

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, 2003



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, 2003



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 and for the years ended December 31, 2003 and 2002, and for the year ended December 31, 2003 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.

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

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, 2003 and 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, 2003

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, 2003 and 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, 2003, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated March 9, 2004 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 expenditures of federal awards 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

March 9, 2004

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CURRENT FUND

BOROUGH OF WATCHUNG

CURRENT FUND

BALANCE SHEETS - STATUTORY BASIS

	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2003</u>	<u>BALANCE DECEMBER 31, 2002</u>
<u>ASSETS</u>			
Current Fund:			
Cash	A-4	\$ 5,478,545.29	\$ 5,147,792.45
Cash-Change Fund	A-6	250.00	250.00
State of New Jersey-Chapter 20 P.L. 1971	A-14	1,149.79	499.79
		<u>\$ 5,479,945.08</u>	<u>\$ 5,148,542.24</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-8	\$ 229,507.30	\$ 189,601.92
Revenue Accounts Receivable	A-9	34,208.56	53,323.90
Due from State of New Jersey - DCA Overpayment	A-21		4,292.00
Interfunds Receivable	A-24	33,310.02	
	A	<u>\$ 297,025.88</u>	<u>\$ 247,217.82</u>
		<u>\$ 5,776,970.96</u>	<u>\$ 5,395,760.06</u>
Federal and State Grant Fund:			
Cash	A-4	\$ 146,520.47	\$ 138,799.64
Federal and State Aid Receivable	A-10	40,736.96	24,684.87
Due Current Fund	A-25		620.15
		<u>\$ 187,257.43</u>	<u>\$ 164,104.66</u>
		<u>\$ 5,964,228.39</u>	<u>\$ 5,559,864.72</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</u> <u>DECEMBER</u> <u>31, 2003</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2002</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Current Fund:			
Liabilities:			
Appropriation Reserves	A-3:A-11	\$ 898,429.75	\$ 869,367 15
Accounts Payable	A-7	260,240.31	380,256 17
Prepaid Taxes	A-19	155,364 37	241,050 74
Interfunds Payable	A-24	305,974 15	14,786.14
Tax Overpayments	A-18		40 40
Reserve For:			
Prepaid Licenses	A-27	190 00	40 00
Due State of New Jersey - DCA	A-20	2,210.00	2,177 00
Bonds and Escrow Review Fees	A-12		1,721 37
County Taxes Payable	A-15	115,623 16	
Local School District Taxes Payable	A-16	87,496.00	
State Tax Appeals	A-13	185,276.96	200,000.00
		<u>\$ 2,010,804 70</u>	<u>\$ 1,709,438 97</u>
Reserve for Receivables and Other Assets	A	297,025 88	247,217 82
Fund Balance	A-1	<u>3,469,140.38</u>	<u>3,439,103.27</u>
		<u>\$ 5,776,970.96</u>	<u>\$ 5,395,760.06</u>
Federal and State Grant Fund:			
Federal and State Grants-Unappropriated	A-23	\$ 3,419 55	\$ 620 15
Federal and State Grants-Appropriated	A-22	181,637.88	157,601.51
Accounts Payable	A-26	2,200.00	5,883.00
		<u>\$ 187,257.43</u>	<u>\$ 164,104.66</u>
		<u>\$ 5,964,228.39</u>	<u>\$ 5,559,864.72</u>

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

BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENTS OF OPERATIONS
AND CHANGE IN FUND BALANCE - STATUTORY BASIS

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>	<u>YEAR ENDED DECEMBER 31, 2003</u>	<u>YEAR ENDED DECEMBER 31, 2002</u>
Fund Balance Utilized	A-1:A-2	\$ 1,700,000.00	\$ 1,518,000.00
Miscellaneous Revenue Anticipated	A-2	3,157,864.36	3,413,417.40
Receipts From Delinquent Taxes	A-2	204,678.91	144,795.30
Receipts From Current Taxes	A-2	23,113,065.91	22,106,235.80
Non-Budget Revenue	A-2	72,358.15	73,123.44
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-11	744,316.05	204,670.26
Accounts Payable Canceled			5,000.00
Reserve for Deposit on Borough Owned Property			390.00
Accounts Receivable		4,292.00	
Interfunds Returned			1,316.30
<u>TOTAL INCOME</u>		<u>\$ 28,996,575.38</u>	<u>\$ 27,466,948.50</u>
 <u>EXPENDITURES</u> 			
Budget and Emergency Authorizations:			
Operations:			
Salaries and Wages	A-3	\$ 4,040,220.00	\$ 3,605,588.00
Other Expenses	A-3	3,575,699.17	3,279,399.13
Capital Improvements	A-3	162,000.00	223,500.00
Municipal Debt Service	A-3	1,406,853.44	1,351,431.12
Deferred Charges and Statutory Expenditures	A-3	599,108.68	742,547.65
County Taxes	A-15	5,812,440.11	5,691,074.84
Local District School Tax	A-16	7,489,950.00	7,274,074.00
Regional High School Tax	A-17	3,842,864.30	3,286,778.15
Municipal Open Space Tax	A-2:A-8	304,036.55	246,286.72
Interfunds Advanced		33,310.02	
Accounts Receivable Canceled	A-21	56.00	
Accounts Receivable			4,292.00
<u>TOTAL EXPENDITURES</u>		<u>\$ 27,266,538.27</u>	<u>\$ 25,704,971.61</u>
Statutory Excess in Revenue		\$ 1,730,037.11	\$ 1,761,976.89
Fund Balance, January 1	A	3,439,103.27	3,195,126.38
Decreased by:		<u>\$ 5,169,140.38</u>	<u>\$ 4,957,103.27</u>
Utilized as Anticipated Revenue	A-1:A-2	1,700,000.00	1,518,000.00
Fund Balance, December 31	A	<u>\$ 3,469,140.38</u>	<u>\$ 3,439,103.27</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, 2003

	REF.	ANTICIPATED		REALIZED	EXCESS OR (DEFICIT)
		BUDGET	NJSA 40A:4-87		
Fund Balance Anticipated	A-1	\$ 1,700,000.00		\$ 1,700,000.00	
Miscellaneous Revenues:					
Alcoholic Beverage Licenses	A-9	\$ 8,000.00		\$ 8,638.00	\$ 638.00
Other Licenses	A-2	15,000.00		17,052.00	2,052.00
Fees and Permits:					
Construction Code Official	A-9	225,000.00		314,110.00	89,110.00
Other	A-2	155,000.00		160,409.30	5,409.30
Municipal Court - Fines and Costs	A-9	255,000.00		238,120.21	(16,879.79)
Interest and Costs on Taxes	A-9	84,000.00		73,497.52	(10,502.48)
Interest on Investments and Deposits	A-9	108,000.00		139,479.91	31,479.91
Sewer Rents	A-2	887,000.00		1,031,146.84	144,146.84
Legislative Initiative Block Grant	A-9	22,359.00		22,359.00	
Consolidated Municipal Property Tax Relief Aid	A-9	343,806.00		343,806.00	
Energy Receipts Tax	A-9	609,975.00		609,975.00	
Supplemental Energy Receipts Tax	A-9	34,259.00		34,259.00	
Alcohol Education Rehabilitation Fund	A-10	620.15	1,228.56	1,848.71	
Clean Communities Program	A-10		7,018.91	7,018.91	
Safe and Secure Communities Program	A-10	60,000.00		60,000.00	
Federal Bulletproof Vest Program	A-10		1,171.46	1,171.46	
All Hazards Emergency Operation Planning	A-10		2,405.72	2,405.72	
Recycling Tonnage Grant	A-10		1,696.33	1,696.33	
Somerset County Youth Athletic and Recreation Program	A-10		15,000.00	15,000.00	
Body Armor Replacement Fund	A-10	2,554.04		2,554.04	
Uniform Fire Safety Act	A-9	13,000.00		31,207.73	18,207.73
Assessment Trust Fund Balance	A-9	42,108.68		42,108.68	
<u>Sub-Total Miscellaneous Revenues</u>	A-1	\$ 2,865,681.87	\$ 28,520.98	\$ 3,157,864.36	\$ 263,661.51
Receipts From Delinquent Taxes	A-1	\$ 140,000.00		\$ 204,678.91	\$ 64,678.91
Amount to be Raised by Taxes for Support of Municipal Budget: Local Tax for Municipal Purposes	A-8:A-2	\$ 5,585,965.00		\$ 6,178,774.95	\$ 592,809.95
<u>Budget Totals</u>		\$ 10,291,646.87	\$ 28,520.98	\$ 11,241,318.22	\$ 921,150.37
Non-Budget Revenues	A-1:A-2			72,358.15	72,358.15
		\$ 10,291,646.87	\$ 28,520.98	\$ 11,313,676.37	\$ 993,508.52
	REF.	A-3	A-3		

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

BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENT OF REVENUES - STATUTORY BASIS
YEAR ENDED DECEMBER 31, 2003

	<u>REF.</u>	
<u>ANALYSIS OF REALIZED REVENUES</u>		
Allocation of Current Tax Collections:		
Revenue From Collections	A-1:A-8	\$ 23,113,065.91
Allocated To:		
Local District School Taxes	\$	7,489,950.00
Regional High School Taxes		3,842,864.30
County Taxes		5,812,440.11
Municipal Open Space	A-1:A-4:A-8	<u>304,036.55</u>
		17,449,290.96
Balance for Support of Municipal Budget Appropriations		\$ 5,663,774.95
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>515,000.00</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 6,178,774.95</u>
Other Licenses:		
Board of Health	A-9	\$ 12,975.00
Registrar	A-9	156.00
Borough Clerk	A-9	3,881.00
		\$ 17,012.00
Add: Prepaid Applied	A-27	<u>40.00</u>
	A-2	<u>\$ 17,052.00</u>
Fees and Permits-Other:		
Tax Search Officer	A-9	\$ 150.00
Board of Health	A-9	2,095.00
Registrar	A-9	8,624.25
Borough Clerk	A-9	1,205.00
Engineering Department	A-9	62,258.00
Planning Board	A-9	4,100.00
Board of Adjustment	A-9	3,100.00
Police	A-9	5,510.25
Fire Official	A-9	270.00
Smoke Detector	A-9	2,460.00
Recreation	A-9	272.00
Tower Lease	A-9	<u>70,364.80</u>
	A-2	<u>\$ 160,409.30</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, 2003

	<u>REF.</u>	
<u>ANALYSIS OF REALIZED REVENUES</u>		
Sewer Rents	A-9	\$ 1,031,106.44
Prior Year Overpayments Applied To Revenue	A-18	<u>40.40</u>
	A-2	<u>\$ 1,031,146.84</u>
 <u>ANALYSIS OF NON-BUDGET REVENUE</u>		
Senior Citizens' and Veterans' Administrative Fee		\$ 1,307.00
NJEIT		1,074.46
Library Fines		5,468.54
Cable TV Franchise Fees		14,212.00
Police Outside Services-Borough's Share		14,854.71
Refund of Reserve		1,721.37
Sale of Scrap		182.50
FEMA Snow Emergency		21,036.18
State Library Aid		259.00
Old Outstanding Municipal Court Checks Cancelled		1,269.00
Sewer Penalties		2,025.00
Property Owners Lists		490.00
Prior Year Refund		5,604.23
Miscellaneous - Tax Collector		260.60
Miscellaneous Copies		1,117.35
Miscellaneous		<u>1,476.21</u>
	A-2:A-4	<u>\$ 72,358.15</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, 2003

	APPROPRIATIONS		PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION		ENCUMBERED	RESERVED	
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT						
Administrative and Executive:						
Salaries and Wages	\$ 102,410.00	\$ 102,410.00	\$ 93,888.78	\$	8,521.22	
Other Expenses	28,850.00	28,850.00	26,809.71	584.90	1,455.39	
Mayor & Council						
Salaries and Wages	15,000.00	15,000.00	14,706.89		293.11	
Other Expenses	33,800.00	33,800.00	16,231.27	17,319.00	249.73	
Municipal Clerk:						
Salaries and Wages	139,000.00	139,000.00	135,824.42		3,175.58	
Other Expenses	24,300.00	24,300.00	13,800.41	6,594.00	3,905.59	
Elections:						
Other Expenses	2,850.00	2,850.00	1,098.47		1,751.53	
Financial Administration:						
Salaries and Wages	102,400.00	102,400.00	102,043.34		356.66	
Other Expenses	14,325.00	14,325.00	12,635.99	1,464.20	224.81	
Audit	30,000.00	30,000.00	23,200.00		6,800.00	
Assessment of Taxes:						
Salaries and Wages	42,000.00	48,274.18	48,274.18			
Other Expenses	65,100.00	65,100.00	64,856.76		244.24	
Collection of Taxes:						
Salaries and Wages	58,800.00	62,300.00	62,006.82		293.18	
Other Expenses	10,990.00	10,990.00	9,773.70		1,216.30	
Legal Services & Costs:						
Salaries and Wages	15,000.00	15,000.00	14,375.00		625.00	
Other Expenses	222,500.00	222,500.00	97,158.34	1,825.00	123,516.66	
Engineering Services & Costs:						
Salaries and Wages	145,650.00	152,850.00	152,173.44		476.56	
Other Expenses	20,730.00	20,730.00	12,487.88	880.50	7,361.62	
Public Building & Grounds:						
Salaries and Wages	97,800.00	103,800.00	103,525.69		274.31	
Other Expenses	95,950.00	95,950.00	79,642.08	14,933.83	1,374.09	
Planning Board:						
Salaries and Wages	11,000.00	11,000.00	10,788.36		231.64	
Other Expenses	28,900.00	28,900.00	5,004.68	4,606.50	19,289.82	
Board of Adjustment:						
Salaries and Wages	41,000.00	41,000.00	40,058.92		941.08	
Other Expenses	7,350.00	7,350.00	3,205.68	405.06	3,739.26	
Insurance:						
Group Insurance for Employees	707,000.00	707,000.00	700,749.98		6,250.02	
Worker's Compensation	75,500.00	75,500.00	13,496.88		62,003.12	
Other Insurance Premiums	136,500.00	136,500.00	136,500.00			
PUBLIC SAFETY						
Fire:						
Other Expenses	24,890.00	24,890.00	22,385.35	2,504.65		
Uniform Fire Safety Act (P.L. 1983 Ch.383)						
Fire Official:						
Salaries and Wages	22,000.00	26,954.21	26,954.21			
Other Expenses	7,525.00	7,525.00	3,703.62	635.00	3,186.39	
Police:						
Salaries and Wages	2,122,951.00	2,172,951.00	2,127,501.35		45,449.65	
Other Expenses	185,191.00	185,191.00	163,259.62	17,273.21	4,658.17	
First Aid Organization Contributions	13,000.00	13,000.00	13,000.00			
Emergency Management Service:						
Other Expenses	1,800.00	1,800.00	1,800.00			
Streets & Roads						
Salaries and Wages	350,500.00	404,073.81	403,923.77		150.04	
Other Expenses	95,350.00	95,350.00	79,000.59	16,039.77	309.64	

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, 2003

	APPROPRIATIONS		EXPENDED			UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	
HEALTH AND WELFARE						
Board of Health:						
Salaries and Wages	\$ 1,300.00	\$ 1,300.00	\$ 811.32		\$ 488.68	
Dog Regulation:						
Other Expenses	3,500.00	3,500.00	3,240.97		259.03	
Public Assistance:						
Salaries and Wages	4,900.00	5,100.00	5,061.00		39.00	
Other Expenses	560.00	560.00	457.99		102.01	
Sewer System:						
Salaries and Wages	30,000.00	30,000.00	30,000.00			
Other Expenses	21,450.00	21,450.00	19,615.71	385.00	1,449.29	
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	26,352.97	26,186.34		166.63	
Other Expenses	30,225.00	30,225.00	22,214.37	2,431.74	5,578.89	
Traffic & Beautification:						
Other Expenses	3,500.00	3,500.00	3,500.00			
Community Service:						
Salaries and Wages	10,920.00	11,420.00	11,357.00		63.00	
Other Expenses	500.00	500.00			500.00	
Environmental Commission:						
Other Expenses	1,900.00	1,900.00	472.00		1,428.00	
Historical Preservation:						
Other Expenses	16,100.00	16,100.00	504.38	300.00	15,295.62	
STATE UNIFORM CONSTRUCTION CODE						
State Uniform Construction Code:						
Construction Code Official (Building Inspector):						
Salaries and Wages	115,000.00	115,000.00	107,991.00		7,009.00	
Other Expenses	31,100.00	31,100.00	11,692.83	15,160.00	4,247.17	
Plumbing Inspector						
Salaries and Wages	20,000.00	20,000.00	12,933.89		7,066.11	
Electrical Inspector						
Salaries and Wages	18,500.00	20,300.00	20,300.00			
Fire Sub-Code Inspector						
Salaries and Wages	19,000.00	19,500.00	19,387.00		113.00	
UNCLASSIFIED						
Salary and Wage Adjustment	375,000.00	235,844.83			235,844.83	
Electricity	95,000.00	95,000.00	52,976.53		42,023.47	
Telephone	59,000.00	59,000.00	40,875.37		18,124.63	
Water	12,000.00	12,000.00	4,393.58		7,606.42	
Natural Gas	42,000.00	42,000.00	36,076.81		5,923.19	
Fire Hydrant Service	220,000.00	220,000.00	189,684.48		30,315.52	
Gasoline	52,000.00	52,000.00	38,311.12		13,688.88	
Street Lighting	63,000.00	63,000.00	33,023.19		29,976.81	
TOTAL OPERATIONS WITHIN "CAPS"	\$ 6,374,367.00	\$ 6,371,867.00	\$ 5,526,892.06	\$ 103,342.36	\$ 741,632.58	
Detail:						
Salaries and Wages	\$ 3,884,131.00	\$ 3,881,631.00	\$ 3,570,052.72		\$ 311,578.28	
Other Expenses	2,490,236.00	2,490,236.00	1,956,839.34	103,342.36	430,054.30	
DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"						
Statutory Expenditures:						
Public Employee's Retirement System	\$ 3,000.00	\$ 3,000.00			\$ 3,000.00	
Social Security System (O.A.S.I.)	155,000.00	157,500.00	157,500.00			
Police and Firemen's Retirement System of N.J.	75,000.00	75,000.00	43,327.60		31,672.40	
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"	\$ 233,000.00	\$ 235,500.00	\$ 200,827.60	\$	\$ 34,672.40	

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, 2003

	APPROPRIATIONS		EXPENDED			UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	\$ 6,607,367.00	\$ 6,607,367.00	\$ 5,727,719.66	\$ 103,342.36	\$ 776,304.98	
OPERATIONS EXCLUDED FROM "CAPS"						
Municipal Court:						
Salaries and Wages	\$ 151,309.00	\$ 151,309.00	\$ 137,333.45	\$	\$ 13,975.55	
Other Expenses	40,150.00	40,150.00	39,133.78	938.55	77.67	
Audit Services	5,000.00	5,000.00	5,000.00			
Utilities	24,000.00	24,000.00	19,628.18		4,371.82	
Public Defender:						
Salaries and Wages	7,280.00	7,280.00	3,679.00		3,601.00	
RECREATION AND EDUCATION:						
Free Public Library:						
Salaries and Wages	4,000.00	4,000.00	4,000.00			
Other Expenses	13,550.00	13,550.00	10,477.68	1,509.98	1,562.34	
Municipal Alliance Employment Assistance Program:	2,500.00	2,500.00	2,000.00		500.00	
NJ PEOSHA Fire Department						
Other Expenses	52,250.00	52,250.00	28,737.90	23,453.62	58.48	
NJ PEOSHA Police Department						
Salaries and Wages	40,000.00	40,000.00	40,000.00			
Other Expenses	14,000.00	14,000.00	5,050.63	820.05	8,129.32	
Board of Health:						
Other Expenses	66,718.00	66,718.00	66,208.00		510.00	
Snow Emergency EO#48: NJSA 40A: 4-45: 3bb						
Other Expenses	40,500.00	40,500.00	17,396.83	20,420.00	2,683.17	
INTERLOCAL MUNICIPAL SERVICE AGREEMENTS						
Sewer Interlocal Agreements:						
Other Expenses	485,000.00	485,000.00	407,737.24	25,000.00	52,262.76	
Somerset County Interlocal Agreements:						
CDL Testing	600.00	600.00			600.00	
Recycling	47,000.00	47,000.00	22,562.10		24,437.90	
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	147,000.00	147,000.00	147,000.00			
Somerset County Youth Athletic Grant (NJSA 40A: 4- 87 \$15,000.00)		15,000.00	15,000.00			
N. J. Body Armor	2,554.04	2,554.04	2,554.04			
Federal Bulletproof Vest Program		1,171.46	1,171.46			
Match:		1,171.46	1,171.46			
Recycling Tonnage Grant		1,696.33	1,696.33			
All Hazards Emergency Operation Planning		2,405.72	2,405.72			
Clean Communities Program		7,018.91	7,018.91			
Alcohol Education Rehab Fund	620.15	1,848.71	1,848.71			
Grant Matching Funds	10,000.00	8,828.54			8,828.54	
Municipal Alliance Contribution	1,500.00	1,500.00	1,500.00			
TOTAL OPERATIONS EXCLUDED FROM "CAPS"	\$ 1,215,531.19	\$ 1,244,052.17	\$ 1,050,311.42	\$ 72,142.20	\$ 121,598.55	
DETAIL OPERATIONS-EXCLUDED FROM "CAPS"						
Salaries and Wages	\$ 158,589.00	\$ 158,589.00	\$ 141,012.45	\$	\$ 17,576.55	
Other Expenses	1,056,942.19	1,085,463.17	909,298.97	72,142.20	104,022.00	
CAPITAL IMPROVEMENTS-EXCLUDED FROM "CAPS"						
Capital Improvement Fund	\$ 150,000.00	\$ 150,000.00	\$ 150,000.00	\$	\$	
Building & Grounds Improvements	12,000.00	12,000.00	11,473.78		526.22	
TOTAL CAPITAL IMPROVEMENTS- EXCLUDED FROM "CAPS"	\$ 162,000.00	\$ 162,000.00	\$ 161,473.78	\$	\$ 526.22	
MUNICIPAL DEBT SERVICE-EXCLUDED FROM "CAPS"						
Payment of Bond Principal	\$ 725,000.00	\$ 725,000.00	\$ 725,000.00	\$	\$	
Payment of Bans	65,000.00	65,000.00	65,000.00			
Interest on Bonds	405,000.00	405,000.00	404,466.50			533.50
Interest on Notes	17,000.00	17,000.00	16,500.00			500.00
Green Trust Loan	69,400.00	69,400.00	69,368.15			31.85
Economic Recovery Loan	13,910.00	13,910.00	13,909.66			0.34
NJ UST Remediation Loan	12,830.00	12,830.00	12,830.00			
NJEIT Loan	120,000.00	120,000.00	99,779.13			20,220.87
TOTAL MUNICIPAL DEBT SERVICE- EXCLUDED FROM "CAPS"	\$ 1,428,140.00	\$ 1,428,140.00	\$ 1,406,853.44	\$	\$	\$ 21,286.56

BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENT OF EXPENDITURES - STATUTORY BASIS
YEAR ENDED DECEMBER 31, 2003

	APPROPRIATIONS		PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION		ENCUMBERED	RESERVED	
DEFERRED CHARGES-MUNICIPAL- EXCLUDED FROM "CAPS"						
Deferred Charges:						
Deficit in Dedicated Assessment Budget	\$ 42,108.68	\$ 42,108.68	\$ 42,108.68	\$	\$	
Deferred Charges to Future Taxation-Unfunded:						
Various Improvements: 98/22	70,000.00	70,000.00	70,000.00			
General Road Resurfacing & Rehab: 00/05	71,500.00	71,500.00	71,500.00			
Various PW & Police Facility Improvements: 00/06	130,000.00	130,000.00	130,000.00			
Engineering-Sewer Design, Constr & Rehab: 00/01	50,000.00	50,000.00	50,000.00			
TOTAL DEFERRED CHARGES-MUNICIPAL- EXCLUDED FROM "CAPS"	\$ 363,608.68	\$ 363,608.68	\$ 363,608.68	\$	\$	
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	\$ 3,169,279.87	\$ 3,197,800.85	\$ 2,982,247.32	\$ 72,142.20	\$ 122,124.77	\$ 21,286.56
SUB-TOTAL GENERAL APPROPRIATIONS RESERVE FOR UNCOLLECTED TAXES	\$ 9,776,646.87	\$ 9,805,167.85	\$ 8,709,966.98	\$ 175,484.56	\$ 898,429.75	\$ 21,286.56
	515,000.00	515,000.00	515,000.00			
TOTAL GENERAL APPROPRIATIONS	\$ 10,291,646.87	\$ 10,320,167.85	\$ 9,224,966.98	\$ 175,484.56	\$ 898,429.75	\$ 21,286.56
REF.	A-2			A-1:A-7	A:A-1	
Amendment by (NJSA 40A:4-87)	A-2	\$ 28,520.98				
Budget	A-3	10,291,646.87				
		\$ 10,320,167.85				
Reserve for Uncollected Taxes	A-2		\$ 515,000.00			
Reserve for Federal and State Programs - Appropriated	A-22		91,695.17			
Disbursements	A-4		8,697,926.69			
			\$ 9,304,621.86			
Less: Refunds	A-4		79,654.88			
			\$ 9,224,966.98			

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, 2003</u>	<u>BALANCE DECEMBER 31, 2002</u>
Assessment Fund:			
Cash	B-2	\$ 104,853.50	\$ 197,565.68
Assessment Receivable	B-3	792,217.23	915,933.92
Due Current Fund	B-4		3,026.26
Prospective Assessments Funded	B-5	88,350.00	88,350.00
Amount To Be Raised By Taxation:			
Funded By Assessment Bonds	B-6	81,800.67	123,909.35
Cancelled Assessments	B-6	3,990.00	3,990.00
		<u>\$ 1,071,211.40</u>	<u>\$ 1,332,775.21</u>
Animal Control Fund:			
Cash	B-2	\$ 629.31	\$ 1,622.27
		<u>\$ 629.31</u>	<u>\$ 1,622.27</u>
Other Funds:			
Cash	B-2	\$ 2,559,526.29	\$ 1,963,195.74
Due Current Fund	B-18	305,974.15	11,139.73
		<u>\$ 2,865,500.44</u>	<u>\$ 1,974,335.47</u>
		<u>\$ 3,937,341.15</u>	<u>\$ 3,308,732.95</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Assessment Fund:			
Assessment Serial Bonds	B-16	\$ 945,000.00	\$ 1,146,000.00
Due Current Fund	B-4	32,824.79	
Reserve For Assessments	B-7	7,428.30	12,380.56
Fund Balance	B-1	85,958.31	174,394.65
		<u>\$ 1,071,211.40</u>	<u>\$ 1,332,775.21</u>
Animal Control Fund:			
Reserve For Animal Control Fund Expenditures	B-14	\$ 251.31	\$ 1,253.27
Prepaid Dog Licenses	B-17	378.00	369.00
		<u>\$ 629.31</u>	<u>\$ 1,622.27</u>
Other Funds:			
Reserve For:			
Various Trust Deposits	B-13	\$ 54,419.88	\$ 30,937.96
COAH Deposits	B-12	994,757.58	810,280.27
Police Outside Overtime	B-15	38,851.34	30,916.80
Open Space Trust Deposits	B-10	612,981.75	357,013.17
State Unemployment Compensation Insurance	B-11	129,655.79	125,068.99
Recreation Deposits	B-19	20,809.31	16,462.02
Law Enforcement Trust Fund	B-20	729.09	542.90
Developers Deposits	B-21	1,006,795.70	598,742.80
Accounts Payable	B-9	6,500.00	4,370.56
		<u>\$ 2,865,500.44</u>	<u>\$ 1,974,335.47</u>
		<u>\$ 3,937,341.15</u>	<u>\$ 3,308,732.95</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, 2002	B	\$	174,394.65
Increased by:			
Reserve for Assessments			4,952.26
		\$	<u>179,346.91</u>
Decreased by:			
Disbursements	B-2		<u>93,388.60</u>
Balance, December 31, 2003	B	\$	<u><u>85,958.31</u></u>

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

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GENERAL CAPITAL FUND

"C"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

BALANCE SHEETS - STATUTORY BASIS

	<u>REF.</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2003</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2002</u>
<u>ASSETS</u>			
Cash	C-2:C-3	\$ 1,504,596.18	\$ 1,135,122.15
Deferred Charges to Future Taxation:			
Funded	C-4	10,360,051.33	11,266,529.78
Unfunded	C-5	6,533,627.49	6,855,562.49
State Aid Receivable	C-18	150,000.00	
Loans Receivable - NJ Environmental Infrastructure Trust	C-9	447,024.00	659,686.00
		<u>\$ 18,995,299.00</u>	<u>\$ 19,916,900.42</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Bond Anticipation Notes Payable	C-19	\$ 1,500,000.00	\$ 1,250,000.00
General Serial Bonds Payable	C-11	7,537,000.00	8,262,000.00
Contracts Payable	C-7	177,883.31	538,242.49
Accrued Interest on Sale of Bonds	C-16	3,105.00	3,105.00
Capital Improvement Fund	C-8	209,040.72	124,975.72
Due Current Fund	C-6	485.23	
State of New Jersey Loan Payable:			
Environmental Infrastructure Trust Loan	C-12	1,075,000.00	1,115,000.00
Environmental Infrastructure Trust Loan	C-13	1,003,633.55	1,062,805.90
Economic Development Authority	C-14	196,376.20	221,145.82
Green Trust Loan Program	C-15	548,041.58	605,578.06
Improvement Authorizations:			
Funded	C-10	1,012,089.94	735,763.15
Unfunded	C-10	5,314,222.80	5,579,863.61
Reserve for Payment of Bond Anticipation Notes	C-17	134,500.00	134,500.00
Fund Balance	C-1	283,920.67	283,920.67
		<u>\$ 18,995,299.00</u>	<u>\$ 19,916,900.42</u>

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

"C-1"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

STATEMENT OF FUND BALANCE - STATUTORY BASIS

	<u>REF.</u>	
Balance, December 31, 2002 and December 31, 2003	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

"E"

BOROUGH OF WATCHUNG

PUBLIC ASSISTANCE TRUST FUND

BALANCE SHEETS - STATUTORY BASIS

	<u>REF.</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2003</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2002</u>
<u>ASSETS</u>			
Cash-Treasurer:			
Public Assistance Trust Fund I	E-1	\$ 8,578.08	\$ 8,750.90
Public Assistance Trust Fund II	E-1	<u>64.78</u>	<u>4,224.78</u>
		\$ <u>8,642.86</u>	\$ <u>12,975.68</u>
<u>LIABILITIES AND RESERVES</u>			
Reserve for Public Assistance:			
Public Assistance Trust Fund I		\$ 2,396.72	\$ 2,396.72
Community Emergency Fund		6,181.36	6,354.18
Public Assistance Trust Fund II		<u>64.78</u>	<u>4,224.78</u>
		\$ <u>8,642.86</u>	\$ <u>12,975.68</u>

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

GENERAL FIXED ASSETS ACCOUNT GROUP

BOROUGH OF WATCHUNG
GENERAL FIXED ASSETS ACCOUNT GROUP
BALANCE SHEETS - STATUTORY BASIS

	BALANCE DECEMBER <u>31, 2003</u>	BALANCE DECEMBER <u>31, 2002</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>3,597,281.52</u>	<u>2,943,723.39</u>
<u>TOTAL FIXED ASSETS</u>	<u>\$ 14,441,261.52</u>	<u>\$ 13,787,703.39</u>
 <u>RESERVE</u>		
Investments in General Fixed Assets	<u>\$ 14,441,261.52</u>	<u>\$ 13,787,703.39</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, 2003

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.

NOTE 1. 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, 2003:

<u>FUND</u>	<u>CHANGE FUND</u>	<u>CASH IN BANK</u>	<u>TOTAL</u>
Current Fund	\$250.00	\$5,478,545.29	\$5,478,795.29
Federal and State Grant Fund		146,520.47	146,520.47
Assessment Fund		104,853.50	104,853.50
Animal Control Trust Fund		629.31	629.31
Other Trust Fund		2,559,526.29	2,559,526.29
General Capital Fund		1,504,596.18	1,504,596.18
Public Assistance Trust Fund		<u>8,642.86</u>	<u>8,642.86</u>
<u>TOTAL DECEMBER 31, 2003</u>	<u>\$ 250.00</u>	<u>\$9,803,313.90</u>	<u>\$9,803,563.90</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, 2003 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 this loans are used to finance various improvements to the Borough. A summary of these transactions for the year ended December 31, 2003 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, 2003	\$ <u>1,323,330,954.33</u>
3 1/2% of Equalized Valuation Basis	\$ 46,316,583.40
Net Debt	<u>17,838,678.82</u>
Remaining Borrowing Power	\$ <u>28,477,904.58</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>	
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>946,000.00</u>	\$	<u>7,537,000.00</u>	\$ <u>1,849,335.25</u>	\$ <u>10,332,335.25</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>
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>166,662.81</u>	\$	<u>8,443.72</u>	\$	<u>175,106.53</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>
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>\$ 381,378.77</u>	<u>\$ 59,909.43</u>	<u>\$ 441,288.20</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>
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>\$ 76,980.00</u>	<u>\$</u>	<u>\$ 76,980.00</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>
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>\$ 119,396.20</u>	<u>\$ 9,850.18</u>	<u>\$ 129,246.38</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>
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>\$ 855,000.00</u>		<u>\$ 446,825.12</u>		<u>\$ 1,301,825.12</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>
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>\$ 794,329.30</u>		<u>\$</u>		<u>\$ 794,329.30</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>
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>220,000.00</u>	\$	<u>108,800.00</u>	\$	<u>328,800.00</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>
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>209,304.25</u>	\$		\$	<u>209,304.25</u>

NOTE 4: FUND BALANCES APPROPRIATED

Fund balance at December 31, 2003 which was appropriated and included as anticipated revenue in its own respective fund for the year ending December 31, 2004 was not known as of the date of the audit.

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, 2003</u>	BALANCE DECEMBER <u>31, 2002</u>
Prepaid Taxes	<u>\$155,364.37</u>	<u>\$241,050.74</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 2002 and \$ 43,327.60 for 2003.

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 \$408,111.16 and \$354,725.39 at December 31, 2003 and 2002, 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 2003. Any reduction in assessed valuation will result in a refund of prior years taxes in the year of settlement, which may be funded from current tax revenues through the establishment of a reserve or by the issuance of refunding bonds per N.J.S.40A:2-51. The Borough has a reserve balance in the amount of \$185,276.96 for these appeals in the event that the tax reductions are granted.

NOTE 11: CONTINGENT LIABILITIES

The Borough participated in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of funds for eligible purposes. Findings and questioned costs, if any, relative to federal and state financial assistance programs will be discussed in detail in Part II, Report Section of the 2003 audit. In addition, these programs are also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2003, 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, 2003:

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
Current Fund	\$ 33,310.02	\$305,974.15
Assessment Trust Fund		32,824.79
Other Trust Fund	305,974.15	
General Capital Fund	<u> </u>	<u>485.23</u>
	<u>\$ 339,284.17</u>	<u>\$339,284.17</u>

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BOROUGH OF WATCHUNG
SUPPLEMENTARY SCHEDULES
YEAR ENDED DECEMBER 31, 2003

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, 2002	A	\$ 5,147,792.45	\$ 138,799.64
Increased by Receipts:			
Taxes Receivable	A-8	\$ 23,010,694.08	\$
Tax Overpayments	A-18	14,823.13	
Prepaid Taxes	A-19	155,364.37	
Miscellaneous Revenue Not Anticipated	A-2	72,358.15	
Revenue Accounts Receivable	A-9	3,066,088.79	
Petty Cash Funds	A-5	400.00	
State of New Jersey-Senior Citizens and Veterans	A-14	65,350.00	
Appropriation Refunds	A-3	79,654.88	
Interfunds Returned	A-24	432,386.13	620.15
Prepaid Licenses	A-27	190.00	
Due From State Of New Jersey - DCA	A-21	4,236.00	
Federal and State Grants Receivable	A-10		75,022.93
Federal and State Grants - Appropriated	A-22		149,671.46
Federal and State Funds - Unappropriated	A-23		3,419.55
Due State of New Jersey - DCA	A-20	<u>21,458.00</u>	
		<u>26,923,003.53</u>	<u>228,734.09</u>
		\$ 32,070,795.98	\$ 367,533.73
Decreased by Disbursements:			
2003 Appropriations	A-3	\$ 8,697,926.69	\$
2002 Appropriation Reserves	A-11	302,000.65	
Local District School Tax	A-16	7,402,454.00	
County Taxes	A-15	5,696,816.95	
Regional High School Tax	A-17	3,842,864.30	
Refund of Tax Overpayments	A-18	14,823.13	
Municipal Open Space Taxes	A-2	304,036.55	
Accounts Payable	A-7:A-26	118,550.87	5,883.00
Due State of New Jersey - DCA	A-20	21,425.00	
Petty Cash Funds	A-5	400.00	
Reserve for Bonds & Escrow Review Fees	A-12	1,721.37	
Reserve for Tax Appeals	A-13	14,723.04	
Federal and State Grants Appropriated	A-22		215,130.26
Interfunds Advanced	A-24	<u>174,508.14</u>	
		<u>26,592,250.69</u>	<u>221,013.26</u>
Balance, December 31, 2003	A	\$ <u>5,478,545.29</u>	\$ <u>146,520.47</u>

"A-5"

BOROUGH OF WATCHUNG
CURRENT FUND
SCHEDULE OF PETTY CASH FUNDS

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

"A-6"

SCHEDULE OF CHANGE FUNDS

	<u>BALANCE</u> <u>DECEMBER 31,</u> <u>2002 AND 2003</u>
Tax Collector	\$ 100.00
Municipal Court	100.00
Clerk	<u>50.00</u>
	<u>\$ 250.00</u>
<u>REF.</u>	A

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF ACCOUNTS PAYABLE

	<u>REF.</u>		
Balance, December 31, 2002	A		\$ 380,256.17
Increased by:			
2003 Appropriations	A-3	\$ 175,484.56	
2002 Appropriation Reserves	A-11	<u>70,075.25</u>	
			<u>245,559.81</u>
			\$ 625,815.98
Decreased by:			
Transfer to 2002 Appropriation Reserves	A-11	247,024.80	
Disbursements	A-4	<u>118,550.87</u>	
			<u>365,575.67</u>
Balance, December 31, 2003	A		\$ <u><u>260,240.31</u></u>

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

YEAR	BALANCE DECEMBER 31, 2002	ADDED TAXES	2003 LEVY	2002 COLLECTIONS	2003 COLLECTIONS	CANCELLED	BALANCE DECEMBER 31, 2003
2002	\$ 189,601.92	\$ 15,305.74	\$ 23,414,501.75	\$ 241,050.74	\$ 204,678.91	\$ 228.75	\$ 229,507.30
2003	\$ 189,601.92	\$ 15,305.74	\$ 23,414,501.75	\$ 241,050.74	\$ 22,872,015.17	\$ 71,928.54	\$ 229,507.30
REF.	A	A	A	A-2-A-19	A-2	A	A

REF.

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

A-4	\$ 23,010,694.08
A-14	\$ 66,000.00
	\$ 23,076,694.08

ANALYSIS OF 2003 PROPERTY TAX LEVY

TAX YIELD

General Purpose Tax
Added Taxes (54:4-63.1 et. seq.)

\$ 22,951,309.90
463,191.85
\$ 23,414,501.75

TAX LEVY

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

A-16	\$ 7,489,950.00
A-17	3,842,864.30
A-15	\$ 4,776,166.65
A-15	512,085.57
A-15	408,564.73
A-15	115,623.16
A-2	\$ 5,812,440.11
A-1-A-2	304,036.55
	379,245.79
	6,289,247.34

\$ 23,414,501.75

BOROUGH OF WATCHUNGCURRENT FUNDSCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	<u>REF.</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2002</u>	<u>ACCRUED</u> <u>IN 2003</u>	<u>COLLECTED BY</u> <u>TREASURER</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2003</u>
Clerk:					
Alcoholic Beverage Licenses	A-2	\$	\$ 8,638.00	\$ 8,638.00	\$
Other Licenses	A-2		3,881.00	3,881.00	
Fees and Permits	A-2		1,205.00	1,205.00	
Uniform Construction Code Official	A-2		314,110.00	314,110.00	
Recreation: Fees and Permits	A-2		272.00	272.00	
Planning Board: Fees and Permits	A-2		4,100.00	4,100.00	
Registrar of Vital Statistics:					
Other Licenses	A-2		156.00	156.00	
Fees and Permits	A-2		8,624.25	8,624.25	
Board of Health:					
Other Licenses	A-2		12,975.00	12,975.00	
Fees and Permits	A-2		2,095.00	2,095.00	
Board of Adjustment: Fees and Permits	A-2		3,100.00	3,100.00	
Tower Lease: Fees and Permits	A-2		70,364.80	70,364.80	
Police: Fees and Permits	A-2		5,510.25	5,510.25	
Engineering:					
Fees and Permits	A-2		62,258.00	62,258.00	
Bureau of Fire Prevention: Fees and Permits					
Fire Official	A-2		270.00	270.00	
Smoke Detectors	A-2		2,460.00	2,460.00	
Tax Search: Fees and Permits	A-2		150.00	150.00	
Municipal Court: Fines and Costs	A-2	21,676.61	236,941.08	238,120.21	20,497.48
Interest and Costs on Taxes	A-2		73,497.52	73,497.52	
Interest on Investments and Deposits	A-2		139,479.91	139,479.91	
Sewer Rents	A-2	31,647.29	1,013,170.23	1,031,106.44	13,711.08
Legislative Initiative Block Grant	A-2		22,359.00	22,359.00	
Consolidated Municipal Property Tax Relief	A-2		343,806.00	343,806.00	
Energy Receipts Tax	A-2		609,975.00	609,975.00	
Supplemental Energy Receipts Tax	A-2		34,259.00	34,259.00	
Uniform Fire Safety Act	A-2		31,207.73	31,207.73	
Assessment Trust Surplus	A-2		42,108.68	42,108.68	
		<u>\$ 53,323.90</u>	<u>\$ 3,046,973.45</u>	<u>\$ 3,066,088.79</u>	<u>\$ 34,208.56</u>
	<u>REF.</u>	A		A-4	A

BOROUGH OF WATCHUNG

FEDERAL AND STATE GRANT FUND

SCHEDULE OF FEDERAL AND STATE AID RECEIVABLE

	BALANCE DECEMBER <u>31, 2002</u>	ACCRUED <u>2003</u>	RECEIPTS	UNAPPROPRIATED RESERVE <u>APPLIED</u>	BALANCE DECEMBER <u>31, 2003</u>
Safe and Secure Communities	\$	\$ 60,000.00	\$ 30,000.00	\$	\$ 30,000.00
Clean Communities Program		7,018.91	7,018.91		
Somerset Cty Planning Incentive Grant	6,500.00		6,500.00		
All Hazards Emergency Oper. Planning Program		2,405.72			2,405.72
Body Armor Replacement Fund		2,554.04	2,554.04		
Federal Bulletproof Vest Fund	3,184.87	1,171.46	4,356.33		
S.C. Youth Athletic & Recreation Program	15,000.00	15,000.00	21,668.76		8,331.24
Alcohol Education Rehabilitation Fund		1,848.71	1,228.56	620.15	
Recycling Tonnage		1,696.33	1,696.33		
	<u>\$ 24,684.87</u>	<u>\$ 91,695.17</u>	<u>\$ 75,022.93</u>	<u>\$ 620.15</u>	<u>\$ 40,736.96</u>
<u>REF.</u>	A	A-2	A-4	A-23	A

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF 2002 APPROPRIATION RESERVES

	BALANCE DECEMBER 31, 2002	ADJUSTED BALANCE	PAID OR CHARGED	BALANCE LAPSED
<u>OPERATIONS WITHIN "CAPS"</u>				
Salaries and Wages:				
Administrative & Executive	\$ 3.00	\$ 3.00	\$	\$ 3.00
Borough Clerk	28.08	28.08		28.08
Financial Administration	16.00	16.00		16.00
Tax Assessment Administration	5,882.04	5,882.04		5,882.04
Engineering Services	10,982.82	10,982.82		10,982.82
Municipal Land Use Law - Planning Board	1,805.26	1,805.26		1,805.26
Zoning Board of Adjustments	1,570.27	1,570.27		1,570.27
Uniform Safety Act - Fire Prevention Inspector	3,099.32	3,099.32		3,099.32
Police	30,296.61	30,296.61		30,296.61
Roads Repair and Maintenance	31,973.79	31,973.79		31,973.79
Board of Health	1,079.30	1,079.30		1,079.30
Board of Recreation Commissioners	984.88	984.88		984.88
Uniform Construction Code Enforcement Functions	19,890.88	19,890.88		19,890.88
Plumbing Inspector	3,027.63	3,027.63		3,027.63
Electrical Inspector	648.00	648.00		648.00
Municipal Court	4,921.14	4,921.14		4,921.14
Public Defender	6,165.83	6,165.83		6,165.83
Other Expenses:				
Mayor & Council	13,939.23	13,939.23	2,034.00	11,905.23
Administrative & Executive	6,412.44	6,412.44	2,922.29	3,490.15
Borough Clerk	13,921.40	13,921.40	590.15	13,331.25
Elections	458.67	458.67		458.67
Financial Administration	2,271.34	2,271.34	1,261.41	1,009.93
Tax Assessment Administration	8,155.96	8,155.96	5,227.12	2,928.84
Collection of Taxes	681.74	681.74	376.25	305.49
Legal Services	77,108.05	77,108.05	50,247.31	26,860.74
Engineering Services	10,582.90	10,582.90	9,601.89	981.01
Public Buildings and Grounds	45,652.80	45,652.80	27,777.93	17,874.87
Municipal Land Use Law - Planning Board	18,133.56	18,133.56	912.37	17,221.19
Zoning Board of Adjustments	2,394.51	2,394.51	849.64	1,544.87
Employee Group Insurance	51,387.28	51,387.28	122.14	51,265.14
Other Insurance Premiums	44,261.49	44,261.49		44,261.49
Fire	3,102.67	3,102.67	2,787.37	315.30
Uniform Safety Act - Fire Prevention Inspector	2,418.54	2,418.54	561.47	1,857.07
Police	64,917.54	64,917.54	34,318.84	30,598.70
Aid to Volunteer Ambulance Companies	696.00	696.00	696.00	
Office of Emergency Management	1,519.50	1,519.50	727.59	791.91
Roads Repair and Maintenance	30,993.79	30,993.79	17,609.45	13,384.34
Dog Regulation	175.00	175.00	175.00	
Sewer System	14,015.17	14,015.17	1,167.99	12,847.18
Administration of Public Assistance	31.50	31.50		31.50
Condo Act Reimbursement	6,000.00	6,000.00	1,211.98	4,788.02
Board of Recreation Commissioners	411.58	411.58		411.58
Traffic & Beautification	1,600.94	1,600.94		1,600.94
Uniform Construction Code Enforcement Functions	15,910.75	15,910.75	2,548.42	13,362.33
Community Service Committee	1.12	1.12		1.12
Environmental Commission	840.00	840.00		840.00
Historical Preservation Committee	5,745.16	5,745.16	764.00	4,981.16
Electricity	27,725.19	27,725.19	6,491.77	21,233.42
Street Lighting	14,975.04	14,975.04	3,134.89	11,840.15
Natural Gas	8,743.76	8,743.76	7,373.36	1,370.40
Telephone	13,865.73	13,865.73	7,047.64	6,818.09
Water	14,479.38	14,479.38	9,456.82	5,022.56
Fire Hydrant Charges	832.30	832.30	7.18	825.12
Gasoline & Diesel Fuel	9,779.97	9,779.97	3,883.16	5,896.81

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF 2002 APPROPRIATION RESERVES

	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2002</u>		<u>ADJUSTED</u> <u>BALANCE</u>		<u>PAID OR</u> <u>CHARGED</u>		<u>BALANCE</u> <u>LAPSED</u>
<u>DEFERRED CHARGES AND STATUTORY EXPENDITURES - WITHIN "CAPS"</u>							
Contribution To:							
Public Employees Retirement System	\$ 13,000.00	\$	13,000.00	\$		\$	13,000.00
Social Security System (O.A.S.I.)	1,032.26		1,032.26				1,032.26
Police & Firemen's Retirement System	150,000.00		150,000.00				150,000.00
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>							
Municipal Court	302.10		302.10		69.84		232.26
Utilities	3,008.46		3,008.46		2,268.75		739.71
Board of Health	1,732.96		1,732.96		545.00		1,187.96
Municipal Alliance Employee Assistance Program	500.00		500.00				500.00
N.J. PEOSHA Police	229.96		229.96		173.83		56.13
Free Public Library	2,203.59		2,203.59		2,111.52		92.07
Sewer Interlocal Agreements	82,730.76		82,730.76		20,000.00		62,730.76
Somerset County Interlocal Agreement CDL Testing	600.00		600.00				600.00
Somerset County Interlocal Recycling Agreement	11,721.06		11,721.06		11,292.98		428.08
Grant Matching Funds	10,000.00		10,000.00				10,000.00
<u>CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"</u>							
Building & Grounds Improvements	25,810.00		25,810.00		25,810.00		
Office Equipment	7,000.00		7,000.00		7,000.00		
UST Remediation	3.95		3.95		3.95		
Sewer Capital	150,000.00		150,000.00		100,914.60		49,085.40
TOTAL	\$ 1,116,391.95	\$	1,116,391.95	\$	372,075.90	\$	744,316.05

	<u>REF.</u>	<u>A-11</u>	<u>A-1</u>
Balance, December 31, 2002	A	\$ 869,367.15	
Accounts Payable	A-7	247,024.80	
	A-11	<u>\$ 1,116,391.95</u>	
Disbursements	A-4		\$ 302,000.65
Accounts Payable	A-7		70,075.25
			<u>\$ 372,075.90</u>

"A-12"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF RESERVE FOR BONDS & ESCROW REVIEW FEES

	<u>REF.</u>	
Balance, December 31, 2002	A	\$ 1,721.37
Decreased by:		
Disbursements	A-4	<u>1,721.37</u>

"A-13"

SCHEDULE OF RESERVE FOR TAX APPEALS

Balance, December 31, 2002	A	\$ 200,000.00
Decreased by:		
Disbursements	A-4	<u>14,723.04</u>
Balance, December 31, 2003	A	<u>\$ 185,276.96</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, 2002	A	\$	499.79
Increased by:			
Deductions Per Tax Billings		\$	64,750.00
Senior Citizens' Deduction Allowed by Tax Collector			<u>1,250.00</u>
			66,000.00
		\$	<u>66,499.79</u>
Decreased by:			
Receipts	A-4		<u>65,350.00</u>
Balance, December 31, 2003	A	\$	<u><u>1,149.79</u></u>

REVENUE REALIZED:

Deductions Per Tax Billings:			
Senior Citizens		\$	6,000.00
Veterans			58,750.00
Senior Citizen Deduction Allowed by Collector			<u>1,250.00</u>
	A-8	\$	<u><u>66,000.00</u></u>

"A-15"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF COUNTY TAXES PAYABLE

REF.

2003 Tax Levy:				
County Tax	A-8	\$	4,776,166.65	
County Library Tax	A-8		512,085.57	
County Open Space Preservation Tax	A-8		408,564.73	
County Added	A-8		<u>115,623.16</u>	
	A-1			\$ 5,812,440.11
Decreased by:				
Payments	A-4			<u>5,696,816.95</u>
Balance, December 31, 2003	A			\$ <u><u>115,623.16</u></u>

"A-16"

SCHEDULE OF LOCAL DISTRICT SCHOOL TAX

Increased by:				
2003 Tax Levy - Calendar Year	A-1:A-8	\$	7,489,950.00	
Decreased by:				
Payments	A-4			<u>7,402,454.00</u>
Balance, December 31, 2003	A			\$ <u><u>87,496.00</u></u>

"A-17"

SCHEDULE OF REGIONAL HIGH SCHOOL TAX

Increased by:				
2003 Tax Levy - Calendar Year	A-1:A-8	\$	3,842,864.30	
Decreased by:				
Payments	A-4			<u>3,842,864.30</u>

"A-18"

BOROUGH OF WATCHUNG
CURRENT FUND
SCHEDULE OF TAX OVERPAYMENTS

	<u>REF.</u>		
Balance, December 31, 2002	A	\$	40.40
Increased by:			
Overpayments in 2003 - Receipts	A-4		14,823.13
		\$	<u>14,863.53</u>
Decreased by:			
Refunds	A-4	\$	14,823.13
Applied To Revenue	A-2		<u>40.40</u>
			<u>14,863.53</u>

"A-19"

SCHEDULE OF PREPAID TAXES

Balance, December 31, 2002 (2003 Taxes)	A	\$	241,050.74
Increased by:			
Collections of 2004 Taxes	A-4		155,364.37
		\$	<u>396,415.11</u>
Decreased by:			
Applied to Taxes Receivable	A-8		<u>241,050.74</u>
Balance, December 31, 2003 (2004 Taxes)	A	\$	<u>155,364.37</u>

"A-20"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF DUE TO STATE OF NEW JERSEY - DCA

	<u>REF.</u>		
Balance, December 31, 2002	A	\$	2,177.00
Increased by:			
Receipts	A-4		21,458.00
		\$	<u>23,635.00</u>
Decreased by:			
Disbursements	A-4		21,425.00
Balance, December 31, 2003	A	\$	<u>2,210.00</u>

"A-21"

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

Balance, December 31, 2002	A	\$	4,292.00
Decreased by:			
Receipts	A-4	\$	4,236.00
Canceled	A-1		56.00
		\$	<u>4,292.00</u>

BOROUGH OF WATCHUNG

FEDERAL AND STATE GRANT FUND

SCHEDULE OF RESERVE FOR FEDERAL AND STATE GRANTS - APPROPRIATED

	BALANCE DECEMBER 31, 2002	TRANSFERRED FROM 2003 BUDGET	PAID OR CHARGED	BALANCE DECEMBER 31, 2003
Safe and Secure Communities Match	\$ 16,250.00	\$ 60,000.00	\$ 60,000.00	\$ 16,250.00
Somerset Cty Planning Incentive Grant Match	87,697.64	147,000.00	123,109.38	111,588.26
Clean Communities Program	10,825.60		3,761.58	7,064.02
Special Legislative	10,825.61	7,018.91	3,761.58	7,064.03
Body Armor Replacement Fund	6,375.00		7,018.91	6,375.00
Federal Bulletproof Vest Fund		2,554.04		2,554.04
S.C. Youth Athletic & Recreation Program	11,071.90	2,342.92		2,342.92
Alcohol Education Rehabilitation Fund		15,000.00	17,414.66	8,657.24
Drunk Driving Enforcement Fund	12,099.44	1,848.71	620.15	1,228.56
All Hazards Emergency Oper. Planning Program		2,405.72	144.00	11,955.44
Recycling Tonnage Grant	2,456.32	1,696.33		2,405.72
Municipal Alliance Contribution - Match		1,500.00	1,500.00	4,152.65
	\$ 157,601.51	\$ 241,366.63	\$ 217,330.26	\$ 181,637.88
REF.	A			A
Federal and State Aid Programs		\$ 91,695.17		
Matching Funds for Grants		149,671.46		
		\$ 241,366.63		
Disbursements		\$	215,130.26	
Accounts Payable			2,200.00	
			\$ 217,330.26	

BOROUGH OF WATCHUNG

FEDERAL AND STATE GRANT FUND

SCHEDULE OF RESERVE FOR FEDERAL AND STATE
GRANTS - UNAPPROPRIATED

	BALANCE DECEMBER 31.2002	RECEIPTS	APPLIED TO RECEIVABLE	BALANCE DECEMBER 31.2003
Alcohol Education Rehabilitation Fund	\$ 620.15	\$	620.15	\$ 838.33
Federal Bulletproof Vest Fund		838.33		2,581.22
Drunk Driving Enforcement Fund		2,581.22		
	<u>\$ 620.15</u>	<u>\$ 3,419.55</u>	<u>\$ 620.15</u>	<u>\$ 3,419.55</u>

REF.

A

A-4

A-10

A

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF INTERFUNDS

REF.	TOTAL	FEDERAL AND STATE GRANT FUND	ASSESSMENT TRUST FUND	OTHER TRUST FUND	GENERAL CAPITAL FUND
Balance, December 31, 2002:					
A	\$ 14,786.14	\$ 620.15	\$ 3,026.26	\$ 11,139.73	\$
Interfunds Payable					
A-4	432,386.13		123,716.69	308,669.44	
Receipts					
A-4	174,508.14	620.15	159,567.74	13,835.02	485.23
Disbursements					
Balance, December 31, 2003:					
A	\$ 33,310.02	\$	\$ 32,824.79	\$	\$ 485.23
Interfunds Receivable					
A	305,974.15			305,974.15	
Interfunds Payable					

"A-25"

BOROUGH OF WATCHUNG
FEDERAL AND STATE GRANT FUND
SCHEDULE OF DUE CURRENT FUND

	<u>REF.</u>	
Balance, December 31, 2002	A	\$ 620.15
Decreased by:		
Receipts	A-4	\$ <u>620.15</u>

"A-26"

SCHEDULE OF ACCOUNTS PAYABLE
FEDERAL AND STATE GRANT FUND

Balance, December 31, 2002	A	\$ 5,883.00
Increased by:		
Federal and State Grants Appropriated	A-22	<u>2,200.00</u>
		\$ 8,083.00
Decreased by:		
Disbursements	A-4	<u>5,883.00</u>
Balance, December 31, 2003	A	\$ <u>2,200.00</u>

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF PREPAID LICENSES

	<u>REF.</u>	
Balance, December 31, 2002	A	\$ 40.00
Increased by:		
Receipts	A-4	<u>190.00</u>
		\$ <u>230.00</u>
Decreased by:		
Applied To Revenue	A-2	<u>40.00</u>
Balance, December 31, 2003	A	\$ <u><u>190.00</u></u>

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF CASH-TREASURER

REF.	ASSESSMENT	ANIMAL CONTROL	OTHER
B	\$ 197,565.68	\$ 1,622.27	\$ 1,963,195.74
Balance, December 31, 2002			
Increased by Receipts:			
B-3: B-8	\$ 123,716.69		
B-4: B-8: B-18	\$ 159,567.74		\$ 13,835.02
B-8	\$ 42,108.68		
B-17		\$ 376.00	
B-22		\$ 363.60	
B-14		\$ 1,769.40	
B-13			\$ 83,040.00
B-12			\$ 184,477.31
B-15			\$ 183,638.00
B-10			\$ 312,468.58
B-11			\$ 4,891.51
B-19			\$ 18,520.80
B-20			\$ 186.19
B-21			\$ 548,666.73
B-23			\$ 70,272.12
	\$ 325,393.11	\$ 2,511.00	\$ 1,419,996.26
	\$ 522,958.79	\$ 4,133.27	\$ 3,383,192.00
Decreased by Disbursements:			
B-4: B-18	\$ 123,716.69		
B-16	\$ 201,000.00		
B-1	\$ 93,388.60		
B-22		\$ 426.60	
B-14		\$ 3,077.36	
B-10			\$ 50,000.00
B-11			\$ 304.71
B-13			\$ 59,556.08
B-15			\$ 175,703.46
B-19			\$ 17,774.07
B-21			\$ 141,383.83
B-23			\$ 70,272.12
	\$ 418,105.29	\$ 3,503.96	\$ 823,665.71
B	\$ 104,853.50	\$ 629.31	\$ 2,559,526.29
Balance, December 31, 2003			

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, 2002	COLLECTED	BALANCE DECEMBER 31, 2003	RESERVE	BALANCE PLEDGED TO BONDS	CAPITAL
12/22/88 & 9/21/90	Various Road Improvements	11/14/96	10	1/1/04 - 06	14,032.00 \$	3,508.05 \$	10,523.95 \$	\$	584.35 \$	9,939.60
12/22/88 & 9/21/90	Construction of Sanitary Sewer - Various Roads	10/23/97	10	6/1/04 - 06	46,363.19	13,909.07	32,444.12		32,444.12	
10/12/95	Curbing on Sherwood, Filar, and Elsinore	11/12/98	10	6/1/04 - 07	7,462.87	2,598.77	4,864.10		4,864.10	
10/22/87, 11/10/88 & 5/25/89	Construction of Sanitary Sewer - Vail Lane	6/18/98	10	6/1/04 - 07	12,380.56	4,952.26	7,428.30	7,428.30		
88-20 & 96-11	Construction of Sanitary Sewer - Various Roads	6/28/01	10	6/28/04 - 11	712,596.38	80,328.13	632,268.25		632,268.25	
97-02	Construction of Sanitary Sewer and P.W. Improv.	11/8/01	10	11/8/04 - 11	123,108.92	18,420.41	104,688.51		104,688.51	
					\$ 915,933.92	\$ 123,716.69	\$ 792,217.23	\$ 7,428.30	\$ 774,849.93	\$ 9,939.60

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, 2002 (Due From)	B	\$ 3,026.26
Increased by:		
Disbursements	B-2	123,716.69
		\$ <u>126,742.95</u>
Decreased by:		
Receipts	B-2	<u>159,567.74</u>
Balance, December 31, 2003 (Due To)	B	\$ <u><u>32,824.79</u></u>

"B-5"

SCHEDULE OF PROSPECTIVE ASSESSMENTS FUNDED

ASSESSMENT TRUST FUND

<u>ORDINANCE NUMBER</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE DECEMBER 31, 2003 and 2002</u>
96-16	Improvements to Will Lane & Brook Drive	\$ <u>88,350.00</u>
		\$ <u><u>88,350.00</u></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, 2003</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	32,952.92	32,952.92	
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>\$ 85,790.67</u>	<u>\$ 81,800.67</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, 2003</u>
87-22	Construction of Sanitary Sewer - Vail Lane	\$ <u>7,428.30</u>
		<u>\$ 7,428.30</u>
	<u>REF.</u>	<u>B</u>

BOROUGH OF WATCHUNG

TRUST FUND

ANALYSIS OF ASSESSMENT CASH

FOR THE YEAR ENDED DECEMBER 31, 2003
ASSESSMENT TRUST FUND

	BALANCE DECEMBER 31, 2002	ASSESSMENTS RECEIVABLE	RECEIPTS		DISBURSEMENTS		BALANCE DECEMBER 31, 2003
			CURRENT BUDGET	MISCELLANEOUS	ASSESSMENT SERIAL BONDS	MISCELLANEOUS	
Fund Balance	\$ 174,394.75	\$ 4,952.26	\$	\$	\$	\$ 93,388.60	\$ 85,958.41
Assessment Serial Bonds: <u>Ordinance Date</u>							
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		(189,350.00)
12/22/88 & 9/21/90 Construction Sewer System Oakridge and Tail Timbers	11,437.80	3,508.05			13,200.00		1,745.85
12/22/88 & 9/21/90 Construction Sewer System High Tor, Ridge and Parlin	36,316.09	13,909.07			24,750.00		25,475.16
10/12/95 Curbing on Sherwood Drive, Friar Land and Elsmore Drive	65,523.13	2,598.77			10,438.00		57,683.90
3/13/97 Redmont Road	12,637.24	18,420.41			34,585.00		(3,527.35)
5/9/96 Valley Drive & Brook Drive	84,257.26	80,328.13			82,135.00		82,450.39
7/18/96 Will Lane & Brook Drive	(17,664.38)		42,108.68		8,842.00		15,582.30
Due Current Fund	(3,026.26)		159,567.74			123,716.69	32,824.79
	\$ 197,565.68	\$ 123,716.69	\$ 42,108.68	\$ 159,567.74	\$ 201,000.00	\$ 217,105.29	\$ 104,653.50

REF:

B

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, 2002	B	\$	4,370.56
Increased by:			
Reserve For Open Space Deposits	B-10		6,500.00
		\$	<u>10,870.56</u>
Decreased by:			
Transfer - Reserve for Recreation Deposits	B-19	\$	3,600.56
Transfer - Reserve for Developers Deposits	B-21		<u>770.00</u>
			<u>4,370.56</u>
Balance, December 31, 2003	B	\$	<u><u>6,500.00</u></u>

"B-10"

SCHEDULE OF RESERVE FOR OPEN SPACE DEPOSITS

OTHER TRUST FUND

Balance, December 31, 2002	B	\$	357,013.17
Increased by:			
Open Space Taxes		\$	304,036.55
Interest Earned			<u>8,432.03</u>
	B-2		<u>312,468.58</u>
		\$	<u>669,481.75</u>
Decreased by:			
Disbursements	B-2	\$	50,000.00
Account Payable	B-9		<u>6,500.00</u>
			<u>56,500.00</u>
Balance, December 31, 2003	B	\$	<u><u>612,981.75</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, 2002	B	\$	125,068.99
Increased by:			
SUI Deposits		\$	1,702.56
Interest Earned			<u>3,188.95</u>
	B-2		4,891.51
		\$	<u>129,960.50</u>
Decreased by:			
Disbursements	B-2		<u>304.71</u>
Balance, December 31, 2003	B	\$	<u><u>129,655.79</u></u>

"B-12"

SCHEDULE OF RESERVE FOR COAH DEPOSITS
OTHER TRUST FUND

Balance, December 31, 2002	B	\$	810,280.27
Increased by:			
Receipts	B-2		<u>184,477.31</u>
Balance, December 31, 2003	B	\$	<u><u>994,757.58</u></u>

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR MISCELLANEOUS TRUST DEPOSITS

OTHER TRUST FUND

	BALANCE DECEMBER 31, 2002	INCREASED	DECREASED	BALANCE DECEMBER 31, 2003
Bequests & Gifts	\$ 11,518.36	\$ 1,347.00	\$ 710.00	\$ 12,155.36
Imp. to Borough Property - Donation	20.00	1,500.00		1,520.00
Tax Premiums	3,700.00	55,500.00	44,200.00	15,000.00
3rd Party Inspection Fees	512.36			512.36
POAA	762.95	40.00		802.95
Due State of NJ - Marriage Licenses	175.00	1,300.00	1,250.00	225.00
Fire Safety Penalties	4,615.96	7,380.00	250.00	11,745.96
Fire Department Penalties	94.92	750.00		844.92
Public Defender	200.00	3,401.00	3,601.00	
Sidewalk Fund	5,000.00	2,232.00		7,232.00
Bulky Waste Permits	4,338.41	9,590.00	9,547.08	4,381.33
	\$ 30,937.96	\$ 83,040.00	\$ 59,558.08	\$ 54,419.88

REF.

B

B-2

B-2

B

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, 2002	B	\$	1,253.27
Increased by:			
Dog License Fees	B-2	\$	1,610.40
Cat License Fees	B-2		159.00
Prior Year Prepaid Applied	B-17		<u>306.00</u>
			2,075.40
		\$	<u>3,328.67</u>
Decreased by:			
Disbursements Under R.S. 4:19-15.11	B-2		<u>3,077.36</u>
Balance, December 31, 2003	B	\$	<u>251.31</u>

LICENSE FEES COLLECTED

<u>YEAR</u>	<u>AMOUNT</u>
2002	\$ 1,965.00
2001	<u>2,173.00</u>
	\$ <u>4,138.00</u>

"B-15"

SCHEDULE OF RESERVE FOR POLICE OUTSIDE OVERTIME
OTHER TRUST FUND

Balance, December 31, 2002	B	\$	30,916.80
Increased by:			
Receipts	B-2		<u>183,638.00</u>
		\$	214,554.80
Decreased by:			
Disbursements	B-2		<u>175,703.46</u>
Balance, December 31, 2003	B	\$	<u>38,851.34</u>

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF ASSESSMENT SERIAL BONDS
ASSESSMENT TRUST FUND

<u>PURPOSE</u>	<u>DATE OF ISSUE</u>	<u>ORIGINAL ISSUE</u>	<u>DATE</u>	<u>OUTSTANDING AMOUNT</u>	<u>INTEREST RATE</u>	<u>DECEMBER 31, 2002</u>	<u>DECREASED</u>	<u>DECEMBER 31, 2003</u>
Construction and Extension of Sanitary Sewer System/ Various Road Improvements	1/1/95	\$ 650,000.00	1/1/04 - 05	\$ 65,000.00	5.75%	\$ 195,000.00	\$ 65,000.00	\$ 130,000.00
Construction of Belgian Block Curbing, Sanitary Sewers/ Various Road and Public Works Improvements	5/1/99	1,359,000.00	5/1/04 - 06	136,000.00	4.00%	951,000.00	136,000.00	815,000.00
			5/1/07	136,000.00	4.10%			
			5/1/08	136,000.00	4.35%			
			5/1/09	135,000.00	4.35%			
						<u>\$ 1,146,000.00</u>	<u>\$ 201,000.00</u>	<u>\$ 945,000.00</u>

REF.

B

B-2

B

"B-17"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF PREPAID DOG LICENSES
ANIMAL CONTROL TRUST FUND

	<u>REF.</u>		
Balance, December 31, 2002	B	\$	369.00
Increased by:			
Receipts	B-2		378.00
		\$	<u>747.00</u>
Decreased by:			
Prior Year Prepaid Applied to Due State	B-22	\$	63.00
Prior Year Prepaid Applied to Reserve	B-14		<u>306.00</u>
			<u>369.00</u>
Balance, December 31, 2003	B	\$	<u><u>378.00</u></u>

"B-18"

SCHEDULE OF DUE CURRENT FUND - OTHER TRUST FUND

Balance, December 31, 2002 (Due From)	B	\$	11,139.73
Increased by:			
Disbursements	B-2		308,669.44
		\$	<u>319,809.17</u>
Decreased by:			
Receipts	B-2		<u>13,835.02</u>
Balance, December 31, 2003 (Due From)	B	\$	<u><u>305,974.15</u></u>

"B-19"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR RECREATION DEPOSITS
OTHER TRUST FUND

	<u>REF.</u>		
Balance, December 31, 2002	B	\$	16,462.02
Increased by:			
Receipts	B-2	\$	18,520.80
Transfer Accounts Payable	B-9		<u>3,600.56</u>
			22,121.36
		\$	<u>38,583.38</u>
Decreased by:			
Disbursements	B-2		<u>17,774.07</u>
Balance, December 31, 2003	B	\$	<u><u>20,809.31</u></u>

"B-20"

SCHEDULE OF RESERVE FOR LAW ENFORCEMENT TRUST FUND
OTHER TRUST FUND

Balance, December 31, 2002	B	\$	542.90
Increased by:			
Receipts	B-2		<u>186.19</u>
Balance, December 31, 2003	B	\$	<u><u>729.09</u></u>

"B-21"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR DEVELOPERS' DEPOSITS
OTHER TRUST FUND

	<u>REF.</u>		
Balance, December 31, 2002	B		\$ 598,742.80
Increased by:			
Receipts	B-2	\$ 548,666.73	
Transfer Accounts Payable	B-9	<u>770.00</u>	
			549,436.73
			<u>\$ 1,148,179.53</u>
Decreased by:			
Disbursements	B-2		<u>141,383.83</u>
Balance, December 31, 2003	B		<u>\$ 1,006,795.70</u>

"B-22"

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

Increased by:			
Receipts	B-2	\$ 363.60	
Prior Year Prepaid Applied	B-17	<u>63.00</u>	
			\$ 426.60
Decreased by:			
Disbursements	B-2		<u>426.60</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	\$	70,272.12
Decreased by:			
Disbursements	B-2		<u>70,272.12</u>

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF CASH - TREASURER

	<u>REF.</u>		
Balance, December 31, 2002	C		\$ 1,135,122.15
Increased by Receipts:			
Deferred Charges To Future Taxation - Unfunded	C-5	\$ 321,500.00	
Loan Receivable - NJ Environmental Infrastructure Trust	C-9	212,662.00	
Bond Anticipation Note Payable	C-19	1,500,000.00	
Capital Improvement Fund	C-8	150,000.00	
Due Current Fund	C-6	<u>485.23</u>	
			<u>2,184,647.23</u>
			\$ 3,319,769.38
Decreased by Disbursements:			
Contracts Payable	C-7	\$ 630,173.20	
Bond Anticipation Note Payable	C-19	<u>1,185,000.00</u>	
			<u>1,815,173.20</u>
Balance, December 31, 2003	C		\$ <u>1,504,596.18</u>

"C-3"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

ANALYSIS OF CASH

	<u>REF.</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2003</u>
Fund Balance		\$ 283,920.67
Capital Improvement Fund		209,040.72
Improvement Authorizations-Funded		1,012,089.94
Loans Receivable:		
NJ Environmental Infrastructure Trust		(447,024.00)
Reserve for Payment of Bond Anticipation Notes		134,500.00
Unfunded Improvements Expended - Listed on "C-5"		(363,713.26)
Contracts Payable		177,883.31
Unexpended Proceeds of Bond Anticipation Notes - Listed on "C-5"		644,308.57
Due Current Fund		485.23
State Aid Receivable		(150,000.00)
Accrued Interest On Sale of Bonds		3,105.00
	C	<u>\$ 1,504,596.18</u>

"C-4"

SCHEDULE OF DEFERRED CHARGES TO
FUTURE TAXATION FUNDED

Balance, December 31, 2002	C		\$ 11,266,529.78
Decreased by:			
2003 Budget Appropriation to Pay Bonds	C-11	\$ 725,000.00	
2003 Budget Appropriation to Pay Loan:			
Environmental Infrastructure Trust Loan	C-12	40,000.00	
Environmental Infrastructure Trust Loan	C-13	59,172.35	
Economic Development Authority	C-14	24,769.62	
Green Trust Loan Program	C-15	57,536.48	
			<u>906,478.45</u>
Balance, December 31, 2003	C		<u>\$ 10,360,051.33</u>

**BOROUGH OF WATCHUNG
GENERAL CAPITAL FUND**

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION UNFUNDED

ORDINANCE NUMBER	IMPROVEMENT DESCRIPTION	BALANCE DECEMBER 31, 2002	2003 AUTHORIZATIONS	2003 BUDGET APPROPRIATIONS	CANCELED	BALANCE DECEMBER 31, 2003	BOND ANTICIPATION NOTES	ANALYSIS OF BALANCE DECEMBER 31, 2003	
								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	59,745.49				59,745.49		59,745.49	
98-22	Road Improvements	134,500.00		70,000.00		64,500.00		54,907.75	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, Somerset Rd & Valley Rd	56,696.00				56,696.00			
99-13	Installation of Sanitary Sewer and Public Water Connections - Woodlodge 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			
00-05	General Road Resurfacing & Rehabilitation Projects	94,000.00		71,500.00		22,500.00			69,805.00
00-06	Various Public Works & Police Facility Improvements	665,000.00		130,000.00		535,000.00	535,000.00		22,500.00
00-12	Sewer Design, Construction & Rehabilitation	79,500.00		50,000.00		29,500.00		18,759.57	10,740.43
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		65,000.00	1,947,500.00	3,051,000.00	965,000.00		2,086,000.00
01-19	General Road Resurfacing & Rehabilitation Projects	285,000.00				285,000.00			285,000.00
03-01	Purchase of Front End Loader		99,500.00			99,500.00		91,600.00	7,900.00
03-03	Various Road Sanitary Sewer Improvement Project		1,202,000.00			1,202,000.00			1,202,000.00
03-04	Various Road Water Improvement Project		572,565.00			572,565.00			572,565.00
03-14	Improvement of Anderson Road		138,000.00			138,000.00			138,000.00
		<u>\$ 6,855,552.49</u>	<u>\$ 2,012,065.00</u>	<u>\$ 386,500.00</u>	<u>\$ 1,947,500.00</u>	<u>\$ 6,533,627.49</u>	<u>\$ 1,500,000.00</u>	<u>\$ 363,713.25</u>	<u>\$ 4,669,914.23</u>
	REF.	C	C-10	C	C-10	C	C-19	C-3	
	Improvement Authorizations Unfunded								\$ 5,314,222.80
	Less: Unexpended Proceeds of Bond Anticipation Notes								<u>644,308.57</u>
	Deferred Charges To Future Taxation Unfunded		\$ 321,500.00						\$ 4,669,914.23
	BAN Paid By Budget		<u>65,000.00</u>	<u>386,500.00</u>					

"C-6"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF DUE CURRENT FUND

REF.

Increased by:			
Receipts	C-2	\$	<u>485.23</u>
Balance, December 31, 2003	C	\$	<u>485.23</u>

"C-7"

SCHEDULE OF CONTRACTS PAYABLE

Balance, December 31, 2002	C	\$	538,242.49
Increased by:			
Improvement Authorizations	C-10	\$	<u>301,237.37</u>
		\$	839,479.86
Decreased by:			
Disbursements	C-2	\$	630,173.20
Canceled	C-10		<u>31,423.35</u>
			<u>661,596.55</u>
Balance, December 31, 2003	C	\$	<u>177,883.31</u>

"C-8"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>REF.</u>		
Balance, December 31, 2002	C	\$	124,975.72
Increased by:			
2003 Budget Appropriation	C-2	\$	150,000.00
Improvement Authorizations Canceled	C-10		<u>102,250.00</u>
			252,250.00
Decreased by:		\$	<u>377,225.72</u>
Appropriated to Finance Improvement Authorizations	C-10		<u>168,185.00</u>
Balance, December 31, 2003	C	\$	<u><u>209,040.72</u></u>

"C-9"

SCHEDULE OF LOANS RECEIVABLE - NJ ENVIRONMENTAL INFRASTRUCTURE TRUST

Balance, December 31, 2002	C	\$	659,686.00
Decreased by:			
Receipts	C-2		<u>212,662.00</u>
Balance, December 31, 2003	C	\$	<u><u>447,024.00</u></u>

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF GENERAL SERIAL BONDS

<u>PURPOSE</u>	<u>DATE OF ISSUE</u>	<u>ORIGINAL ISSUE</u>	<u>MATURITIES OF BONDS</u>		<u>INTEREST RATE</u>	<u>BALANCE DECEMBER 31, 2002</u>	<u>DECREASED</u>	<u>BALANCE DECEMBER 31, 2003</u>
			<u>OUTSTANDING DECEMBER 31, 2003</u>	<u>AMOUNT</u>				
General Improvement	07/01/91	\$ 1,292,000.00	07/01/04-05	110,000.00	6.40%	\$ 402,000.00	\$ 110,000.00	\$ 292,000.00
General Improvement	01/01/95	1,724,000.00	07/01/06	72,000.00				
			01/01/04-09	115,000.00				
General Improvement	05/01/99	8,141,000.00	01/01/10	114,000.00	5.75%	919,000.00	115,000.00	804,000.00
			05/01/04	500,000.00	4.00%			
			05/01/05-06	600,000.00	4.00%			
			05/01/07	600,000.00	4.10%			
			05/01/08-11	600,000.00	4.35%			
			05/01/12	600,000.00	4.38%			
			05/01/13	600,000.00	4.40%			
			05/01/14	541,000.00	4.40%			
						<u>6,941,000.00</u>	<u>500,000.00</u>	<u>6,441,000.00</u>
						<u>\$ 8,262,000.00</u>	<u>\$ 725,000.00</u>	<u>\$ 7,537,000.00</u>

REF.

C

C

C-4

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, 2002	PAID IN 2003	BALANCE DECEMBER 31, 2003	
			DATE	AMOUNT				
NJ Environmental Infrastructure Trust 2000	11/09/00	\$ 872,646.00	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	\$ 840,133.69	\$ 45,804.39	\$ 794,329.30	
		11/08/01	226,237.00	08/01/04	13,113.33			
	NJ Environmental Infrastructure Trust 2001B			08/01/05	12,858.71			
				08/01/06	12,572.25			
			08/01/07	12,253.96				
			08/01/08	11,935.68				
			08/01/09	11,617.40				
			08/01/10	11,299.11				
			08/01/11	10,980.82				
			08/01/12	10,662.54				
			08/01/13	10,344.26				
			08/01/14	13,129.25				
			08/01/15	12,651.82				
			08/01/16	12,174.39				
		08/01/17	11,696.96					
		08/01/18	11,219.54					
		08/01/19	10,742.11					
		08/01/20	10,264.68					
		08/01/21	9,787.44					
			222,672.21		13,367.96	209,304.25		
			\$ 1,062,805.90	\$ 59,172.35	\$ 1,003,633.55			

REF.

C

C-4

BOROUGH OF WATCHUNG
GENERAL CAPITAL FUND

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

PURPOSE	ORIGINAL ISSUE	PRINCIPAL REQUIREMENTS OF LOAN OUTSTANDING DECEMBER 31, 2003	DATE	AMOUNT	BALANCE DECEMBER 31, 2002	PAID IN 2003	BALANCE DECEMBER 31, 2003
New Public Works Facility	\$	143,275.00	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	\$ 131,335.82	\$ 11,939.62	\$ 119,396.20
		102,640.00		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	89,810.00	12,830.00	76,980.00
					\$ 221,145.82	\$ 24,769.62	\$ 196,376.20

REF. C C-4 C

BOROUGH OF WATCHUNG
GENERAL CAPITAL FUND

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

<u>PURPOSE</u>	<u>ORIGINAL ISSUE</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>PRINCIPAL REQUIREMENTS OF LOAN OUTSTANDING</u>		<u>BALANCE DECEMBER 31, 2003</u>
				<u>DECEMBER 31, 2003</u>	<u>PAID IN 2003</u>	
Acquire Watchung Lake	\$ 236,077.00	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	\$	35,052.64	166,662.81
		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			
		08/01/11	26,364.08			
		08/01/12	26,894.00			
		08/01/13	27,434.57			
		08/01/14	27,986.00			
		08/01/15	28,548.52			
		08/01/16	29,122.35			
		08/01/17	29,707.70			
		08/01/18	14,759.03		22,483.84	381,378.77
					\$ 57,536.48	\$ 548,041.58
					\$ 403,862.61	\$ 381,378.77

REF. C C-4 C

"C-16"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF ACCRUED INTEREST ON SALE OF BONDS

	<u>REF.</u>	
Balance, December 31, 2002 and December 31, 2003	C	\$ <u>3,105.00</u>

"C-17"

SCHEDULE OF RESERVE FOR PAYMENT OF BOND ANTICIPATION NOTES

Balance, December 31, 2002 and December 31, 2003	C	\$ <u>134,500.00</u>
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"C-18"

SCHEDULE OF STATE AID RECEIVABLE

Increased by Improvement Authorization	C-10	\$ <u>150,000.00</u>
Balance, December 31, 2003	C	\$ <u>150,000.00</u>

ANALYSIS OF BALANCE:

03-14 Improvement of Anderson Road		\$ <u>150,000.00</u>
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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, 2002</u>	<u>INCREASED</u>	<u>DECREASED</u>	<u>BALANCE DECEMBER 31, 2003</u>
Various Public Improvements	12/05/02	12/05/02	12/05/03	1.32%	\$ 1,250,000.00	\$	\$ 1,250,000.00	\$
Various Public Improvements	12/05/02	12/05/03	12/04/04	1.20%		1,500,000.00		1,500,000.00
					<u>\$ 1,250,000.00</u>	<u>\$ 1,500,000.00</u>	<u>\$ 1,250,000.00</u>	<u>\$ 1,500,000.00</u>
				<u>REF.</u>	<u>C</u>	<u>C-2</u>		<u>C</u>
Bond Anticipation Note Paid By Budget				C-5			\$ 65,000.00	
Disbursements				C-2			<u>1,185,000.00</u>	
							<u>\$ 1,250,000.00</u>	

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

<u>ORDINANCE NUMBER</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE DECEMBER 31, 2003</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	64,500.00
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	22,500.00
00-12	Sewer Design, Construction & Rehabilitation	29,500.00
01-09	Purchase of Various Equipment & Public Works Improvements	157,700.00
01-10	Various 2001 Capital Improvements	2,086,000.00
01-19	General Road Resurfacing and Rehabilitation	285,000.00
03-01	Purchase of Front End Loader	99,500.00
03-03	Various Road Sanitary Sewer Improvement Project	1,202,000.00
03-04	Various Road Water Improvement Project	572,565.00
03-14	Improvement of Anderson Road	138,000.00
		<hr/>
		\$ <u>5,033,627.49</u>

BOROUGH OF WATCHUNG

PUBLIC ASSISTANCE TRUST FUND

SCHEDULE OF PUBLIC ASSISTANCE CASH

	<u>REF.</u>	<u>PUBLIC ASSISTANCE TRUST FUND I</u>	<u>PUBLIC ASSISTANCE TRUST FUND II</u>	<u>FUND TOTAL</u>
Balance, December 31, 2002	E	\$ <u>8,750.90</u>	\$ <u>4,224.78</u>	\$ <u>12,975.68</u>
Increased by Receipts:				
State Aid		\$	\$ 2,300.00	\$ 2,300.00
Interest Earned		<u>87.18</u>		<u>87.18</u>
		\$ <u>8,838.08</u>	\$ <u>6,524.78</u>	\$ <u>15,362.86</u>
Decreased by Disbursements:				
Reserve For:				
Public Assistance		<u>260.00</u>	<u>6,460.00</u>	<u>6,720.00</u>
Balance, December 31, 2003	E	\$ <u><u>8,578.08</u></u>	\$ <u><u>64.78</u></u>	\$ <u><u>8,642.86</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, 2003	E-3	\$	8,642.86
Increased by:			
Receipts			11,606.35
		\$	<u>20,249.21</u>
Decreased by:			
Disbursements			
Balance, January 31, 2004		\$	<u><u>20,249.21</u></u>

<u>RECONCILIATION - JANUARY 31, 2004</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		11,664.78	11,664.78
Account #0036-521341	<u>6,187.71</u>		<u>6,187.71</u>
Balance, January 31, 2004	\$ <u><u>8,584.43</u></u>	\$ <u><u>11,664.78</u></u>	\$ <u><u>20,249.21</u></u>

BOROUGH OF WATCHUNG

PUBLIC ASSISTANCE TRUST FUND

SCHEDULE OF PUBLIC ASSISTANCE CASH AND
RECONCILIATION AS OF DECEMBER 31, 2003

REF.

Balance, December 31, 2002		\$	12,975.68
Increased by:			
Receipts			2,387.18
		\$	<u>15,362.86</u>
Decreased by:			
Disbursements			6,720.00
			<u>6,720.00</u>
Balance, December 31, 2003	E-2	\$	<u><u>8,642.86</u></u>

<u>RECONCILIATION - DECEMBER 31, 2003</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		1,064.78	1,064.78
Account #0036-521341	<u>6,181.36</u>		<u>6,181.36</u>
Less: Outstanding Checks		\$ <u>1,000.00</u>	\$ <u>1,000.00</u>
Balance, December 31, 2003	\$ <u><u>8,578.08</u></u>	\$ <u><u>64.78</u></u>	\$ <u><u>8,642.86</u></u>

"E-4"

BOROUGH OF WATCHUNG

PUBLIC ASSISTANCE TRUST FUND

SCHEDULE OF PUBLIC ASSISTANCE REVENUES
YEAR ENDED DECEMBER 31, 2003

	<u>P.A.T.F. I</u>	<u>P.A.T.F. II</u>	<u>FUND</u> <u>TOTAL</u>
State Aid	\$	\$ 2,300.00	\$ 2,300.00
Interest Earned	<u>87.88</u>	<u> </u>	<u>87.88</u>
<u>TOTAL RECEIPTS</u>	<u>\$ 87.88</u>	<u>\$ 2,300.00</u>	<u>\$ 2,387.88</u>

"E-5"

SCHEDULE OF PUBLIC ASSISTANCE EXPENDITURES
YEAR ENDED DECEMBER 31, 2003

	<u>P.A.T.F. I</u>	<u>P.A.T.F. II</u>	<u>FUND</u> <u>TOTAL</u>
Current Year Assistance (Reported):			
Maintenance Payments		\$ 3,196.00	\$ 3,196.00
Shelter Payments		2,400.00	2,400.00
Temporary Rental Assistance		<u>864.00</u>	<u>864.00</u>
Other	<u>\$ 260.00</u>		<u>\$ 260.00</u>
<u>TOTAL DISBURSEMENTS</u>	<u>\$ 260.00</u>	<u>\$ 6,460.00</u>	<u>\$ 6,720.00</u>

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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 EXPENDITURES
OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE

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



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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, 2003, and have issued our report thereon dated March 9, 2004. 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.

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

March 9, 2004

BOROUGH OF WATCHUNG

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2003

<u>STATE GRANTOR DEPARTMENT/PROGRAM TITLE</u>	<u>STATE ACCOUNT NUMBER</u>	<u>GRANT AWARD AMOUNT</u>	<u>2003 RECEIPTS</u>	<u>2003 EXPENDITURES</u>	<u>CUMULATIVE EXPENDITURES DECEMBER 31, 2003</u>
<u>DEPARTMENT OF HUMAN SERVICES</u>					
Public Assistance-State Share	7550-150-054-7550-121-LLL-6020	\$ 2,300.00	\$ 2,300.00	\$ 2,300.00	\$ 2,300.00
<u>DEPARTMENT OF LAW AND PUBLIC SAFETY</u>					
Drunk Driving Enforcement Fund - prior	1110-100-066-1110-YYYY	10,493.30	\$	144.00	5,259.60
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			
Drunk Driving Enforcement Fund - unappropriated	1110-100-066-1110-YYYY	2,581.22	2,581.22		
Alcohol Education Rehabilitation Fund - 2003	9735-760-098-Y900-001-X 100-6020	1,848.71	1,228.56	620.15	620.15
		\$	\$ 3,809.78	\$ 764.15	\$ 5,879.75
<u>NEW JERSEY DIVISION OF CRIMINAL JUSTICE</u>					
Safe and Secure Communities - 2002	1020-100-066-1020-232-YCJ S-6120	60,000.00	\$	16,250.00	60,000.00
Safe and Secure Communities - 2003	1020-100-066-1020-232-YCJ S-6120	60,000.00	30,000.00	43,750.00	43,750.00
Body Armor Replacement Fund - 2003	1020-718-066-1020-001-YCJ S-6120	2,554.04	2,554.04		
		\$	\$ 32,554.04	\$ 60,000.00	\$ 103,750.00
<u>DEPARTMENT OF ENVIRONMENTAL PROTECTION</u>					
Clean Communities Grant - 2003	4900-765-042-4900-004-V CMB-6020	7,018.91	7,018.91	7,018.91	7,018.91
Recycling Tonnage Grant - 2001	4900-752-042-4900-001-V 42Y-6020	6,696.00			4,149.68
Recycling Tonnage Grant - 2003	4900-752-042-4900-001-V 42Y-6020	1,696.33	1,696.33		
		\$	\$ 8,715.24	\$ 7,018.91	\$ 11,188.59
<u>DEPARTMENT OF TRANSPORTATION</u>					
Anderson Street	02-480-078-6320-A FG-6010	150,000.00			
<u>DEPARTMENT OF COMMUNITY AFFAIRS</u>					
Special Legislative	02-100-022-8030-394-FFFF-6120	10,000.00			3,625.00
		\$	\$	\$	\$ 3,625.00
TOTAL		\$	\$ 45,079.06	\$ 67,783.06	\$ 124,423.34

BOROUGH OF WATCHUNG

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

YEAR ENDED DECEMBER 31, 2003

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

PART III

BOROUGH OF WATCHUNG

STATISTICAL DATA

LIST OF OFFICIALS

GENERAL COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2003

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

	YEAR 2003		YEAR 2002	
	AMOUNT	%	AMOUNT	%
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 1,700,000.00	5.86%	\$ 1,518,000.00	5.53%
Miscellaneous - From Other Than Local Property Tax Levies	3,978,830.56	13.72%	3,696,601.10	13.46%
Collection of Delinquent Taxes and Tax Title Liens	204,678.91	0.71%	144,795.30	0.53%
Collections of Current Tax Levy	23,113,065.91	79.71%	22,106,235.80	80.48%
Interfunds Returned			1,316.30	0.00%
Total Revenue	\$ 28,996,575.38	100.00%	\$ 27,466,948.50	100.00%
EXPENDITURES				
Budget Expenditures:				
Municipal Purposes	\$ 9,783,881.29	35.88%	\$ 9,202,465.90	35.80%
County Taxes	5,812,440.11	21.32%	5,691,074.84	22.14%
Local and Regional School Taxes	11,332,814.30	41.56%	10,560,852.15	41.08%
Municipal Open Space Taxes	304,036.55	1.12%	246,286.72	0.96%
Interfunds Advanced	33,310.02	0.12%		
Accounts Receivable Canceled	56.00	0.00%	4,292.00	0.02%
Total Expenditures	\$ 27,266,538.27	100.00%	\$ 25,704,971.61	100.00%
Statutory Excess in Revenue	\$ 1,730,037.11		\$ 1,761,976.89	
Fund Balance - January 1	3,439,103.27		3,195,126.38	
	<u>\$ 5,169,140.38</u>		<u>\$ 4,957,103.27</u>	
Less: Utilization as Anticipated Revenue	1,700,000.00		1,518,000.00	
Fund Balance, December 31	<u>\$ 3,469,140.38</u>		<u>\$ 3,439,103.27</u>	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Tax Rate	<u>\$ 1.540</u>	<u>\$ 1.830</u>	<u>\$ 1.770</u>
Municipal	\$.374	\$.443	\$.483
Municipal Open Space	.021	.020	.021
County	.356	.434	.460
County Open Space	.028	.032	.033
Local School	.503	.620	.514
Regional High School	<u>.258</u>	<u>.281</u>	<u>.259</u>

Assessed Valuations:

2003	<u>\$1,490,344,799.00</u>		
2002		<u>\$1,173,843,381.00</u>	
2001			<u>\$1,076,622,870.00</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 PERCENTAGE OF COLLECTION</u>
2003	\$23,414,501.75	\$23,113,065.91	98.71%
2002	\$22,533,534.47	\$22,319,042.76	99.04%
2001	\$19,300,759.00	\$19,137,775.00	99.15%

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>
2003	-0-	\$ 229,507.30	\$ 229,507.30	0.98%
2002	-0-	\$ 189,601.92	\$ 189,601.92	0.84%
2001	-0-	\$ 146,572.00	\$ 146,572.00	0.75%

COMPARATIVE SCHEDULE OF FUND BALANCES

<u>DEC. 31ST YEAR</u>	<u>CURRENT FUND</u>	<u>UTILIZED IN BUDGET OF SUCCEEDING YEAR</u>
2003	\$3,469,140.38	*
2002	\$3,439,103.27	\$1,700,000.00
2001	\$3,195,126.38	\$1,518,000.00
2000	\$3,583,515.00	\$2,000,000.00
1999	\$3,492,497.00	\$1,600,000.00

*Budget not introduced as of the date of this audit.

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>
Albert S. Ellis	Mayor	*	
Stephen L. Black	Council Member, President	*	
Catherine Ilchert	Council Member	*	
Thomas P. Franklin	Council Member	*	
Wayne Otto	Council Member	*	
Gerald M. Mobus	Council Member	*	
Debra Joren	Council Member (From 1/9/03 to 11/12/03)	*	
Michael Harding	Council Member (From 11/12/03)	*	
John C. Pavlik	Administrator, Purchasing Agent (To 10/16/03)	*	
Laureen B Fellin	Clerk, Registrar, Acting Administrator (From 10/16/03)	*	
William J. Hance	Chief Financial Officer Treasurer, Purchasing Agent (From 12/1/03)	\$150,000.00	Selective Insurance Company of America
Paula Heilman	Deputy Treasurer, Deputy Purchasing Agent	\$ 25,000.00	Selective Insurance Company of America
DiFrancesco, Bateman, Coley, Yospin, Kunzman Davis & Lehrer, P.C.	Attorney		
Catherine L Park	Tax Collector, Tax Search Officer	\$180,000.00	Selective Insurance Company of America

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>
David Gill	Tax Assessor	*	
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	*	
Joseph F. Alicino, Jr.	Plumbing Subcode Official	*	
Martin McMorro	Electrical Subcode Official	*	
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. Effective December 18, 2003, the bid threshold in accordance with N.J.S.A. 40A: 11-4 was increased to \$25,000.00 by resolution of the governing body.

The governing body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed \$25,000.00 within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Borough Counsel's opinion should be sought before a commitment is made.

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

Articulated Wheel Loader With 4 Wheel Drive
Demolition, Disposal, and Site Restoration at Street and Camp Endeavor

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 4, 2003 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, 2003
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 24, 2003 and was complete.

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

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

<u>YEAR</u>	<u>NUMBER OF LIENS</u>
2003	-0-
2002	-0-
2001	-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.

RECOMMENDATIONS

None



