

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, 2004

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, 2004



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, 2004 and 2003, and for the year ended December 31, 2004 as 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 and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

SUPLEE, CLOONEY & COMPANY

In our opinion, because the Borough of Watchung prepares its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with generally accepted accounting principles, the financial position of the various individual funds of the Borough of Watchung as of December 31, 2004 and 2003 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, 2004.

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 account groups of the Borough of Watchung, County of Somerset, as of December 31, 2004 and 2003, 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, 2004, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated May 4, 2005 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, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. 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 Division of Local Government Services, Department of Community Affairs, State of New Jersey, 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

May 4, 2005

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CURRENT FUND

BOROUGH OF WATCHUNG

CURRENT FUND

BALANCE SHEETS - STATUTORY BASIS

	<u>REF.</u>	BALANCE DECEMBER <u>31, 2004</u>	BALANCE DECEMBER <u>31, 2003</u>
<u>ASSETS</u>			
Current Fund:			
Cash	A-4	\$ 5,201,759.57	\$ 5,478,545.29
Cash-Change Fund	A-6	250.00	250.00
State of New Jersey-Chapter 20 P.L. 1971	A-14	899.79	1,149.79
		<u>\$ 5,202,909.36</u>	<u>\$ 5,479,945.08</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-8	\$ 133,178.00	\$ 229,507.30
Revenue Accounts Receivable	A-9	42,471.35	34,208.56
Interfunds Receivable	A-24	229,943.62	33,310.02
Prepaid Regional High School Tax	A-17	149,978.28	
	A	<u>\$ 555,571.25</u>	<u>\$ 297,025.88</u>
		<u>\$ 5,758,480.61</u>	<u>\$ 5,776,970.96</u>
Grant Fund:			
Cash	A-4	\$ 215,808.97	\$ 146,520.47
Grants Receivable	A-10	60,081.24	47,486.96
Due Current Fund	A-25	2,000.00	
		<u>\$ 277,890.21</u>	<u>\$ 194,007.43</u>
	A	<u>\$ 6,036,370.82</u>	<u>\$ 5,970,978.39</u>

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

BOROUGH OF WATCHUNG

CURRENT FUND

BALANCE SHEETS - STATUTORY BASIS

	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2004</u>	<u>BALANCE DECEMBER 31, 2003</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Current Fund:			
Liabilities:			
Appropriation Reserves	A-3:A-11	\$ 887,640.56	\$ 898,429.75
Accounts Payable	A-7	586,848.34	260,240.31
Prepaid Taxes	A-19	214,314.82	155,364.37
Interfunds Payable	A-24	76,724.66	305,974.15
Reserve For:			
Prepaid Licenses	A-21	120.00	190.00
Due State of New Jersey - DCA	A-20	3,122.00	2,210.00
Homeland Security - Unappropriated	A-12	50,000.00	
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	185,276.96
		<u>\$ 2,004,047.34</u>	<u>\$ 2,010,804.70</u>
Reserve for Receivables and Other Assets	A	555,571.25	297,025.88
Fund Balance	A-1	3,198,862.02	3,469,140.38
		<u>\$ 5,758,480.61</u>	<u>\$ 5,776,970.96</u>
Grant Fund:			
Grants-Unappropriated	A-23	\$	\$ 10,169.55
Grants-Appropriated	A-22	257,783.46	181,637.88
Accounts Payable	A-26	20,106.75	2,200.00
		<u>\$ 277,890.21</u>	<u>\$ 194,007.43</u>
	A	<u>\$ 6,036,370.82</u>	<u>\$ 5,970,978.39</u>

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

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

	REF.	YEAR ENDED DECEMBER 31, 2004	YEAR ENDED DECEMBER 31, 2003
<u>REVENUE AND OTHER INCOME REALIZED</u>			
Fund Balance Utilized	A-1:A-2	\$ 1,738,000.00	\$ 1,700,000.00
Miscellaneous Revenue Anticipated	A-2	3,215,497.03	3,157,864.36
Receipts From Delinquent Taxes	A-2	230,685.39	204,678.91
Receipts From Current Taxes	A-2	25,154,962.90	23,113,065.91
Non-Budget Revenue	A-2	145,797.84	72,358.15
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-11	599,918.28	744,316.05
Accounts Receivable			4,292.00
		<u>\$ 31,084,861.44</u>	<u>\$ 28,996,575.38</u>
<u>EXPENDITURES</u>			
Budget and Emergency Authorizations:			
Operations:			
Salaries and Wages	A-3	\$ 4,038,940.00	\$ 4,040,220.00
Other Expenses	A-3	4,084,266.76	3,575,699.17
Capital Improvements	A-3	231,000.00	162,000.00
Municipal Debt Service	A-3	1,319,929.54	1,406,853.44
Deferred Charges and Statutory Expenditures	A-3	649,216.52	599,108.68
County Taxes	A-15	6,350,809.43	5,812,440.11
Local District School Tax	A-16	7,872,567.00	7,489,950.00
Regional High School Tax	A-17	4,396,387.53	3,842,864.30
Municipal Open Space Tax	A-2:A-8	327,411.14	304,036.55
Interfunds Advanced		196,633.60	33,310.02
Accounts Receivable Canceled			56.00
Prepaid Regional High School Tax		149,978.28	
		<u>\$ 29,617,139.80</u>	<u>\$ 27,266,538.27</u>
Statutory Excess in Revenue		\$ 1,467,721.64	\$ 1,730,037.11
Fund Balance, January 1	A	<u>3,469,140.38</u>	<u>3,439,103.27</u>
		<u>\$ 4,936,862.02</u>	<u>\$ 5,169,140.38</u>
Decreased by:			
Utilized as Anticipated Revenue	A-1:A-2	<u>1,738,000.00</u>	<u>1,700,000.00</u>
Fund Balance, December 31	A	<u>\$ 3,198,862.02</u>	<u>\$ 3,469,140.38</u>

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

BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENT OF REVENUES - STATUTORY BASIS
YEAR ENDED DECEMBER 31, 2004

	REF.	ANTICIPATED		REALIZED	EXCESS OR (DEFICIT)
		BUDGET	NJSA 40A:4-87		
Fund Balance Anticipated	A-1	\$ 1,738,000.00		\$ 1,738,000.00	
Miscellaneous Revenues:					
Alcoholic Beverage Licenses	A-9	\$ 8,000.00	\$	\$ 8,638.00	\$ 638.00
Other Licenses	A-2	16,000.00		15,161.50	(838.50)
Fees and Permits:					0.00
Construction Code Official	A-9	210,000.00		201,978.00	(8,022.00)
Other	A-2	151,000.00		119,235.92	(31,764.08)
Municipal Court - Fines and Costs	A-9	238,000.00		271,549.48	33,549.48
Interest and Costs on Taxes	A-2	73,000.00		68,408.58	(4,591.42)
Interest on Investments and Deposits	A-9	115,000.00		158,926.65	43,926.65
Sewer Rents	A-9	1,000,000.00		1,068,455.75	68,455.75
Legislative Initiative Block Grant	A-9	22,359.00		22,359.00	0.00
Consolidated Municipal Property Tax Relief Aid	A-9	343,806.00		343,806.00	0.00
Energy Receipts Tax	A-9	626,634.00		626,634.00	0.00
Supplemental Energy Receipts Tax	A-9	34,259.00		34,259.00	0.00
Drunk Driving Enforcement Fund	A-10	2,581.22		2,581.22	0.00
Clean Communities Program	A-10	6,801.46	477.63	7,279.09	0.00
Safe and Secure Communities Program	A-10	60,000.00		60,000.00	0.00
Stormwater Regulation Program	A-10		6,351.00	6,351.00	0.00
Recycling Tonnage Grant	A-10		3,819.22	3,819.22	0.00
Alcohol Education Rehabilitation Program	A-10		312.07	312.07	0.00
Bulletproof Vest Program	A-10		838.33	838.33	0.00
Cross Acceptance	A-10		2,000.00	2,000.00	0.00
Somerset County Youth Grant	A-10		20,000.00	20,000.00	0.00
Municipal Planning Partnership	A-10		13,500.00	13,500.00	0.00
Body Armor Replacement Fund	A-10	2,420.19		2,420.19	0.00
Green Communities Grant	A-10	2,000.00		2,000.00	0.00
State of NJ - Local Library Grant	A-10	30,000.00		30,000.00	0.00
Uniform Fire Safety Act	A-9	25,000.00		28,639.00	3,639.00
Assessment Trust Fund Balance	A-9	85,655.03		85,655.03	0.00
Bulk Pickup Fees	A-9	10,000.00		10,690.00	690.00
<u>Sub-Total Miscellaneous Revenues</u>	A-1	\$ 3,062,515.90	\$ 47,298.25	\$ 3,215,497.03	\$ 105,682.88
Receipts From Delinquent Taxes	A-1	\$ 160,000.00		\$ 230,685.39	\$ 70,685.39
Amount to be Raised by Taxes for Support of Municipal Budget: Local Tax for Municipal Purposes	A-8:A-2	\$ 5,914,139.13		\$ 6,727,787.80	\$ 813,648.67
<u>Budget Totals</u>		\$ 10,874,655.03	\$ 47,298.25	\$ 11,911,970.22	\$ 990,016.94
Non-Budget Revenues	A-1:A-2			145,797.84	145,797.84
		\$ 10,874,655.03	\$ 47,298.25	\$ 12,057,768.06	\$ 1,135,814.78
	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, 2004

	REF.		
<u>ANALYSIS OF REALIZED REVENUES</u>			
Allocation of Current Tax Collections:			
Revenue From Collections	A-1:A-8	\$	25,154,962.90
Allocated To:			
Local District School Taxes		\$	7,872,567.00
Regional High School Taxes			4,396,387.53
County Taxes			6,350,809.43
Municipal Open Space	A-1:A-4:A-8		<u>327,411.14</u>
			<u>18,947,175.10</u>
Balance for Support of Municipal Budget Appropriations		\$	6,207,787.80
Add: Appropriation "Reserve for Uncollected Taxes"	A-3		<u>520,000.00</u>
Amount for Support of Municipal Budget Appropriations	A-2	\$	<u><u>6,727,787.80</u></u>
Other Licenses:			
Board of Health	A-9	\$	12,762.50
Registrar	A-9		129.00
Borough Clerk	A-9		<u>2,080.00</u>
		\$	14,971.50
Add: Prepaid Applied	A-21		<u>190.00</u>
	A-2	\$	<u><u>15,161.50</u></u>
Fees and Permits-Other:			
Tax Search Officer	A-9	\$	100.00
Board of Health	A-9		9,170.00
Registrar	A-9		14,377.00
Borough Clerk	A-9		1,458.88
Engineering Department	A-9		32,515.00
Planning Board	A-9		1,690.00
Board of Adjustment	A-9		3,950.00
Police	A-9		4,866.00
Fire Official	A-9		189.00
Smoke Detector	A-9		2,220.00
Recreation	A-9		1,020.00
Tower Lease	A-9		<u>47,680.04</u>
	A-2	\$	<u><u>119,235.92</u></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, 2004

	REF.	
<u>ANALYSIS OF REALIZED REVENUES (cont'd.)</u>		
Interest and Cost on Taxes	A-9	\$ 69,137.90
Less: Refunds	A-4	<u>729.32</u>
	A-2	<u>\$ 68,408.58</u>
 <u>ANALYSIS OF NON-BUDGET REVENUE</u>		
Senior Citizens' and Veterans' Administrative Fee		\$ 1,300.00
Library Fines		10,405.36
Cable TV Franchise Fees		16,098.00
Police Outside Services-Borough's Share		18,696.01
Sale of Scrap		46.80
State Library Aid		274.00
Settlement		50,000.00
Property Owners Lists		520.75
Prior Year Refund		42,533.06
Miscellaneous - Tax Collector		1,045.00
Miscellaneous Copies		930.13
Miscellaneous		<u>3,948.73</u>
	A-2:A-4	<u>\$ 145,797.84</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, 2004

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
<u>OPERATIONS WITHIN "CAPS"</u>					
<u>GENERAL GOVERNMENT</u>					
Administrative and Executive:					
Salaries and Wages	\$ 45,000.00	\$ 45,000.00	\$ 45,000.00	\$	
Other Expenses	28,850.00	28,850.00	24,141.04		4,708.96
Mayor & Council					
Salaries and Wages	15,000.00	15,000.00	15,000.00		
Other Expenses	133,800.00	133,800.00	130,912.04		2,887.96
Municipal Clerk:					
Salaries and Wages	175,000.00	175,000.00	152,621.90		22,378.10
Other Expenses	24,600.00	24,600.00	13,192.30		11,407.70
Elections:					
Other Expenses	2,850.00	2,850.00	2,257.24		592.76
Financial Administration:					
Salaries and Wages	120,750.00	120,750.00	120,739.00		11.00
Other Expenses	13,800.00	13,800.00	12,938.27		861.73
Audit	24,884.64	24,884.64	24,884.64		
Assessment of Taxes:					
Salaries and Wages	50,025.00	50,025.00	47,505.13		2,519.87
Other Expenses	73,100.00	73,100.00	70,905.78		2,194.22
Collection of Taxes:					
Salaries and Wages	65,000.00	65,000.00	64,599.37		400.63
Other Expenses	12,135.00	12,135.00	9,603.07		2,531.93
Legal Services & Costs:					
Salaries and Wages	15,600.00	15,600.00	15,600.00		
Other Expenses	222,500.00	222,500.00	160,789.29		61,710.71
Engineering Services & Costs:					
Salaries and Wages	170,000.00	170,000.00	165,601.45		4,398.55
Other Expenses	31,510.00	31,510.00	13,320.65		18,189.35
Public Building & Grounds:					
Salaries and Wages	108,500.00	108,500.00	102,311.61		6,188.39
Other Expenses	101,700.00	101,700.00	92,622.95		9,077.05
Planning Board:					
Salaries and Wages	11,000.00	11,000.00	4,658.84		6,341.16
Other Expenses	28,900.00	28,900.00	18,979.48		9,920.52
Board of Adjustment:					
Salaries and Wages	42,600.00	42,600.00	40,409.15		2,190.85
Other Expenses	7,350.00	7,350.00	2,763.97		4,586.03
<u>PUBLIC SAFETY</u>					
Fire:					
Other Expenses	31,625.00	31,625.00	31,107.30		517.70
Uniform Fire Safety Act (P.L. 1983 Ch.383)					
Fire Official:					
Salaries and Wages	24,880.00	24,880.00	20,977.50		3,902.50
Other Expenses	5,725.00	5,725.00	4,524.84		1,200.16
Police:					
Salaries and Wages	2,408,000.00	2,406,000.00	2,250,924.74		155,075.26
Other Expenses	210,678.00	210,678.00	195,366.36		15,311.64
First Aid Organization Contributions					
	16,868.00	16,868.00	16,868.00		
Emergency Management Service:					
Other Expenses	1,800.00	1,800.00	1,646.70		153.30
Streets & Roads:					
Salaries and Wages	336,000.00	336,000.00	328,847.68		7,152.32
Other Expenses	102,900.00	102,900.00	101,586.38		1,313.62
<u>HEALTH AND WELFARE</u>					
Board of Health:					
Salaries and Wages	1,200.00	1,200.00	55.53		1,144.47
Dog Regulation:					
Other Expenses	4,000.00	4,000.00	3,874.25		125.75
Public Assistance:					
Salaries and Wages	5,300.00	5,300.00	5,263.06		36.94
Other Expenses	600.00	600.00	420.00		180.00

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, 2004

	<u>APPROPRIATIONS</u>		<u>EXPENDED</u>		<u>UNEXPENDED BALANCE CANCELED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>RESERVED</u>	
<u>HEALTH AND WELFARE (cont'd)</u>					
Sewer System:					
Salaries and Wages	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00	\$	
Other Expenses	21,000.00	21,000.00	21,000.00		
Condo Act Reimbursement:					
Other Expenses	4,000.00	4,000.00		4,000.00	
<u>RECREATION AND EDUCATION (R.S.40:12-1)</u>					
Recreation:					
Salaries and Wages	28,000.00	28,000.00	25,597.81	2,402.19	
Other Expenses	37,640.00	37,640.00	28,120.45	9,519.55	
Traffic & Beautification:					
Other Expenses	3,500.00	3,500.00	1,137.95	2,362.05	
Community Service:					
Salaries and Wages	11,825.00	11,825.00	11,811.00	14.00	
Other Expenses	500.00	500.00		500.00	
Environmental Commission:					
Other Expenses	1,900.00	1,900.00	403.40	1,496.60	
Historical Preservation:					
Other Expenses	16,100.00	16,100.00	732.96	15,367.04	
<u>STATE UNIFORM CONSTRUCTION CODE</u>					
State Uniform Construction Code:					
Construction Code Official (Building Inspector):					
Salaries and Wages	110,000.00	110,000.00	90,772.11	19,227.89	
Other Expenses	31,100.00	31,100.00	23,865.61	7,234.39	
Plumbing Inspector					
Salaries and Wages	20,000.00	20,000.00	19,299.19	700.81	
Electrical Inspector					
Salaries and Wages	21,000.00	21,000.00	20,375.50	624.50	
Fire Sub-Code Inspector					
Salaries and Wages	20,500.00	20,500.00	20,162.00	338.00	
<u>UNCLASSIFIED</u>					
Electricity	95,000.00	95,000.00	77,814.30	17,185.70	
Telephone	80,000.00	80,000.00	41,176.13	18,823.87	
Water	12,000.00	12,000.00	4,001.67	7,998.33	
Natural Gas	45,000.00	45,000.00	36,947.47	8,052.53	
Fire Hydrant Service	225,000.00	225,000.00	225,000.00		
Gasoline	52,000.00	52,000.00	51,114.60	885.40	
Street Lighting	63,000.00	63,000.00	38,118.00	24,882.00	
<u>TOTAL OPERATIONS WITHIN "CAPS"</u>	<u>\$ 5,591,095.64</u>	<u>\$ 5,591,095.64</u>	<u>\$ 5,090,269.66</u>	<u>\$ 500,825.98</u>	
Detail:					
Salaries and Wages	\$ 3,843,180.00	\$ 3,843,180.00	\$ 3,608,132.57	\$ 235,047.43	
Other Expenses	1,747,915.64	1,747,915.64	1,482,137.09	265,778.55	
<u>DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"</u>					
Statutory Expenditures:					
Public Employees' Retirement System	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$	
Social Security System (O.A.S.I.)	170,000.00	170,000.00	145,437.53	24,562.47	
<u>TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"</u>	<u>\$ 175,000.00</u>	<u>\$ 175,000.00</u>	<u>\$ 150,437.53</u>	<u>\$ 24,562.47</u>	
<u>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"</u>	<u>\$ 5,766,095.64</u>	<u>\$ 5,766,095.64</u>	<u>\$ 5,240,707.19</u>	<u>\$ 525,388.45</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, 2004

	<u>APPROPRIATIONS</u>		<u>EXPENDED</u>		<u>UNEXPENDED BALANCE CANCELED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>RESERVED</u>	
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>					
Municipal Court:					
Salaries and Wages	\$ 142,000.00	\$ 142,000.00	\$ 139,140.74	\$ 2,859.26	
Other Expenses	54,550.00	54,550.00	41,701.34	12,848.66	
Audit Services	5,000.00	5,000.00	5,000.00		
Utilities	26,500.00	26,500.00	20,485.27	6,014.73	
Public Defender:					
Salaries and Wages	7,600.00	7,600.00		7,600.00	
Insurance:					
Group Insurance for Employees	804,500.00	804,500.00	760,255.70	44,244.30	
Workers Compensation	103,100.00	103,100.00	103,054.33	45.67	
Other Insurance Premiums	143,500.00	143,500.00	109,551.96	33,948.04	
Contribution to:					
Police & Firemen's Retirement Fund	85,000.00	85,000.00	85,000.00		
<u>RECREATION AND EDUCATION:</u>					
Free Public Library:					
Salaries and Wages	4,160.00	4,160.00		4,160.00	
Other Expenses	20,400.00	20,400.00	14,489.63	5,910.37	
Municipal Alliance Employment Assistance Program:	2,500.00	2,500.00	2,000.00	500.00	
NJ PEOSHA Fire Department:					
Other Expenses	55,700.00	55,700.00	54,734.04	965.96	
NJ PEOSHA Police Department					
Salaries and Wages	42,000.00	42,000.00	42,000.00		
Other Expenses	14,000.00	14,000.00	7,580.30	6,419.70	
Snow Removal:					
Other Expenses	71,400.00	71,400.00	69,132.86	2,267.14	
<u>INTERLOCAL MUNICIPAL SERVICE AGREEMENTS</u>					
Sewer Interlocal Agreements:					
Other Expenses	575,000.00	575,000.00	359,151.60	215,848.40	
Somerset County Interlocal Agreements:					
CDL Testing	600.00	600.00	348.00	252.00	
Recycling	47,000.00	47,000.00	47,000.00		
<u>PUBLIC AND PRIVATE PROGRAMS</u>					
<u>OFF-SET BY REVENUES</u>					
Safe & Secure Communities Program:					
State Share	60,000.00	60,000.00	60,000.00		
Local Share	150,000.00	150,000.00	150,000.00		
Federal Bulletproof Vest Program (NJSA 40A:4-87 §838.33)		838.33	838.33		
Alcohol Education Rehab Fund (NJSA 40A:4-87 §312.07)		312.07	312.07		
Clean Communities Program (NJSA 40A:4-87 §477.63)	6,801.46	7,279.09	7,279.09		
Somerset County Planning Partnership Grant					
Grant (NJSA 40A:4-87 §13,500.00)		13,500.00	13,500.00		
Match		13,500.00	13,500.00		
N.J. Body Armor	2,420.19	2,420.19	2,420.19		
Municipal Alliance Contribution	1,500.00	1,500.00	1,500.00		
Somerset County Youth Athletic Grant					
(NJSA 40A:4-87 §20,000.00)		20,000.00	20,000.00		
Green Communities Grant					
State Share	2,000.00	2,000.00	2,000.00		
Local Share	2,000.00	2,000.00	2,000.00		
Recycling Tonnage (NJSA 40A:4-87 §3,819.22)		3,819.22	3,819.22		
Municipal Stormwater Regulation Program					
(NJSA 40A:4-87 §6,351.00)		6,351.00	6,351.00		
Somerset County Municipal Cross Acceptance Grant					
(NJSA 40A:4-87 §2,000.00)		2,000.00	2,000.00		
State of N.J. - Local Library Grant	30,000.00	30,000.00	30,000.00		
Drunk Driving Enforcement Funded	2,581.22	2,581.22	2,581.22		
Matching Funds for Grants	23,000.00	9,500.00		9,500.00	
<u>TOTAL OPERATIONS EXCLUDED FROM "CAPS"</u>	<u>\$ 2,484,812.87</u>	<u>\$ 2,532,111.12</u>	<u>\$ 2,178,728.89</u>	<u>\$ 353,384.23</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, 2004

	<u>APPROPRIATIONS</u>		<u>EXPENDED</u>		<u>UNEXPENDED BALANCE CANCELED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>RESERVED</u>	
<u>DETAIL OPERATIONS-EXCLUDED FROM "CAPS"</u>					
Salaries and Wages	\$ 195,760.00	\$ 195,760.00	\$ 181,140.74	\$ 14,619.26	
Other Expenses	2,289,052.87	2,336,351.12	1,997,586.15	338,764.97	
<u>CAPITAL IMPROVEMENTS-EXCLUDED FROM "CAPS"</u>					
Capital Improvement Fund	\$ 150,000.00	\$ 150,000.00	\$ 150,000.00	\$	
Building & Grounds Improvements	12,000.00	12,000.00	6,062.35	5,937.65	
Office Equipment	12,000.00	12,000.00	9,089.77	2,930.23	
Police Four Wheel Drive Vehicles	57,000.00	57,000.00	57,000.00		
<u>TOTAL CAPITAL IMPROVEMENTS-EXCLUDED FROM "CAPS"</u>					
	\$ 231,000.00	\$ 231,000.00	\$ 222,132.12	\$ 8,867.88	
<u>MUNICIPAL DEBT SERVICE-EXCLUDED FROM "CAPS"</u>					
Payment of Bond Principal	\$ 725,000.00	\$ 725,000.00	\$ 725,000.00	\$	\$
Payment of BAN	73,500.00	73,500.00	73,500.00		
Interest on Bonds	365,000.00	365,000.00	361,636.50		3,363.50
Interest on Notes	19,000.00	19,000.00	17,900.00		1,100.00
Green Trust Loan	69,400.00	69,400.00	69,368.16		31.84
Economic Recovery Loan	13,800.00	13,800.00	13,730.56		69.44
NJ UST Remediation Loan	12,830.00	12,830.00	12,830.00		
NJEIT Loan	120,000.00	120,000.00	45,964.32		74,035.68
<u>TOTAL MUNICIPAL DEBT SERVICE-EXCLUDED FROM "CAPS"</u>					
	\$ 1,398,530.00	\$ 1,398,530.00	\$ 1,319,929.54	\$	\$ 78,600.46
<u>DEFERRED CHARGES-MUNICIPAL-EXCLUDED FROM "CAPS"</u>					
Deficit in Dedicated Assessment Budget	\$ 123,655.03	\$ 123,655.03	\$ 123,655.03	\$	\$
Deferred Charges to Future Taxation-Unfunded:					
Ordinance 98-22	64,500.00	64,500.00	64,500.00		
Ordinance 97-17	100,000.00	100,000.00	100,000.00		
Ordinance 00-05	22,500.00	22,500.00	22,500.00		
Ordinance 98-19	59,745.49	59,745.49	59,745.49		
Ordinance 00-12	29,500.00	29,500.00	29,500.00		
Ordinance 01-09	27,700.00	27,700.00	27,700.00		
Ordinance 99-13	4,616.00	4,616.00	4,616.00		
Ordinance 03-01	42,000.00	42,000.00	42,000.00		
<u>TOTAL DEFERRED CHARGES-MUNICIPAL-EXCLUDED FROM "CAPS"</u>					
	\$ 474,216.52	\$ 474,216.52	\$ 474,216.52	\$	\$
<u>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"</u>					
	\$ 4,588,559.39	\$ 4,635,857.64	\$ 4,195,005.07	\$ 362,252.11	\$ 78,600.46
<u>SUB-TOTAL GENERAL APPROPRIATIONS</u>					
	\$ 10,354,655.03	\$ 10,401,953.28	\$ 9,435,712.26	\$ 887,640.56	\$ 78,600.46
<u>RESERVE FOR UNCOLLECTED TAXES</u>					
	520,000.00	520,000.00	520,000.00		
<u>TOTAL GENERAL APPROPRIATIONS</u>					
	\$ 10,874,655.03	\$ 10,921,953.28	\$ 9,955,712.26	\$ 887,640.56	\$ 78,600.46
<u>REF.</u>					
	A-2		A-1	A:A-1	
Amendment by (NJS A 40A:4-87)	A-2	\$ 47,298.25			
Budget	A-3	10,874,655.03			
		\$ 10,921,953.28			
Reserve for Uncollected Taxes	A-2		\$ 520,000.00		
Accounts Payable	A-7		401,027.95		
Reserve for Grants Appropriated	A-22		151,101.12		
Disbursements	A-4		8,979,347.97		
			\$ 10,051,477.04		
Less: Refunds	A-4		95,764.78		
			\$ 9,955,712.26		

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

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TRUST FUND

BOROUGH OF WATCHUNG

TRUST FUND

BALANCE SHEETS - STATUTORY BASIS

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2004</u>	<u>BALANCE DECEMBER 31, 2003</u>
Assessment Fund:			
Cash	B-2: B-8	\$ 303,332.91	\$ 104,853.50
Assessment Receivable	B-3	593,111.60	792,217.23
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
Cancelled Assessments	B-6	3,990.00	3,990.00
		<u>\$ 988,784.51</u>	<u>\$ 1,071,211.40</u>
Animal Control Fund:			
Cash	B-2	\$ 675.31	\$ 629.31
Due Current Fund	B-24	19.00	
		<u>\$ 694.31</u>	<u>\$ 629.31</u>
Other Funds:			
Cash	B-2	\$ 3,363,221.70	\$ 2,559,526.29
Due Current Fund	B-18	1,690.89	305,974.15
		<u>\$ 3,364,912.59</u>	<u>\$ 2,865,500.44</u>
		<u>\$ 4,354,391.41</u>	<u>\$ 3,937,341.15</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Assessment Fund:			
Assessment Serial Bonds	B-16	\$ 744,000.00	\$ 945,000.00
Due Current Fund	B-4	229,943.62	32,824.79
Reserve For Assessments	B-7	4,952.10	7,428.30
Fund Balance	B-1	9,888.79	85,958.31
		<u>\$ 988,784.51</u>	<u>\$ 1,071,211.40</u>
Animal Control Fund:			
Reserve For Animal Control Fund Expenditures	B-14	\$ 404.31	\$ 251.31
Prepaid Dog Licenses	B-17	290.00	378.00
		<u>\$ 694.31</u>	<u>\$ 629.31</u>
Other Funds:			
Reserve For:			
Various Trust Deposits	B-13	\$ 129,690.50	\$ 54,419.88
COAH Deposits	B-12	1,139,149.47	994,757.58
Police Outside Overtime	B-15	54,756.04	38,851.34
Open Space Trust Deposits	B-10	947,847.53	612,981.75
State Unemployment Compensation Insurance	B-11	120,999.62	129,655.79
Recreation Deposits	B-19	21,428.18	20,809.31
Law Enforcement Trust Fund	B-20	737.65	729.09
Developers Deposits	B-21	950,254.58	1,006,795.70
Accounts Payable	B-9	49.02	6,500.00
		<u>\$ 3,364,912.59</u>	<u>\$ 2,865,500.44</u>
		<u>\$ 4,354,391.41</u>	<u>\$ 3,937,341.15</u>

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

BOROUGH OF WATCHUNG

ASSESSMENT TRUST FUND

STATEMENT OF FUND BALANCE - STATUTORY BASIS

	<u>REF.</u>		
Balance, December 31, 2003	B		\$ 85,958.31
Increased by:			
Reserve for Assessments		\$ 2,476.20	
Revenue - Current Fund	B-2	<u>41,854.36</u>	
			<u>44,330.56</u>
			\$ <u>130,288.87</u>
Decreased by:			
Disbursements	B-2		<u>120,400.08</u>
Balance, December 31, 2004	B		\$ <u><u>9,888.79</u></u>

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

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GENERAL CAPITAL FUND

BOROUGH OF WATCHUNGGENERAL CAPITAL FUNDBALANCE SHEETS - STATUTORY BASIS

	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2004</u>	<u>BALANCE DECEMBER 31, 2003</u>
<u>ASSETS</u>			
Cash	C-2:C-3	\$ 1,858,735.85	\$ 1,504,596.18
Deferred Charges to Future Taxation:			
Funded	C-4	9,445,535.44	10,360,051.33
Unfunded	C-5	7,758,291.00	6,533,627.49
Due Current Fund	C-6	73,014.77	
State Aid Receivable	C-18	285,000.00	150,000.00
Loans Receivable - NJ Environmental Infrastructure Trust	C-9	447,024.00	447,024.00
		<u>\$ 19,867,601.06</u>	<u>\$ 18,995,299.00</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Bond Anticipation Notes Payable	C-19	\$ 1,750,000.00	\$ 1,500,000.00
General Serial Bonds Payable	C-11	6,812,000.00	7,537,000.00
Contracts Payable	C-7	1,003,573.68	177,883.31
Accrued Interest on Sale of Bonds	C-16	3,105.00	3,105.00
Capital Improvement Fund	C-8	223,322.72	209,040.72
Due Current Fund	C-6		485.23
State of New Jersey Loan Payable:			
Environmental Infrastructure Trust Loan	C-12	1,030,000.00	1,075,000.00
Environmental Infrastructure Trust Loan	C-13	942,580.25	1,003,633.55
Economic Development Authority	C-14	171,606.58	196,376.20
Green Trust Loan Program	C-15	489,348.61	548,041.58
Improvement Authorizations:			
Funded	C-10	948,859.46	1,012,089.94
Unfunded	C-10	6,162,634.09	5,314,222.80
Reserve for Payment of Bond Anticipation Notes	C-17	134,500.00	134,500.00
Fund Balance	C-1	196,070.67	283,920.67
		<u>\$ 19,867,601.06</u>	<u>\$ 18,995,299.00</u>

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

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

STATEMENT OF FUND BALANCE - STATUTORY BASIS

	<u>REF.</u>	
Balance, December 31, 2003	C	\$ 283,920.67
Decreased by:		
Improvement Authorizations	C-10	<u>87,850.00</u>
Balance, December 31, 2004	C	<u>\$ 196,070.67</u>

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

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PUBLIC ASSISTANCE TRUST FUND

BOROUGH OF WATCHUNG
PUBLIC ASSISTANCE TRUST FUND
BALANCE SHEETS - STATUTORY BASIS

	<u>REF.</u>	BALANCE DECEMBER <u>31, 2004</u>	BALANCE DECEMBER <u>31, 2003</u>
<u>ASSETS</u>			
Cash-Treasurer:			
Public Assistance Trust Fund I	E-1	\$ 8,452.79	\$ 8,578.08
Public Assistance Trust Fund II	E-1	<u>9,703.78</u>	<u>64.78</u>
		<u>\$ 18,156.57</u>	<u>\$ 8,642.86</u>
<u>LIABILITIES AND RESERVES</u>			
Reserve for Public Assistance:			
Public Assistance Trust Fund I		\$ 2,396.72	\$ 2,396.72
Community Emergency Fund		6,056.07	6,181.36
Public Assistance Trust Fund II		<u>9,703.78</u>	<u>64.78</u>
		<u>\$ 18,156.57</u>	<u>\$ 8,642.86</u>

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

GENERAL FIXED ASSETS ACCOUNT GROUP

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

	BALANCE DECEMBER <u>31, 2004</u>	BALANCE DECEMBER <u>31, 2003</u>
FIXED ASSETS		
Land	\$ 4,789,000.00	\$ 4,789,000.00
Buildings	6,054,980.00	6,054,980.00
Machinery and Equipment	<u>3,740,044.16</u>	<u>3,597,281.52</u>
<u>TOTAL FIXED ASSETS</u>	<u>\$ 14,584,024.16</u>	<u>\$ 14,441,261.52</u>
 RESERVE		
Investments in General Fixed Assets	<u>\$ 14,584,024.16</u>	<u>\$ 14,441,261.52</u>

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

NOTES TO FINANCIAL STATEMENTS

BOROUGH OF WATCHUNG

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

B. Description of Funds

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

The accounting policies of the Borough of Watchung conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the financial transactions and accounts of the Borough of Watchung are organized on the basis of funds and an account group which is different from the fund structure required by GAAP. A fund or account group is an accounting entity with a separate set of self-balancing accounts established to record the financial position and results of operation of a specific government activity. As required by the Division of Local Government Services the Borough accounts for its financial transactions through the following individual funds and account groups:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Description of Funds (Continued)

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

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

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

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

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

C. Basis of Accounting

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

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

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

Foreclosed Property - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. GAAP requires such property to be recorded in the General Fixed Assets Account Group at its market value.

Sale of Municipal Assets - The proceeds from the sale of municipal assets can be held in a reserve until anticipated as 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, 2004:

<u>Fund</u>	<u>Cash In Bank</u>	<u>Change Fund</u>	<u>Total</u>
Current Fund	\$5,201,759.57	\$250.00	\$5,202,009.57
Grant Fund	215,808.97		215,808.97
Assessment Trust Fund	303,332.91		303,332.91
Animal Control Trust Fund	675.31		675.31
Other Trust Fund	3,363,221.70		3,363,221.70
General Capital Fund	1,858,735.85		1,858,735.85
Public Assistance Trust Fund	18,156.57		18,156.57
<u>Total - December 31, 2004</u>	<u>\$10,961,690.88</u>	<u>\$250.00</u>	<u>\$10,961,940.88</u>

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments

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

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
2. Government money market mutual funds which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. These funds are also required to be rated by a nationally recognized statistical rating organization.
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor.
4. Bonds or other obligations of the Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located.
5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Investment of the Department of Treasury for investment by Local Units.
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, 2004 are detailed on Exhibit "C-11" and "C-19".

In addition, the Borough has entered into loan agreements with the State of New Jersey. The monies received from these loans are used to finance various improvements to the Borough. A summary of these transactions for the year ended December 31, 2004 are detailed on Exhibits "C-12", "C-13", "C-14" and "C-15".

NOTE 3 - LONG-TERM DEBT (CONTINUED)

SUMMARY OF MUNICIPAL DEBT

	<u>Year 2004</u>	<u>Year 2003</u>	<u>Year 2002</u>
Issued:			
General:			
Bonds and Notes	\$ 8,562,000.00	\$ 9,037,000.00	\$ 9,512,000.00
Assessment Bonds	744,000.00	945,000.00	1,146,000.00
Loans Payable	<u>2,633,535.44</u>	<u>2,823,051.33</u>	<u>3,004,528.00</u>
Debt Issued	\$ 11,939,535.44	\$ 12,805,051.33	\$ 13,662,528.00
Authorized But Not Issued:			
General:			
Bonds and Notes	<u>6,008,291.00</u>	<u>5,033,627.49</u>	<u>5,700,562.49</u>
TOTAL BONDS AND NOTES ISSUED AND AUTHORIZED BUT NOT ISSUED	\$ 17,947,826.44	\$ 17,838,678.82	\$ 19,363,090.49
Less:			
Cash on hand to pay Bond Anticipation Notes	<u>134,500.00</u>	<u>134,500.00</u>	<u>134,500.00</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 17,813,326.44</u>	<u>\$ 17,704,178.82</u>	<u>\$ 19,228,590.49</u>

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

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.19%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 26,128,791.11	\$ 26,128,791.11	\$
General Debt	<u>17,947,826.44</u>	<u>134,500.00</u>	<u>17,813,326.44</u>
	<u>\$ 44,076,617.55</u>	<u>\$ 26,263,291.11</u>	<u>\$ 17,813,326.44</u>

NET DEBT \$17,813,326.44 DIVIDED BY EQUALIZED VALUATION BASIS PER N.J.S.40A:2-2,
\$1,488,961,426.00 EQUALS 1.19%.

NOTE 3 - LONG-TERM DEBT (CONTINUED)

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

Equalized Valuation Basis - December 31, 2004	\$ 1,488,961,426.00
3 1/2% of Equalized Valuation Basis	\$ 52,113,649.91
Net Debt	<u>17,813,326.44</u>
Remaining Borrowing Power	<u>\$ 34,300,323.47</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

Calendar Year	Assessment		General		Total
	Principal		Principal	Interest	
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	135,000.00		715,000.00	154,501.50	1,004,501.50
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>\$ 744,000.00</u>	\$	<u>6,812,000.00</u>	<u>\$ 1,487,698.75</u>	<u>\$ 9,043,698.75</u>

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

Calendar Year	Principal	Interest	Total
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>\$ 130,905.61</u>	<u>\$ 5,288.34</u>	<u>\$ 136,193.95</u>

NOTE 3 - LONG-TERM DEBT (CONTINUED)

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>
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>358,443.00</u>	\$	<u>52,389.60</u>	\$	<u>410,832.60</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>Total</u>
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>64,150.00</u>	\$	<u>64,150.00</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>
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>107,456.58</u>	\$	<u>8,059.24</u>	\$	<u>115,515.82</u>

NOTE 3 - LONG-TERM DEBT (CONTINUED)

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>
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>820,000.00</u>	\$	<u>403,256.36</u>	\$	<u>1,223,256.36</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>Total</u>
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>746,389.33</u>	\$	<u>746,389.33</u>

NOTE 3 - LONG-TERM DEBT (CONTINUED)

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>
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>210,000.00</u>	\$	<u>98,200.00</u>	\$	<u>308,200.00</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>Total</u>
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>196,190.92</u>	\$	<u>196,190.92</u>

NOTE 4: FUND BALANCES APPROPRIATED

Fund balance at December 31, 2004 which was appropriated and included as anticipated revenue in its own respective fund for the year ending December 31, 2005 was \$1,750,000.00, as per introduced budget.

NOTE 5: PROPERTY TAXES

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

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

	Balance <u>December 31, 2004</u>	Balance <u>December 31, 2003</u>
Prepaid Taxes	\$ <u>214,314.82</u>	\$ <u>155,364.37</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 \$43,327.60 for 2003 and \$116,317.20 for 2004.

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

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

NOTE 7: COMPENSATED ABSENCES

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

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

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

The Borough has estimated the liability for unpaid sick pay to be \$388,602.22 and \$408,111.16 at December 31, 2004 and 2003, 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 2004. 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 2004 audit. In addition, these programs are also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2004, the Borough does not believe that any material liabilities will result from such audits.

NOTE 12: RISK MANAGEMENT

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

New Jersey Unemployment Compensation Insurance – The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Borough is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Borough is billed quarterly for amounts due to the State. Below is a summary of Borough contributions, employee contributions, reimbursements to the State for benefits paid, and the ending balance of the Borough's expendable trust fund for the current and previous two years:

NOTE 12: RISK MANAGEMENT (CONTINUED)

<u>Year</u>	<u>Interest</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2004	\$ 3,236.50	\$ 2,092.47	\$ 13,985.14	\$ 120,999.62
2003	3,188.95	1,702.56	304.71	129,655.79
2002	3,989.00	241.98		125,068.99

NOTE 13: INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances consisted of the following at December 31, 2004:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 229,943.62	\$ 76,724.66
Grant Fund	2,000.00	
Assessment Trust Fund		229,943.62
Animal Control Trust Fund	19.00	
Trust Other Fund	1,690.89	
General Capital Fund	73,014.77	
	<u>\$ 306,668.28</u>	<u>\$ 306,668.28</u>

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BOROUGH OF WATCHUNG

SUPPLEMENTARY SCHEDULES – ALL FUNDS

YEAR ENDED DECEMBER 31, 2004

BOROUGH OF WATCHUNGCURRENT FUNDSCHEDULE OF CASH - TREASURER

	<u>REF.</u>	<u>CURRENT FUND</u>	<u>GRANT FUND</u>
Balance, December 31, 2003	A	\$ 5,478,545.29	\$ 146,520.47
Increased by Receipts:			
Taxes Receivable	A-8	\$ 25,165,533.92	\$
Tax Overpayments	A-18	4,422.55	
Prepaid Taxes	A-19	214,314.82	
Miscellaneous Revenue Not Anticipated	A-2	145,797.84	
Revenue Accounts Receivable	A-9	3,064,935.23	
Petty Cash Funds	A-5	400.00	
State of New Jersey-Senior Citizens and Veterans	A-14	65,000.00	
Appropriation Refunds	A-3	95,764.78	
Interfunds Returned	A-24	289,727.67	
Prepaid Licenses	A-21	120.00	
Grants Receivable	A-10		128,337.29
Grants - Appropriated	A-22		167,000.00
Municipal Homeland Security - Unappropriated	A-12	50,000.00	
Due State of New Jersey - DCA	A-20	13,411.00	
		<u>29,109,427.81</u>	<u>295,337.29</u>
		\$ 34,587,973.10	\$ 441,857.76
Decreased by Disbursements:			
2004 Appropriations	A-3	\$ 8,979,347.97	\$
2003 Appropriation Reserves	A-11	372,856.14	
Local District School Tax	A-16	7,960,063.00	
County Taxes	A-15	6,466,432.59	
Regional High School Tax	A-17	4,546,365.81	
Refund of Tax Overpayments	A-18	4,422.55	
Municipal Open Space Taxes	A-2	327,411.14	
Accounts Payable	A-7	75.25	
Due State of New Jersey - DCA	A-20	12,499.00	
Petty Cash Funds	A-5	400.00	
Refund of Revenue	A-2	729.32	
Federal and State Grants Appropriated	A-22		224,048.79
Due Current Fund	A-25		2,000.00
Interfunds Advanced	A-24	715,610.76	
		<u>29,386,213.53</u>	<u>226,048.79</u>
Balance, December 31, 2004	A	\$ <u>5,201,759.57</u>	\$ <u>215,808.97</u>

BOROUGH OF WATCHUNG
CURRENT FUND
SCHEDULE OF PETTY CASH FUNDS

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

SCHEDULE OF CHANGE FUNDS

	<u>BALANCE</u> <u>DECEMBER 31,</u> <u>2003 AND 2004</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, 2003	A		\$ 260,240.31
Increased by:			
2004 Appropriations	A-3	\$ 401,027.95	
2003 Appropriation Reserves	A-11	<u>101,139.89</u>	
			<u>502,167.84</u>
			\$ <u>762,408.15</u>
Decreased by:			
Transfer to 2003 Appropriation Reserves	A-11	175,484.56	
Disbursements	A-4	<u>75.25</u>	
			<u>175,559.81</u>
Balance, December 31, 2004	A		\$ <u><u>586,848.34</u></u>

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

YEAR	BALANCE DECEMBER 31, 2003	ADDED TAXES	2004 LEVY	COLLECTIONS		CANCELED	BALANCE DECEMBER 31, 2004
				2003	2004		
2003	\$ 229,507.30	\$ 1,178.09	\$	\$	\$ 230,685.39	\$	
2004			25,351,488.59	155,364.37	24,999,598.53	63,347.69	133,178.00
	\$ 229,507.30	\$ 1,178.09	\$ 25,351,488.59	\$ 155,364.37	\$ 25,230,283.92	\$ 63,347.69	\$ 133,178.00
REF.	A			A-2:A-19	A-2		A

REF.

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

A-4	\$ 25,165,533.92
A-14	64,750.00
	<u>\$ 25,230,283.92</u>

ANALYSIS OF 2004 PROPERTY TAX LEVY

TAX YIELD		
General Purpose Tax	\$	24,892,504.82
Added Taxes (54:4-63.1 et. seq.)		<u>458,983.77</u>
	\$	<u>25,351,488.59</u>
TAX LEVY		
Local District School Tax (Abstract)	A-16	\$ 7,872,567.00
Regional High School Tax (Abstract)	A-17	4,396,387.53
County Taxes:		
County Tax	A-15	\$ 5,204,787.10
County Library Tax	A-15	561,438.09
County Open Space Preservation Tax	A-15	468,216.81
County Added	A-15	<u>116,367.43</u>
Local Tax for Municipal Purposes (Abstract)	A-2	\$ 6,350,809.43
Municipal Open Space Tax	A-1:A-2	5,914,139.13
Add: Additional Tax Levied		<u>327,411.14</u>
Local Tax for Municipal Purposes Levied		<u>490,174.36</u>
		<u>6,731,724.63</u>
	\$	<u>25,351,488.59</u>

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2003</u>	<u>ACCRUED IN 2004</u>	<u>COLLECTED BY TREASURER</u>	<u>BALANCE DECEMBER 31, 2004</u>
Clerk:					
Alcoholic Beverage Licenses	A-2	\$	\$ 8,638.00	\$ 8,638.00	\$
Other Licenses	A-2		2,080.00	2,080.00	
Fees and Permits	A-2		1,458.88	1,458.88	
Uniform Construction Code Official	A-2		201,978.00	201,978.00	
Recreation: Fees and Permits	A-2		1,020.00	1,020.00	
Planning Board: Fees and Permits	A-2		1,690.00	1,690.00	
Registrar of Vital Statistics:					
Other Licenses	A-2		129.00	129.00	
Fees and Permits	A-2		14,377.00	14,377.00	
Board of Health:					
Other Licenses	A-2		12,762.50	12,762.50	
Fees and Permits	A-2		9,170.00	9,170.00	
Board of Adjustment: Fees and Permits	A-2		3,950.00	3,950.00	
Tower Lease: Fees and Permits	A-2		47,680.04	47,680.04	
Police: Fees and Permits	A-2		4,866.00	4,866.00	
Engineering:					
Fees and Permits	A-2		32,515.00	32,515.00	
Bureau of Fire Prevention: Fees and Permits					
Fire Official	A-2		189.00	189.00	
Smoke Detectors	A-2		2,220.00	2,220.00	
Tax Search: Fees and Permits	A-2		100.00	100.00	
Municipal Court: Fines and Costs	A-2	20,497.48	270,004.62	271,549.48	18,952.62
Interest and Costs on Taxes	A-2		69,137.90	69,137.90	
Interest on Investments and Deposits	A-2		158,926.65	158,926.65	
Sewer Rents	A-2	13,711.08	1,078,263.40	1,068,455.75	23,518.73
Legislative Initiative Block Grant	A-2		22,359.00	22,359.00	
Consolidated Municipal Property Tax Relief Aid	A-2		343,806.00	343,806.00	
Energy Receipts Tax	A-2		626,634.00	626,634.00	
Supplemental Energy Receipts Tax	A-2		34,259.00	34,259.00	
Uniform Fire Safety Act	A-2		28,639.00	28,639.00	
Assessment Trust Surplus	A-2		85,655.03	85,655.03	
Bulk Pickup Fees	A-2		10,690.00	10,690.00	
		<u>\$ 34,208.56</u>	<u>\$ 3,073,198.02</u>	<u>\$ 3,064,935.23</u>	<u>\$ 42,471.35</u>
<u>REF.</u>		<u>A</u>		<u>A-4</u>	<u>A</u>

BOROUGH OF WATCHUNG

GRANT FUND

SCHEDULE OF GRANTS RECEIVABLE

	BALANCE DECEMBER 31, 2003	ACCRUED 2004	RECEIPTS	UNAPPROPRIATED RESERVE APPLIED	BALANCE DECEMBER 31, 2004
Safe and Secure Communities	\$ 30,000.00	\$ 60,000.00	\$ 90,000.00	\$	\$
Alcohol Education & Rehabilitation		312.07	312.07		
Recycling Tonnage Grant		3,819.22	3,819.22		
Clean Communities Program		7,279.09	7,279.09		
State of NJ - Local Library Grant		30,000.00			30,000.00
All Hazards Emergency Oper. Planning	2,405.72		2,405.72		
Body Armor Replacement Fund		2,420.19	2,420.19		
Federal Bulletproof Vest Program		838.33		838.33	
Stormwater Grant		6,351.00	6,351.00		
S.C. Youth Athletic & Recreation Program	15,081.24	15,000.00			30,081.24
S.C. Youth Services Program		5,000.00	5,000.00		
S.C. Planning Partnership Program		13,500.00	6,750.00	6,750.00	
Drunk Driving Enforcement Fund		2,581.22		2,581.22	
Cross Acceptance Program		2,000.00	2,000.00		
Green Communities Program		2,000.00	2,000.00		
	<u>\$ 47,486.96</u>	<u>\$ 151,101.12</u>	<u>\$ 128,337.29</u>	<u>\$ 10,169.55</u>	<u>\$ 60,081.24</u>

REF. A A-2 A-4 A-23 A

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF 2003 APPROPRIATION RESERVES

	BALANCE DECEMBER 31, 2003	ADJUSTED BALANCE	PAID OR CHARGED	BALANCE LAPSED
<u>OPERATIONS WITHIN "CAPS"</u>				
Salaries and Wages:				
Administrative & Executive	\$ 8,521.22	\$ 8,521.22	\$ 5,000.00	\$ 3,521.22
Mayor & Council	293.11	293.11	169.36	123.75
Borough Clerk	3,175.58	3,175.58	2,000.00	1,175.58
Financial Administration	356.66	356.66		356.66
Collection of Taxes	293.18	293.18		293.18
Legal Services	625.00	625.00		625.00
Engineering Services	476.56	476.56		476.56
Public Buildings and Grounds	274.31	274.31		274.31
Planning Board	231.64	231.64		231.64
Board of Adjustment	941.08	941.08		941.08
Police	45,449.65	45,449.65	30,000.00	15,449.65
Streets & Roads	150.04	150.04		150.04
Board of Health	488.68	488.68		488.68
Administration of Public Assistance	39.00	39.00		39.00
Board of Recreation Commissioners	166.63	166.63		166.63
Community Service Committee	63.00	63.00		63.00
Construction Official	7,009.00	7,009.00	3,000.00	4,009.00
Fire Subcode Inspector	113.00	113.00		113.00
Plumbing Inspector	7,066.11	7,066.11		7,066.11
Public Defender	3,601.00	3,601.00		3,601.00
Municipal Court	13,975.55	13,975.55	5,000.00	8,975.55
Other Expenses:				
Administrative & Executive	1,455.39	2,040.29	2,009.55	30.74
Mayor & Council	249.73	25,568.73	23,682.00	1,886.73
Clerk	3,905.59	10,499.59	9,371.01	1,128.58
Elections	1,751.53	1,751.53		1,751.53
Financial Administration	224.81	1,689.01	1,651.78	37.23
Financial Administration - Audit	6,800.00	6,800.00		6,800.00
Assessment of Taxes	244.24	244.24		244.24
Collection of Taxes	1,216.30	1,216.30	580.00	636.30
Legal Services and Costs	123,516.66	125,341.66	76,411.38	48,930.28
Engineering Services and Costs	7,361.62	8,242.12	7,880.50	361.62
Public Buildings and Grounds	1,374.09	16,307.92	15,432.54	875.58
Planning Board	19,288.82	23,895.32	8,794.50	15,100.82
Board of Adjustments	3,739.26	4,144.32	1,305.06	2,839.26
Group Insurance for Employees	6,250.02	6,250.02	6,250.02	
Worker's Compensation	62,003.12	54,003.12	54,003.12	
Fire		2,504.65	504.65	2,000.00
Fire Official	3,186.38	3,821.38	660.00	3,161.38
Police	4,658.17	21,931.38	16,768.30	5,163.08
Streets & Roads	309.64	16,349.41	14,230.73	2,118.68
Traffic & Beautification	259.03	259.03		259.03
Administration of Public Assistance	102.01	102.01		102.01
Sewer System	1,449.29	1,834.29	1,834.29	
Condo Act Reimbursement	6,000.00	6,000.00	2,770.31	3,229.69
Board of Recreation Commissioners	5,578.89	8,010.63	1,859.50	6,151.13
Community Service Committee	500.00	500.00		500.00
Environmental Commission	1,428.00	1,428.00		1,428.00
Historical Preservation Committee	15,295.62	15,595.62	300.00	15,295.62
Construction Code Official	4,247.17	19,407.17	19,214.87	192.30
Salary & Wage Adjustment	235,844.83	235,844.83		235,844.83
Electricity	42,023.47	42,023.47	5,733.39	36,290.08
Telephone	18,124.63	18,124.63	3,251.89	14,872.74
Water	7,606.42	7,606.42	1,970.69	5,635.73
Natural Gas	5,923.19	5,923.19	5,500.00	423.19
Fire Hydrant Service	30,315.52	30,315.52	17,277.94	13,037.58
Gasoline	13,688.88	13,688.88	3,174.64	10,514.24
Street Lighting	29,976.81	29,976.81	3,911.34	26,065.47

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF 2003 APPROPRIATION RESERVES

	BALANCE DECEMBER 31, 2003	ADJUSTED BALANCE	PAID OR CHARGED	BALANCE LAPSED
DEFERRED CHARGES AND STATUTORY EXPENDITURES - WITHIN "CAPS"				
Contribution To:				
Public Employees Retirement System	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$
Police & Firemen's Retirement System	31,672.40	31,672.40	19,292.00	12,380.40
OPERATIONS EXCLUDED FROM "CAPS"				
Municipal Court	77.67	1,016.22	971.71	44.51
Municipal Court - Utilities	4,371.82	4,371.82	1,434.27	2,937.55
Free Public Library	1,562.34	3,072.32	3,072.32	
Municipal Alliance Employee Assistance Program	500.00	500.00		500.00
N.J. PEOSHA Fire	58.48	23,512.10	22,472.70	1,039.40
N.J. PEOSHA Police	8,129.32	8,949.37	3,799.80	5,149.57
Board of Health	510.00	510.00		510.00
Snow Emergency	2,683.17	23,103.17	20,887.77	2,215.40
Sewer Interlocal Agreements	52,262.76	77,262.76	25,000.00	52,262.76
Somerset County Interlocal Agreements - CDL	600.00	600.00		600.00
Recycling	24,437.90	24,437.90	22,562.10	1,875.80
Matching Funds for Grants	8,828.54	8,828.54		8,828.54
CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"				
Building & Grounds Improvements	526.22	526.22		526.22
TOTAL	\$ 898,429.75	\$ 1,073,914.31	\$ 473,996.03	\$ 599,918.28
	<u>REF.</u>	A-11		A-1
Balance, December 31, 2003	A	\$ 898,429.75		
Accounts Payable	A-7	175,484.56		
	A-11	<u>\$ 1,073,914.31</u>		
Disbursements	A-4		\$ 372,856.14	
Accounts Payable	A-7		101,139.89	
	A-11		<u>\$ 473,996.03</u>	

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF RESERVE FOR HOMELAND SECURITY - UNAPPROPRIATED

	<u>REF.</u>	
Increased by:		
Receipts	A-4	\$ <u>50,000.00</u>
Balance, December 31, 2004	A	\$ <u>50,000.00</u>

SCHEDULE OF RESERVE FOR TAX APPEALS

Balance, December 31, 2003 and December 31, 2004	A	\$ <u>185,276.96</u>
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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, 2003	A		\$ 1,149.79
Increased by:			
Deductions Per Tax Billings		\$ 62,750.00	
Senior Citizens' Deduction Allowed by Tax Collector		<u>2,000.00</u>	
			\$ <u>64,750.00</u>
			\$ <u>65,899.79</u>
Decreased by:			
Receipts	A-4		<u>65,000.00</u>
Balance, December 31, 2004	A		\$ <u><u>899.79</u></u>
 REVENUE REALIZED:			
Deductions Per Tax Billings:			
Senior Citizens		\$ 5,750.00	
Veterans		57,000.00	
Senior Citizen Deduction Allowed by Collector		<u>2,000.00</u>	
	A-8		\$ <u><u>64,750.00</u></u>

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF COUNTY TAXES PAYABLE

	<u>REF.</u>		
Balance December 31, 2004	A		\$ 115,623.16
2004 Tax Levy:			
County Tax	A-8	\$ 5,204,787.10	
County Library Tax	A-8	561,438.09	
County Open Space Preservation Tax	A-8	468,216.81	
County Added	A-8	<u>116,367.43</u>	
	A-1		<u>6,350,809.43</u>
			\$ <u>6,466,432.59</u>
Decreased by:			
Payments	A-4		<u>6,466,432.59</u>

SCHEDULE OF LOCAL DISTRICT SCHOOL TAXES PAYABLE

Balance, December 31, 2003 (Payable)	A		\$ 87,496.00
Increased by:			
2004 Tax Levy - Calendar Year	A-1:A-8		<u>7,872,567.00</u>
			\$ <u>7,960,063.00</u>
Decreased by:			
Payments	A-4		<u>7,960,063.00</u>

SCHEDULE OF REGIONAL HIGH SCHOOL TAXES PAYABLE

Increased by:			
2004 Tax Levy - Calendar Year	A-1:A-8		\$ 4,396,387.53
Decreased by:			
Payments	A-4		<u>4,546,365.81</u>
Balance, December 31, 2004 (Prepaid)	A		\$ <u>149,978.28</u>

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF TAX OVERPAYMENTS

	<u>REF.</u>		
Increased by:			
Overpayments in 2004 - Receipts	A-4	\$	4,422.55
Decreased by:			
Refunds	A-4	\$	<u>4,422.55</u>

SCHEDULE OF PREPAID TAXES

Balance, December 31, 2004 (2004 Taxes)	A	\$	155,364.37
Increased by:			
Collections of 2005 Taxes	A-4		<u>214,314.82</u>
		\$	369,679.19
Decreased by:			
Applied to Taxes Receivable	A-8		<u>155,364.37</u>
Balance, December 31, 2004 (2005 Taxes)	A	\$	<u>214,314.82</u>

"A-20"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF DUE TO STATE OF NEW JERSEY - DCA

	<u>REF.</u>	
Balance, December 31, 2003	A	\$ 2,210.00
Increased by:		
Receipts	A-4	13,411.00
		<u>\$ 15,621.00</u>
Decreased by:		
Disbursements	A-4	<u>12,499.00</u>
Balance, December 31, 2004	A	<u><u>\$ 3,122.00</u></u>

"A-21"

SCHEDULE OF PREPAID LICENSES

Balance, December 31, 2003	A	\$ 190.00
Increased by:		
Receipts	A-4	120.00
		<u>\$ 310.00</u>
Decreased by:		
Applied To Revenue	A-2	<u>190.00</u>
Balance, December 31, 2004	A	<u><u>\$ 120.00</u></u>

BOROUGH OF WATCHUNG

GRANT FUND

SCHEDULE OF RESERVE FOR GRANTS - APPROPRIATED

	BALANCE DECEMBER 31, 2003	TRANSFERRED FROM 2004 BUDGET	PAID OR CHARGED	BALANCE DECEMBER 31, 2004
Safe and Secure Communities	\$ 16,250.00	\$ 60,000.00	\$ 60,000.00	\$ 16,250.00
Match	111,588.26	150,000.00	131,291.67	130,296.59
Somerset Cty Planning Incentive Grant & Match	14,128.05	27,000.00	8,853.75	32,274.30
Cross Acceptance Program		2,000.00		2,000.00
Clean Communities Program		7,279.09	6,801.46	477.63
Green Communities Program & Match		4,000.00	3,000.00	1,000.00
Special Legislative	6,375.00			6,375.00
Body Armor Replacement Fund	2,554.04	2,420.19	3,244.88	1,729.35
Federal Bulletproof Vest Fund	2,342.92	838.33	55.71	3,125.54
S.C. Youth Athletic & Recreation Program	8,657.24	15,000.00	15,597.00	8,060.24
S.C. Youth Services Program		5,000.00	4,250.00	750.00
Alcohol Education Rehabilitation Fund	1,228.56	312.07	500.00	1,040.63
Drunk Driving Enforcement Fund	11,955.44	2,581.22	894.50	13,642.16
State of NJ - Local Library Grant		30,000.00		30,000.00
All Hazards Emergency Oper. Planning Program	2,405.72		1,813.92	591.80
Recycling Tonnage Grant	4,152.65	3,819.22	4,152.65	3,819.22
Stormwater Grant		6,351.00		6,351.00
Municipal Alliance Contribution - Match		1,500.00	1,500.00	0.00
	<u>\$ 181,637.88</u>	<u>\$ 318,101.12</u>	<u>\$ 241,955.54</u>	<u>\$ 257,783.46</u>
<u>REF.</u>	A			A
Grants	A-3	\$ 151,101.12		
Matching Funds for Grants	A-4	<u>167,000.00</u>		
		<u>\$ 318,101.12</u>		
Disbursements	A-4		\$ 224,048.79	
Accounts Payable	A-26		20,106.75	
Prior Year Accounts Payable	A-26		<u>(2,200.00)</u>	
			<u>\$ 241,955.54</u>	

BOROUGH OF WATCHUNG

GRANT FUND

SCHEDULE OF RESERVE FOR GRANTS - UNAPPROPRIATED

	<u>BALANCE DECEMBER 31, 2003</u>	<u>APPLIED TO RECEIVABLE</u>
Federal Bulletproof Vest Fund	\$ 838.33	\$ 838.33
Drunk Driving Enforcement Fund	2,581.22	2,581.22
Somerset County Planning Partnership Program	<u>6,750.00</u>	<u>6,750.00</u>
	<u>\$ 10,169.55</u>	<u>\$ 10,169.55</u>
<u>REF.</u>	A	A-10

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF INTERFUNDS

	<u>REF.</u>	<u>TOTAL</u>	<u>GRANT FUND</u>	<u>ASSESSMENT TRUST FUND</u>	<u>ANIMAL CONTROL TRUST FUND</u>	<u>OTHER TRUST FUND</u>	<u>GENERAL CAPITAL FUND</u>
Balance, December 31, 2003:							
Interfunds Receivable	A	\$ 33,310.02	\$	\$ 32,824.79	\$	\$	\$ 485.23
Interfunds Payable	A	305,974.15				305,974.15	
Receipts	A-4	289,727.67	2,000.00	199,105.63	19.00	15,103.04	73,500.00
Disbursements	A-4	<u>715,610.76</u>		<u>396,224.46</u>		<u>319,386.30</u>	
Balance, December 31, 2004:							
Interfunds Receivable	A	\$ 229,943.62	\$	\$ 229,943.62	\$	\$	\$
Interfunds Payable	A	<u>76,724.66</u>	<u>2,000.00</u>		<u>19.00</u>	<u>1,690.89</u>	<u>73,014.77</u>

BOROUGH OF WATCHUNG

GRANT FUND

SCHEDULE OF DUE CURRENT FUND

	<u>REF.</u>	
Increased by:		
Disbursements	A-4	\$ <u>2,000.00</u>
Balance, December 31, 2004 (Due From)	A	\$ <u><u>2,000.00</u></u>

SCHEDULE OF ACCOUNTS PAYABLE

Balance, December 31, 2003	A	\$ 2,200.00
Increased by:		
Grants Appropriated	A-22	<u>20,106.75</u>
		\$ <u>22,306.75</u>
Decreased by:		
Transferred to Grants Appropriated	A-22	<u>2,200.00</u>
Balance, December 31, 2004	A	\$ <u><u>20,106.75</u></u>

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF CASH-TREASURER

REF.	ASSESSMENT	ANIMAL CONTROL	OTHER
Balance, December 31, 2003	\$ 104,853.50	\$ 629.31	\$ 2,559,526.29
Increased by Receipts:			
B-3: B-8	\$ 199,105.63		
B-4: B-8: B-18	\$ 396,224.46		\$ 319,386.30
B-8	\$ 81,800.67		
Current Fund Anticipated Revenue			
B-1: B-8	\$ 41,854.36		
B-17		290.00	
Due State of New Jersey - Dog Licenses		345.00	
B-22		1,703.00	
B-14			200,934.50
Animal Control Licenses			144,391.89
B-13			206,052.16
Reserve For Various Trust Deposits			334,865.78
B-12			5,328.97
Reserve For COAH Deposits			10,320.00
B-15			8.56
Reserve For Police Outside Overtime			174,275.98
B-10			57,404.03
Reserve For Open Space Trust Deposits			
B-11			
Reserve For State Unemployment Insurance			
B-19			
Reserve For Recreation Deposits			
B-20			
Reserve For Law Enforcement Trust Fund			
B-21			
Reserve For Developers Deposits			
B-23			
Reserve For Redemption Of Outside Liens			
	\$ 718,985.12	\$ 2,338.00	\$ 1,452,968.17
	\$ 823,838.62	\$ 2,967.31	\$ 4,012,494.46
Decreased by Disbursements:			
Due Current Fund			
B-4: B-8: B-24: B-18	\$ 199,105.63	19.00	\$ 15,103.04
B-8: B-16	\$ 201,000.00		
Fund Balance	\$ 120,400.08		
B-1: B-8			
Due State of New Jersey - Dog Licenses		417.00	
B-22		1,856.00	
Reserve For Animal Control Expenditures			
B-14			
B-9			6,500.00
Reserve For Accounts Payable			13,985.14
B-11			125,663.88
Reserve For State Unemployment Insurance			190,147.46
B-13			9,701.13
Reserve For Various Trust Deposits			230,768.08
B-15			
Reserve For Police Outside Overtime			
B-19			
Reserve For Recreation Deposits			
B-21			
Reserve For Developers Deposits			
B-23			
Reserve For Redemption Of Outside Liens			
	\$ 520,505.71	\$ 2,292.00	\$ 649,272.76
Balance, December 31, 2004	\$ 303,332.91	\$ 675.31	\$ 3,363,221.70

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF ASSESSMENT'S RECEIVABLE

ASSESSMENT TRUST FUND

<u>ORDINANCE</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>DATE OF CONFIRMATION</u>	<u>ANNUAL INSTALLMENTS</u>	<u>DUE DATES</u>	<u>BALANCE DECEMBER 31, 2003</u>	<u>COLLECTED</u>	<u>BALANCE DECEMBER 31, 2004</u>	<u>RESERVE</u>	<u>BALANCE PLEDGED TO CAPITAL</u>
12/22/88 & 09/21/90	Various Road Improvements	11/14/96	10	01/14/05 - 06	\$ 10,523.95	\$ 3,508.05	\$ 7,015.90	\$	\$ 7,015.90
12/22/88 & 09/21/90	Construction of Sanitary Sewer - Various Roads	10/23/97	10	06/1/05 - 06	32,444.12	14,429.82	18,014.30		18,014.30
10/12/95	Curbing on Shenwood, Friar, and Elsinore	11/12/98	10	06/1/05 - 07	4,864.10	1,216.03	3,648.07		3,648.07
10/22/87, 11/10/88 & 05/25/89	Construction of Sanitary Sewer - Vall Lane	06/18/88	10	06/1/05 - 07	7,428.30	2,476.20	4,952.10	4,952.10	
88-20 & 96-11	Construction of Sanitary Sewer - Various Roads	06/28/01	10	06/28/05 - 11	632,268.25	155,192.87	477,075.28		477,075.28
97-02	Construction of Sanitary Sewer and P.W. Improv.	11/8/01	10	11/8/05 - 11	104,688.51	22,282.56	82,405.95		82,405.95
					<u>\$ 792,217.23</u>	<u>\$ 199,105.63</u>	<u>\$ 593,111.60</u>	<u>\$ 4,952.10</u>	<u>\$ 588,159.50</u>

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, 2003 (Due To)	B	\$ 32,824.79
Increased by:		
Receipts	B-2	396,224.46
		\$ <u>429,049.25</u>
Decreased by:		
Disbursements	B-2	<u>199,105.63</u>
Balance, December 31, 2004 (Due To)	B	\$ <u><u>229,943.62</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 2004</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>DATE</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2004</u>	<u>ANALYSIS OF</u> <u>BALANCE</u> <u>ASSESSMENTS</u> <u>CANCELLED</u>
12/22/88	Improvement to Sewer System - Nottingham Drive	\$ <u>3,990.00</u>	\$ <u>3,990.00</u>
		\$ <u>3,990.00</u>	\$ <u>3,990.00</u>
	<u>REF.</u>	B	

"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, 2004</u>
87-22	Construction of Sanitary Sewer - Vail Lane	\$ <u>4,952.10</u>
		\$ <u>4,952.10</u>
	<u>REF.</u>	B

BOROUGH OF WATCHUNG

TRUST FUND

ANALYSIS OF ASSESSMENT CASH

FOR THE YEAR ENDED DECEMBER 31, 2004
ASSESSMENT TRUST FUND

	BALANCE DECEMBER 31, 2003	ASSESSMENTS RECEIVABLE	RECEIPTS		DISBURSEMENTS		BALANCE DECEMBER 31, 2004
			CURRENT BUDGET	MISCELLANEOUS	MISCELLANEOUS	MISCELLANEOUS	
Fund Balance	\$ 85,958.31	\$ 2,476.20	\$ 41,854.36	\$	\$ 120,400.08	\$	9,888.79
Assessment Serial Bonds: Ordinance Date							
10/22/87	Improvement Sewer System Fox Chase Drive/ Kristy Lane	13,980.68					13,980.68
12/22/88	Improvement Sewer System Nottingham Drive	(17,970.53)					(17,970.53)
12/22/88	Construction Sewer System Valley Drive	(189,350.00)	27,050.00		27,050.00		(189,350.00)
12/22/88 & 9/21/90	Construction Sewer System Oakridge and Tall Timbers	1,745.85	11,454.15		13,200.00		3,508.05
12/22/88 & 9/21/90	Construction Sewer System High Tor, Ridge and Parlin	25,475.16	8,711.52		24,750.00		23,866.50
10/12/95	Curbing on Sherwood Drive, Friar Land and Elsmore Drive	57,683.90	1,216.03		10,438.00		48,461.93
3/13/97	Redmont Road	(3,527.35)	22,282.56	34,585.00	34,585.00		18,755.21
5/9/96	Valley Drive & Brook Drive	82,450.39	155,192.97		82,135.00		155,508.36
7/18/96	Will Lane & Brook Drive	15,582.30			8,842.00		6,740.30
Due Current Fund		32,824.79	396,224.46		199,105.63		229,943.62
		\$ 104,853.50	\$ 199,105.63	\$ 123,655.03	\$ 520,505.71	\$ 303,332.91	
		B	B-2	B-2	B-2	B	

REF:

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR ACCOUNTS PAYABLE

OTHER TRUST FUND

	<u>REF.</u>		
Balance, December 31, 2003	B	\$	6,500.00
Increased by:			
Reserve For Developers' Deposits	B-21		49.02
		\$	<u>6,549.02</u>
Decreased by:			
Disbursements	B-2		<u>6,500.00</u>
Balance, December 31, 2004	B	\$	<u><u>49.02</u></u>

SCHEDULE OF RESERVE FOR OPEN SPACE DEPOSITS

OTHER TRUST FUND

Balance, December 31, 2003	B	\$	612,981.75
Increased by:			
Open Space Taxes		\$	327,411.14
Interest Earned			<u>7,454.64</u>
	B-2		<u>334,865.78</u>
Balance, December 31, 2004	B	\$	<u><u>947,847.53</u></u>

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, 2003	B		\$ 129,655.79
Increased by:			
SUI Deposits		\$ 2,092.47	
Interest Earned		<u>3,236.50</u>	
	B-2		<u>5,328.97</u>
			\$ 134,984.76
Decreased by:			
Disbursements	B-2		<u>13,985.14</u>
Balance, December 31, 2004	B		\$ <u><u>120,999.62</u></u>

SCHEDULE OF RESERVE FOR COAH DEPOSITS
OTHER TRUST FUND

Balance, December 31, 2003	B		\$ 994,757.58
Increased by:			
Receipts	B-2		<u>144,391.89</u>
Balance, December 31, 2004	B		\$ <u><u>1,139,149.47</u></u>

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR MISCELLANEOUS TRUST DEPOSITS

OTHER TRUST FUND

	BALANCE DECEMBER 31, 2003	INCREASED	DECREASED	BALANCE DECEMBER 31, 2004
Bequests & Gifts	\$ 12,155.36	\$ 1,180.00	\$ 1,956.06	\$ 11,379.30
Imp. to Borough Property - Donation	1,520.00	4,770.00	3,000.00	3,290.00
Tax Premiums	15,000.00	111,700.00	102,700.00	24,000.00
3rd Party Inspection Fees	512.36			512.36
POAA	802.95	41.00		843.95
Due State of NJ - Marriage Licenses	225.00	1,075.00	775.00	525.00
Fire Safety Penalties	11,745.96	11,600.00	3,403.99	19,941.97
Fire Department Penalties	844.92	5,250.00		6,094.92
Public Defender		12,608.50	9,447.50	3,161.00
Sidewalk Fund	7,232.00	7,710.00		14,942.00
Accumulated Sick and Vacation		45,000.00		45,000.00
Bulky Waste Permits	4,381.33		4,381.33	
	<u>\$ 54,419.88</u>	<u>\$ 200,934.50</u>	<u>\$ 125,663.88</u>	<u>\$ 129,690.50</u>
REF.	B	B-2	B-2	B

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

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR ANIMAL CONTROL EXPENDITURES
ANIMAL CONTROL TRUST FUND

	<u>REF.</u>		
Balance, December 31, 2003	B	\$	251.31
Increased by:			
Dog License Fees	B-2	\$	1,535.00
Cat License Fees	B-2		168.00
Prior Year Prepaid Applied	B-17		<u>306.00</u>
			2,009.00
Decreased by:			
Disbursements Under R.S. 4:19-15.11	B-2		<u>1,856.00</u>
Balance, December 31, 2004	B	\$	<u><u>404.31</u></u>

<u>LICENSE FEES COLLECTED</u>	
YEAR	AMOUNT
2003	\$ 1,916.40
2002	<u>1,965.00</u>
	<u><u>\$ 3,881.40</u></u>

SCHEDULE OF RESERVE FOR POLICE OUTSIDE OVERTIME
OTHER TRUST FUND

Balance, December 31, 2003	B	\$	38,851.34
Increased by:			
Receipts	B-2		<u>206,052.16</u>
Decreased by:			
Disbursements	B-2		<u>190,147.46</u>
Balance, December 31, 2004	B	\$	<u><u>54,756.04</u></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, 2003</u>	<u>DECREASED</u>	<u>DECEMBER 31, 2004</u>
Construction and Extension of Sanitary Sewer System/ Various Road Improvements	01/01/95	\$ 650,000.00	01/01/05	\$ 65,000.00	5.75%	\$ 130,000.00	\$ 65,000.00	\$ 65,000.00
Construction of Belgian Block Curbing, Sanitary Sewers/ Various Road and Public Works Improvements	05/01/99	1,359,000.00	05/01/05 - 06	136,000.00	4.00%			
			05/01/07	136,000.00	4.10%			
			05/01/08	136,000.00	4.35%			
			05/01/09	135,000.00	4.35%	815,000.00	136,000.00	679,000.00
						<u>\$ 945,000.00</u>	<u>\$ 201,000.00</u>	<u>\$ 744,000.00</u>

REF.

B

B-2

B

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF PREPAID DOG LICENSES
ANIMAL CONTROL TRUST FUND

	<u>REF.</u>		
Balance, December 31, 2003	B	\$	378.00
Increased by:			
Receipts	B-2		<u>290.00</u>
		\$	668.00
Decreased by:			
Prior Year Prepaid Applied to Due State	B-22	\$	72.00
Prior Year Prepaid Applied to Reserve	B-14		<u>306.00</u>
			<u>378.00</u>
Balance, December 31, 2004	B	\$	<u><u>290.00</u></u>

SCHEDULE OF DUE CURRENT FUND - OTHER TRUST FUND

Balance, December 31, 2003 (Due From)	B	\$	305,974.15
Increased by:			
Disbursements	B-2		<u>15,103.04</u>
		\$	321,077.19
Decreased by:			
Receipts	B-2		<u>319,386.30</u>
Balance, December 31, 2004 (Due From)	B	\$	<u><u>1,690.89</u></u>

"B-19"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR RECREATION DEPOSITS

OTHER TRUST FUND

	<u>REF.</u>	
Balance, December 31, 2003	B	\$ 20,809.31
Increased by:		
Receipts	B-2	<u>10,320.00</u>
		\$ 31,129.31
Decreased by:		
Disbursements	B-2	<u>9,701.13</u>
Balance, December 31, 2004	B	\$ <u><u>21,428.18</u></u>

"B-20"

SCHEDULE OF RESERVE FOR LAW ENFORCEMENT TRUST FUND

OTHER TRUST FUND

Balance, December 31, 2003	B	\$ 729.09
Increased by:		
Receipts	B-2	<u>8.56</u>
Balance, December 31, 2004	B	\$ <u><u>737.65</u></u>

"B-21"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR DEVELOPERS' DEPOSITS
OTHER TRUST FUND

	<u>REF.</u>		
Balance, December 31, 2003	B		\$ 1,006,795.70
Increased by:			
Receipts	B-2		<u>174,275.98</u>
			\$ 1,181,071.68
Decreased by:			
Disbursements	B-2	\$ 230,768.08	
Accounts Payable	B-9	<u>49.02</u>	
			<u>230,817.10</u>
Balance, December 31, 2004	B		\$ <u><u>950,254.58</u></u>

"B-22"

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

Increased by:			
Receipts	B-2	\$ 345.00	
Prior Year Prepaid Applied	B-17	<u>72.00</u>	
			\$ 417.00
Decreased by:			
Disbursements	B-2		\$ <u><u>417.00</u></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	\$	57,404.03
Decreased by:			
Disbursements	B-2	\$	<u>57,404.03</u>

SCHEDULE OF DUE CURRENT FUND
ANIMAL CONTROL TRUST FUND

Increased by:			
Disbursements	B-2	\$	<u>19.00</u>
Balance, December 31, 2004 (Due From)	B	\$	<u>19.00</u>

BOROUGH OF WATCHUNG
GENERAL CAPITAL FUND
SCHEDULE OF CASH - TREASURER

	<u>REF.</u>		
Balance, December 31, 2003	C		\$ 1,504,596.18
Increased by Receipts:			
Deferred Charges To Future Taxation - Unfunded	C-5	\$ 350,561.49	
Refund - Ordinance 91-18	C-10	8,000.00	
Bond Anticipation Note Payable	C-19	1,750,000.00	
Capital Improvement Fund	C-8	<u>150,000.00</u>	
			<u>2,258,561.49</u>
			\$ <u>3,763,157.67</u>
Decreased by Disbursements:			
Contracts Payable	C-7	\$ 404,421.82	
Due Current Fund	C-6	73,500.00	
Bond Anticipation Note Payable	C-19	<u>1,426,500.00</u>	
			<u>1,904,421.82</u>
Balance, December 31, 2004	C		\$ <u><u>1,858,735.85</u></u>

"C-3"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

ANALYSIS OF CASH

	<u>REF.</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2004</u>
Fund Balance		\$ 196,070.67
Capital Improvement Fund		223,322.72
Improvement Authorizations-Funded		948,859.46
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"		(726,412.43)
Contracts Payable		1,003,573.68
Unexpended Proceeds of Bond Anticipation Notes - Listed on "C-5"		880,755.52
Due Current Fund		(73,014.77)
State Aid Receivable		(285,000.00)
Accrued Interest On Sale of Bonds		<u>3,105.00</u>
	C	<u>\$ 1,858,735.85</u>

"C-4"

SCHEDULE OF DEFERRED CHARGES TO
FUTURE TAXATION FUNDED

Balance, December 31, 2003	C		\$ 10,360,051.33
Decreased by:			
2004 Budget Appropriation to Pay Bonds	C-11	\$ 725,000.00	
2004 Budget Appropriation to Pay Loan:			
Environmental Infrastructure Trust Loan	C-12	45,000.00	
Environmental Infrastructure Trust Loan	C-13	61,053.30	
Economic Development Authority	C-14	24,769.62	
Green Trust Loan Program	C-15	<u>58,692.97</u>	
			<u>914,515.89</u>
Balance, December 31, 2004	C		<u>\$ 9,445,535.44</u>

"C-6"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF DUE CURRENT FUND

	<u>REF.</u>	
Balance, December 31, 2003 (Due To)	C	\$ 485.23
Decreased by:		
Disbursements	C-2	<u>73,500.00</u>
Balance, December 31, 2004 (Due From)	C	\$ <u><u>73,014.77</u></u>

"C-7"

SCHEDULE OF CONTRACTS PAYABLE

Balance, December 31, 2003	C	\$ 177,883.31
Increased by:		
Improvement Authorizations	C-10	<u>1,230,112.19</u>
		\$ <u>1,407,995.50</u>
Decreased by:		
Disbursements	C-2	<u>404,421.82</u>
Balance, December 31, 2004	C	\$ <u><u>1,003,573.68</u></u>

"C-8"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>REF.</u>	
Balance, December 31, 2003	C	\$ 209,040.72
Increased by:		
2004 Budget Appropriation	C-2	<u>150,000.00</u>
		\$ <u>359,040.72</u>
Decreased by:		
Appropriated to Finance Improvement Authorizations	C-10	<u>135,718.00</u>
Balance, December 31, 2004	C	\$ <u><u>223,322.72</u></u>

"C-9"

SCHEDULE OF LOANS RECEIVABLE - NJ ENVIRONMENTAL INFRASTRUCTURE TRUST

Balance, December 31, 2003 and December 31, 2004	C	\$ <u>447,024.00</u>
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BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF GENERAL SERIAL BONDS

<u>PURPOSE</u>	<u>DATE OF ISSUE</u>	<u>ORIGINAL ISSUE</u>	<u>MATURITIES OF BONDS OUTSTANDING</u>		<u>INTEREST RATE</u>	<u>BALANCE DECEMBER 31, 2003</u>	<u>BALANCE DECEMBER 31, 2004</u>
			<u>DATE</u>	<u>AMOUNT</u>			
General Improvement	07/01/91	\$ 1,292,000.00	07/01/05	\$ 110,000.00	6.40%	\$ 292,000.00	\$ 182,000.00
General Improvement	01/01/95	1,724,000.00	07/01/06	72,000.00	6.40%	804,000.00	689,000.00
General Improvement	05/01/99	8,141,000.00	01/01/05-09	115,000.00	5.75%		
			01/01/10	114,000.00	5.75%		
			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>6,441,000.00</u>		<u>6,441,000.00</u>	<u>5,941,000.00</u>
						<u>\$ 7,537,000.00</u>	<u>\$ 6,812,000.00</u>

REF.

C-4

C

C

BOROUGH OF WATCHUNG
GENERAL CAPITAL FUND

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

<u>PURPOSE</u>	<u>DATE OF ISSUE</u>	<u>ORIGINAL ISSUE</u>	<u>PRINCIPAL REQUIREMENTS OF LOAN OUTSTANDING</u>	<u>INTEREST RATE</u>	<u>BALANCE DECEMBER 31, 2003</u>	<u>BALANCE DECEMBER 31, 2004</u>	<u>PAID IN 2004</u>	<u>BALANCE DECEMBER 31, 2004</u>
NJ Environmental Infrastructure Trust 2000	11/09/00	\$ 915,000.00	\$ 35,000.00	5.00%				
			08/01/05-06	5.00%				
			08/01/07-09	5.00%				
			08/01/10-11	5.00%				
			08/01/12-13	5.00%				
			08/01/14	5.00%				
			08/01/15	5.13%				
			08/01/16	5.13%				
			08/01/17	5.25%				
			08/01/18	5.25%				
NJ Environmental Infrastructure Trust 2001B	11/08/01	230,000.00	75,000.00	5.25%	\$ 855,000.00	\$ 35,000.00	\$ 820,000.00	
			08/01/20	4.00%				
			8/01/05	5.00%				
			08/01/06-13	5.00%				
			08/01/14-21	5.00%				
					<u>220,000.00</u>	<u>10,000.00</u>	<u>210,000.00</u>	
					<u>\$ 1,075,000.00</u>	<u>\$ 45,000.00</u>	<u>\$ 1,030,000.00</u>	

REF.

C

C-4

C

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

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

<u>PURPOSE</u>	<u>ORIGINAL ISSUE</u>	<u>DATE</u>	<u>PRINCIPAL REQUIREMENTS OF LOAN OUTSTANDING DECEMBER 31, 2004</u>	<u>AMOUNT</u>	<u>BALANCE DECEMBER 31, 2003</u>	<u>BALANCE DECEMBER 31, 2004</u>	<u>PAID IN 2004</u>	<u>REF.</u>
New Public Works Facility	\$ 143,275.00	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				
		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						
			\$	119,396.20	\$	11,939.62	\$	107,456.58
Underground Storage Tanks	102,640.00							
				76,980.00		12,830.00		64,150.00
			\$	196,376.20	\$	24,769.62	\$	171,606.58

C C-4 C

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

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

<u>PURPOSE</u>	<u>ORIGINAL ISSUE</u>	<u>DATE</u>	<u>PRINCIPAL REQUIREMENTS OF LOAN OUTSTANDING DECEMBER 31, 2004</u>	<u>AMOUNT</u>	<u>PAID IN 2004</u>	<u>BALANCE DECEMBER 31, 2004</u>	
							<u>DATE</u>
Acquire Watchung Lake	\$ 236,077.00	08/01/05	\$	36,475.91			
		08/01/06		37,209.08			
		08/01/07		37,956.98			
		08/01/08		19,263.64	\$	166,662.81	\$
		08/01/05		23,396.78		35,757.20	\$
		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					
					22,935.77	358,443.00	
					\$ 58,692.97	\$ 489,348.61	
					\$ 548,041.58	\$ 489,348.61	

REF.

C

C-4

"C-16"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF ACCRUED INTEREST ON SALE OF BONDS

	<u>REF.</u>	
Balance, December 31, 2003 and December 31, 2004	C	\$ <u>3,105.00</u>

"C-17"

SCHEDULE OF RESERVE FOR PAYMENT OF BOND ANTICIPATION NOTES

Balance, December 31, 2003 and December 31, 2004	C	\$ <u>134,500.00</u>
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"C-18"

SCHEDULE OF STATE AID RECEIVABLE

Balance, December 31, 2003	C	\$ 150,000.00
Increased by: Improvement Authorization	C-10	<u>135,000.00</u>
Balance, December 31, 2004	C	\$ <u>285,000.00</u>

ANALYSIS OF BALANCE:

03-14 Improvement of Anderson Road	\$ 150,000.00
04-10 Various Public Improvements	<u>135,000.00</u>
	\$ <u>285,000.00</u>

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

ORDINANCE	ORIGINAL DATE OF ISSUE	DATE OF ISSUE	DATE OF MATURITY	INTEREST RATE	BALANCE DECEMBER 31, 2003	INCREASED	DECREASED	BALANCE DECEMBER 31, 2004
Various Public Improvements	12/05/02	12/05/03	12/04/04	1.20%	\$ 1,500,000.00	\$	\$ 1,500,000.00	\$
Various Public Improvements	12/05/02	12/05/03	12/04/04	2.11%		1,750,000.00		1,750,000.00
					<u>\$ 1,500,000.00</u>	<u>\$ 1,750,000.00</u>	<u>\$ 1,500,000.00</u>	<u>\$ 1,750,000.00</u>
				<u>REF.</u>	C	C-2		C:C5
Bond Anticipation Note Paid By Budget Disbursements				C-5			\$ 73,500.00	
				C-2			<u>1,426,500.00</u>	
							<u>\$ 1,500,000.00</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, 2004</u>
98-23	Rehabilitation of Dwellings Pursuant to COAH Plans	\$ 85,500.00
99-12/04-02	Installation of Sanitary Sewer and Public Water Connections Along Century Ln, Cardinal Dr, Price Dr, Somerset Rd & Valley Rd	56,696.00
99-14/02-05/04-06	Installation of Sanitary Sewer and Public Water Connections - Oakwood & Valley Rds	69,805.00
01-09	Purchase of Various Equipment & Public Works Improvements	130,000.00
01-10	Various 2001 Capital Improvements	1,762,500.00
01-19	General Road Resurfacing and Rehabilitation	285,000.00
03-01	Purchase of Front End Loader	57,500.00
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
04-05	Purchase of 5/7 Dump Truck	104,500.00
04-10	Various Public Improvements	706,325.00
04-14	Road Resurfacing & Rehabilitation Projects	95,000.00
04-15	Police Facility Rock Slope Retention Remediation	598,500.00
04-24	Various Sewer & Water Improvement Projects	144,400.00
		<u>\$ 6,008,291.00</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, 2003	E	\$ 8,578.08	\$ 64.78	\$ 8,642.86
Increased by Receipts:				
State Aid			11,600.00	11,600.00
Interest Earned		86.45		86.45
		<u>\$ 8,664.53</u>	<u>\$ 11,664.78</u>	<u>\$ 20,329.31</u>
Decreased by Disbursements:				
Reserve For:				
Public Assistance		211.74	1,961.00	2,172.74
		<u>211.74</u>	<u>1,961.00</u>	<u>2,172.74</u>
Balance, December 31, 2004	E	<u>\$ 8,452.79</u>	<u>\$ 9,703.78</u>	<u>\$ 18,156.57</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, 2004	E-3	\$	18,156.57
Increased by:			
Receipts			33.41
		\$	<u>18,189.98</u>
Decreased by:			
Disbursements			420.00
			<u>420.00</u>
Balance, March 31, 2005		\$	<u><u>17,769.98</u></u>

<u>RECONCILIATION - MARCH 31, 2005</u>	<u>P.A.T.F. I</u>	<u>P.A.T.F. II</u>	<u>TOTAL</u>
	<u>ACCOUNT</u>	<u>ACCOUNT</u>	
Balance on Deposit Per Statement of Commerce Bank:			
Account #0011175	\$ 2,396.72	\$	\$ 2,396.72
Bank of America/Fleet Bank			
Account #0036-214279		9,283.78	9,283.78
Account #0036-521341	<u>6,089.48</u>		<u>6,089.48</u>
Balance, March 31, 2005	\$ <u><u>8,486.20</u></u>	\$ <u><u>9,283.78</u></u>	\$ <u><u>17,769.98</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, 2003		\$	8,642.86
Increased by:			
Receipts			<u>11,686.45</u>
		\$	20,329.31
Decreased by:			
Disbursements			<u>2,172.74</u>
Balance, December 31, 2004	E-2	\$	<u>18,156.57</u>

<u>RECONCILIATION - DECEMBER 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
Bank of America/Fleet Bank			
Account #0036-214279		9,703.78	9,703.78
Account #0036-521341	<u>6,056.07</u>		<u>6,056.07</u>
Balance, December 31, 2004	\$ <u>8,452.79</u>	\$ <u>9,703.78</u>	\$ <u>18,156.57</u>

BOROUGH OF WATCHUNG
PUBLIC ASSISTANCE TRUST FUND
SCHEDULE OF PUBLIC ASSISTANCE REVENUES
YEAR ENDED DECEMBER 31, 2004

	<u>P.A.T.F. I</u>	<u>P.A.T.F. II</u>	<u>FUND TOTAL</u>
State Aid	\$	\$ 11,600.00	\$ 11,600.00
Interest Earned	<u>86.45</u>	<u> </u>	<u>86.45</u>
<u>TOTAL RECEIPTS</u>	<u>\$ 86.45</u>	<u>\$ 11,600.00</u>	<u>\$ 11,686.45</u>

SCHEDULE OF PUBLIC ASSISTANCE EXPENDITURES
YEAR ENDED DECEMBER 31, 2004

	<u>P.A.T.F. I</u>	<u>P.A.T.F. II</u>	<u>FUND TOTAL</u>
Current Year Assistance (Reported):			
Maintenance Payments	\$	\$ 1,961.00	\$ 1,961.00
Other	<u>211.74</u>	<u> </u>	<u>211.74</u>
<u>TOTAL DISBURSEMENTS</u>	<u>\$ 211.74</u>	<u>\$ 1,961.00</u>	<u>\$ 2,172.74</u>

BOROUGH OF WATCHUNG

PART II

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

SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE

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



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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 Council
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, 2004, and have issued our report thereon dated May 4, 2005. Our report disclosed that, as described in Note 1 to the financial statements, the Township of Branchburg prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. 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 that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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

May 4, 2005

BOROUGH OF WATCHUNG

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2004

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL C.F.D.A. NUMBER	GRANT AWARD AMOUNT	GRANT PERIOD		2004 RECEIPTS	2004 EXPENDITURES	CUMULATIVE EXPENDITURES DECEMBER 31, 2004
			FROM	TO			
Pass Through From State of New Jersey							
U.S. Department of Justice							
Federal Bulletproof Partnership Program - 2003	16.579	\$ 1,171.46		Continuous	\$ 1,171.46	\$	
Federal Bulletproof Partnership Program - 2004	16.579	838.33		Continuous	838.33		
State and Local All Hazards Emergency Operation Planning	83.562	2,405.72					1,813.92
			TOTAL		\$ 2,009.79	\$ -0-	\$ 1,813.92

BOROUGH OF WATCHUNG

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2004

STATE GRANTOR DEPARTMENT/PROGRAM TITLE	STATE ACCOUNT NUMBER	GRANT AWARD AMOUNT	2004 RECEIPTS	2004 EXPENDITURES	CUMULATIVE EXPENDITURES DECEMBER 31, 2004
<u>DEPARTMENT OF HUMAN SERVICES</u>					
Public Assistance-State Share	7550-150-054-7550-121-LLL-6020	1,961.00 \$	\$	1,961.00 \$	1,961.00
<u>DEPARTMENT OF LAW AND PUBLIC SAFETY</u>					
Drunk Driving Enforcement Fund - prior	1110-100-066-1110-YYYY	10,493.30 \$			
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 - 2004	1110-100-066-1110-YYYY	2,581.22			
Alcohol Education Rehabilitation Fund - 2003	9735-760-098-Y900-001-X100-6020	1,848.71			
Alcohol Education Rehabilitation Fund - 2004	9735-760-098-Y900-001-X100-6020	312.07	312.07	500.00	1,120.15
		\$	\$ 312.07	\$ 1,394.50	\$ 7,274.25
<u>NJ DIVISION OF CRIMINAL JUSTICE</u>					
Safe and Secure Communities - 2003	1020-100-066-1020-232-YCJS-6120	60,000.00 \$	30,000.00 \$	16,250.00 \$	60,000.00
Safe and Secure Communities - 2004	1020-100-066-1020-232-YCJS-6120	60,000.00	60,000.00	43,750.00	43,750.00
Body Armor Replacement Fund - 2003	1020-718-066-1020-001-YCJS-6120	2,554.04		2,554.04	2,554.04
Body Armor Replacement Fund - 2004	1020-718-066-1020-001-YCJS-6120	2,420.19	2,420.19	690.84	690.84
		\$	\$ 2,420.19	\$ 63,244.88	\$ 106,994.88
<u>DEPARTMENT OF ENVIRONMENTAL PROTECTION</u>					
Clean Communities Grant - 2004	4900-755-042-4900-004-VCMIB-6020	7,279.09 \$	7,279.09 \$	6,801.46 \$	6,801.46
Recycling Tonnage Grant - 2001	4900-752-042-4900-001-V42Y-6020	6,606.00		2,456.32	6,606.00
Recycling Tonnage Grant - 2003	4900-752-042-4900-001-V42Y-6C20	1,696.33		1,696.33	1,696.33
Recycling Tonnage Grant - 2004	4900-752-042-4900-001-V42Y-6020	3,819.22	3,819.22		
Stormwater Grant		6,351.00	6,351.00		
Green Communities Program	4870-100-042-4DEA-079-V4A3-6120	2,000.00	2,000.00	2,000.00	2,000.00
		\$	\$ 19,449.31	\$ 12,954.11	\$ 17,103.79
<u>NEW JERSEY PUBLIC LIBRARY FUND</u>					
Local Library Grant		30,000.00			
<u>DEPARTMENT OF TRANSPORTATION</u>					
Anderson Street	02-480-078-6320-AFG-6010	150,000.00			
		\$	\$	\$ 66,750.00	\$ 66,750.00
<u>PASS THROUGH COUNTY OF SOMERSET</u>					
Youth Services Program		5,000.00 \$	5,000.00 \$	4,250.00 \$	4,250.00
<u>DEPARTMENT OF COMMUNITY AFFAIRS</u>					
Special Legislative	02-100-022-8030-394-FFF-6120	10,000.00			
		\$	\$	\$	\$ 3,625.00
TOTAL		\$	\$ 117,181.57	\$ 150,554.49	\$ 207,958.92

BOROUGH OF WATCHUNG

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

YEAR ENDED DECEMBER 31, 2004

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

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

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2004

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

	YEAR 2004		YEAR 2003	
	AMOUNT	%	AMOUNT	%
<u>REVENUE AND OTHER INCOME REALIZED</u>				
Fund Balance Utilized	\$ 1,738,000.00	5.59%	\$ 1,700,000.00	5.86%
Miscellaneous - From Other Than Local Property Tax Levies	3,961,213.15	12.74%	3,978,830.56	13.72%
Collection of Delinquent Taxes and Tax Title Liens	230,685.39	0.74%	204,678.91	0.71%
Collections of Current Tax Levy	<u>25,154,962.90</u>	<u>80.93%</u>	<u>23,113,065.91</u>	<u>79.71%</u>
<u>Total Revenue</u>	<u>\$ 31,084,861.44</u>	<u>100.00%</u>	<u>\$ 28,996,575.38</u>	<u>100.00%</u>
<u>EXPENDITURES</u>				
Budget Expenditures:				
Municipal Purposes	\$ 10,323,352.82	34.85%	\$ 9,783,881.29	35.88%
County Taxes	6,350,809.43	21.44%	5,812,440.11	21.32%
Local and Regional School Taxes	12,268,954.53	41.43%	11,332,814.30	41.56%
Municipal Open Space Taxes	327,411.14	1.11%	304,036.55	1.12%
Prepaid Regional High School Taxes	149,978.28	0.51%		
Interfunds Advanced	196,633.60	0.66%	33,310.02	0.12%
Accounts Receivable Canceled			56.00	0.00%
<u>Total Expenditures</u>	<u>\$ 29,617,139.80</u>	<u>100.00%</u>	<u>\$ 27,266,538.27</u>	<u>100.00%</u>
Statutory Excess in Revenue	\$ 1,467,721.64		\$ 1,730,037.11	
Fund Balance, January 1	<u>3,469,140.38</u>		<u>3,439,103.27</u>	
	\$ 4,936,862.02		\$ 5,169,140.38	
Less: Utilization as Anticipated Revenue	<u>1,738,000.00</u>		<u>1,700,000.00</u>	
Fund Balance, December 31	<u>\$ 3,198,862.02</u>		<u>\$ 3,469,140.38</u>	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Tax Rate	\$ <u>1.550</u>	\$ <u>1.540</u>	\$ <u>1.830</u>
Municipal	\$ 0.369	\$ 0.374	\$ 0.443
Municipal Open Space	0.021	0.021	0.020
County	0.362	0.356	0.434
County Open Space	0.031	0.028	0.032
Local School	0.492	0.503	0.620
Regional High School	<u>0.275</u>	<u>0.258</u>	<u>0.281</u>

Assessed Valuations:

2004	<u>\$1,605,968,053.00</u>		
2003		<u>\$1,490,344,799.00</u>	
2002			<u>\$1,173,843,381.00</u>

COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

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

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2004	\$25,351,488.59	\$25,154,962.90	99.22%
2003	\$23,414,501.75	\$23,113,065.91	98.71%
2002	\$22,533,534.47	\$22,319,042.76	99.05%

DELINQUENT TAXES AND TAX TITLE LIENS

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

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2004	-0-	\$133,178.00	\$133,178.00	0.53%
2003	-0-	\$229,507.30	\$229,507.30	0.98%
2002	-0-	\$189,601.92	\$189,601.92	0.84%

COMPARATIVE SCHEDULE OF FUND BALANCES

<u>Year</u>	<u>Balance Current Fund</u>	<u>Utilized in Budget of Succeeding Year</u>
2004	\$3,198,862.02	\$1,750,000.00*
2003	\$3,469,140.38	\$1,738,000.00
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

* - per 'introduced' budget

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>
Albert S. Ellis	Mayor	*
Stephen L. Black	Council Member, President of Council	*
Thomas P. Franklin	Council Member	*
Wayne Otto	Council Member	*
Gerald M. Mobus	Council Member	*
Debra Joren	Council Member	*
Michael Harding	Council Member	*
Laureen B. Fellin	Clerk, Registrar, Administrator	*
Michelle DeRocco	Deputy Clerk	*
William J. Hance	Chief Financial Officer, Treasurer, Purchasing Agent	\$150,000.00 *
Paula Heilman	Deputy Treasurer, Deputy Purchasing Agent	\$25,000.00
DiFrancesco, Bateman, Coley, Yospin, Kunzman, Davis & Lehrer, P.C.	Attorney	

OFFICIALS IN OFFICE AND SURETY BONDS (CONTINUED)

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
Catherine L. Park	Tax Collector, Tax Search Officer	\$180,000.00
David Gill	Tax Assessor	*
Pamela Steves	Court Administrator	\$50,000.00
Lorretta J. Shpunder	Deputy Court Administrator	\$50,000.00
Richard Sasso	Municipal Court Judge	*
John Frosoni	Police Chief	*
Richard W. Moody	Engineer	*
Edward P. Bennett	Construction Code Official	*
Anthony Saccaro	Fire Subcode Official	*
Hoseph F. Alicino, Jr.	Plumbing Subcode Official	*
Martin McMorrow	Electrical Subcode Official	*
Gary Greves	Fire Inspector	*
Paulette Drogon	Welfare Director	*
Charles Gunther	Public Works Manager	*
Donald Speeney	Planning Board Chairman	*
Daniel D. Cronheim	Board of Adjustment Chairman	*

* All official and employees (except as noted) handling and collecting Borough fund are covered by the Borough's insurance policy. The above surety bonds are 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:

- (1) 5-7 Yard SFA Dump Truck with Salt Spreader & CS-340 Spreader System
Washington Rock Road and Rock Road East Intersection Improvement Project

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

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

**COLLECTION OF INTEREST ON DELINQUENT
TAXES AND ASSESSMENTS**

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

The governing body on January 3, 2004 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, 2004.
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 15, 2004 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>
2004	-0-
2003	-0-
2002	-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 2004 Taxes	25
Payments of 2003 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

