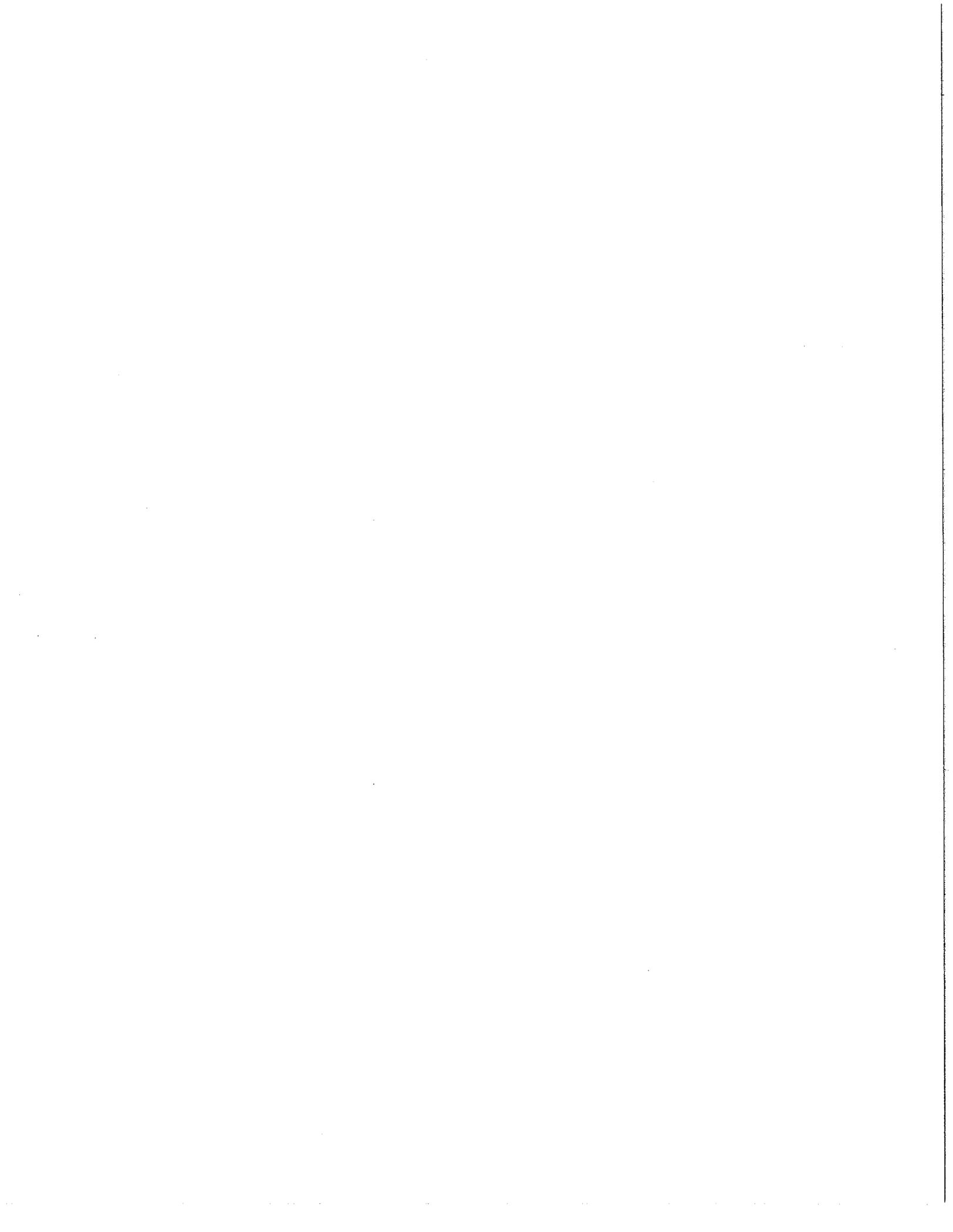


Report of Audit
on the
Financial Statements
of the
Borough of Watchung
in the
County of Somerset
New Jersey
for the
Year Ended
December 31, 2013



BOROUGH OF WATCHUNG

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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, 2013 AND 2012



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, 2013 and 2012, 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, 2013, 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, 2013 and 2012, 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, 2013.

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, 2013 and 2012, 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, 2013 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.

SUPLEE, CLOONEY & COMPANY

Other Matters

Other Information

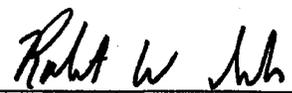
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Watchung's regulatory financial statements. The supplementary information, data and schedules of expenditures of federal awards and state financial assistance listed in the 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 and the schedule of expenditures of federal awards, and the schedule of expenditures of 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 August 28, 2014 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. 439

August 28, 2014

CURRENT FUND

BOROUGH OF WATCHUNG

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

	<u>REF.</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2013</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2012</u>
<u>ASSETS</u>			
Current Fund:			
Cash	A-4	\$ 2,256,078.28	\$ 2,322,967.87
Cash-Change Fund	A-6	250.00	250.00
Due State of NJ-Senior Citizen and Veteran Deductions	A-14	3,399.79	3,399.79
		<u>\$ 2,259,728.07</u>	<u>\$ 2,326,617.66</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-8	\$ 410,240.16	\$ 683,466.53
Tax Title Liens	A-24	2,375.23	381.01
Revenue Accounts Receivable	A-9	10,032.47	10,371.64
Interfunds Receivable	A-25	72,857.46	14,078.75
	A	<u>\$ 495,505.32</u>	<u>\$ 708,297.93</u>
Deferred Charges	A-27	\$ 357,304.00	\$ 359,130.00
		<u>\$ 357,304.00</u>	<u>\$ 359,130.00</u>
		<u>\$ 3,112,537.39</u>	<u>\$ 3,394,045.59</u>
Grant Fund:			
Cash	A-4	\$ 89,753.96	\$ 186,458.91
Grant Aid Receivable	A-10	96,275.76	74,314.62
Due Current Fund	A-29	5,976.80	
		<u>\$ 192,006.52</u>	<u>\$ 260,773.53</u>
	A	<u>\$ 3,304,543.91</u>	<u>\$ 3,654,819.12</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</u> <u>DECEMBER</u> <u>31, 2013</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2012</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Current Fund:			
Liabilities:			
Appropriation Reserves	A-3:A-11	\$ 302,448.44	\$ 342,493.20
Accounts Payable	A-7	105,395.44	151,027.31
Prepaid Taxes	A-19	194,963.11	197,784.66
Interfunds Payable	A-25	327,012.78	139,520.53
Tax Overpayments	A-18	9,464.79	6,256.71
Reserve for:			
FEMA Aid Unappropriated-Sandy	A-28	178,265.66	
Prepaid Licenses	A-21	80.00	
Due State of New Jersey - DCA	A-20	4,283.00	3,572.00
Tax Sale Premiums	A-23	59,929.89	49,810.29
State Tax Appeals	A-13	37,848.91	85,276.96
		<u>\$ 1,219,692.02</u>	<u>\$ 975,741.66</u>
Reserve for Receivables and Other Assets	A	495,505.32	708,297.93
Fund Balance	A-1	1,397,340.05	1,710,006.00
		<u>\$ 3,112,537.39</u>	<u>\$ 3,394,045.59</u>
Grant Fund:			
Grants-Appropriated	A-22	\$ 175,351.41	\$ 218,178.93
Grants-Unappropriated	A-12	15,947.11	27,000.00
Due Current Fund	A-29		14,023.20
Accounts Payable	A-26	708.00	1,571.40
		<u>\$ 192,006.52</u>	<u>\$ 260,773.53</u>
	A	<u>\$ 3,304,543.91</u>	<u>\$ 3,654,819.12</u>

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

BOROUGH OF WATCHUNGCURRENT FUNDSTATEMENTS OF OPERATIONS
AND CHANGE IN FUND BALANCE - REGULATORY BASIS

	<u>REF.</u>	<u>YEAR ENDED</u> <u>DECEMBER</u> <u>31, 2013</u>	<u>YEAR ENDED</u> <u>DECEMBER</u> <u>31, 2012</u>
<u>REVENUE AND OTHER INCOME REALIZED</u>			
Fund Balance Utilized	A-1:A-2	\$ 800,000.00	\$ 800,000.00
Miscellaneous Revenue Anticipated	A-2	4,607,399.30	3,699,538.07
Receipts From Delinquent Taxes	A-2	578,514.88	292,699.52
Receipts From Current Taxes	A-2	32,751,575.55	32,170,039.80
Non-Budget Revenue	A-2	165,290.34	178,075.22
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-11	97,038.49	144,503.20
Accounts Payable Canceled			11,586.65
<u>TOTAL INCOME</u>		<u>\$ 38,999,818.56</u>	<u>\$ 37,296,442.46</u>
<u>EXPENDITURES</u>			
Budget and Emergency Authorizations:			
Operations:			
Salaries and Wages	A-3	\$ 4,826,700.00	\$ 4,804,324.03
Other Expenses	A-3	3,935,016.00	3,720,561.14
Municipal Debt Service	A-3	2,855,765.14	2,117,052.73
Capital Improvement Fund	A-3	100,000.00	
Public and Private Programs Offset by Revenues	A-3	205,790.95	193,956.12
Interlocal Service Agreements	A-3	759,100.00	747,730.00
Deferred Charges and Regulatory Expenditures	A-3	1,186,319.00	1,074,839.94
Municipal Open Space Taxes	A-2:A-8	321,035.98	325,796.27
County Taxes	A-15	6,267,635.41	6,279,688.97
Local District School Tax	A-16	11,935,117.00	11,697,372.50
Regional High School Tax	A-17	6,123,680.00	6,020,724.69
Budget Operations-Refund of Prior Revenue		7,546.32	
Interfunds Advanced		58,778.71	14,073.09
<u>TOTAL EXPENDITURES</u>		<u>\$ 38,582,484.51</u>	<u>\$ 36,996,119.48</u>
Excess in Revenue		\$ 417,334.05	\$ 300,322.98
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	A-3:A-27	<u>70,000.00</u>	<u>359,130.00</u>
Statutory Excess to Fund Balance		\$ 487,334.05	\$ 659,452.98
Fund Balance, January 1	A	<u>1,710,006.00</u>	<u>1,850,553.02</u>
		\$ 2,197,340.05	\$ 2,510,006.00
Decreased by:			
Utilized as Anticipated Revenue	A-1:A-2	<u>800,000.00</u>	<u>800,000.00</u>
Fund Balance, December 31	A	<u>\$ 1,397,340.05</u>	<u>\$ 1,710,006.00</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, 2013

	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	\$ 14,000.00	\$	\$ 16,650.00	\$ 2,650.00
Other Licenses	A-2	16,500.00		23,470.50	6,970.50
Fees and Permits:					
Construction Code Official	A-9	222,000.00		224,532.00	2,532.00
Other	A-2	145,000.00		149,228.13	4,228.13
Municipal Court - Fines and Costs	A-9	186,000.00		171,021.53	(14,978.47)
Interest and Costs on Taxes	A-9	120,000.00		116,174.53	(3,825.47)
Interest on Investments and Deposits	A-9	5,700.00		10,147.20	4,447.20
Sewer Rents	A-9	1,142,000.00		1,212,122.90	70,122.90
Energy Receipts Tax	A-9	700,092.00		700,092.00	
Clean Communities	A-10		13,388.31	13,388.31	
Safe and Secure	A-10	87,000.00		87,000.00	
NJ Body Armor	A-10		3,924.95	3,924.95	
Alcohol Education and Rehabilitation	A-10		1,477.69	1,477.69	
Reserve for Tax Appeals	A-9	43,000.00		43,000.00	
FEMA-Sandy	A-9	71,826.00		71,826.00	
Shared Court Reimbursements	A-9	63,000.00		50,214.50	(12,785.50)
Reserve for Debt Service	A-9	785,700.00		785,700.00	
Recreation Trust Surplus	A-9	25,000.00		25,000.00	
Open Space Trust Fund Debt Payment	A-9	490,009.06		490,009.06	
Capital Surplus	A-9	400,000.00		400,000.00	
Uniform Fire Safety Act	A-9	28,902.85			(28,902.85)
Bulk Pickup Fees	A-9	12,000.00		12,420.00	420.00
<u>Sub-Total Miscellaneous Revenues</u>	A-1	\$ 4,557,729.91	\$ 18,790.95	\$ 4,607,399.30	\$ 30,878.44
Receipts From Delinquent Taxes	A-1	\$ 555,000.00		\$ 578,514.88	\$ 23,514.88
Amount to be Raised by Taxes for Support of Municipal Budget: Local Tax for Municipal Purposes	A-8:A-2	\$ 8,394,061.30		\$ 8,624,107.16	\$ 230,045.86
<u>Budget Totals</u>		\$ 14,306,791.21	\$ 18,790.95	\$ 14,610,021.34	\$ 284,439.18
Non-Budget Revenues	A-1:A-2			165,290.34	165,290.34
		\$ 14,306,791.21	\$ 18,790.95	\$ 14,775,311.68	\$ 449,729.52
	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, 2013

<u>ANALYSIS OF REALIZED REVENUES</u>	<u>REF.</u>		
Allocation of Current Tax Collections:			
Revenue From Collections	A-1:A-8	\$	32,751,575.55
Allocated to:			
Local District School Taxes	A-8	\$	11,935,117.00
Regional High School Taxes	A-8		6,123,680.00
Municipal Open Space Tax	A-8		321,035.98
County Taxes	A-8		<u>6,267,635.41</u>
			<u>24,647,468.39</u>
Balance for Support of Municipal Budget			
Appropriations		\$	8,104,107.16
Add: Appropriation "Reserve for Uncollected Taxes"	A-3		<u>520,000.00</u>
Amount for Support of Municipal Budget Appropriations	A-2	\$	<u><u>8,624,107.16</u></u>
Other Licenses:			
Board of Health	A-9	\$	16,932.50
Registrar	A-9		123.00
Borough Clerk	A-9		<u>6,415.00</u>
	A-2	\$	<u><u>23,470.50</u></u>
Fees and Permits-Other:			
Board of Health	A-9	\$	1,343.00
Other Fees and Permits	A-9		22,742.00
Engineering Department	A-9		34,435.00
Planning Board	A-9		600.00
Board of Adjustment	A-9		6,304.00
Police	A-9		3,042.95
Fire Official	A-9		5,347.00
Recreation	A-9		780.00
Tower Lease	A-9		<u>74,634.18</u>
	A-2	\$	<u><u>149,228.13</u></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, 2013

REF.

ANALYSIS OF NON-BUDGET REVENUE

Senior Citizens' and Veterans' Administrative Fee	\$	810.00
Library		6,215.99
Miscellaneous		25,714.39
Cable TV Franchise Fees		40,630.52
Police Outside Overtime Administrative Fee		75,761.13
Bid Specs		5,700.00
Tax Collector		<u>10,458.31</u>
A-2:A-4	\$	<u><u>165,290.34</u></u>

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

BOROUGH OF WATCHUNG

"A-3"
SHEET #1

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2013

	<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>OPERATIONS WITHIN "CAPS"</u>					
<u>GENERAL GOVERNMENT</u>					
Administrative and Executive:					
Salaries and Wages	\$ 179,000.00	\$ 152,000.00	\$ 151,801.22	\$ 198.78	\$
Other Expenses	19,305.00	19,305.00	19,285.23	19.77	
Mayor and Council:					
Salaries and Wages	24,000.00	24,000.00	24,000.00		
Other Expenses	56,600.00	56,600.00	56,583.93	16.07	
Municipal Clerk:					
Salaries and Wages	85,000.00	85,000.00	80,668.92	4,331.08	
Other Expenses	17,600.00	21,600.00	19,567.39	2,032.61	
Elections:					
Other Expenses	2,250.00	2,250.00	2,250.00		
Financial Administration:					
Salaries and Wages	153,600.00	153,600.00	153,566.93	33.07	
Other Expenses	20,600.00	22,600.00	22,573.90	26.10	
Audit	34,000.00	34,000.00	34,000.00		
Assessment of Taxes:					
Salaries and Wages	75,000.00	75,000.00	71,598.00	3,402.00	
Other Expenses	15,900.00	15,900.00	15,280.12	619.88	
Collection of Taxes:					
Salaries and Wages	56,000.00	56,000.00	56,000.00		
Other Expenses	9,000.00	9,000.00	8,929.26	70.74	
Legal Services and Costs:					
Other Expenses	100,000.00	120,000.00	104,696.02	15,303.98	
Engineering Services and Costs:					
Salaries and Wages	110,000.00	110,000.00	109,991.46	8.54	
Other Expenses	84,750.00	88,750.00	86,001.09	2,748.91	
Public Building and Grounds:					
Salaries and Wages	45,000.00	45,000.00	43,008.37	1,991.63	
Other Expenses	107,000.00	113,000.00	112,903.36	96.64	
Bulk Clean Up	12,000.00	12,000.00	10,685.14	1,314.86	

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, 2013

	<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>	
Planning Board:					
Salaries and Wages	\$ 14,250.00	\$ 14,250.00	\$ 14,008.97	\$ 241.03	\$
Other Expenses	4,000.00	4,000.00	969.81	3,030.19	
Board of Adjustment:					
Salaries and Wages	17,000.00	17,000.00	16,521.53	478.47	
Other Expenses	3,400.00	3,400.00	981.92	2,418.08	
 <u>PUBLIC SAFETY</u>					
Fire:					
Other Expenses	105,000.00	105,000.00	104,286.94	713.06	
Fire Official:					
Salaries and Wages	36,700.00	36,700.00	36,661.03	38.97	
Other Expenses	5,000.00	5,000.00	4,997.72	2.28	
Police:					
Salaries and Wages	3,330,000.00	3,396,000.00	3,396,000.00		
Other Expenses	225,000.00	225,000.00	220,307.08	4,692.92	
First Aid Organization Contributions	28,980.00	28,980.00	28,980.00		
Emergency Management Service:					
Salaries and Wages	5,200.00	5,200.00	5,200.00		
Other Expenses	10,000.00	10,000.00	9,247.24	752.76	
Public Defender:					
Salaries and Wages	100.00	100.00	100.00		
Municipal Court:					
Salaries and Wages	146,000.00	147,000.00	146,992.42	7.58	
Other Expenses	63,000.00	63,000.00	62,792.34	207.66	
Audit Services	5,000.00	5,000.00	4,950.00	50.00	
Streets and Roads:					
Salaries and Wages	228,000.00	228,000.00	227,228.07	771.93	
Other Expenses	186,181.00	193,181.00	192,895.81	285.19	

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, 2013

	<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	\$ 3,000.00	\$ 3,000.00	\$ 2,500.00	\$ 500.00	\$
Dog Regulation:					
Other Expenses	17,900.00	17,900.00	16,648.00	1,252.00	
Sewer System:					
Salaries and Wages	64,600.00	64,600.00	64,600.00		
Other Expenses	26,000.00	26,000.00	25,998.16	1.84	
Condo Act Reimbursement:					
Other Expenses	3,000.00	3,000.00	3,000.00		
<u>RECREATION AND EDUCATION</u>					
Recreation:					
Salaries and Wages	25,000.00	15,000.00	12,885.00	2,115.00	
Other Expenses	26,000.00	26,000.00	25,990.66	9.34	
Traffic and Beautification:					
Other Expenses	2,200.00	2,200.00	1,468.51	731.49	
Community Service:					
Salaries and Wages	14,900.00	14,900.00	14,877.95	22.05	
Other Expenses	100.00	100.00		100.00	
Environmental Commission:					
Other Expenses	850.00	850.00	385.00	465.00	
Historical Preservation:					
Other Expenses	5,000.00	5,000.00	5,000.00		
Free Public Library:					
Salaries and Wages	16,500.00	16,500.00	16,500.00		
Other Expenses	30,000.00	30,000.00	25,980.08	4,019.92	

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

BOROUGH OF WATCHUNG

"A-3"
SHEET #4

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2013

	<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>STATE UNIFORM CONSTRUCTION CODE</u>					
Construction Code Official:					
Salaries and Wages	\$ 105,250.00	\$ 99,250.00	\$ 99,060.94	\$ 189.06	\$
Other Expenses	19,000.00	19,000.00	14,178.08	4,821.92	
Plumbing Inspector:					
Salaries and Wages	21,900.00	22,100.00	21,804.05	295.95	
Electrical Inspector:					
Salaries and Wages	21,000.00	21,000.00	20,925.69	74.31	
Fire Sub-Code Inspector:					
Salaries and Wages	25,500.00	25,500.00	25,398.00	102.00	
<u>INSURANCE</u>					
Group Insurance for Employees	1,598,748.00	1,551,548.00	1,450,141.77	101,406.23	
Workers Compensation	159,100.00	159,100.00	154,115.44	4,984.56	
Other Insurance Premiums	148,000.00	148,000.00	139,803.00	8,197.00	
Health Insurance Waiver	21,000.00	21,000.00	16,134.21	4,865.79	
<u>UNCLASSIFIED</u>					
Electricity	142,000.00	132,000.00	124,673.91	7,326.09	
Telephone	68,000.00	78,000.00	69,540.27	8,459.73	
Water	14,000.00	14,000.00	8,500.54	5,499.46	
Natural Gas	55,000.00	35,000.00	24,471.28	10,528.72	
Fire Hydrant Service	228,000.00	228,000.00	204,401.12	23,598.88	
Gasoline	145,000.00	145,000.00	138,265.42	6,734.58	
Street Lighting	64,000.00	64,000.00	59,383.01	4,616.99	
<u>TOTAL OPERATIONS WITHIN "CAPS"</u>	<u>\$ 8,689,964.00</u>	<u>\$ 8,689,964.00</u>	<u>\$ 8,443,141.31</u>	<u>\$ 246,822.69</u>	<u>\$</u>
Detail:					
Salaries and Wages	\$ 4,797,300.00	\$ 4,821,500.00	\$ 4,806,698.55	\$ 14,801.45	\$
Other Expenses	3,892,664.00	3,868,464.00	3,636,442.76	232,021.24	

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

BOROUGH OF WATCHUNG

"A-3"
SHEET #5

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2013

	<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>DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"</u>					
Statutory Expenditures:					
Social Security System (O.A.S.I.)	\$ 190,000.00	\$ 190,000.00	\$ 188,692.12	\$ 1,307.88	\$
Contribution to:					
Police and Firemen's Retirement Fund	693,713.00	693,713.00	693,713.00		
Public Employee's Retirement System	160,780.00	160,780.00	160,780.00		
	<u>1,044,493.00</u>	<u>1,044,493.00</u>	<u>1,043,185.12</u>	<u>1,307.88</u>	<u>\$</u>
<u>TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"</u>	<u>\$ 1,044,493.00</u>	<u>\$ 1,044,493.00</u>	<u>\$ 1,043,185.12</u>	<u>\$ 1,307.88</u>	<u>\$</u>
<u>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"</u>	<u>\$ 9,734,457.00</u>	<u>\$ 9,734,457.00</u>	<u>\$ 9,486,326.43</u>	<u>\$ 248,130.57</u>	<u>\$</u>
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>					
Group Insurance for Employees	\$ 70,252.00	\$ 70,252.00	\$ 70,252.00		\$
Municipal Alliance Contribution - Match	1,500.00	1,500.00		1,500.00	
<u>INTERLOCAL MUNICIPAL SERVICE AGREEMENTS</u>					
Sewer Interlocal Agreements:					
Other Expenses	637,000.00	637,000.00	589,876.81	47,123.19	
Somerset County Interlocal Agreements:					
Recycling	37,000.00	37,000.00	37,000.00		
Board of Health:					
Other Expenses	85,100.00	85,100.00	84,810.32	289.68	

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

BOROUGH OF WATCHUNG

"A-3"
SHEET #6

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2013

	<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>PUBLIC AND PRIVATE PROGRAMS</u>					
<u>OFF-SET BY REVENUES</u>					
Safe and Secure Communities Program:					
State Share	\$ 60,000.00	\$ 60,000.00	\$ 60,000.00	\$	\$
Local Share	100,000.00	100,000.00	100,000.00		
Safe and Secure Communities - Prior Unappropriated	27,000.00	27,000.00	27,000.00		
Clean Communities Program (40A:4-87 + \$13,388.31)		13,388.31	13,388.31		
Alcohol Education Rehab Fund (40A:4-87 + \$1,477.69)		1,477.69	1,477.69		
N.J. Body Armor Replacement Fund (40A:4-87 + \$3,924.95)		3,924.95	3,924.95		
<u>TOTAL OPERATIONS EXCLUDED FROM "CAPS"</u>	<u>\$ 1,017,852.00</u>	<u>\$ 1,036,642.95</u>	<u>\$ 987,730.08</u>	<u>\$ 48,912.87</u>	<u>\$</u>
<u>CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"</u>					
Capital Improvement Fund	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$	\$
<u>TOTAL CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"</u>	<u>\$ 100,000.00</u>	<u>\$ 100,000.00</u>	<u>\$ 100,000.00</u>	<u>\$</u>	<u>\$</u>
<u>MUNICIPAL DEBT SERVICE-EXCLUDED FROM "CAPS"</u>					
Payment of Bond Principal	\$ 1,100,000.00	\$ 1,100,000.00	\$ 1,100,000.00	\$	\$
Payment of BAN	901,000.00	901,000.00	901,000.00		
Interest on Bonds	610,135.25	610,135.25	610,135.25		
Interest on Notes	62,503.75	62,503.75	62,499.99		3.76
Green Trust Loan	30,455.60	30,455.60	30,455.60		
Economic Recovery Loan	12,118.72	12,118.72	12,118.67		0.05
NJ UST Remediation Loan	46,637.38	46,637.38	46,637.38		
NJEIT Loan	99,805.51	99,805.51	92,918.25		6,887.26
<u>TOTAL MUNICIPAL DEBT SERVICE- EXCLUDED FROM "CAPS"</u>	<u>\$ 2,862,656.21</u>	<u>\$ 2,862,656.21</u>	<u>\$ 2,855,765.14</u>	<u>\$</u>	<u>\$ 6,891.07</u>

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

BOROUGH OF WATCHUNG

"A-3"
SHEET #7

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2013

	<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>DEFERRED CHARGES-MUNICIPAL-EXCLUDED FROM "CAPS"</u>					
Special Emergency Authorizations 5 Years	\$ 71,826.00	\$ 71,826.00	\$ 71,826.00	\$	\$
Special Emergency Hurricane Sandy		70,000.00	64,595.00	5,405.00	
<u>TOTAL DEFERRED CHARGES-MUNICIPAL-EXCLUDED FROM "CAPS"</u>	<u>\$ 71,826.00</u>	<u>\$ 141,826.00</u>	<u>\$ 136,421.00</u>	<u>\$ 5,405.00</u>	<u>\$</u>
<u>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"</u>	<u>\$ 4,052,334.21</u>	<u>\$ 4,141,125.16</u>	<u>\$ 4,079,916.22</u>	<u>\$ 54,317.87</u>	<u>\$ 6,891.07</u>
<u>SUB-TOTAL GENERAL APPROPRIATIONS RESERVE FOR UNCOLLECTED TAXES</u>	<u>\$ 13,786,791.21</u> <u>520,000.00</u>	<u>\$ 13,875,582.16</u> <u>520,000.00</u>	<u>\$ 13,566,242.65</u> <u>520,000.00</u>	<u>\$ 302,448.44</u>	<u>\$ 6,891.07</u>
<u>TOTAL GENERAL APPROPRIATIONS</u>	<u>\$ 14,306,791.21</u>	<u>\$ 14,395,582.16</u>	<u>\$ 14,086,242.65</u>	<u>\$ 302,448.44</u>	<u>\$ 6,891.07</u>
	<u>REF.</u>	<u>A-2:A-3</u>	<u>A-1</u>	<u>A:A-1</u>	
Amendment by (NJSA 40A:4-87)	A-2	\$ 18,790.95			
Superstorm Sandy Emergency	A-27	70,000.00			
Budget	A-3	14,306,791.21			
		<u>\$ 14,395,582.16</u>			
Reserve for Uncollected Taxes	A-2		\$ 520,000.00		
Deferred Charges	A-27		71,826.00		
Accounts Payable	A-7		80,214.22		
Reserve for Grants Appropriated	A-22		105,790.95		
Disbursements	A-4		13,676,049.59		
			<u>\$ 14,453,880.76</u>		
Less: Refunds	A-4		367,638.11		
			<u>\$ 14,086,242.65</u>		

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

TRUST FUND

BOROUGH OF WATCHUNGTRUST FUNDBALANCE SHEETS - REGULATORY BASIS

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2013</u>	<u>BALANCE DECEMBER 31, 2012</u>
Assessment Fund:			
Cash	B-2: B-8	\$ 312,744.67	\$ 106,054.36
Assessment Receivable	B-3	1,603,400.02	1,787,897.30
Due Current Fund	B-4		63,440.40
		<u>\$ 1,916,144.69</u>	<u>\$ 1,957,392.06</u>
Animal Control Fund:			
Cash	B-2	\$ 6,441.47	\$ 6,086.21
Due Current Fund	B-7		0.74
		<u>\$ 6,441.47</u>	<u>\$ 6,086.95</u>
Other Funds:			
Cash	B-2	\$ 2,286,764.45	\$ 2,374,897.96
Due Current Fund	B-18	321,035.98	76,023.84
		<u>\$ 2,607,800.43</u>	<u>\$ 2,450,921.80</u>
		<u>\$ 4,530,386.59</u>	<u>\$ 4,414,400.81</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Assessment Fund:			
Assessment Loans:			
2000 Trust Loan	B-23	\$ 220,000.00	\$ 245,000.00
2000 Fund Loan	B-24	51,989.19	75,054.30
Reserve for Assessments	B-16	9,679.35	11,005.91
Due General Capital Fund	B-17	1,579,254.12	1,579,254.12
Due Current Fund	B-4	6,817.74	
Fund Balance	B-1	48,404.29	47,077.73
		<u>\$ 1,916,144.69</u>	<u>\$ 1,957,392.06</u>
Animal Control Fund:			
Reserve For Animal Control Fund Expenditures	B-14	\$ 6,437.35	\$ 6,079.15
Due Current Fund	B-7	4.12	
Due State of New Jersey - Animal Licenses	B-22		7.80
		<u>\$ 6,441.47</u>	<u>\$ 6,086.95</u>
Other Funds:			
Reserve For:			
Various Trust Deposits	B-13	\$ 487,878.45	\$ 535,676.52
COAH Deposits	B-12	750,832.16	677,618.19
Police Outside Overtime	B-15	31,223.09	23,860.07
Open Space Trust Deposits	B-10	342,270.90	510,741.53
State Unemployment Compensation Insurance	B-11	120,103.15	99,365.92
Recreation Deposits	B-19	20,848.84	33,561.30
Law Enforcement Trust Fund	B-20	4,022.86	3,323.16
Developers Deposits	B-21	519,027.28	459,345.68
Payroll Deductions	B-5	11,832.42	38,856.70
Due General Capital Fund	B-6	249,500.00	
Due Current Fund	B-18	66,035.60	
Accounts Payable	B-9	4,225.68	68,572.73
		<u>\$ 2,607,800.43</u>	<u>\$ 2,450,921.80</u>
		<u>\$ 4,530,386.59</u>	<u>\$ 4,414,400.81</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, 2012	B	\$	47,077.73
Increased by:			
Assessment Collections	B-16		<u>1,326.56</u>
Balance, December 31, 2013	B	\$	<u><u>48,404.29</u></u>

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

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GENERAL CAPITAL FUND

"C"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

BALANCE SHEETS - REGULATORY BASIS

	<u>REF.</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2013</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2012</u>
<u>ASSETS</u>			
Cash/(Overdraft)	C-2:C-3	\$ (389,374.97)	\$ 602,503.92
Deferred Charges to Future Taxation:			
Funded	C-4	14,508,173.19	15,749,535.72
Unfunded	C-5	7,759,463.45	6,137,038.45
State Aid Receivable	C-16	257,855.22	250,000.00
Due Trust Other Fund (Open Space)	C-19	249,500.00	
Due Assessment Trust Fund	C-9	<u>1,579,254.12</u>	<u>1,579,254.12</u>
		\$ <u>23,964,871.01</u>	\$ <u>24,318,332.21</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Bond Anticipation Notes Payable	C-17	\$ 4,381,200.00	\$ 5,000,000.00
General Serial Bonds Payable	C-11	13,275,000.00	14,375,000.00
Contracts Payable	C-7	1,475,157.67	254,721.59
Capital Improvement Fund	C-8	98,791.72	24,866.72
Reserve for Grant Receivable	C-18	50,000.00	50,000.00
Reserve for Capital Projects	C-20	27,942.00	
Reserve for Debt Service	C-6	282,928.56	35,200.00
State of New Jersey Loan Payable:			
Environmental Infrastructure Trust Loans	C-12	340,000.00	375,000.00
Environmental Infrastructure Fund Loans	C-13	143,800.12	177,036.87
Economic Development Authority	C-14		11,939.57
Green Trust Loan Program	C-15	749,373.07	810,559.28
Improvement Authorizations:			
Funded	C-10	1,407,687.63	1,542,636.12
Unfunded	C-10	1,492,176.74	1,030,311.44
Fund Balance	C-1	<u>240,813.50</u>	<u>631,060.62</u>
		\$ <u>23,964,871.01</u>	\$ <u>24,318,332.21</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, 2012	C	\$ 631,060.62
Increased by:		
Receipts on Fully Funded Authorizations	C-2	<u>9,752.88</u>
		\$ <u>640,813.50</u>
Decreased by:		
Surplus Anticipated-Current Fund	C-2	<u>400,000.00</u>
Balance, December 31, 2013	C	\$ <u><u>240,813.50</u></u>

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

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GENERAL FIXED ASSETS ACCOUNT GROUP

"E"

BOROUGH OF WATCHUNG
STATEMENT OF GENERAL FIXED ASSETS
BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER <u>31, 2013</u>	BALANCE DECEMBER <u>31, 2012</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>5,593,365.45</u>	<u>5,540,858.76</u>
<u>TOTAL FIXED ASSETS</u>	<u>\$ 24,837,345.45</u>	<u>\$ 24,784,838.76</u>
 <u>RESERVE:</u>		
Investments in General Fixed Assets	<u>\$ 24,837,345.45</u>	<u>\$ 24,784,838.76</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, 2013 AND 2012

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 amount 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, 2013:

<u>Fund</u>	<u>Cash in Bank</u>	<u>Reconciling Items</u>	<u>Total</u>
Current Fund	\$2,494,405.52	(\$238,327.24)	\$2,256,078.28
Grant Fund	91,169.96	(1,416.00)	89,753.96
Assessment Trust Fund	312,744.67		312,744.67
Animal Control Trust Fund	6,445.07	(3.60)	6,441.47
Other Trust Fund	2,375,720.94	(88,956.49)	2,286,764.45
General Capital Fund	<u>112,132.82</u>	<u>(501,507.79)</u>	<u>(389,374.97)</u>
Total - December 31, 2013	<u>\$5,392,618.98</u>	<u>(\$830,211.12)</u>	<u>\$4,562,407.86</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, 2013, 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, \$500,000.00 was covered by Federal Depository Insurance and \$4,892,618.98 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.

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 2013</u>	<u>Year 2012</u>	<u>Year 2011</u>
Issued:			
General:			
Bonds and Notes	\$ 17,656,200.00	\$ 19,375,000.00	\$ 19,910,000.00
Loans Payable	<u>1,505,162.38</u>	<u>1,694,590.02</u>	<u>1,884,655.84</u>
Debt Issued	\$ 19,161,362.38	\$ 21,069,590.02	\$ 21,794,655.84
Authorized But Not Issued:			
General:			
Bonds and Notes	<u>4,201,721.69</u>	<u>1,963,034.58</u>	<u>2,438,372.38</u>
TOTAL BONDS AND NOTES ISSUED AND AUTHORIZED BUT NOT ISSUED	<u>\$ 23,363,084.07</u>	<u>\$ 23,032,624.60</u>	<u>\$ 24,233,028.22</u>

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 1.339%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School Debt	\$ 14,735,855.63	\$ 14,735,855.63	\$
General Debt	<u>23,363,084.07</u>	<u>1,106,386.80</u>	<u>22,256,697.27</u>
	<u>\$ 38,098,939.70</u>	<u>\$ 15,842,242.43</u>	<u>\$ 22,256,697.27</u>

Net debt \$22,256,697.27 divided by equalized valuation basis per N.J.S.A. 40A:2-2, \$1,661,775,070.33 equals 1.339%.

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

Equalized Valuation Basis - December 31, 2013	<u>\$ 1,661,775,070.33</u>
3 1/2% of Equalized Valuation Basis	\$ 58,162,127.46
Net Debt	<u>22,256,697.27</u>
Remaining Borrowing Power	<u>\$ 35,905,430.19</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%.	\$541,000.00
\$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>12,734,000.00</u>
	<u>\$13,275,000.00</u>

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%	\$618,931.50
\$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>130,441.57</u>
	<u>\$749,373.07</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%.	\$440,000.00
\$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%.	104,123.12
\$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%.	120,000.00
\$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>91,666.19</u>
	<u>\$755,789.31</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

BOND ANTICIPATION NOTE

	<u>Interest Rate</u>	<u>Issue & Maturity Dates</u>	<u>Amount</u>
General Capital	1.25%	2/28/13 - 2/28/14	\$4,381,200.00

BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

At December 31, 2013 the Borough has authorized but not issued bonds and notes as follows:

General Capital Fund	<u>\$4,201,721.69</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>	
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>\$ 13,275,000.00</u>	<u>\$ 4,320,777.00</u>	<u>\$ 17,595,777.00</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>
2014	\$ 62,416.06	\$ 2,469.60	\$ 64,885.66
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>\$ 749,373.10</u>	<u>\$ 110,325.79</u>	<u>\$ 859,698.89</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>	
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>\$ 220,000.00</u>	<u>\$ 49,637.52</u>	<u>\$ 220,000.00</u>	<u>\$ 47,250.00</u>	<u>\$ 536,887.52</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>	
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>52,133.93</u>	\$	<u>51,989.19</u>	<u>\$ 104,123.12</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>
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>120,000.00</u>	\$ <u>24,000.00</u>	\$ <u>144,000.00</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>
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>91,666.19</u>	\$ <u>91,666.19</u>

NOTE 4: FUND BALANCES APPROPRIATED

Fund balance at December 31, 2013 which was appropriated and included as anticipated revenue in its own respective fund for the year ending December 31, 2014 was \$700,000.00.

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:

	Balance <u>December 31, 2012</u>	Balance <u>December 31, 2013</u>
Prepaid Taxes	\$ <u>197,784.66</u>	\$ <u>194,963.11</u>

NOTE 6: PENSION PLANS

Substantially all eligible employees participate in the Public Employees' Retirement System (PERS), or the Police, Firemen's Retirement System (PFRS) or the Defined Contribution Retirement System (DCRP), which have been established by state statute and are administered by the New Jersey Division of Pensions and Benefits. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System, Police and Fireman's Retirement System and Consolidated Police and Firemen's Pension Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625 or are available online at www.nj.gov/treasury/pensions/annrpts.shtml.

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

NOTE 6: PENSION PLANS (CONTINUED)

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

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

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43:36. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service. Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving ten years of service credit, in which case, benefits would begin the first day of the month after the member attains normal retirement age.

The vesting and benefit provisions for PFRS are set by N.J.S.A. 43:16A and 43:36. All benefits vest after ten years of service, except for disability benefits, which vest after four years of service. Retirement benefits for age and service are available at age 55. Members may seek special retirement after achieving 25 years of creditable service or they may elect deferred retirement after achieving ten years of service. Newly elected or appointed officials that have an existing DCRP account, or are a member of another State-administered retirement system are immediately invested in the DCRP. For newly elected or appointed officials that do not qualify for immediate vesting in the DCRP, employee and employer contributions are held during the initial year of membership. Upon commencing the second year of DCRP membership, the member is fully invested. However, if a member is not eligible to continue in the DCRP for a second year of membership, the member may apply for a refund of the employee contributions from the DCRP, while the employer contributions will revert back to the employer. Employees are required to contribute 5.5% of their base salary and employers contribute 3.0%.

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing employers. Plan members and employer contributions may be amended by State of New Jersey legislation. During 2012 PERS provides for employee contributions of 6.5% of employees' annual compensation. Employers are required to contribute at an actuarially determined rate. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

NOTE 6: PENSION PLANS (CONTINUED)

The contribution policy for PFRS is set by N.J.S.A. 43: 16A and requires contributions by active members and contributing employers. Plan member and employer contributions *may* be amended by State of New Jersey legislation. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits. During 2012, members contributed at a uniform rate of 10.00% of base salary.

Certain portions of the costs are contributed by the employees. The Borough's share of pension costs, which is based upon the annual billings received from the State, amounted to \$854,493 for 2013, \$881,058.00 for 2012, and \$968,137.00 for 2011.

All contributions were equal to the required contributions for each of the three years, respectively.

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

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 \$524,494.60 and \$544,829.10 at December 31, 2013 and 2012, 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 2013. 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 \$37,848.91 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 2013 audit. In addition, these programs are also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2013, 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>Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2013	\$ 76.31	\$ 20,660.92	\$	\$ 120,103.15
2012	83.42	246.06	16,365.98	99,365.92
2011	182.16	5,760.78	23,395.78	115,402.42

NOTE 13: INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances consisted of the following at December 31, 2013:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 72,857.46	\$ 327,012.78
Grant Fund	5,976.80	
Assessment Trust Fund		1,586,071.86
Animal Control Fund		4.12
Trust Other Fund	321,035.98	315,535.60
General Capital Fund	<u>1,828,754.12</u>	<u></u>
	<u>\$ 2,228,624.36</u>	<u>\$ 2,228,624.36</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>.

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, 2013, 2012, and 2011 were \$560,698.17, \$446,021.82, and \$410,559.57, respectively, which equaled the required contributions for each year.

NOTE 15: SUBSEQUENT EVENTS

The Borough has evaluated material subsequent events occurring after the financial statement date through August 28, 2014 which is the date the financial statements were available to be issued. Based upon this evaluation, the Borough has determined that there are no material subsequent events needed to be disclosed.

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BOROUGH OF WATCHUNG
SUPPLEMENTARY SCHEDULES – ALL FUNDS
YEAR ENDED DECEMBER 31, 2013

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF CASH - TREASURER

	<u>REF.</u>	<u>CURRENT FUND</u>	<u>GRANT FUND</u>
Balance, December 31, 2012	A	\$ 2,322,967.87	\$ 186,458.91
Increased by Receipts:			
Taxes Receivable	A-8	\$ 33,092,805.77	\$
Tax Overpayments	A-18	36,894.22	
Prepaid Taxes	A-19	194,963.11	
Miscellaneous Revenue Not Anticipated	A-2	165,290.34	
Revenue Accounts Receivable	A-9	4,501,608.35	
Petty Cash Funds	A-5	400.00	
State of New Jersey-Senior Citizens and Veterans	A-14	39,500.00	
Appropriation Refunds	A-3	367,638.11	
Interfunds Returned	A-25	614,426.07	
FEMA - Sandy	A-28	178,265.66	
Prepaid Licenses	A-21	80.00	
Grants Receivable	A-10		56,790.95
Grants Appropriated-Match	A-22		100,000.00
Grants Unappropriated	A-12		15,947.11
Tax Sale Premiums	A-23	129,136.01	
Due State of New Jersey - DCA	A-20	14,866.00	
		<u>39,335,873.64</u>	<u>172,738.06</u>
		\$ 41,658,841.51	\$ 359,196.97
Decreased by Disbursements:			
Appropriations	A-3	\$ 13,676,049.59	\$
Appropriation Reserves	A-11	363,659.23	
Local District School Tax	A-16	11,935,117.00	
County Taxes	A-15	6,267,635.41	
Regional High School Tax	A-17	6,123,680.00	
Municipal Open Space Tax	A-2	321,035.98	
Tax Overpayment Refunds	A-18	33,686.14	
Accounts Payable	A-7	7,641.57	
Due State of New Jersey - DCA	A-20	14,155.00	
Petty Cash Funds	A-5	400.00	
Interfunds	A-25:A-29	485,712.53	20,000.00
Grants Appropriated	A-22		249,443.01
Refund of Prior Revenue	A-1	7,546.32	
Reserve for Tax Appeals	A-23	47,428.05	
Reserve for Tax Premiums	A-23	119,016.41	
		<u>39,402,763.23</u>	<u>269,443.01</u>
Balance, December 31, 2013	A	\$ <u>2,256,078.28</u>	\$ <u>89,753.96</u>

"A-5"

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

"A-6"

SCHEDULE OF CHANGE FUNDS

	<u>BALANCE</u> <u>DECEMBER 31,</u> <u>2013 AND 2012</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, 2012	A		\$ 151,027.31
Increased by:			
2013 Appropriations	A-3	\$ 80,214.22	
2012 Appropriation Reserves	A-11	<u>15,137.79</u>	
			\$ <u>95,352.01</u>
			\$ 246,379.32
Decreased by:			
Disbursed	A-4	\$ 7,641.57	
Transfer to 2012 Appropriation Reserves	A-11	<u>133,342.31</u>	
			<u>140,983.88</u>
Balance, December 31, 2013	A		\$ <u><u>105,395.44</u></u>

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

<u>YEAR</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2012</u>	<u>2013 LEVY</u>	<u>ADDED TAXES</u>	<u>COLLECTIONS</u>		<u>TRANSFERRED</u> <u>TO TAX</u> <u>TITLE LIENS</u>	<u>CANCELED</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2013</u>
				<u>2012</u>	<u>2013</u>			
Prior	\$ 683,466.53	\$	\$	\$	\$ 578,514.88	\$ 799.56	\$ 104,152.09	\$
2013		<u>33,018,993.87</u>	<u>190,499.59</u>	<u>197,784.66</u>	<u>32,553,790.89</u>	<u>924.85</u>	<u>46,752.90</u>	<u>410,240.16</u>
	<u>\$ 683,466.53</u>	<u>\$ 33,018,993.87</u>	<u>\$ 190,499.59</u>	<u>\$ 197,784.66</u>	<u>\$ 33,132,305.77</u>	<u>\$ 1,724.41</u>	<u>\$ 150,904.99</u>	<u>\$ 410,240.16</u>
<u>REF.</u>	A			A-2:A-19	A-2	A-24		A

REF.

Collector	A-4	\$ 33,092,805.77
Due From State of New Jersey Per Chapter 20, P.L. 1971	A-14	<u>39,500.00</u>
		<u>\$ 33,132,305.77</u>

ANALYSIS OF 2013 PROPERTY TAX LEVY

TAX YIELD

General Purpose Tax		\$ 33,018,993.87
Added Taxes (54:4-63.1 et. seq.)		<u>190,499.59</u>
		<u>\$ 33,209,493.46</u>

TAX LEVY

Local District School Tax (Abstract)	A-2:A-16	\$ 11,935,117.00
Regional High School Tax (Abstract)	A-2:A-17	6,123,680.00
County Taxes:		
County Tax	A-15	\$ 5,024,895.55
County Library Tax	A-15	712,748.61
County Open Space Preservation Tax	A-15	493,826.69
County Added	A-15	<u>36,164.56</u>
	A-2	6,267,635.41
Local Tax for Municipal Purposes (Abstract)	A-2	\$ 8,394,061.30
Municipal Open Space Taxes	A-2	321,035.98
Add: Additional Tax Levied		<u>167,963.77</u>
Local Tax for Municipal Purposes Levied		<u>8,883,061.05</u>

\$ 33,209,493.46

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	<u>REF.</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2012</u>	<u>ACCRUED</u> <u>IN 2013</u>	<u>COLLECTED BY</u> <u>TREASURER</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2013</u>
Clerk:					
Alcoholic Beverage Licenses	A-2	\$	\$ 16,650.00	\$ 16,650.00	\$
Other Licenses	A-2		6,415.00	6,415.00	
Other Fees & Permits	A-2		23,822.00	23,822.00	
Uniform Construction Code Official	A-2		224,532.00	224,532.00	
Recreation: Fees and Permits	A-2				
Planning Board: Fees and Permits	A-2		600.00	600.00	
Registrar of Vital Statistics:					
Other Licenses	A-2		123.00	123.00	
Board of Health:					
Other Licenses	A-2		16,932.50	16,932.50	
Fees and Permits	A-2		1,043.00	1,043.00	
Board of Adjustment: Fees and Permits	A-2		6,304.00	6,304.00	
Tower Lease: Fees and Permits	A-2		74,634.18	74,634.18	
Police: Fees and Permits	A-2		3,042.95	3,042.95	
Engineering: Fees and Permits	A-2		34,435.00	34,435.00	
Fire Official: Fees and Permits	A-2		5,347.00	5,347.00	
Municipal Court: Fines and Costs	A-2	10,371.64	170,682.36	171,021.53	10,032.47
Interest and Costs on Taxes	A-2		116,174.53	116,174.53	
Interest on Investments and Deposits	A-2		10,147.20	10,147.20	
Sewer Rents	A-2		1,212,122.90	1,212,122.90	
Reserve for Tax Appeals	A-2			43,000.00	
FEMA - Sandy	A-2			71,826.00	
Shared Court Reimbursement	A-2		50,214.50	50,214.50	
Energy Receipts Tax	A-2		700,092.00	700,092.00	
Bulk Pickup Fees	A-2		12,420.00	12,420.00	
Recreation Trust Surplus	A-2		25,000.00	25,000.00	
Open Space Trust Fund Debt Payment	A-2		490,009.06	490,009.06	
Reserve For Debt Service	A-2		785,700.00	785,700.00	
Capital Surplus	A-2		400,000.00	400,000.00	
		<u>\$ 10,371.64</u>	<u>\$ 4,386,443.18</u>	<u>\$ 4,501,608.35</u>	<u>\$ 10,032.47</u>
<u>REF.</u>		A		A-4	A

BOROUGH OF WATCHUNG

GRANT FUND

SCHEDULE OF GRANTS RECEIVABLE

	BALANCE DECEMBER 31, 2012	ACCRUED 2013	RECEIPTS	UNAPPROPRIATED RESERVE APPLIED	CANCELED	BALANCE DECEMBER 31, 2013
Municipal Stormwater Regulation Program	\$ 2,117.00	\$	\$	\$	\$	\$ 2,117.00
Clean Communities Program	38.86	13,388.31	13,388.31		38.86	0.00
S.C. Youth Service/Athletic Grants	9,001.76		5,000.00			4,001.76
Safe and Secure	60,000.00	87,000.00	33,000.00	27,000.00		87,000.00
NJ Body Armor		3,924.95	3,924.95			
Alcohol Education Rehabilitation		1,477.69	1,477.69			
FEMA Firefighters Grant	3,157.00					3,157.00
	<u>\$ 74,314.62</u>	<u>\$ 105,790.95</u>	<u>\$ 56,790.95</u>	<u>\$ 27,000.00</u>	<u>\$ 38.86</u>	<u>\$ 96,275.76</u>
<u>REF.</u>	A	A-2	A-4	A-12	A-12	A

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF 2012 APPROPRIATION RESERVES

	BALANCE DECEMBER 31, 2012	ACCOUNTS PAYABLE	ADJUSTED BALANCE	PAID OR CHARGED	BALANCE LAPSED
<u>Salaries and Wages:</u>					
Administrative and Executive	\$ 152.51	\$	\$ 152.51	\$ 152.51	
Sewer System	535.00		535.00	535.00	
Financial Administration	201.56		201.56	201.56	
Assessment of Taxes	0.93		0.93	0.93	
Collection of Taxes	0.80		0.80	0.80	
Engineering Services and Costs	37.86		37.86	37.86	
Planning Board	220.29		220.29	220.29	
Board of Adjustments	0.66		0.66	0.66	
Fire Official	0.02		0.02		0.02
Free Public Library	366.03		366.03	366.03	
Public Defender	2,576.07		2,576.07	2,576.07	
Municipal Court	0.27		0.27	0.27	
Streets and Roads	59.39		59.39	59.39	
Board of Recreation	99.93		99.93	99.93	
Community Service	14.04		14.04	14.04	
Electrical Inspector	0.66		0.66	0.66	
Plumbing Inspector	0.94		0.94	0.94	
Fire Sub-Code Inspector	0.92		0.92	0.92	
<u>Other Expenses:</u>					
Administrative and Executive	338.09		338.09	100.00	238.09
Mayor and Council	8,251.87	562.90	8,814.77	6,101.65	2,713.12
Clerk	3,246.31	552.03	3,798.34	3,715.00	83.34
Elections	292.35		292.35		292.35
Financial Administration	159.67		159.67	99.20	60.47
Audit	810.00		810.00		810.00
Assessment of Taxes	522.90		522.90		522.90
Collection of Taxes	695.09	382.74	1,077.83	1,074.75	3.08
Legal Services and Costs	3,524.00		3,524.00	3,524.00	
Engineering Services and Costs	4,920.83	5.32	4,926.15	4,895.32	30.83
Public Buildings and Grounds	3.43	3,265.35	3,268.78	3,165.35	103.43
Bulk Clean-Up		321.94	321.94	321.94	
Planning Board	8,537.94	235.03	8,772.97	3,610.36	5,162.61
Board of Adjustment	1,569.11	259.39	1,828.50	259.39	1,569.11
Fire	10,129.29	12,049.03	22,178.32	21,853.32	325.00
Fire Official	1,920.99		1,920.99	141.00	1,779.99
Police	4,085.18	104,364.90	108,450.08	105,553.32	2,896.76
Emergency Management Services	4,005.00		4,005.00		4,005.00
Municipal Court	2,238.38	2,774.35	5,012.73	4,874.21	138.52
Streets and Roads	172,772.59	3,620.09	176,392.68	175,911.96	480.72
Dog Regulation	1,307.00	1,167.00	2,474.00	1,167.00	1,307.00
Sewer System		233.70	233.70	233.70	
Board of Recreation Commissioners	9,154.97	1,967.50	11,122.47	1,887.50	9,234.97
Traffic and Beautification	1,486.93		1,486.93	1,000.00	486.93
Community Service	100.00		100.00		100.00
Environmental Commission	325.00		325.00		325.00
Historical Preservation	4,550.00		4,550.00	1,845.25	2,704.75
Other Insurance Premiums	4,934.43		4,934.43		4,934.43
Free Public Library	0.74		0.74		0.74
Uniform Construction Code	1,427.44	1,366.51	2,793.95	2,645.22	148.73
Electricity	4,950.38		4,950.38	63.84	4,886.54
Street Lighting	26.24		26.24		26.24
Telephone	13.28		13.28		13.28
Water	5,618.65		5,618.65		5,618.65
Natural Gas	53,122.34		53,122.34	19,240.87	33,881.47
Gasoline	2,192.31		2,192.31	2,107.48	84.83
Sewer Interlocal Agreements	11,886.60		11,886.60		11,886.60
Social Security System (O.A.S.I.)	1.57		1.57		1.57
Interlocal Agreements - Recycling	4,932.00		4,932.00	4,932.00	
Board of Health	4,172.42	214.53	4,386.95	4,205.53	181.42
TOTAL	\$ 342,493.20	\$ 133,342.31	\$ 475,835.51	\$ 378,797.02	\$ 97,038.49

REF.

A

A-7

A-1

Disbursements
Accounts Payable

A-4
A-7

\$ 363,659.23
15,137.79
\$ 378,797.02

"A-12"

BOROUGH OF WATCHUNG

GRANT FUND

SCHEDULE OF RESERVE FOR GRANTS - UNAPPROPRIATED

	<u>REF.</u>	
Balance, December 31, 2012	A	\$ 27,000.00
Increased by:		
Receipts	A-4	15,947.11
		<u>\$ 42,947.11</u>
Decreased by:		
Applied to Receivable	A-10	<u>27,000.00</u>
Balance, December 31, 2013	A	<u>\$ 15,947.11</u>
 <u>ANALYSIS OF BALANCE:</u>		
Recycling Tonnage Grant		<u>\$ 15,947.11</u>

"A-13"

CURRENT FUND

SCHEDULE OF RESERVE FOR TAX APPEALS

Balance, December 31, 2012	A	\$ 85,276.96
Decreased by:		
Disbursements	A-4	<u>47,428.05</u>
Balance, December 31, 2013	A	<u>\$ 37,848.91</u>

BOROUGH OF WATCHUNG

CURRENT FUND

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

	<u>REF.</u>	
Balance, December 31, 2012	A	\$ 3,399.79
Increased by:		
Deductions Per Tax Billings	A-14	39,500.00
		<u>\$ 42,899.79</u>
Decreased by:		
Receipts	A-4	<u>39,500.00</u>
Balance, December 31, 2013	A	<u>\$ 3,399.79</u>
 REVENUE REALIZED:		
Deductions Per Tax Billings:		
Senior Citizens		\$ 3,000.00
Veterans		38,000.00
Deductions Disallowed by Collector		<u>(1,500.00)</u>
	A-8:A-14	<u>\$ 39,500.00</u>

"A-15"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF COUNTY TAXES PAYABLE

	<u>REF.</u>		
2013 Tax Levy:			
County Tax	A-8	\$ 5,024,895.55	
County Library Tax	A-8	712,748.61	
County Open Space Preservation Tax	A-8	493,826.69	
County Added	A-8	<u>36,164.56</u>	
	A-1		\$ <u>6,267,635.41</u>
Decreased by:			
Payments	A-4		\$ <u>6,267,635.41</u>

"A-16"

SCHEDULE OF LOCAL DISTRICT SCHOOL TAXES PAYABLE

Increased by:			
2013 Tax Levy - Calendar Year	A-1:A-8		\$ <u>11,935,117.00</u>
Decreased by:			
Payments	A-4		\$ <u>11,935,117.00</u>

"A-17"

SCHEDULE OF REGIONAL HIGH SCHOOL TAXES PAYABLE

Increased by:			
2013 Tax Levy - Calendar Year	A-1:A-8		\$ <u>6,123,680.00</u>
Decreased by:			
Payments	A-4		\$ <u>6,123,680.00</u>

"A-18"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF TAX OVERPAYMENTS

	<u>REF.</u>		
Balance, December 31, 2012	A	\$	6,256.71
Increased by:			
Overpayments in 2013	A-4		<u>36,894.22</u>
		\$	<u>43,150.93</u>
Decreased by:			
Refunded	A-4		<u>33,686.14</u>
Balance, December 31, 2013	A	\$	<u><u>9,464.79</u></u>

"A-19"

SCHEDULE OF PREPAID TAXES

Balance, December 31, 2012	A	\$	197,784.66
Increased by:			
Collections of 2014 Taxes	A-4		<u>194,963.11</u>
		\$	<u>392,747.77</u>
Decreased by:			
Applied to Taxes Receivable	A-8		<u>197,784.66</u>
Balance, December 31, 2013	A	\$	<u><u>194,963.11</u></u>

"A-20"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF DUE TO STATE OF NEW JERSEY - DCA

	<u>REF.</u>	
Balance, December 31, 2012	A	\$ 3,572.00
Increased by:		
Receipts	A-4	<u>14,866.00</u>
		\$ 18,438.00
Decreased by:		
Disbursements	A-4	<u>14,155.00</u>
Balance, December 31, 2013	A	<u><u>\$ 4,283.00</u></u>

"A-21"

SCHEDULE OF PREPAID LICENSES

Increased by:		
Receipts	A-4	<u>\$ 80.00</u>
Balance, December 31, 2013	A	<u><u>\$ 80.00</u></u>

BOROUGH OF WATCHUNG

GRANT FUND

SCHEDULE OF RESERVE FOR GRANTS - APPROPRIATED

	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2012</u>	<u>TRANSFERRED</u> <u>FROM 2013</u> <u>BUDGET</u>	<u>PAID OR</u> <u>CHARGED</u>	<u>CANCELED</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2013</u>
Safe and Secure Communities	\$	\$ 87,000.00	\$ 87,000.00	\$	\$
Match		100,000.00	100,000.00		
Somerset County Planning Incentive Grant and Match	32,274.30				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	8,137.28	3,924.95	6,040.55		6,021.68
S.C. Youth Athletic and Recreation Program	28,416.75		8,600.00		19,816.75
PARIS Grant	31,292.00		31,292.00		
Alcohol Education Rehabilitation Fund	2,543.72	1,477.69			4,021.41
Drunk Driving Enforcement Fund	5,245.42		924.20		4,321.22
All Hazards Emergency Oper. Planning Program	591.80				591.80
Recycling Tonnage Grant	58,004.19		11,681.93		46,322.26
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		1,999.62		0.38
Clean Communities Program	23,106.61	13,388.31	1,041.31	38.86	35,414.75
	<u>\$ 218,178.93</u>	<u>\$ 205,790.95</u>	<u>\$ 248,579.61</u>	<u>\$ 38.86</u>	<u>\$ 175,351.41</u>

REF.

A

A-10

A

Grants

A-3

\$ 113,956.12

Matching Funds for Grants

A-4

80,000.00

\$ 193,956.12

Disbursements

A-4

\$ 249,443.01

Current Year Accounts Payable

A-26

708.00

Prior Year Accounts Payable

A-26

(1,571.40)

\$ 248,579.61

"A-23"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF RESERVE FOR TAX SALE PREMIUMS

	<u>REF.</u>		
Balance, December 31, 2012	A	\$	49,810.29
Increased by:			
Receipts	A-4		<u>129,136.01</u>
		\$	<u>178,946.30</u>
Decreased by:			
Disbursements	A-4		<u>119,016.41</u>
Balance, December 31, 2013	A	\$	<u><u>59,929.89</u></u>

"A-24"

SCHEDULE OF TAX TITLE LIENS

Balance, December 31, 2012	A	\$	381.01
Increased by:			
Transferred From Taxes	A-8	\$	1,724.41
Added Liens and Interest			<u>269.81</u>
			<u>1,994.22</u>
Balance, December 31, 2013	A	\$	<u><u>2,375.23</u></u>

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF INTERFUNDS

	<u>REF.</u>	<u>TOTAL</u>	<u>GRANT FUND</u>	<u>ASSESSMENT TRUST FUND</u>	<u>ANIMAL CONTROL TRUST FUND</u>	<u>TRUST FUND</u>			
						<u>TRUST OTHER</u>	<u>OPEN SPACE</u>	<u>DEVELOPERS</u>	<u>PAYROLL</u>
Balance, December 31, 2012:									
Interfunds Receivable	A	\$ 14,078.75	\$ 14,023.20	\$	\$	46.53	\$	9.02	\$
Interfunds Payable	A	139,520.53		63,440.40	0.74		10,067.49		66,011.90
Receipts	A-4	614,426.07	20,000.00	273,358.24		22.83	321,035.98	9.02	
Disbursements	A-4	<u>485,712.53</u>	<u></u>	<u>343,616.38</u>	<u>4.86</u>	<u></u>	<u>10,067.49</u>	<u></u>	<u>132,023.80</u>
Balance, December 31, 2013:									
Interfunds Receivable	A	\$ 72,866.48		\$ 6,817.74	\$ 4.12	\$ 23.70		\$ 9.02	\$ 66,011.90
Interfunds Payable	A	<u>327,012.78</u>	<u>\$ 5,976.80</u>	<u></u>	<u></u>	<u></u>	<u>\$ 321,035.98</u>	<u></u>	<u></u>

BOROUGH OF WATCHUNG

GRANT FUND

SCHEDULE OF ACCOUNTS PAYABLE

	<u>REF.</u>	
Balance, December 31, 2012	A	\$ 1,571.40
Increased by:		
Grants Appropriated	A-22	<u>708.00</u>
		\$ 2,279.40
Decreased by:		
Transferred to Grants Appropriated	A-22	<u>1,571.40</u>
Balance, December 31, 2013	A	<u><u>\$ 708.00</u></u>

"A-27"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF DEFERRED CHARGES - CURRENT

	<u>REF.</u>	
Balance, December 31, 2012	A	\$ 359,130.00
Increased by:		
Superstorm Sandy Emergency	A-1:A-3	<u>70,000.00</u>
		\$ <u>429,130.00</u>
Decreased by:		
Raised in Budget	A-3	<u>71,826.00</u>
Balance, December 31, 2013	A	\$ <u><u>357,304.00</u></u>

"A-28"

SCHEDULE OF RESERVE FOR FEMA AID UNAPPROPRIATED

Increased by:		
Receipts	A-4	\$ <u>178,265.66</u>
Balance, December 31, 2013	A	\$ <u><u>178,265.66</u></u>

BOROUGH OF WATCHUNG

GRANT FUND

SCHEDULE OF INTERFUNDS

	<u>REF.</u>	
Balance, December 31, 2012 (Due to)	A	\$ 14,023.20
Decreased by:		
Disbursements	A-4	<u>20,000.00</u>
Balance, December 31, 2013 (Due from)	A	<u>\$ 5,976.80</u>
Analysis of Balance:		
Due Current Fund		<u>\$ 5,976.80</u>

BOROUGH OF WATCHUNG
TRUST FUND
SCHEDULE OF CASH-TREASURER

	<u>REF.</u>	<u>ASSESSMENT</u>	<u>ANIMAL CONTROL</u>	<u>OTHER</u>
Balance, December 31, 2012	B	\$ 106,054.36	\$ 6,086.21	\$ 2,374,898.26
Increased by Receipts:				
Assessment Receivable	B-3: B-8	\$ 184,497.28	\$	\$ 163,803.21
Due Current Fund	B-4: B-7: B-18	70,258.14	4.86	
Due State of New Jersey - Dog Licenses	B-22		418.80	
Animal Control Licenses	B-14		3,392.20	
Reserve for Various Trust Deposits	B-13			33,852.22
Reserve for COAH Deposits	B-12			84,654.67
Reserve for Police Outside Overtime	B-15			540,061.15
Reserve for Open Space Trust Deposits	B-10			321,538.43
Reserve for State Unemployment Insurance	B-11			20,737.23
Reserve for Recreation Deposits	B-19			19,544.86
Reserve for Law Enforcement Trust Fund	B-20			2,179.70
Reserve for Developers Deposits	B-21			101,533.23
Reserve for Payroll Deductions	B-5			6,618,009.35
Due General Capital Fund	B-6			249,500.00
		<u>254,755.42</u>	<u>3,815.86</u>	<u>8,155,414.05</u>
		\$ 360,809.78	\$ 9,902.07	\$ 10,530,312.31
Decreased by Disbursements:				
Due Current Fund	B-4: B-18	\$	\$	\$ 342,779.75
Assessment Loans - Trust Loan	B-8: B-23	25,000.00		
Assessment Loans - Fund Loan	B-8: B-24	23,065.11		
Due State of New Jersey - Dog Licenses	B-22		426.60	
Reserve for Animal Control Expenditures	B-14		3,034.00	
Reserve for Various Trust Deposits	B-13			131,191.44
Reserve for COAH Deposits	B-12			26,540.00
Reserve for Police Outside Overtime	B-15			532,698.13
Reserve for Open Space Trust Deposits	B-10			490,009.06
Reserve for Recreation Deposits	B-19			31,457.97
Reserve for Law Enforcement Trust Fund	B-20			1,985.95
Reserve for Developers Deposits	B-21			41,851.63
Reserve for Payroll Deductions	B-5			6,645,033.63
		<u>48,065.11</u>	<u>3,460.60</u>	<u>8,243,547.56</u>
Balance, December 31, 2013	B	\$ <u>312,744.67</u>	\$ <u>6,441.47</u>	\$ <u>2,286,764.75</u>

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, 2012</u>	<u>COLLECTED</u>	<u>BALANCE DECEMBER 31, 2013</u>	<u>BALANCE PLEDGED TO</u>		
								<u>RESERVE</u>	<u>CAPITAL</u>	<u>LOANS</u>
88-20 & 96-11	Construction of Sanitary Sewer - Various Roads	06/28/01	10	06/28/06-11	\$ 47,049.51	\$ 1,949.12	\$ 45,100.39	\$	\$ 45,100.39	\$
08-05	Sanitary Sewer Extension Valley Road	08/18/11	20	10/18/11-32	81,995.75	3,595.25	78,400.50		78,400.50	
06-29	Skyline/Johnston Sanitary Sewer System	01/13/11	20	03/14/11-32	490,674.85	78,870.01	411,804.84		411,804.84	
97-02	Construction of Sanitary Sewer and P.W. Improv.	11/08/01	10	11/08/06-11	6,403.57	2,561.42	3,842.15		3,842.15	
99-12,99-13,99-14	Installation of Sanitary Sewer and Public Water	09/14/06	20	11/14/07-26	474,433.37	57,058.09	417,375.28		145,386.09	271,989.19
96-16	Brook Drive and Will Lane Roadway Improvements	06/28/07	10	07/01/07-16	1,478.28	328.56	1,149.72		1,149.72	
2008-2	Belgian Block Curbing - Beechwood Place	05/28/09	20	05/28/09-29	11,005.91	1,326.56	9,679.35	9,679.35		
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	<u>674,856.06</u>	<u>38,808.27</u>	<u>636,047.79</u>		<u>636,047.79</u>	
					<u>\$ 1,787,897.30</u>	<u>\$ 184,497.28</u>	<u>\$ 1,603,400.02</u>	<u>\$ 9,679.35</u>	<u>\$ 1,321,731.48</u>	<u>\$ 271,989.19</u>

REF.

B

B-2

B

"B-4"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF DUE CURRENT FUND

ASSESSMENT TRUST FUND

REF.

Balance, December 31, 2012 (Due From)	B	\$	63,440.40
Decreased by:			
Receipts	B-2		<u>70,258.14</u>
Balance, December 31, 2013 (Due To)	B	\$	<u><u>6,817.74</u></u>

"B-5"

SCHEDULE OF RESERVE FOR PAYROLL DEDUCTIONS

Balance, December 31, 2012	B	\$	38,856.70
Increased by:			
Receipts	B-2		<u>6,618,009.35</u>
		\$	<u>6,656,866.05</u>
Decreased by:			
Disbursements	B-2		<u>6,645,033.63</u>
Balance, December 31, 2013	B	\$	<u><u>11,832.42</u></u>

"B-6"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF DUE GENERAL CAPITAL FUND

	<u>REF.</u>	
Increased by:		
Receipts	B-2	\$ <u>249,500.00</u>
Balance, December 31, 2013 (Due To)	B	\$ <u><u>249,500.00</u></u>

"B-7"

SCHEDULE OF DUE CURRENT FUND
ANIMAL CONTROL TRUST FUND

Balance, December 31, 2012 (Due From)	B	\$ 0.74
Decreased by:		
Receipts	B-2	<u>4.86</u>
Balance, December 31, 2013 (Due To)	B	\$ <u><u>4.12</u></u>

"B-8"

BOROUGH OF WATCHUNG

TRUST FUND

ANALYSIS OF ASSESSMENTS CASH

FOR THE YEAR ENDED DECEMBER 31, 2013

ASSESSMENT TRUST FUND

	BALANCE DECEMBER 31, 2012	RECEIPTS			BALANCE DECEMBER 31, 2013
		ASSESSMENTS RECEIVABLE	MISCELLANEOUS	DISBURSEMENTS	
Due General Capital Fund	\$ 122,417.03	\$ 183,170.72	\$	\$ 48,065.11	\$ 257,522.64
Due Current Fund	(63,440.40)		70,258.14		6,817.74
Assessment Trust Surplus	47,077.73	1,326.56			48,404.29
	<u>\$ 106,054.36</u>	<u>\$ 184,497.28</u>	<u>\$ 70,258.14</u>	<u>\$ 48,065.11</u>	<u>\$ 312,744.67</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

REF.

Balance, December 31, 2012	B		\$	68,572.73
Increased by:				
Recreation	B-19	\$	839.20	
Various Trust Deposits	B-13		<u>3,386.48</u>	
				4,225.68
			\$	<u>72,798.41</u>
Decreased by:				
Various Trust Deposits	B-13	\$	52,927.63	
COAH	B-12		15,099.30	
Law Enforcement Trust Fund	B-20		505.95	
Recreation	B-19		<u>39.85</u>	
				<u>68,572.73</u>
Balance, December 31, 2013	B		\$	<u><u>4,225.68</u></u>

"B-10"

SCHEDULE OF RESERVE FOR OPEN SPACE DEPOSITS

OTHER TRUST FUND

Balance, December 31, 2012	B		\$	510,741.53
Increased by:				
Levy and Added		\$	321,035.98	
Interest			<u>502.45</u>	
	B-2			321,538.43
			\$	<u>832,279.96</u>
Decreased by:				
Disbursements - Current Anticipated Revenue	B-2			<u>490,009.06</u>
Balance, December 31, 2013	B		\$	<u><u>342,270.90</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

REF.

Balance, December 31, 2012	B		\$	99,365.92
Increased by:				
Deposits		\$	20,660.92	
Interest				76.31
	B-2			<u>20,737.23</u>
Balance, December 31, 2013	B		\$	<u>120,103.15</u>

"B-12"

SCHEDULE OF RESERVE FOR COAH DEPOSITS
OTHER TRUST FUND

Balance, December 31, 2012	B		\$	677,618.19
Increased by:				
Receipts	B-2	\$	84,654.67	
Transfer Prior Year Accounts Payable	B-9			<u>15,099.30</u>
				<u>99,753.97</u>
			\$	<u>777,372.16</u>
Decreased by:				
Disbursements	B-2			<u>26,540.00</u>
Balance, December 31, 2013	B		\$	<u>750,832.16</u>

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR MISCELLANEOUS TRUST DEPOSITS

OTHER TRUST FUND

	BALANCE DECEMBER <u>31, 2012</u>	<u>INCREASED</u>	<u>DECREASED</u>	BALANCE DECEMBER <u>31, 2013</u>
Donations and Gifts	\$ 36,896.22	\$ 820.00	\$ 11,358.65	\$ 26,357.57
Tax Premiums	7,200.00			7,200.00
POAA	967.95	8.00		975.95
Due State of NJ - Marriage Licenses	100.00	801.00	901.00	
Fire Safety Penalties	38,576.68	11,750.00	4,777.08	45,549.60
Fire Department Penalties	6,634.92	1,750.00	8,384.92	
Sidewalk Fund	10,465.00	8,520.00		18,985.00
Public Defender	12,237.92	5,620.50	5,775.00	12,083.42
Tree Fund	8,843.03			8,843.03
Ness Property Clean-Up	329,943.55	53,242.49	19,570.02	363,616.02
Accumulated Sick and Vacation	83,811.25	4,267.86	83,811.25	4,267.86
	<u>\$ 535,676.52</u>	<u>\$ 86,779.85</u>	<u>\$ 134,577.92</u>	<u>\$ 487,878.45</u>

	<u>REF.</u>	B	B
Receipts	B-2	\$ 33,852.22	
Accounts Payable	B-9	<u>52,927.63</u>	
		<u>\$ 86,779.85</u>	
Disbursements	B-2		\$ 131,191.44
Accounts Payable	B-9		<u>3,386.48</u>
			<u>\$ 134,577.92</u>

"B-14"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR ANIMAL CONTROL EXPENDITURES
ANIMAL CONTROL TRUST FUND

	<u>REF.</u>		
Balance, December 31, 2012	B	\$	6,079.15
Increased by:			
Dog License Fees		\$	3,067.20
Cat License Fees			44.00
Late/Replacement Fees			281.00
	B-2		<u>3,392.20</u>
		\$	<u>9,471.35</u>
Decreased by:			
Disbursements Under R.S. 4:19-15.11	B-2		<u>3,034.00</u>
Balance, December 31, 2013	B	\$	<u><u>6,437.35</u></u>

LICENSE FEES COLLECTED

<u>YEAR</u>		<u>AMOUNT</u>
2011	\$	3,414.80
2012		<u>3,354.40</u>
	\$	<u><u>6,769.20</u></u>

"B-15"

SCHEDULE OF RESERVE FOR POLICE OUTSIDE OVERTIME
OTHER TRUST FUND

Balance, December 31, 2012	B	\$	23,860.07
Increased by:			
Receipts	B-2		<u>540,061.15</u>
		\$	<u>563,921.22</u>
Decreased by:			
Disbursements	B-2		<u>532,698.13</u>
Balance, December 31, 2013	B	\$	<u><u>31,223.09</u></u>

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR ASSESSMENTS

	<u>REF.</u>		
Balance, December 31, 2012	B	\$	11,005.91
Decreased by:			
Collections	B-1		<u>1,326.56</u>
Balance, December 31, 2013	B	\$	<u><u>9,679.35</u></u>

"B-17"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF DUE GENERAL CAPITAL FUND - ASSESSMENT TRUST FUND

REF.

Balance, December 31, 2012 and December 31, 2013 (Due to)	B	\$ <u>1,579,254.12</u>
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"B-18"

SCHEDULE OF DUE CURRENT FUND - OTHER TRUST FUND

Balance, December 31, 2012 (Due from, Net)	B	\$ 76,023.84
Increased by:		
Disbursement	B-2	<u>342,779.75</u>
		\$ 418,803.59
Decreased by:		
Receipts	B-2	<u>163,803.21</u>
Balance, December 31, 2013 (Due from, Net)		\$ <u>255,000.38</u>

Analysis of Balance:

Due from:		
Open Space		\$ <u>321,035.98</u>
	B	\$ <u>321,035.98</u>
Due to:		
Payroll		\$ (66,011.90)
Other Trust		<u>(23.70)</u>
	B	\$ <u>(66,035.60)</u>
Total (Net)		\$ <u>255,000.38</u>

"B-19"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR RECREATION DEPOSITS
OTHER TRUST FUND

	<u>REF.</u>		
Balance, December 31, 2012	B	\$	33,561.30
Increased by:			
Receipts	B-2	\$	19,544.86
Transferred From Accounts Payable	B-9		<u>39.85</u>
			<u>19,584.71</u>
		\$	<u>53,146.01</u>
Decreased by:			
Disbursements	B-2	\$	31,457.97
Accounts Payable	B-9		<u>839.20</u>
			<u>32,297.17</u>
Balance, December 31, 2013	B	\$	<u><u>20,848.84</u></u>

"B-20"

SCHEDULE OF RESERVE FOR LAW ENFORCEMENT TRUST FUND
OTHER TRUST FUND

Balance, December 31, 2012	B	\$	3,323.16
Increased by:			
Receipts	B-2	\$	2,179.70
Transfer from Accounts Payable	B-9		<u>505.95</u>
			<u>2,685.65</u>
		\$	<u>6,008.81</u>
Decreased by:			
Disbursements	B-2		<u>1,985.95</u>
Balance, December 31, 2013	B	\$	<u><u>4,022.86</u></u>

"B-21"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR DEVELOPERS' DEPOSITS
OTHER TRUST FUND

	<u>REF.</u>	
Balance, December 31, 2012	B	\$ 459,345.68
Increased by:		
Receipts	B-2	<u>101,533.23</u>
		\$ 560,878.91
Decreased by:		
Disbursements	B-2	<u>41,851.63</u>
Balance, December 31, 2013	B	<u><u>\$ 519,027.28</u></u>

"B-22"

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

Balance December 31, 2012	B	\$ 7.80
Increased by:		
Receipts	B-2	<u>418.80</u>
		\$ <u>426.60</u>
Decreased by:		
Disbursements	B-2	<u><u>\$ 426.60</u></u>

BOROUGH OF WATCHUNG
GENERAL CAPITAL FUND
SCHEDULE OF CASH - TREASURER

	<u>REF.</u>		
Balance, December 31, 2012	C		\$ 602,503.92
Increased by Receipts:			
Deferred Charges to Future Taxation - Unfunded	C-5	\$ 901,000.00	
Aid on Fully Funded Ordinances	C-1	9,752.88	
Reserve for Capital Projects	C-6	117,942.00	
State Aid Receivable	C-16	212,144.78	
Bond Anticipation Notes Payable	C-17	4,381,200.00	
Capital Improvement Fund	C-8	100,000.00	
Refunds	C-10	37,792.00	
Reserve for Debt Service	C-6	<u>1,033,428.56</u>	
			<u>6,793,260.22</u>
			\$ <u>7,395,764.14</u>
Decreased by Disbursements:			
Contracts Payable	C-7	\$ 1,349,939.11	
Surplus Appropriated in Current Fund	C-1	400,000.00	
Reserve Utilized by Current Fund Budget	C-6	785,700.00	
Due Trust Fund (Open Space)	C-19	249,500.00	
Bond Anticipation Notes Payable	C-17	<u>5,000,000.00</u>	
			<u>7,785,139.11</u>
Balance, December 31, 2013	C		\$ <u><u>(389,374.97)</u></u>

"C-3"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

ANALYSIS OF CASH

	<u>REF.</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2013</u>
Fund Balance		\$ 240,813.50
Capital Improvement Fund		98,791.72
Improvement Authorizations-Funded		1,407,687.63
Unfunded Improvements Expended - Listed on "C-5"		(2,735,760.47)
Contracts Payable		1,475,157.67
Unexpended Proceeds of Bond Anticipation Notes - Listed on "C-5"		26,215.52
Reserve for Grant Receivable		50,000.00
Reserve for Debt Service		282,928.56
Reserve for Capital Projects		27,942.00
Cash on Hand to Pay Notes - Listed on "C-5"		823,458.24
Interfunds		(1,828,754.12)
State Aid Receivable		(257,855.22)
	C	<u>\$ (389,374.97)</u>

"C-4"

SCHEDULE OF DEFERRED CHARGES TO
FUTURE TAXATION - FUNDED

Balance, December 31, 2012	C		\$ 15,749,535.72
Decreased by:			
Appropriation to Pay Bonds	C-11	\$ 1,100,000.00	
Appropriation to Pay Loans:			
Environmental Infrastructure Trust	C-12	35,000.00	
Environmental Infrastructure Fund	C-13	33,236.75	
Economic Development Authority	C-14	11,939.57	
Green Trust	C-15	61,186.21	
		<u>61,186.21</u>	<u>1,241,362.53</u>
Balance, December 31, 2013	C		<u>\$ 14,508,173.19</u>

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

ORDINANCE NUMBER	IMPROVEMENT DESCRIPTION	BALANCE DECEMBER 31, 2012	2013		BALANCE DECEMBER 31, 2013	ANALYSIS OF BALANCE DECEMBER 31, 2013		
			AUTHORIZATIONS	RECEIPTS		BOND ANTICIPATION NOTES	EXPENDITURES	UNEXPENDED IMPROVEMENT AUTHORIZATIONS
03-03/06-27	Sewer Improvements - Various Roads	\$ 489,710.16	\$	\$ 6,500.00	\$ 483,210.16	\$ 450,000.00	\$ 33,210.16	\$
03-04/06-03/06-04	Water Improvements - Various Roads	12,048.29		2,537.89	9,510.40		9,510.40	
05-10	Acquisition of Real Property for Open Space	747,962.11		747,962.11				
06-29	Skyline and Johnston Sewer Improvements	755,718.56			736,730.56	736,730.56		
07-19	Various Road and Drainage Improvements	522,500.00		27,500.00	495,000.00	495,000.00		
08-05	Valley Road Sewer Extension Project	109,410.10			109,410.10		109,410.10	
08-16	Road Improvement Program	650,823.20		42,579.00	608,244.20	608,244.20		
08-24	Reconstruction of Stanie Glen and Anderson Roads	452,488.90		19,658.00	432,830.90	417,042.00	15,788.90	
09-02	Reconstruction of Bayberry Lane and Johnston Drive	803,758.13		35,275.00	768,483.13	631,725.00	100,116.94	36,641.19
09-13	Various Public Improvements	241,775.00			241,775.00		181,775.00	60,000.00
09-16	Purchase of Radio Equipment	28,500.00			28,500.00		28,500.00	
09-17	Purchase of Pickup Truck	47,500.00			47,500.00		47,500.00	
11-11	Fire Department Equipment	47,144.00			47,144.00		47,144.00	
11-15/12-02	Engineering and Design - Sewer Improvements	96,900.00			96,900.00		96,900.00	
11-16	Mason Dump Truck with Attachments	69,500.00			69,500.00		69,500.00	
12-09	Road and Drainage Improvement Program	219,000.00			219,000.00	219,000.00		
12-10	Acquisition of Dump Truck	166,250.00			166,250.00		158,225.88	8,024.12
12-11	Stormwater Drainage Improvements	623,800.00			623,800.00		367,366.45	256,433.55
12-13	CAD and RMS Systems	52,250.00			52,250.00		52,250.00	
13-04 local	Sewer Extensions Johnston/Valley Const Phase		1,173,000.00		1,173,000.00		952,459.61	220,540.39
13-07	Mason Dump Truck w/Plow		79,800.00		79,800.00		76,808.88	2,991.12
13-11	Police and Fire Equipment		59,375.00		59,375.00		36,518.93	22,856.07
13-12	Acquisition and Installation of Generators		356,250.00		356,250.00		352,775.22	3,474.78
13-23 (a)	Improvements to Cedar and Lakeview		693,000.00		693,000.00			693,000.00
13-23 (b) (local)	Improvements to Cedar and Lakeview		162,000.00		162,000.00			162,000.00
		<u>\$ 6,137,038.45</u>	<u>\$ 2,523,425.00</u>	<u>\$ 901,000.00</u>	<u>\$ 7,759,463.45</u>	<u>\$ 3,557,741.76</u>	<u>\$ 2,735,760.47</u>	<u>\$ 1,465,961.22</u>
		REF.	C	C-10	C-2	C	C-3	
	Bond Anticipation Notes Payable	C-17				\$ 4,381,200.00		
	Less: Cash on Hand to Pay Notes	C-3				(823,458.24)		
						<u>\$ 3,557,741.76</u>		
	Improvement Authorizations Unfunded	C-10						\$ 1,492,176.74
	Less: Unexpended Proceeds of Bond Anticipation Notes	C-3						(26,215.52)
								<u>\$ 1,465,961.22</u>

"C-6"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF RESERVE FOR DEBT SERVICE

	<u>REF.</u>		
Balance, December 31, 2012	C	\$	35,200.00
Increased by:			
Receipts-Premium on B.A.N.		\$	33,428.56
County Open Space Aid			<u>1,000,000.00</u>
	C-2		1,033,428.56
		\$	<u>1,068,628.56</u>
Decreased by:			
Disbursements-Utilized as Current Fund Revenue	C-2		<u>785,700.00</u>
Balance, December 31, 2013	C	\$	<u><u>282,928.56</u></u>

"C-7"

SCHEDULE OF CONTRACTS PAYABLE

Balance, December 31, 2012	C	\$	254,721.59
Increased by:			
Improvement Authorizations	C-10		<u>2,570,375.19</u>
		\$	<u>2,825,096.78</u>
Decreased by:			
Disbursements	C-2		<u>1,349,939.11</u>
Balance, December 31, 2013	C	\$	<u><u>1,475,157.67</u></u>

"C-8"

BOROUGH OF WATCHUNG
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>REF.</u>		
Balance, December 31, 2012	C	\$	24,866.72
Increased by:			
2013 Appropriations	C-2		<u>100,000.00</u>
		\$	<u>124,866.72</u>
Decreased by:			
Appropriated to Finance Improvement Authorizations	C-10		<u>26,075.00</u>
Balance, December 31, 2013	C	\$	<u><u>98,791.72</u></u>

"C-9"

SCHEDULE OF DUE ASSESSMENT TRUST FUND

Balance December 31, 2012 (Due From) and December 31, 2013 (Due From)	C	\$	<u><u>1,579,254.12</u></u>
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BOROUGH OF WATCHUNG
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

ORDINANCE NUMBER	IMPROVEMENT AUTHORIZATIONS	ORDINANCE DATE	AMOUNT	BALANCE DECEMBER 31, 2012		NEW AUTHORIZATIONS	REFUNDS	EXPENDITURES	BALANCE DECEMBER 31, 2013	
				FUNDED	UNFUNDED				FUNDED	UNFUNDED
01-10 and 02-29	Various Capital Improvements	04/26/01	\$ 5,329,750.00	\$ 1,188,131.52	\$	\$	\$ 37,792.00	\$ 348,892.88	\$ 877,030.64	\$
04-10	Various Public Improvements	08/12/04	878,500.00	27,730.31				3,340.31	24,390.00	
05-13	Acquisition of Fire Truck	09/22/05	50,000.00	50,000.00					50,000.00	
06-16	Various Equipment and Improvements	06/22/06	116,500.00	49,860.26					49,860.26	
06-17	Various Improvements	06/22/06	1,183,000.00	3,526.02				3,526.02		
06-26/07-24	Various Public Improvements	09/28/06	1,385,000.00	8,006.88				7,920.45	86.43	
07-16	Various Equipment and Improvements	08/16/07		60,000.00					60,000.00	
08-16	Road Improvement Program	07/24/08	850,000.00		6,596.54			346.54		6,250.00
08-18	Acquisition of Fire and Recreation Equipment	08/14/08	75,500.00	60,000.00					60,000.00	
09-02	Reconstruction of Bayberry Lane and Johnston Drive	02/26/09	1,590,000.00		153,046.79			116,405.60		36,641.19
09-13	Various Public Improvements	08/20/09	254,500.00		60,000.00					60,000.00
09-17	Purchase of Pickup Truck	09/24/09	50,000.00		450.42			450.42		
11-11	Fire Department Equipment	06/23/11	49,625.00		6,344.62			6,344.62		
12-05	Affordable Housing Services	05/10/12	70,000.00	64,181.13				18.00	64,163.13	
12-09	Road and Drainage Improvement Program	07/19/12	430,000.00		93,960.93			73,995.41		19,965.52
12-10	Acquisition of Dump Truck	08/16/12	175,000.00		85,219.70			77,195.58		8,024.12
12-11	Stormwater Drainage Improvements	10/11/12	655,000.00	31,200.00	623,800.00			398,566.45		256,433.55
12-13	CAD and RMS Systems	11/08/12	55,000.00		892.44			892.44		
13-04 local	Sewer Extensions Johnston/Valley Const Phase	04/25/13	1,173,000.00			1,173,000.00		952,459.61		220,540.39
13-07	Mason Dump Truck w/Plow	06/13/13	84,000.00			84,000.00		81,008.88		2,991.12
13-09	Acquisition and Installation of Radio Equipment	07/18/13	90,000.00			90,000.00		80,542.83	9,457.17	
13-11	Police and Fire Equipment	09/12/13	62,500.00			62,500.00		39,643.93		22,856.07
13-12	Acquisition and Installation of Generators	09/26/13	375,000.00			375,000.00		371,525.22		3,474.78
13-23 (a)	Improvements to Cedar and Lakeview	12/12/13	913,000.00			913,000.00		7,300.00	212,700.00	693,000.00
13-23 (b) (local)	Improvements to Cedar and Lakeview	12/12/13	162,000.00			162,000.00				162,000.00
				<u>\$ 1,542,636.12</u>	<u>\$ 1,030,311.44</u>	<u>\$ 2,859,500.00</u>	<u>\$ 37,792.00</u>	<u>\$ 2,570,375.19</u>	<u>\$ 1,407,687.63</u>	<u>\$ 1,492,176.74</u>
				REF.	C	C	C-2	C-7	C	C:C-5
Bonds and Notes				C-5		\$ 2,523,425.00				
Capital Improvement Fund				C-8		26,075.00				
Reserve for Capital Projects				C-20		90,000.00				
Grants				C-16		220,000.00				
						<u>\$ 2,859,500.00</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 DECEMBER 31, 2013</u>		<u>INTEREST RATE</u>	<u>BALANCE DECEMBER 31, 2012</u>	<u>PAID IN 2013</u>	<u>BALANCE DECEMBER 31, 2013</u>
			<u>DATE</u>	<u>AMOUNT</u>				
General Improvement	05/01/99	\$ 8,141,000.00	05/01/14	\$ 541,000.00	4.400%	\$ 1,141,000.00	\$ 600,000.00	\$ 541,000.00
General Improvement	08/15/07	15,609,000.00	08/15/14	535,000.00	4.250%	<u>13,234,000.00</u>	<u>500,000.00</u>	<u>12,734,000.00</u>
			08/15/15-17	900,000.00	4.250%			
			08/15/18	950,000.00	4.250%			
			08/15/19-26	950,000.00	4.375%			
			08/15/27	949,000.00	4.375%			
						<u>\$ 14,375,000.00</u>	<u>\$ 1,100,000.00</u>	<u>\$ 13,275,000.00</u>
<u>REF.</u>						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

<u>PURPOSE</u>	<u>DATE OF ISSUE</u>	<u>ORIGINAL ISSUE</u>	<u>PRINCIPAL REQUIREMENTS OF LOAN OUTSTANDING DECEMBER 31, 2013</u>		<u>INTEREST RATE</u>	<u>BALANCE DECEMBER 31, 2012</u>	<u>PAID IN 2013</u>	<u>BALANCE DECEMBER 31, 2013</u>
			<u>DATE</u>	<u>AMOUNT</u>				
NJ Environmental Infrastructure Trust 2000	11/09/00	\$ 915,000.00	08/01/14	\$ 25,000.00	5.00%	\$ 245,000.00	\$ 25,000.00	\$ 220,000.00
			08/01/15	25,000.00	5.13%			
			08/01/16	30,000.00	5.13%			
			08/01/17	30,000.00	5.25%			
			08/01/18-19	35,000.00	5.25%			
			08/01/20	40,000.00	5.25%			
NJ Environmental Infrastructure Trust 2001B	11/08/01	230,000.00	08/01/14-21	15,000.00	5.00%	<u>130,000.00</u>	<u>10,000.00</u>	<u>120,000.00</u>
						<u>\$ 375,000.00</u>	<u>\$ 35,000.00</u>	<u>\$ 340,000.00</u>
				<u>REF.</u>	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 DECEMBER 31, 2013</u>		<u>BALANCE DECEMBER 31, 2012</u>	<u>PAID IN 2013</u>	<u>BALANCE DECEMBER 31, 2013</u>
			<u>DATE</u>	<u>AMOUNT</u>			
NJ Environmental Infrastructure Trust 2000	11/09/00	\$ 872,646.00	08/01/14	22,132.82	\$ 75,026.42	\$ 22,892.49	\$ 52,133.93
			08/01/15	21,373.16			
			08/01/16	8,627.95			
NJ Environmental Infrastructure Trust 2001B	11/08/01	226,237.00	08/01/14	13,129.25	<u>102,010.45</u>	<u>10,344.26</u>	<u>91,666.19</u>
			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			
				<u>\$ 177,036.87</u>	<u>\$ 33,236.75</u>	<u>\$ 143,800.12</u>	
			<u>REF.</u>	<u>C</u>	<u>C-4</u>	<u>C</u>	

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF STATE OF NEW JERSEY LOAN PAYABLE - ECONOMIC DEVELOPMENT AUTHORITY

<u>PURPOSE</u>	<u>ORIGINAL ISSUE</u>	<u>PRINCIPAL REQUIREMENTS OF LOAN OUTSTANDING DECEMBER 31, 2013</u>		<u>BALANCE DECEMBER 31, 2012</u>	<u>PAID IN 2013</u>
		<u>DATE</u>	<u>AMOUNT</u>		
New Public Works Facility	\$ 143,275.00	---	---	\$ <u>11,939.57</u>	\$ <u>11,939.57</u>
				\$ <u>11,939.57</u>	\$ <u>11,939.57</u>
			<u>REF.</u>	C	C-4

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>PRINCIPAL REQUIREMENTS OF LOAN OUTSTANDING DECEMBER 31, 2013</u>		<u>BALANCE DECEMBER 31, 2012</u>	<u>PAID IN 2013</u>	<u>BALANCE DECEMBER 31, 2013</u>
		<u>DATE</u>	<u>AMOUNT</u>			
Watchung Lake Development	\$ 425,903.00	08/01/14	\$ 27,986.00	\$ 157,876.14	\$ 27,434.57	\$ 130,441.57
		08/01/15	28,548.52			
		08/01/16	29,122.35			
		08/01/17	29,707.70			
		08/01/18	15,077.00			
Best Lake Dam Restoration	750,000.00	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					
			652,683.14		33,751.64	618,931.50
			<u>\$ 810,559.28</u>	<u>\$ 61,186.21</u>	<u>\$ 749,373.07</u>	
		<u>REF.</u>	<u>C</u>	<u>C-4</u>	<u>C</u>	

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF STATE AID RECEIVABLE

	<u>REF.</u>	
Balance, December 31, 2012	C	\$ 250,000.00
Increased by:		
New Ordinance Funding	C-10	220,000.00
		<u>\$ 470,000.00</u>
Decreased by:		
Receipts	C-2	<u>212,144.78</u>
Balance, December 31, 2013	C	<u>\$ 257,855.22</u>

Analysis of Balance:

DOT - Ordinance 2008-16	\$ 50,000.00
DOT - Ordinance 2012-09	152,855.22
DOT - Ordinance 2013-23	<u>55,000.00</u>
	<u>\$ 257,855.22</u>

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

<u>ORDINANCE</u>	<u>ORIGINAL DATE OF ISSUE</u>	<u>DATE OF ISSUE</u>	<u>DATE OF MATURITY</u>	<u>INTEREST RATE</u>	<u>BALANCE DECEMBER 31, 2012</u>	<u>INCREASED</u>	<u>DECREASED</u>	<u>BALANCE DECEMBER 31, 2013</u>
Ord 03-03/06-27	03/01/11	02/29/12	02/28/13	1.25%	\$ 456,500.00	\$	\$ 456,500.00	\$
Ord 03-03/06-27	03/01/11	02/28/13	02/28/14	1.25%		450,000.00		450,000.00
Ord 05-10	03/01/11	02/29/12	02/28/13	1.25%	750,500.00		750,500.00	
Ord 05-10	03/01/11	02/28/13	02/28/14	1.25%				
Ord 06-29	03/01/11	02/29/12	02/28/13	1.25%	1,421,000.00		1,421,000.00	
Ord 06-29	03/01/11	02/28/13	02/28/14	1.25%		1,402,012.00		1,402,012.00
Ord 07-19	03/01/11	02/29/12	02/28/13	1.25%	522,500.00		522,500.00	
Ord 07-19	03/01/11	02/28/13	02/28/14	1.25%		495,000.00		495,000.00
Ord 08-16	03/01/11	02/29/12	02/28/13	1.25%	809,000.00		809,000.00	
Ord 08-16	03/01/11	02/28/13	02/28/14	1.25%		766,421.00		766,421.00
Ord 08-24	03/01/11	02/29/12	02/28/13	1.25%	373,500.00		373,500.00	
Ord 08-24	03/01/11	02/28/13	02/28/14	1.25%		417,042.00		417,042.00
Ord 09-02	03/01/11	02/29/12	02/28/13	1.25%	667,000.00		667,000.00	
Ord 09-02	03/01/11	02/28/13	02/28/14	1.25%		631,725.00		631,725.00
Ord 12-09	02/28/13	02/28/13	02/28/14	1.25%		219,000.00		219,000.00
					<u>\$ 5,000,000.00</u>	<u>\$ 4,381,200.00</u>	<u>\$ 5,000,000.00</u>	<u>\$ 4,381,200.00</u>
			<u>REF.</u>		<u>C</u>	<u>C-2</u>	<u>C-2</u>	<u>C:C5</u>

"C-18"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF RESERVE FOR GRANT RECEIVABLE

REF.

Balance, December 31, 2012
and December 31, 2013

C

\$ 50,000.00

"C-19"

SCHEDULE OF DUE TRUST FUND (OPEN SPACE)

Increased by:

Disbursements

C-2

\$ 249,500.00

Balance, December 31, 2013 (Due From)

C

\$ 249,500.00

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF RESERVE FOR CAPITAL PROJECTS

	<u>REF.</u>	
Increased by:		
Receipts	C-2	\$ 117,942.00
Decreased by:		
Appropriated to Finance New Authorizations	C-10	<u>90,000.00</u>
Balance, December 31, 2013	C	<u>\$ 27,942.00</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, 2013</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		9,510.40
08-05	Valley Road Sewer Extension Project		109,410.10
08-24	Reconstruction of Stanie Glen and Anderson Roads		15,788.90
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
12-10	Acquisition of Dump Truck		166,250.00
12-11	Stormwater Drainage Improvements		623,800.00
12-13	CAD and RMS Systems		52,250.00
13-04	Sewer Extensions Johnston/Valley Construction Phase (Local)		1,173,000.00
13-07	Mason Dump Truck w/ Plow		79,800.00
13-11	Police and Fire Equipment		59,375.00
13-12	Acquisition and Installation of Generators		356,250.00
13-23	Improvements to Cedar and Lakeview		855,000.00
			<hr/>
		\$	<u>4,201,721.69</u>

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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

**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, 2013, and the related notes to the financial statements, which collectively comprise the Borough's regulatory financial statements, and have issued our report thereon dated August 28, 2014. 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. 439

August 28, 2014

BOROUGH OF WATCHUNG

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2013

<u>FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL C.F.D.A. NUMBER</u>	<u>PASS THROUGH GRANTORS NUMBER</u>	<u>GRANT AWARD AMOUNT</u>	<u>GRANT PERIOD</u>		<u>2013 RECEIPTS</u>	<u>2013 EXPENDITURES</u>	<u>CUMULATIVE EXPENDITURES DECEMBER 31, 2013</u>
				<u>FROM</u>	<u>TO</u>			
<u>U.S. Department of Homeland Security</u>								
Pass Through from State of New Jersey								
Disaster Assistance	97.036	PA-02-NJ-4086-PW-02182	\$ 81,832.85	10/30/12	4/30/13	\$ 34,097.02	\$ 81,832.85	\$ 81,832.85
Disaster Assistance	97.036	PA-02-NJ-4086-PW-02246	2,250.00	10/30/12	4/30/13	2,250.00	2,250.00	2,250.00
Disaster Assistance	97.036	PA-02-NJ-4086-PW-02427	17,297.10	10/30/12	4/30/13	17,297.10	17,297.10	17,297.10
Disaster Assistance	97.036	PA-02-NJ-4086-PW-02555	471,474.10	10/30/12	4/30/13	196,447.54	261,282.80	261,282.80
Disaster Assistance	97.036	PA-02-NJ-4086-PW-03697	102,606.66	10/30/12	4/30/13		102,606.66	102,606.66
<u>TOTAL</u>						\$ 250,091.66	\$ 465,269.41	\$ 465,269.41

BOROUGH OF WATCHUNG

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2013

<u>STATE GRANTOR DEPARTMENT/PROGRAM TITLE</u>	<u>STATE ACCOUNT NUMBER</u>	<u>GRANT AWARD AMOUNT</u>	<u>2013 RECEIPTS</u>	<u>2013 EXPENDITURES</u>	<u>CUMULATIVE EXPENDITURES DECEMBER 31, 2013</u>
<u>DEPARTMENT OF LAW AND PUBLIC SAFETY</u>					
Drunk Driving Enforcement Fund - Prior Year(s)	1110-100-066-1110-YYYY	\$ 9,591.05	\$	\$ 924.20	\$ 5,269.83
Alcohol Education Rehabilitation Fund - Prior Year(s)	9735-760-098-Y900-001-X100-6020	6,743.75			4,200.00
Alcohol Education Rehabilitation Fund	9735-760-098-Y900-001-X100-6020	1,477.69			
			\$ 1,477.69	\$ 924.20	\$ 9,469.83
<u>NJ DIVISION OF CRIMINAL JUSTICE</u>					
Safe and Secure Communities - Prior Year(s)	1020-100-066-1020-232-YCJS-6120	60,000.00	\$ 33,000.00	\$	\$ 60,000.00
Safe and Secure Communities	1020-100-066-1020-232-YCJS-6120	87,000.00		87,000.00	87,000.00
Body Armor Replacement Fund - Prior Year(s)	1020-718-066-1020-001-YCJS-6120	8,963.40		6,040.55	6,866.67
Body Armor Replacement Fund	1020-718-066-1020-001-YCJS-6120	3,924.95			
			\$ 3,924.95	\$ 93,040.55	\$ 153,866.67
<u>DEPARTMENT OF ENVIRONMENTAL PROTECTION</u>					
Clean Communities Grant - Prior Year(s)	4900-765-042-4900-004-V42Y-6020	35,056.86	\$	\$ 1,041.31	\$ 13,030.42
Clean Communities Grant - Prior Year(s)	4900-765-042-4900-004-V42Y-6020	13,388.31	13,388.31		
Green Communities - Prior Year(s)	4870-100-042-4870-074-V42F-6120	2,000.00			
Recycling Tonnage Grant - Unappropriated	4900-752-042-4900-001-V42Y-6020	15,947.11	15,947.11		
Recycling Tonnage Grant - Prior Year(s)	4900-752-042-4900-001-V42Y-6020	71,765.43		11,681.93	25,443.17
Municipal Stormwater Regulation - Prior Year(s)	WQ05-517	16,936.00			8,443.74
			\$ 29,335.42	\$ 12,723.24	\$ 46,917.33
<u>DEPARTMENT OF COMMUNITY AFFAIRS</u>					
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>DEPARTMENT OF TRANSPORTATION</u>					
Road Improvement Program 2008		200,000.00	\$	\$ 81.54	\$ 198,529.41
Road and Drainage Improvement Program 2009		200,000.00	47,144.78	34,416.47	190,713.71
Improvements to Cedar and Lakeview 2013		220,000.00	165,000.00	1,759.04	53,012.05
			\$ 212,144.78	\$ 36,257.05	\$ 442,255.17
<u>PASS-THROUGH COUNTY</u>					
PARIS Grant - Prior Year(s)		31,292.00	\$	\$ 31,292.00	\$ 31,292.00
		<u>TOTAL</u>	\$ 279,882.84	\$ 174,237.04	\$ 687,426.00

BOROUGH OF WATCHUNG

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

YEAR ENDED DECEMBER 31, 2013

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>
Current Fund	\$ 250,091.66	\$	\$	\$ 250,091.66
Grant Fund		67,738.06	5,000.00	72,738.06
General Capital Fund		<u>212,144.78</u>		<u>212,144.78</u>
	<u>\$ 250,091.66</u>	<u>\$ 279,882.84</u>	<u>\$ 5,000.00</u>	<u>\$ 534,974.50</u>

Expenditures:

	<u>Federal</u>	<u>State</u>	<u>Other</u>	<u>Total</u>
Current Fund	\$ 465,269.41	\$	\$	\$ 465,269.41
Grant Fund		137,979.99	110,599.62	248,579.61
General Capital Fund		<u>36,257.05</u>		<u>36,257.05</u>
	<u>\$ 465,269.41</u>	<u>\$ 174,237.04</u>	<u>\$ 110,599.62</u>	<u>\$ 750,106.07</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.

Expenditures reported against the Public Assistance Disaster Grant are reported at 90% of the approved project costs. Some costs reported on these grants occurred in 2012.

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PART III

BOROUGH OF WATCHUNG

STATISTICAL DATA

LIST OF OFFICIALS

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2013

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

	<u>YEAR 2013</u>		<u>YEAR 2012</u>	
	<u>AMOUNT</u>	<u>%</u>	<u>AMOUNT</u>	<u>%</u>
<u>REVENUE AND OTHER INCOME REALIZED</u>				
Fund Balance Utilized	\$ 800,000.00	2.05%	\$ 800,000.00	2.14%
Miscellaneous - From Other Than Local Property Tax Levies	4,869,728.13	12.49%	4,033,703.14	10.82%
Collection of Delinquent Taxes and Tax Title Liens	578,514.88	1.48%	292,699.52	0.78%
Collections of Current Tax Levy	<u>32,751,575.55</u>	<u>83.98%</u>	<u>32,170,039.80</u>	<u>86.26%</u>
<u>Total Revenue</u>	<u>\$ 38,999,818.56</u>	<u>100.00%</u>	<u>\$ 37,296,442.46</u>	<u>100.00%</u>
<u>EXPENDITURES</u>				
Budget Expenditures:				
Municipal Purposes	\$ 13,868,691.09	35.95%	\$ 12,658,463.96	34.22%
County Taxes	6,267,635.41	16.24%	6,279,688.97	16.97%
Local and Regional School Taxes	18,058,797.00	46.81%	17,718,097.19	47.89%
Municipal Open Space Taxes	321,035.98	0.83%	325,796.27	0.88%
Other Expenditures	7,546.32	0.02%		
Interfunds Advanced	<u>58,778.71</u>	<u>0.15%</u>	<u>14,073.09</u>	<u>0.04%</u>
<u>Total Expenditures</u>	<u>\$ 38,582,484.51</u>	<u>100.00%</u>	<u>\$ 36,996,119.48</u>	<u>100.00%</u>
Excess in Revenue	\$ 417,334.05		\$ 300,322.98	
Adjustments to Income Before Fund Balance:				
Expenditures Included Above Which are by Statute				
Deferred Charges to Budget of Succeeding Year	<u>70,000.00</u>		<u>359,130.00</u>	
Statutory Excess to Fund Balance	\$ 487,334.05		\$ 659,452.98	
Fund Balance, January 1	<u>1,710,006.00</u>		<u>1,850,553.02</u>	
	\$ 2,197,340.05		\$ 2,510,006.00	
Less: Utilization as Anticipated Revenue	<u>800,000.00</u>		<u>800,000.00</u>	
Fund Balance, December 31	<u>\$ 1,397,340.05</u>		<u>\$ 1,710,006.00</u>	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Tax Rate	\$ <u>2.069</u>	\$ <u>2.014</u>	\$ <u>1.961</u>
Municipal	\$ 0.526	\$ 0.499	\$ 0.491
Municipal Open Space	0.020	0.020	
County (Including Library)	0.360	0.354	0.347
County Open Space	0.031	0.032	0.032
Local School	0.748	0.732	0.728
Regional High School	<u>0.384</u>	<u>0.377</u>	<u>0.363</u>

Assessed Valuations:

2013	<u>\$1,595,891,439.00</u>		
2012		<u>\$1,596,834,186.00</u>	
2011			<u>\$1,587,347,137.00</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>
2013	\$33,209,493.46	\$32,751,575.55	98.62%
2012	\$32,893,843.76	\$32,170,039.80	97.80%
2011	\$31,192,452.40	\$30,887,349.19	99.02%

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>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
\$2,375.23	\$410,240.16	\$412,615.39	1.24%
\$381.01	\$683,466.53	\$683,847.54	2.08%
\$662.30	\$290,658.50	\$291,320.80	0.93%

COMPARATIVE SCHEDULE OF FUND BALANCES

<u>Year</u>	<u>Balance Current Fund</u>	<u>Utilized in Budget of Succeeding Year</u>
2013	\$1,397,340.05	\$700,000.00
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

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>
Stephen Pote	Mayor	*
Debra Joren	Council Member, President of Council	*
William Nehls	Council Member	*
Stephen L. Black	Council Member	*
Thomas Franklin	Council Member	*
Robert Gibbs	Council Member	*
Dianna Beck-Clemens	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	*
John Richardson	Municipal Court Judge	*
Timothy Wenzel	Police Chief	*
Maser Consulting, P.A.	Engineer	
Edward P. Bennett	Construction Code Official	*
Anthony Saccaro	Fire Subcode Official	*
Joseph Nicastro	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, 2012, 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:

Mountain Drive Drainage Improvements
Sanitary Sewer Extensions

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, 2013 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, 2013.
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 25, 2013 and was complete.

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

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>
2013	2
2012	2
2011	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 and turnover of funds related to the Borough's recreation programs.

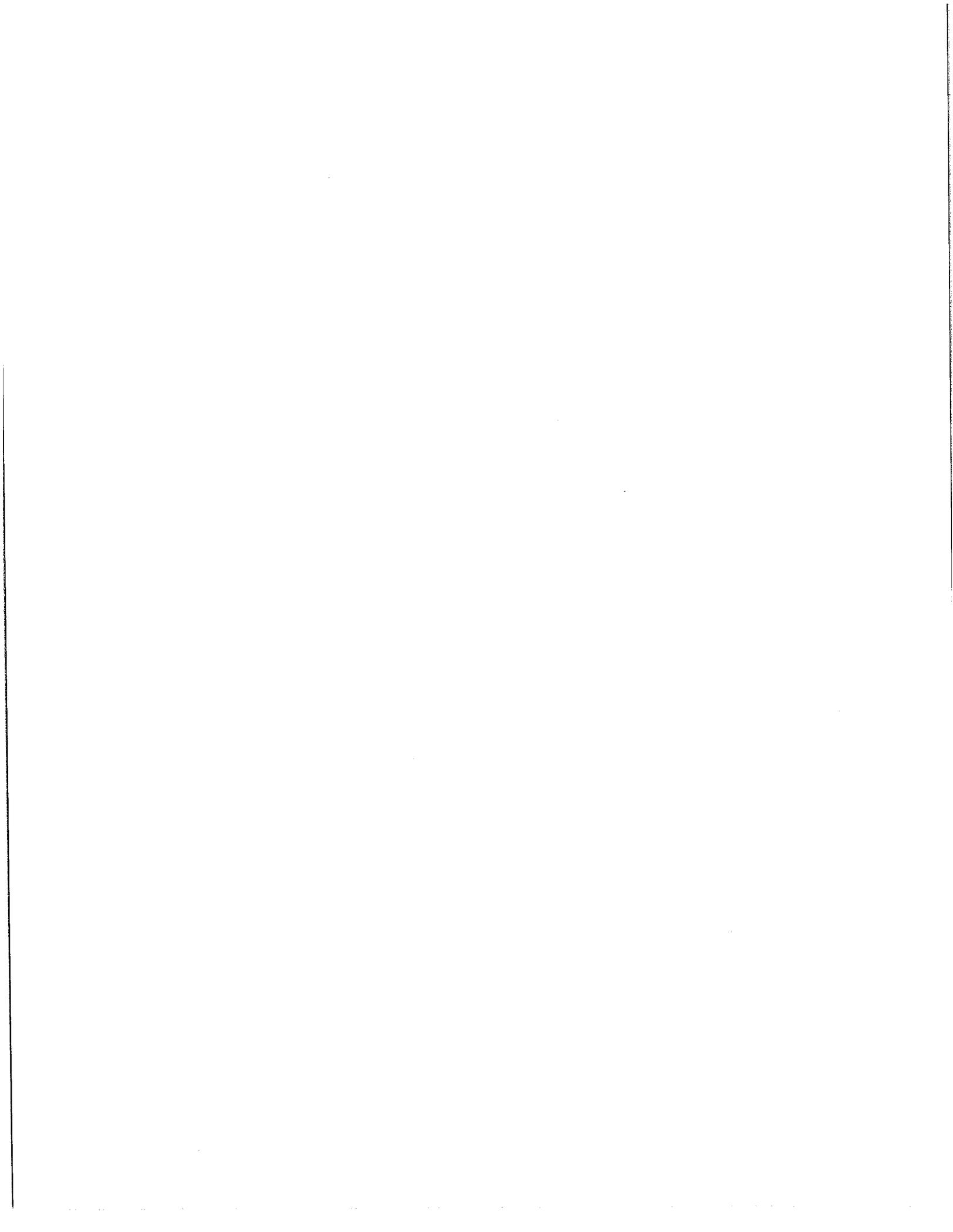
Our audit of the payroll account revealed that an ongoing analysis of the balance is not being maintained.

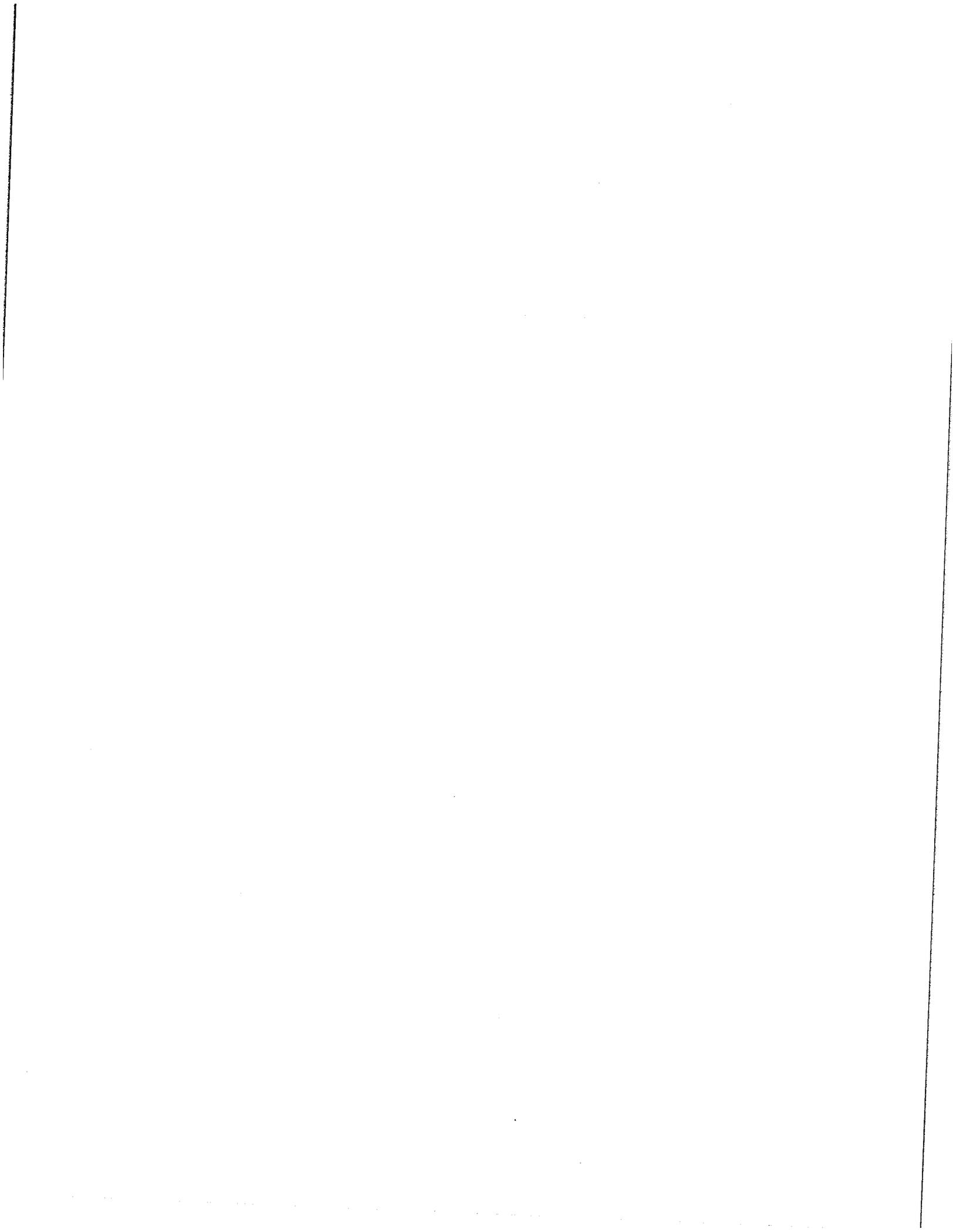
RECOMMENDATIONS

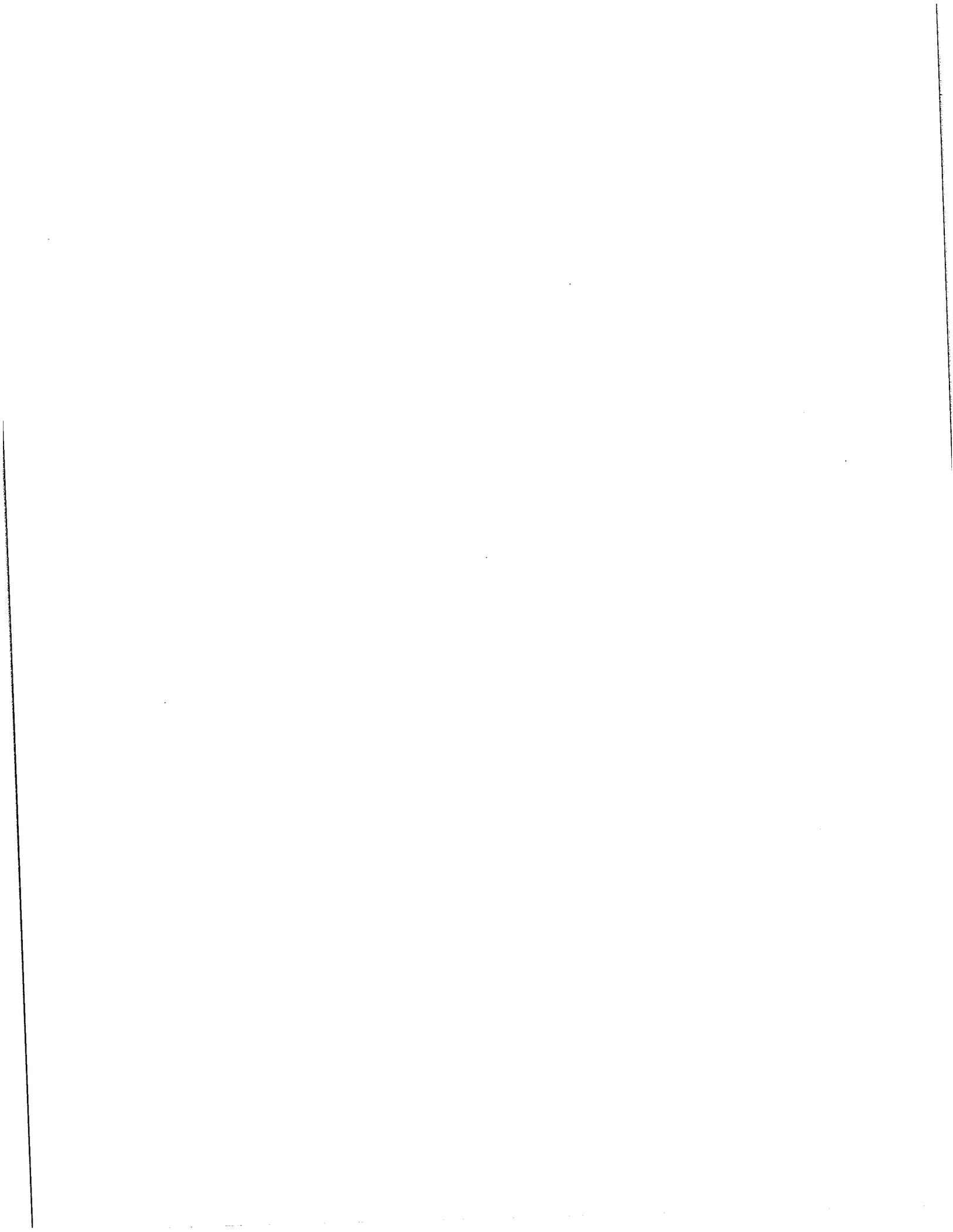
*That the recreation department develop more efficient and accurate procedures and controls to ensure the proper handling of funds.

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

*Unresolved Prior Year Finding





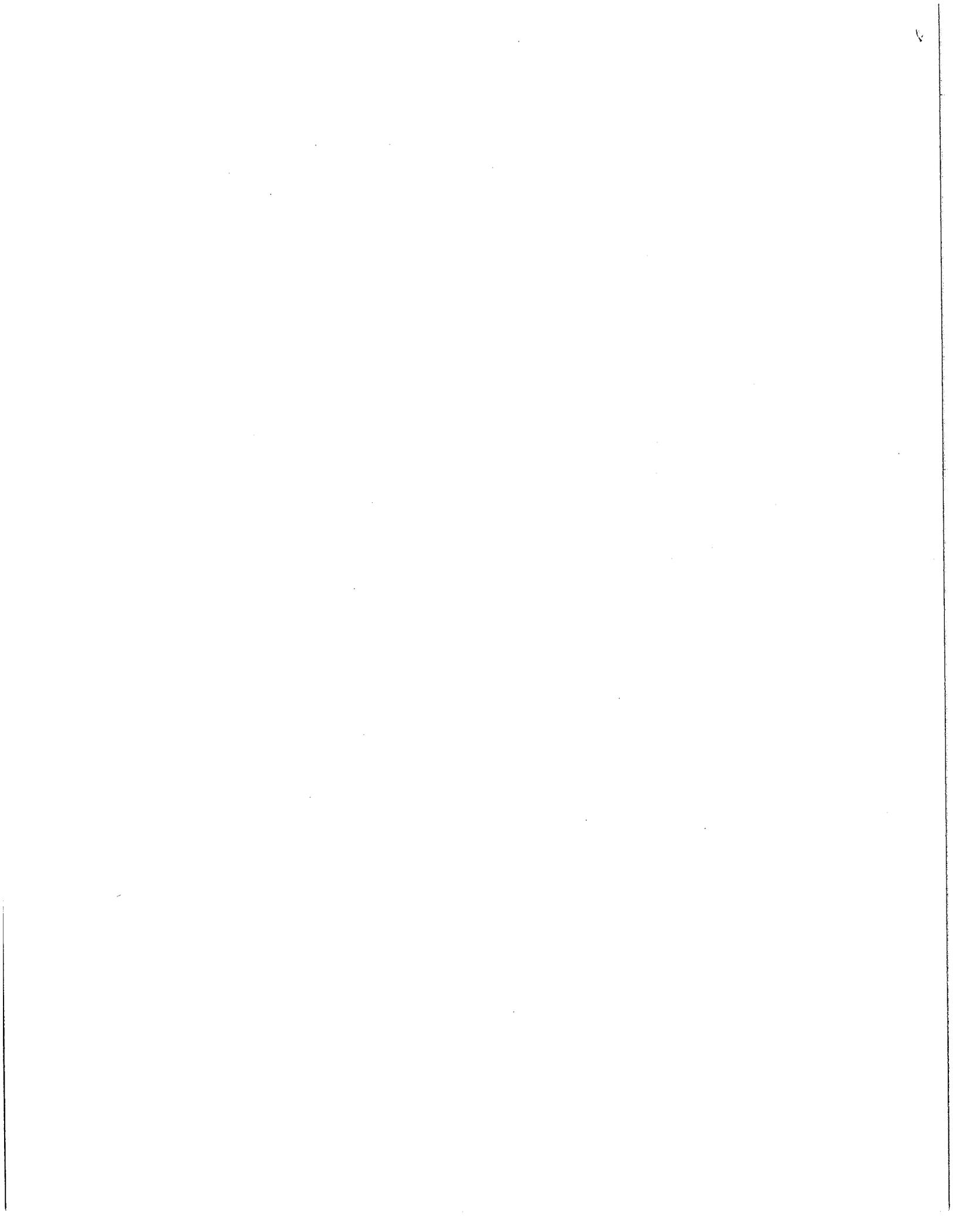


SUMMARY OR SYNOPSIS OF AUDIT REPORT FOR PUBLICATION

SUMMARY OR SYNOPSIS OF 2013 AUDIT REPORT
OF BOROUGH OF WATCHUNG AS REQUIRED BY N.J.S.40A:5-7

COMBINED COMPARATIVE BALANCE SHEETS-STATUTORY BASIS

	<u>DECEMBER</u> <u>31, 2013</u>	<u>DECEMBER</u> <u>31, 2012</u>
<u>ASSETS</u>		
Cash and Investments	\$ 4,562,657.86	\$ 5,599,219.23
Taxes, Assessments and Liens Receivable	2,016,015.41	2,471,744.84
Prospective Assessments - Funded		
Accounts Receivable	2,596,187.60	2,070,939.45
Deferred Charges to Future Taxation - General Capital	22,267,636.64	21,886,574.17
Deferred Charges to Revenue of Succeeding Years	357,304.00	359,130.00
General Fixed Assets	<u>24,837,345.45</u>	<u>24,784,838.76</u>
<u>TOTAL ASSETS</u>	<u>\$ 56,637,146.96</u>	<u>\$ 57,172,446.45</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Bonds, Notes and Loans Payable	\$ 19,161,362.38	\$ 21,069,590.02
Improvement Authorizations	2,899,864.37	2,572,947.56
Other Liabilities and Special Funds	7,546,832.25	5,598,627.83
Reserve for Certain Assets Receivable	505,184.67	758,297.93
Reserve for Investment in General Fixed Assets	24,837,345.45	24,784,838.76
Fund Balance	<u>1,686,557.84</u>	<u>2,388,144.35</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 56,637,146.96</u>	<u>\$ 57,172,446.45</u>



BOROUGH OF WATCHUNG

COMPARATIVE STATEMENTS OF OPERATIONS AND
CHANGE IN FUND BALANCE - CURRENT FUND-STATUTORY BASIS

	<u>YEAR 2013</u>	<u>YEAR 2012</u>
<u>REVENUE AND OTHER INCOME REALIZED</u>		
Fund Balance Utilized	\$ 800,000.00	\$ 800,000.00
Miscellaneous-From Other Than Local		
Property Tax Levies	4,869,728.13	4,033,703.14
Collections of Delinquent Taxes and Tax Title Liens	578,514.88	292,699.52
Collections of Current Tax Levy	<u>32,751,575.55</u>	<u>32,170,039.80</u>
<u>TOTAL INCOME</u>	<u>\$ 38,999,818.56</u>	<u>\$ 37,296,442.46</u>
<u>EXPENDITURES</u>		
Budget Expenditures:		
Municipal Purposes	\$ 13,868,691.09	\$ 12,658,463.96
County Taxes	6,267,635.41	6,279,688.97
Local and Regional School Taxes	18,058,797.00	17,718,097.19
Municipal Open Space Tax	321,035.98	325,796.27
Other Expenditures	7,546.32	
Interfunds Advanced	<u>58,778.71</u>	<u>14,073.09</u>
<u>TOTAL EXPENDITURES</u>	<u>\$ 38,582,484.51</u>	<u>\$ 36,996,119.48</u>
Excess in Revenue	\$ 417,334.05	\$ 300,322.98
Adjustments to Income Before Fund Balance:		
Expenditures Included Above Which are by Statute Deferred Charges to Budget of Succeeding Year	<u>70,000.00</u>	<u>359,130.00</u>
Statutory Excess to Fund Balance	\$ 487,334.05	\$ 659,452.98
Fund Balance, January 1	<u>1,710,006.00</u>	<u>1,850,553.02</u>
	\$ 2,197,340.05	\$ 2,510,006.00
Less: Utilization as Anticipated Revenue	<u>800,000.00</u>	<u>800,000.00</u>
Fund Balance, December 31	<u>\$ 1,397,340.05</u>	<u>\$ 1,710,006.00</u>

RECOMMENDATIONS

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

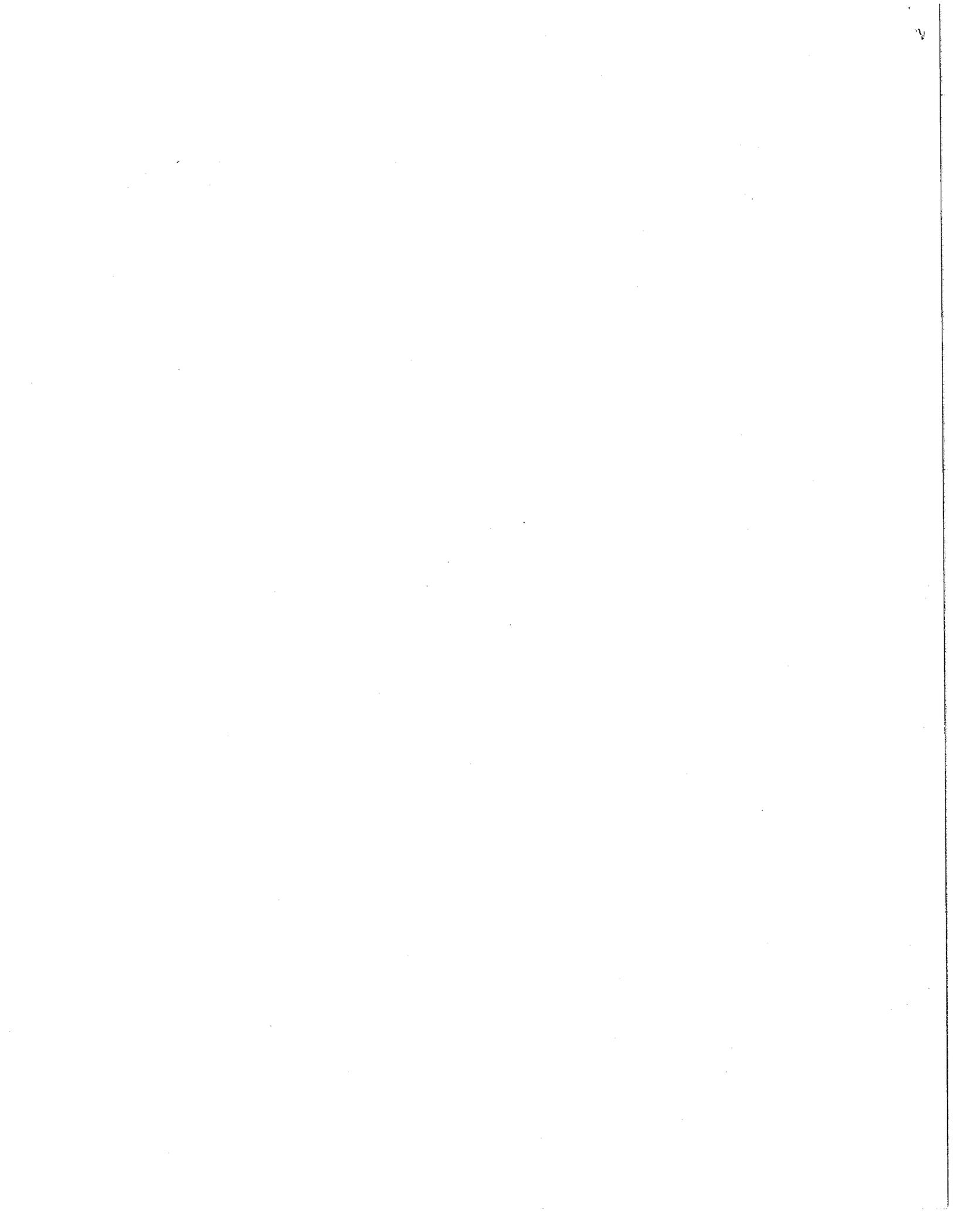
*That an ongoing detailed categorical analysis of the payroll account be maintained.

*Unresolved Prior Year Finding

A Corrective Action Plan, which outlines actions the Borough of Watchung will take to correct the findings listed above, will be prepared in accordance with federal and state requirements. A copy of it will be placed on file and made available for public inspection in the Office of the Borough Clerk in the Borough of Watchung.

The above summary or synopsis was prepared from the report of audit of the Borough of Watchung, County of Somerset, for the year 2013. This report of audit, submitted by Suplee, Clooney & Company, Registered Municipal Accountants and Certified Public Accountants, is on file at the Borough Clerk's Office and may be inspected by any interested person.

Clerk





SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300 Fax 908-789-8535

E-mail info@scnco.com

Ms. Michelle DeRocco, RMC,
Borough Clerk
Municipal Building
15 Mountain Boulevard
Watchung, New Jersey 07069

RE: BOROUGH OF WATCHUNG
SOMERSET COUNTY, NEW JERSEY

Dear Ms. DeRocco:

Enclosed herewith please find copy of Report of Municipal Court prepared by us during the course of our audit for the year 2013.

Yours very truly,

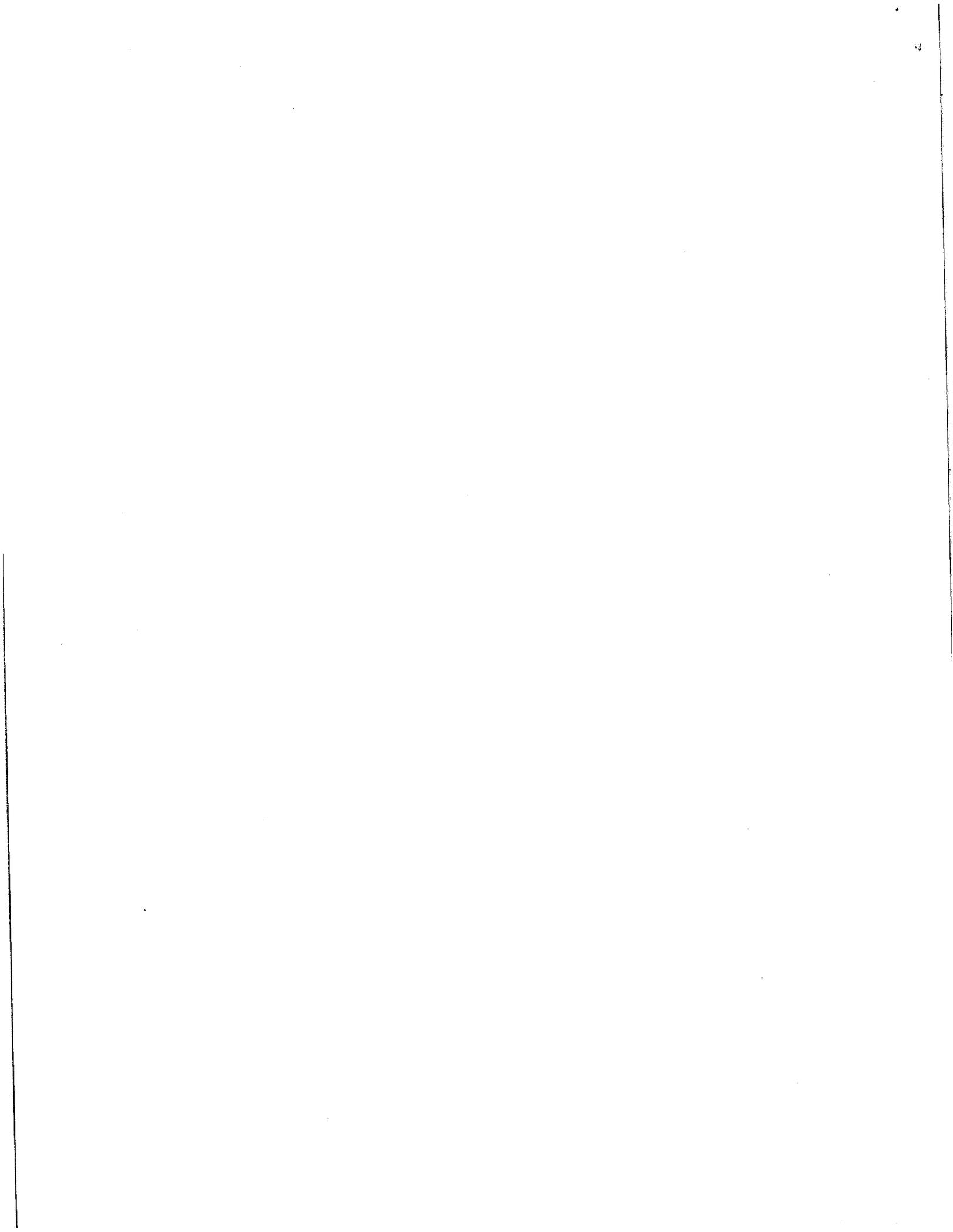
SUPLEE, CLOONEY & COMPANY

Robert W. Swisher, Partner

September 2, 2014

RWS:mvf
Encls.

@: m+e, TEA, WH, COURT 9/5/14

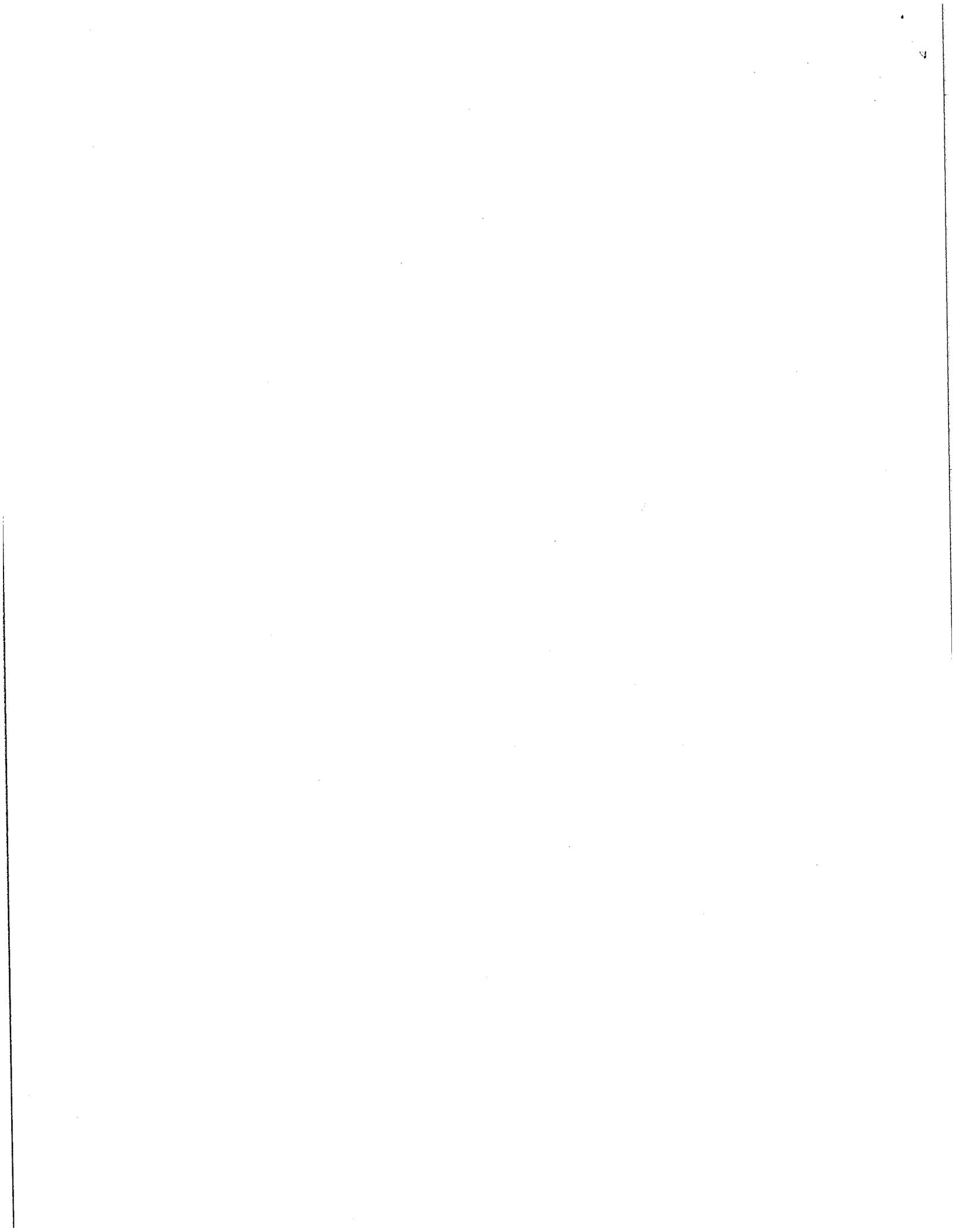


RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDING DECEMBER 31, 2013

AGENCY	BEGINNING BALANCE AS OF DECEMBER 31, 2012	RECEIPTS	DISBURSEMENTS	ENDING BALANCE AS OF DECEMBER 31, 2013
STATE OF NEW JERSEY	\$10,643.36	\$140,389.39	\$144,334.22	\$6,698.53
COUNTY	2,991.00	66,787.51	67,448.51	2,330.00
MUNICIPALITY	10,371.64	170,682.36	171,021.53	10,032.47
MUNICIPALITY - P.O.A.A.		8.00	8.00	
MUNICIPALITY - PUBLIC DEFENDER	75.00	5,745.50	5,620.50	200.00
WEIGHTS AND MEASURES	150.00	9,647.00	7,147.00	2,650.00
RESTITUTION		822.79	727.81	94.98
MISCELLANEOUS				
DUE TO BAIL				
OVERPAYMENTS				
TOTAL FINES ACCOUNT	\$24,231.00	\$394,082.55	\$396,307.57	\$22,005.98
BAIL ACCOUNT	\$15,620.00	\$98,877.00	\$101,343.00	\$13,154.00
	\$39,851.00	\$492,959.55	\$497,650.57	\$35,159.98

*Was the ending balance disbursed by the 15th of the next month? YES

If not, explain?



GENERAL MUNICIPAL COURT INFORMATION

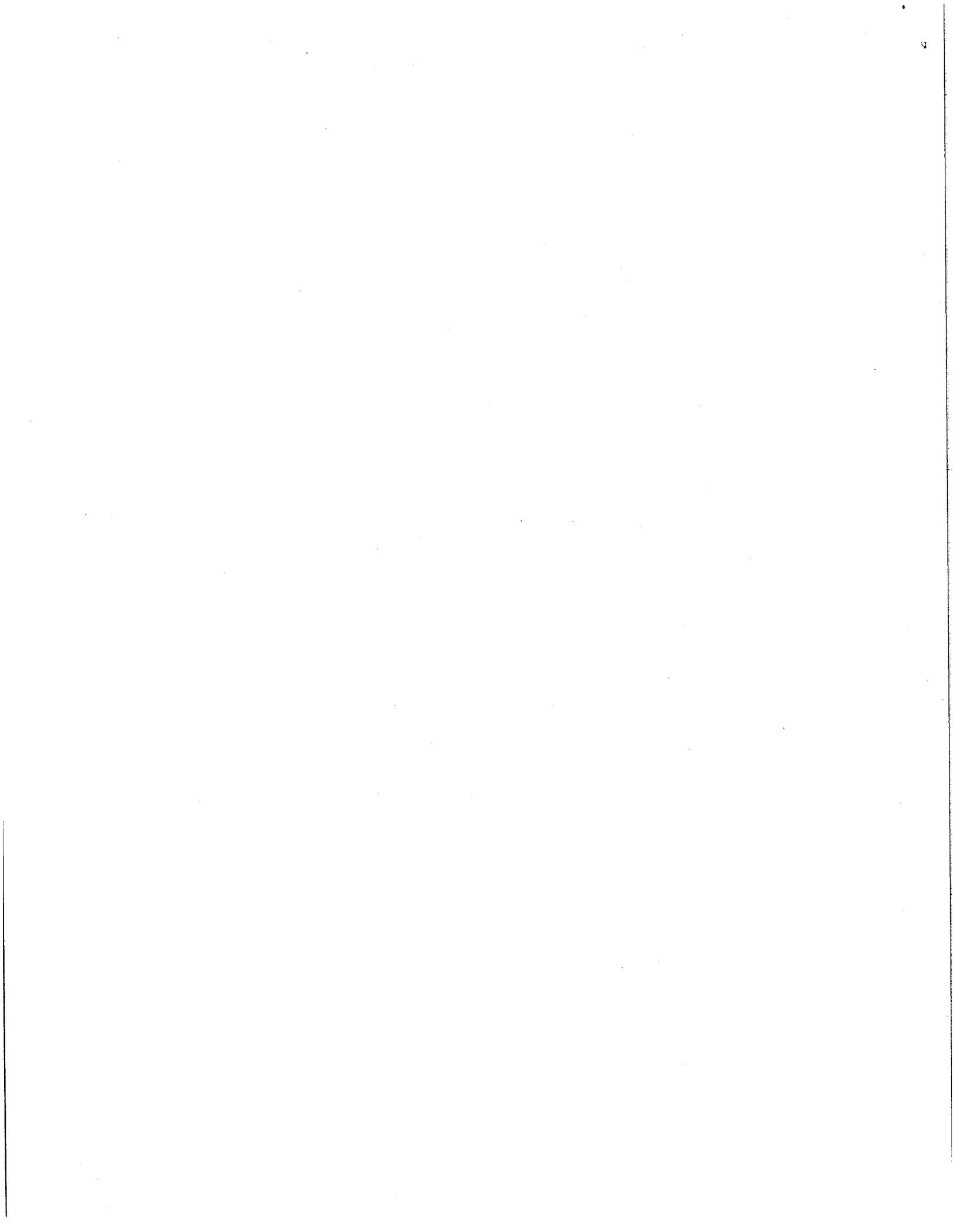
1. Does this court serve more than one municipality? NO If so please list:

2. Amount paid or charged in 2013 to 2013 appropriations for salaries of judge(s) \$24,000.00
Other staff \$122,992.42 And expenses \$67,742.34
3. Is an approved statewide violations bureau schedule of fines prominently posted in the place where fines are to be paid to the violations clerk? YES
4. Does the court have an approved supplemental Local Violations Bureau Schedule? YES
If so, is it prominently posted in the place where fines are to be paid to the violations clerk?
YES
5. List staff members that are bonded:
- | | | | |
|---------------------|---|----------------|----------------------------------|
| Judge | <u>John Richardson</u> | Amount of Bond | <u>\$1,000,000.00</u> |
| Court Director | _____ | Amount of Bond | <u>Blanket</u> |
| Court Administrator | <u>North Plainfield-Shared Services</u> | Amount of Bond | <u>JIF</u> |
| Deputy Court Adm. | <u>Loretta Shpunder</u> | Amount of Bond | <u>\$1,000,000.00</u> |
| Deputy Court Clerk | _____ | Amount of Bond | <u>(Watchung Employees Only)</u> |
6. When does Judges term expire? 12/31/2015
7. Are uniform traffic tickets serially numbered, properly controlled and accounted for? YES
8. Are tickets eligible for destruction disposed of in a timely and proper manner? YES

FINANCIAL PROCEDURES

Daily Financial Procedures

1. Are separate cash boxes maintained for each employee that receives money? NO
2. Who is responsible for completing the Daily Bank Deposit? Deputy Court Administrator
3. Who is responsible for transporting the Daily Deposit to the bank? Deputy Court Administrator
4. What procedures are followed to transport the moneys to the bank (i.e. security)?
Deposits are prepared, placed in plastic bags, and sealed. Police usually pick up deposit. Occasionally the deputy court administrator takes deposit to the bank instead of a police officer.



5. Are deposits made within 48 hours? YES If not, please explain:

6. Do the above cash handling procedures provide for adequate security and separation of responsibilities?
YES

7. Do the deposit slips match the totals provided by the Daily Batch and Criminal Journal? YES
If no, please explain: _____

8. Do the Deposit slips match the daily totals displayed on the ATS Monthly Cashbook? YES
If no, please explain: _____

9. Are the deposit slips attached to the ATS Daily Batch Report and Criminal Journal? YES

10. As of what date or dates was cash counted, reconciliation made and bank balances confirmed?
8/8/2014

Monthly Financial Procedures

11. Are separate general/bail bank accounts maintained? YES

12. Is the court utilizing the ATS/ACS monthly cash book? YES If no please explain:

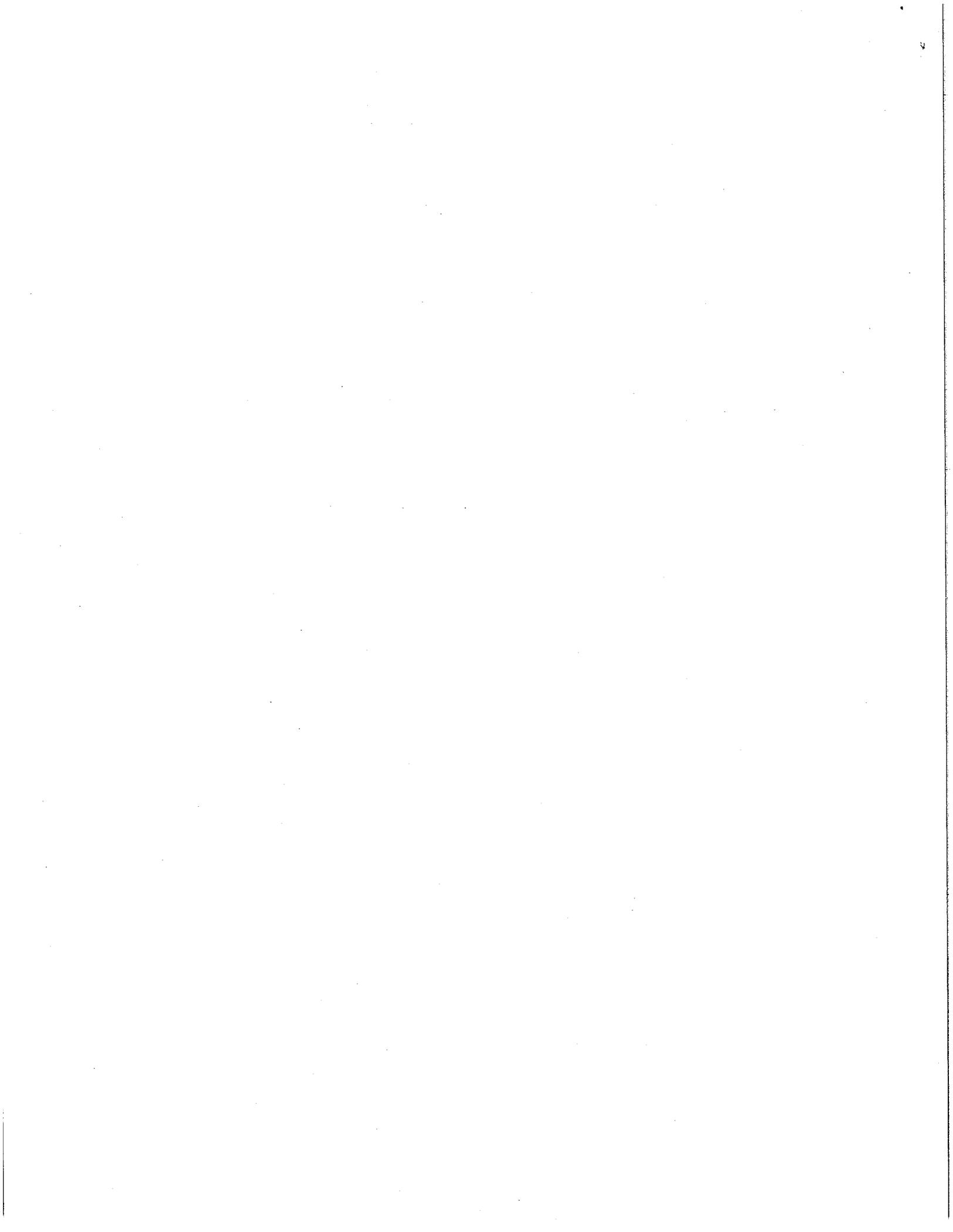
13. Who is responsible for the municipal court financial procedures(name and title)?
BOROUGH OF NORTH PLAINFIELD - COURT ADMINISTRATOR

14. Do the monthly disbursement checks equal account totals on part V of the ATS monthly cash book?
YES If no, please explain: _____

15. Are moneys turned over to the proper agencies on or before the 15th of the month? YES
If no, please explain: _____

16. Does the general account accrue interest? NO Bail? NO
Is the interest turned over on a monthly basis? N/A

17. Are overpayment checks written on a monthly basis? YES Interest? NO



18. Is the bank reconciliation page of the monthly cash book completed and balanced? YES
If no, please explain: _____

19. Are the fiscal records kept in a safe place? YES

Bail Procedures

20. Is bail collected by the police department properly and promptly turned over to the municipal court?
YES

21. Are bail refunds done in a timely manner? YES
Are the refund checks made out to the surety? YES

22. Are bail forfeitures done in a timely manner? YES

23. Are the cash balances on the Monthly Bail on Account Report equal to the account balance in the bail account? YES

