

*Report of Audit*

*on the*

*Financial Statements*

*of the*

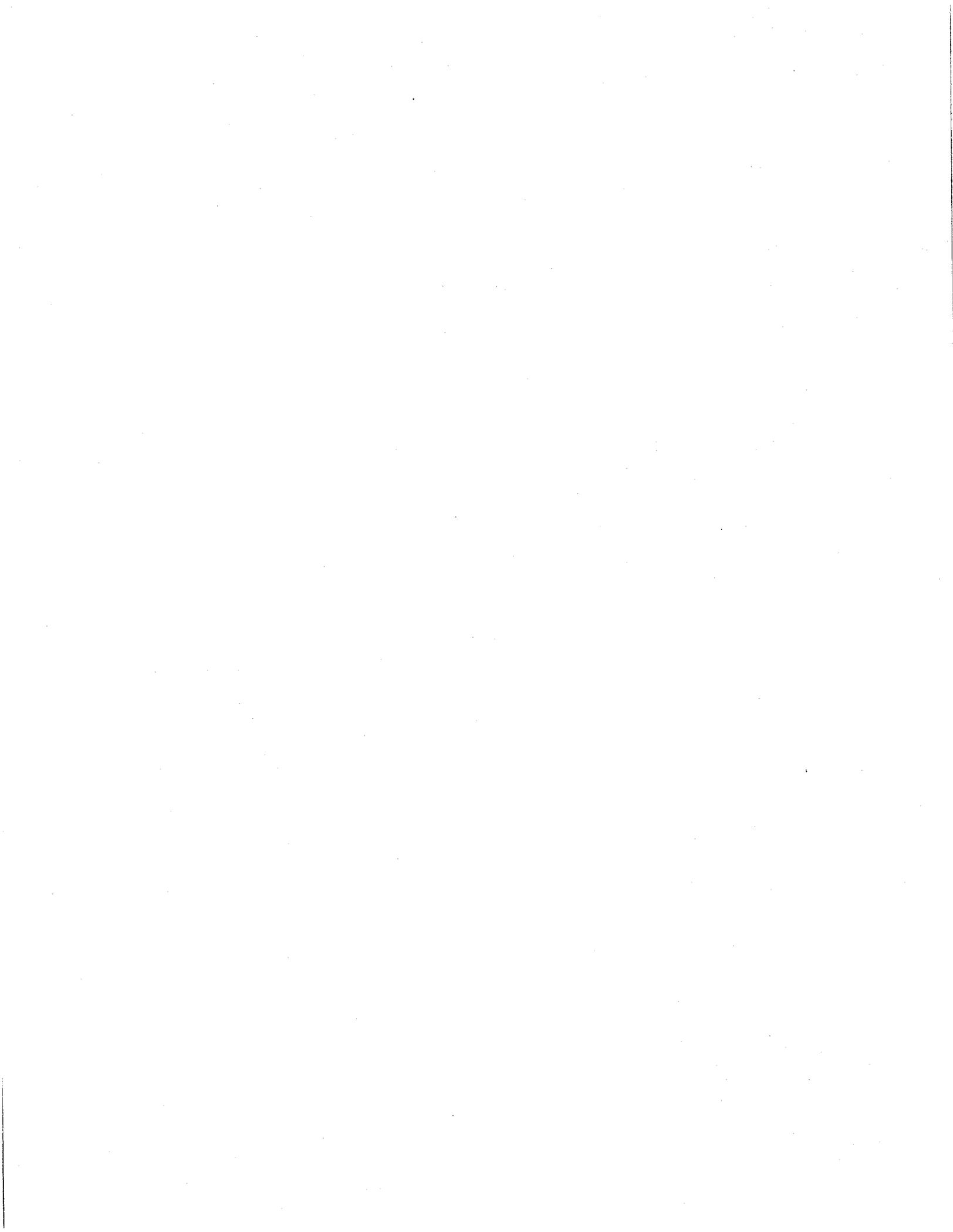
***Borough of Watchung***

*in the*

*County of Somerset*  
*New Jersey*

*for the*

*Year Ended*  
*December 31, 2012*



BOROUGH OF WATCHUNG

I N D E X

<u>PART I</u>	<u>PAGES</u>
Independent Auditor's Report	1-3
	<u>EXHIBITS</u>
<u>Financial Statements - Regulatory Basis</u>	
<u>Current Fund:</u>	
Balance Sheets - Regulatory Basis	"A"
Statements of Operations and Change in Fund Balance - Regulatory Basis	"A-1"
Statement of Revenues - Regulatory Basis Year Ended December 31, 2012	"A-2"
Statement of Expenditures - Regulatory Basis Year Ended December 31, 2012	"A-3"
<u>Trust Fund:</u>	
Balance Sheets - Regulatory Basis	"B"
Statement of Fund Balance - Regulatory Basis - Assessment Trust Fund	"B-1"
<u>General Capital Fund:</u>	
Balance Sheets - Regulatory Basis	"C"
Statement of Fund Balance - Regulatory Basis	"C-1"
<u>Public Assistance Trust Fund:</u>	
Balance Sheets - Regulatory Basis	"E"
<u>General Fixed Assets Account Group:</u>	
Balance Sheets - Regulatory Basis	"F"
	<u>PAGES</u>
Notes to Financial Statements - December 31, 2012	4-20

BOROUGH OF WATCHUNG

INDEX (CONTINUED)

Supplementary Schedules

EXHIBITS

Current Fund:

Schedule of Cash-Treasurer	"A-4"
Schedule of Petty Cash Funds	"A-5"
Schedule of Change Funds	"A-6"
Schedule of Accounts Payable	"A-7"
Schedule of Taxes Receivable and Analysis of Property Tax Levy	"A-8"
Schedule of Revenue Accounts Receivable	"A-9"
Schedule of Grants Receivable - Grant Fund	"A-10"
Schedule of 2011 Appropriation Reserves	"A-11"
Schedule of Reserve for Grants-Unappropriated - Grant Fund	"A-12"
Schedule of Reserve for Tax Appeals	"A-13"
Schedule of Due State of New Jersey for Senior Citizen and Veteran Deductions	"A-14"
Schedule of County Taxes Payable	"A-15"
Schedule of Local District School Taxes Payable	"A-16"
Schedule of Regional High School Taxes Payable	"A-17"
Schedule of Tax Overpayments	"A-18"
Schedule of Prepaid Taxes	"A-19"
Schedule of Due to State of New Jersey - DCA	"A-20"
Schedule of Prepaid Licenses	"A-21"
Schedule of Reserve for Grants-Appropriated - Grant Fund	"A-22"
Schedule of Reserve for Tax Sale Premiums	"A-23"
Schedule of Tax Title Liens	"A-24"
Schedule of Interfunds	"A-25"
Schedule of Accounts Payable - Grant Fund	"A-26"
Schedule of Deferred Charges - Current Fund	"A-27"
Schedule of Deferred Charges - Grant Fund	"A-28"
Schedule of Interfunds - Grant Fund	"A-29"
Schedule of Burial Permits Due State of New Jersey	"A-30"

Trust Fund:

Schedule of Cash-Treasurer	"B-2"
Schedule of Assessments Receivable - Assessment Trust Fund	"B-3"
Schedule of Due Current Fund - Assessment Trust Fund	"B-4"
Schedule of Prospective Assessments Funded - Assessment Trust Fund	"B-5"
Schedule of Amount to be Raised by Taxation - Assessment Trust Fund	"B-6"
Schedule of Due Current Fund - Animal Control Trust Fund	"B-7"
Analysis of Assessments Cash for the Year Ended December 31, 2012 - Assessment Trust Fund	"B-8"
Schedule of Reserve for Accounts Payable - Other Trust Fund	"B-9"
Schedule of Reserve for Open Space Deposits - Other Trust Fund	"B-10"
Schedule of Reserve for State Unemployment Compensation Insurance	"B-11"
Schedule of Reserve for COAH Trust Deposits - Other Trust Fund	"B-12"
Schedule of Reserve for Miscellaneous Trust Deposits - Other Trust Fund	"B-13"
Schedule of Reserve for Animal Control Expenditures - Animal Control Trust Fund	"B-14"

BOROUGH OF WATCHUNG

I N D E X (CONTINUED)

EXHIBITS

Trust Fund (Continued):

Schedule of Reserve for Police Outside Overtime - Other Trust Fund	"B-15"
Schedule of Reserve for Assessments	"B-16"
Schedule of Due General Capital Fund - Assessment Trust Fund	"B-17"
Schedule of Due Current Fund - Other Trust Fund	"B-18"
Schedule of Reserve for Recreation Deposits - Other Trust Fund	"B-19"
Schedule of Reserve for Law Enforcement Trust Fund - Other Trust Fund	"B-20"
Schedule of Reserve for Developers' Deposits - Other Trust Fund	"B-21"
Schedule of Due State of New Jersey - Dog Licenses - Animal Control Trust Fund	"B-22"
Schedule of Reserve for Redemption of Outside Liens - Other Trust Fund	"B-23"
Schedule of State of New Jersey Trust Loan Payable - New Jersey Environmental Infrastructure Trust Loan	"B-24"
Schedule of State of New Jersey Trust Loan Payable - New Jersey Environment Infrastructure Fund Loan	"B-25"
Schedule of Reserve for Payroll Deductions	"B-26"
Schedule of Reserve for Flexible Spending	"B-27"

General Capital Fund:

Schedule of Cash-Treasurer	"C-2"
Analysis of Cash	"C-3"
Schedule of Deferred Charges to Future Taxation - Funded	"C-4"
Schedule of Deferred Charges to Future Taxation - Unfunded	"C-5"
Schedule of Reserve for Debt Service	"C-6"
Schedule of Contracts Payable	"C-7"
Schedule of Capital Improvement Fund	"C-8"
Schedule of Due Assessment Trust Fund	"C-9"
Schedule of Improvement Authorizations	"C-10"
Schedule of General Serial Bonds	"C-11"
Schedule of State of New Jersey Trust Loan Payable - New Jersey Environmental Infrastructure Trust Loans	"C-12"
Schedule of State of New Jersey Fund Loan Payable - New Jersey Environmental Infrastructure Fund Loans	"C-13"
Schedule of State of New Jersey Loan Payable - Economic Development Authority	"C-14"
Schedule of State of New Jersey Loan Payable - Green Trust Loan Program	"C-15"
Schedule of State Aid Receivable	"C-16"
Schedule of Bond Anticipation Notes Payable	"C-17"
Schedule of Reserve for Grant Receivable	"C-18"
Schedule of Bonds and Notes Authorized But Not Issued	"C-19"

Public Assistance Trust Fund:

Schedule of Public Assistance Cash	"E-1"
Schedule of Reserve for Public Assistance	"E-2"

BOROUGH OF WATCHUNG

I N D E X (CONTINUED)

PAGES

PART II

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	21-22
Schedule of Expenditures of Federal Awards - Year Ended December 31, 2012	23
Schedule of Expenditures of State Financial Assistance Year Ended December 31, 2012	24
Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance Year Ended December 31, 2012	25-26

PART III

Statistical Data	27-29
Officials in Office and Surety Bonds	30-31
General Comments and Recommendations	32-35

BOROUGH OF WATCHUNG

PART I

INDEPENDENT AUDITOR'S REPORT ON  
AUDIT OF FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULES AND DATA

FINANCIAL STATEMENTS - REGULATORY BASIS - ALL FUNDS

NOTES TO FINANCIAL STATEMENTS - REGULATORY BASIS

SUPPLEMENTARY SCHEDULES - ALL FUNDS

YEAR ENDED DECEMBER 31, 2012 and 2011



# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## **INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and Members  
of the Borough Council  
Borough of Watchung  
County of Somerset  
Watchung, New Jersey 07069

### ***Report on the Financial Statements***

We have audited the accompanying balance sheets - regulatory basis of the various individual funds and account group of the Borough of Watchung, as of December 31, 2012 and 2011, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various individual funds for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Borough's regulatory financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

## SUPLEE, CLOONEY & COMPANY

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

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

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

As described in Note 1 of the regulatory financial statements, the regulatory financial statements are prepared by the Borough of Watchung on the basis of the financial reporting provisions prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of New Jersey.

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

### ***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the various individual funds and account group of the Borough of Watchung as of December 31, 2012 and 2011, or the results of its operations and changes in fund balance for the years then ended of the revenues or expenditures for the year ended December 31, 2012.

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

In our opinion, the regulatory financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets of the various individual funds and account group as of December 31, 2012 and 2011, the regulatory basis statement of operations and changes in fund balance for the years then ended and the regulatory basis statement of revenues and expenditures and changes in fund balance for the year ended December 31, 2012 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

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## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Watchung's regulatory financial statements. The supplementary information and data and schedules of federal awards and state financial assistance listed in the table of contents as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey are presented for purposes of additional analysis and are not a required part of the regulatory financial statements.

The supplemental information and schedules listed above and also listed in the table of contents are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the regulatory financial statements. Such information has been subjected to the auditing procedures applied in the audit of the regulatory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the regulatory financial statements or to the regulatory financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information and data listed in the table of contents, schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the regulatory financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2013 on our consideration of the Borough of Watchung's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Watchung's internal control over financial reporting and compliance.

  
CERTIFIED PUBLIC ACCOUNTANTS

  
REGISTERED MUNICIPAL ACCOUNTANT NO. 50

July 23, 2013

CURRENT FUND

BOROUGH OF WATCHUNG

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2012</u>	<u>BALANCE DECEMBER 31, 2011</u>
<u>ASSETS</u>			
Current Fund:			
Cash	A-4	\$ 2,322,967.87	\$ 2,781,147.52
Cash-Change Fund	A-6	250.00	250.00
Due State of NJ-Senior Citizen and Veteran Deductions	A-14	3,399.79	2,399.79
		<u>\$ 2,326,617.66</u>	<u>\$ 2,783,797.31</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-8	\$ 683,466.53	\$ 290,658.50
Tax Title Liens	A-24	381.01	662.30
Revenue Accounts Receivable	A-9	10,371.64	19,739.92
Interfunds Receivable	A-25	14,078.75	5.66
	A	<u>\$ 708,297.93</u>	<u>\$ 311,066.38</u>
Deferred Charges	A-27	\$ 359,130.00	\$ 2,632.74
		<u>\$ 359,130.00</u>	<u>\$ 2,632.74</u>
		<u>\$ 3,394,045.59</u>	<u>\$ 3,097,496.43</u>
Grant Fund:			
Cash	A-4	\$ 186,458.91	\$ 67,463.60
Grant Aid Receivable	A-10	74,314.62	68,430.76
Due Current Fund	A-29		60,000.00
Deferred Charges	A-28		8,178.20
		<u>\$ 260,773.53</u>	<u>\$ 204,072.56</u>
	A	<u>\$ 3,654,819.12</u>	<u>\$ 3,301,568.99</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF WATCHUNG

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2012</u>	<u>BALANCE DECEMBER 31, 2011</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Current Fund:			
Liabilities:			
Appropriation Reserves	A-3:A-11	\$ 342,493.20	\$ 261,396.68
Accounts Payable	A-7	151,027.31	191,176.85
Prepaid Taxes	A-19	197,784.66	187,748.14
Interfunds Payable	A-25	139,520.53	106,379.09
Tax Overpayments	A-18	6,256.71	24,037.09
Reserve For:			
Prepaid Licenses	A-21		2,750.70
Due State of New Jersey - DCA	A-20	3,572.00	2,682.00
Tax Sale Premiums	A-23	49,810.29	74,429.52
State Tax Appeals	A-13	85,276.96	85,276.96
		<u>\$ 975,741.66</u>	<u>\$ 935,877.03</u>
Reserve for Receivables and Other Assets	A	708,297.93	311,066.38
Fund Balance	A-1	1,710,006.00	1,850,553.02
		<u>\$ 3,394,045.59</u>	<u>\$ 3,097,496.43</u>
Grant Fund:			
Grants-Appropriated	A-22	\$ 218,178.93	\$ 182,350.22
Grants-Unappropriated	A-12	27,000.00	14,478.94
Due Current Fund	A-29	14,023.20	
Accounts Payable	A-26	1,571.40	7,243.40
		<u>\$ 260,773.53</u>	<u>\$ 204,072.56</u>
	A	<u>\$ 3,654,819.12</u>	<u>\$ 3,301,568.99</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

## BOROUGH OF WATCHUNG

## CURRENT FUND

STATEMENTS OF OPERATIONS  
AND CHANGE IN FUND BALANCE - REGULATORY BASIS

	REF.	YEAR ENDED DECEMBER 31, 2012	YEAR ENDED DECEMBER 31, 2011
<u>REVENUE AND OTHER INCOME REALIZED</u>			
Fund Balance Utilized	A-1:A-2	\$ 800,000.00	\$ 730,000.00
Miscellaneous Revenue Anticipated	A-2	3,699,538.07	3,724,457.24
Receipts From Delinquent Taxes	A-2	292,699.52	469,144.87
Receipts From Current Taxes	A-2	32,170,039.80	30,887,349.19
Non-Budget Revenue	A-2	178,075.22	126,730.33
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-11	144,503.20	357,334.20
Interfunds Returned			4,028.20
Tax Overpayments Canceled			796.23
Accounts Payable Canceled	A-7	11,586.65	440.83
<u>TOTAL INCOME</u>		<u>\$ 37,296,442.46</u>	<u>\$ 36,300,281.09</u>
<u>EXPENDITURES</u>			
Budget and Emergency Authorizations:			
Operations:			
Salaries and Wages	A-3	\$ 4,804,324.03	\$ 4,541,509.00
Other Expenses	A-3	3,720,561.14	3,242,820.73
Municipal Debt Service	A-3	2,117,052.73	2,051,790.43
Public and Private Programs Offset by Revenues	A-3	193,956.12	230,151.86
Interlocal Service Agreements	A-3	747,730.00	818,745.54
Deferred Charges and Regulatory Expenditures	A-3	1,074,839.94	1,158,137.00
Municipal Open Space Taxes	A-2:A-8	325,796.27	
County Taxes	A-15	6,279,688.97	6,017,071.18
Local District School Tax	A-16	11,697,372.50	11,552,664.00
Regional High School Tax	A-17	6,020,724.69	5,755,118.94
Interfunds Advanced		14,073.09	
<u>TOTAL EXPENDITURES</u>		<u>\$ 36,996,119.48</u>	<u>\$ 35,368,008.68</u>
Excess in Revenue		\$ 300,322.98	\$ 932,272.41
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	A-3:A-27	359,130.00	2,632.74
Statutory Excess to Fund Balance		\$ 659,452.98	\$ 934,905.15
Fund Balance, January 1	A	1,850,553.02	1,645,647.87
		<u>\$ 2,510,006.00</u>	<u>\$ 2,580,553.02</u>
Decreased by:			
Utilized as Anticipated Revenue	A-1:A-2	800,000.00	730,000.00
Fund Balance, December 31	A	<u>\$ 1,710,006.00</u>	<u>\$ 1,850,553.02</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENT OF REVENUES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2012

	REF.	BUDGET		REALIZED	EXCESS OR (DEFICIT)
		ADOPTED	NJSA 40A:4-87		
Fund Balance Anticipated	A-1	\$ 800,000.00		\$ 800,000.00	
Miscellaneous Revenues:					
Alcoholic Beverage Licenses	A-9	\$ 13,111.00	\$	\$ 16,375.20	\$ 3,264.20
Other Licenses	A-2	16,500.00		22,478.70	5,978.70
Fees and Permits:					
Construction Code Official	A-9	225,000.00		221,602.00	(3,398.00)
Other	A-2	135,000.00		158,935.11	21,935.11
Municipal Court - Fines and Costs	A-9	223,000.00		186,115.60	(36,884.40)
Interest and Costs on Taxes	A-9	140,000.00		120,662.46	(19,337.54)
Interest on Investments and Deposits	A-9	20,000.00		10,969.42	(9,030.58)
Sewer Rents	A-9	1,175,000.00		1,158,872.28	(16,127.72)
Consolidated Municipal Property Tax Relief Aid	A-9	5,147.00		5,147.00	
Energy Receipts Tax	A-9	694,945.00		694,945.00	
Clean Communities	A-10	11,442.09		11,442.09	
Safe and Secure	A-10	60,000.00		60,000.00	
NJ Body Armor	A-10		3,126.97	3,126.97	
Alcohol Education and Rehabilitation	A-10		1,187.19	1,187.19	
Recycling Tonnage	A-10		16,720.93	16,720.93	
Sustainable New Jersey	A-10		2,000.00	2,000.00	
Youth Service Gran	A-10		5,000.00	5,000.00	
Youth Athletic Grant	A-10		14,478.94	14,478.94	
Reserve for Debt Service	A-9	43,786.22		43,786.22	
Recreation Trust Surplus	A-9	20,000.00		20,000.00	
Open Space Trust Fund Debt Payment	A-9	589,343.44		589,343.44	
Capital Surplus	A-9	301,750.00		301,750.00	
Uniform Fire Safety Act	A-9	29,000.00		28,084.52	(915.48)
Bulk Pickup Fees	A-9	10,000.00		8,515.00	(1,485.00)
<u>Sub-Total Miscellaneous Revenues</u>	A-1	\$ 3,713,024.75	\$ 42,514.03	\$ 3,699,538.07	\$ (56,000.71)
Receipts From Delinquent Taxes	A-1	\$ 290,000.00	\$	\$ 292,699.52	\$ 2,699.52
Amount to be Raised by Taxes for Support of Municipal Budget: Local Tax for Municipal Purposes	A-8:A-2	\$ 7,973,857.78	\$	\$ 8,366,457.37	\$ 392,599.59
<u>Budget Totals</u>		\$ 12,776,882.53	\$ 42,514.03	\$ 13,158,694.96	\$ 339,298.40
Non-Budget Revenues	A-1:A-2			178,075.22	178,075.22
		\$ 12,776,882.53	\$ 42,514.03	\$ 13,336,770.18	\$ 517,373.62
	REF.	A-3	A-3		

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENT OF REVENUES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2012

	<u>REF.</u>		
<u>ANALYSIS OF REALIZED REVENUES</u>			
Allocation of Current Tax Collections:			
Revenue From Collections	A-1:A-8	\$	32,170,039.80
Allocated To:			
Local District School Taxes	A-8	\$	11,697,372.50
Regional High School Taxes	A-8		6,020,724.69
Municipal Open Space Tax	A-8		325,796.27
County Taxes	A-8		<u>6,279,688.97</u>
			<u>24,323,582.43</u>
Balance for Support of Municipal Budget Appropriations		\$	7,846,457.37
Add: Appropriation "Reserve for Uncollected Taxes"	A-3		<u>520,000.00</u>
Amount for Support of Municipal Budget Appropriations	A-2	\$	<u>8,366,457.37</u>
Other Licenses:			
Board of Health	A-9	\$	16,870.00
Registrar	A-9		78.00
Borough Clerk	A-9		<u>2,780.00</u>
		\$	19,728.00
Prepaid Licenses Applied	A-21		<u>2,750.70</u>
	A-2	\$	<u>22,478.70</u>
Fees and Permits-Other:			
Board of Health	A-9	\$	980.00
Registrar	A-9		23,280.00
Borough Clerk	A-9		2,195.00
Engineering Department	A-9		34,857.00
Planning Board	A-9		8,700.00
Board of Adjustment	A-9		2,450.00
Police	A-9		4,576.50
Fire Official	A-9		3,841.00
Recreation	A-9		835.00
Tower Lease	A-9		<u>75,220.61</u>
	A-2	\$	<u>156,935.11</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENT OF REVENUES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2012

REF.

ANALYSIS OF NON-BUDGET REVENUE

Senior Citizens' and Veterans' Administrative Fee	\$	835.00
Hurricane Irene Aid		31,762.10
Miscellaneous		46,407.49
Cable TV Franchise Fees		38,484.80
Police Outside Overtime Administrative Fee		50,332.39
FEMA		7,318.44
Tax Collector		<u>2,935.00</u>
A-2:A-4	\$	<u><u>178,075.22</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF WATCHUNG

CURRENT FUND

"A-3"  
SHEET #1

STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2012

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
<b>OPERATIONS WITHIN "CAPS"</b>					
<b>GENERAL GOVERNMENT</b>					
Administrative and Executive:					
Salaries and Wages	\$ 144,827.00	\$ 144,827.00	\$ 144,674.49	\$ 152.51	\$
Other Expenses	19,305.00	19,305.00	18,966.91	338.09	
Mayor and Council:					
Salaries and Wages	24,500.00	24,000.00	24,000.00		
Other Expenses	56,600.00	45,735.14	37,483.27	8,251.87	
Municipal Clerk:					
Salaries and Wages	80,000.00	82,652.00	82,652.00		
Other Expenses	17,597.50	17,597.50	14,351.19	3,246.31	
Elections:					
Other Expenses	2,250.00	2,250.00	1,957.65	292.35	
Financial Administration:					
Salaries and Wages	150,500.00	150,500.00	150,298.44	201.56	
Other Expenses	20,600.00	20,600.00	20,440.33	159.67	
Audit	34,000.00	34,000.00	33,190.00	810.00	
Assessment of Taxes:					
Salaries and Wages	72,000.00	73,132.00	73,131.07	0.93	
Other Expenses	15,839.00	15,839.00	15,316.10	522.90	
Collection of Taxes:					
Salaries and Wages	53,600.00	53,600.00	53,599.20	0.80	
Other Expenses	8,685.00	8,685.00	7,989.91	695.09	
Legal Services and Costs:					
Other Expenses	100,000.00	90,000.00	86,476.00	3,524.00	
Engineering Services and Costs:					
Salaries and Wages	110,000.00	98,000.00	97,962.14	37.86	
Other Expenses	84,750.00	84,750.00	79,829.17	4,920.83	
Public Building and Grounds:					
Salaries and Wages	43,739.00	43,739.00	43,739.00		
Other Expenses	92,600.00	96,600.00	96,596.57	3.43	
Bulk Clean Up	10,000.00	10,000.00	10,000.00		

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF WATCHUNG

"A-3"  
SHEET #2

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2012

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
Planning Board:					
Salaries and Wages	\$ 13,857.00	\$ 13,857.00	\$ 13,636.71	\$ 220.29	\$
Other Expenses	9,825.00	9,825.00	1,287.06	8,537.94	
Board of Adjustment:					
Salaries and Wages	24,342.17	15,512.17	15,511.51	0.66	
Other Expenses	3,802.50	3,802.50	2,233.39	1,569.11	
<u>PUBLIC SAFETY</u>					
Fire:					
Other Expenses	100,775.00	101,775.00	91,645.71	10,129.29	
Fire Official:					
Salaries and Wages	35,300.00	35,300.00	35,299.98	0.02	
Other Expenses	5,350.00	5,350.00	3,429.01	1,920.99	
Police:					
Salaries and Wages	3,371,585.00	3,472,826.86	3,472,826.86		
Other Expenses	238,501.00	240,501.00	236,415.82	4,085.18	
First Aid Organization Contributions	27,581.00	27,581.00	27,581.00		
Emergency Management Service:					
Other Expenses	1,000.00	4,130.00	125.00	4,005.00	
Public Defender:					
Salaries and Wages	100.00	100.00	(2,476.07)	2,576.07	
Municipal Court:					
Salaries and Wages	95,000.00	103,057.00	103,056.73	0.27	
Other Expenses	48,400.00	58,400.00	56,161.62	2,238.38	
Audit Services	5,000.00	5,000.00	5,000.00		
Streets and Roads:					
Salaries and Wages	190,000.00	237,300.00	237,240.61	59.39	
Other Expenses	116,700.00	352,700.00	179,927.41	172,772.59	

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF WATCHUNG

"A-3"  
SHEET #3

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2012

	<u>APPROPRIATIONS</u>		<u>EXPENDED</u>		<u>UNEXPENDED BALANCE CANCELED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>RESERVED</u>	
<u>HEALTH AND WELFARE</u>					
Board of Health:					
Salaries and Wages	\$ 2,080.00	\$ 2,080.00	\$ 2,080.00		\$
Dog Regulation:					
Other Expenses	15,900.00	15,900.00	14,593.00	1,307.00	
Sewer System:					
Salaries and Wages	61,000.00	26,535.00	26,000.00	535.00	
Other Expenses	21,800.00	21,800.00	21,800.00		
Condo Act Reimbursement:					
Other Expenses	2,500.00	2,500.00	2,500.00		
<u>RECREATION AND EDUCATION</u>					
Recreation:					
Salaries and Wages	35,000.00	34,500.00	34,400.07	99.93	
Other Expenses	33,030.00	33,030.00	23,875.03	9,154.97	
Traffic and Beautification:					
Other Expenses	2,205.00	2,205.00	718.07	1,486.93	
<u>RECREATION AND EDUCATION (CONTINUED)</u>					
Community Service:					
Salaries and Wages	14,600.00	14,600.00	14,585.96	14.04	
Other Expenses	100.00	100.00		100.00	
Environmental Commission:					
Other Expenses	850.00	850.00	525.00	325.00	
Historical Preservation:					
Other Expenses	5,000.00	5,000.00	450.00	4,550.00	
Free Public Library:					
Salaries and Wages	16,000.00	16,000.00	15,633.97	366.03	
Other Expenses	28,000.00	28,000.00	27,999.26	0.74	

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF WATCHUNG  
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2012

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
<u>STATE UNIFORM CONSTRUCTION CODE</u>					
Construction Code Official:					
Salaries and Wages	\$ 95,400.00	\$ 95,400.00	\$ 95,400.00	\$	
Other Expenses	18,750.00	18,750.00	17,322.56	1,427.44	
Plumbing Inspector:					
Salaries and Wages	21,000.00	21,377.00	21,376.06	0.94	
Electrical Inspector:					
Salaries and Wages	20,500.00	20,796.00	20,795.34	0.66	
Fire Sub-Code Inspector:					
Salaries and Wages	25,000.00	24,633.00	24,632.08	0.92	
<u>INSURANCE</u>					
Group Insurance for Employees	1,331,000.00	1,351,000.00	1,351,000.00		
Workers Compensation	153,000.00	153,000.00	153,000.00		
Other Insurance Premiums	139,000.00	139,000.00	134,065.57	4,934.43	
<u>UNCLASSIFIED</u>					
Electricity	142,000.00	142,000.00	137,049.62	4,950.38	
Telephone	62,000.00	62,000.00	61,986.72	13.28	
Water	14,000.00	14,000.00	8,381.35	5,618.65	
Natural Gas	55,000.00	58,000.00	4,877.66	53,122.34	
Fire Hydrant Service	222,000.00	222,000.00	222,000.00		
Gasoline	130,000.00	135,000.00	132,807.69	2,192.31	
Street Lighting	62,000.00	62,000.00	61,973.76	26.24	
<u>TOTAL OPERATIONS WITHIN "CAPS"</u>	\$ 8,157,226.17	\$ 8,524,885.17	\$ 8,203,384.56	\$ 321,500.61	\$
Detail:					
Salaries and Wages	\$ 4,699,930.17	\$ 4,804,324.03	\$ 4,800,056.15	\$ 4,267.88	\$
Other Expenses	3,457,296.00	3,720,561.14	3,403,328.41	317,232.73	

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF WATCHUNG  
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2012

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
<u>DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"</u>					
Deferred Charges:					
Overexpenditure of Appropriations	\$ 2,632.74	\$ 2,632.74	\$ 2,632.74		\$
Overexpenditure of Grants	8,178.20	8,178.20	8,178.20		
Statutory Expenditures:					
Social Security System (O.A.S.I.) Contribution to:	190,000.00	181,471.00	181,469.43	1.57	
Police & Firemen's Retirement Fund	677,830.00	677,830.00	677,830.00		
Public Employee's Retirement System	203,228.00	203,228.00	203,228.00		
<u>TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"</u>	<u>\$ 1,081,868.94</u>	<u>\$ 1,073,339.94</u>	<u>\$ 1,073,338.37</u>	<u>\$ 1.57</u>	<u>\$</u>
<u>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"</u>	<u>\$ 9,239,095.11</u>	<u>\$ 9,598,225.11</u>	<u>\$ 9,276,722.93</u>	<u>\$ 321,502.18</u>	<u>\$</u>
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>					
Municipal Alliance Contribution - Match	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00		\$
<u>INTERLOCAL MUNICIPAL SERVICE AGREEMENTS</u>					
Sewer Interlocal Agreements:					
Other Expenses	615,060.00	615,060.00	603,173.40	11,886.60	
Somerset County Interlocal Agreements:					
Recycling	45,000.00	45,000.00	40,068.00	4,932.00	
Board of Health:					
Other Expenses	87,670.00	87,670.00	83,497.58	4,172.42	

BOROUGH OF WATCHUNG

"A-3"  
SHEET #6

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2012

	<u>APPROPRIATIONS</u>		<u>EXPENDED</u>		<u>UNEXPENDED BALANCE CANCELED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>RESERVED</u>	
<b>PUBLIC AND PRIVATE PROGRAMS</b>					
<b><u>OFF-SET BY REVENUES</u></b>					
Safe and Secure Communities Program:					
State Share	\$ 60,000.00	\$ 60,000.00	\$ 60,000.00	\$	\$
Local Share	80,000.00	80,000.00	80,000.00		
Clean Communities Program	11,442.09	11,442.09	11,442.09		
Alcohol Education Rehab Fund (40A:4-87 + \$1,187.19)		1,187.19	1,187.19		
N.J. Body Armor Replacement Fund (40A:4-87 + \$3,126.97)		3,126.97	3,126.97		
Recycling Tonnage Grant (40A:4-87 + \$16,720.93)		16,720.93	16,720.93		
Sustainable New Jersey (40A:4-87 + \$2,000.00)		2,000.00	2,000.00		
Youth Athletic Grant (40A:4-87 + \$14,478.94)		14,478.94	14,478.94		
Youth Service Grant (40A:4-87 + \$5,000.00)		5,000.00	5,000.00		
<b>TOTAL OPERATIONS EXCLUDED FROM "CAPS"</b>	<b>\$ 900,672.09</b>	<b>\$ 943,186.12</b>	<b>\$ 922,195.10</b>	<b>\$ 20,991.02</b>	<b>\$</b>
<b>DETAIL OPERATIONS-EXCLUDED FROM "CAPS"</b>					
Other Expenses	\$ 900,672.09	\$ 943,186.12	\$ 922,195.10	\$ 20,991.02	\$
<b>MUNICIPAL DEBT SERVICE-EXCLUDED FROM "CAPS"</b>					
Payment of Bond Principal	\$ 1,075,000.00	\$ 1,075,000.00	\$ 1,075,000.00	\$	\$
Payment of BAN	127,000.00	127,000.00	127,000.00		
Interest on Bonds	656,647.76	656,647.76	656,647.76		
Interest on Notes	66,714.17	66,714.17	66,714.17		
Green Trust Loan	30,455.60	30,455.60	30,455.60		
Economic Recovery Loan	12,297.80	12,297.80	12,297.80		
NJ UST Remediation Loan	46,700.00	46,700.00	46,637.40		62.60
NJEIT Loan	102,300.00	102,300.00	102,300.00		
<b>TOTAL MUNICIPAL DEBT SERVICE-EXCLUDED FROM "CAPS"</b>	<b>\$ 2,117,115.33</b>	<b>\$ 2,117,115.33</b>	<b>\$ 2,117,052.73</b>	<b>\$</b>	<b>\$ 62.60</b>

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2012

	APPROPRIATIONS		PAID OR CHARGED	EXPENDED RESERVED	UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION			
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	\$ 3,017,787.42	\$ 3,060,301.45	\$ 3,039,247.83	\$ 20,991.02	\$ 62.60
SUB-TOTAL GENERAL APPROPRIATIONS RESERVE FOR UNCOLLECTED TAXES	\$ 12,256,882.53	\$ 12,658,526.56	\$ 12,315,970.76	\$ 342,493.20	\$ 62.60
	520,000.00	520,000.00	520,000.00		
<u>TOTAL GENERAL APPROPRIATIONS</u>	<u>\$ 12,776,882.53</u>	<u>\$ 13,178,526.56</u>	<u>\$ 12,835,970.76</u>	<u>\$ 342,493.20</u>	<u>\$ 62.60</u>

REF. A-2:A-3 A-1 A:A-1

Amendment by (NJSA 40A:4-87)  
Superstorm Sandy Emergency  
Budget

A-2	\$ 42,514.03
A-27	359,130.00
A-3	12,776,882.53
	<u>\$ 13,178,526.56</u>

Reserve for Uncollected Taxes  
Deferred Charges  
Accounts Payable  
Reserve for Grants Appropriated  
Disbursements  
Less: Refunds

A-2	\$ 520,000.00
A-27	2,632.74
A-7	133,342.31
A-22	113,956.12
A-4	12,273,940.39
	<u>\$ 13,043,871.56</u>
	207,900.80
	<u>\$ 12,835,970.76</u>

TRUST FUND

## BOROUGH OF WATCHUNG

## TRUST FUND

## BALANCE SHEETS - REGULATORY BASIS

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2012</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2011</u>
<b>Assessment Fund:</b>			
Cash	B-2: B-8	\$ 106,054.36	\$ 739,664.97
Assessment Receivable	B-3	1,787,897.30	1,948,816.95
Prospective Assessments Funded	B-5	50,931.02	50,931.02
Due Current Fund	B-4	63,440.40	42,741.03
Amount to be Raised by Taxation:			
Cancelled Assessments	B-6	3,990.00	3,990.00
		<u>\$ 2,012,313.08</u>	<u>\$ 2,786,143.97</u>
<b>Animal Control Fund:</b>			
Cash	B-2	\$ 6,086.21	\$ 3,168.75
Due Current Fund	B-7	0.74	
		<u>\$ 6,086.95</u>	<u>\$ 3,168.75</u>
<b>Other Funds:</b>			
Cash	B-2	\$ 2,374,897.96	\$ 3,229,799.83
Due Current Fund	B-18	76,079.39	3,632.40
		<u>\$ 2,450,977.35</u>	<u>\$ 3,233,432.23</u>
		<u>\$ 4,469,377.38</u>	<u>\$ 6,022,744.95</u>
<b><u>LIABILITIES, RESERVES AND FUND BALANCE</u></b>			
<b>Assessment Fund:</b>			
<b>Assessment Loans:</b>			
2000 Trust Loan	B-24	\$ 245,000.00	\$ 270,000.00
2000 Fund Loan	B-25	75,054.30	98,885.19
Reserve for Assessments	B-16	11,005.91	11,659.45
Due General Capital Fund	B-17	1,579,254.12	2,304,254.12
Fund Balance	B-1	101,998.75	101,345.21
		<u>\$ 2,012,313.08</u>	<u>\$ 2,786,143.97</u>
<b>Animal Control Fund:</b>			
Reserve For Animal Control Fund Expenditures	B-14	\$ 6,079.15	\$ 3,168.75
Due State of New Jersey - Animal Licenses	B-22	7.80	
		<u>\$ 6,086.95</u>	<u>\$ 3,168.75</u>
<b>Other Funds:</b>			
<b>Reserve For:</b>			
Various Trust Deposits	B-13	\$ 535,676.52	\$ 638,257.39
COAH Deposits	B-12	677,618.19	618,983.14
Police Outside Overtime	B-15	23,860.07	34,611.88
Open Space Trust Deposits	B-10	510,741.53	773,117.99
State Unemployment Compensation Insurance	B-11	99,365.92	115,402.42
Recreation Deposits	B-19	33,561.30	43,885.22
Law Enforcement Trust Fund	B-20	3,323.16	3,849.04
Developers Deposits	B-21	459,345.68	917,003.99
Payroll Deductions	B-26	38,856.70	(366.64)
Outside Liens	B-23		0.30
Due Current Fund	B-18	55.55	
Accounts Payable	B-9	68,572.73	88,687.50
		<u>\$ 2,450,977.35</u>	<u>\$ 3,233,432.23</u>
		<u>\$ 4,469,377.38</u>	<u>\$ 6,022,744.95</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF WATCHUNG

ASSESSMENT TRUST FUND

STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>REF.</u>	
Balance, December 31, 2011	B	\$ 101,345.21
Increased by:		
Assessment Collections	B-16	<u>653.54</u>
Balance, December 31, 2012	B	<u>\$ 101,998.75</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

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GENERAL CAPITAL FUND

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

BALANCE SHEETS - REGULATORY BASIS

	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2012</u>	<u>BALANCE DECEMBER 31, 2011</u>
<u>ASSETS</u>			
Cash	C-2:C-3	\$ 602,503.92	\$ (8,563.14)
Deferred Charges to Future Taxation:			
Funded	C-4	15,749,535.72	16,965,770.65
Unfunded	C-5	6,137,038.45	6,279,416.40
State Aid Receivable	C-16	250,000.00	281,250.00
Due Assessment Trust Fund	C-9	1,579,254.12	2,304,254.12
		<u>\$ 24,318,332.21</u>	<u>\$ 25,822,128.03</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Bond Anticipation Notes Payable	C-17	\$ 5,000,000.00	\$ 4,460,000.00
General Serial Bonds Payable	C-11	14,375,000.00	15,450,000.00
Contracts Payable	C-7	254,721.59	198,335.56
Capital Improvement Fund	C-8	24,866.72	80,166.72
Reserve for Grant Receivable	C-18	50,000.00	200,000.00
Reserve for Debt Service	C-6	35,200.00	43,786.22
State of New Jersey Loan Payable:			
Environmental Infrastructure Trust Loans	C-12	375,000.00	410,000.00
Environmental Infrastructure Fund Loans	C-13	177,036.87	211,351.57
Economic Development Authority	C-14	11,939.57	23,879.19
Green Trust Loan Program	C-15	810,559.28	870,539.89
Improvement Authorizations:			
Funded	C-10	1,542,636.12	2,177,462.96
Unfunded	C-10	1,030,311.44	1,414,056.86
Fund Balance	C-1	631,060.62	282,549.06
		<u>\$ 24,318,332.21</u>	<u>\$ 25,822,128.03</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>REF.</u>		
Balance, December 31, 2011	C		\$ 282,549.06
Increased by:			
Receipts on Fully Funded Authorizations	C-2	\$ 86,091.73	
Canceled Authorizations	C-10	<u>634,169.83</u>	
			<u>720,261.56</u>
			\$ 1,002,810.62
Decreased by:			
Surplus Anticipated-Current Fund	C-2	\$ 301,750.00	
Appropriated to Finance Improvement Authorizations	C-10	<u>70,000.00</u>	
			<u>371,750.00</u>
Balance, December 31, 2012	C		<u>\$ 631,060.62</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

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PUBLIC ASSISTANCE TRUST FUND

BOROUGH OF WATCHUNG

PUBLIC ASSISTANCE TRUST FUND

BALANCE SHEETS - REGULATORY BASIS

	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2012</u>	<u>BALANCE DECEMBER 31, 2011</u>
<u>ASSETS</u>			
Cash-Treasurer:			
Public Assistance Trust Fund I	E-1	\$	\$ 5,741.05
Public Assistance Trust Fund II	E-1		5,690.78
		<u>\$ 0.00</u>	<u>\$ 11,431.83</u>
<u>LIABILITIES AND RESERVES</u>			
Reserve for Public Assistance:			
Public Assistance Trust Fund I	E-2	\$	\$ 5,741.05
Public Assistance Trust Fund II	E-2		5,690.78
		<u>\$ 0.00</u>	<u>\$ 11,431.83</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

GENERAL FIXED ASSETS ACCOUNT GROUP

BOROUGH OF WATCHUNG

STATEMENT OF GENERAL FIXED ASSETS

BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER <u>31, 2012</u>	BALANCE DECEMBER <u>31, 2011</u>
<u>FIXED ASSETS:</u>		
Land	\$ 13,189,000.00	\$ 13,189,000.00
Buildings	6,054,980.00	6,054,980.00
Machinery and Equipment	<u>5,540,858.76</u>	<u>6,116,737.86</u>
<u>TOTAL FIXED ASSETS</u>	<u>\$ 24,784,838.76</u>	<u>\$ 25,360,717.86</u>
 <u>RESERVE:</u>		
Investments in General Fixed Assets	<u>\$ 24,784,838.76</u>	<u>\$ 25,360,717.86</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

BOROUGH OF WATCHUNG

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012 AND 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of Watchung is an instrumentality of the State of New Jersey, established to function as a municipality. The Borough Council consists of elected officials and is responsible for the fiscal control of the Borough.

Except as noted below, the financial statements of the Borough of Watchung include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Watchung, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Borough of Watchung do not include the operations of the regional and local boards of education, inasmuch as their activities are administered by separate boards.

B. Description of Funds

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Codification establishes three fund types and two account groups to be used by general purpose governmental units when reporting financial position and results of operations in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

The accounting policies of the Borough of Watchung conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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 financial transactions and accounts of the Borough of Watchung are organized on the basis of funds and an account group which is different from the fund structure required by GAAP. A fund or account group is an accounting entity with a separate set of self-balancing accounts established to record the financial position and results of operation of a specific government activity. As required by the Division of Local Government Services the Borough accounts for its financial transactions through the following individual funds and account groups:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Description of Funds (Continued)

Current Fund - resources and expenditures for governmental operations of a general nature, including grant funds.

Trust Fund - receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

General Capital Fund - receipts and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund.

Public Assistance Fund - receipt and disbursement of funds that provide assistance to certain residents of the Borough pursuant to Title 44 of New Jersey statutes.

General Fixed Assets Account Group - Utilized to account for property, land, buildings and equipment that have been acquired by other governmental funds.

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from generally accepted accounting principles applicable to local government units. The more significant accounting policies and differences in the State of New Jersey are as follows:

A modified accrual basis of accounting is followed with minor exceptions.

Revenues - are recorded when received in cash except for certain amounts which are due from other governmental units. Federal and State grants are realized as revenue when anticipated in the Borough's budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Borough, which are susceptible to accrual, are also recorded as receivables with offsetting reserves and recorded as revenue when received. GAAP requires revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Expenditures - are recorded on the "budgetary" basis of accounting. General expenditures are recorded when an amount is encumbered for goods or services through the issuances of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the Borough's statutory Appropriation Reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis, whereas interest on utility indebtedness is on the accrual basis.

Encumbrances - Contractual orders at December 31 are reported as expenditures through the establishment of encumbrances payable. Under GAAP, encumbrances outstanding at year end are reported as reservations of fund balance because they do not constitute expenditures or liabilities.

Foreclosed Property - Foreclosed property 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 in the General Fixed Assets Account Group at its market value.

Sale of Municipal Assets - The proceeds from the sale of municipal assets can be held in a reserve until anticipated as revenue in a future budget. GAAP requires such proceeds to be recorded as revenue in the year of sale.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

General Fixed Assets - N.J.A.C. 5:30-5.6, Accounting for Governmental Fixed Assets, which differs in certain respects from generally accepted accounting principles, requires the inclusion of a statement of general fixed assets of the Borough as part of its basic financial statements. General fixed assets are defined as non-expendable personal property having a physical existence, a useful life of more than one year and an acquisition cost of \$500.00 or more per unit. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage system are not capitalized. No depreciation has been provided on general fixed assets or reported in the financial statements. General Fixed Assets that have been acquired and are utilized in a governmental fund operation are accounted for in the General Fixed Asset Account Group rather than in a governmental fund.

The Borough has developed a fixed assets accounting and reporting system based on an inspection and valuation prepared by an independent appraisal firm and updated by the Borough. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Land is stated at the assessed value contained in the Borough's most recent property revaluation.

Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation.

Fixed assets acquired through grants in aid or contributed capital have not been accounted for separately.

Inventories of Supplies - 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 the cost of inventories to be reported as a current asset and equally offset by a fund balance reserve.

D. Basic Financial Statements

The GASB codification also defines the financial statements of a governmental unit to be presented in the general purpose financial statements to be in accordance with GAAP. The Borough presents the financial statements listed in the table of contents of the "Requirements of Audit and Accounting Revision of 1987" as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which differ from financial statements required by GAAP.

NOTE 2: CASH AND CASH EQUIVALENTS

The Borough considers petty cash, change funds, cash in banks, deposits in the New Jersey Cash Management Fund, certificates of deposit, and short-term investments with original maturities of three months or less as cash and cash equivalents. Investments are stated at cost, which approximates market.

Deposits

New Jersey statutes permit the deposit of public funds in institutions which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA) or the State of New Jersey Cash Management Fund. GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. All collateral must be deposited with the Federal Reserve Bank or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.00. Under (GUDPA), if a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of the deposits to the governmental unit.

The Borough of Watchung had the following cash and cash equivalents at December 31, 2012:

<u>Fund</u>	<u>Cash in Bank</u>	<u>Reconciling Items</u>	<u>Total</u>
Current Fund	\$2,535,208.63	(\$212,240.76)	\$2,322,967.87
Grant Fund	186,458.91		186,458.91
Assessment Trust Fund	106,054.36		106,054.36
Animal Control Trust Fund	6,087.41	(1.20)	6,086.21
Other Trust Fund	2,516,671.67	(141,773.71)	2,374,897.96
General Capital Fund	679,077.16	(76,573.24)	602,503.92
Total - December 31, 2012	<u>\$6,029,558.14</u>	<u>(\$430,588.91)</u>	<u>\$5,598,969.23</u>

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

Deposits (Continued)

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Borough does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of December 31, 2012, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash balance in the bank, \$750,000.00 was covered by Federal Depository Insurance and \$5,279,453.74 was covered by NJGUDPA. N.J. ARM is an investment pool and is not insured by either FDIC or GUDPA.

Investments

The purchase of investments by the Borough is strictly limited by the express authority of the New Jersey Local Fiscal Affairs Law, N.J.S.A. 40A:5-15.1. Permitted investments include any of the following type of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
2. Government money market mutual funds which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. These funds are also required to be rated by a nationally recognized statistical rating organization;
3. 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 obligation bears a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located;
5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Investment of the Department of Treasury for investment by Local Units;

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

Investments (Continued)

6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization;
7. 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); or
8. Agreements for the repurchase of fully collateralized securities if:
  - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
  - b. the custody of collateral is transferred to a third party;
  - c. the maturity of the agreement is not more than 30 days;
  - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c. 236 (C. 17:19-41); and
  - e. a master repurchase agreement providing for the custody and security of collateral is executed.

As of December 31, 2012, the Borough had \$104.40 on deposit with the New Jersey A.R.M. Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1 and existing investment practices, the Borough is generally not exposed to credit risks and interest rate risks for its investments, nor is it exposed to foreign currency risk for its deposits and investments.

NOTE 3: MUNICIPAL DEBT

The Local Bond Law, Chapter 40A:2, governs the issuance of bonds to finance general municipal capital expenditures. All bonds are retired in annual installments within the statutory period of usefulness. All 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, shall mature and be paid off within ten years or financed by the issuance of the bonds. In addition, the Borough has entered into loan agreements with the State of New Jersey. The monies received from these loans are used to finance various improvements to the Borough.

SUMMARY OF MUNICIPAL DEBT

	<u>Year 2012</u>	<u>Year 2011</u>	<u>Year 2010</u>
Issued:			
General:			
Bonds and Notes	\$ 19,375,000.00	\$ 19,910,000.00	\$ 21,025,000.00
Loans Payable	<u>1,694,590.02</u>	<u>1,884,655.84</u>	<u>2,067,192.92</u>
Debt Issued	\$ 21,069,590.02	\$ 21,794,655.84	\$ 23,092,192.92
Authorized But Not Issued:			
General:			
Bonds and Notes	<u>1,963,034.58</u>	<u>2,438,372.38</u>	<u>2,576,028.85</u>
<b>TOTAL BONDS AND NOTES ISSUED AND AUTHORIZED BUT NOT ISSUED</b>	<b><u>\$ 23,032,624.60</u></b>	<b><u>\$ 24,233,028.22</u></b>	<b><u>\$ 25,668,221.77</u></b>

SUMMARY OF STATUTORY DEBT CONDITION ANNUAL DEBT STATEMENT (AS AMENDED)

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.297%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School Debt	\$ 13,870,280.45	\$ 13,870,280.45	\$
General Debt	<u>23,032,624.60</u>	<u>967,250.49</u>	<u>22,065,374.11</u>
	<b><u>\$ 36,902,905.05</u></b>	<b><u>\$ 14,837,530.94</u></b>	<b><u>\$ 22,065,374.11</u></b>

Net debt \$22,065,374.11 divided by equalized valuation basis per N.J.S.A. 40A:2-2, \$1,701,908,379.33 equals 1.297%.

Borrowing Power Under NJSA 40A:2-6 As Amended

Equalized Valuation Basis - December 31, 2012	<u>\$ 1,701,908,379.33</u>
3 1/2% of Equalized Valuation Basis	\$ 59,566,793.28
Net Debt	<u>22,065,374.11</u>
Remaining Borrowing Power	<u>\$ 37,501,419.17</u>

Equalized Valuation Basis is the average of the equalized valuation of real estate, including improvements and the assessed valuation of Class II railroad property of the Borough of Watchung for the last three (3) preceding years.

NOTE 3: MUNICIPAL DEBT (CONTINUED)

LONG-TERM DEBT

General Serial Bonds:

\$9,500,000.00 General Obligation Bonds of 1999, \$8,141,000.00 of which is for Capital purposes, due in annual installments of \$400,000.00 to \$600,000.00 through May 2014 at an interest rate of 4.40%.	\$1,141,000.00
\$15,609,000.00 General Obligation Bonds of 2007 due in annual installments of \$475,000.00 to \$950,000.00 through August 2027 at an interest rate of 4.250% to 4.375%.	<u>13,234,000.00</u>
	<u>\$14,375,000.00</u>

Economic Development Loan:

\$267,330.00 Public Works Facility Loan due in annual installments of \$11,939.57 through August 2013 at an interest rate of 1.50%.	<u>\$11,939.57</u>
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Green Trust Loans:

\$750,000.00 Dam Restoration Loan due in semi-annual installments of \$16,791.86 to \$23,087.82 through January 2029 at an interest rate of 2.00%	\$652,683.14
\$500,000.00 Watchung Lake Development Loan due in annual installments of \$13,380.10 to \$15,077.03 through March 2018 at an interest rate of 2.00%.	<u>157,876.14</u>
	<u>\$810,559.28</u>

New Jersey Environmental Infrastructure Loans:

\$915,000.00 Infrastructure Trust Loan of 2000 due in annual installments of \$50,000.00 to \$75,000.00 through August 2020 at an interest rate of 5.00% to 5.25%.	\$490,000.00
\$872,646.00 Infrastructure Fund Loan of 2000 due in annual installments of \$10,811.19 to \$45,804.39 through August 2016 at an interest rate of 0.00%.	150,080.72
\$230,000.00 Infrastructure Trust Loan of 2001 due in annual installments of \$10,000.00 to \$15,000.00 through February 2021 at an interest rate of 4.00% 5.00%.	130,000.00
\$226,237.00 Infrastructure Fund Loan of 2001 due in annual installments of \$10,026.15 to \$13,495.28 through February 2021 at an interest rate of 0.00%.	<u>102,010.45</u>
	<u>\$872,091.17</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

BOND ANTICIPATION NOTE

	<u>Interest Rate</u>	<u>Issue &amp; Maturity Dates</u>	<u>Amount</u>
General Capital	1.25%	2/29/12 -- 2/28/13	\$5,000,000.00

BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

At December 31, 2012 the Borough has authorized but not issued bonds and notes as follows:

General Capital Fund	<u>\$1,963,034.58</u>
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Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued and Outstanding

<u>Calendar Year</u>	<u>General</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2013	\$ 1,100,000.00	\$ 610,135.25	\$ 1,710,135.25
2014	1,076,000.00	563,783.25	1,639,783.25
2015	900,000.00	529,143.75	1,429,143.75
2016	900,000.00	490,893.75	1,390,893.75
2017	900,000.00	452,643.75	1,352,643.75
2018	950,000.00	414,393.75	1,364,393.75
2019	950,000.00	374,018.75	1,324,018.75
2020	950,000.00	332,456.25	1,282,456.25
2021	950,000.00	290,893.75	1,240,893.75
2022	950,000.00	249,331.25	1,199,331.25
2023	950,000.00	207,768.75	1,157,768.75
2024	950,000.00	166,206.25	1,116,206.25
2025	950,000.00	124,643.75	1,074,643.75
2026	950,000.00	83,081.25	1,033,081.25
2027	949,000.00	41,518.75	990,518.75
	<u>\$ 14,375,000.00</u>	<u>\$ 4,930,912.25</u>	<u>\$ 19,305,912.25</u>

Schedule of Annual Debt Service for Principal and Interest for Economic Development Authority  
Loan Payable - New Public Works Facility

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 11,939.57	\$ 179.10	\$ 12,118.67
	<u>\$ 11,939.57</u>	<u>\$ 179.10</u>	<u>\$ 12,118.67</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

Schedule of Annual Debt Service for Principal and Interest for New Jersey Green Trust Loans  
Payable - Watchung Lake Development & Dam Restoration

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 61,186.21	\$ 15,906.77	\$ 77,092.98
2014	62,416.06	15,355.34	77,771.40
2015	63,670.62	14,114.41	77,785.03
2016	64,950.40	12,848.54	77,798.94
2017	66,255.90	11,557.23	77,813.13
2018	52,359.85	10,239.96	62,599.81
2019	38,032.20	9,354.57	47,386.77
2020	38,796.65	8,605.19	47,401.84
2021	39,576.46	7,840.74	47,417.20
2022	40,371.95	7,060.93	47,432.88
2023	41,183.43	6,265.44	47,448.87
2024	42,011.21	5,453.97	47,465.18
2025	42,855.63	4,626.18	47,481.81
2026	43,717.04	3,781.75	47,498.79
2027	44,595.75	2,920.36	47,516.11
2028	45,492.13	2,041.65	47,533.78
2029	23,087.82	1,145.27	24,233.09
	<u>\$ 810,559.31</u>	<u>\$ 139,118.30</u>	<u>\$ 949,677.61</u>

Schedule of Annual Debt Service for Principal and Interest for Environmental  
Infrastructure Loan Payable - 2000 Infrastructure Trust Loan

<u>Calendar Year</u>	<u>General Capital Fund</u>		<u>Assessment Trust Fund</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2013	\$ 25,000.00	\$ 12,668.76	\$ 25,000.00	\$ 12,650.00	\$ 75,318.76
2014	25,000.00	11,418.76	30,000.00	11,400.00	77,818.76
2015	25,000.00	10,168.76	30,000.00	9,900.00	75,068.76
2016	30,000.00	8,887.50	30,000.00	8,362.50	77,250.00
2017	30,000.00	7,350.00	30,000.00	6,825.00	74,175.00
2018	35,000.00	5,775.00	30,000.00	5,250.00	76,025.00
2019	35,000.00	3,937.50	35,000.00	3,675.00	77,612.50
2020	40,000.00	2,100.00	35,000.00	1,837.50	78,937.50
	<u>\$ 245,000.00</u>	<u>\$ 62,306.28</u>	<u>\$ 245,000.00</u>	<u>\$ 59,900.00</u>	<u>\$ 612,206.28</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

Schedule of Annual Debt Service for Principal for Environmental  
Infrastructure Loan Payable - 2000 Infrastructure Fund Loan

<u>Calendar Year</u>	<u>General Capital Fund</u>		<u>Assessment Trust Fund</u>		<u>Total</u>
	<u>Principal</u>		<u>Principal</u>		
2013	\$ 22,892.49		\$ 23,065.11	\$	45,957.60
2014	22,132.82		25,362.44		47,495.26
2015	21,373.16		24,443.51		45,816.67
2016	8,627.95		2,183.24		10,811.19
	<u>\$ 75,026.42</u>		<u>\$ 75,054.30</u>	<u>\$</u>	<u>150,080.72</u>

Schedule of Annual Debt Service for Principal and Interest for Environmental  
Infrastructure Loan Payable - 2001 Infrastructure Trust Loan

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 10,000.00	\$ 6,250.00	\$ 16,250.00
2014	15,000.00	5,625.00	20,625.00
2015	15,000.00	4,875.00	19,875.00
2016	15,000.00	4,125.00	19,125.00
2017	15,000.00	3,375.00	18,375.00
2018	15,000.00	2,625.00	17,625.00
2019	15,000.00	1,875.00	16,875.00
2020	15,000.00	1,125.00	16,125.00
2021	15,000.00	375.00	15,375.00
	<u>\$ 130,000.00</u>	<u>\$ 30,250.00</u>	<u>\$ 160,250.00</u>

Schedule of Annual Debt Service for Principal for Environmental  
Infrastructure Loan Payable - 2001 Infrastructure Fund Loan

<u>Calendar Year</u>	<u>Principal</u>	<u>Total</u>
2013	\$ 10,344.26	\$ 10,344.26
2014	13,129.25	13,129.25
2015	12,651.82	12,651.82
2016	12,174.39	12,174.39
2017	11,696.96	11,696.96
2018	11,219.54	11,219.54
2019	10,742.11	10,742.11
2020	10,264.68	10,264.68
2021	9,787.44	9,787.44
	<u>\$ 102,010.45</u>	<u>\$ 102,010.45</u>

NOTE 4: FUND BALANCES APPROPRIATED

Fund balance at December 31, 2012 which was appropriated and included as anticipated revenue in its own respective fund for the year ending December 31, 2013 was \$800,000.00.

NOTE 5: PROPERTY TAXES

Property Taxes attach as an enforceable lien on property as of January 1. Taxes are levied based on the final adoption of the current year municipal budget, and payable in four installments on February 1, May 1, August 1 and November 1. The Borough bills and collects its own property taxes and also the taxes for the County and the Local and Regional High School Districts. The collections and remittance of county and school taxes are accounted for in the current Fund. Borough property tax revenues are recognized when collected in cash and any receivables are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund.

Taxes Collected in Advance - Taxes collected in advance and recorded as cash liabilities in the financial statements are as follows:

	<u>Balance</u> <u>December 31, 2012</u>	<u>Balance</u> <u>December 31, 2011</u>
Prepaid Taxes	\$ <u>197,784.66</u>	\$ <u>187,748.14</u>

NOTE 6: PENSION PLANS

Borough employees, who are eligible for a pension plan, are enrolled in one of two pension systems administered by the Division of Pensions, Treasury Department of the State of New Jersey. The plans are: the Public Employees' Retirement System and the Police and Firemen's Retirement System. The Division annually charges participating government units for their respective contributions to the plans based upon actuarial methods. Certain portions of the costs are contributed by the employees. The Borough's share of pension, which is based upon the annual billings received from the state, amounted to \$881,058.00 for 2012, \$968,137.00 for 2011, and \$795,698.00 for 2010.

Borough employees are also covered by the Federal Insurance Contribution Act.

Information as to the comparison of the actuarially computed value of vested benefit with the system's assets is not available from the State Retirement System and, therefore, is not presented.

NOTE 7: COMPENSATED ABSENCES

The Borough has not permitted non-police department employees to carry over unused vacation days. Under special circumstances, vacation time may be carried over with mayor and Council approval. After a minimum of five years of service with the Borough, an employee, upon separation from service with the Borough, will receive pay based upon unused accumulated sick leave, up to a maximum of 120 days of such credit. Payment shall be made in accordance with the following schedule:

Upon retirement: 50% of the employee's then current rate of pay  
Other separation: 25% of the employee's then current rate of pay

Police Department employees may not carry over vacation unless approved by the Mayor and Council. Sick days may be accumulated up to 360 days per employee with a maximum of 60 days to be reimbursed to the employee at retirement.

The Borough has estimated the liability for unpaid sick pay to be \$544,829.10 and \$572,213.90 at December 31, 2012 and 2011, respectively. In accordance with New Jersey accounting principles and practices these amounts are not reported as an expenditure or liability in the accompanying financial statements.

NOTE 8: DEFERRED COMPENSATION PLAN

The Borough offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Borough employees, permits them to defer a portion of their salaries until future years. The Borough does not make any contribution to the plan. The deferred compensation is not available to employees until retirement, death, disability, termination or financial hardships.

In accordance with the requirements of the Small Business Job Protection Act of 1996 and the funding requirements of Internal Revenue Code Section 457(g), the Borough's Plan was amended to require that all amounts of compensation deferred under the Plan are held for the exclusive benefits of plan participants and beneficiaries. All assets and income under the Plan are held in trust, in annuity contracts or custodial accounts.

All assets of the Plan are held by an independent administrator, the Equitable Life Assurance Society of the United States (the "Equitable").

The accompanying financial statements do not include the Borough's Deferred Compensation Plan activities. The Borough's Deferred Compensation Plan is fully contributory and the Borough has no liabilities in conjunction with the plan.

NOTE 9: LITIGATION

The Borough Attorney's letters did not indicate any litigation, claims or contingent liabilities which would materially affect the financial statements of the Borough.

NOTE 10: TAX APPEALS

There are tax appeals filed with the State Tax Court of New Jersey requesting a reduction of assessments for 2012. Any reduction in assessed valuation will result in a refund of prior years taxes in the year of settlement, which may be funded from current tax revenues through the establishment of a reserve or by the issuance of refunding bonds per N.J.S.40A:2-51. The Borough has a reserve balance in the amount of \$85,276.96 for these appeals in the event that the tax reductions are granted.

NOTE 11: CONTINGENT LIABILITIES

The Borough participated in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of funds for eligible purposes. Findings and questioned costs, if any, relative to federal and state financial assistance programs will be discussed in detail in Part II, Report Section of the 2012 audit. In addition, these programs are also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2012, the Borough does not believe that any material liabilities will result from such audits.

NOTE 12: RISK MANAGEMENT

The Borough is exposed to various risks of loss related to torts; theft of; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Borough. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

New Jersey Unemployment Compensation Insurance - 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. Below is a summary of Borough contributions, employee contributions, reimbursements to the State for benefits paid, and the ending balance of the Borough's expendable trust fund for the current and previous two years:

<u>Year</u>	<u>Interest on Deposits</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2012	\$ 83.42	\$ 246.06	\$ 16,365.98	\$ 99,365.92
2011	182.16	5,760.78	23,395.78	115,402.42
2010	593.91	6,155.44	30,578.33	132,855.26

NOTE 13: INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances consisted of the following at December 31, 2012:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 14,078.75	\$ 139,520.53
Grant Fund		14,023.20
Assessment Trust Fund	63,440.40	1,579,254.12
Animal Control Fund	0.74	
Trust Other Fund	76,079.39	55.55
General Capital Fund	<u>1,579,254.12</u>	<u>                    </u>
	<u>\$ 1,732,853.40</u>	<u>\$ 1,732,853.40</u>

All balances resulted from the time lag between the dates that short-term loans were disbursed and payments between funds were made.

NOTE 14: GASB 45: OTHER POST-RETIREMENT BENEFITS

Plan Description. The Borough contributes to the State Health Benefits Program (SHBP) a cost-sharing, multiple-employer defined benefit postemployment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq. to provide health benefits to State employees, retirees, and their dependents. The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at <http://www.state.nj.us/treasury/pensions>.

NOTE 14: GASB 45: OTHER POST-RETIREMENT BENEFITS (CONTINUED)

Funding Policy. Contributions to pay for the health premiums of participating employees in the SHBP are billed to the Borough on a monthly basis. Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. In accordance with Chapter 62, P.L. 1994, post-retirement medical benefits have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis. The Borough's contributions to SHBP for the years ended December 31, 2012, 2011, and 2010 were \$446,021.82, \$410,559.57, and \$337,997.90, respectively, which equaled the required contributions for each year.

BOROUGH OF WATCHUNG

SUPPLEMENTARY SCHEDULES – ALL FUNDS

YEAR ENDED DECEMBER 31, 2012

## BOROUGH OF WATCHUNG

## CURRENT FUND

## SCHEDULE OF CASH - TREASURER

	REF.	CURRENT FUND	GRANT FUND
Balance, December 31, 2011	A	\$ 2,781,147.52	\$ 67,463.60
Increased by Receipts:			
Taxes Receivable	A-8	\$ 32,207,283.67	\$
Tax Overpayments	A-18	10,755.62	
Prepaid Taxes	A-19	197,784.66	
Miscellaneous Revenue Not Anticipated	A-2	178,075.22	
Revenue Accounts Receivable	A-9	3,582,831.25	
Petty Cash Funds	A-5	400.00	
State of New Jersey-Senior Citizens and Veterans	A-14	41,750.00	
Appropriation Refunds	A-3	207,900.80	
Interfunds Returned	A-25	326,225.72	
Burial Permits Due State of New Jersey	A-30	25.00	
Tax Title Liens	A-24	1,008.05	
Grants Receivable	A-10		93,593.32
Grants Appropriated-Match	A-22		80,000.00
Grants Appropriated-Refund	A-22		20,000.00
Grants-Deferred Charge Prior Year	A-28		8,178.20
Grants Unappropriated	A-12		27,000.00
Due Current Fund	A-29		134,023.20
Tax Sale Premiums	A-23	426,165.45	
Due State of New Jersey - DCA	A-20	13,939.00	
		<u>37,194,144.44</u>	<u>362,794.72</u>
		\$ 39,975,291.96	\$ 430,258.32
Decreased by Disbursements:			
Appropriations	A-3	\$ 12,273,940.39	\$
Appropriation Reserves	A-11	257,416.91	
Local District School Tax	A-16	11,697,372.50	
County Taxes	A-15	6,279,688.97	
Regional High School Tax	A-17	6,020,724.69	
Municipal Open Space Tax	A-2	325,796.27	
Tax Overpayment Refunds	A-18	4,586.54	
Accounts Payable	A-7	21,381.77	
Due State of New Jersey - DCA	A-20	13,049.00	
Petty Cash Funds	A-5	400.00	
Interfunds	A-25:A-29	307,157.37	60,000.00
Grants Appropriated	A-22		183,799.41
Burial Permits Due State of New Jersey	A-30	25.00	
Tax Premiums	A-23	450,784.68	
		<u>37,652,324.09</u>	<u>243,799.41</u>
Balance, December 31, 2012	A	\$ <u>2,322,967.87</u>	\$ <u>186,458.91</u>

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF PETTY CASH FUNDS

	<u>ADVANCED</u>	<u>REIMBURSED</u>
Police	\$ 300.00	\$ 300.00
Clerk	<u>100.00</u>	<u>100.00</u>
	\$ <u>400.00</u>	\$ <u>400.00</u>
<u>REF.</u>	A-4	A-4

SCHEDULE OF CHANGE FUNDS

	<u>BALANCE</u> <u>DECEMBER 31,</u> <u>2012 AND 2011</u>
Tax Collector	\$ 100.00
Municipal Court	100.00
Clerk	<u>50.00</u>
	\$ <u>250.00</u>
<u>REF.</u>	A

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF ACCOUNTS PAYABLE

	<u>REF.</u>		
Balance, December 31, 2011	A		\$ 191,176.85
Increased by:			
2012 Appropriations	A-3	\$ 133,342.31	
2011 Appropriation Reserves	A-11	<u>10,443.43</u>	
			<u>143,785.74</u>
			\$ <u>334,962.59</u>
Decreased by:			
Canceled	A-1	\$ 11,586.65	
Disbursed	A-4	21,381.77	
Transfer to 2011 Appropriation Reserves	A-11	<u>150,966.86</u>	
			<u>183,935.28</u>
Balance, December 31, 2012	A		\$ <u><u>151,027.31</u></u>

"A-8"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

YEAR	BALANCE DECEMBER 31, 2011	ADDED TAXES	2012 LEVY	COLLECTIONS 2011	2012	TRANSFERRED TO TAX TITLE LIENS	CANCELED	OVERPAYMENTS APPLIED	BALANCE DECEMBER 31, 2012
2011	\$ 290,658.50	\$ 1,758.97	\$	\$ 291,691.47	\$	\$	\$ 476.00	\$	\$ 250.00
2012			32,893,843.76	187,748.14	31,958,342.20	332.78	40,254.65	23,949.46	683,216.53
	\$ 290,658.50	\$ 1,758.97	\$ 32,893,843.76	\$ 187,748.14	\$ 32,250,033.67	\$ 332.78	\$ 40,730.65	\$ 23,949.46	\$ 683,466.53
REF.	A			A-2-A-19	A-2	A-24		A-2-A-18	A

REF.

Collector  
Due From State of New Jersey Per Chapter 20, P.L. 1971

A-4	\$ 32,207,283.67
A-14	42,750.00
	\$ 32,250,033.67

ANALYSIS OF 2012 PROPERTY TAX LEVY

TAX YIELD  
General Purpose Tax  
Added Taxes (54.4-63.1 et. seq.)

\$ 32,160,240.51
733,603.25

TAX LEVY

Local District School Tax (Abstract)  
Regional High School Tax (Abstract)  
County Taxes:  
County Tax  
County Library Tax  
County Open Space Preservation Tax  
County Added  
Local Tax for Municipal Purposes (Abstract)  
Municipal Open Space Taxes  
Add: Additional Tax Levied  
Local Tax for Municipal Purposes Levied

A-2-A-16	\$ 11,697,372.50
A-2-A-17	6,020,724.69
A-15	4,920,188.92
A-15	714,972.86
A-15	503,787.21
A-15	140,739.98
A-2	6,279,688.97
A-2	7,973,857.78
A-2	325,796.27
A-2	596,403.55
	8,896,057.60

\$ 32,893,843.76

\$ 32,893,843.76

## BOROUGH OF WATCHUNG

## CURRENT FUND

## SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2011</u>	<u>ACCRUED IN 2012</u>	<u>COLLECTED BY TREASURER</u>	<u>BALANCE DECEMBER 31, 2012</u>
Clerk:					
Alcoholic Beverage Licenses	A-2	\$	\$ 16,375.20	\$ 16,375.20	\$
Other Licenses	A-2		2,780.00	2,780.00	
Fees and Permits	A-2		2,195.00	2,195.00	
Uniform Construction Code Official	A-2		221,602.00	221,602.00	
Recreation: Fees and Permits	A-2		835.00	835.00	
Planning Board: Fees and Permits	A-2		8,700.00	8,700.00	
Registrar of Vital Statistics:					
Other Licenses	A-2		78.00	78.00	
Fees and Permits	A-2		23,280.00	23,280.00	
Board of Health:					
Other Licenses	A-2		16,870.00	16,870.00	
Fees and Permits	A-2		980.00	980.00	
Board of Adjustment: Fees and Permits	A-2		2,450.00	2,450.00	
Tower Lease: Fees and Permits	A-2		75,220.61	75,220.61	
Police: Fees and Permits	A-2		4,576.50	4,576.50	
Engineering: Fees and Permits	A-2		34,857.00	34,857.00	
Fire Official: Fees and Permits	A-2		3,841.00	3,841.00	
Municipal Court: Fines and Costs	A-2	19,739.92	176,747.32	186,115.60	10,371.64
Interest and Costs on Taxes	A-2		120,662.46	120,662.46	
Interest on Investments and Deposits	A-2		10,969.42	10,969.42	
Sewer Rents	A-2		1,158,872.28	1,158,872.28	
Consolidated Municipal Property Tax Relief Aid	A-2		5,147.00	5,147.00	
Energy Receipts Tax	A-2		694,945.00	694,945.00	
Uniform Fire Safety Act	A-2		28,084.52	28,084.52	
Bulk Pickup Fees	A-2		8,515.00	8,515.00	
Recreation Trust Surplus	A-2		20,000.00	20,000.00	
Open Space Trust Fund Debt Payment	A-2		589,343.44	589,343.44	
Reserve For Debt Service	A-2		43,786.22	43,786.22	
Capital Surplus	A-2		301,750.00	301,750.00	
		\$ 19,739.92	\$ 3,573,462.97	\$ 3,582,831.25	\$ 10,371.64
<u>REF.</u>		<u>A.</u>		<u>A-4</u>	<u>A</u>

BOROUGH OF WATCHUNG

GRANT FUND

SCHEDULE OF GRANTS RECEIVABLE

	BALANCE DECEMBER 31, 2011	ACCRUED 2012	RECEIPTS	UNAPPROPRIATED RESERVE APPLIED	BALANCE DECEMBER 31, 2012
Municipal Stormwater Regulation Program	\$ 2,117.00	\$	\$	\$	2,117.00
Clean Communities Program	9,001.76	11,442.09	11,403.23		38.86
S.C. Youth Service/Athletic Grants	54,155.00	19,478.94	5,000.00	14,478.94	9,001.76
Safe and Secure		60,000.00	54,155.00		60,000.00
NJ Body Armor		3,126.97	3,126.97		
Alcohol Education Rehabilitation		1,187.19	1,187.19		
Recycling Tonnage Grant		16,720.93	16,720.93		
Sustainable Jersey Grant		2,000.00	2,000.00		
FEMA Firefighters Grant	3,157.00				3,157.00
	<u>\$ 68,430.76</u>	<u>\$ 113,956.12</u>	<u>\$ 93,593.32</u>	<u>\$ 14,478.94</u>	<u>\$ 74,314.62</u>
REF.	A	A-2	A-4	A-12	A

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF 2011 APPROPRIATION RESERVES

	BALANCE DECEMBER 31, 2011	ACCOUNTS PAYABLE	ADJUSTED BALANCE	PAID OR CHARGED	BALANCE LAPSED
Salaries and Wages					
Administrative and Executive	\$ 889.84		\$ 189.84	\$ 189.84	
Mayor and Council	96.86		96.86	96.86	
Clerk	1,852.82		1,852.82	1,852.82	
Financial Administration	1,238.08		1,238.08	1,238.08	
Assessment of Taxes	77.08		77.08	77.08	
Collection of Taxes	4,124.80		124.80	124.08	0.72
Engineering Services and Costs	2,988.41		2,988.41	2,988.41	
Planning Board	855.25		855.25	855.25	
Board of Adjustments	716.77		716.77	716.77	
Fire Official	986.00		986.00	986.00	
Police	15,792.13		15,792.13	15,792.13	
Public Defender	0.38		0.38		0.38
Municipal Court	4,585.73		585.73	585.73	
Board of Health	1,080.00		1,080.00	1,080.00	
Board of Recreation	2,735.00		2,735.00	2,735.00	
Community Service	345.08		345.08		345.08
Uniform Construction Code	2,516.57		2,516.57	2,516.57	
Plumbing Inspector	1,483.71		1,483.71	1,483.71	
Fire Sub-Code Inspector	3,030.00		3,030.00	397.26	2,632.74
Other Expenses					
Administrative and Executive	851.19		851.19	851.19	
Mayor and Council	27,833.65	6,019.36	8,853.01	8,811.00	42.01
Clerk	371.06	285.09	656.15	382.11	274.04
Elections	245.39		245.39		245.39
Financial Administration	3,142.74	485.23	3,627.97	3,627.97	
Assessment of Taxes		1,607.23	1,607.23	1,607.23	
Collection of Taxes	166.18	1,636.46	1,802.64	1,736.46	66.18
Legal Services and Costs	400.21	20,341.75	29,441.96	22,636.86	6,805.10
Engineering Services and Costs	1,456.50	313.64	1,770.14	1,709.01	61.13
Public Buildings and Grounds	16.77	99.99	116.76		116.76
Bulk Clean-up	4.16		4.16		4.16
Planning Board	7,405.01	247.43	7,652.44	1,982.91	5,669.53
Board of Adjustment	1,459.29	182.85	1,642.14	1,633.97	8.17
Fire	4,358.16	4,465.64	8,823.80	6,074.70	2,749.10
Fire Official	1,893.93	78.79	1,772.72	78.79	1,693.93
Police	12,573.05	69,206.13	81,779.18	74,619.41	7,159.77
First Aid Organization Contribution		135.00	135.00	90.00	45.00
Emergency Management Services	1,043.86		1,043.86		1,043.86
Municipal Court	3,664.40	4,406.78	8,071.18	7,913.92	157.26
Streets and Roads	1,136.94	8,310.22	53,447.16	53,410.94	36.22
Dog Regulation	2,181.44		2,181.44	400.00	1,781.44
Sewer System	197.92	3,079.56	3,277.48	3,277.48	
Condo Act Reimbursement	279.87		279.87	279.87	
Board of Recreation Commissioners	1,110.23	1,321.46	2,431.69	1,100.00	1,331.69
Traffic and Beautification	1,224.24		1,224.24		1,224.24
Community Service	100.00		100.00		100.00
Environmental Commission	256.00		256.00		256.00
Historical Preservation	1,800.00		1,800.00		1,800.00
Group Insurance for Employees	73,780.44		54,780.44	1,255.41	53,525.03
Workers Compensation		12,502.79	12,502.79	12,502.79	
Other Insurance Premiums		2,730.00	2,730.00	2,730.00	
Free Public Library	193.73	372.60	566.33	193.73	372.60
Uniform Construction Code	534.87	2,617.39	3,152.26	2,321.51	830.75
Electricity	14,174.74	6,815.67	20,990.41	9,246.62	11,743.79
Telephone	449.44	200.00	649.44	649.44	
Water	3,194.28		3,194.28		3,194.28
Natural Gas (Fuel Oil)		492.06	492.06		492.06
Fire Hydrant Service	36,926.72		36,926.72		36,926.72
Gasoline		13.74	10,013.74	10,000.00	13.74
Street Lighting	152.15		152.15		152.15
Social Security System (O.A.S.I.)	11,562.84		1,562.84		1,562.84
Interlocal Agreements - Recycling	21.43	3,000.00	3,021.43	3,021.43	
Board of Health	39.34		39.34		39.34
<b>TOTAL</b>	<b>\$ 261,396.68</b>	<b>\$ 150,966.86</b>	<b>\$ 412,363.54</b>	<b>\$ 267,860.34</b>	<b>\$ 144,503.20</b>

REF. A A-7 A-1

Disbursements	A-4	\$ 257,416.91
Accounts Payable	A-7	10,443.43
		<u>\$ 267,860.34</u>

"A-12"

BOROUGH OF WATCHUNG

GRANT FUND

SCHEDULE OF RESERVE FOR GRANTS - UNAPPROPRIATED

	<u>REF.</u>	
Balance, December 31, 2011	A	\$ 14,478.94
Increased by:		
Receipts	A-4	27,000.00
		<u>\$ 41,478.94</u>
Decreased by:		
Applied to Receivable	A-10	14,478.94
Balance, December 31, 2012	A	<u>\$ 27,000.00</u>

ANALYSIS OF BALANCE:

Safe and Secure Grant		<u>\$ 27,000.00</u>
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"A-13"

CURRENT FUND

SCHEDULE OF RESERVE FOR TAX APPEALS

Balance, December 31, 2011 and December 31, 2012	A	<u>\$ 85,276.96</u>
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BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF DUE STATE OF NEW JERSEY  
FOR SENIOR CITIZEN AND VETERAN DEDUCTIONS

	<u>REF.</u>	
Balance, December 31, 2011	A	\$ 2,399.79
Increased by:		
Deductions Per Tax Billings	A-14	42,750.00
		<u>\$ 45,149.79</u>
Decreased by:		
Receipts	A-4	41,750.00
Balance, December 31, 2012	A	<u>\$ 3,399.79</u>
REVENUE REALIZED:		
Deductions Per Tax Billings:		
Senior Citizens		\$ 3,000.00
Veterans		39,250.00
Deductions Allowed by Collector		750.00
Deductions Disallowed by Collector		<u>(250.00)</u>
	A-8:A-14	<u>\$ 42,750.00</u>

"A-15"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF COUNTY TAXES PAYABLE

	<u>REF.</u>			
2012 Tax Levy:				
County Tax	A-8	\$	4,920,188.92	
County Library Tax	A-8		714,972.86	
County Open Space Preservation Tax	A-8		503,787.21	
County Added	A-8		<u>140,739.98</u>	
	A-1			\$ 6,279,688.97
Decreased by:				
Payments	A-4	\$		<u>6,279,688.97</u>

"A-16"

SCHEDULE OF LOCAL DISTRICT SCHOOL TAXES PAYABLE

Increased by:				
2012 Tax Levy - Calendar Year	A-1:A-8	\$		11,697,372.50
Decreased by:				
Payments	A-4	\$		<u>11,697,372.50</u>

"A-17"

SCHEDULE OF REGIONAL HIGH SCHOOL TAXES PAYABLE

Increased by:				
2012 Tax Levy - Calendar Year	A-1:A-8	\$		6,020,724.69
Decreased by:				
Payments	A-4	\$		<u>6,020,724.69</u>

BOROUGH OF WATCHUNG  
CURRENT FUND  
SCHEDULE OF TAX OVERPAYMENTS

	<u>REF.</u>		
Balance, December 31, 2011	A	\$	24,037.09
Increased by:			
Overpayments in 2012	A-4		<u>10,755.62</u>
		\$	<u>34,792.71</u>
Decreased by:			
Applied To Taxes Receivable	A-8	\$	23,949.46
Refunded	A-4		<u>4,586.54</u>
			<u>28,536.00</u>
Balance, December 31, 2012	A	\$	<u><u>6,256.71</u></u>

SCHEDULE OF PREPAID TAXES

Balance, December 31, 2011	A	\$	187,748.14
Increased by:			
Collections of 2013 Taxes	A-4		<u>197,784.66</u>
		\$	<u>385,532.80</u>
Decreased by:			
Applied to Taxes Receivable	A-8		<u>187,748.14</u>
Balance, December 31, 2012	A	\$	<u><u>197,784.66</u></u>

"A-20"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF DUE TO STATE OF NEW JERSEY - DCA

	<u>REF.</u>	
Balance, December 31, 2011	A	\$ 2,682.00
Increased by:		
Receipts	A-4	13,939.00
		\$ <u>16,621.00</u>
Decreased by:		
Disbursements	A-4	13,049.00
Balance, December 31, 2012	A	\$ <u><u>3,572.00</u></u>

"A-21"

SCHEDULE OF PREPAID LICENSES

Balance, December 31, 2011	A	\$ 2,750.70
Decreased by:		
Applied To Revenue	A-2	\$ <u>2,750.70</u>

BOROUGH OF WATCHUNG

GRANT FUND

SCHEDULE OF RESERVE FOR GRANTS - APPROPRIATED

	BALANCE DECEMBER 31, 2011	TRANSFERRED FROM 2012 BUDGET	PAID OR CHARGED	BALANCE DECEMBER 31, 2012
Safe and Secure Communities Match	\$	\$ 60,000.00	\$ 60,000.00	\$
Somerset County Planning Incentive Grant and Match	32,274.30	80,000.00	80,000.00	32,274.30
Cross Acceptance Program	2,000.00			2,000.00
Green Communities Program and Match	3,000.00			3,000.00
Special Legislative	6,375.00			6,375.00
Body Armor Replacement Fund	7,949.91	3,126.97	2,939.60	8,137.28
S.C. Youth Athletic and Recreation Program	16,937.81	19,478.94	8,000.00	28,416.75
PARIS Grant	31,292.00			31,292.00
Alcohol Education Rehabilitation Fund	3,356.53	1,187.19	2,000.00	2,543.72
Drunk Driving Enforcement Fund	6,238.42		993.00	5,245.42
All Hazards Emergency Oper. Planning Program	591.80			591.80
Recycling Tonnage Grant	44,688.52	16,720.93	3,405.26	58,004.19
Municipal Alliance Contribution - Match	8,492.26			8,492.26
FEMA Firefighters Grant	1,699.60			1,699.60
Smart Growth Planning	5,000.00			5,000.00
Sustainable Jersey Grant		2,000.00		2,000.00
Clean Communities Program	12,454.07	11,442.09	789.55	23,106.61
	<u>\$ 182,350.22</u>	<u>\$ 193,956.12</u>	<u>\$ 158,127.41</u>	<u>\$ 218,178.93</u>
	<u>REF.</u>	A		A
Grants	A-3	\$ 113,956.12		
Matching Funds for Grants	A-4	<u>80,000.00</u>		
		<u>\$ 193,956.12</u>		
Disbursements	A-4		\$ 183,799.41	
Refunds	A-4		(20,000.00)	
Current Year Accounts Payable	A-26		1,571.40	
Prior Year Accounts Payable	A-26		<u>(7,243.40)</u>	
			<u>\$ 158,127.41</u>	

"A-23"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF RESERVE FOR TAX SALE PREMIUMS

	<u>REF.</u>		
Balance, December 31, 2011	A	\$	74,429.52
Increased by:			
Receipts	A-4		<u>426,165.45</u>
		\$	<u>500,594.97</u>
Decreased by:			
Disbursements	A-4		<u>450,784.68</u>
Balance, December 31, 2012	A	\$	<u><u>49,810.29</u></u>

"A-24"

SCHEDULE OF TAX TITLE LIENS

Balance, December 31, 2011	A	\$	662.30
Increased by:			
Transferred From Current Taxes	A-8	\$	332.78
Added Liens & Interest			<u>393.98</u>
			<u>726.76</u>
		\$	<u>1,389.06</u>
Decreased by:			
Receipts	A-4		<u>1,008.05</u>
Balance, December 31, 2012	A	\$	<u><u>381.01</u></u>



BOROUGH OF WATCHUNG

GRANT FUND

SCHEDULE OF ACCOUNTS PAYABLE

	<u>REF.</u>	
Balance, December 31, 2011	A	\$ 7,243.40
Increased by:		
Grants Appropriated	A-22	<u>1,571.40</u>
		\$ 8,814.80
Decreased by:		
Transferred to Grants Appropriated	A-22	<u>7,243.40</u>
Balance, December 31, 2012	A	<u><u>\$ 1,571.40</u></u>

"A-27"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF DEFERRED CHARGES - CURRENT

	<u>REF.</u>	
Balance, December 31, 2011	A	\$ 2,632.74
Increased by:		
Superstorm Sandy Emergency	A-1:A-3	359,130.00
		<u>\$ 361,762.74</u>
Decreased by:		
Appropriations	A-3	2,632.74
Balance, December 31, 2012	A	<u><u>\$ 359,130.00</u></u>

"A-28"

GRANT FUND

SCHEDULE OF DEFERRED CHARGES - GRANT

Balance, December 31, 2011	A	\$ 8,178.20
Decreased by:		
Appropriations	A-4	8,178.20
		<u><u>\$ 8,178.20</u></u>

"A-29"

BOROUGH OF WATCHUNG

GRANT FUND

SCHEDULE OF INTERFUNDS

	<u>REF.</u>	
Balance, December 31, 2011 (Due From)	A	\$ 60,000.00
Increased by:		
Disbursements	A-4	60,000.00
		<u>\$ 120,000.00</u>
Decreased by:		
Receipts	A-4	134,023.20
Balance, December 31, 2012 (Due To)	A	<u>\$ 14,023.20</u>
Analysis of Balance:		
Due Current Fund		<u>\$ 14,023.20</u>

"A-30"

SCHEDULE OF BURIAL PERMITS DUE STATE OF NJ

Increased by:		
Receipts	A-4	\$ 25.00
Decreased by:		
Disbursements	A-4	<u>\$ 25.00</u>

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF CASH-TREASURER

REF.	ASSESSMENT	ANIMAL CONTROL	OTHER
B	\$ 739,664.97	\$ 3,168.75	\$ 3,229,799.83
Balance, December 31, 2011			
Increased by Receipts:			
	\$ 160,919.65		
Assessment Receivable	312.44		
Due Current Fund		2.49	157.63
Due State of New Jersey - Dog Licenses		462.60	
Animal Control Licenses		9,445.40	
Reserve For Various Trust Deposits			50,041.20
Reserve For COAH Deposits			83,824.94
Reserve For Police Outside Overtime			346,906.03
Reserve For Open Space Trust Deposits			326,966.98
Reserve For State Unemployment Insurance			329.48
Reserve For Recreation Deposits			17,392.00
Reserve For Law Enforcement Trust Fund			3.07
Reserve For Developers Deposits			160,036.54
Reserve For Payroll Deductions			6,485,189.61
Reserve For Flexible Spending			140.28
Reserve For Redemption of Outside Liens			98,309.04
	\$ 161,232.09	\$ 9,910.49	\$ 7,569,296.80
	\$ 900,897.06	\$ 13,079.24	\$ 10,799,096.63
Decreased by Disbursements:			
Due Current Fund	\$ 21,011.81		
Due General Capital Fund	725,000.00		
Assessment Loans - Trust Loan	25,000.00	3.23	72,549.07
Assessment Loans - Fund Loan	23,830.89		
Due State of New Jersey - Dog Licenses		454.80	
Reserve For Animal Control Expenditures		6,535.00	
Reserve For Various Trust Deposits			178,194.44
Reserve For COAH Deposits			19,738.09
Reserve For Police Outside Overtime			357,657.84
Reserve For Open Space Trust Deposits			589,343.44
Reserve For State Unemployment Insurance			16,365.98
Reserve For Recreation Deposits			28,216.07
Reserve For Law Enforcement Trust Fund			23.00
Reserve For Developers Deposits			617,694.85
Reserve For Payroll Deductions			6,445,966.27
Reserve For Flexible Spending			140.28
Reserve For Redemption of Outside Liens			98,309.34
	\$ 794,842.70	\$ 6,993.03	\$ 8,424,198.67
B	\$ 106,054.36	\$ 6,086.21	\$ 2,374,897.96
Balance, December 31, 2012			

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF ASSESSMENTS RECEIVABLE

ASSESSMENT TRUST FUND

<u>ORDINANCE</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>DATE OF CONFIRMATION</u>	<u>ANNUAL INSTALLMENTS</u>	<u>DUE DATES</u>	<u>BALANCE DECEMBER 31, 2011</u>	<u>COLLECTED</u>	<u>BALANCE DECEMBER 31, 2012</u>	<u>RESERVE</u>	<u>BALANCE PLEDGED TO CAPITAL</u>	<u>LOANS</u>
88-20 & 96-11	Construction of Sanitary Sewer - Various Roads	06/28/01	10	06/28/06-11	\$ 54,209.89	\$ 7,160.38	\$ 47,049.51	\$	\$ 47,049.51	\$
08-05	Sanitary Sewer Extension Valley Road	08/18/11	20	10/18/11-32	87,467.35	5,471.60	81,995.75		81,995.75	
06-29	Skyline/Johnston Sanitary Sewer System	01/13/11	20	03/14/11-32	546,613.69	55,938.84	490,674.85		490,674.85	
97-02	Construction of Sanitary Sewer and P. W. Improv.	11/08/01	10	11/08/06-11	6,403.57		6,403.57		6,403.57	
99-12,99-13,99-14	Installation of Sanitary Sewer and Public Water	09/14/06	20	11/14/07-26	504,205.49	29,772.12	474,433.37		154,379.07	320,054.30
96-16	Brook Drive and Will Lane Roadway Improvements	06/28/07	10	07/01/07-16	1,642.54	164.26	1,478.28		1,478.28	
2008-2	Belgian Block Curbing - Beechwood Place	05/28/09	20	05/28/09-29	11,659.45	653.54	11,005.91	11,005.91		
06-27;06-28	Corey Lane, Orchard Road, Old Somerset Road Eaton Road, Sunbright Road and Valley Road	05/28/09	20	05/28/09-29	736,614.97	61,758.91	674,856.06		674,856.06	
					<u>\$ 1,948,816.95</u>	<u>\$ 160,919.65</u>	<u>\$ 1,787,897.30</u>	<u>\$ 11,005.91</u>	<u>\$ 1,456,837.09</u>	<u>\$ 320,054.30</u>

REF.

B

B-2

B

BOROUGH OF WATCHUNG

TRUST FUND

ANALYSIS OF ASSESSMENTS CASH

FOR THE YEAR ENDED DECEMBER 31, 2012  
ASSESSMENT TRUST FUND

	BALANCE DECEMBER 31, 2011	RECEIPTS		DISBURSEMENTS	BALANCE DECEMBER 31, 2012
		ASSESSMENTS RECEIVABLE	MISCELLANEOUS		
Assessment Serial Bond Issues:					
03-03/03-04 Curbing on Sherwood Drive, Friar Lane, and Elsmore Road	\$ 124,439.03	\$ 29,118.58	\$	\$	153,557.61
97-02 Redmont Road	193,366.58	61,758.91			255,125.49
	397.64				397.64
96-16 Valley Drive and Brook Drive	33,726.88	164.26			33,891.14
88-20 Will Lane and Brook Drive	1,786.24	7,160.38			8,946.62
08-02 Curbing on Beachwood Place	31,122.55	653.54			31,776.09
08-05 Valley Road Sewer Extension	92,342.29	5,471.60			97,813.89
06-29 Skyline and Johnston Sewer Improvements		55,938.84			55,938.84
Assessment Loans:	(1,793.94)			48,830.89	(50,624.83)
99-12, 13, 14 Sewer - Cardinal Drive	205,673.52				205,673.52
Due Other Funds	(42,741.03)				(42,741.03)
Trust Surplus	101,345.21	653.54	312.44	746,011.81	(788,440.40)
	\$ 739,664.97	\$ 160,919.65	\$ 312.44	\$ 794,842.70	\$ 106,054.36
<u>REF.</u>	B	B-2	B-2	B-2	B

"B-9"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR ACCOUNTS PAYABLE

OTHER TRUST FUND

	<u>REF.</u>		
Balance, December 31, 2011	B		\$ 88,687.50
Increased by:			
COAH	B-12	\$ 15,099.30	
Recreation	B-19	39.85	
Law Enforcement Trust Fund	B-20	505.95	
Various Trust Deposits (Ness Cleanup)	B-13	<u>52,927.63</u>	
			<u>68,572.73</u>
			\$ <u>157,260.23</u>
Decreased by:			
Various Trust Deposits (Ness Cleanup)	B-13	\$ 78,500.00	
COAH	B-12	9,647.50	
Recreation	B-19	<u>540.00</u>	
			<u>88,687.50</u>
Balance, December 31, 2012	B		\$ <u><u>68,572.73</u></u>

"B-10"

SCHEDULE OF RESERVE FOR OPEN SPACE DEPOSITS  
OTHER TRUST FUND

Balance, December 31, 2011	B		\$ 773,117.99
Increased by:			
Levy and Added		\$ 325,796.27	
Interest		<u>1,170.71</u>	
	B-2		<u>326,966.98</u>
			\$ <u>1,100,084.97</u>
Decreased by:			
Disbursements - Current Anticipated Revenue	B-2		<u>589,343.44</u>
Balance, December 31, 2012	B		\$ <u><u>510,741.53</u></u>

"B-11"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR STATE UNEMPLOYMENT  
COMPENSATION INSURANCE (N.J.S.A. 43:31-3 ET. SEQ.)

OTHER TRUST FUND

	<u>REF.</u>		
Balance, December 31, 2011	B		\$ 115,402.42
Increased by:			
Deposits		\$ 246.06	
Interest		83.42	
	B-2		<u>329.48</u>
			\$ <u>115,731.90</u>
Decreased by:			
Disbursements	B-2		<u>16,365.98</u>
Balance, December 31, 2012	B		\$ <u><u>99,365.92</u></u>

"B-12"

SCHEDULE OF RESERVE FOR COAH DEPOSITS  
OTHER TRUST FUND

Balance, December 31, 2011	B		\$ 618,983.14
Increased by:			
Receipts	B-2	\$ 83,824.94	
Transfer Prior Year Accounts Payable	B-9	9,647.50	
			<u>93,472.44</u>
			\$ <u>712,455.58</u>
Decreased by:			
Disbursements	B-2	\$ 19,738.09	
Accounts Payable	B-9	15,099.30	
			<u>34,837.39</u>
Balance, December 31, 2012	B		\$ <u><u>677,618.19</u></u>

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR MISCELLANEOUS TRUST DEPOSITS

OTHER TRUST FUND

	BALANCE DECEMBER 31, 2011	INCREASED	DECREASED	BALANCE DECEMBER 31, 2012
Donations and Gifts	\$ 42,603.82	\$ 5,714.50	\$ 11,422.10	\$ 36,896.22
Tax Premiums	69,500.00		62,300.00	7,200.00
POAA	937.95	30.00		967.95
Due State of NJ - Marriage Licenses	150.00	650.00	700.00	100.00
Fire Safety Penalties	36,327.68	3,000.00	751.00	38,576.68
Fire Department Penalties	9,094.92		2,460.00	6,634.92
Sidewalk Fund	5,985.00	4,480.00		10,465.00
Public Defender	17,754.42	7,415.50	12,932.00	12,237.92
Tree Fund	7,000.00	3,000.00	1,156.97	8,843.03
Ness Property Clean-Up	330,044.01	79,299.54	79,400.00	329,943.55
Accumulated Sick and Vacation	118,859.59	24,951.66	60,000.00	83,811.25
	\$ 638,257.39	\$ 128,541.20	\$ 231,122.07	\$ 535,676.52

REF.

B

B

Receipts  
Accounts Payable

\$ 50,041.20  
78,500.00

Disbursements  
Accounts Payable

\$ 178,194.44  
52,927.63  
\$ 231,122.07

"B-14"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR ANIMAL CONTROL EXPENDITURES  
ANIMAL CONTROL TRUST FUND

	<u>REF.</u>		
Balance, December 31, 2011	B		\$ 3,168.75
Increased by:			
Dog License Fees		\$ 3,310.40	
Cat License Fees		44.00	
Refunds		5,835.00	
Late Fees		256.00	
	B-2		<u>9,445.40</u>
			\$ <u>12,614.15</u>
Decreased by:			
Disbursements Under R.S. 4:19-15.11	B-2		<u>6,535.00</u>
Balance, December 31, 2012	B		<u>\$ 6,079.15</u>

LICENSE FEES COLLECTED

<u>YEAR</u>		<u>AMOUNT</u>
2011	\$	3,414.80
2010		<u>3,369.60</u>
	\$	<u>6,784.40</u>

"B-15"

SCHEDULE OF RESERVE FOR POLICE OUTSIDE OVERTIME  
OTHER TRUST FUND

Balance, December 31, 2011	B		\$ 34,611.88
Increased by:			
Receipts	B-2		<u>346,906.03</u>
			\$ <u>381,517.91</u>
Decreased by:			
Disbursements	B-2		<u>357,657.84</u>
Balance, December 31, 2012	B		<u>\$ 23,860.07</u>

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR ASSESSMENTS

	<u>REF.</u>	
Balance, December 31, 2011	B	\$ 11,659.45
Decreased by:		
Collections	B-1	<u>653.54</u>
Balance, December 31, 2012	B	<u>\$ 11,005.91</u>

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF DUE GENERAL CAPITAL FUND - ASSESSMENT TRUST FUND

	<u>REF.</u>	
Balance, December 31, 2011 (Due To)	B	\$ 2,304,254.12
Increased by:		
Disbursements	B-2	<u>725,000.00</u>
Balance, December 31, 2012 (Due To)	B	<u>\$ 1,579,254.12</u>

SCHEDULE OF DUE CURRENT FUND - OTHER TRUST FUND

Balance, December 31, 2011 (Due From, Net)	B	\$ 3,632.40
Increased by:		
Disbursement	B-2	<u>72,549.07</u>
		\$ 76,181.47
Decreased by:		
Receipts	B-2	<u>157.63</u>
Balance, December 31, 2012 (Due From, Net)		<u>\$ 76,023.84</u>
<u>Analysis of Balance:</u>		
Due From:		
Open Space		\$ 10,067.49
Payroll		<u>66,011.90</u>
	B	\$ 76,079.39
Due To:		
Developers Escrow		\$ (9.02)
Other Trust		<u>(46.53)</u>
	B	\$ (55.55)
Total (Net)		<u>\$ 76,023.84</u>

"B-19"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR RECREATION DEPOSITS  
OTHER TRUST FUND

	<u>REF.</u>		
Balance, December 31, 2011	B		\$ 43,885.22
Increased by:			
Receipts	B-2	\$ 17,392.00	
Transferred From Accounts Payable	B-9	<u>540.00</u>	
			<u>17,932.00</u>
			\$ 61,817.22
Decreased by:			
Disbursements	B-2	\$ 28,216.07	
Accounts Payable	B-9	<u>39.85</u>	
			<u>28,255.92</u>
Balance, December 31, 2012	B		\$ <u>33,561.30</u>

"B-20"

SCHEDULE OF RESERVE FOR LAW ENFORCEMENT TRUST FUND  
OTHER TRUST FUND

Balance, December 31, 2011	B		\$ 3,849.04
Increased by:			
Receipts	B-2		<u>3.07</u>
			\$ 3,852.11
Decreased by:			
Disbursements	B-2	\$ 23.00	
Accounts Payable	B-9	<u>505.95</u>	
			<u>528.95</u>
Balance, December 31, 2012	B		\$ <u>3,323.16</u>

"B-21"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR DEVELOPERS' DEPOSITS  
OTHER TRUST FUND

	<u>REF.</u>	
Balance, December 31, 2011	B	\$ 917,003.99
Increased by:		
Receipts	B-2	<u>160,036.54</u>
		\$ 1,077,040.53
Decreased by:		
Disbursements	B-2	<u>617,694.85</u>
Balance, December 31, 2012	B	<u><u>\$ 459,345.68</u></u>

"B-22"

SCHEDULE OF DUE STATE OF NEW JERSEY- DOG LICENSES  
ANIMAL CONTROL TRUST FUND

Increased by:		
Receipts	B-2	\$ 462.60
Decreased by:		
Disbursements	B-2	<u>454.80</u>
Balance, December 31, 2012	B	<u><u>\$ 7.80</u></u>

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR REDEMPTION OF OUTSIDE LIENS  
OTHER TRUST FUND

	<u>REF.</u>	
Balance December 31, 2011	B	\$ 0.30
Increased by:		
Receipts	B-2	<u>98,309.04</u>
		\$ <u>98,309.34</u>
Decreased by:		
Disbursements	B-2	<u>\$ 98,309.34</u>

"B-24"

BOROUGH OF WATCHUNG  
TRUST FUND

SCHEDULE OF STATE OF NEW JERSEY TRUST LOAN PAYABLE - NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST LOAN

PURPOSE	DATE OF ISSUE	ORIGINAL ISSUE	PRINCIPAL REQUIREMENTS OF LOAN OUTSTANDING	INTEREST RATE	BALANCE DECEMBER 31, 2011	PAID IN 2012	BALANCE DECEMBER 31, 2012
NJ Environmental Infrastructure Trust 2000	11/09/00	\$ 915,000.00	08/01/13	5.00%	\$ 270,000.00	\$ 25,000.00	\$ 245,000.00
			08/01/14	5.00%			
			08/1/15-16	5.13%			
			08/01/17-18	5.25%			
			08/1/19-20	5.25%			
					\$ 270,000.00	\$ 25,000.00	\$ 245,000.00
					\$ 270,000.00	\$ 25,000.00	\$ 245,000.00
				REF.	B	B-2	B

"B-25"

SCHEDULE OF STATE OF NEW JERSEY TRUST LOAN PAYABLE - NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE FUND LOAN

PURPOSE	DATE OF ISSUE	ORIGINAL ISSUE	PRINCIPAL REQUIREMENTS OF LOAN OUTSTANDING	BALANCE DECEMBER 31, 2011	PAID IN 2012	BALANCE DECEMBER 31, 2012	
							DATE
NJ Environmental Infrastructure Trust 2000	11/09/00	\$ 872,646.00	08/01/13	\$ 98,885.19	\$ 23,830.89	\$ 75,054.30	
			08/01/14				
			08/01/15				
			08/01/16				
				\$ 98,885.19	\$ 23,830.89	\$ 75,054.30	
				\$ 98,885.19	\$ 23,830.89	\$ 75,054.30	
				REF.	B	B-2	B

"B-26"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR PAYROLL DEDUCTIONS

	<u>REF.</u>	
Balance, December 31, 2011	B	\$ (366.64)
Increased by:		
Receipts	B-2	<u>6,485,189.61</u>
		\$ <u>6,484,822.97</u>
Decreased by:		
Disbursements	B-2	<u>6,445,966.27</u>
Balance, December 31, 2012	B	\$ <u><u>38,856.70</u></u>

"B-27"

SCHEDULE OF RESERVE FOR FLEXIBLE SPENDING

Increased by:		
Receipts	B-2	\$ 140.28
Decreased by:		
Disbursements	B-2	\$ <u>140.28</u>

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF CASH - TREASURER

	<u>REF.</u>		
Balance, December 31, 2011	C		\$ (8,563.14)
Increased by Receipts:			
Deferred Charges to Future Taxation - Unfunded	C-5	\$ 146,776.80	
Aid on Fully Funded Ordinances	C-1	86,091.73	
State Aid Receivable	C-16	231,250.00	
Bond Anticipation Notes Payable	C-17	5,000,000.00	
Due Assessment Trust Fund	C-9	725,000.00	
Premium on Sale of Note	C-6	35,200.00	
			<u>6,224,318.53</u>
			\$ <u>6,215,755.39</u>
Decreased by Disbursements:			
Contracts Payable	C-7	\$ 807,715.25	
Surplus Appropriated in Current Fund	C-1	301,750.00	
Reserve Utilized by Current Fund Budget	C-6	43,786.22	
Bond Anticipation Notes Payable	C-17	4,460,000.00	
			<u>5,613,251.47</u>
Balance, December 31, 2012	C		\$ <u><u>602,503.92</u></u>

"C-3"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

ANALYSIS OF CASH

	<u>REF.</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2012</u>
Fund Balance		\$ 631,060.62
Capital Improvement Fund		24,866.72
Improvement Authorizations-Funded		1,542,636.12
Unfunded Improvements Expended - Listed on "C-5"		(955,608.34)
Contracts Payable		254,721.59
Unexpended Proceeds of Bond Anticipation Notes - Listed on "C-5"		22,885.20
Reserve for Grant Receivable		50,000.00
Reserve for Debt Service		35,200.00
Cash on Hand to Pay Notes - Listed on "C-5"		825,996.13
Interfunds		(1,579,254.12)
State Aid Receivable		<u>(250,000.00)</u>
	C	\$ <u>602,503.92</u>

"C-4"

SCHEDULE OF DEFERRED CHARGES TO  
FUTURE TAXATION - FUNDED

Balance, December 31, 2011	C		\$ 16,965,770.65
Decreased by:			
Appropriation to Pay Bonds	C-11	\$ 1,075,000.00	
Appropriation to Pay Loans:			
Environmental Infrastructure Trust	C-12	35,000.00	
Environmental Infrastructure Fund	C-13	34,314.70	
Economic Development Authority	C-14	11,939.62	
Green Trust	C-15	<u>59,980.61</u>	
			<u>1,216,234.93</u>
Balance, December 31, 2012	C		\$ <u>15,749,535.72</u>



"C-6"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF RESERVE FOR DEBT SERVICE

	<u>REF.</u>		
Balance, December 31, 2011	C	\$	43,786.22
Increased by:			
Receipts-Premium on B.A.N.	C-2		<u>35,200.00</u>
		\$	78,986.22
Decreased by:			
Disbursements-Utilized as Current Fund Revenue	C-2		<u>43,786.22</u>
Balance, December 31, 2012	C	\$	<u><u>35,200.00</u></u>

"C-7"

SCHEDULE OF CONTRACTS PAYABLE

Balance, December 31, 2011	C	\$	198,335.56
Increased by:			
Improvement Authorizations	C-10		<u>868,053.68</u>
		\$	1,066,389.24
Decreased by:			
Disbursements	C-2	\$	807,715.25
Canceled	C-10		<u>3,952.40</u>
			<u>811,667.65</u>
Balance, December 31, 2012	C	\$	<u><u>254,721.59</u></u>

"C-8"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>REF.</u>	
Balance, December 31, 2011	C	\$ 80,166.72
Decreased by:		
Appropriated to Finance Improvement Authorizations	C-10	<u>55,300.00</u>
Balance, December 31, 2012	C	<u>\$ 24,866.72</u>

"C-9"

SCHEDULE OF DUE ASSESSMENT TRUST FUND

Balance December 31, 2011 (Due From)	C	\$ 2,304,254.12
Decreased by:		
Receipts	C-2	<u>725,000.00</u>
Balance December 31, 2012 (Due From)	C	<u>\$ 1,579,254.12</u>



BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF GENERAL SERIAL BONDS

<u>PURPOSE</u>	<u>DATE OF ISSUE</u>	<u>ORIGINAL ISSUE</u>	<u>MATURITIES OF BONDS OUTSTANDING</u>		<u>INTEREST RATE</u>	<u>BALANCE DECEMBER 31, 2011</u>	<u>BALANCE DECEMBER 31, 2012</u>
			<u>DATE</u>	<u>AMOUNT</u>			
General Improvement	05/01/99	\$ 8,141,000.00	05/01/13	\$ 600,000.00	4.40%	\$ 1,741,000.00	\$ 1,141,000.00
			05/01/14	541,000.00			
General Improvement	08/15/07	15,609,000.00	08/15/13	500,000.00	4.25%	13,709,000.00	13,234,000.00
			08/15/14	535,000.00			
			08/15/15-17	900,000.00			
			08/15/18	950,000.00			
			08/15/19-26	950,000.00			
			08/15/27	949,000.00	4.375%	475,000.00	13,234,000.00
						<u>\$ 15,450,000.00</u>	<u>\$ 14,375,000.00</u>

REF.

C

C-4

C

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF STATE OF NEW JERSEY TRUST LOAN PAYABLE - NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST LOANS

PURPOSE	DATE OF ISSUE	ORIGINAL ISSUE	PRINCIPAL REQUIREMENTS OF LOAN OUTSTANDING	INTEREST RATE	BALANCE DECEMBER 31, 2011	BALANCE DECEMBER 31, 2012
NJ Environmental Infrastructure Trust 2000	11/09/00	\$ 915,000.00	08/01/13-14	5.00%	\$ 270,000.00	\$ 245,000.00
			08/01/15	5.13%		
			08/01/16	5.13%		
			08/01/17	5.25%		
			08/01/18-19	5.25%		
08/01/20	5.25%					
NJ Environmental Infrastructure Trust 2001B	11/08/01	230,000.00	08/01/13	5.00%	140,000.00	130,000.00
			08/01/14-21	5.00%		
					\$ 410,000.00	\$ 375,000.00

REF.

C

C-4

C

BOROUGH OF WATCHUNG  
GENERAL CAPITAL FUND

SCHEDULE OF STATE OF NEW JERSEY FUND LOAN PAYABLE - NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE FUND LOANS

<u>PURPOSE</u>	<u>DATE OF ISSUE</u>	<u>ORIGINAL ISSUE</u>	<u>PRINCIPAL REQUIREMENTS OF LOAN OUTSTANDING</u>		<u>BALANCE DECEMBER 31, 2011</u>	<u>PAID IN 2012</u>	<u>BALANCE DECEMBER 31, 2012</u>
			<u>DATE</u>	<u>AMOUNT</u>			
NJ Environmental Infrastructure Trust 2000	11/09/00	\$ 872,646.00	08/01/13	\$ 22,892.49	\$ 98,678.58	\$ 23,652.16	\$ 75,026.42
			08/01/14	22,132.82			
			08/01/15	21,373.16			
			08/01/16	8,627.95			
NJ Environmental Infrastructure Trust 2001B	11/08/01	226,237.00	08/01/13	10,344.26	112,672.99	10,662.54	102,010.45
			08/01/14	13,129.25			
			08/01/15	12,651.82			
			08/01/16	12,174.39			
			08/01/17	11,696.96			
			08/01/18	11,219.54			
			08/01/19	10,742.11			
			08/01/20	10,264.68			
			08/01/21	9,787.44			
					\$ 211,351.57	\$ 34,314.70	\$ 177,036.87

REF.

C

C-4

C



BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF STATE OF NEW JERSEY LOAN PAYABLE - GREEN TRUST LOAN PROGRAM

<u>PURPOSE</u>	<u>ORIGINAL ISSUE</u>	<u>DATE</u>	<u>PRINCIPAL REQUIREMENTS OF LOAN OUTSTANDING DECEMBER 31, 2012</u>		<u>BALANCE DECEMBER 31, 2011</u>	<u>PAID IN 2012</u>	<u>BALANCE DECEMBER 31, 2012</u>	
			<u>\$</u>	<u>AMOUNT</u>				
Watchung Lake Development	\$ 425,903.00	08/01/13	\$	27,434.57	\$ 184,770.14	\$ 26,894.00	\$ 157,876.14	
		08/01/14		27,986.00				
		08/01/15		28,548.52				
		08/01/16		29,122.35				
		08/01/17		29,707.70				
		08/01/18		14,759.03				
				\$				184,770.14
				\$				26,894.00
			\$	157,876.14				
Best Lake Dam Restoration	750,000.00	2013		33,751.64	\$ 685,769.75	\$ 33,086.61	\$ 652,683.14	
		2014		34,430.06				
		2015		35,122.10				
		2016		35,828.05				
		2017		36,548.20				
		2018		37,282.82				
		2019		38,032.20				
		2020		38,796.65				
		2021		39,576.46				
		2022		40,371.95				
		2023		41,183.43				
		2024		42,011.21				
		2025		42,855.63				
2026		43,717.04						
2027		44,595.75						
2028		45,492.13						
2029		23,087.82						
			\$	685,769.75		\$ 33,086.61	\$ 652,683.14	
			\$	870,539.89		\$ 59,980.61	\$ 810,559.28	

REF.

C

C-4

C

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF STATE AID RECEIVABLE

	<u>REF.</u>	
Balance, December 31, 2011	C	\$ 281,250.00
Increased by:		
New Ordinance Funding	C-10	200,000.00
		<u>\$ 481,250.00</u>
Decreased by:		
Receipts	C-2	<u>231,250.00</u>
Balance, December 31, 2012	C	<u><u>\$ 250,000.00</u></u>

Analysis of Balance:

DOT - Ordinance 2008-16	\$ 50,000.00
DOT - Ordinance 2012-09	<u>200,000.00</u>
	<u><u>\$ 250,000.00</u></u>

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

<u>ORDINANCE NUMBER</u>	<u>IMPROVEMENT DESCRIPTION</u>		<u>BALANCE DECEMBER 31, 2012</u>
03-03/06-27	Various Road Sanitary Sewer Improvement Project	\$	33,210.16
03-04/06-03/06-04	Various Road Water Improvement Project		12,048.29
08-05	Valley Road Sewer Extension Project		109,410.10
08-24	Reconstruction of Stanie Glen and Anderson Roads		78,988.90
09-02	Reconstruction of Bayberry Lane and Johnston Drive		136,758.13
09-13	Various Public Improvements		241,775.00
09-16	Purchase of Radio Equipment		28,500.00
09-17	Purchase of Pickup Truck		47,500.00
11-11	Fire Department Equipment		47,144.00
11-15/12-02	Engineering and Design-Sewer Improvements		96,900.00
11-16	Mason Dump Truck with Attachments		69,500.00
12-09	Road and Drainage Improvement Program		219,000.00
12-10	Acquisition of Dump Truck		166,250.00
12-11	Stormwater Drainage Improvements		623,800.00
12-13	CAD and RMS Systems		52,250.00
			<hr/>
		\$	<u>1,963,034.58</u>

BOROUGH OF WATCHUNG

PUBLIC ASSISTANCE TRUST FUND

SCHEDULE OF PUBLIC ASSISTANCE CASH

	<u>REF.</u>	<u>PUBLIC ASSISTANCE TRUST FUND I</u>	<u>PUBLIC ASSISTANCE TRUST FUND II</u>	<u>FUND TOTAL</u>
Balance, December 31, 2011	E	\$ 5,741.05	\$ 5,690.78	\$ 11,431.83
Decreased by: Disbursements	E-2	\$ <u>5,741.05</u>	\$ <u>5,690.78</u>	\$ <u>11,431.83</u>

BOROUGH OF WATCHUNG

PUBLIC ASSISTANCE TRUST FUND

SCHEDULE OF RESERVE FOR PUBLIC ASSISTANCE

	<u>REF.</u>	<u>PUBLIC ASSISTANCE TRUST FUND I</u>	<u>PUBLIC ASSISTANCE TRUST FUND II</u>	<u>FUND TOTAL</u>
Balance, December 31, 2011	E	\$ 5,741.05	\$ 5,690.79	\$ 11,431.84
Decreased by: Disbursements	E-1	\$ <u>5,741.05</u>	\$ <u>5,690.79</u>	\$ <u>11,431.84</u>

BOROUGH OF WATCHUNG

PART II

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND  
STATE FINANCIAL ASSISTANCE

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



# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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E-mail [info@scnco.com](mailto:info@scnco.com)

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and Members  
of the Borough Council  
Borough of Watchung  
County of Somerset  
Watchung, New Jersey 07069

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory financial statements of the various individual funds and the account group of the Borough of Watchung, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Borough's regulatory financial statements, and have issued our report thereon dated July 23, 2013. Our report disclosed that, as described in Note 1 to the financial statements, the Borough of Watchung prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

***Internal Control Over Financial Reporting***

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

## SUPLEE, CLOONEY & COMPANY

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Borough's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, there were immaterial instances of noncompliance which are discussed in Part III, General Comments and Recommendations Section of the audit report.

### ***Purpose of This Report***

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

  
CERTIFIED PUBLIC ACCOUNTANTS

  
REGISTERED MUNICIPAL ACCOUNTANT NO. 50

July 23, 2013

BOROUGH OF WATCHUNG

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2012

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL C.F.D.A. NUMBER	GRANT AWARD AMOUNT	GRANT PERIOD		2012 RECEIPTS	2012 EXPENDITURES	CUMULATIVE EXPENDITURES DECEMBER 31, 2012
			FROM	TO			
U.S. Department of Homeland Security							
Assistance to Firefighters Grant - Prior Year(s)	97,044	\$ 48,070.00		Continuous	\$	\$	46,370.40
Pass Through From State of New Jersey							
U.S. Department of Justice							
All Hazards Emergency Operation Planning - Prior Year(s)	83,562	2,405.72		Continuous			1,813.92
				TOTAL	\$ 0.00	\$ 0.00	\$ 48,184.32

BOROUGH OF WATCHUNG

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
YEAR ENDED DECEMBER 31, 2012

STATE GRANTOR DEPARTMENT/PROGRAM TITLE	STATE ACCOUNT NUMBER	GRANT AWARD AMOUNT	2012 RECEIPTS	2012 EXPENDITURES	CUMULATIVE EXPENDITURES DECEMBER 31, 2012
<b>DEPARTMENT OF LAW AND PUBLIC SAFETY</b>					
Drunk Driving Enforcement Fund - Prior Year(s)	1110-100-066-1110-YYYY	\$ 9,591.05	\$	\$	\$ 4,345.63
Alcohol Education Rehabilitation Fund - Prior Year(s)	9735-760-098-Y900-001-X100-6020	5,556.53		993.00	4,200.00
Alcohol Education Rehabilitation Fund	9735-760-098-Y900-001-X100-6020	1,187.19	1,187.19	2,000.00	
			<u>1,187.19</u>	<u>2,993.00</u>	<u>8,545.63</u>
<b>NEW JERSEY DIVISION OF CRIMINAL JUSTICE</b>					
Safe and Secure Communities - Prior Year(s)	1020-100-066-1020-232-YCJS-6120	54,155.00	\$	\$	\$ 54,155.00
Safe and Secure Communities	1020-100-066-1020-232-YCJS-6120	60,000.00		60,000.00	60,000.00
Body Armor Replacement Fund - Prior Year(s)	1020-718-066-1020-001-YCJS-6120	8,654.37		2,939.60	3,644.06
Body Armor Replacement Fund	1020-718-066-1020-001-YCJS-6120	3,126.97	3,126.97		
			<u>3,126.97</u>	<u>62,939.60</u>	<u>117,799.06</u>
<b>DEPARTMENT OF ENVIRONMENTAL PROTECTION</b>					
Clean Communities Grant	4900-765-042-4900-004-V42Y-6020	11,442.09	\$	\$	\$
Clean Communities Grant - Prior Year(s)	4900-765-042-4900-004-V42Y-6020	23,614.77	11,403.23		
Green Communities - Prior Year(s)	4870-100-042-4870-074-V42F-6120	2,000.00		789.55	11,950.25
Recycling Tonnage Grant	4900-752-042-4900-001-V42Y-6020	16,720.93	16,720.93		
Recycling Tonnage Grant - Prior Year(s)	4900-752-042-4900-001-V42Y-6020	55,044.50		3,405.26	13,761.24
Municipal Stormwater Regulation - Prior Year(s)	WQ05-517	16,936.00			8,443.74
			<u>28,124.16</u>	<u>4,194.81</u>	<u>34,155.23</u>
<b>DEPARTMENT OF COMMUNITY AFFAIRS</b>					
Smart Growth Planning - Prior Year(s)	100-022-8070-039-999000	5,000.00	\$	\$	\$ 3,625.00
Special Legislative - Prior Year(s)	02-100-022-8030-394-FFFF-6120	10,000.00			3,625.00
			<u>0.00</u>	<u>0.00</u>	<u>3,625.00</u>
<b>DEPARTMENT OF TRANSPORTATION</b>					
Road & Drainage Improvements (2012-09)		200,000.00	\$	\$	\$ 200,000.00
				200,000.00	
			<u>0.00</u>	<u>200,000.00</u>	<u>200,000.00</u>
<b>PASS-THROUGH COUNTY</b>					
PARIS Grant- Prior Year(s)		31,292.00	\$	\$	\$
			<u>86,593.32</u>	<u>270,127.41</u>	<u>364,124.92</u>

BOROUGH OF WATCHUNG

NOTES TO THE SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

YEAR ENDED DECEMBER 31, 2012

NOTE 1. GENERAL

The accompanying schedules of expenditures of financial assistance present the activity of all federal and state financial assistance programs of the Borough of Watchung, County of Somerset, New Jersey. All federal and state financial assistance received directly from federal or state agencies, as well as federal financial assistance passed through other governmental agencies is included on the Schedule of Expenditures of Federal Awards and State Financial Assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of financial assistance are presented on the prescribed basis of accounting, modified accrual basis with certain exceptions, prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with the budget laws of New Jersey, which is a comprehensive basis of accounting, other than U.S. generally accepted accounting principles. The basis of accounting, with exception, is described in Note 1 to the Borough's financial statements - regulatory basis.

NOTE 3. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules of expenditures agree with the amounts reported in the related federal and state financial report.

NOTE 4. RELATIONSHIP TO FINANCIAL STATEMENTS - REGULATORY BASIS

Amounts reported in the accompanying schedules agree with amounts reported in the Borough's regulatory basis financial statements. These amounts are reported in either the Current Fund, Grant Fund or General Capital Fund.

Receipts:

	<u>Federal</u>	<u>State</u>	<u>Other</u>	<u>Total</u>
Grant Fund	\$	\$ 86,593.32	\$ 7,000.00	\$ 93,593.32
General Capital Fund				0.00
	<u>\$ - 0 -</u>	<u>\$ 86,593.32</u>	<u>\$ 7,000.00</u>	<u>\$ 93,593.32</u>

Expenditures:

	<u>Federal</u>	<u>State</u>	<u>Other</u>	<u>Total</u>
Grant Fund	\$	\$ 70,127.41	\$ 88,000.00	\$ 158,127.41
General Capital Fund		200,000.00		200,000.00
	<u>\$ - 0 -</u>	<u>\$ 270,127.41</u>	<u>\$ 88,000.00</u>	<u>\$ 358,127.41</u>

NOTE 5. OTHER

Matching contributions expended by the Borough in accordance with terms of the various grants are not reported in the accompanying schedules.

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PART III

BOROUGH OF WATCHUNG

STATISTICAL DATA

LIST OF OFFICIALS

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2012

COMPARATIVE STATEMENT OF OPERATIONS AND  
CHANGE IN FUND BALANCE - CURRENT FUND

	YEAR 2012		YEAR 2011	
	AMOUNT	%	AMOUNT	%
<u>REVENUE AND OTHER INCOME REALIZED</u>				
Fund Balance Utilized	\$ 800,000.00	2.14%	\$ 730,000.00	2.01%
Miscellaneous - from other than Local Property Tax Levies	4,033,703.14	10.82%	4,209,758.83	11.60%
Collection of Delinquent Taxes and Tax Title Liens	292,699.52	0.78%	469,144.87	1.29%
Collections of Current Tax Levy	32,170,039.80	86.26%	30,887,349.19	85.09%
Interfunds Returned			4,028.20	0.01%
<u>Total Revenue</u>	<u>\$ 37,296,442.46</u>	<u>100.00%</u>	<u>\$ 36,300,281.09</u>	<u>100.00%</u>
<u>EXPENDITURES</u>				
Budget Expenditures:				
Municipal Purposes	\$ 12,658,463.96	34.22%	\$ 12,043,154.56	34.05%
County Taxes	6,279,688.97	16.97%	6,017,071.18	17.01%
Local and Regional School Taxes	17,718,097.19	47.89%	17,307,782.94	48.93%
Municipal Open Space Taxes	325,796.27	0.88%		
Interfunds Advanced	14,073.09	0.04%		0.01%
<u>Total Expenditures</u>	<u>\$ 36,996,119.48</u>	<u>100.00%</u>	<u>\$ 35,368,008.68</u>	<u>100.00%</u>
Excess in Revenue	\$ 300,322.98		\$ 932,272.41	
Adjustments to Income Before Fund Balance:				
Expenditures Included Above Which are by Statute				
Deferred Charges to Budget of Succeeding Year	359,130.00		2,632.74	
Statutory Excess to Fund Balance	\$ 659,452.98		\$ 934,905.15	
Fund Balance, January 1	1,850,553.02		1,645,647.87	
	\$ 2,510,006.00		\$ 2,580,553.02	
Less: Utilization as Anticipated Revenue	800,000.00		730,000.00	
Fund Balance, December 31	\$ 1,710,006.00		\$ 1,850,553.02	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Tax Rate	\$ <u>2.014</u>	\$ <u>1.961</u>	\$ <u>1.921</u>
Municipal	\$ 0.499	\$ 0.491	\$ 0.462
Municipal Open Space	0.020		
County (Including Library)	0.354	0.347	0.350
County Open Space	0.032	0.032	0.035
Local School	0.732	0.728	0.723
Regional High School	<u>0.377</u>	<u>0.363</u>	<u>0.351</u>

Assessed Valuations:

2012	<u>\$1,596,834,186.00</u>
2011	<u>\$1,587,347,137.00</u>
2010	<u>\$1,580,694,587.00</u>

COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

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

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2012	\$32,893,843.76	\$32,170,039.80	97.80%
2011	\$31,192,452.40	\$30,887,349.19	99.02%
2010	\$30,491,314.63	\$29,989,950.04	98.36%

DELINQUENT TAXES AND TAX TITLE LIENS

This tabulation includes a comparison, expressed in percentage of the total of delinquent taxes and tax title liens, in relation to the tax levies of the last three years.

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2012	\$381.01	\$683,466.53	\$683,847.54	2.08%
2011	\$662.30	\$290,658.50	\$291,320.80	0.93%
2010	\$662.30	\$470,887.19	\$471,549.49	1.55%

COMPARATIVE SCHEDULE OF FUND BALANCES

<u>Year</u>	<u>Balance Current Fund</u>	<u>Utilized in Budget of Succeeding Year</u>
2012	\$1,710,006.00	\$800,000.00
2011	\$1,850,553.02	\$800,000.00
2010	\$1,645,647.87	\$730,000.00
2009	\$2,005,864.69	\$1,325,000.00
2008	\$3,288,009.32	\$2,102,000.00

OFFICIALS IN OFFICE AND SURETY BONDS

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

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
Gerald M. Mobus	Mayor	*
Debra Joren	Council Member, President of Council	*
Thomas Franklin	Council Member	*
Stephen L. Black	Council Member	*
Stephen Pote	Council Member	*
William Nehls	Council Member	*
Karen Cassidy	Council Member	*
Thomas Atkins	Administrator	*
Michelle DeRocco	Clerk	*
William J. Hance	Chief Financial Officer, Treasurer, Purchasing Agent	*
Jessica Rutishauser	Deputy Treasurer	*
Albert E. Cruz	Attorney	

OFFICIALS IN OFFICE AND SURETY BONDS (CONTINUED)

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
Raymond Murray	Tax Collector	*
Edward Kerwin	Tax Assessor	*
Jodi Hansen-Rodriguez	Court Administrator	*
Lorretta J. Shpunder	Deputy Court Administrator	*
Frank W. Gasiorowski	Municipal Court Judge	*
Timothy Wenzel	Police Chief	*
Maser Consulting, P.A.	Engineer	
Edward P. Bennett	Construction Code Official	*
Anthony Saccaro	Fire Subcode Official	*
Joseph Nicasro	Plumbing Subcode Official	*
Joseph Maretta	Electrical Subcode Official	*
Robert Burns	Public Works Manager	*

\*All officials and employees handling and collecting Borough funds are covered by the Borough's insurance policy and blanket bond through the Municipal Excess Liability Joint Insurance Fund.

COMMENTS AND RECOMMENDATIONS

## GENERAL COMMENTS

### CONTRACTS AND AGREEMENTS REQUIRED TO BE ADVERTISED FOR (N.J.S.A. 40A:11-4)

Every contract or agreement for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds, not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefor, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate the amount set forth in or the amount calculated by the Governor pursuant to Section 3 of P.L. 1971 c. 198 (C.40A:11-3), except by contract or agreement.

Effective January 1, 2011, Municipalities that had not appointed a Qualified Purchasing Agent had the bid threshold reduced to \$17,500.00. The Borough of Watchung has appointed a Qualified Purchasing Agent and, therefore, at January 1, 2011, their bid threshold became \$36,000.00.

The governing body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed \$36,000.00 within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Borough Counsel's opinion should be sought before a commitment is made.

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

Janitorial Services  
Ridge Road Improvements – Phase II  
Six Yard Dump Truck

The minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 40A:11-5.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring or any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violations existed.

Our examination of expenditures did not reveal any individual payments, contracts or agreements in excess of \$36,000.00 for the performance of any work or the furnishing or hiring of any materials or supplies, other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S.A. 40A:11-6.

## COLLECTION OF INTEREST ON DELINQUENT TAXES AND ASSESSMENTS

The statute provides the method for authorizing interest and the maximum rates to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent.

The governing body on January 1, 2012 adopted the following resolutions authorizing interest to be charged on delinquent taxes:

BE IT RESOLVED by the Mayor and Council of the Borough of Watchung, as follows:

1. Taxes shall be collected quarterly on February 1, May 1, August 1 and November 1, 2012.
2. Payment of taxes shall be remitted to the Tax Collector of the Borough of Watchung.
3. Interest shall be charged and calculated at the rate of 8% per annum on first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00, to be calculated from the date the tax was payable until the date of actual payment received.
4. There shall be a 10 day grace period, after which unpaid taxes will be charged interest from the due date.
5. Redemption fee for Tax Sale Certificates to the Municipality as follows:
  - 2% on Certificates \$200.00 to \$4,999.99
  - 4% on Certificates \$5,000.00 to \$9,999.99
  - 6% on Certificates over \$10,000.00
6. Redemption amounts shall be obtained from the Tax Collector. A \$25.00 fee will be charged for each additional request for a redemption calculation.
- 6a. Duplicate Tax Sale Certificate - \$100.00 fee
- 6b. In lieu of publication, notice of tax sale to be mailed - \$25.00 fee
7. Bad check fee of \$20.00 shall be charged on all returned checks.
8. The Borough Clerk is hereby directed to publish a copy of this resolution.

## DELINQUENT TAXES AND TAX TITLE LIENS

The last tax sale was held on October 26, 2012 and was complete.

Inspection of tax sale certificates on file revealed that all tax sale certificates were available for audit.

DELINQUENT TAXES AND TAX TITLE LIENS (CONTINUED)

The following comparison is made up of the number of tax title liens receivable on December 31, of the last three years:

<u>Year</u>	<u>Number of Liens</u>
2012	-2-
2011	-2-
2010	-2-

It is essential to good management that all means provided by statute be utilized to liquidate tax title liens in order to get such properties back on a tax paying basis.

VERIFICATION OF DELINQUENT TAXES AND OTHER CHARGES

A test verification of delinquent charges and current payments was made in accordance with the regulations of the Division of Local Government Services, including the mailing of verification notices as follows:

Information Tax Positive Confirmation	50
Delinquent Tax Positive Confirmation	25

OTHER COMMENTS

Transactions invariably occur in one fund which require a corresponding entry to be made in another fund, thus creating interfund balances. Reference to the various balance sheets show the interfund balances remaining at year end. As a general rule all interfund balances should be closed out as of the end of the year. It is the Borough's policy to review and liquidate all interfund balances on a periodic basis.

Our audit of the recreation department records, and related finance office records, revealed several discrepancies caused by a lack of formal procedures and controls over the receipt, turnover, and expenditure of funds related to the Borough's recreation programs.

Our audit of the general ledgers of the various funds of the Borough revealed that transactions are not being recorded properly in the Assessment Trust Fund.

Our audit of the payroll account revealed that an ongoing analysis of the balance is not being maintained.

Our audit of the general ledgers and various subsidiary records revealed several instances where general ledgers do not match to the details in the subsidiary ledgers.

## RECOMMENDATIONS

That the recreation department develop more efficient and accurate procedures and controls to ensure the proper handling of funds.

That the finance office maintains a complete, detailed, and accurate general ledger for the Assessment Trust Fund.

That an ongoing detailed categorical analysis of the payroll account be maintained.

That all subsidiary ledgers be maintained in a detailed and timely fashion and that their totals be reconciled to the general ledger.





