
Tax Title Liens	255,988	241,087
Property Acquired for Taxes - Assessed Valuation	13,200	13,200
Revenue Accounts Receivable	1,904	2,274
Due from Animal Control Trust Fund	<u>5,406</u>	<u>2,752</u>
	<u>1,050,798</u>	<u>938,580</u>
Deferred Charges		
Special Emergency Authorization	<u>92,000</u>	<u>115,000</u>
 Total Assets and Deferred Charges	 <u>\$ 8,578,195</u>	 <u>\$ 7,749,842</u>

**BOROUGH OF EMERSON**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND**  
**AS OF DECEMBER 31, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
LIABILITIES, RESERVES AND FUND BALANCE		
Liabilities:		
Appropriation Reserves	\$ 921,343	\$ 969,490
Encumbrances Payable	396,289	410,564
Accounts Payable	327,646	206,531
Prepaid Taxes	417,674	252,012
Tax Overpayments	27	137
School Taxes Payable	540,000	540,000
County Taxes Payable	8,083	6,998
Prepaid Fees	-	1,100
Due to General Capital Fund	250,000	-
Reserve for Construction Penalty	80	80
Reserve for Appropriated Grants	964,083	662,809
Reserve for Unappropriated Grants	1,473	2,173
Reserve for Tax Appeals	217,957	196,508
Reserve for Tax Sale Redemption	<u>33,325</u>	<u>-</u>
	4,077,980	3,248,402
Reserve for Receivables and Other Assets	1,050,798	938,580
Fund Balance	<u>3,449,417</u>	<u>3,562,860</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 8,578,195</u>	<u>\$ 7,749,842</u>

**BOROUGH OF EMERSON**  
**COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -**  
**REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
REVENUES AND OTHER INCOME REALIZED		
Fund Balance Utilized	\$ 1,641,500	\$ 1,125,000
Miscellaneous Revenue Anticipated	2,308,276	2,446,333
Receipts from Delinquent Taxes	352,292	369,235
Receipts from Current Taxes	41,306,215	39,807,801
Nonbudget Revenue	323,160	340,921
Other Credits to Income		
Unexpended Balance of Appropriation Reserves	365,578	595,936
Statutory Excess - Animal Control Fund	2,118	2,231
State and Federal Grants Appropriated Cancelled	959	1
Interfund Liquidated	<u>-</u>	<u>2,628</u>
 Total Revenues and Other Income	 <u>46,300,098</u>	 <u>44,690,086</u>
EXPENDITURES		
Budget and Emergency Appropriations		
Operations		
Salaries and Wages	5,691,324	5,515,116
Other Expenses	6,821,756	6,791,183
Capital Improvements	686,500	335,000
Municipal Debt Service	1,328,821	1,222,549
Deferred Charges and Statutory Expenditures	1,669,502	1,534,679
County Taxes	3,844,683	3,605,790
County Open Space Taxes	172,153	162,060
Due County for Added and Omitted Taxes	8,083	6,998
Local District School Taxes	24,488,399	23,753,824
Other Debits to Income		
Refund of Prior Years Revenues	56,666	18,433
Prior Year Senior/Veteran Deductions Disallowed	1,500	1,286
Interfund Advances	<u>2,654</u>	<u>2,752</u>
 Total Expenditures	 <u>44,772,041</u>	 <u>42,949,670</u>
 Excess in Revenues	 1,528,057	 1,740,416
Adjustments to Income Before Fund Balance:		
Expenditures Included Above Which are by Statute		
Deferred Charges to Budgets of Succeeding Years	<u>-</u>	<u>115,000</u>
 Statutory Excess to Fund Balance	 1,528,057	 1,855,416
 Fund Balance, January 1	 <u>3,562,860</u>	 <u>2,832,444</u>
	5,090,917	4,687,860
Decreased by:		
Utilization as Anticipated Revenue	<u>1,641,500</u>	<u>1,125,000</u>
 Fund Balance, December 31	 <u>\$ 3,449,417</u>	 <u>\$ 3,562,860</u>

**BOROUGH OF EMERSON**  
**STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

	<u>2025</u> <u>Budget</u>	Added by N.J.S.A. <u>40A:4-87</u>	<u>Realized</u>	Excess or <u>(Deficit)</u>
Fund Balance Anticipated	\$ 1,641,500	-	\$ 1,641,500	-
Miscellaneous Revenues				
Licenses				
Alcoholic Beverages	17,500		17,500	
Other	15,000		16,687	\$ 1,687
Fees and Permits				
Other	13,000		14,270	1,270
Fines and Costs				
Municipal Court	35,000		36,113	1,113
Interest and Costs on Taxes	60,000		80,598	20,598
Interest on Investments and Deposits	300,000		394,304	94,304
Parking Meters	7,750		11,650	3,900
Energy Receipts Tax	627,297		627,297	
Watershed Moratorium Offset Aid	18,189		18,189	
Construction Code Official	190,000		181,347	(8,653)
Borough of Old Tappan Shared Service - Court	17,786		17,786	
Board of Education Shared Service - Resource Officers	75,761		75,761	
Board of Education Shared Service - SLEO	115,745		109,150	(6,595)
Public and Private Programs				
Offset with Appropriations				
NJ DOT Grant - Lincoln Blvd.	171,045		171,045	
Body Armor Replacement Grant	2,111		2,111	
Municipal Alliance Program		\$ 3,836	3,836	
Recycling Tonnage Grant		10,889	10,889	
Clean Communities Program		19,350	19,350	
DEER Management Grant		8,000	8,000	
Other Special Items				
Uniform Fire Safety Act	30,000		31,986	1,986
Sewer Service Fees	35,000		46,588	11,588
Cellular Tower Fees	255,000		277,633	22,633
Cable Television Franchise Fees	100,700		100,729	29
PILOT - Advancing Opportunities - 5 Pine Drive	6,000		4,500	(1,500)
PILOT - Veteran's Home	1,000		1,325	325
PILOT - Other	-		2,282	2,282
Anticipated General Capital Fund Surplus	5,000		5,000	
Insurance Dividend	1,750		1,750	
Reserve for Debt Payments	20,600		20,600	
	<u>2,121,234</u>	<u>42,075</u>	<u>2,308,276</u>	<u>144,967</u>
Delinquent Taxes	<u>255,000</u>	<u>-</u>	<u>352,292</u>	<u>97,292</u>
Amount to be Raised by Taxes for Support of Municipal Budget -				
Local Tax for Municipal Purposes	12,184,725		12,383,601	198,876
Minimum Library Tax	572,474	-	572,474	-
	<u>12,757,199</u>	<u>-</u>	<u>12,956,075</u>	<u>198,876</u>
Total Budget Revenues	<u>\$ 16,774,933</u>	<u>\$ 42,075</u>	17,258,143	<u>\$ 441,135</u>
Nonbudget Revenue			<u>323,160</u>	
			<u>\$ 17,581,303</u>	

**BOROUGH OF EMERSON**  
**STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**  
**(Continued)**

## ANALYSIS OF REALIZED REVENUES

Allocation of Current Tax Collections	
Revenue from Collections	\$ 41,306,215
Less: Allocated to School and County Taxes	<u>28,965,140</u>
	12,341,075
Add Appropriation "Reserve for Uncollected Taxes"	<u>615,000</u>
Amount for Support of Municipal Budget Appropriation	<u>\$ 12,956,075</u>
Nonbudget Revenue:	
Police Outside Duty	\$ 275,006
6% Penalty Collections	15,970
Construction Code- Other Fees	27,705
Other Miscellaneous Revenues/Reimbursements	<u>4,479</u>
	<u>\$ 323,160</u>

**BOROUGH OF EMERSON**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

	<u>Appropriated</u>		<u>Expended</u>		Unexpended Balance <u>Cancelled</u>
	<u>2025</u> <u>Budget</u>	<u>Budget After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT FUNCTIONS					
General Administration					
Salaries and Wages	\$ 191,525	\$ 161,525	\$ 151,299	\$ 10,226	
Other Expenses	161,270	191,270	166,079	25,191	
Mayor and Council					
Salaries and Wages	22,935	22,935	22,657	278	
Other Expenses	5,035	5,035	1,094	3,941	
Municipal Clerk					
Salaries and Wages	121,330	124,130	124,093	37	
Other Expenses	34,450	34,450	26,452	7,998	
Financial Administration					
Salaries and Wages	141,790	146,140	146,036	104	
Other Expenses	21,330	21,330	18,961	2,369	
Audit Services - Other Expenses	44,300	44,300		44,300	
Revenue Administration					
Salaries and Wages	35,670	36,045	35,940	105	
Other Expenses	7,285	7,285	6,127	1,158	
Tax Assessment Administration					
Salaries and Wages	24,360	24,360	24,356	4	
Other Expenses	11,490	6,990	2,226	4,764	
Legal Services					
Other Expenses	225,000	225,000	197,142	27,858	
Engineering Services					
Other Expenses	23,000	63,000	57,967	5,033	
LAND USE ADMINISTRATION					
Planning Board					
Salaries and Wages	7,450	7,450	7,179	271	
Other Expenses	19,400	9,400	5,436	3,964	
INSURANCE					
General Liability	296,728	296,728	286,586	10,142	
Workers Compensation	257,930	257,930	247,600	10,330	
Employee Group Health	945,417	945,417	850,598	94,819	
Health Benefit Waiver	7,680	7,680	7,039	641	
Unemployment Compensation Insurance	15,000	15,000	2,733	12,267	

**BOROUGH OF EMERSON**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

	<u>Appropriated</u>		<u>Expended</u>		Unexpended Balance <u>Cancelled</u>
	<u>2025</u> <u>Budget</u>	<u>Budget After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Cont'd)					
PUBLIC SAFETY FUNCTIONS					
Police Department					
Salaries and Wages	\$ 3,437,675	\$ 3,437,675	\$ 3,435,168	\$ 2,507	
Other Expenses	254,600	254,600	223,722	30,878	
Police Dispatch/911					
Other Expenses	90,000	90,000	90,000	-	
Office of Emergency Management					
Salaries and Wages	1,770	1,770	1,770	-	
Other Expenses	10,000	10,000	2,484	7,516	
Aid to Volunteer Fire Companies					
Other Expenses	70,700	70,700	60,273	10,427	
Aid to Volunteer Ambulance Corps.					
Other Expenses	43,350	43,350	24,271	19,079	
Fire Department					
Salaries and Wages	43,830	43,830	39,762	4,068	
Other Expenses - Fire Hydrant Expenses	141,000	140,360	138,981	1,379	
Uniform Fire Safety Act (P.L. 1983, Ch. 383)					
Salaries and Wages	16,255	12,255	11,574	681	
Other Expenses	9,640	9,640	7,841	1,799	
Municipal Prosecutor					
Other Expenses	12,700	12,700	8,375	4,325	
PUBLIC WORKS FUNCTIONS					
Streets and Road Maintenance					
Salaries and Wages	796,395	796,395	721,403	74,992	
Other Expenses	63,875	61,375	49,224	12,151	
Sewer Services					
Salaries and Wages	128,485	128,485	111,086	17,399	
Other Expenses	93,550	87,550	73,104	14,446	
Shade Tree - Advisory Committee					
Salaries and Wages	8,600	8,600	8,001	599	
Other Expenses	21,000	16,115	6,433	9,682	
Solid Waste Collection					
Garbage/Recycling - Other Expenses	990,922	990,922	990,922	-	
Buildings and Grounds					
Other Expenses	54,300	46,800	39,338	7,462	
Vehicle Maintenance					
Salaries and Wages	216,725	216,725	196,854	19,871	
Other Expenses	79,800	79,800	67,060	12,740	

**BOROUGH OF EMERSON**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

	<u>Appropriated</u>		<u>Expended</u>		Unexpended
	<u>2025</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
	<u>Budget</u>	<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Continued)					
HEALTH AND HUMAN SERVICES					
FUNCTIONS					
Public Health Services					
Salaries and Wages	\$ 25,470	\$ 25,470	\$ 25,470		-
Other Expenses	66,392	66,392	65,719	\$ 673	
Environmental Health Services					
Salaries and Wages	2,000	2,000	1,200		800
Other Expenses	2,055	2,055	342		1,713
Animal Control Services					
Other Expenses	11,500	11,500	10,705		795
PARKS AND RECREATION FUNCTIONS					
Recreation Services and Programs					
Salaries and Wages	8,220	8,220	8,161		59
Other Expenses	66,770	66,770	64,032		2,738
Municipal Court					
Salaries and Wages	80,700	80,700	77,613		3,087
Other Expenses	8,675	8,675	5,525		3,150
Public Defender					
Salaries and Wages	3,500	3,500	3,500		-
OTHER COMMON OPERATING					
FUNCTIONS					
Historic Preservation					
Salaries and Wages	1,200	1,200	300		900
Other Expenses	500	500	212		288
Beautification					
Other Expenses	500	500			500
Celebration of Public Events					
Other Expenses	1,000	1,000			1,000
Reserve for Accumulated Absences					
Salaries and Wages	50,000	50,000	50,000		-
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	232,225	232,225	210,163		22,062
Other Expenses	17,500	17,500	13,446		4,054

**BOROUGH OF EMERSON**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>2025 Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Continued)					
UTILITY EXPENSES AND BULK PURCHASES					
Electricity	\$ 85,000	\$ 85,000	\$ 80,115	\$ 4,885	
Street Lighting	104,700	124,700	113,094	11,606	
Telephone	23,110	23,110	22,845	265	
Water	17,340	17,340	14,170	3,170	
Gas (Natural or Propane)	18,000	18,000	17,887	113	
Gasoline	70,000	42,500	31,008	11,492	
LANDFILL/SOLID WASTE DISPOSAL COSTS					
Other Expenses - Dump Fees	<u>196,036</u>	<u>196,036</u>	<u>196,036</u>	<u>-</u>	<u>-</u>
Total Operations Within "CAPS"	<u>10,297,940</u>	<u>10,297,940</u>	<u>9,706,789</u>	<u>591,151</u>	<u>-</u>
Detail:					
Salaries and Wages	5,598,110	5,570,435	5,413,285	157,150	-
Other Expenses	<u>4,699,830</u>	<u>4,727,505</u>	<u>4,293,504</u>	<u>434,001</u>	<u>-</u>
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"					
Statutory Expenditures					
Public Employees' Retirement System	334,146	334,146	307,906	26,240	
Social Security System (O.A.S.I.)	235,000	235,000	217,119	17,881	
Police and Firemen's Retirement System of N.J.	1,061,454	1,061,454	1,061,454	-	
Defined Contribution Retirement Program	<u>13,200</u>	<u>13,200</u>	<u>9,401</u>	<u>3,799</u>	<u>-</u>
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	<u>1,643,800</u>	<u>1,643,800</u>	<u>1,595,880</u>	<u>47,920</u>	<u>-</u>
Total General Appropriations for Municipal Purposes - Within "CAPS"	<u>11,941,740</u>	<u>11,941,740</u>	<u>11,302,669</u>	<u>639,071</u>	<u>-</u>

**BOROUGH OF EMERSON**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

	<u>Appropriated</u>		<u>Expended</u>		Unexpended Balance <u>Cancelled</u>
	<u>2025 Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - EXCLUDED FROM "CAPS"					
EDUCATION FUNCTIONS					
Municipal Library					
Other Expenses	\$ 572,474	\$ 572,474	\$ 572,474		
UTILITY EXPENSES AND BULK					
PURCHASES					
Sewerage Processing and Disposal					
Operation and Maintenance Expenses	702,718	702,718	702,717		\$ 1
Debt Expenses	190,210	190,210	190,210		
Northwest Bergen Utilities Authority					
Other Expenses	7,000	7,000	4,940		2,060
Reserve for Tax Appeals					
Other Expenses	30,000	30,000	30,000		
Length of Service Awards Program	53,900	53,900		\$ 53,900	
Recycling Tax P.L. 2007, c.311(N.J.S.A. 13:1E-96.5)	16,000	16,000	16,000		
Insurance(s):					
Health Benefits	70,183	70,183	70,183		
Worker's Compensation	3,404	3,404	3,404		
NJPDES/Stormwater Permit Management					
[ N.J.S.A.40A:4-45.39(cc)]					
Salaries and Wages	105,195	105,195	92,660	12,535	
Other Expenses	40,635	40,635	38,993	1,642	
Borough of Old Tappan - Court					
Salaries and Wages	15,694	15,694	15,694	-	
Other Expenses	2,092	2,092		2,092	
Board of Education - Resource Officers	75,761	75,761	75,761	-	
Board of Education - SLEO	115,745	115,745	107,152	8,593	-
	<u>2,001,011</u>	<u>2,001,011</u>	<u>1,920,188</u>	<u>78,762</u>	<u>2,061</u>
Total Other Operations Excluded from "CAPS"					
Public and Private Programs Offset by Revenues					
Matching Funds for Grants	3,000	2,041			2,041
Municipal Alliance		3,836		3,836	
Municipal Alliance - Match		959		959	
Clean Communities Program Grant		19,350	163	19,187	
DEER Management Grant Program		8,000		8,000	
Body Armor Replacement Grant	2,111	2,111	1,628	483	
Recycling Tonnage Grant		10,889	10,889	-	
NJ DOT - Lincoln Blvd.	171,045	171,045	-	171,045	-
Total Public and Private Programs Offset by Revenues	<u>176,156</u>	<u>218,231</u>	<u>12,680</u>	<u>203,510</u>	<u>2,041</u>
Total Operations Excluded from "CAPS"	<u>2,177,167</u>	<u>2,219,242</u>	<u>1,932,868</u>	<u>282,272</u>	<u>4,102</u>
Detail:					
Salaries and Wages	120,889	120,889	108,354	12,535	-
Other Expenses	2,056,278	2,098,353	1,824,514	269,737	4,102

**BOROUGH OF EMERSON  
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2025**

	<u>Appropriated</u>		<u>Expended</u>		Unexpended
	2025	Budget After	Paid or	Reserved	Balance
	<u>Budget</u>	<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	\$ 686,500	\$ 686,500	\$ 686,500	-	-
Total Capital Improvements Excluded from "CAPS"	<u>686,500</u>	<u>686,500</u>	<u>686,500</u>	-	-
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	915,000	915,000	915,000		
Bond Anticipation Note Principal	93,089	93,089	93,089		
Interest on Bonds	80,965	80,965	80,965		
Interest on Notes	<u>239,770</u>	<u>239,770</u>	<u>239,767</u>	-	\$ 3
Total Municipal Debt Service Excluded from "CAPS"	<u>1,328,824</u>	<u>1,328,824</u>	<u>1,328,821</u>	-	3
Deferred Charges:					
Preparation of Approved Tax Maps	23,000	23,000	23,000		
Ord. No. 1606-20 Various Public Improvements	1,296	1,296	1,296		
Ord. No. 1673 Various Public Improvements and Acquis.	227	227	227		
Ord. No. 1688 Various Public Improvements and Acquis.	450	450	450		
Ord. No. 1648-22 Var. Public Improvements and Acquis.	<u>729</u>	<u>729</u>	<u>729</u>	-	-
Total Deferred Charges Excluded from "CAPS"	<u>25,702</u>	<u>25,702</u>	<u>25,702</u>	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>4,218,193</u>	<u>4,260,268</u>	<u>3,973,891</u>	282,272	4,105
Subtotal General Appropriations	16,159,933	16,202,008	15,276,560	921,343	4,105
Reserve for Uncollected Taxes	<u>615,000</u>	<u>615,000</u>	<u>615,000</u>	-	-
Total General Appropriations	<u>\$ 16,774,933</u>	<u>\$ 16,817,008</u>	<u>\$ 15,891,560</u>	<u>\$ 921,343</u>	<u>\$ 4,105</u>
	Adopted Budget	\$ 16,774,933			
	Added by N.J.S.A. 40A:4-87	<u>42,075</u>			
		<u>\$ 16,817,008</u>			
	Disbursed		\$ 14,835,822		
	Reserve for Uncollected Taxes		615,000		
	Deferred Charges		23,000		
	Reserve for Tax Appeals		21,449		
	Encumbrances Payable		<u>396,289</u>		
			<u>\$ 15,891,560</u>		

**BOROUGH OF EMERSON**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS**  
**AS OF DECEMBER 31, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
<b>ASSETS</b>		
<b>ANIMAL CONTROL TRUST FUND</b>		
Cash	\$ 12,216	\$ 10,555
<b>OTHER TRUST FUND</b>		
Cash	1,220,743	1,007,107
Accounts Receivable - Police Outside Duty	127,385	225,136
Other Accounts Receivable	<u>130</u>	<u>130</u>
	<u>1,348,258</u>	<u>1,232,373</u>
<b>HOUSING TRUST FUND</b>		
Cash	<u>419,352</u>	<u>410,112</u>
<b>UNEMPLOYMENT INSURANCE TRUST FUND</b>		
Cash	<u>108,196</u>	<u>113,675</u>
Total Assets	<u>\$ 1,888,022</u>	<u>\$ 1,766,715</u>

**BOROUGH OF EMERSON**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS**  
**AS OF DECEMBER 31, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
<b>LIABILITIES AND RESERVES</b>		
<b>ANIMAL CONTROL TRUST FUND</b>		
Due to Current Fund	\$ 5,406	\$ 2,752
Reserve for Animal Control Expenditures	<u>6,810</u>	<u>7,803</u>
	<u>12,216</u>	<u>10,555</u>
<b>OTHER TRUST FUND</b>		
Due to Emerson Public Library	41	41
Reserve for Payroll/Payroll Deductions Payable	8,137	8,137
Reserve for Flexible Spending	4,346	3,723
Reserve for Accumulated Absences	114,693	86,499
Reserve for Escrow and Miscellaneous Reserves	<u>1,221,041</u>	<u>1,133,973</u>
	<u>1,348,258</u>	<u>1,232,373</u>
<b>HOUSING TRUST FUND</b>		
Reserve for Housing Trust Expenditures	<u>419,352</u>	<u>410,112</u>
<b>UNEMPLOYMENT INSURANCE TRUST FUND</b>		
Reserve for Unemployment Insurance Trust Claims	<u>108,196</u>	<u>113,675</u>
 Total Liabilities and Reserves	 <u>\$ 1,888,022</u>	 <u>\$ 1,766,715</u>

**BOROUGH OF EMERSON**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**GENERAL CAPITAL FUND**  
**AS OF DECEMBER 31, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
<b>ASSETS</b>		
Cash	\$ 3,036,858	\$ 2,765,362
Grants Receivable	2,012,114	590,484
Due from Current Fund	250,000	-
Deferred Charges to Future Taxation		
Funded	4,813,000	5,728,000
Unfunded	<u>5,949,954</u>	<u>5,452,502</u>
 Total Assets	 <u>\$ 16,061,926</u>	 <u>\$ 14,536,348</u>
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>		
General Serial Bonds Payable	\$ 4,813,000	\$ 5,728,000
Bond Anticipation Notes Payable	6,108,000	5,343,000
Improvement Authorizations		
Funded	1,749,265	447,936
Unfunded	1,533,593	1,214,633
Contracts Payable	924,062	857,587
Capital Improvement Fund	890,736	912,964
Reserve for Payment of Debt	9,729	20,678
Fund Balance	<u>33,541</u>	<u>11,550</u>
 Total Liabilities, Reserves and Fund Balance	 <u>\$ 16,061,926</u>	 <u>\$ 14,536,348</u>

There were bonds and notes authorized but not issued on December 31, 2025 and 2024 in the amount of \$861 and \$109,502, respectively.

**BOROUGH OF EMERSON**  
**COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS**  
**GENERAL CAPITAL FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
Balance, January 1	\$ 11,550	\$ 14,204
Increased by:		
Cancelled Improvement Authorizations	<u>26,991</u>	<u>7,346</u>
	38,541	21,550
Decreased by:		
Due to Current Fund as Anticipated Revenue	<u>5,000</u>	<u>10,000</u>
Balance, December 31	<u>\$ 33,541</u>	<u>\$ 11,550</u>

**BOROUGH OF EMERSON**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**GENERAL FIXED ASSETS ACCOUNT GROUP**  
**AS OF DECEMBER 31, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
General Fixed Assets		
Land	\$ 12,652,320	\$ 12,652,320
Buildings and Building Improvements	2,363,564	2,363,564
Machinery and Equipment	<u>8,461,884</u>	<u>7,798,752</u>
 Total General Fixed Assets	 <u>\$ 23,477,768</u>	 <u>\$ 22,814,636</u>
 Investment in General Fixed Assets	 <u>\$ 23,477,768</u>	 <u>\$ 22,814,636</u>

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2025 AND 2024**

**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.

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

The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Borough do not include the municipal library, volunteer fire department and volunteer ambulance squad which are considered component units under accounting principles generally accepted in the United States of America (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 GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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, 2025 AND 2024**

**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.

General Capital Fund – This fund is used to account for the receipt and disbursement of funds used and 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, 2024 balances to conform to the December 31, 2025 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, 2025 AND 2024**

**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, Cash Equivalents 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. 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, 2025 AND 2024**

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

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

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

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

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

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

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

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

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

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

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

**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 liabilities for compensated absences be recorded for leave that has not been used when the leave is attributable to services already rendered and the leave is more likely than not to be used for time off or otherwise paid in cash. Compensated absences liabilities are not recorded on the balance sheet.

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2025 AND 2024**

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

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

**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
Vehicles 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.

**Long-term Debt** – The Borough’s long-term debt is stated at face value. Additional information pertinent to the Borough’s long-term debt is disclosed in Note 9 to the financial statements.

**BOROUGH OF EMERSON**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2025 AND 2024**

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

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

**Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources and Pension Expense** - The requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68* require governmental entities to record their distributive shares of net pension liability, deferred outflows of resources, deferred inflows of resources and total pension related expense. Accounting principles applicable to municipalities, which have been prescribed by the Division, do not require the recording of the liabilities, deferrals, and expenses, but do require the disclosure of these amounts. The audited financial information related to these pensions is released annually by the State’s Division of Pension and Benefits and is required to be included as note disclosures in the financial statements. Pursuant to N.J.A.C. 5:30-6.1(c)2, municipalities may use the most recent available audited GASB 68 financial information published by the New Jersey Department of the Treasury, Division of Pensions and Benefits. As of the date of audit, the 2024 Public Employees’ Retirements System Report and the 2024 Police and Firemen’s Retirement System Report were the most recent reports available and therefore information for that year was disclosed accordingly. Refer to Note 11 for these disclosures.

**Other Post-Employment Benefits Other Than Pensions** – The requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)* that is provided by other entities require governmental entities to record in their financial statements a share of the other governments net OPEB liability, deferred outflows of resources, deferred inflows of resources and total OPEB expense. Accounting principles applicable to municipalities, which have been prescribed by the Division, do not require the recording of these liabilities, deferrals, and expenses, but do require the disclosure of these amounts. Since the Borough does not follow generally accepted accounting principles, the GASB did not result in a change in the Borough’s assets, liabilities and contribution requirements. However, it did result in additional note disclosures as required by the GASB. Pursuant to N.J.A.C. 5:30-6.1(c)2, municipalities may use the most recent available audited GASB 75 financial information published by the New Jersey Department of the Treasury, Division of Pensions and Benefits. As of the date of audit, the 2024 Report was the most recent report available and therefore information for that year was disclosed accordingly. Refer to Note 12 for these disclosures.

**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.

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2025 AND 2024**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets and Budgetary Accounting** - An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Borough and approved by the Division 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 2025 and 2024, the Borough Council increased the original budget by \$42,075 and \$152,429, respectively. The increase in 2025 was \$42,075 of additional aid allotted to the Borough. The increase in 2024 was funded by a special emergency authorization of \$115,000 for the preparation of an approved tax map and \$37,429 of additional aid allotted to the Borough. In addition, the governing body approved several budget transfers during 2025 and 2024.

**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.

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, 2025 and 2024, the book value of the Borough's deposits were \$11,059,896 and \$9,807,790 and bank and brokerage firm balances of the Borough's deposits amounted to \$11,099,915 and \$10,024,651, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2025 AND 2024**

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

**A. Cash Deposits (Continued)**

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2025</u>	<u>2024</u>
Insured	\$ 10,570,801	\$ 9,900,863
Uninsured and Collateralized	<u>529,114</u>	<u>123,788</u>
	<u>\$ 11,099,915</u>	<u>\$ 10,024,651</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, 2025 and 2024, the Borough’s bank balances of \$529,114 and \$123,788 were exposed to custodial credit risk as follows:

<u>Depository Account</u>	<u>2025</u>	<u>2024</u>
Uninsured and Collateral held by pledging financial institution's trust department not in the Borough's name	<u>\$ 529,114</u>	<u>\$ 123,788</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).

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2025 AND 2024**

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

**B. Investments (Continued)**

As of December 31, 2025 and 2024, the Borough had State of New Jersey Cash Management Funds of \$94,101 and \$90,264, respectively. These amounts are included in the book values of the Borough's deposits above.

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.

Interest Rate Risk – Interest rate risk is the risk that changes in the market interest rate will adversely affect the fair value of an investment. 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 – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. 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.

Concentration of Credit Risk – The concentration of credit risk is the risk of loss that may be caused by the Borough's investment in a single issuer. The Borough places no limit in the amount the Borough may invest in any one issuer.

Fair Value of Investments. The Borough measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles (GAAP). These guidelines recognize a three-tiered fair value hierarchy as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than those in Level 1; and
- *Level 3:* Unobservable inputs.

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

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2025 AND 2024**

**NOTE 4 TAXES RECEIVABLE**

Receivables at December 31, 2025 and 2024 consisted of the following:

	<u>2025</u>	<u>2024</u>
<u>Current</u>		
Property Taxes	\$ 774,300	\$ 679,267
Tax Title Liens	<u>255,988</u>	<u>241,087</u>
	<u>\$1,030,288</u>	<u>\$ 920,354</u>

In 2025 and 2024, the Borough collected \$352,292 and \$369,235 from delinquent taxes, which represented 44% and 46%, respectively of the prior year delinquent taxes receivable balance.

**NOTE 5 DUE TO/FROM OTHER FUNDS**

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

	<u>2025</u>		<u>2024</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund	\$ 5,406	\$ 250,000	\$ 2,752	
General Capital Fund	250,000			
Animal Control Trust Fund	<u>-</u>	<u>5,406</u>	<u>-</u>	<u>\$ 2,752</u>
Total	<u>\$ 255,406</u>	<u>\$ 255,406</u>	<u>\$ 2,752</u>	<u>\$ 2,752</u>

The above balances are the result of interest earned in the Animal Control Trust Fund and owed to the Current Fund and a statutory excess occurring in the Animal Control Trust Fund and owed to the Current Fund and the Current Fund owed General Capital Fund for capital improvements ongoing.

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

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2025 AND 2024**

**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, 2025 and 2024 are as follows:

	<u>Local District School</u>	
	<u>2025</u>	<u>2024</u>
Balance of Tax	\$ 12,629,642	\$ 12,177,820
Deferred Liability	<u>12,089,642</u>	<u>11,637,820</u>
Taxes Payable	<u>\$ 540,000</u>	<u>\$ 540,000</u>

**NOTE 7 FUND BALANCES APPROPRIATED**

Under the regulatory basis of accounting, fund balances in the Current Fund are 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>2025</u>		<u>2024</u>	
	Fund Balance <u>December 31,</u>	Utilized in Subsequent Year's Budget	Fund Balance <u>December 31,</u>	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	\$ 2,184,551	\$ 1,390,000	\$ 2,252,577	\$ 1,641,500
Non-Cash Surplus	<u>1,264,866</u>	<u>-</u>	<u>1,310,283</u>	<u>-</u>
	<u>\$ 3,449,417</u>	<u>\$ 1,390,000</u>	<u>\$ 3,562,860</u>	<u>\$ 1,641,500</u>

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2025 AND 2024**

**NOTE 8 FIXED ASSETS**

**General Fixed Assets**

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2025 and 2024.

	Balance January 1, <u>2025</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2025</u>
<b><u>2025</u></b>				
Land	\$ 12,652,320			\$ 12,652,320
Buildings and Building Improvements	2,363,564			2,363,564
Machinery and Equipment	<u>7,798,752</u>	\$ 663,132	\$ -	<u>8,461,884</u>
	<u>\$ 22,814,636</u>	<u>\$ 663,132</u>	<u>\$ -</u>	<u>\$ 23,477,768</u>
	Balance January 1, <u>2024</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2024</u>
<b><u>2024</u></b>				
Land	\$ 12,652,320			\$ 12,652,320
Buildings and Building Improvements	2,363,564			2,363,564
Machinery and Equipment	<u>6,763,435</u>	\$ 1,113,255	\$ 77,938	<u>7,798,752</u>
	<u>\$ 21,779,319</u>	<u>\$ 1,113,255</u>	<u>\$ 77,938</u>	<u>\$ 22,814,636</u>

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2025 AND 2024**

**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 general capital fund projects and acquisitions 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 and acquisitions or other purposes permitted by the Local Bond Law, 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>2025</u>	<u>2024</u>
Issued		
General		
Bonds, Notes and Loans	\$ 10,921,000	\$ 11,071,000
Less Funds Temporarily Held to Pay Notes	<u>9,729</u>	<u>20,678</u>
Net Debt Issued	10,911,271	11,050,322
Authorized But Not Issued		
General		
Bonds and Notes	<u>861</u>	<u>109,502</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 10,912,132</u>	<u>\$ 11,159,824</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 .625% and .691% at December 31, 2025 and 2024, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2025</u>			
General Debt	\$ 10,921,861	\$ 168,636	\$ 10,753,225
School Debt	<u>9,665,446</u>	<u>9,665,446</u>	<u>-</u>
Total	<u>\$ 20,587,307</u>	<u>\$ 9,834,082</u>	<u>\$ 10,753,225</u>

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2025 AND 2024**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**Statutory Net Debt (Continued)**

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2024</u></b>			
General Debt	\$ 11,180,502	\$ 20,678	\$ 11,159,824
School Debt	<u>10,250,446</u>	<u>10,250,446</u>	<u>-</u>
Total	<u>\$ 21,430,948</u>	<u>\$ 10,271,124</u>	<u>\$ 11,159,824</u>

**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>2025</u>	<u>2024</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 60,261,998	\$ 56,503,017
Net Debt	<u>10,753,225</u>	<u>11,159,824</u>
Remaining Borrowing Power	<u>\$ 49,508,773</u>	<u>\$ 45,343,193</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. The general Obligation bonds are direct obligations of the Borough. Bonds issued by the Borough are backed by the full faith and credit of the Borough. General obligation bonds outstanding at December 31 are as follows:

	<u>2025</u>	<u>2024</u>
\$3,698,000, 2013 Bonds, due in annual installment of \$388,000 through December, 2026 interest at 3.00%	\$ 388,000	\$ 778,000
\$6,820,000, 2020 Bonds, due in annual installments of \$525,000 to \$650,000 through August, 2032 interest at 1.00% to 1.50%	<u>4,425,000</u>	<u>4,950,000</u>
	<u>\$ 4,813,000</u>	<u>\$ 5,728,000</u>

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2025 AND 2024**

**NOTE 9 MUNICIPAL DEBT (Continued)**

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

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2025 is as follows:

<u>Year</u>	<u>Serial Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2026	\$ 913,000	\$ 64,015	\$ 977,015
2027	650,000	47,125	697,125
2028	650,000	40,625	690,625
2029	650,000	34,125	684,125
2030	650,000	26,000	676,000
2031-2032	<u>1,300,000</u>	<u>27,625</u>	<u>1,327,625</u>
	<u>\$ 4,813,000</u>	<u>\$ 239,515</u>	<u>\$ 5,052,515</u>

**Changes in Long-Term Municipal Debt**

The Borough's long-term capital debt activity for the years ended December 31, 2025 and 2024 were as follows:

	<u>Balance,</u> <u>January 1,</u> <u>2025</u>	<u>Reductions</u>	<u>Balance,</u> <u>December 31,</u> <u>2025</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
<b><u>2025</u></b>				
General Capital Fund				
Bonds Payable	<u>\$ 5,728,000</u>	<u>\$ 915,000</u>	<u>\$ 4,813,000</u>	<u>\$ 913,000</u>
General Capital Fund Long-Term Liabilities	<u>\$ 5,728,000</u>	<u>\$ 915,000</u>	<u>\$ 4,813,000</u>	<u>\$ 913,000</u>
	<u>Balance,</u> <u>January 1,</u> <u>2024</u>	<u>Reductions</u>	<u>Balance,</u> <u>December 31,</u> <u>2024</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
<b><u>2024</u></b>				
General Capital Fund				
Bonds Payable	<u>\$ 6,633,000</u>	<u>\$ 905,000</u>	<u>\$ 5,728,000</u>	<u>\$ 915,000</u>
General Capital Fund Long-Term Liabilities	<u>\$ 6,633,000</u>	<u>\$ 905,000</u>	<u>\$ 5,728,000</u>	<u>\$ 915,000</u>

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2025 AND 2024**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**B. Short-Term Debt**

The Borough’s short-term debt activity for the years ended December 31, 2025 and 2024 was as follows:

**Bond Anticipation Notes**

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, January 1, 2025</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2025</u>
<b><u>2025</u></b>						
<u>General Capital Fund</u>						
Acquisition of Real Property for Municipal Purposes	4.50%	7/25/2025	\$ 730,647		\$ 730,647	
	3.75%	7/24/2026		\$ 716,846		\$ 716,846
Various Public Improvements and Acquisition of New Additional or Replacement Equipment and Machinery	4.50%	7/25/2025	777,537		777,537	
	3.75%	7/24/2026		737,124		737,124
Various Public Improvement and Acquisitions	4.50%	7/25/2025	835,801		835,801	
	3.75%	7/24/2026		796,926		796,926
Various Improvements to Cindy Lane Pump Station	4.50%	7/25/2025	315,000		315,000	
	3.75%	7/24/2026		315,000		315,000
Various Public Improvements and the Acquisition of a New Vehicle, Including Original Apparatus and Equipment	4.50%	7/25/2025	987,801		987,801	
	3.75%	7/24/2026		987,801		987,801
Various Public Improvements and Acquisition of New or Replacement Equipment and Machinery, New Communication and Signal Systems Equipment and A New Fire Engine, Including Original Apparatus and Equipment	4.50%	7/25/2025	1,696,214		1,696,214	
	3.75%	7/24/2026		1,696,214		1,696,214
Tennis and Pickleball Court Project at Emerson Junior/Senior High School	3.75%	7/24/2026		82,800		82,800
Various Public Improvements and the Acquisition of New and Replacement Equipment and Machinery	3.75%	7/24/2026	-	775,289	-	775,289
			<u>\$ 5,343,000</u>	<u>\$ 6,108,000</u>	<u>\$ 5,343,000</u>	<u>\$ 6,108,000</u>

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2025 AND 2024**

**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, 2024</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2024</u>
<b><u>2024</u></b>						
<b><u>General Capital Fund</u></b>						
Acquisition of Real Property for Municipal Purposes	4.50%	7/26/2024	\$ 744,448		\$ 744,448	
	4.50%	7/25/2025		\$ 730,647		\$ 730,647
Various Public Improvements and Acquisition of New Additional or Replacement Equipment and Machinery	4.50%	7/26/2024	817,950		817,950	
	4.50%	7/25/2025		777,537		777,537
Various Public Improvement and Acquisitions	4.50%	7/26/2024	835,801		835,801	
	4.50%	7/25/2025		835,801		835,801
Various Improvements to Cindy Lane Pump Station	4.50%	7/26/2024	315,000		315,000	
	4.50%	7/25/2025		315,000		315,000
Various Public Improvements and the Acquisition of a New Vehicle, Including Original Apparatus and Equipment	4.50%	7/26/2024	987,801		987,801	
	4.50%	7/25/2025		987,801		987,801
Various Public Improvements and Acquisition of New or Replacement Equipment and Machinery, New Communication and Signal Systems Equipment and A New Fire Engine, Including Original Apparatus and Equipment	4.50%	7/25/2025	-	1,696,214	-	1,696,214
			<u>\$ 3,701,000</u>	<u>\$ 5,343,000</u>	<u>\$ 3,701,000</u>	<u>\$ 5,343,000</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 general 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, 2025 AND 2024**

**NOTE 10 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 time, sick leave and compensation time in lieu of overtime 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. Terminal leave may be taken as leave time or in a lump sum monetary payment at the employee’s option. 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, 2025 and 2024, the estimated accumulated absence liability is \$203,354 and \$202,967, respectively.

As of December 31, 2025 and 2024, the Borough has reserved in the Other Trust Fund \$114,693 and \$86,499, 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. The deferred liability including accrued interest (7.00% effective July 1, 2017) as of December 31, 2025 and 2024 is \$43,061 and \$86,272, respectively.

During the years ended December 31, 2025, 2024 and 2023 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>
2025	\$ 9,024	\$ 34,187
2024	8,985	33,909
2023	8,874	33,438

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2025 AND 2024**

**NOTE 11 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) Annual Comprehensive Financial Report (ACFR) 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.

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

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2025 AND 2024**

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

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

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

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

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2025 AND 2024**

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**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/treasury/doinvest](http://www.state.nj/treasury/doinvest).

**Collective Net Pension Liability**

The collective net pension liability of the participating employers for local PERS at June 30, 2024 was \$13.7 billion. The collective net pension liability of the participating employers for local PFRS at June 30, 2024 was \$12.3 billion.

**Actuarial Methods and Assumptions**

In the July 1, 2023 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, 2025 AND 2024**

**NOTE 11 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 2025 and 2024 based on 10.0% for PFRS, 7.50% for PERS and 5.50% for DCRP of employee’s pensionable compensation.

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 2025, 2024 and 2023 were equal to the required contributions.

During the years ended December 31, 2025, 2024 and 2023, 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 actual contributions for each respective year:

<u>December 31</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2025	\$ 1,027,267	\$ 325,122	\$ 9,401
2024	905,353	349,432	6,550
2023	918,864	330,287	3,880

For the years ended December 31, 2025, 2024 and 2023 the Borough had no required contributions for long-term disability insurance premiums (LTDI) 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 year ended June 30, 2024. Employer allocation percentages have been rounded for presentation purposes.

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2025 AND 2024**

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Public Employees Retirement System (PERS)**

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

At December 31, 2025, the Borough had a liability of \$3,246,612 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023. 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, 2024, the Borough’s proportionate share was .02389 percent, which was a decrease of .00225 percent from its proportionate share measured as of June 30, 2023 of .02614 percent.

For the year ended December 31, 2025, the pension system has determined the Borough’s pension expense to be \$40,803 for PERS based on the actuarial valuations which is less than the actual contribution reported in the Borough’s financial statements of \$349,432. At December 31, 2025, 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:

	<b>2024</b>	
	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Difference Between Expected and Actual Experience	\$ 65,036	\$ 8,643
Changes of Assumptions	4,033	36,939
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		150,537
Changes in Proportion	151,460	289,591
Borough Contribution Subsequent to the Measurement Date	<u>325,122</u>	<u>-</u>
Total	<u>\$ 545,651</u>	<u>\$ 485,710</u>

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2025 AND 2024**

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

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

The \$325,122 of deferred outflows of resources resulting from the Borough’s contribution subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ending December 31, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense (benefit) on the GAAP basis as follows if GASB 68 were recognized:

Year Ending <u>December 31,</u>	<u>Total</u>
2025	\$ (147,057)
2026	101,644
2027	(118,891)
2028	(96,906)
2029	(3,971)
Thereafter	<u>-</u>
	<u>\$ (265,181)</u>

***Actuarial Assumptions***

The Borough’s total pension liability reported for the year ended December 31, 2025 was based on the June 30, 2024 measurement date as determined by an actuarial valuation as of July 1, 2023, which was rolled forward to June 30, 2024. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2024</u>
Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through All Future Years	2.75%-6.55%
	Based on Years of Service
Thereafter	Not Applicable
Investment Rate of Return	7.00%
Mortality Rate Table	Pub - 2010

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2025 AND 2024**

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

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

*Actuarial Assumptions (Continued)*

Assumptions for mortality improvements are based on Society of Actuaries Scale MP for 2021.

The actuarial assumptions used in the July 1, 2023 valuations were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

***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, 2024, as reported for the year ended December 31, 2025 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	28.00%	8.63%
Non-U.S Developed Markets Equity	12.75%	8.85%
International Small Cap Equity	1.25%	8.85%
Emerging Markets Equity	5.50%	10.66%
Private Equity	13.00%	12.40%
Real Assets	8.00%	10.95%
Real Estates	3.00%	8.20%
High Yield	4.50%	6.74%
Private Credit	8.00%	8.90%
Investment Grade Credit	7.00%	5.37%
Cash Equivalents	2.00%	3.57%
U.S. Treasuries	4.00%	3.57%
Risk Mitigation Strategies	<u>3.00%</u>	7.10%
	<u>100.00%</u>	

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2025 AND 2024**

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

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

***Discount Rate***

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

<b>Calendar</b>		
<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2024	June 30, 2024	7.00%

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

	<u>2024</u>
Period of Projected Benefit Payments for which the Following Rates were Applied:	
Long-Term Expected Rate of Return	All Periods

***Sensitivity of Net Pension Liability***

The following presents the Borough’s proportionate share of the PERS net pension liability as of December 31, 2025 calculated using the discount rate of 7.00%, 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 6.00% or 1-percentage-point higher 8.00% than the current rate:

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
<u>2024</u>	<u>6.00%</u>	<u>7.00%</u>	<u>8.00%</u>
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 4,313,949</u>	<u>\$ 3,246,612</u>	<u>\$ 2,338,314</u>

The sensitivity analysis was based on the proportionate share of the Borough’s net pension liability at June 30, 2024. A sensitivity analysis specific to the Borough’s net pension liability was not provided by the pension system.

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2025 AND 2024**

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

***Special Funding Situation – PERS***

Under N.J.S.A. 43:15A-15, the Borough is responsible for their own PERS 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 365, P.L. 2001, and Chapter 133, 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 PERS under this legislation.

At December 31, 2025 the State's proportionate share of the net pension liability attributable to the Borough for the PERS special funding situation is \$0. For the year ended December 31, 2025, the pension system has determined the State's proportionate share of the pension expense attributable to the Borough for the PERS special funding situation is \$10,467, which is equal to the actual contribution the State made on behalf of the Borough of \$10,467. At December 31, 2024 (measurement date June 30, 2024) the State's share of the PERS net pension liability attributable to the Borough was 0.024004 percent. The State's proportionate share attributable to the Borough was developed based on actual contributions made to PERS 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 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, 2025, the Borough had a liability of \$7,669,081 for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023. 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, 2024, the Borough's proportionate share was .07427 percent, which was an increase of .00626 percent from its proportionate share measured as of June 30, 2023 of .06801 percent.

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2025 AND 2024**

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

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

For the year ended December 31, 2025, the pension system has determined the Borough pension expense to be \$721,048 for PFRS based on the actuarial valuations which is less than the actual contribution reported in the Borough’s financial statements of \$905,353. At December 31, 2025, 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>2024</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 483,146	\$ 262,546
Changes of Assumptions	12,123	225,228
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		60,024
Changes in Proportion	1,016,594	213,905
Borough Contributions Subsequent to the Measurement Date	<u>1,027,267</u>	<u>-</u>
 Total	 <u>\$ 2,539,130</u>	 <u>\$ 761,703</u>

The \$1,027,267 of deferred outflows of resources resulting from the Borough’s contribution subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ending December 31, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense (benefit) on the GAAP basis as follows if GASB 68 were recognized:

Year Ending <u>December 31,</u>	<u>Total</u>
2025	\$ 35,409
2026	107,027
2027	438,909
2028	93,607
2029	67,815
2030	7,393
Thereafter	<u>-</u>
	 <u>\$ 750,160</u>

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2025 AND 2024**

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

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

*Actuarial Assumptions*

The Borough’s total pension liability reported for the year ended December 31, 2025 was based on the June 30, 2024 measurement date as determined by an actuarial valuation as of July 1, 2023, which was rolled forward to June 30, 2024. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2024</u>
Inflation Rate:	
Price	2.75%
Salary Increases:	
Through all future years	3.25%-15.25%
	Based on Years of Service
Investment Rate of Return	7.00%
Mortality Rate Table	Pubs - 2010

Assumptions for mortality improvements are based on Society of Actuaries Scale MP for 2021.

The actuarial assumptions used in the July 1, 2023 valuations were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

***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, 2024, as reported for the year ended December 31, 2025 are summarized in the following table:

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2025 AND 2024**

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

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

*Long-Term Expected Rate of Return (Continued)*

	<u>2024</u>	
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	28.00%	8.63%
Non-US Developed Markets Equity	12.75%	8.85%
International Small Cap Equity	1.25%	8.85%
Emerging Markets Equity	5.50%	10.66%
Private Equity	13.00%	12.40%
Real Assets	8.00%	10.95%
Real Estate	3.00%	8.20%
High Yield	4.50%	6.74%
Private Credit	8.00%	8.90%
Investment Grade Credit	7.00%	5.37%
Cash Equivalents	2.00%	3.57%
U.S. Treasuries	4.00%	3.57%
Risk Mitigation Strategies	<u>3.00%</u>	7.10%
	<u>100.00%</u>	

***Discount Rate***

The discount rate used to measure the total pension liability as of June 30, 2024 was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on 100% of the actuarially determined contributions for the State employer and 100% of the actuarially determined contributions for the local employers. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments to determine the total pension liability.

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2025 AND 2024**

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

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

*Discount Rate (Continued)*

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

<b>Calendar</b>		
<b>Year</b>	<b>Measurement Date</b>	<b>Discount Rate</b>
2024	June 30, 2024	7.00%

*Sensitivity of Net Pension Liability*

The following presents the Borough’s proportionate share of the PFRS net pension liability as of December 31, 2025 calculated using the discount rate of 7.00% 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 6.00% or 1-percentage-point higher 8.00% than the current rate:

	<b>1% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
<b><u>2024</u></b>			
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 10,957,410</u>	<u>\$ 7,669,081</u>	<u>\$ 4,930,623</u>

The sensitivity analysis was based on the proportionate share of the Borough’s net pension liability at December 31, 2025. A sensitivity analysis specific to the Borough’s net pension liability was not provided by the pension system.

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2025 AND 2024**

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (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, 2025, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,511,943. For the year ended December 31, 2025, 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 \$173,937 which is less than the actual contribution the State made on behalf of the Borough of \$173,937. At December 31, 2025 (measurement date June 30, 2024) the State's share of the PFRS net pension liability attributable to the Borough was .07427 percent, which was a decrease of .00626 percent from its proportionate share measured as of December 31, 2024 (measurement date June 30, 2023) of .06801 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  
YEARS ENDED DECEMBER 31, 2025 AND 2024**

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**DEFINED CONTRIBUTION RETIREMENT PLAN**

The Defined Contribution Retirement Plan (DCRP) is a multiple employer defined contribution plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the DCRP are as follows:

*Plan Membership and Contributing Employers-* Enrollment in the DCRP is required for state or local officials, elected or appointed on or after July 1, 2007; employees enrolled in PFRS or PERS on or after July 1, 2007, who earn salary in excess of established “maximum compensation” limits; employees otherwise eligible to enroll in PFRS or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000 annually; and employees otherwise eligible to enroll in PFRS or PERS after May 21, 2010, who do not work the minimum number of hours per week required for tier 4 or tier 5 enrollment, but who earn salary of at least \$5,000 annually.

*Contribution Requirement and Benefit Provisions -* State and local government employers contribute 3% of the employees’ base salary. Active members contribute 5.5% of base salary.

Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant’s interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and non-forfeitable.

A participant’s interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and non-forfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

Total DCRP covered payroll for 2025 was \$232,123. Covered payroll refers to all compensation paid by the Borough to active employees covered by the Plan. Employee contributions to the DCRP for the year ended December 31, 2025 were \$12,767 and employer contributions were \$9,441.

Total DCRP covered payroll for 2024 was \$163,720. Covered payroll refers to all compensation paid by the Borough to active employees covered by the Plan. Employee contributions to the DCRP for the year ended December 31, 2024 were \$8,895 and employer contributions were \$6,550.

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2025 AND 2024**

**NOTE 12 POST-RETIREMENT MEDICAL BENEFITS**

**State Health Benefit Local Government Retired Employees Plan**

General Information about the OPEB Plan

Plan Description

The State Health Benefit Local Government Retired Employees Plan (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*; 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) Annual Comprehensive Financial Report (ACFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

Benefits Provided

The Plan provides medical and prescription drug coverage to retirees and their 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) retired 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) retired 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.

Contributions

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 of coverage.

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2025 AND 2024**

**NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

Plan Membership and Contributing Employers

Plan membership and contributing employers/nonemployers consisted of the following at June 30, 2024:

	June 30, 2024
Active Plan Members	60,691
Inactive plan members or beneficiaries currently receiving benefits	28,899
Total	<u>89,590</u>

Nonspecial Funding Situation - The State of New Jersey's Total OPEB Liability for nonspecial funding situation was \$17,748,257,548 at June 30, 2024.

Components of Net OPEB Liability - The components of the collective net OPEB liability for Local Government Retired Employees Plan, including the State of New Jersey, is as follows:

	June 30, 2024
Total OPEB Liability	\$ 17,748,257,548
Plan Fiduciary Net Position (Deficit)	<u>(157,187,957)</u>
Net OPEB Liability	<u>\$ 17,905,445,505</u>
Plan fiduciary net position as a percentage of the total OPEB liability	-0.89%

Actuarial Assumptions and Other Inputs - The total OPEB liability as of June 30, 2024 was determined by an actuarial valuation as of June 30, 2023, which was rolled forward to June 30, 2024. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. These actuarial valuations used the following actuarial assumptions, applied to all periods (2024) in the measurement:

Salary increases*	
Public Employees' Retirement Systems (PERS)	
Rate for all future years	2.75% to 6.55%
Police and Firemen's Retirement System (PFRS)	
Rate for all future years	3.25% to 16.25%
Mortality:	
PERS	Pub-2010 general classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021
PFRS	Pub-2010 safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021

\* Salary increases are based on years of service within the respective plan.

Preretirement and postretirement mortality rates were based on the Pub-2010 General and Safety Headcount-Weighted mortality table with fully generational mortality improvement projections from the central year using the MP-2021 scale. Actuarial assumptions used in the July 1, 2023 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2018 to June 30, 2021.

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2025 AND 2024**

**NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

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

The health care trend assumption is used to project the growth of the expected claims over the lifetime of the health care recipients. The GASB statement does not require a particular source for information to determine health care trends, but it does recommend selecting a source that is “publicly available, objective, and unbiased”.

*Discount Rate* - The discount rate for June 30, 2024 was 3.93%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

*Sensitivity of the State’s Net OPEB Liability to Changes in the Discount Rate* - The following presents the collective net OPEB liability of the participating employers and the Borough as of June 30, 2024, calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage- point higher than the current rate:

	<b>1% Decrease <u>(2.93%)</u></b>	<b>Current Discount Rate <u>(3.93%)</u></b>	<b>1% Increase <u>(4.93%)</u></b>
Net OPEB Liability	\$ 20,857,914,273	\$ 17,905,445,505	\$ 15,540,780,410
Borough's Proportionate Share of the Net OPEB Liability	\$ 5,048,450	\$ 4,333,834	\$ 3,761,490

*Sensitivity of the State’s Net OPEB Liability to Changes in the Healthcare Cost Trend Rates* - The following presents the net OPEB liability of the participating employers and of the Borough as of June 30, 2024, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<b>1% Decrease</b>	<b>Healthcare Care Trend Rate</b>	<b>1% Increase</b>
Net OPEB Liability	\$ 15,144,352,142	\$ 17,905,445,505	\$ 21,455,435,620
Borough's Proportionate Share of the Net OPEB Liability	\$ 3,665,539	\$ 4,333,834	\$ 5,193,074

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 is legally obligates the State is as follows: Chapter 330, P.L. 1997 and Chapter 271, P.L., 1989. Under Chapter 330, P.L. 1997, the State pays the premiums or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under chapter 271, P.L. 1989.

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2025 AND 2024**

**NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

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. At December 31, 2025 the State’s proportionate share of the net pension liability attributable to the Borough for the OPEB special funding situation is \$9,490,390.

**NOTE 13 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.

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>Beginning Balance</u>	<u>Borough Contributions</u>	<u>Employee Contributions</u>	<u>Other Receipts</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2025	\$ 113,675	\$ -	\$ 8,202	\$ 4,560	\$ 18,241	\$ 108,196
2024	137,191	12,261	13,128	5,956	54,861	113,675
2023	124,128	12,375	7,769	3,677	10,758	137,191

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2025 AND 2024**

**NOTE 14 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, 2025 and 2024. 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, 2025 and 2024, the Borough reserved \$217,957 and \$196,508, 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, 2025 and 2024, 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 15 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, 2025 and 2024, the Borough has not estimated its estimated arbitrage earnings due to the IRS, if any.

**NOTE 16 TAX ABATEMENTS**

For the years ended December 31, 2025 and 2024, the Borough provided property tax abatements through a certain program authorized under State statutes. This program is 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, 2025 and 2024, the Borough abated property taxes totaling \$51,392 and \$48,327, respectively, under the NJHMFA program. The Borough received \$9,441 and \$9,441 in PILOT payments under this program for the years ended December 31, 2025 and 2024, respectively.

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2025 AND 2024**

**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 \$1,540 and \$1,540 for 2025 and 2024, respectively, for each eligible volunteer fire department and volunteer first aid squad member into the Plan. The total Borough contributions were \$38,500 and \$38,500 for 2025 and 2024, 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 Review Services.

**BOROUGH OF EMERSON  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2025 AND 2024**

**NOTE 18 LESSOR REVENUES**

Lease Assets

The Borough has entered into a certain lease for the use of Borough owned real property. The lease is due to the Borough in installments as outlined in each individual lease. The Borough recognizes the revenues on an annual basis based upon cash received. The following table represents the lease principal throughout the term of the lease.

Year End <u>June 30,</u>	Annual Lease <u>Payments</u>
2026	\$ 68,083
2027	70,125
2028	72,229
2029	74,396
2030	76,628
2031-2035	419,033
2036-2040	485,775
2041-2045	563,146
2046-2049	<u>514,442</u>
	<u>\$ 2,343,857</u>

**NOTE 19 SUBSEQUENT EVENTS**

The Borough has evaluated subsequent events occurring after December 31, 2025 through the date of this report, which is the date the financial statements were available to be issued. Based on this evaluation, the Borough has determined that no subsequent events have occurred which require disclosure in the financial statements.

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**APPENDIX C**

**PROPOSED FORM OF BOND COUNSEL OPINION**

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STEVEN L. ROGUT  
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## APPENDIX C

[Proposed Form of Bond Counsel Opinion]

July \_\_, 2026

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 \$6,655,000 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 July 15, 2026 and comprise an issue of registered bonds. The Bonds bear interest from their date, payable on each January 15 and July 15, commencing January 15, 2027 (each, an "Interest Payment Date"), in each year until maturity or prior redemption.

The Bonds are payable in annual installments on July 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>
2027	\$310,000	%	2034	\$520,000	%
2028	330,000		2035	540,000	
2029	350,000		2036	555,000	
2030	375,000		2037	570,000	
2031	390,000		2038	585,000	
2032	410,000		2039	600,000	
2033	500,000		2040	620,000	

The Bonds maturing on or before July 15, 2033 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after July 15, 2034 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 July 15, 2033, 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 ten bond ordinances adopted by the Borough Council of the Borough on February 2, 2016 (Ord. No. 1517-16), March 15, 2016 (Ord. No. 1520-16), May 18, 2021 (Ord. No. 1632-21), May 17, 2022 (Ord. No. 1648-22), August 16, 2022 (Ord. No. 1656-22), May 2, 2023 (Ord. No. 1673-23), May 21, 2024 (Ord. No. 1688-24), July 23, 2024 (Ord. No. 1690-24), May 20, 2025 (Ord. No. 1703-25) and May 5, 2026 (Ord. No. 1718-26) and resolutions adopted by the Borough Council of the Borough on June 9, 2026.

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 its 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; however, interest on the Bonds that is included in the "adjusted financial statement income" of certain corporations is not excluded from the Federal corporate alternative minimum tax. 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