

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, 2002

BOROUGH OF WATCHUNG

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BOROUGH OF WATCHUNG

PART I

INDEPENDENT AUDITOR'S REPORT ON
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YEAR ENDED DECEMBER 31, 2002



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

We have audited the accompanying financial statements - statutory basis of the various individual funds and the account group of the Borough of Watchung, County of Somerset, New Jersey as of December 31, 2002 and for the year ended December 31, 2002, listed as financial statements - statutory basis in the foregoing table of contents. These financial statements - statutory basis are the responsibility of the management of the Borough of Watchung, County of Somerset. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of the Borough of Watchung as of December 31, 2001 were audited by other auditors whose report dated June 18, 2002 expressed an unqualified opinion of those statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial statements contained in Government Auditing Standards issued by the Comptroller General of the United States, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Borough of Watchung, County of Somerset, prepares its financial statements on a prescribed basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

SUPLEE, CLOONEY & COMPANY

In our opinion, because the Borough of Watchung prepares its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with U.S. generally accepted accounting principles, the financial position of the various individual funds of the Borough of Watchung, County of Somerset, as of December 31, 2002 or the results of its operations and changes in fund balance for the years then ended or the revenues or expenditures for the year ended December 31, 2002.

However, in our opinion, the financial statements - statutory basis present fairly, in all material respects, the financial position - statutory basis of the various individual funds and the account group of the Borough of Watchung, County of Somerset, as of December 31, 2002, and the results of its operations and changes in fund balance - statutory basis for the years then ended and the revenues, expenditures and changes in fund balance - statutory basis for the year ended December 31, 2002, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated April 17, 2003 on our consideration of the Borough of Watchung's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements - statutory basis taken as a whole. The information included in the schedules of federal and state financial assistance and the other supplementary schedules and data listed in the table of contents is presented for purposes of additional analysis as required by the State of New Jersey, Department of Community Affairs, Division of Local Government Services and is not a required part of the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements mentioned above and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended for the information of the Borough of Watchung, County of Somerset, New Jersey, the Division of Local Government Services and federal and state audit agencies, and is not intended to be and should not be used by anyone other than these specified parties.


CERTIFIED PUBLIC ACCOUNTANTS


REGISTERED MUNICIPAL ACCOUNTANT NO. 50

April 17, 2003

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CURRENT FUND

BOROUGH OF WATCHUNG

CURRENT FUND

BALANCE SHEETS - STATUTORY BASIS

	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2002</u>	<u>BALANCE DECEMBER 31, 2001</u>
<u>ASSETS</u>			
Current Fund:			
Cash	A-4	\$ 5,147,792.45	\$ 4,159,411.58
Cash-Change Fund	A-6	200.00	200.00
State of New Jersey-Chapter 20 P L. 1971	A-14	499.79	495.00
		<u>\$ 5,148,492.24</u>	<u>\$ 4,160,106.58</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-8	\$ 189,601.92	\$ 146,572.00
Revenue Accounts Receivable	A-9	53,323.90	55,254.00
Due from State of New Jersey - DCA Overpayment	A-21	4,292.00	
Interfunds Receivable	A-24		1,316.30
	A	<u>\$ 247,217.82</u>	<u>\$ 203,142.30</u>
		<u>\$ 5,395,710.06</u>	<u>\$ 4,363,248.88</u>
Federal and State Grant Fund:			
Cash	A-4	\$ 138,799.64	\$ 74,354.16
Federal and State Aid Receivable	A-10	24,684.87	66,184.87
Due Current Fund	A-25	620.15	
		<u>\$ 164,104.66</u>	<u>\$ 140,539.03</u>
		<u>\$ 5,559,814.72</u>	<u>\$ 4,503,787.91</u>

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

BOROUGH OF WATCHUNG

CURRENT FUND

BALANCE SHEETS - STATUTORY BASIS

	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2002</u>	<u>BALANCE DECEMBER 31, 2001</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Current Fund:			
Liabilities:			
Appropriation Reserves	A-3:A-11	\$ 869,367.15	\$ 529,189.27
Accounts Payable	A-7	380,256.17	95,573.17
Prepaid Taxes	A-19	241,050.74	174,307.72
Interfunds Payable	A-24	14,786.14	89,238.06
Tax Overpayments	A-18	40.40	
Reserve For:			
Various Reserves	A-27	40.00	5,849.44
Due State of New Jersey - DCA	A-20	2,177.00	1,485.00
Bonds and Escrow Review Fees	A-12	1,721.37	1,721.37
County Taxes Payable	A-15		67,666.17
State Tax Appeals	A-13	200,000.00	
		\$ 1,709,438.97	\$ 965,030.20
Reserve for Receivables and Other Assets	A	247,217.82	203,142.30
Fund Balance	A-1	3,439,053.27	3,195,076.38
		\$ 5,395,710.06	\$ 4,363,248.88
Federal and State Grant Fund:			
Federal and State Grants-Unappropriated	A-23	\$ 620.15	\$ 134,802.69
Federal and State Grants-Appropriated	A-22	157,601.51	5,736.34
Accounts Payable	A-26	5,883.00	140,539.03
		\$ 164,104.66	\$ 140,539.03
		\$ 5,559,814.72	\$ 4,503,787.91

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

BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENTS OF OPERATIONS
AND CHANGE IN FUND BALANCE - STATUTORY BASIS

	REF.	YEAR ENDED DECEMBER 31, 2002	YEAR ENDED DECEMBER 31, 2001
<u>REVENUE AND OTHER INCOME REALIZED</u>			
Fund Balance Utilized	A-1:A-2	\$ 1,518,000.00	\$ 2,000,000.00
Miscellaneous Revenue Anticipated	A-2	3,413,417.40	3,179,735.00
Receipts From Delinquent Taxes	A-2	144,795.30	174,124.00
Receipts From Current Taxes	A-2	22,106,235.80	19,137,775.00
Non-Budget Revenue	A-2	73,123.44	104,612.00
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-11	204,670.26	175,031.00
Accounts Payable Canceled	A-7	5,000.00	78,912.00
Reserve for Deposit on Borough Owned Property	A-27	390.00	
Reserve for Hurricane Floyd Canceled			426,881.00
Interfunds Returned		1,316.30	5,593.38
<u>TOTAL INCOME</u>		\$ <u>27,466,948.50</u>	\$ <u>25,282,663.38</u>
<u>EXPENDITURES</u>			
Budget and Emergency Authorizations:			
Operations:			
Salaries and Wages	A-3	\$ 3,605,588.00	\$ 3,435,398.00
Other Expenses	A-3	3,279,399.13	3,152,863.00
Capital Improvements	A-3	223,500.00	526,000.00
Municipal Debt Service	A-3	1,351,431.12	1,484,700.00
Deferred Charges and Statutory Expenditures	A-3	742,547.65	861,602.00
County Taxes	A-15	5,691,074.84	5,321,699.00
Local District School Tax	A-16	7,274,074.00	5,518,513.00
Regional High School Tax	A-17	3,286,778.15	2,771,541.00
Municipal Open Space Tax	A-8	246,286.72	217,787.00
Refund of FEMA Overpayment			25,456.00
Refund of Prior Year Taxes			1,391.00
Accounts Receivable		4,292.00	6,487.00
Cancel Prior Year Special Emergency			347,665.00
<u>TOTAL EXPENDITURES</u>		\$ <u>25,704,971.61</u>	\$ <u>23,671,102.00</u>
Statutory Excess in Revenue		\$ 1,761,976.89	\$ 1,611,561.38
Fund Balance, January 1	A	3,195,076.38	3,583,515.00
		\$ <u>4,957,053.27</u>	\$ <u>5,195,076.38</u>
Decreased by:			
Utilized as Anticipated Revenue	A-1:A-2	1,518,000.00	2,000,000.00
Fund Balance, December 31	A	\$ <u>3,439,053.27</u>	\$ <u>3,195,076.38</u>

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

BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENT OF REVENUES - STATUTORY BASIS
YEAR ENDED DECEMBER 31, 2002

	REF.	ANTICIPATED		REALIZED	EXCESS OR (DEFICIT)
		BUDGET	NJSA 40A:4-87		
Fund Balance Anticipated	A-1	\$ 1,518,000.00		\$ 1,518,000.00	
Miscellaneous Revenues:					
Alcoholic Beverage Licenses	A-9	\$ 6,000.00		\$ 8,770.90	\$ 2,770.90
Other Licenses	A-2	11,000.00		17,329.00	6,329.00
Fees and Permits:					
Construction Code Official	A-2	200,000.00		372,148.00	172,148.00
Other	A-2	250,000.00		250,000.00	
Municipal Court - Fines and Costs	A-9	195,000.00		251,512.92	56,512.92
Interest and Costs on Taxes	A-9	50,000.00		86,541.37	36,541.37
Interest on Investments and Deposits	A-9	100,000.00		109,708.64	9,708.64
Sewer Rents	A-9	750,000.00		887,242.84	137,242.84
Legislative Initiative Block Grant	A-9	22,359.00		22,359.00	
Consolidated Municipal Property Tax Relief Aid	A-9	359,363.00		343,806.00	(15,557.00)
Energy Receipts Tax	A-9	588,039.00		603,596.00	15,557.00
Supplemental Energy Receipts Tax	A-9	34,259.00		34,259.00	
Drunk Driving Enforcement Fund	A-10		2,994.74	2,994.74	
Clean Communities Program	A-10	1,902.79		1,902.79	
Safe and Secure Communities Program	A-10	60,000.00		60,000.00	
State Playground Safety Grant	A-10	10,000.00		10,000.00	
Somerset County Youth Athletic and Recreation Program	A-10		15,000.00	15,000.00	
Body Armor Replacement Fund	A-10	2,557.60		2,557.60	
Uniform Fire Safety Act	A-9	21,000.00		13,293.07	(7,706.93)
Assessment Trust Fund Balance	A-9	97,547.65		97,547.65	
Fees and Permits - Additional	A-9	105,000.00		222,847.88	117,847.88
<u>Sub-Total Miscellaneous Revenues</u>	A-1	\$ 2,864,028.04	\$ 17,994.74	\$ 3,413,417.40	\$ 531,394.62
Receipts From Delinquent Taxes	A-1	\$ 140,000.00		\$ 144,795.30	\$ 4,795.30
Amount to be Raised by Taxes for Support of Municipal Budget: Local Tax for Municipal Purposes	A-8:A-2	\$ 5,198,942.00		\$ 6,123,022.09	\$ 924,080.09
<u>Budget Totals</u>		\$ 9,720,970.04	\$ 17,994.74	\$ 11,199,234.79	\$ 1,460,270.01
Non-Budget Revenues	A-1:A-2			73,123.44	73,123.44
		\$ 9,720,970.04	\$ 17,994.74	\$ 11,272,358.23	\$ 1,533,393.45
	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 - STATUTORY BASIS
YEAR ENDED DECEMBER 31, 2002

	<u>REF.</u>		
<u>ANALYSIS OF REALIZED REVENUES</u>			
Allocation of Current Tax Collections:			
Revenue From Collections	A-8	\$	22,306,235.80
Less: Reserve for Tax Appeals	A-13		<u>200,000.00</u>
	A-1	\$	<u>22,106,235.80</u>
Allocated To:			
Local District School Taxes		\$	7,274,074.00
Regional High School Taxes			3,286,778.15
County Taxes			5,691,074.84
Municipal Open Space	A-4:A-8		<u>246,286.72</u>
			<u>16,498,213.71</u>
Balance for Support of Municipal Budget			
Appropriations		\$	5,608,022.09
Add: Appropriation "Reserve for Uncollected Taxes"	A-3		<u>515,000.00</u>
Amount for Support of Municipal Budget Appropriations	A-2	\$	<u>6,123,022.09</u>
Other Licenses:			
Board of Health	A-9	\$	12,995.00
Registrar	A-9		66.00
Borough Clerk	A-9		<u>3,894.00</u>
		\$	<u>16,955.00</u>
Add: Prepaid Applied	A-27		<u>374.00</u>
	A-2	\$	<u>17,329.00</u>
Fees and Permits-Other:			
Tax Search Officer	A-9	\$	70.00
Board of Health	A-9		1,625.00
Registrar	A-9		8,141.00
Borough Clerk	A-9		99.00
Engineering Department	A-9		5,980.00
Sanitary Sewer	A-9		377,731.04
Planning Board	A-9		6,650.00
Board of Adjustment	A-9		9,759.00
Police	A-9		5,369.00
Fire Official	A-9		260.00
Smoke Detector	A-9		2,775.00
Recreation	A-9		2,275.00
Tower Lease	A-9		<u>52,113.84</u>
	A-2	\$	<u>472,847.88</u>

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

BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENT OF REVENUES - STATUTORY BASIS
YEAR ENDED DECEMBER 31, 2002

	<u>REF.</u>	
<u>ANALYSIS OF REALIZED REVENUES</u>		
Construction Code Official	A-9	\$ 372,760 00
Less: Refunds	A-4	<u>612.00</u>
	A-2	<u>\$ 372,148.00</u>
 <u>ANALYSIS OF NON-BUDGET REVENUE</u>		
Senior Citizens' and Veterans' Administrative Fee		\$ 1,101.90
Library Fines		7,875.67
Cable TV Franchise Fees		13,471 00
Police Outside Services-Borough's Share		15,725.25
Reimbursement of Costs		10,000 00
Sale of Scrap		2,422.50
State DMV Inspections		991.00
Municipal Court Bail		6,232 00
Old Outstanding Municipal Court Checks Cancelled		113.00
Rental Income		4,581 15
Property Owners Lists		471.00
Prior Year Refund		6,508.19
Miscellaneous - Tax Collector		170.00
Miscellaneous Copies		655.80
Miscellaneous		<u>2,804.98</u>
	A-2:A-4	<u>\$ 73,123.44</u>

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

BOROUGH OF WATCHUNG
CURRENT FUND
STATEMENT OF EXPENDITURES - STATUTORY BASIS
YEAR ENDED DECEMBER 31, 2002

	APPROPRIATIONS		EXPENDED			UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	
<u>OPERATIONS WITHIN "CAPS"</u>						
<u>GENERAL GOVERNMENT</u>						
Administrative and Executive:						
Salaries and Wages	\$ 102,380.00	\$ 102,380.00	\$ 102,377.00	\$	\$ 3.00	
Other Expenses	23,140.00	23,140.00	16,727.56	1,581.00	4,831.44	
Mayor & Council:						
Salaries and Wages	15,000.00	15,000.00	15,000.00			
Other Expenses	30,450.00	30,450.00	16,510.77	2,350.00	11,589.23	
Municipal Clerk:						
Salaries and Wages	120,896.00	120,896.00	120,867.92		28.08	
Other Expenses	24,300.00	24,300.00	10,378.60	421.00	13,500.40	
Elections:						
Other Expenses	2,250.00	2,250.00	1,791.33		458.67	
Financial Administration:						
Salaries and Wages	102,400.00	102,400.00	102,384.00		16.00	
Other Expenses	12,610.00	12,610.00	12,038.66	230.48	340.86	
Audit	30,000.00	30,000.00	28,300.00		1,700.00	
Assessment of Taxes:						
Salaries and Wages	48,400.00	48,400.00	42,517.96		5,882.04	
Other Expenses	43,200.00	41,200.00	33,044.04		8,155.96	
Collection of Taxes:						
Salaries and Wages	58,790.00	58,790.00	58,790.00			
Other Expenses	10,023.00	10,023.00	9,341.26		681.74	
Legal Services & Costs:						
Salaries and Wages	15,000.00	15,000.00	15,000.00			
Other Expenses	216,500.00	216,500.00	139,391.95	2,750.00	74,358.05	
Engineering Services & Costs:						
Salaries and Wages	148,650.00	156,650.00	145,667.18		10,982.82	
Other Expenses	24,080.00	24,080.00	13,497.10	638.58	9,944.32	
Public Building & Grounds:						
Salaries and Wages	73,021.00	76,121.00	76,121.00			
Other Expenses	104,250.00	104,250.00	58,597.20	21,980.34	23,672.46	
Planning Board:						
Salaries and Wages	12,000.00	12,000.00	10,194.74		1,805.26	
Other Expenses	38,360.00	38,360.00	20,226.44		18,133.56	
Board of Adjustment:						
Salaries and Wages	39,500.00	39,500.00	37,929.73		1,570.27	
Other Expenses	9,243.00	9,243.00	6,848.49	192.68	2,201.83	
Insurance:						
Group Insurance for Employees	600,700.00	600,700.00	549,312.72		51,387.28	
Worker's Compensation	60,000.00	60,000.00	60,000.00			
Other Insurance Premiums	136,987.00	136,987.00	92,725.51		44,261.49	
<u>PUBLIC SAFETY</u>						
Fire:						
Salaries and Wages	5,825.00	5,825.00	5,825.00			
Other Expenses:	27,925.00	29,925.00	26,822.33	1,386.36	1,716.31	
Uniform Fire Safety Act (P. L. 1983 Ch.383)						
Fire Official:						
Salaries and Wages	29,766.00	29,766.00	26,666.68		3,099.32	
Other Expenses	6,150.00	6,150.00	3,731.46	254.22	2,164.32	
Police:						
Salaries and Wages	2,068,081.00	2,068,081.00	2,037,784.39		30,296.61	
Other Expenses	202,379.00	202,379.00	137,461.46	6,457.47	58,460.07	
First Aid Organization Contributions	9,000.00	13,000.00	12,304.00	696.00		
Emergency Management Service:						
Other Expenses	1,800.00	1,800.00	280.50		1,519.50	
Streets & Roads						
Salaries and Wages	341,393.00	346,293.00	314,319.21		31,973.79	
Other Expenses	109,500.00	109,500.00	78,506.21	22,366.87	8,626.92	

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

BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENT OF EXPENDITURES - STATUTORY BASIS
YEAR ENDED DECEMBER 31, 2002

	APPROPRIATIONS		EXPENDED			UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	
HEALTH AND WELFARE						
Board of Health:						
Salaries and Wages	2,100.00	2,100.00	1,020.70		1,079.30	
Dog Regulation:						
Other Expenses	3,460.00	3,460.00	3,285.00		175.00	
Public Assistance:						
Salaries and Wages	4,866.00	4,866.00	4,866.00			
Other Expenses	360.00	360.00	328.50		31.50	
Sewer System:						
Salaries and Wages	30,000.00	30,000.00	30,000.00			
Other Expenses	22,850.00	22,850.00	8,834.83		14,015.17	
Condo Act Reimbursement:						
Other Expenses	6,000.00	6,000.00		6,000.00		
RECREATION AND EDUCATION (R.S.40:12-1)						
Recreation:						
Salaries and Wages	24,000.00	24,000.00	23,015.12		984.88	
Other Expenses	26,030.00	26,030.00	25,618.42	359.15	52.43	
Traffic & Beautification:						
Other Expenses	6,609.00	6,609.00	5,008.06		1,600.94	
Community Service:						
Salaries and Wages	10,920.00	10,920.00	10,920.00			
Other Expenses	500.00	500.00	498.88		1.12	
Environmental Commission:						
Other Expenses	1,500.00	1,500.00	660.00		840.00	
Historical Preservation:						
Other Expenses	5,975.00	5,975.00	229.84		5,745.16	
STATE UNIFORM CONSTRUCTION CODE						
State Uniform Construction Code:						
Construction Code Official (Building Inspector):						
Salaries and Wages	130,000.00	130,000.00	110,109.12		19,890.88	
Other Expenses	32,350.00	32,350.00	16,439.25	992.39	14,918.36	
Plumbing Inspector						
Salaries and Wages	20,000.00	20,000.00	16,972.37		3,027.63	
Electrical Inspector						
Salaries and Wages	18,500.00	18,500.00	17,852.00		648.00	
Fire Sub-Code Inspector						
Salaries and Wages	19,000.00	19,000.00	19,000.00			
UNCLASSIFIED						
Salary and Wage Adjustment	20,000.00					
Electricity	85,000.00	85,000.00	57,274.81		27,725.19	
Telephone	59,000.00	59,000.00	45,134.27		13,865.73	
Water	18,000.00	18,000.00	3,520.62		14,479.38	
Natural Gas	30,000.00	30,000.00	21,256.24		8,743.76	
Fire Hydrant Service	200,000.00	200,000.00	199,167.70		832.30	
Gasoline	39,000.00	39,000.00	29,220.03		9,779.97	
Street Lighting	50,000.00	50,000.00	35,024.96		14,975.04	
TOTAL OPERATIONS WITHIN "CAPS"	\$ 5,769,969.00	\$ 5,769,969.00	\$ 5,124,539.12	\$ 68,656.54	\$ 576,773.34	
CONTINGENT						
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	\$ 5,769,969.00	\$ 5,769,969.00	\$ 5,124,539.12	\$ 68,656.54	\$ 576,773.34	
Detail:						
Salaries and Wages	\$ 3,460,488.00	\$ 3,456,488.00	\$ 3,345,200.12	\$	\$ 111,287.88	
Other Expenses	2,309,481.00	2,313,481.00	1,779,339.00	68,656.54	465,485.46	
DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"						
Statutory Expenditures:						
Public Employee's Retirement System	\$ 13,000.00	\$ 13,000.00	\$	\$	\$ 13,000.00	
Social Security System (O.A.S.I.)	145,000.00	145,000.00	143,967.74		1,032.26	
Police and Firemen's Retirement System of N.J.	150,000.00	150,000.00			150,000.00	
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"	\$ 308,000.00	\$ 308,000.00	\$ 143,967.74	\$	\$ 164,032.26	

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

BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENT OF EXPENDITURES - STATUTORY BASIS
YEAR ENDED DECEMBER 31, 2002

	APPROPRIATIONS		EXPENDED			UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	\$ 6,077,969.00	\$ 6,077,969.00	\$ 5,268,506.86	\$ 68,656.54	\$ 740,805.60	
OPERATIONS EXCLUDED FROM "CAPS"						
Municipal Court:						
Salaries and Wages	\$ 142,100.00	\$ 142,100.00	\$ 137,178.86	\$	\$ 4,921.14	
Other Expenses	38,425.00	38,425.00	38,122.90	301.64	0.46	
Audit Services	4,500.00	4,500.00	4,500.00			
Utilities	17,500.00	17,500.00	14,491.54		3,008.46	
Public Defender:						
Salaries and Wages	7,000.00	7,000.00	834.17		6,165.83	
RECREATION AND EDUCATION:						
Free Public Library:						
Other Expenses	9,500.00	9,500.00	7,296.41	768.68	1,434.91	
Municipal Alliance Employment Assistance Program:	2,500.00	2,500.00	2,000.00		500.00	
NJ PEOSHA Fire Department						
Other Expenses	40,310.00	40,310.00	40,310.00			
NJ PEOSHA Police Department						
Other Expenses	4,500.00	4,500.00	4,270.04	229.96	0.00	
Board of Health:						
Other Expenses	66,718.00	66,718.00	64,985.04	275.00	1,457.96	
INTERLOCAL MUNICIPAL SERVICE AGREEMENTS						
Sewer Interlocal Agreements:						
Other Expenses	495,000.00	495,000.00	412,269.24		82,730.76	
Somerset County Interlocal Agreements:						
CDL Testing	600.00	600.00			600.00	
Recycling	45,600.00	45,600.00	33,878.94	11,292.98	428.08	
PUBLIC AND PRIVATE PROGRAMS OFF-SET BY REVENUES						
Safe & Secure Communities Program:						
State Share	60,000.00	60,000.00	60,000.00			
Local Share	136,810.00	136,810.00	136,810.00			
Somerset County Youth Athletic Grant (NJSA 40A: 4-87 \$15,000.00)	10,000.00	25,000.00	25,000.00			
N. J. Body Armor	2,557.60	2,557.60	2,557.60			
Drunk Driving Enforcement Fund (N J S A 40A:4-87, \$2,994.74)		2,994.74	2,994.74			
Clean Communities Program	1,902.79	1,902.79	1,902.79			
Grant Matching Funds	10,000.00	10,000.00			10,000.00	
Municipal Alliance Contribution	1,500.00	1,500.00	1,500.00			
TOTAL OPERATIONS EXCLUDED FROM "CAPS"	\$ 1,097,023.39	\$ 1,115,018.13	\$ 990,902.27	\$ 12,868.26	\$ 111,247.60	
DETAIL OPERATIONS-EXCLUDED FROM "CAPS"						
Salaries and Wages	\$ 149,100.00	\$ 149,100.00	\$ 138,013.03	\$	\$ 11,086.97	
Other Expenses	947,923.39	965,918.13	852,889.24	12,868.26	100,160.63	
CAPITAL IMPROVEMENTS-EXCLUDED FROM "CAPS"						
Capital Improvement Fund	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$	\$	
Building & Grounds Improvements	28,500.00	28,500.00	2,690.00	15,500.00	10,310.00	
Office Equipment	7,000.00	7,000.00	7,000.00		7,000.00	
UST Remediation	13,000.00	13,000.00	12,996.05		3.95	
Sewer Capital	150,000.00	150,000.00		150,000.00		
TOTAL CAPITAL IMPROVEMENTS-EXCLUDED FROM "CAPS"	\$ 223,500.00	\$ 223,500.00	\$ 40,686.05	\$ 165,500.00	\$ 17,313.95	
MUNICIPAL DEBT SERVICE-EXCLUDED FROM "CAPS"						
Payment of Bond Principal	\$ 713,000.00	\$ 713,000.00	\$ 713,000.00	\$	\$	
Interest on Bonds	449,960.50	449,960.50	449,960.50			
Interest on Notes	50,000.00	50,000.00	32,721.35			17,278.65
Green Trust Loan	69,368.50	69,368.50	69,368.14			0.36
Economic Recovery Loan	14,089.00	14,089.00	14,088.76			0.24
NJ UST Remediation Loan	12,830.00	12,830.00	12,830.00			
NJEIT Loan	63,682.00	63,682.00	59,462.37			4,219.63
TOTAL MUNICIPAL DEBT SERVICE-EXCLUDED FROM "CAPS"	\$ 1,372,930.00	\$ 1,372,930.00	\$ 1,351,431.12	\$	\$	\$ 21,498.88

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

BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENT OF EXPENDITURES - STATUTORY BASIS
YEAR ENDED DECEMBER 31, 2002

	APPROPRIATIONS		EXPENDED			UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	
DEFERRED CHARGES-MUNICIPAL- EXCLUDED FROM "CAPS"						
Deferred Charges:						
Deficit in Dedicated Assessment Budget	\$ 97,547.65	\$ 97,547.65	\$ 97,547.65		\$	\$
Deferred Charges to Future Taxation-Unfunded:						
Various Improvements: 98/22	150,500.00	150,500.00	150,500.00			
General Road Resurfacing & Rehab: 00/05	76,000.00	76,000.00	76,000.00			
Various PW & Police Facility Improvements: 00/06	95,000.00	95,000.00	95,000.00			
Engineering-Sewer Design, Constr & Rehab: 00/01	15,500.00	15,500.00	15,500.00			
TOTAL DEFERRED CHARGES-MUNICIPAL- EXCLUDED FROM "CAPS"	\$ 434,547.65	\$ 434,547.65	\$ 434,547.65			
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	\$ 3,128,001.04	\$ 3,145,995.78	\$ 2,817,567.09	\$ 178,368.26	\$ 128,561.55	\$ 21,498.88
SUB-TOTAL GENERAL APPROPRIATIONS RESERVE FOR UNCOLLECTED TAXES	\$ 9,205,970.04	\$ 9,223,964.78	\$ 8,086,073.95	\$ 247,024.80	\$ 869,367.15	\$ 21,498.88
		<u>515,000.00</u>	<u>515,000.00</u>			
TOTAL GENERAL APPROPRIATIONS	\$ 9,720,970.04	\$ 9,738,964.78	\$ 8,601,073.95	\$ 247,024.80	\$ 869,367.15	\$ 21,498.88
	REF.	A-2		A-1:A-7	A:A-1	
Amendment by (NJSA 40A:4-87)	A-2		\$ 17,994.74			
Budget	A-3		<u>9,720,970.04</u>			
			<u>\$ 9,738,964.78</u>			
Reserve for Uncollected Taxes	A-2		\$ 515,000.00			
Reserve for Federal and State Programs -						
Appropriated	A-22		92,455.13			
Disbursements	A-4		<u>8,076,188.51</u>			
			<u>\$ 8,683,643.64</u>			
Less: Refunds	A-4		<u>82,569.69</u>			
			<u>\$ 8,601,073.95</u>			

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

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TRUST FUND

"B"

BOROUGH OF WATCHUNG

TRUST FUND

BALANCE SHEETS - STATUTORY BASIS

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2002</u>	<u>BALANCE DECEMBER 31, 2001</u>
Assessment Fund:			
Cash	B-2	\$ 197,565.68	\$ 132,329.12
Assessment Receivable	B-3	915,933.92	1,130,947.71
Due Current Fund	B-4	3,026.26	89,094.00
Prospective Assessments Funded	B-5	88,350.00	88,350.00
Amount To Be Raised By Taxation:			
Funded By Assessments Funded	B-6	123,909.35	221,457.00
Cancelled Assessments	B-6	3,990.00	3,990.00
		<u>\$ 1,332,775.21</u>	<u>\$ 1,666,167.83</u>
Animal Control Fund:			
Cash	B-2	\$ 1,622.27	\$ 1,304.23
Overpayment Due From State	B-18		84.00
		<u>\$ 1,622.27</u>	<u>\$ 1,388.23</u>
Other Funds:			
Cash	B-2	\$ 1,963,195.74	\$ 1,460,391.13
Due Current Fund	B-24	11,139.73	
		<u>\$ 1,974,335.47</u>	<u>\$ 1,460,391.13</u>
		<u>\$ 3,308,732.95</u>	<u>\$ 3,127,947.19</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Assessment Fund:			
Assessment Serial Bonds	B-16	\$ 1,146,000.00	\$ 1,347,000.00
Reserve For Assessments	B-7	12,380.56	14,237.72
Fund Balance	B-1	174,394.65	304,930.11
		<u>\$ 1,332,775.21</u>	<u>\$ 1,666,167.83</u>
Animal Control Fund:			
Reserve For Animal Control Fund Expenditures	B-14	\$ 1,253.27	\$ 1,388.23
Prepaid Dog Licenses	B-17	369.00	
		<u>\$ 1,622.27</u>	<u>\$ 1,388.23</u>
Other Funds:			
Due Current Fund	B-24	\$	\$ 1,291.00
Reserve For:			
Various Trust Deposits	B-13	30,937.96	10,960.58
COAH Deposits	B-12	810,280.27	714,769.02
Police Outside Overtime	B-15	30,916.80	17,749.25
Open Space Trust Deposits	B-10	357,013.17	107,435.94
State Unemployment Compensation Insurance	B-11	125,068.99	120,838.01
Recreation Deposits	B-19	16,462.02	13,474.58
Law Enforcement Trust Fund	B-20	542.90	
Developers Deposits	B-21	598,742.80	467,125.00
Accounts Payable	B-9	4,370.56	6,747.75
		<u>\$ 1,974,335.47</u>	<u>\$ 1,460,391.13</u>
		<u>\$ 3,308,732.95</u>	<u>\$ 3,127,947.19</u>

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

"B-1"

BOROUGH OF WATCHUNG

ASSESSMENT TRUST FUND

STATEMENT OF FUND BALANCE - STATUTORY BASIS

	<u>REF.</u>		
Balance, December 31, 2001	B	\$	304,930.21
Increased by:			
Reserve for Assessments			1,857.16
		\$	<u>306,787.37</u>
Decreased by:			
Disbursements	B-2		<u>132,392.62</u>
Balance, December 31, 2002	B	\$	<u><u>174,394.75</u></u>

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

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GENERAL CAPITAL FUND

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

BALANCE SHEETS - STATUTORY BASIS

	REF.	BALANCE DECEMBER 31, 2002	BALANCE DECEMBER 31, 2001
<u>ASSETS</u>			
Cash	C-2-C-3	\$ 1,135,122.15	\$ 745,529.02
Deferred Charges to Future Taxation:			
Funded	C-4	11,266,529.57	12,126,779.57
Unfunded	C-5	6,855,562.49	7,385,817.00
Loans Receivable - NJ Environmental Infrastructure Trust	C-9	<u>659,686.00</u>	<u>1,651,144.00</u>
		<u>\$ 19,916,900.21</u>	<u>\$ 21,909,269.59</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Bond Anticipation Notes Payable	C-19	\$ 1,250,000.00	\$ 1,250,000.00
General Serial Bonds Payable	C-11	8,262,000.00	8,975,000.00
Contracts Payable	C-7	538,242.49	1,024,090.95
Retained Percentage Due Contractors	C-18		8,472.23
Accrued Interest on Sale of Bonds	C-16	3,105.00	3,105.00
Capital Improvement Fund	C-8	124,975.72	125,615.72
Due Current Fund	C-6		25.30
State of New Jersey Loan Payable:			
Environmental Infrastructure Trust Loan	C-12	1,115,000.00	1,145,000.00
Environmental Infrastructure Fund Loan	C-13	1,062,805.69	1,098,882.69
Economic Development Authority	C-14	221,145.82	245,915.82
Green Trust Loan Program	C-15	605,578.06	661,981.06
Improvement Authorizations:			
Funded	C-10	735,763.15	764,474.89
Unfunded	C-10	5,579,863.61	6,454,990.23
Reserve for Payment of Bond Anticipation Notes	C-17	134,500.00	134,500.00
Fund Balance	C-1	<u>283,920.67</u>	<u>17,215.70</u>
		<u>\$ 19,916,900.21</u>	<u>\$ 21,909,269.59</u>

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

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

STATEMENT OF FUND BALANCE - STATUTORY BASIS

	<u>REF.</u>		
Balance, December 31, 2001	C		\$ 17,215.70
Increased by:			
Reserve Canceled	C-18	\$ 8,472.23	
Improvement Authorizations Canceled	C-10	<u>258,232.74</u>	
			<u>266,704.97</u>
Balance, December 31, 2002	C		\$ <u>283,920.67</u>

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

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PUBLIC ASSISTANCE TRUST FUND

BOROUGH OF WATCHUNG

PUBLIC ASSISTANCE TRUST FUND

BALANCE SHEETS - STATUTORY BASIS

	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2002</u>	<u>BALANCE DECEMBER 31, 2001</u>
<u>ASSETS</u>			
Cash-Treasurer:			
Public Assistance Trust Fund I	E-1	\$ 8,750.90	\$ 8,716.46
Public Assistance Trust Fund II	E-1	<u>4,224.78</u>	<u>4,480.78</u>
		<u>\$ 12,975.68</u>	<u>\$ 13,197.24</u>
<u>LIABILITIES AND RESERVES</u>			
Reserve for Public Assistance:			
Public Assistance Trust Fund I		\$ 2,396.72	\$ 2,396.72
Community Emergency Fund		6,354.18	6,319.74
Public Assistance Trust Fund II		<u>4,224.78</u>	<u>4,480.78</u>
		<u>\$ 12,975.68</u>	<u>\$ 13,197.24</u>

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

GENERAL FIXED ASSETS ACCOUNT GROUP

"F"

BOROUGH OF WATCHUNG

GENERAL FIXED ASSETS ACCOUNT GROUP

BALANCE SHEETS - STATUTORY BASIS

	BALANCE DECEMBER <u>31, 2002</u>	BALANCE DECEMBER <u>31, 2001</u>
<u>FIXED ASSETS</u>		
Land	\$ 4,789,000.00	\$ 4,789,000.00
Buildings & Building Improvements	6,054,980.00	6,054,980.00
Machinery and Equipment	<u>2,943,723.39</u>	<u>2,779,834.52</u>
<u>TOTAL FIXED ASSETS</u>	<u>\$ 13,787,703.39</u>	<u>\$ 13,623,814.52</u>
<u>RESERVE</u>		
Investments in General Fixed Assets	<u>\$ 13,787,703.39</u>	<u>\$ 13,623,814.52</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, 2002

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 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 federal and state 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 has 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 a revenue in a future budget. GAAP requires such proceeds to be recorded as a 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

General Fixed Assets - Technical Accounting Directive No. 85-2, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and certificates of deposit as cash and cash equivalents.

A. 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.

The Borough of Watchung had the following cash and cash equivalents at December 31, 2002:

<u>FUND</u>	<u>CHANGE FUND</u>	<u>CASH IN BANK</u>	<u>TOTAL</u>
Current Fund	\$200.00	\$5,147,792.45	\$5,147,992.45
Federal and State Grant Fund		138,799.64	138,799.64
Assessment Fund		197,565.68	197,565.68
Animal Control Trust Fund		1,622.27	1,622.27
Other Trust Fund		1,963,195.74	1,963,195.74
General Capital Fund		1,135,122.15	1,135,122.15
Public Assistance Trust Fund	_____	<u>12,975.68</u>	<u>12,975.68</u>
<u>TOTAL DECEMBER 31, 2002</u>	<u>\$ 200.00</u>	<u>\$8,597,073.61</u>	<u>\$8,597,273.61</u>

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments

The purchase of investments by the Borough are 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;
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.

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

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.

The Borough of Watchung's investment activities during the year were in accordance with the above New Jersey Statute.

NOTE 3: LONG-TERM 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 bonds. A summary of bond and note transactions for the year ended December 31, 2002 are detailed on Exhibit "C-11" and "C-19".

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. A summary of these transactions for the year ended December 31, 2002 are detailed on Exhibits "C-12", "C-13", "C-14" and "C-15".

NOTE 3 - LONG-TERM DEBT (CONT'D)

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

Equalized Valuation Basis - December 31, 2002	\$ <u>1,172,373,479.00</u>
3 1/2% of Equalized Valuation Basis	\$ 41,033,071.76
Net Debt	<u>19,363,090.49</u>
Remaining Borrowing Power	\$ <u>21,669,981.27</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

Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued and Outstanding

<u>Calendar Year</u>	<u>Assessment</u>		<u>General</u>		<u>Total</u>
	<u>Principal</u>		<u>Principal</u>	<u>Interest</u>	
2003	\$ 201,000.00	\$	725,000.00	\$ 404,466.50	\$ 1,330,466.50
2004	201,000.00		725,000.00	361,636.50	1,287,636.50
2005	201,000.00		825,000.00	316,806.50	1,342,806.50
2006	136,000.00		787,000.00	271,845.25	1,194,845.25
2007	136,000.00		715,000.00	230,816.75	1,081,816.75
2008	136,000.00		715,000.00	193,108.25	1,044,108.25
2009	136,000.00		715,000.00	154,501.50	1,005,501.50
2010			714,000.00	118,881.50	832,881.50
2011			600,000.00	89,504.00	689,504.00
2012			600,000.00	63,329.00	663,329.00
2013			600,000.00	37,004.00	637,004.00
2014			541,000.00	11,902.00	552,902.00
	\$ <u>1,147,000.00</u>	\$	\$ <u>8,262,000.00</u>	\$ <u>2,253,801.75</u>	\$ <u>11,662,801.75</u>

Schedule of Annual Debt Service for Principal and Interest for New Jersey Green Trust Loan Payable - Watchung Lake Acquisition

<u>Calendar Year</u>		<u>Principal</u>		<u>Interest</u>		<u>Total</u>
2003	\$	35,052.64	\$	3,865.91	\$	38,918.55
2004		35,757.20		3,155.38		38,912.58
2005		36,475.91		2,436.64		38,912.55
2006		37,209.08		1,703.48		38,912.56
2007		37,956.98		955.58		38,912.56
2008		19,263.64		192.64		19,456.28
	\$	<u>201,715.45</u>	\$	<u>12,309.63</u>	\$	<u>214,025.08</u>

NOTE 3 - LONG-TERM DEBT (CONT'D)

Schedule of Annual Debt Service for Principal and Interest for New Jersey Green Trust Loan Payable - Watchung Lake Development

<u>Calendar Year</u>		<u>Principal</u>		<u>Interest</u>		<u>Total</u>
2003	\$	22,483.84	\$	7,971.76	\$	30,455.60
2004		22,935.77		7,519.83		30,455.60
2005		23,396.78		7,058.82		30,455.60
2006		23,867.06		6,588.54		30,455.60
2007		24,346.79		6,108.81		30,455.60
2008		24,836.16		5,619.44		30,455.60
2009		25,335.36		5,120.24		30,455.60
2010		25,844.60		4,611.00		30,455.60
2011		26,364.08		4,091.52		30,455.60
2012		26,894.00		3,561.60		30,455.60
2013		27,434.57		3,021.03		30,455.60
2014		27,986.00		2,469.60		30,455.60
2015		28,548.52		1,907.08		30,455.60
2016		29,122.35		1,333.25		30,455.60
2017		29,707.70		747.90		30,455.60
2018		14,759.03		150.77		14,909.80
	\$	<u>403,862.61</u>	\$	<u>67,881.19</u>	\$	<u>471,743.80</u>

Schedule of Annual Debt Service for Principal and Interest for Economic Development Authority Loan Payable - Underground Storage Tanks

<u>Calendar Year</u>		<u>Principal</u>		<u>Interest</u>		<u>Total</u>
2003	\$	12,830.00	\$		\$	12,830.00
2004		12,830.00				12,830.00
2005		12,830.00				12,830.00
2006		12,830.00				12,830.00
2007		12,830.00				12,830.00
2008		12,830.00				12,830.00
2009		12,830.00				12,830.00
	\$	<u>89,810.00</u>	\$	<u></u>	\$	<u>89,810.00</u>

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

<u>Calendar Year</u>		<u>Principal</u>		<u>Interest</u>		<u>Total</u>
2003	\$	11,939.62	\$	1,970.04	\$	13,909.66
2004		11,939.62		1,790.94		13,730.56
2005		11,939.62		1,611.84		13,551.46
2006		11,939.62		1,432.76		13,372.38
2007		11,939.62		1,253.66		13,193.28
2008		11,939.62		1,074.56		13,014.18
2009		11,939.62		895.48		12,835.10
2010		11,939.62		716.38		12,656.00
2011		11,939.62		537.28		12,476.90
2012		11,939.62		358.18		12,297.80
2013		11,939.62		179.10		12,118.72
	\$	<u>131,335.82</u>	\$	<u>11,820.22</u>	\$	<u>143,156.04</u>

NOTE 3 - LONG-TERM DEBT (CONT'D)

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

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 30,000.00	\$ 45,068.76	\$ 75,068.76
2004	35,000.00	43,568.76	78,568.76
2005	35,000.00	41,818.76	76,818.76
2006	35,000.00	40,068.76	75,068.76
2007	40,000.00	38,318.76	78,318.76
2008	40,000.00	36,318.76	76,318.76
2009	40,000.00	34,318.76	74,318.76
2010	45,000.00	32,318.76	77,318.76
2011	45,000.00	30,068.76	75,068.76
2012	50,000.00	27,818.76	77,818.76
2013	50,000.00	25,318.76	75,318.76
2014	55,000.00	22,818.76	77,818.76
2015	55,000.00	20,068.76	75,068.76
2016	60,000.00	17,250.00	77,250.00
2017	60,000.00	14,175.00	74,175.00
2018	65,000.00	11,025.00	76,025.00
2019	70,000.00	7,612.50	77,612.50
2020	75,000.00	3,937.50	78,937.50
	<u>\$ 885,000.00</u>	<u>\$ 491,893.88</u>	<u>\$ 1,376,893.88</u>

Schedule of Annual Debt Service for Principal and Interest for Environmental Infrastructure Fund Loan Payable - Sanitary Sewer System - 2000

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 45,804.39	\$	\$ 45,804.39
2004	47,939.97		47,939.97
2005	46,872.18		46,872.18
2006	45,804.39		45,804.39
2007	47,787.43		47,787.43
2008	46,567.10		46,567.10
2009	45,346.76		45,346.76
2010	47,177.26		47,177.26
2011	45,804.39		45,804.39
2012	47,482.34		47,482.34
2013	45,956.93		45,956.93
2014	47,482.34		47,482.34
2015	45,804.39		45,804.39
2016	47,135.31		47,135.31
2017	45,259.05		45,259.05
2018	46,387.85		46,387.85
2019	47,356.49		47,356.49
2020	48,165.12		48,165.12
	<u>\$ 840,133.69</u>	<u>\$</u>	<u>\$ 840,133.69</u>

NOTE 3 - LONG-TERM DEBT (CONT'D)

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

<u>Calendar Year</u>		<u>Principal</u>		<u>Interest</u>		<u>Total</u>
2003	\$	10,000.00	\$	11,000.00	\$	21,000.00
2004		10,000.00		10,600.00		20,600.00
2005		10,000.00		10,200.00		20,200.00
2006		10,000.00		9,750.00		19,750.00
2007		10,000.00		9,250.00		19,250.00
2008		10,000.00		8,750.00		18,750.00
2009		10,000.00		8,250.00		18,250.00
2010		10,000.00		7,750.00		17,750.00
2011		10,000.00		7,250.00		17,250.00
2012		10,000.00		6,750.00		16,750.00
2013		10,000.00		6,250.00		16,250.00
2014		15,000.00		5,625.00		20,625.00
2015		15,000.00		4,875.00		19,875.00
2016		15,000.00		4,125.00		19,125.00
2017		15,000.00		3,375.00		18,375.00
2018		15,000.00		2,625.00		17,625.00
2019		15,000.00		1,875.00		16,875.00
2020		15,000.00		1,125.00		16,125.00
2021		15,000.00		375.00		15,375.00
	\$	<u>230,000.00</u>	\$	<u>119,800.00</u>	\$	<u>349,800.00</u>

Schedule of Annual Debt Service for Principal and Interest for Environmental Infrastructure Fund Loan Payable - Sanitary Sewer System - 2001

<u>Calendar Year</u>		<u>Principal</u>		<u>Interest</u>		<u>Total</u>
2003	\$	13,367.96	\$		\$	13,367.96
2004		13,113.33				13,113.33
2005		12,858.71				12,858.71
2006		12,572.25				12,572.25
2007		12,253.96				12,253.96
2008		11,935.68				11,935.68
2009		11,617.40				11,617.40
2010		11,299.11				11,299.11
2011		10,980.82				10,980.82
2012		10,662.54				10,662.54
2013		10,344.26				10,344.26
2014		13,129.25				13,129.25
2015		12,651.82				12,651.82
2016		12,174.39				12,174.39
2017		11,696.96				11,696.96
2018		11,219.54				11,219.54
2019		10,742.11				10,742.11
2020		10,264.68				10,264.68
2021		9,787.44				9,787.44
	\$	<u>222,672.21</u>	\$		\$	<u>222,672.21</u>

NOTE 4: FUND BALANCES APPROPRIATED

Fund balance at December 31, 2002 which was appropriated and included as anticipated revenue in its own respective fund for the year ending December 31, 2003 was as follows:

Current Fund	\$1,700,000.00
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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 DECEMBER <u>31, 2002</u>	BALANCE DECEMBER <u>31, 2001</u>
Prepaid Taxes	<u>\$241,050.74</u>	<u>\$174,308.00</u>

NOTE 6: PENSION PLANS

Borough employees, who are eligible for a pension plan, are enrolled in one of two pension systems administered by the Division of Pensions, Treasury Department of the State of New Jersey. The plans are: the Public Employees' Retirement System and the Police and Firemen's Retirement System. The Division annually charges participating government units for their respective contributions to the plans based upon actuarial methods. Certain portions of the costs are contributed by the employees. The Borough's share of pension, which is based upon the annual billings received from the state, amounted to \$-0- for 2001 and \$ -0- for 2002.

Borough employees are also covered by Federal Insurance Contribution Act.

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

NOTE 7: COMPENSATED ABSENCES

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

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

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

The Borough has estimated the liability for unpaid sick pay to be \$354,725.39 and \$346,827.00 at December 31, 2002 and 2001, respectively. In accordance with New Jersey principles, this amount is 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 2002. 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 made provision in the amount of \$200,000.00 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 2002 audit. In addition, these programs are also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2002, 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.

NOTE 13: INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances consisted of the following at December 31, 2002:

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
Current Fund	\$	\$14,786.14
Federal and State Grant Fund	620.15	
Assessment Trust Fund	3,026.26	
Other Trust Fund	<u>11,139.73</u>	_____
	<u>\$ 14,786.14</u>	<u>\$14,786.14</u>

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BOROUGH OF WATCHUNG
SUPPLEMENTARY SCHEDULES
YEAR ENDED DECEMBER 31, 2002

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF CASH - TREASURER

	<u>REF.</u>	<u>CURRENT FUND</u>	<u>FEDERAL AND STATE GRANT FUND</u>
Balance, December 31, 2001	A	\$ 4,159,411.58	\$ 74,354.16
Increased by Receipts:			
Taxes Receivable	A-8	\$ 22,221,623.38	\$
Tax Overpayments	A-18	7,800.63	
Prepaid Taxes	A-19	241,050.74	
Miscellaneous Revenue Not Anticipated	A-2	73,123.44	
Revenue Accounts Receivable	A-9	3,321,200.27	
Petty Cash Funds	A-5	400.00	
State of New Jersey-Senior Citizens and Veterans	A-14	55,095.21	
Appropriation Refunds	A-3	82,569.69	
Interfunds Returned	A-24	334,256.68	
Various Reserves	A-27	40.00	
Federal and State Grants Receivable	A-10		133,955.13
Federal and State Grants - Appropriated	A-22		138,310.00
Federal and State Funds - Unappropriated	A-23		620.15
Due State of New Jersey - DCA	A-20	12,662.00	
		<u>26,349,822.04</u>	<u>272,885.28</u>
		\$ 30,509,233.62	\$ 347,239.44
Decreased by Disbursements:			
2002 Appropriations	A-3	\$ 8,076,188.51	\$
2001 Appropriation Reserves	A-11	281,860.81	
Local District School Tax	A-16	7,274,074.00	
County Taxes	A-15	5,758,741.01	
Regional High School Tax	A-17	3,286,778.15	
Refund of Tax Overpayments	A-18	7,760.23	
Municipal Open Space Taxes	A-2	246,286.72	
Accounts Payable	A-26		5,736.34
Refund of Construction Code Fees	A-2	612.00	
Due State of New Jersey - DCA	A-20	11,970.00	
Due from State of New Jersey - DCA	A-21	4,292.00	
Petty Cash Funds	A-5	400.00	
Various Reserves	A-27	5,085.44	
Federal and State Grants Appropriated	A-22		202,083.31
Interfunds Advanced	A-24	407,392.30	
Interfund - Due Current Fund	A-25		620.15
		<u>25,361,441.17</u>	<u>208,439.80</u>
Balance, December 31, 2002	A	\$ <u>5,147,792.45</u>	\$ <u>138,799.64</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	100.00	100.00
	<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>2001 AND 2002</u>
Tax Collector	\$ 100.00
Municipal Court	100.00
	<u>\$ 200.00</u>
<u>REF.</u>	A

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF ACCOUNTS PAYABLE

	<u>REF.</u>		
Balance, December 31, 2001	A		\$ 95,573.17
Increased by:			
2002 Appropriations	A-3	\$ 247,024.80	
2001 Appropriation Reserves	A-11	<u>130,550.87</u>	
			<u>377,575.67</u>
			\$ <u>473,148.84</u>
Decreased by:			
Transfer to 2001 Appropriation Reserves	A-11	87,892.67	
Canceled	A-1	<u>5,000.00</u>	
			<u>92,892.67</u>
Balance, December 31, 2002	A		\$ <u><u>380,256.17</u></u>

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

YEAR	BALANCE	2002 LEVY	COLLECTIONS		CANCELED	BALANCE
	DECEMBER 31, 2001		2001	2002		DECEMBER 31, 2002
2001	\$ 146,572.00		\$ 144,795.30	\$ 1,776.70	\$	
2002	\$ 146,572.00	\$ 22,533,534.47	\$ 174,307.72	\$ 22,131,928.08	\$ 37,696.75	\$ 189,601.92
	<u>\$ 146,572.00</u>	<u>\$ 22,533,534.47</u>	<u>\$ 174,307.72</u>	<u>\$ 22,276,723.38</u>	<u>\$ 39,473.45</u>	<u>\$ 189,601.92</u>
REF.	A		A-2:A-19	A-2		A

REF.

Collector	A-4	\$ 22,221,623.38
Due From State of New Jersey Per Chapter 20, P L. 1971	A-14	55,100.00
		<u>\$ 22,276,723.38</u>

ANALYSIS OF 2002 PROPERTY TAX LEVY

TAX YIELD

General Purpose Tax	\$ 21,481,333.87
Added Taxes (54:4-63.1 et. seq.)	1,052,200.60
	<u>\$ 22,533,534.47</u>

TAX LEVY

Local District School Tax (Abstract)	A-16	\$ 7,274,074.00
Regional High School Tax (Abstract)	A-17	3,286,778.15
County Taxes:		
County Tax	A-15	\$ 4,590,627.54
County Library Tax	A-15	462,510.69
County Open Space Preservation Tax	A-15	367,530.44
County Added	A-15	270,406.17
		5,691,074.84
Local Tax for Municipal Purposes (Abstract)	A-2	\$ 5,198,942.00
Municipal Open Space Tax	A-1:A-2	246,286.72
Add: Additional Tax Levied		836,378.76
Local Tax for Municipal Purposes Levied		<u>6,281,607.48</u>
		<u>\$ 22,533,534.47</u>

BOROUGH OF WATCHUNGCURRENT FUNDSCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	REF.	BALANCE DECEMBER 31, 2001	ACCRUED IN 2002	COLLECTED BY TREASURER	BALANCE DECEMBER 31, 2002
Clerk:					
Alcoholic Beverage Licenses	A-2	\$	\$ 8,770.90	\$ 8,770.90	\$
Other Licenses	A-2		3,894.00	3,894.00	
Fees and Permits	A-2		99.00	99.00	
Uniform Construction Code Official	A-2		372,760.00	372,760.00	
Recreation: Fees and Permits	A-2		2,275.00	2,275.00	
Planning Board: Fees and Permits	A-2		6,650.00	6,650.00	
Registrar of Vital Statistics:					
Other Licenses	A-2		66.00	66.00	
Fees and Permits	A-2		8,141.00	8,141.00	
Board of Health:					
Other Licenses	A-2		12,995.00	12,995.00	
Fees and Permits	A-2		1,625.00	1,625.00	
Board of Adjustment: Fees and Permits	A-2		9,759.00	9,759.00	
Tower Lease: Fees and Permits	A-2		52,113.84	52,113.84	
Police: Fees and Permits	A-2		5,369.00	5,369.00	
Engineering:					
Fees and Permits	A-2		5,980.00	5,980.00	
Sanitary Sewer - Fees and Permits	A-2		377,731.04	377,731.04	
Bureau of Fire Prevention: Fees and Permits					
Fire Official	A-2		260.00	260.00	
Smoke Detectors	A-2		2,775.00	2,775.00	
Tax Search: Fees and Permits	A-2		70.00	70.00	
Municipal Court: Fines and Costs	A-2	18,915.21	254,274.32	251,512.92	21,676.61
Interest and Costs on Taxes	A-2		86,541.37	86,541.37	
Interest on Investments and Deposits	A-2		109,708.64	109,708.64	
Sewer Rents	A-2	36,338.79	882,551.34	887,242.84	31,647.29
Legislative Initiative Block Grant	A-2		22,359.00	22,359.00	
Consolidated Municipal Property Tax Relief Aid	A-2		343,806.00	343,806.00	
Energy Receipts Tax	A-2		603,596.00	603,596.00	
Supplemental Energy Receipts Tax	A-2		34,259.00	34,259.00	
Uniform Fire Safety Act	A-2		13,293.07	13,293.07	
Assessment Trust Surplus	A-2		97,547.65	97,547.65	
		\$ 55,254.00	\$ 3,319,270.17	\$ 3,321,200.27	\$ 53,323.90
REF.		A		A-4	A

BOROUGH OF WATCHUNG

FEDERAL AND STATE GRANT FUND

SCHEDULE OF FEDERAL AND STATE AID RECEIVABLE

	BALANCE DECEMBER 31, 2001	ACCRUED 2002	RECEIPTS	BALANCE DECEMBER 31, 2002
Safe and Secure Communities	\$ 16,250.00	\$ 60,000.00	\$ 76,250.00	\$ 6,500.00
Somerset County Planning Incentive Grant	21,750.00		15,250.00	
Special Legislative	10,000.00		10,000.00	
Somerset County Recreation Facilities	15,000.00		15,000.00	
Body Armor Replacement Fund	3,184.87	2,557.60	2,557.60	3,184.87
Clean Communities Program		1,902.79	1,902.79	
State - Playground Safety		10,000.00	10,000.00	
Somerset County Youth Athletic & Recreation Program		15,000.00		15,000.00
Drunk Driving Enforcement Fund		2,994.74	2,994.74	
	\$ 66,184.87	\$ 92,455.13	\$ 133,955.13	\$ 24,684.87

REF.

A

A-2

A-4

A

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF 2001 APPROPRIATION RESERVES

	BALANCE DECEMBER 31, 2001	ADJUSTED BALANCE	PAID OR CHARGED	BALANCE LAPSED
<u>OPERATIONS WITHIN "CAPS"</u>				
Salaries and Wages:				
Borough Council	\$ 124.91	\$ 124.91	\$	\$ 124.91
Administrative & Executive	7,105.11	7,105.11		7,105.11
Borough Clerk	3,411.24	3,411.24		3,411.24
Financial Administration	372.70	372.70		372.70
Tax Assessment Administration	99.42	99.42		99.42
Revenue Administration	99.62	99.62		99.62
Legal Services	610.00	610.00		610.00
Engineering Services	14,303.16	14,303.16		14,303.16
Public Buildings and Grounds	1,174.40	1,174.40		1,174.40
Municipal Land Use Law - Planning Board	2,003.19	2,003.19		2,003.19
Zoning Board of Adjustments	1,408.50	1,408.50		1,408.50
Uniform Safety Act - Fire Prevention Inspector	3,944.94	3,944.94		3,944.94
Police	839.05	839.05		839.05
Roads Repair and Maintenance	13,292.16	13,292.16		13,292.16
Board of Health	136.33	136.33		136.33
Board of Recreation Commissioners	1,271.50	1,271.50		1,271.50
Uniform Construction Code Enforcement Functions	16,379.64	16,379.64		16,379.64
Plumbing Inspector	465.33	465.33		465.33
Electrical Inspector	210.40	210.40		210.40
Fire Sub-Code Inspector	254.58	254.58		254.58
Community Service Program	50.00	50.00		50.00
Public Assistance	0.43	0.43		0.43
Other Expenses:				
Borough Council	16,889.84	19,915.14	19,865.48	49.66
Administrative & Executive	147.10	6,110.85	6,110.19	0.66
Borough Clerk	6,644.79	7,910.79	7,505.21	405.58
Elections	1,373.41	1,373.41		1,373.41
Financial Administration	1,087.16	2,561.16	1,470.85	1,090.31
Tax Assessment Administration	30,155.16	30,390.14	27,279.38	3,110.76
Revenue Administration	1,199.26	2,549.03	1,174.15	1,374.88
Legal Services	30,177.68	30,177.68	30,177.68	
Engineering Services	9,988.07	10,825.01	8,066.33	2,758.68
Public Buildings and Grounds	1,475.72	5,730.88	5,730.88	
Municipal Land Use Law - Planning Board	4,068.34	12,587.12	3,613.18	8,973.94
Zoning Board of Adjustments	1,319.52	1,445.02	372.28	1,072.74
Employee Group Insurance	20,447.26	20,447.26	19,590.11	857.15
Worker's Compensation Fund	4,460.50	4,460.50		4,460.50
Fire	155.38	9,814.84	9,239.17	575.67
Uniform Safety Act - Fire Prevention Inspector	5.96	2,745.96	2,745.96	
Police	1,159.59	13,862.35	13,743.86	118.49
Aid to Volunteer Ambulance Companies	1,142.29	7,200.00	6,081.62	1,118.38
Office of Emergency Management	1,778.50	2,109.56	382.06	1,727.50
Roads Repair and Maintenance	3,176.43	9,321.75	8,111.75	1,210.00
Traffic and Beautification Committee	21.41	281.41	260.00	21.41
Sewer System	2.68	619.05	619.05	
Administration of Public Assistance	146.00	146.00		146.00
Condo Act Reimbursement	1,000.00	5,000.00	2,771.29	2,228.71
Board of Recreation Commissioners	34.89	160.99	126.10	34.89
Uniform Construction Code Enforcement Functions	22.14	1,394.01	1,252.80	141.21
Community Service Committee	500.00	500.00	500.00	
Environmental Commission	1,320.33	1,320.33		1,320.33
Historical Preservation Committee	5,220.00	5,220.00		5,220.00
Electricity	2,046.06	2,046.06	2,046.06	
Street Lighting	6,992.56	6,992.56	6,992.56	
Fuel Oil	13,460.55	13,460.55	5,418.96	8,041.59
Telephone	145.87	145.87	145.87	
Water	13,125.93	13,125.93	2,981.31	10,144.62
Fire Hydrant Charges	12,490.34	12,490.34	12,490.34	
Gasoline & Diesel Fuel	779.39	779.39	482.38	297.01

BOROUGH OF WATCHUNG
CURRENT FUND
SCHEDULE OF 2001 APPROPRIATION RESERVES

	BALANCE DECEMBER 31, 2001	ADJUSTED BALANCE	PAID OR CHARGED	BALANCE LAPSED
<u>DEFERRED CHARGES AND STATUTORY EXPENDITURES - WITHIN "CAPS"</u>				
Contribution To:				
Social Security System (O.A.S.I.)	\$ 4,903.40	\$ 4,903.40		\$ 4,903.40
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>				
Municipal Court	11,263.39	11,263.39		11,263.39
Municipal Court - Worker's Compensation Insurance	400.00	400.00		400.00
Miscellaneous Expenses	10.49	1,562.91	1,536.32	26.59
NJ Public Employees Occupation Safety & Health Act: Fire	2.03	202.03	200.00	2.03
Public Defender	6,302.82	6,302.82		6,302.82
Public Health Services	2,107.99	16,809.99	14,837.00	1,972.99
Municipal Alliance Employee Assistance Program	500.00	500.00		500.00
County Library		377.42		377.42
PEOSHA: Police	500.00	500.00		500.00
Sewer Interlocal Agreements	25,163.26	25,163.26		25,163.26
Somerset County Interlocal Agreement CDL Testing	600.00	600.00	115.00	485.00
Somerset County Interlocal Recycling Agreement	16,121.17	16,121.17	11,209.50	4,911.67
<u>CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"</u>				
Berkeley Heights Sewer Capital Assessment	150,000.00	150,000.00	150,000.00	
Purchase of Construction Office Vehicle	49,598.00	49,598.00	27,167.00	22,431.00
<u>TOTAL</u>	<u>\$ 529,189.27</u>	<u>\$ 617,081.94</u>	<u>\$ 412,411.68</u>	<u>\$ 204,670.26</u>
	REF.	A:A-11		A-1
Balance, December 31, 2001	A:A-11	\$ 529,189.27		
Accounts Payable	A-7	87,892.67		
		<u>\$ 617,081.94</u>		
Disbursements	A-4		\$ 281,860.81	
Accounts Payable	A-7		130,550.87	
			<u>\$ 412,411.68</u>	

"A-12"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF RESERVE FOR BONDS & ESCROW REVIEW FEES

	<u>REF.</u>	
Balance, December 31, 2001 and December 31, 2002	A	\$ <u>1,721.37</u>

"A-13"

SCHEDULE OF RESERVE FOR TAX APPEALS

Increased by:		
Contested Amount of 2002 Taxes Collected	A-2	\$ <u>200,000.00</u>
Balance, December 31, 2002	A	\$ <u>200,000.00</u>

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF DUE FROM STATE OF NEW JERSEY
PER CHAPTER 20, P.L. 1971

	<u>REF.</u>		
Balance, December 31, 2001	A		\$ 495.00
Increased by:			
Deductions Per Tax Billings		\$ 54,500.00	
Senior Citizens' Deduction Allowed by Tax Collector		<u>1,050.00</u>	
			\$ <u>55,550.00</u>
			\$ <u>56,045.00</u>
Decreased by:			
Receipts	A-4	55,095.21	
Senior Citizens' Deduction Disallowed by Tax Collector		<u>450.00</u>	
			<u>55,545.21</u>
Balance, December 31, 2002	A		\$ <u><u>499.79</u></u>
 <u>REVENUE REALIZED:</u>			
Deductions Per Tax Billings:			
Senior Citizens		\$ 5,500.00	
Veterans		49,000.00	
Senior Citizen Deduction Allowed by Collector		<u>1,050.00</u>	
			\$ 55,550.00
Less: Senior Citizens Deductions Disallowed by Collector - 2002 Taxes			<u>450.00</u>
	A-8		\$ <u><u>55,100.00</u></u>

"A-15"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF COUNTY TAXES PAYABLE

	<u>REF.</u>		
Balance, December 31, 2001	A		\$ 67,666.17
2002 Tax Levy:			
County Tax	A-8	\$ 4,590,627.54	
County Library Tax	A-8	462,510.69	
County Open Space Preservation Tax	A-8	367,530.44	
County Added	A-8	<u>270,406.17</u>	
	A-1		5,691,074.84
			\$ <u>5,758,741.01</u>
Decreased by:			
Payments	A-4		\$ <u>5,758,741.01</u>

"A-16"

SCHEDULE OF LOCAL DISTRICT SCHOOL TAX

Increased by:			
2002 Tax Levy - Calendar Year	A-1:A-8		\$ 7,274,074.00
Decreased by:			
Payments	A-4		<u>7,274,074.00</u>

"A-17"

SCHEDULE OF REGIONAL HIGH SCHOOL TAX

Increased by:			
2002 Tax Levy - Calendar Year	A-1:A-8		\$ 3,286,778.15
Decreased by:			
Payments	A-4		<u>3,286,778.15</u>

"A-18"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF TAX OVERPAYMENTS

	<u>REF.</u>	
Increased by Overpayments in 2002 - Receipts	A-4	\$ 7,800.63
Decreased by: Refunds	A-4	<u>7,760.23</u>
Balance, December 31, 2002	A	\$ <u><u>40.40</u></u>

"A-19"

SCHEDULE OF PREPAID TAXES

Balance, December 31, 2001 (2002 Taxes)	A	\$ 174,307.72
Increased by Collections of 2003 Taxes	A-4	<u>241,050.74</u>
		\$ 415,358.46
Decreased by: Application to Taxes Receivable	A-8	<u>174,307.72</u>
Balance, December 31, 2002 (2003 Taxes)	A	\$ <u><u>241,050.74</u></u>

"A-20"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF DUE TO STATE OF NEW JERSEY - DCA

	<u>REF.</u>	
Balance, December 31, 2001	A	\$ 1,485.00
Increased by:		
Receipts	A-4	12,662.00
		\$ <u>14,147.00</u>
Decreased by:		
Disbursements	A-4	<u>11,970.00</u>
Balance, December 31, 2002	A	\$ <u><u>2,177.00</u></u>

"A-21"

SCHEDULE OF DUE FROM STATE OF NEW JERSEY - DCA - OVERPAYMENT

Increased by:		
Disbursements - Overpayment	A-4	\$ <u>4,292.00</u>
Balance, December 31, 2002	A	\$ <u><u>4,292.00</u></u>

BOROUGH OF WATCHUNG

FEDERAL AND STATE GRANT FUND

SCHEDULE OF RESERVE FOR FEDERAL AND STATE GRANTS - APPROPRIATED

	BALANCE DECEMBER <u>31, 2001</u>	TRANSFERRED FROM 2002 <u>BUDGET</u>	PAID OR CHARGED	BALANCE DECEMBER <u>31, 2002</u>
Safe and Secure Communities:	\$	\$	\$	\$
State Share	16,250.00	60,000.00	60,000.00	16,250.00
Local Share	61,382.47	136,810.00	110,494.83	87,697.64
Somerset County Planning Incentive Grant:				
State Share	15,246.80		4,421.20	10,825.60
Local Share	15,246.80		4,421.19	10,825.61
Special Legislative	10,000.00		3,625.00	6,375.00
Body Armor Replacement Fund		2,557.60	2,557.60	
Clean Communities Program		1,902.79	1,902.79	
State - Playground Safety		10,000.00	10,000.00	
Somerset County Youth Athletic & Recreation Program		15,000.00	3,928.10	11,071.90
Drunk Driving Enforcement Fund	14,220.30	2,994.74	5,115.60	12,099.44
Recycling Tonnage Grant	2,456.32			2,456.32
Municipal Alliance Contribution:				
Local Share		<u>1,500.00</u>	<u>1,500.00</u>	
	<u>\$ 134,802.69</u>	<u>\$ 230,765.13</u>	<u>\$ 207,966.31</u>	<u>\$ 157,601.51</u>
<u>REF.</u>	<u>A</u>			<u>A</u>
State Aid Programs	A-3	\$ 92,455.13		
Matching Funds for Grants	A-4	<u>138,310.00</u>		
		<u>\$ 230,765.13</u>		
Disbursements	A-4		\$ 202,083.31	
Accounts Payable	A-26		<u>5,883.00</u>	
			<u>\$ 207,966.31</u>	

BOROUGH OF WATCHUNG

FEDERAL AND STATE GRANT FUND

SCHEDULE OF RESERVE FOR FEDERAL AND STATE
GRANTS - UNAPPROPRIATED

	<u>RECEIPTS</u>	<u>BALANCE DECEMBER 31, 2002</u>
Alcohol Education Rehabilitation Fund	\$ <u>620.15</u>	\$ <u>620.15</u>
<u>REF.</u>	A-4	A

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF INTERFUNDS

<u>REF.</u>	<u>TOTAL</u>	<u>FEDERAL AND STATE GRANT FUND</u>	<u>ASSESSMENT TRUST FUND</u>	<u>OTHER TRUST FUND</u>	<u>GENERAL CAPITAL FUND</u>	<u>PAYROLL ACCOUNT</u>
Balance, December 31, 2001:						
A	\$ 1,316.30	\$	\$	1,291.00	25.30	\$
A	89,238.06		89,094.00			144.06
A-4	334,256.68	620.15	215,013.79	117,597.44	25.30	1,000.00
A-4	407,392.30		301,081.53	105,166.71		1,144.06
A	\$ 14,786.14	\$ 620.15	\$ 3,026.26	\$ 11,139.73		\$
Balance, December 31, 2002:						
A						
Interfunds Receivable						
Interfunds Payable						
Receipts						
Disbursements						

"A-25"

BOROUGH OF WATCHUNG

FEDERAL AND STATE GRANT FUND

SCHEDULE OF DUE CURRENT FUND

	<u>REF.</u>	
Increased by:		
Disbursements	A-4	\$ <u>620.15</u>
Balance, December 31, 2002 (Due From)	A	\$ <u><u>620.15</u></u>

"A-26"

SCHEDULE OF ACCOUNTS PAYABLE
FEDERAL AND STATE GRANT FUND

Balance, December 31, 2001	A	\$ 5,736.34
Increased by:		
Federal and State Grants Appropriated	A-22	<u>5,883.00</u>
		\$ <u>11,619.34</u>
Decreased by:		
Disbursements	A-4	<u>5,736.34</u>
Balance, December 31, 2002	A	\$ <u><u>5,883.00</u></u>

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF VARIOUS RESERVES

	BALANCE DECEMBER 31, 2001	RECEIPTS	DISBURSEMENTS	PREPAID APPLIED	CANCELLED	BALANCE DECEMBER 31, 2002
Codification of Ordinances	\$ 5,085.44		\$ 5,085.44			\$
Deposit on Sale of Borough Owned Property	390.00				390.00	
Prepaid Sanitary Sewer Fee and Permit		40.00				40.00
Prepaid Licenses	374.00			374.00		
	<u>\$ 5,849.44</u>	<u>\$ 40.00</u>	<u>\$ 5,085.44</u>	<u>\$ 374.00</u>	<u>\$ 390.00</u>	<u>\$ 40.00</u>
<u>REF.</u>	A	A-4	A-4	A-2	A-1	A

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF CASH-TREASURER

REF.	ASSESSMENT	ANIMAL CONTROL	OTHER
B	\$ 132,329.12	\$ 1,304.23	\$ 1,460,391.13
Balance, December 31, 2001			
Increased by Receipts:			
Assessment Receivable	\$ 215,013.79		
Due Current Fund	301,081.53		\$ 11,083.60
Current Fund Anticipated Revenue	97,547.65		
Overpayment Refund - NJDOH			
Prepaid Dog Licenses		84.00	
Due State of New Jersey - Dog Licenses		369.00	
Animal Control Licenses		435.00	
Reserve For Various Trust Deposits		1,965.00	
Reserve For COAH Deposits			40,381.85
Reserve For Police Outside Overtime			95,511.25
Reserve For Open Space Trust Deposits			227,814.30
Reserve For State Unemployment Insurance			249,577.23
Reserve For Recreation Deposits			4,230.98
Reserve For Law Enforcement Trust Fund			11,953.00
Reserve For Developers Deposits			542.90
Reserve For Redemption Of Outside Liens			411,402.19
	\$ 613,642.97	\$ 2,853.00	\$ 1,141,580.41
	\$ 745,972.09	\$ 4,157.23	\$ 2,601,971.54
Decreased by Disbursements:			
Due Current Fund	\$ 215,013.79		
Assessment Serial Bonds	201,000.00		
Fund Balance	132,392.62		
Due State of New Jersey - Dog Licenses		435.00	
Reserve For Animal Control Expenditures		2,099.96	
Reserve For Various Trust Deposits			27,152.22
Reserve For Police Outside Overtime			214,646.75
Reserve For Recreation Deposits			5,365.00
Reserve For Developers Deposits			279,014.39
Reserve For Redemption Of Outside Liens			89,083.11
	\$ 548,406.41	\$ 2,534.96	\$ 638,775.80
Balance, December 31, 2002	\$ 197,565.68	\$ 1,622.27	\$ 1,963,195.74

BOROUGH OF WATCHUNG
TRUST FUND

SCHEDULE OF ASSESSMENTS RECEIVABLE

ASSESSMENT TRUST FUND

DATE OF ORDINANCE	IMPROVEMENT DESCRIPTION	DATE OF CONFIRMATION	ANNUAL INSTALLMENTS	DUE DATES	BALANCE DECEMBER 31, 2001	COLLECTED	BALANCE DECEMBER 31, 2002	RESERVE	BALANCE PLEDGED TO CAPITAL
12/22/88 & 9/21/90	Various Road Improvements	11/14/96	10	1/14/03 - 06	\$ 17,540.05	\$ 3,508.05	\$ 14,032.00	\$	\$ 14,032.00
12/22/88 & 9/21/90	Construction of Sanitary Sewer - Various Roads	10/23/97	10	6/1/03 - 06	58,561.42	12,208.23	46,353.19		46,353.19
10/12/95	Curbing on Shenwood, Friar, and Elishore	11/12/98	10	6/1/03 - 07	8,678.90	1,216.03	7,462.87		7,462.87
10/22/87, 11/10/88 & 5/25/89	Construction of Sanitary Sewer - Vail Lane	6/18/98	10	6/1/03 - 07	14,237.72	1,857.16	12,380.56	12,380.56	
88-20 & 96-11	Construction of Sanitary Sewer - Various Roads	6/28/01	10	6/28/03 - 11	854,529.97	141,933.59	712,596.38		712,596.38
97-02	Construction of Sanitary Sewer and P.W. Improv	11/8/01	10	11/8/03 - 11	177,399.65	54,290.73	123,108.92		123,108.92
					\$ 1,130,947.71	\$ 215,013.79	\$ 915,933.92	\$ 12,380.56	\$ 903,553.36

REF.

B

B-2

B

"B-4"

BOROUGH OF WATCHUNG
TRUST FUND
SCHEDULE OF DUE CURRENT FUND
ASSESSMENT TRUST FUND

	<u>REF.</u>	
Balance, December 31, 2001 (Due From)	B	\$ 89,094.00
Increased by:		
Disbursements	B-2	<u>215,013.79</u>
		\$ 304,107.79
Decreased by:		
Receipts	B-2	<u>301,081.53</u>
Balance, December 31, 2002 (Due From)	B	<u>\$ 3,026.26</u>

"B-5"

SCHEDULE OF PROSPECTIVE ASSESSMENTS FUNDED
ASSESSMENT TRUST FUND

<u>ORDINANCE</u> <u>NUMBER</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2002 and</u> <u>2001</u>
96-16	Improvements to Well Lane & Brook Drive	\$ <u>88,350.00</u>
		\$ <u>88,350.00</u>
	<u>REF.</u>	B

"B-6"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF AMOUNT TO BE RAISED BY TAXATION
ASSESSMENT TRUST FUND

<u>ORDINANCE</u> <u>NUMBER</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2002</u>	<u>BALANCE</u> <u>PLEGDED TO</u> <u>ASSESSMENT</u> <u>BONDS</u>	<u>BALANCE</u> <u>CANCELLED</u>
88-21 & 90-05	Improvement to Sewer System - East End	\$ 5,711.00	\$ 5,711.00	\$
88-20 & 96-11	Improvement of Various Roads	75,062.00	75,062.00	
97-02	Construction of Sanitary Sewer - Various Roads	43,136.75	43,136.75	
12/22/88	Improvement to Sewer System - Nottingham Drive	<u>3,990.00</u>	<u> </u>	<u>3,990.00</u>
		\$ <u>127,899.75</u>	\$ <u>123,909.75</u>	\$ <u>3,990.00</u>
	<u>REF.</u>		<u>B</u>	<u>B</u>

"B-7"

SCHEDULE OF RESERVE FOR ASSESSMENTS
ASSESSMENT TRUST FUND

<u>ORDINANCE</u> <u>NUMBER</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2002</u>
87-22	Construction of Sanitary Sewer - Vail Lane	\$ <u>12,380.56</u>
		\$ <u>12,380.56</u>
	<u>REF.</u>	<u>B</u>

BOROUGH OF WATCHUNG
TRUST FUND

ANALYSIS OF ASSESSMENT CASH
FOR THE YEAR ENDED DECEMBER 31, 2002
ASSESSMENT TRUST FUND

	BALANCE DECEMBER 31, 2001	ASSESSMENTS RECEIVABLE	RECEIPTS		DISBURSEMENTS			BALANCE DECEMBER 31, 2002
			CURRENT BUDGET	MISCELLANEOUS	ASSESSMENT SERIAL BONDS	MISCELLANEOUS		
Fund Balance	\$ 304,930.21	\$ 1,857.16	\$	\$	\$	\$	\$ 132,392.62	\$ 174,394.75
Assessment Serial Bonds: Ordinance Date								
10/22/87 Improvement Sewer System Fox Chase Drive/ Kristy Lane	13,980.58							13,980.58
12/22/88 Improvement Sewer System Nottingham Drive	(17,970.53)							(17,970.53)
12/22/88 Construction Sewer System Valley Drive	(162,300.00)		27,050.00		27,050.00			(162,300.00)
12/22/88 & 9/21/90 Construction Sewer System Oakridge and Tall Timbers	21,129.75	3,508.05				13,200.00		11,437.80
12/22/88 & 9/21/90 Construction Sewer System High Tor, Ridge and Parlin	48,857.86	12,208.23				24,750.00		36,316.09
10/12/95 Curbing on Sherwood Drive, Friar Land and Elsmore Drive	95,621.10	1,216.03				10,438.00		86,399.13
3/13/97 Redmont Road	(41,653.48)	54,290.73	34,585.00			34,585.00		12,637.24
10/12/95 Sherwood Drive, Friar Land and Elsmore Drive	(20,876.00)							(20,876.00)
5/9/96 Valley Drive & Brook Drive	(2,611.98)	141,933.59	27,070.65			82,135.00		84,257.26
7/18/96 Will Lane & Brook Drive	(17,684.38)		8,842.00			8,842.00		(17,684.38)
Due Current Fund	(89,094.00)		301,081.53				215,013.79	(3,026.26)
	\$ 132,329.12	\$ 215,013.79	\$ 97,547.65	\$ 301,081.53	\$ 201,000.00	\$ 347,406.41	\$ 197,565.68	

REF: B B-2 B-2 B-2 B-2 B-2 B-2 B

"B-9"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR ACCOUNTS PAYABLE

OTHER TRUST FUND

	<u>REF.</u>		
Balance, December 31, 2001	B	\$	6,747.75
Increased by:			
Reserve For Recreation Deposits	B-19	\$	3,600.56
Reserve For Developers Deposits	B-21		<u>770.00</u>
			4,370.56
		\$	<u>11,118.31</u>
Decreased by:			
Transfer Accounts Payable	B-13		<u>6,747.75</u>
Balance, December 31, 2002	B	\$	<u><u>4,370.56</u></u>

"B-10"

SCHEDULE OF RESERVE FOR OPEN SPACE DEPOSITS

OTHER TRUST FUND

Balance, December 31, 2001	B	\$	107,435.94
Increased by:			
Open Space Taxes		\$	246,286.72
Interest Earned			<u>3,290.51</u>
	B-2		<u>249,577.23</u>
Balance, December 31, 2002	B	\$	<u><u>357,013.17</u></u>

"B-11"

BOROUGH OF WATCHUNG

TRUST FUND

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

OTHER TRUST FUND

	<u>REF.</u>		
Balance, December 31, 2001	B	\$	120,838.01
Increased by:			
SUI Deposits		\$	1,589.54
Interest Earned			2,641.44
	B-2		<u>4,230.98</u>
			125,068.99
Balance, December 31, 2002	B	\$	<u>125,068.99</u>

"B-12"

SCHEDULE OF RESERVE FOR COAH DEPOSITS
OTHER TRUST FUND

Balance, December 31, 2001	B	\$	714,769.02
Increased by:			
Receipts	B-2		<u>95,511.25</u>
Balance, December 31, 2002	B	\$	<u>810,280.27</u>

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR MISCELLANEOUS TRUST DEPOSITS

OTHER TRUST FUND

	BALANCE DECEMBER 31, 2001	INCREASED	DECREASED	BALANCE DECEMBER 31, 2002
Bequests & Gifts	\$ 3,724.89	\$ 9,220.60	\$ 1,427.13	\$ 11,518.36
Imp. to Borough Property - Donation		20.00		20.00
Veteran's Memorial Fund	50.00		50.00	0.00
Tax Premiums		5,000.00	1,300.00	3,700.00
3rd Party Inspection Fees	512.36			512.36
POAA	724.95	38.00		762.95
Due State of NJ - Marriage Licensess	75.00	550.00	450.00	175.00
Fire Safety Penalties	1,110.00	8,690.00	5,184.04	4,615.96
Fire Department Penalties	1,000.01	500.00	1,405.09	94.92
Public Defender		6,561.00	6,361.00	200.00
Sidewalk Fund		5,000.00		5,000.00
Bulky Waste Permits	3,763.37	11,550.00	10,974.96	4,338.41
	\$ 10,960.58	\$ 47,129.60	\$ 27,152.22	\$ 30,937.96

REF. B B-2 B

Receipts
Transfer Accounts Payable

40,381.85
6,747.75

47,129.60

A detailed analysis of Miscellaneous Trust Deposits is on file in the Treasurer's Office.

"B-14"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR ANIMAL CONTROL EXPENDITURES
ANIMAL CONTROL TRUST FUND

	<u>REF.</u>		
Balance, December 31, 2001	B	\$	1,388.23
Increased by:			
Dog License Fees		\$	1,797.00
Cat License Fees			168.00
	B-2		<u>1,965.00</u>
		\$	3,353.23
Decreased by:			
Disbursements Under R.S. 4:19-15 11	B-2		<u>2,099.96</u>
Balance, December 31, 2002	B	\$	<u>1,253.27</u>

LICENSE FEES COLLECTED

<u>YEAR</u>	<u>AMOUNT</u>
2001	\$ 2,173.00
2000	<u>1,932.00</u>
	\$ <u>4,105.00</u>

"B-15"

SCHEDULE OF RESERVE FOR POLICE OUTSIDE OVERTIME
OTHER TRUST FUND

Balance, December 31, 2001	B	\$	17,749.25
Increased by:			
Receipts	B-2		<u>227,814.30</u>
		\$	245,563.55
Decreased by:			
Disbursements	B-2		<u>214,646.75</u>
Balance, December 31, 2002	B	\$	<u>30,916.80</u>

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF ASSESSMENT SERIAL BONDS
ASSESSMENT TRUST FUND

PURPOSE	DATE OF ISSUE	ORIGINAL ISSUE	DATE	OUTSTANDING AMOUNT	INTEREST RATE	DECEMBER 31, 2001	DECREASED	DECEMBER 31, 2002
Construction and Extension of Sanitary Sewer System/ Various Road Improvements	1/1/95	\$ 650,000.00	1/1/03 - 05	\$ 65,000.00	5.75%	\$ 260,000.00	\$ 65,000.00	\$ 195,000.00
Construction of Belgian Block Curbing, Sanitary Sewers/ Various Road and Public Works Improvements	5/1/99	1,359,000.00	5/1/03 - 06	136,000.00	4.00%			
			5/1/07	136,000.00	4.10%			
			5/1/08	136,000.00	4.35%			
			5/1/09	135,000.00	4.35%	1,087,000.00	136,000.00	951,000.00
						\$ 1,347,000.00	\$ 201,000.00	\$ 1,146,000.00

SEE

B

B-2

B

"B-17"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF PREPAID DOG LICENSES
ANIMAL CONTROL TRUST FUND

	<u>REF.</u>	
Increased by:		
Receipts	B-2	\$ <u>369.00</u>
Balance, December 31, 2002	B	\$ <u><u>369.00</u></u>

"B-18"

SCHEDULE OF OVERPAYMENT OF DOG LICENSES
ANIMAL CONTROL TRUST FUND

Balance, December 31, 2001	B	\$ 84.00
Decreased by:		
Receipt	B-2	<u>84.00</u>

"B-19"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR RECREATION DEPOSITS
OTHER TRUST FUND

	<u>REF.</u>		
Balance, December 31, 2001	B		\$ 13,474.58
Increased by:			
Receipts	B-2		11,953.00
			\$ <u>25,427.58</u>
Decreased by:			
Disbursements	B-2	\$ 5,365.00	
Accounts Payable	B-9	<u>3,600.56</u>	
			<u>8,965.56</u>
Balance, December 31, 2002	B		\$ <u><u>16,462.02</u></u>

"B-20"

SCHEDULE OF RESERVE FOR LAW ENFORCEMENT TRUST FUND
OTHER TRUST FUND

Increased by:			
Receipts	B-2		\$ <u>542.90</u>
Balance, December 31, 2002	B		\$ <u><u>542.90</u></u>

"B-21"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR DEVELOPERS' DEPOSITS
OTHER TRUST FUND

	<u>REF.</u>		
Balance, December 31, 2001	B		\$ 467,125.00
Increased by:			
Receipts	B-2		411,402.19
			<u>\$ 878,527.19</u>
Decreased by:			
Disbursements	B-2	\$ 279,014.39	
Accounts Payable	B-9	<u>770.00</u>	
			<u>279,784.39</u>
Balance, December 31, 2002	B		<u>\$ 598,742.80</u>

"B-22"

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

Increased by:			
Receipts	B-2		\$ 435.00
Decreased by:			
Disbursements	B-2		<u>435.00</u>

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR REDEMPTION OF OUTSIDE LIENS
OTHER TRUST FUND

	<u>REF.</u>		
Increased by:			
Receipts	B-2	\$	\$89,083.11
Decreased by:			
Disbursements	B-2		<u>\$89,083.11</u>

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF DUE CURRENT FUND - OTHER TRUST FUND

	<u>REF.</u>	
Balance, December 31, 2001 (Due To)	B	\$ 1,291.00
Increased by:		
Receipts	B-2	<u>11,083.60</u>
		\$ <u>12,374.60</u>
Decreased by:		
Disbursements	B-2	<u>23,514.33</u>
Balance, December 31, 2002 (Due From)	B	\$ <u>(11,139.73)</u>

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF CASH - TREASURER

	<u>REF.</u>		
Balance, December 31, 2001	C		\$ 745,529.02
Increased by Receipts:			
Deferred Charges To Future Taxation - Unfunded	C-5	\$ 367,000.00	
Loan Receivable - NJ Environmental Infrastructure Trust	C-9	991,458.00	
Bond Anticipation Note Payable	C-19	1,250,000 00	
Capital Improvement Fund	C-8	25,000 00	
Improvement Authorization - Refund	C-10	13,000.00	
			<u>2,646,458.00</u>
			\$ 3,391,987.02
Decreased by Disbursements:			
Contracts Payable	C-7	\$ 1,006,839.57	
Due Current Fund	C-6	25.30	
Bond Anticipation Note Payable	C-19	1,250,000.00	
			<u>2,256,864.87</u>
Balance, December 31, 2002	C		\$ <u>1,135,122.15</u>

"C-3"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

ANALYSIS OF CASH

	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2002</u>
Fund Balance		\$ 283,920.67
Capital Improvement Fund		124,975.72
Improvement Authorizations-Funded		735,763.15
Loans Receivable:		
NJ Environmental Infrastructure Trust		(659,686.00)
Reserve for Payment of Bond Anticipation Notes		134,500.00
Unfunded Improvements Expended - Listed on "C-5"		(407,413.77)
Contracts Payable		538,242.49
Unexpended Proceeds of Bond Anticipation Notes - Listed on "C-5"		286,714.89
Cash on Hand to Pay Notes - Listed on "C-5"		95,000.00
Accrued Interest On Sale of Bonds		3,105.00
		<hr/>
	C	\$ <u>1,135,122.15</u>

"C-4"

SCHEDULE OF DEFERRED CHARGES TO
FUTURE TAXATION FUNDED

Balance, December 31, 2001	C		\$ 12,126,779.57
Decreased by:			
2002 Budget Appropriation to Pay Bonds	C-11	\$ 713,000.00	
2002 Budget Appropriation to Pay Loan:			
Environmental Infrastructure Trust Loan	C-12	30,000.00	
Environmental Infrastructure Fund Loan	C-13	36,077.00	
Economic Development Authority	C-14	24,770.00	
Green Trust Loan Program	C-15	56,403.00	
		<hr/>	<hr/>
			860,250.00
Balance, December 31, 2002	C		\$ <u>11,266,529.57</u>

BOROUGH OF WATCHUNG
GENERAL CAPITAL FUND

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION UNFUNDED

ORDINANCE NUMBER	IMPROVEMENT DESCRIPTION	BALANCE DECEMBER 31, 2001	GRANTS	2002 BUDGET APPROPRIATIONS	CANCELED	BALANCE DECEMBER 31, 2002	BOND ANTICIPATION NOTES	ANALYSIS OF BALANCE DECEMBER 31, 2002	
								EXPENDITURES	UNEXPENDED IMPROVEMENT AUTHORIZATIONS
97-17	Reconstruction of Johnson Drive (Section 1)	\$ 100,000.00	\$	\$	\$	\$ 100,000.00	\$	\$ 99,157.50	\$ 842.50
98-19	Reconstruction of Hill Hollow Road	120,000.00	30,000.00		30,254.51	59,745.49		59,745.49	
98-22	Road Improvements	285,000.00		150,500.00		134,500.00		124,907.75	9,592.25
98-23	Rehabilitation of Dwellings Pursuant to COAH Plans	85,500.00				85,500.00			85,500.00
99-12	Installation of Sanitary Sewer and Public Water Connections Along Century Ln, Cardinal Dr, Price Dr, Somersset Rd & Valley Rd	56,896.00				56,896.00			56,896.00
99-13	Installation of Sanitary Sewer and Public Water Connections - Woodledge Rd	4,616.00				4,616.00		4,616.00	
99-14	Installation of Sanitary Sewer and Public Water Connections - Oakwood & Valley Rds	69,805.00				69,805.00			69,805.00
00-05	General Road Resurfacing & Rehabilitation Projects	170,000.00		75,000.00		94,000.00		13,182.95	80,817.05
00-06	Various Public Works & Police Facility Improvements	760,000.00		95,000.00		665,000.00	665,000.00		
00-11	Purchase of an Ambulance	133,000.00			133,000.00				
00-12	Sewer Design, Construction & Rehabilitation	95,000.00		15,500.00		79,500.00		16,410.57	63,089.43
01-09	Purchase of Various Equipment & Public Works Improvements	157,700.00				157,700.00		34,926.95	122,773.05
01-10	Various 2001 Capital Improvements	5,063,500.00				5,063,500.00	205,000.00	54,466.56	4,804,033.44
01-19	General Road Resurfacing & Rehabilitation Projects	285,000.00				285,000.00	285,000.00		
		<u>\$ 7,385,817.00</u>	<u>\$ 30,000.00</u>	<u>\$ 337,000.00</u>	<u>\$ 163,254.51</u>	<u>\$ 6,855,562.49</u>	<u>\$ 1,155,000.00</u>	<u>\$ 407,413.77</u>	<u>\$ 5,293,148.72</u>
		C	C-2	C-2	C-10	C		C-3	
	REE								
	Bond Anticipation Notes					\$ 1,250,000.00			
	Less: Cash on Hand to Pay Notes					95,000.00			
						<u>1,155,000.00</u>			
	Improvement Authorizations Unfunded								\$ 5,579,863.61
	Less: Unexpended Proceeds of Bond Anticipation Notes								286,714.89
									<u>5,293,148.72</u>

"C-6"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF DUE CURRENT FUND

	<u>REF.</u>		
Balance, December 31, 2001(Due From)	C	\$	25.30
Decreased by:			
Receipts	C-2		<u>25.30</u>

"C-7"

SCHEDULE OF CONTRACTS PAYABLE

Balance, December 31, 2001	C	\$	1,024,090.95
Increased by:			
Improvement Authorizations	C-10		<u>619,472.14</u>
		\$	1,643,563.09
Decreased by:			
Disbursements	C-2	\$	1,006,839.57
Canceled	C-10		<u>98,481.03</u>
			<u>1,105,320.60</u>
Balance, December 31, 2002	C:C-3	\$	<u>538,242.49</u>

"C-8"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>REF.</u>		
Balance, December 31, 2001	C		\$ 125,615.72
Increased by:			
2002 Budget Appropriation	C-2	\$ 25,000.00	
Improvement Authorizations Canceled	C-10	<u>24,155.00</u>	
			\$ 49,155.00
			<u>\$ 174,770.72</u>
Decreased by:			
Appropriated to Finance Improvement Authorizations	C-10		<u>49,795.00</u>
Balance, December 31, 2002	C		<u>\$ 124,975.72</u>

"C-9"

SCHEDULE OF LOANS RECEIVABLE - NJ ENVIRONMENTAL INFRASTRUCTURE TRUST

Balance, December 31, 2001	C		\$ 1,651,144.00
Decreased by:			
Receipts	C-2		<u>\$ 991,458.00</u>
Balance, December 31, 2002	C		<u>\$ 659,686.00</u>

BOROUGH OF WATCHUNG
GENERAL CAPITAL FUND

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

ORDINANCE NUMBER	IMPROVEMENT AUTHORIZATIONS	DATE	ORDINANCE AMOUNT	2001		2002		INCREASES	CONTRACTS PAYABLE	ORDINANCES CANCELED	BALANCE				
				UNFUNDED	FUNDED	UNFUNDED	FUNDED				DECEMBER 31, 2001	DECEMBER 31, 2002			
General Improvements:															
89-7 & 89-11	Const. & Ext. of Sanitary Sewer System along Valley Dr. & Brook Dr. & Additional Improvement of Valley Dr.	12/22/88	\$ 1,535,000.00	\$	\$ 158,663.08	\$	\$	\$	\$	\$ 158,663.08	\$	\$			
91-18	Rehabilitation of 9 Dwellings Pursuant to the Watchung Borough Rehabilitation Program	07/18/81	95,000.00		32,894.13					44,020.60		32,894.13			
94-13	Acquisition of Certain Public Works Improvements and Equipment	07/21/84	132,000.00		44,020.60										
94-21	Various Road and Drainage Improvements	09/28/85	110,000.00		5,491.32					5,491.32					
95-19	Construction of Belgian Block Curb along Sherman Dr., Fair Ln. & Esplanade Dr.	10/12/85	110,000.00		13,041.72					13,041.72					
96-16	Construction of Improvements to Will Ln., Brook Dr.	07/18/86	93,000.00		91,932.22					37,016.02		91,932.22			
97-02	Construction of Sanitary Sewer and Public Water Improvements in the Area of Piedmont Road	03/13/87	464,400.00		41,966.02										
97-06	Acquisition of Various Equipment and Capital Improvements	05/22/87	92,010.00		8,477.04					8,477.04					
97-17	Reconstruction of Johnson Drive (Section 1)	12/18/87	300,000.00		962.50					120.00		842.50			
98-08	Acquisition of Equipment and Capital Improvements	03/26/88	44,000.00		10,446.75					6,577.95		3,868.80			
98-19	Reconstruction of Hill Hollow Road	07/16/88	230,000.00		30,254.51					30,254.51					
98-21	Acquisition of Equipment and Capital Improvements	09/10/88	42,255.00		9,228.74					9,229.74					
98-22	Road Improvements	08/20/88	300,000.00		18,266.00					8,673.75					
98-23	Rehabilitation of Dwellings Pursuant to COAH Plan	09/24/88	90,000.00		85,500.00					4,500.00		4,500.00			
98-07	Acquisition of Equipment	05/27/89	87,200.00		6,170.18					1,190.87		1,190.87			
99-12	Installation of Sanitary Sewer and Public Water Connections along Century Ln., Cardinal Dr., Price Dr., Old Somerset Rd. & Valley Rd.	09/09/89	1,500,000.00		316,689.00					48,900.25		210,092.75			
99-13	Installation of Sanitary Sewer and Public Water Connections - Woodledge Rd.	09/09/89	175,000.00		17,473.00					17,473.00					
99-14 & 02-05	Installation of Sanitary Sewer and Public Water Connections - Oakwood & Valley Roads	09/09/89	825,000.00		233,581.80					98,481.03		262,257.83			
00-05	General Road Resurfacing and Rehabilitation Projects	03/09/00	250,000.00		92,141.55					11,324.50		80,817.05			
00-06	Various Public Works & Police Facility Improvements	03/09/00	800,000.00		3,906.39					2,191.50		1,714.89			
00-10	Acquisition of Equipment of Various Public Works Improvements	08/08/00	170,000.00		102,054.29					61,774.09		40,280.20			
00-11	Purchase of an Ambulance	08/08/00	140,000.00		133,000.00					140,000.00					
00-12	Sewer Design, Construction & Rehabilitation	06/08/00	100,000.00		70,208.43					7,119.00		80,345.41			
00-17	Acquisition of Public Works Trucks	07/20/00	65,000.00		17,155.00					17,155.00					
01-08	Acquisition of Equipment of Various Public Works Improvements	04/26/01	176,478.00		106,760.41					26,415.00					
01-09	Acquisition of Equipment of Various Public Works Improvements	04/26/01	168,000.00		122,773.05							122,773.05			
01-10 & 02-29	Various 2001 Capital Improvements	04/26/01	5,329,750.00		71,686.39					331,152.85		4,804,033.44			
01-19 & 02-04	General Road Resurfacing and Rehabilitation Projects	10/12/01	575,000.00		15,000.00			13,000.00		19,899.06		285,000.00			
02-18	Acquisition of Fire Equipment	09/15/02	17,150.00		17,150.00					17,150.00					
02-28	Acquisition of Fire Pumper Truck	11/14/02	32,645.00		32,645.00					32,645.00					
				\$	764,474.89	\$	6,454,980.23	\$	49,795.00	\$	111,481.03	\$	735,763.15	\$	5,579,863.61

REF. C C-8 C-7 C C-5

Refund C-2 C-7

Contracts Payable Canceled 98,481.03

Fund Balance C-1

Capital Improvement Fund C-8

Deferred Charges to Future Taxation-Unfunded C-5

BOROUGH OF WATCHUNG
 GENERAL CAPITAL FUND

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

PURPOSE	DATE OF ISSUE	ORIGINAL ISSUE	PRINCIPAL REQUIREMENTS OF LOAN OUTSTANDING DECEMBER 31, 2002	INTEREST RATE	BALANCE DECEMBER 31, 2001	PAID IN 2002	BALANCE DECEMBER 31, 2002
NJ Environmental Infrastructure Trust 2000	11/09/00	\$ 915,000.00	\$ 30,000.00	5.00%			
			08/01/03	5.00%			
			08/01/04-06	5.00%			
			08/01/07-09	5.00%			
			08/01/10-11	5.00%			
			08/01/12-13	5.00%			
			08/01/14	5.00%			
			08/01/15	5.13%			
			08/01/16	5.13%			
			08/01/17	5.25%			
			08/01/18	5.25%			
			08/01/19	5.25%			
			08/01/20	5.25%			
NJ Environmental Infrastructure Trust 2001B	11/08/01	230,000.00	10,000.00	4.00%	\$ 915,000.00	\$ 30,000.00	\$ 885,000.00
			08/01/03-05	4.00%			
			08/01/06-13	5.00%			
			08/01/14-21	5.00%			
						230,000.00	
					\$ 1,145,000.00	\$ 30,000.00	\$ 1,115,000.00

REF

C

C-4

C

C

BOROUGH OF WATCHUNG
GENERAL CAPITAL FUND

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

PURPOSE	DATE OF ISSUE	ORIGINAL ISSUE	PRINCIPAL REQUIREMENTS OF LOAN OUTSTANDING	BALANCE DECEMBER 31, 2001	PAID IN 2002	BALANCE DECEMBER 31, 2002	
							DATE
NJ Environmental Infrastructure Trust 2000	11/09/00	\$ 872,646.00	\$				
	08/01/03		45,804.39				
	08/01/04		47,939.97				
	08/01/05		46,872.18				
	08/01/06		45,804.39				
	08/01/07		47,787.43				
	08/01/08		46,567.10				
	08/01/09		45,346.76				
	08/01/10		47,177.26				
	08/01/11		45,804.39				
	08/01/12		47,482.34				
	08/01/13		45,956.93				
	08/01/14		47,482.34				
	08/01/15		45,804.39				
	08/01/16		47,135.31				
	08/01/17		45,259.05				
	08/01/18		46,387.85				
	08/01/19		47,356.49				
	08/01/20		48,165.12	\$	872,645.69	\$ 32,512.00	\$ 840,133.69
	NJ Environmental Infrastructure Trust 2001B	11/08/01	226,237.00				
08/01/03			13,495.28				
08/01/04			13,240.64				
08/01/05			12,986.02				
08/01/06			12,731.40				
08/01/07			12,413.10				
08/01/08			12,094.82				
08/01/09			11,776.54				
08/01/10			11,458.26				
08/01/11			11,139.96				
08/01/12			10,821.68				
08/01/13			10,503.40				
08/01/14			13,367.97				
08/01/15			12,890.53				
08/01/16			12,413.11				
08/01/17			11,935.67				
08/01/18			11,458.25				
08/01/19			10,980.83				
08/01/20			10,503.39				
08/01/21			10,026.15				
				226,237.00	3,565.00	222,672.00	
				1,098,882.69	36,077.00	1,062,805.69	

REF.

C-4

C

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, 2002</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>BALANCE DECEMBER 31, 2001</u>	<u>PAID IN 2002</u>	<u>BALANCE DECEMBER 31, 2002</u>
New Public Works Facility	\$	143,275.00					
			08/01/03	\$ 11,939.62			
			08/01/04	11,939.62			
			08/01/05	11,939.62			
			08/01/06	11,939.62			
			08/01/07	11,939.62			
			08/01/08	11,939.62			
			08/01/09	11,939.62			
			08/01/10	11,939.62			
			08/01/11	11,939.62			
			08/01/12	11,939.62			
			08/01/13	11,939.62	\$ 143,275.82	\$ 11,940.00	\$ 131,335.82
		102,640.00		08/01/03	12,830.00		
Underground Storage Tanks			08/01/04	12,830.00			
			08/01/05	12,830.00			
			08/01/06	12,830.00			
			08/01/07	12,830.00			
			08/01/08	12,830.00			
			08/01/09	12,830.00			
					102,640.00	12,830.00	89,810.00
					\$ 245,915.82	\$ 24,770.00	\$ 221,145.82

REF.

C

C-4

C

C

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

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

<u>PURPOSE</u>	<u>ORIGINAL ISSUE</u>	<u>DATE</u>	<u>PRINCIPAL REQUIREMENTS OF LOAN OUTSTANDING DECEMBER 31, 2002</u>	<u>AMOUNT</u>	<u>BALANCE DECEMBER 31, 2001</u>	<u>PAID IN 2002</u>	<u>BALANCE DECEMBER 31, 2002</u>
Acquire Watchung Lake	\$	236,077.00	\$	35,052.64			
			08/01/03				
			08/01/04		35,757.20		
			08/01/05		36,475.91		
			08/01/06		37,209.08		
			08/01/07		37,956.98		
			08/01/08	\$	19,263.64	\$	201,715.45
			08/01/03		22,483.84		
			08/01/04		22,935.77		
			08/01/05		23,396.78		
			08/01/06		23,867.06		
			08/01/07		24,346.79		
			08/01/08		24,836.16		
			08/01/09		25,335.36		
			08/01/10		25,844.60		
Watchung Lake Development				26,364.08			
			08/01/11	26,894.00			
			08/01/12	27,434.57			
			08/01/13	27,986.00			
			08/01/14	28,548.52			
			08/01/15	29,122.35			
			08/01/16	29,707.70			
			08/01/17	14,759.03			
		08/01/18		425,903.61	22,041.00	403,862.61	
				\$	\$	\$	\$
				661,981.06	56,403.00	605,578.06	

"C-16"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF ACCRUED INTEREST ON SALE OF BONDS

	<u>REF.</u>	
Balance, December 31, 2001 and December 31, 2002	C	\$ <u>3,105.00</u>

"C-17"

SCHEDULE OF RESERVE FOR PAYMENT OF BOND ANTICIPATION NOTES

Balance, December 31, 2001 and December 31, 2002	C	\$ <u>134,500.00</u>
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"C-18"

SCHEDULE OF RETAINED PERCENTAGE DUE CONTRACTORS

Balance, December 31, 2001	C	\$ 8,472.23
Decreased by: Cancelled	C-1	<u>8,472.23</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, 2001</u>	<u>INCREASED</u>	<u>DECREASED</u>	<u>BALANCE DECEMBER 31, 2002</u>
Various Road Improvements	12/08/00	12/06/01	12/05/02	2.625%	\$ 285,000.00	\$	\$ 285,000.00	\$
Various Public Works & Police Facility Improvements	12/08/00	12/06/01	12/05/02	2.625%	760,000.00		760,000.00	
Various 2001 Capital Improvements	12/06/01	12/06/01	12/05/02	2.625%	205,000.00		205,000.00	
Various Public Improvements	12/05/02	12/05/02	12/05/03	1.32%		1,250,000.00		1,250,000.00
					<u>\$ 1,250,000.00</u>	<u>\$ 1,250,000.00</u>	<u>\$ 1,250,000.00</u>	<u>\$ 1,250,000.00</u>

REF.

C

C-2

C-2;C-5

C

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, 2002</u>
97-17	Reconstruction of Johnson Drive (Section 1)	\$ 100,000.00
98-19	Reconstruction of Hill Hollow Road	59,745.49
98-22	Road Improvements	134,500.00
98-23	Rehabilitation of Dwellings Pursuant to COAH Plans	85,500.00
99-12	Installation of Sanitary Sewer and Public Water Connections Along Century Ln, Cardinal Dr, Price Dr, Somerset Rd & Valley Rd	56,696.00
99-13	Installation of Sanitary Sewer and Public Water Connections - Woodledge Rd	4,616.00
99-14	Installation of Sanitary Sewer and Public Water Connections - Oakwood & Valley Rds	69,805.00
00-05	General Road Resurfacing & Rehabilitation Projects	94,000.00
00-12	Sewer Design, Construction & Rehabilitation	79,500.00
01-09	Purchase of Various Equipment & Public Works Improvements	157,700.00
01-10	Various 2001 Capital Improvements	4,858,500.00
		<hr/>
		\$ <u>5,700,562.49</u>

BOROUGH OF WATCHUNG

PUBLIC ASSISTANCE TRUST FUND

SCHEDULE OF PUBLIC ASSISTANCE CASH

	<u>REF.</u>	<u>PUBLIC ASSISTANCE TRUST FUND 1</u>	<u>PUBLIC ASSISTANCE TRUST FUND 2</u>	<u>FUND TOTAL</u>
Balance, December 31, 2001	E	\$ <u>8,716.46</u>	\$ <u>4,480.78</u>	\$ <u>13,197.24</u>
Increased by Receipts:				
Interest Earned		<u>134.44</u>	<u> </u>	<u>134.44</u>
		\$ <u>8,850.90</u>	\$ <u>4,480.78</u>	\$ <u>13,331.68</u>
Decreased by Disbursements:				
Reserve For:				
Public Assistance		<u>100.00</u>	<u>256.00</u>	<u>356.00</u>
Balance, December 31, 2002	E	\$ <u><u>8,750.90</u></u>	\$ <u><u>4,224.78</u></u>	\$ <u><u>12,975.68</u></u>

BOROUGH OF WATCHUNG

PUBLIC ASSISTANCE TRUST FUND

SCHEDULE OF PUBLIC ASSISTANCE CASH AND
RECONCILIATION PER N.J.S.A.40A:5-5

	<u>REF.</u>		
Balance, December 31, 2002	E-1	\$	12,975.68
Increased by:			
Receipts			526.02
		\$	<u>13,501.70</u>
Decreased by:			
Disbursements			1,232.00
			<u>1,232.00</u>
Balance, March 31, 2003		\$	<u><u>12,269.70</u></u>

	<u>P.A.T.F. I ACCOUNT</u>	<u>P.A.T.F. II ACCOUNT</u>	<u>TOTAL</u>
<u>RECONCILIATION - MARCH 31, 2003</u>			
Balance on Deposit Per Statement of Commerce Bank:			
Account #0011175	\$ 2,396.72	\$	\$ 2,396.72
Fleet Bank			
Account #0036-214279		3,492.78	3,492.78
Account #0036-521341	<u>6,380.20</u>		<u>6,380.20</u>
Balance, March 31, 2003	\$ <u><u>8,776.92</u></u>	\$ <u><u>3,492.78</u></u>	\$ <u><u>12,269.70</u></u>

BOROUGH OF WATCHUNG

PUBLIC ASSISTANCE TRUST FUND

SCHEDULE OF PUBLIC ASSISTANCE CASH AND
RECONCILIATION AS OF DECEMBER 31, 2002

	<u>REF.</u>		
Balance, December 31, 2001	E-1	\$	13,197.24
Increased by:			
Receipts			134.44
		\$	<u>13,331.68</u>
Decreased by:			
Disbursements			<u>356.00</u>
Balance, December 31, 2002		\$	<u><u>12,975.68</u></u>

<u>RECONCILIATION - DECEMBER 31, 2002</u>	<u>P.A.T.F. I ACCOUNT</u>	<u>P.A.T.F. II ACCOUNT</u>	<u>TOTAL</u>
Balance on Deposit Per Statement of Commerce Bank:			
Account #0011175	\$ 2,396.72	\$	\$ 2,396.72
Fleet Bank			
Account #0036-214279		4,224.78	4,224.78
Account #0036-521341	<u>6,354.18</u>		<u>6,354.18</u>
Balance, December 31, 2002	<u>\$ 8,750.90</u>	<u>\$ 4,224.78</u>	<u>\$ 12,975.68</u>

"E-4"

BOROUGH OF WATCHUNG
PUBLIC ASSISTANCE TRUST FUND
SCHEDULE OF PUBLIC ASSISTANCE REVENUES
YEAR ENDED DECEMBER 31, 2002

	<u>P.A.T.F. I</u>	<u>FUND TOTAL</u>
Interest Earned	\$ <u>134.44</u>	\$ <u>134.44</u>
<u>TOTAL RECEIPTS</u>	\$ <u>134.44</u>	\$ <u>134.44</u>

"E-5"

SCHEDULE OF PUBLIC ASSISTANCE EXPENDITURES
YEAR ENDED DECEMBER 31, 2002

	<u>P.A.T.F. I</u>	<u>P.A.T.F. II</u>	<u>FUND TOTAL</u>
Current Year Assistance (Reported):			
Maintenance Payments		\$ <u>256.00</u>	\$ <u>256.00</u>
Other	\$ <u>100.00</u>		\$ <u>100.00</u>
<u>TOTAL DISBURSEMENTS (P.A.T.F.)</u>	\$ <u>100.00</u>	\$ <u>256.00</u>	\$ <u>356.00</u>

BOROUGH OF WATCHUNG

PART II

REPORTS ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

SCHEDULE OF STATE
FINANCIAL ASSISTANCE

NOTES TO THE SCHEDULE OF
STATE FINANCIAL ASSISTANCE



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

Westfield 908-789-9300

Somerville 908-725-6688

Fax 908-789-8535

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

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

We have audited the accompanying financial statements - statutory basis of the Borough of Watchung, County of Somerset, New Jersey as of and for the year ended December 31, 2002, and have issued our report thereon dated April 17, 2003. 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 generally accepted accounting principles. We conducted our audit in accordance with U.S. generally accepted auditing standards, audit requirements as 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.

Compliance

As part of obtaining reasonable assurance about whether the Borough of Watchung's financial statements - statutory basis are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

SUPLEE, CLOONEY & COMPANY

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Borough of Watchung's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted an immaterial matter involving the internal control structure and its operation which is discussed in Part III, General Comments and Recommendations Section of this report

This report is intended for the information of the Borough of Watchung, County of Somerset, New Jersey, the Division of Local Government Services and federal and state audit agencies and is not intended to be and should not be used by anyone other than these specified parties.


CERTIFIED PUBLIC ACCOUNTANTS


REGISTERED MUNICIPAL ACCOUNTANT NO. 50

April 17, 2003

SCHEDULE "1"

BOROUGH OF WATCHUNG

SCHEDULE OF STATE OF NEW JERSEY ASSISTANCE
YEAR ENDED DECEMBER 31, 2002

STATE GRANTOR DEPARTMENT/PROGRAM TITLE	STATE ACCOUNT NUMBER	GRANT AWARD AMOUNT	2002 RECEIPTS	2002 EXPENDITURES	CUMULATIVE EXPENDITURES DECEMBER 31, 2002
<u>DEPARTMENT OF LAW AND PUBLIC SAFETY</u>					
Drunk Driving Enforcement Fund - prior	1110-100-066-1110-YYYY	\$ 10,493.30	\$	\$ 5,115.60	\$ 5,115.60
Drunk Driving Enforcement Fund - 2001	1110-100-066-1110-YYYY	3,727.00			
Drunk Driving Enforcement Fund - 2002	1110-100-066-1110-YYYY	2,994.74	2,994.74		
Alcohol Education Rehabilitation Fund - Unappropriated	9735-760-098-Y900-001-X100-6020	620.15	620.15		
		\$	\$ 3,614.89	\$ 5,115.60	\$ 5,115.60
<u>NJ DIVISION OF CRIMINAL JUSTICE</u>					
Safe and Secure Communities - 2001	1020-100-066-1020-232-YCJS-6120	60,000.00	16,250.00	16,250.00	60,000.00
Safe and Secure Communities - 2002	1020-100-066-1020-232-YCJS-6120	60,000.00	60,000.00	43,750.00	43,750.00
Body Armor Replacement Fund - 2000	1020-718-066-1020-001-YCJS-6120	3,184.87			3,184.87
Body Armor Replacement Fund - 2002	1020-718-066-1020-001-YCJS-6120	2,557.60	2,557.60	2,557.60	2,557.60
		\$	\$ 78,807.60	\$ 62,557.60	\$ 109,492.47
<u>DEPARTMENT OF ENVIRONMENTAL PROTECTION</u>					
Clean Communities Grant - 2002	4900-765-042-4900-004-VCMB-6020	1,902.79	1,902.79	1,902.79	1,902.79
Recycling Tonnage Grant - 2001	4900-752-042-4900-001-V42Y-6020	6,606.00			4,149.68
		\$	\$ 1,902.79	\$ 1,902.79	\$ 6,052.47
<u>DEPARTMENT OF COMMUNITY AFFAIRS</u>					
Special Legislative	02-100-022-8030-394-FFFF-6120	10,000.00	10,000.00	3,625.00	3,625.00
Playground Safety	8050-100-022-8050-354-F000-6130	10,000.00	10,000.00	10,000.00	10,000.00
		\$	\$ 20,000.00	\$ 13,625.00	\$ 13,625.00
TOTAL		\$	\$ 104,325.28	\$ 83,200.99	\$ 134,285.54

BOROUGH OF WATCHUNG

NOTES TO THE SCHEDULE OF
STATE FINANCIAL ASSISTANCE

YEAR ENDED DECEMBER 31, 2002

NOTE 1. GENERAL

The accompanying schedules 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 state financial assistance received directly from state agencies is included on the Schedule of State Financial Assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules 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 - statutory basis.

NOTE 3. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

NOTE 4. RELATIONSHIP TO FINANCIAL STATEMENTS - STATUTORY BASIS

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

NOTE 5. OTHER

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

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PART III

BOROUGH OF WATCHUNG

STATISTICAL DATA

LIST OF OFFICIALS

GENERAL COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2002

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

	YEAR 2002		YEAR 2001	
	AMOUNT	%	AMOUNT	%
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 1,518,000.00	5.53%	\$ 2,000,000.00	7.91%
Miscellaneous - From Other Than Local Property Tax Levies	3,696,601.10	13.46%	3,965,171.00	15.68%
Collection of Delinquent Taxes and Tax Title Liens	144,795.30	0.53%	174,124.00	0.69%
Collections of Current Tax Levy	22,106,235.80	80.48%	19,137,775.00	75.70%
Interfunds Returned	1,316.30	0.00%	5,593.38	0.02%
Total Revenue	\$ 27,466,948.50	100.00%	\$ 25,282,663.38	100.00%
EXPENDITURES				
Budget Expenditures:				
Municipal Purposes	\$ 9,202,465.90	35.80%	\$ 9,460,563.00	39.97%
County Taxes	5,691,074.84	22.14%	5,321,699.00	22.48%
Local and Regional School Taxes	10,560,852.15	41.08%	8,290,054.00	35.02%
Municipal Open Space Taxes	246,286.72	0.96%	217,787.00	0.92%
Other Expenditures	4,292.00	0.02%	380,999.00	1.61%
Total Expenditures	\$ 25,704,971.61	100.00%	\$ 23,671,102.00	100.00%
Statutory Excess in Revenue	\$ 1,761,976.89		\$ 1,611,561.38	
Fund Balance - January 1	3,195,076.38		3,583,515.00	
	\$ 4,957,053.27		\$ 5,195,076.38	
Less: Utilization as Anticipated Revenue	1,518,000.00		2,000,000.00	
Fund Balance, December 31	\$ 3,439,053.27		\$ 3,195,076.38	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Tax Rate	<u>\$ 1.830</u>	<u>\$ 1.770</u>	<u>\$ 1.860</u>
Municipal	\$ 443	\$.483	\$.504
Municipal Open Space	.020	.021	.021
County	.434	.460	.465
County Open Space	.032	.033	.031
Local School	.620	.514	.550
Regional High School	<u>.281</u>	<u>.259</u>	<u>.289</u>

Assessed Valuations:

2002	<u>\$1,173,843,381.00</u>		
2001		<u>\$1,076,622,870.00</u>	
2000			<u>\$965,775,594.00</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>CURRENTLY</u> <u>PERCENTAGE OF COLLECTION</u>
2002	\$22,533,534.47	\$22,319,042.76	99.04%
2001	\$19,300,759.00	\$19,137,775.00	99.15%
2000	\$18,060,855.00	\$17,905,039.00	99.14%

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>DEC. 31ST YEAR</u>	<u>AMOUNT OF TAX TITLE LIENS</u>	<u>AMOUNT OF DELINQUENT TAXES</u>	<u>TOTAL DELINQUENT</u>	<u>PERCENTAGE OF TAX LEVY</u>
2002	-0-	\$ 189,601.92	\$ 189,601.92	0.84%
2001	-0-	\$ 146,572.00	\$ 146,572.00	0.75%
2000	-0-	\$ 175,233.00	\$ 175,233.00	0.97%

COMPARATIVE SCHEDULE OF FUND BALANCES

<u>DEC. 31ST YEAR</u>	<u>CURRENT FUND</u>	<u>UTILIZED IN BUDGET OF SUCCEEDING YEAR</u>
2002	\$3,439,053.27	\$1,700,000.00
2001	\$3,195,076.38	\$1,518,000.00
2000	\$3,583,515.00	\$2,000,000.00
1999	\$3,492,497.00	\$1,600,000.00
1998	\$3,420,051.00	\$1,160,000.00

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>	<u>NAME OF CORPORATE OR PERSONAL SURETY</u>
Anthony F. Addario	Mayor	*	
Albert Ellis	Council Member, President	*	
Bruce D. McCumber	Council Member	*	
Stephen L. Black	Council Member	*	
Catherine Ilchert	Council Member	*	
Thomas Franklin	Council Member	*	
Wayne Otto	Council Member	*	
John C. Pavlik	Administrator, Purchasing Agent	*	
Laureen B. Fellin	Clerk, Registrar, Assessment Search Officer	*	
William J Hance	Chief Financial Officer Treasurer	\$200,000.00	Selective Insurance Company of America
Paula Heilman	Deputy Treasurer, Deputy Purchasing Agent	\$ 25,000.00	Selective Insurance Company of America
DiFrancesco, Kunzman, Coley, Yospin, Bernstein and Bateman, P.C.	Attorney		
Catherine L Park	Tax Collector, Tax Search Officer	\$180,000.00	Selective Insurance Company of America
Veronica M Bannon	Tax Clerk	*	

OFFICIALS IN OFFICE AND SURETY BONDS (CONTINUED)

<u>NAME</u>	<u>TITLE</u>	<u>AMOUNT OF BOND</u>	<u>NAME OF CORPORATE OR PERSONAL SURETY</u>
Frank C. Nelson	Tax Assessor to February 14, 2002	*	
David Gill	Tax Assessor from February 14, 2002	*	
Lawrence Latore	Magistrate	\$ 100,000.00	Selective Insurance Company of America
Pamela Steves	Court Administrator	\$ 100,000.00	Selective Insurance Company of America
Lorretta J. Shpunder	Deputy Court Administrator	\$ 100,000.00	Selective Insurance Company of America
John Frosoni	Police Chief	*	
Richard W. Moody	Engineer	*	
Edward P. Bennett	Construction Code Official	*	
Anthony Saccaro	Fire Subcode Official	*	
William Smith	Plumbing Subcode Official	*	
Martin McMorro	Electrical Subcode Official	*	
Kevin Sumner	Health Officer	*	
Gary Greves	Fire Inspector	*	
Paulette Drogon	Welfare Director	*	

*All officials and employees (except as noted) handling and collecting Borough funds are covered by a blanket position bond for faithful performance for \$100,000.00. The blanket position bond is written by the Selective Insurance Company of America.

All of the bonds were examined and were properly executed.

GENERAL COMMENTS AND RECOMMENDATIONS

GENERAL COMMENTS

CONTRACTS AND AGREEMENTS REQUIRED TO BE
ADVERTISED FOR (N.J.S.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 April 17, 2000, the bid threshold in accordance with N.J.S.A.40A:11-4 is \$17,500.00.

The governing body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed \$17,500.00 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:

- Fire Truck
- Short Bed Truck
- Portable Units and Mobile Radio
- Sanitary Sewer and Water Lines
- Sanitary Sewer and Water Main Extension

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

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the 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.

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 3 2002 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, 2002.
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 April 11, 2002 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 of the number of tax title liens receivable on December 31, of the last three years:

<u>YEAR</u>	<u>NUMBER OF LIENS</u>
2002	-0-
2001	-0-
2000	-0-

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:

<u>TYPE</u>	
Payments of 2003 Taxes	25
Payments of 2002 Taxes	25

OTHER COMMENTS

Interfund Balances

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.

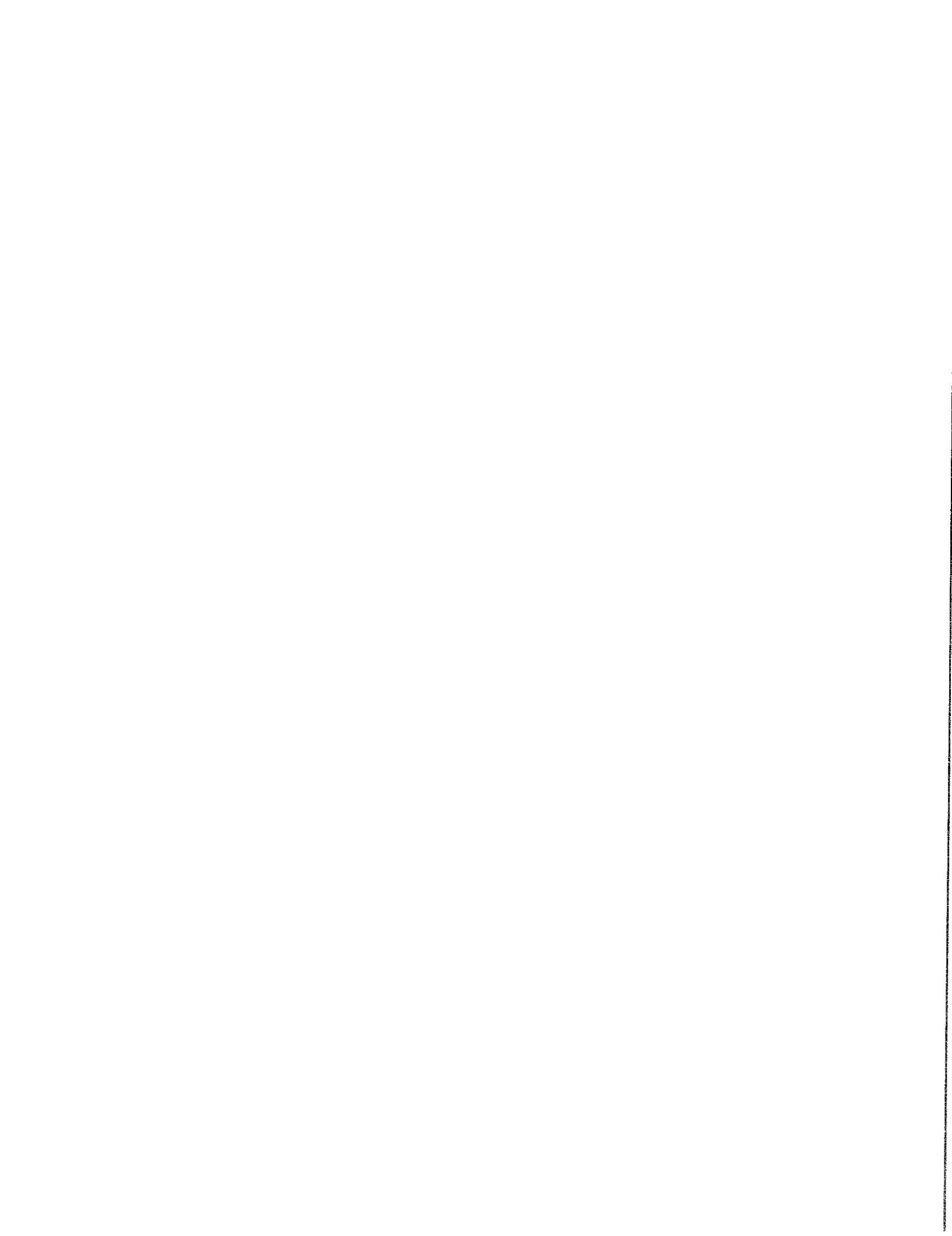
It is the Borough's policy to review and liquidate all interfund balances on a periodic basis.

Departments

The Borough has numerous departments that collect money for fees, permits and licenses. However, not every department maintains a cash receipt book.

RECOMMENDATION

That all Borough departments maintain a cash receipts book.



SUMMARY OR SYNOPSIS OF AUDIT REPORT FOR PUBLICATION

SUMMARY OR SYNOPSIS OF 2002 AUDIT REPORT
OF BOROUGH OF WATCHUNG AS REQUIRED BY N.J.S.40A:5-7

COMBINED COMPARATIVE BALANCE SHEETS-STATUTORY BASIS

	<u>DECEMBER 31, 2002</u>	<u>DECEMBER 31, 2001</u>
<u>ASSETS</u>		
Cash and Investments	\$ 8,597,273.61	\$ 6,586,716.48
Taxes, Assessments and Liens Receivable	1,105,535.84	1,277,519.71
Prospective Assessments - Funded	88,350.00	88,350.00
Accounts Receivable	982,719.70	2,089,019.17
Deferred Charges to Future Taxation - General Capital	18,122,092.06	19,512,596.57
General Fixed Assets	<u>13,787,703.39</u>	<u>13,623,814.52</u>
<u>TOTAL ASSETS</u>	<u>\$ 42,683,674.60</u>	<u>\$ 43,178,016.45</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Bonds, Notes and Loans Payable	\$ 13,662,529.57	\$ 14,723,779.57
Improvement Authorizations	6,315,626.76	7,219,465.12
Other Liabilities and Special Funds	4,773,228.47	3,890,593.03
Reserve for Certain Assets Receivable	247,217.82	203,142.30
Reserve for Investment in General Fixed Assets	13,787,703.39	13,623,814.52
Fund Balance	<u>3,897,368.59</u>	<u>3,517,221.91</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 42,683,674.60</u>	<u>\$ 43,178,016.45</u>

BOROUGH OF WATCHUNG

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

	<u>YEAR 2002</u>	<u>YEAR 2001</u>
<u>REVENUE AND OTHER INCOME REALIZED</u>		
Fund Balance Utilized	\$ 1,518,000.00	\$ 2,000,000.00
Miscellaneous-From Other Than Local Property Tax Levies	3,696,601.10	3,965,171.00
Collections of Delinquent Taxes and Tax Title Liens	144,795.30	174,124.00
Collections of Current Tax Levy	22,106,235.80	19,137,775.00
Interfunds Returned	1,316.30	5,593.38
	<u>\$ 27,466,948.50</u>	<u>\$ 25,282,663.38</u>
<u>EXPENDITURES</u>		
Budget Expenditures:		
Municipal Purposes	\$ 9,202,465.90	\$ 9,460,563.00
County Taxes	5,691,074.84	5,321,699.00
Local and Regional School Taxes	10,560,852.15	8,290,054.00
Municipal Open Space Tax	246,286.72	217,787.00
Reserve for Accounts Receivable	4,292.00	6,487.00
Refund of Prior Year Reserves		26,847.00
Cancel Prior Year Special Emergency		347,665.00
	<u>\$ 25,704,971.61</u>	<u>\$ 23,671,102.00</u>
Statutory Excess in Revenue	\$ 1,761,976.89	\$ 1,611,561.38
Fund Balance, January 1	3,195,076.38	3,583,515.00
	<u>\$ 4,957,053.27</u>	<u>\$ 5,195,076.38</u>
Less: Utilization as Anticipated Revenue	<u>1,518,000.00</u>	<u>2,000,000.00</u>
Fund Balance, December 31	<u>\$ 3,439,053.27</u>	<u>\$ 3,195,076.38</u>

RECOMMENDATION

That all Borough departments maintain a cash receipts book.

A Corrective Action Plan, which outlines actions the Borough of Watchung will take to correct the finding 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 calendar year 2002. 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

