

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, 2005

BOROUGH OF WATCHUNG

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BOROUGH OF WATCHUNG

PART I

INDEPENDENT AUDITOR'S REPORT ON
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SUPPLEMENTARY SCHEDULES - ALL FUNDS

YEAR ENDED DECEMBER 31, 2005 AND 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, 2005 and 2004, and for the year ended December 31, 2005 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, 2005 and 2004 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, 2005.

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, 2005 and 2004, 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, 2005, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated March 9, 2006 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

March 9, 2006

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CURRENT FUND

BOROUGH OF WATCHUNG

CURRENT FUND

BALANCE SHEETS - STATUTORY BASIS

	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2005</u>	<u>BALANCE DECEMBER 31, 2004</u>
<u>ASSETS</u>			
Current Fund:			
Cash	A-4	\$ 6,809,138.28	\$ 5,201,759.57
Cash-Change Fund	A-6	250.00	250.00
State of New Jersey-Chapter 20 P.L. 1971	A-14	1,649.79	899.79
		<u>\$ 6,811,038.07</u>	<u>\$ 5,202,909.36</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-8	\$ 364,531.90	\$ 133,178.00
Revenue Accounts Receivable	A-9	26,534.86	42,471.35
Interfunds Receivable	A-24	1,552.51	229,943.62
Prepaid Regional High School Tax	A-17		149,978.28
	A	<u>\$ 392,619.27</u>	<u>\$ 555,571.25</u>
		<u>\$ 7,203,657.34</u>	<u>\$ 5,758,480.61</u>
Grant Fund:			
Cash	A-4	\$ 213,728.98	\$ 215,808.97
Grants Aid Receivable	A-10	79,315.16	60,081.24
Due Current Fund	A-25	8,351.00	2,000.00
		<u>\$ 301,395.14</u>	<u>\$ 277,890.21</u>
	A	<u>\$ 7,505,052.48</u>	<u>\$ 6,036,370.82</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, 2005</u>	<u>BALANCE DECEMBER 31, 2004</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Current Fund:			
Liabilities:			
Appropriation Reserves	A-3:A-11	\$ 858,318.83	\$ 887,640.56
Accounts Payable	A-7	517,531.29	586,848.34
Prepaid Taxes	A-19	215,680.81	214,314.82
Interfunds Payable	A-24	171,634.69	76,724.66
Reserve For:			
Prepaid Licenses	A-21	665.00	120.00
Due State of New Jersey - DCA	A-20	4,518.00	3,122.00
Homeland Security - Unappropriated	A-12		50,000.00
Regional High School Taxes Payable	A-16	159,904.15	
State Tax Appeals	A-17	185,276.96	185,276.96
		\$ 2,113,529.73	\$ 2,004,047.34
Reserve for Receivables and Other Assets	A	392,619.27	555,571.25
Fund Balance	A-1	4,697,508.34	3,198,862.02
		\$ 7,203,657.34	\$ 5,758,480.61
Grant Fund:			
Grants-Appropriated	A-22	279,250.26	257,783.46
Accounts Payable	A-26	22,144.88	20,106.75
		\$ 301,395.14	\$ 277,890.21
	A	\$ 7,505,052.48	\$ 6,036,370.82

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

BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENTS OF OPERATIONS
AND CHANGE IN FUND BALANCE - STATUTORY BASIS

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>	<u>YEAR ENDED DECEMBER 31, 2005</u>	<u>YEAR ENDED DECEMBER 31, 2004</u>
Fund Balance Utilized	A-1:A-2	\$ 1,750,000.00	\$ 1,738,000.00
Miscellaneous Revenue Anticipated	A-2	3,333,062.88	3,215,497.03
Receipts From Delinquent Taxes	A-2	125,082.35	230,685.39
Receipts From Current Taxes	A-2	27,095,675.61	25,154,962.90
Non-Budget Revenue	A-2	1,232,456.89	145,797.84
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-11	795,015.39	599,918.28
Canceled Reserve	A-24	300.00	
Prepaid Regional High School Tax		149,978.28	
Interfunds Returned		228,391.11	
Accounts Payable Canceled	A-7	194,759.16	
		<u>\$ 34,904,721.67</u>	<u>\$ 31,084,861.44</u>
 <u>EXPENDITURES</u> 			
Budget and Emergency Authorizations:			
Operations:			
Salaries and Wages	A-3	\$ 4,052,170.90	\$ 4,038,940.00
Other Expenses	A-3	4,361,284.84	4,084,266.76
Capital Improvements	A-3	234,000.00	231,000.00
Municipal Debt Service	A-3	1,396,604.87	1,319,929.54
Deferred Charges and Statutory Expenditures	A-3	697,304.65	649,216.52
County Taxes	A-15	6,487,469.27	6,350,809.43
Local District School Tax	A-16	8,894,098.00	7,872,567.00
Regional High School Tax	A-17	5,178,115.94	4,396,387.53
Municipal Open Space Tax	A-2:A-8	355,026.88	327,411.14
Interfunds Advanced			196,633.60
Prepaid Regional High School Tax			149,978.28
		<u>\$ 31,656,075.35</u>	<u>\$ 29,617,139.80</u>
Statutory Excess in Revenue		\$ 3,248,646.32	\$ 1,467,721.64
Fund Balance, January 1	A	3,198,862.02	3,469,140.38
		<u>\$ 6,447,508.34</u>	<u>\$ 4,936,862.02</u>
Decreased by:			
Utilized as Anticipated Revenue	A-1:A-2	1,750,000.00	1,738,000.00
Fund Balance, December 31	A	<u>\$ 4,697,508.34</u>	<u>\$ 3,198,862.02</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, 2005

	REF.	ANTICIPATED		REALIZED	EXCESS OR (DEFICIT)
		BUDGET	NJSA 40A:4-87		
Fund Balance Anticipated	A-1	\$ 1,750,000.00		\$ 1,750,000.00	
Miscellaneous Revenues:					
Alcoholic Beverage Licenses	A-9	\$ 8,500.00	\$	\$ 10,519.40	\$ 2,019.40
Other Licenses	A-2	15,750.00		17,415.50	1,665.50
Fees and Permits:					
Construction Code Official	A-9	150,000.00		211,137.00	61,137.00
Other	A-2	103,500.00		134,034.43	30,534.43
Municipal Court - Fines and Costs	A-9	245,000.00		280,449.14	35,449.14
Interest and Costs on Taxes	A-2	68,000.00		63,571.29	(4,428.71)
Interest on Investments and Deposits	A-9	140,000.00		309,151.53	169,151.53
Sewer Rents	A-9	1,000,000.00		1,028,007.73	28,007.73
Legislative Initiative Block Grant	A-9	22,359.00		22,359.00	0.00
Consolidated Municipal Property Tax Relief Aid	A-9	320,674.00		320,674.00	0.00
Energy Receipts Tax	A-9	649,765.00		649,765.00	0.00
Supplemental Energy Receipts Tax	A-9	34,259.00		34,259.00	0.00
Drunk Driving Enforcement Fund	A-10	2,545.50		2,545.50	0.00
Clean Communities Program	A-10	7,234.51		7,234.51	0.00
Safe and Secure Communities Program	A-10	60,000.00		60,000.00	0.00
Stormwater Regulation Program	A-10		10,585.00	10,585.00	0.00
Recycling Tonnage Grant	A-10		2,777.03	2,777.03	0.00
Alcohol Education Rehabilitation Program	A-10		624.62	624.62	0.00
Youth Services	A-10		5,000.00	5,000.00	0.00
Youth Services New Initiative	A-10		5,000.00	5,000.00	0.00
Youth Athletic Recreation	A-10		15,000.00	15,000.00	0.00
Body Armor Replacement Fund	A-10	2,525.80	2,535.38	5,061.18	0.00
Municipal Homeland Security Assistance	A-9	50,000.00		50,000.00	0.00
Municipal Homeland Security Assistance - Unappropriated	A-12	50,000.00		50,000.00	0.00
Uniform Fire Safety Act	A-9	25,000.00		23,997.02	(1,002.98)
Bulk Pickup Fees	A-9	10,000.00		13,895.00	3,895.00
<u>Sub-Total Miscellaneous Revenues</u>	A-1	\$ 2,965,112.81	\$ 41,522.03	\$ 3,333,062.88	\$ 326,428.04
Receipts From Delinquent Taxes	A-1	\$ 130,000.00		\$ 125,082.35	\$ (4,917.65)
Amount to be Raised by Taxes for Support of Municipal Budget: Local Tax for Municipal Purposes	A-8 A-2	\$ 6,455,155.55		\$ 6,716,965.52	\$ 261,809.97
<u>Budget Totals</u>		\$ 11,300,268.36	\$ 41,522.03	\$ 11,925,110.75	\$ 583,320.36
Non-Budget Revenues	A-1:A-2			1,232,456.89	1,232,456.89
		\$ 11,300,268.36	\$ 41,522.03	\$ 13,157,567.64	\$ 1,815,777.25
	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, 2005

	<u>REF.</u>		
<u>ANALYSIS OF REALIZED REVENUES</u>			
Allocation of Current Tax Collections:			
Revenue From Collections	A-1:A-8	\$	27,095,675.61
Allocated To:			
Local District School Taxes		\$	8,894,098.00
Regional High School Taxes			5,178,115.94
County Taxes			6,487,469.27
Municipal Open Space	A-1:A-4:A-8		<u>355,026.88</u>
			<u>20,914,710.09</u>
Balance for Support of Municipal Budget Appropriations		\$	6,180,965.52
Add: Appropriation "Reserve for Uncollected Taxes"	A-3		<u>536,000.00</u>
Amount for Support of Municipal Budget Appropriations	A-2	\$	<u><u>6,716,965.52</u></u>
Other Licenses:			
Board of Health	A-9	\$	15,045.50
Registrar	A-9		90.00
Borough Clerk	A-9		<u>2,160.00</u>
		\$	<u>17,295.50</u>
Add: Prepaid Applied	A-21		<u>120.00</u>
	A-2	\$	<u><u>17,415.50</u></u>
Fees and Permits-Other:			
Board of Health	A-9	\$	6,860.75
Registrar	A-9		16,052.00
Borough Clerk	A-9		1,515.38
Engineering Department	A-9		9,230.00
Planning Board	A-9		1,840.00
Board of Adjustment	A-9		7,000.00
Police	A-9		4,917.25
Fire Official	A-9		411.00
Smoke Detector	A-9		2,175.00
Recreation	A-9		380.00
Tower Lease	A-9		<u>83,653.05</u>
	A-2	\$	<u><u>134,034.43</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, 2005

REF.

ANALYSIS OF NON-BUDGET REVENUE

Senior Citizens' and Veterans' Administrative Fee	\$	1,230.00
State Library Aid		250.00
Bond Forfeiture		1,550.00
Bid Specs-Clerk		3,100.00
Miscellaneous		19,373.57
Cable TV Franchise Fees		17,910.00
Miscellaneous-Engineering		430.00
COAH Reimbursement		1,117,680.99
Police Outside Overtime Administrative Fee		22,736.26
Sale of Surplus		73.25
Phone Commission		13.28
Master Plan		150.00
Miscellaneous-Public Works		73.25
Library Fines & Copies		7,365.75
Property Owners		600.00
Prior Year Refunds		38,462.76
Miscellaneous-Copies		1,107.78
Tax Collector		350.00
		<hr/>
		<u>1,232,456.89</u>
A-2:A-4	\$	<u>1,232,456.89</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, 2005

	<u>APPROPRIATIONS</u>		<u>EXPENDED</u>		<u>UNEXPENDED BALANCE CANCELED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>RESERVED</u>	
<u>OPERATIONS WITHIN 'CAPS'</u>					
<u>GENERAL GOVERNMENT</u>					
Administrative and Executive:					
Salaries and Wages	\$ 46,800.00	\$ 46,800.00	\$ 46,800.00	\$	
Other Expenses	28,400.00	28,400.00	25,848.13	2,551.87	
Mayor & Council					
Salaries and Wages	23,600.00	23,600.00	15,000.00	8,600.00	
Other Expenses	133,800.00	133,800.00	56,730.53	77,069.47	
Municipal Clerk:					
Salaries and Wages	176,000.00	176,000.00	169,650.48	6,349.52	
Other Expenses	24,920.00	24,920.00	10,613.12	14,306.88	
Elections:					
Other Expenses	2,850.00	2,850.00	1,233.18	1,616.82	
Financial Administration:					
Salaries and Wages	125,600.00	125,600.00	125,569.00	31.00	
Other Expenses	13,800.00	13,800.00	12,736.64	1,063.36	
Audit	26,000.00	26,000.00	25,325.00	675.00	
Assessment of Taxes:					
Salaries and Wages	50,500.00	50,500.00	49,305.18	1,194.82	
Other Expenses	97,200.00	97,200.00	60,999.98	36,200.02	
Collection of Taxes:					
Salaries and Wages	67,600.00	67,600.00	67,066.82	533.18	
Other Expenses	14,585.00	14,585.00	12,267.82	2,317.18	
Legal Services & Costs:					
Salaries and Wages	16,250.00	16,250.00	16,224.00	26.00	
Other Expenses	237,500.00	237,500.00	114,499.51	123,000.49	
Engineering Services & Costs:					
Salaries and Wages	110,000.00	110,000.00	90,884.38	19,115.62	
Other Expenses	138,510.00	138,510.00	89,397.12	49,112.88	
Public Building & Grounds:					
Salaries and Wages	112,320.00	112,320.00	112,320.00		
Other Expenses	85,085.00	85,085.00	82,163.55	2,921.45	
Planning Board:					
Salaries and Wages	11,440.00	11,440.00	10,595.77	844.23	
Other Expenses	87,050.00	87,050.00	44,760.32	42,289.68	
Board of Adjustment:					
Salaries and Wages	44,304.00	44,304.00	42,105.26	2,198.74	
Other Expenses	7,350.00	7,350.00	3,378.30	3,971.70	
<u>PUBLIC SAFETY</u>					
Fire:					
Other Expenses	87,825.00	87,825.00	87,610.35	214.65	
Uniform Fire Safety Act (P.L. 1983 Ch.383)					
Fire Official:					
Salaries and Wages	26,009.90	26,009.90	22,933.50	3,076.40	
Other Expenses	5,725.00	5,725.00	3,744.55	1,980.45	
Po/ice:					
Salaries and Wages	2,501,240.00	2,501,240.00	2,417,948.17	83,293.83	
Other Expenses	199,789.00	199,789.00	197,426.88	2,362.12	
First Aid Organization Contributions	16,004.00	16,004.00	14,204.00	1,800.00	
Emergency Management Service:					
Other Expenses	1,800.00	1,800.00	1,094.63	705.37	
Streets & Roads:					
Salaries and Wages	334,000.00	334,000.00	333,439.58	560.42	
Other Expenses	96,000.00	96,000.00	94,042.95	1,957.05	
<u>HEALTH AND WELFARE</u>					
Board of Health:					
Salaries and Wages	1,200.00	1,200.00		1,200.00	
Dog Regulation:					
Other Expenses	5,000.00	5,000.00	4,556.00	444.00	
Public Assistance:					
Salaries and Wages	5,509.00	5,509.00	5,474.00	35.00	
Other Expenses	600.00	600.00	420.00	180.00	

BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENT OF EXPENDITURES - STATUTORY BASIS
YEAR ENDED DECEMBER 31, 2005

	<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	\$ 41,600.00	\$ 41,600.00	\$ 41,600.00	\$	
Other Expenses	22,000.00	22,000.00	21,247.82	752.18	
Condo Act Reimbursement:					
Other Expenses	4,000.00	4,000.00	1,902.30	2,097.70	
<u>RECREATION AND EDUCATION (R.S.40:12-1)</u>					
Recreation:					
Salaries and Wages	29,120.00	29,120.00	28,007.70	1,112.30	
Other Expenses	35,890.00	35,890.00	35,758.20	131.80	
Traffic & Beautification:					
Other Expenses	3,500.00	3,500.00	2,937.03	562.97	
Community Service:					
Salaries and Wages	12,298.00	12,298.00	12,298.00		
Other Expenses	500.00	500.00	432.18	67.82	
Environmental Commission:					
Other Expenses	1,900.00	1,900.00	696.15	1,203.85	
Historical Preservation:					
Other Expenses	16,100.00	16,100.00		16,100.00	
<u>STATE UNIFORM CONSTRUCTION CODE</u>					
State Uniform Construction Code:					
Construction Code Official (Building Inspector):					
Salaries and Wages	78,000.00	78,000.00	75,688.89	2,311.11	
Other Expenses	31,100.00	31,100.00	26,177.64	4,922.36	
Plumbing Inspector					
Salaries and Wages	20,800.00	20,800.00	19,001.25	1,798.75	
Electrical Inspector					
Salaries and Wages	21,840.00	21,840.00	21,065.93	774.07	
Fire Sub-Code Inspector					
Salaries and Wages	21,320.00	21,320.00	20,968.00	352.00	
<u>UNCLASSIFIED</u>					
Electricity	95,000.00	95,000.00	68,249.81	26,750.19	
Telephone	60,000.00	60,000.00	41,496.29	18,503.71	
Water	12,000.00	12,000.00	4,161.13	7,838.87	
Natural Gas	45,000.00	45,000.00	45,000.00		
Fire Hydrant Service	240,000.00	240,000.00	201,778.77	38,221.23	
Gasoline	60,000.00	60,000.00	60,000.00		
Street Lighting	63,000.00	63,000.00	38,325.17	24,674.83	
Municipal Court:					
Salaries and Wages	147,680.00	147,680.00	147,680.00		
Other Expenses	57,200.00	57,200.00	57,070.66	129.34	
Audit Services	5,000.00	5,000.00	5,000.00		
Utilities	25,500.00	25,500.00	25,500.00		
Public Defender:					
Salaries and Wages	7,500.00	7,500.00	6,000.00	1,500.00	
TOTAL OPERATIONS WITHIN "CAPS"	\$ 6,120,013.90	\$ 6,120,013.90	\$ 5,476,409.62	\$ 643,604.28	
Debt:					
Salaries and Wages	\$ 4,032,530.90	\$ 4,032,530.90	\$ 3,697,623.91	\$ 134,906.99	
Other Expenses	2,087,483.00	2,087,483.00	1,578,785.71	608,697.29	
<u>DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"</u>					
Statutory Expenditures:					
Social Security System (O.A.S.I.)	\$ 176,800.00	\$ 176,800.00	\$ 152,184.96	\$ 24,605.04	
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"	\$ 176,800.00	\$ 176,800.00	\$ 152,184.96	\$ 24,605.04	
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	\$ 6,296,813.90	\$ 6,296,813.90	\$ 5,628,604.58	\$ 668,209.32	

BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENT OF EXPENDITURES - STATUTORY BASIS
YEAR ENDED DECEMBER 31, 2005

	<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>					
Insurance:					
Group Insurance for Employees	\$ 813,500.00	\$ 813,500.00	\$ 797,635.69	\$ 15,864.31	
Workers Compensation	105,000.00	105,000.00	105,000.00		
Other Insurance Premiums	132,000.00	132,000.00	66,886.96	65,113.04	
Contribution to:					
Police & Firemen's Retirement Fund	160,000.00	160,000.00	160,000.00		
Public Employee's Retirement System	15,000.00	15,000.00	15,000.00		
<u>RECREATION AND EDUCATION:</u>					
Free Public Library:					
Salaries and Wages	4,200.00	4,200.00	4,200.00		
Other Expenses	23,200.00	23,200.00	20,239.51	2,960.49	
Municipal Alliance Employment Assistance Program:	2,500.00	2,500.00	2,000.00	500.00	
Stormwater Regulations:	10,000.00	10,000.00	4,337.50	5,662.50	
Board of Health:					
Other Expenses	77,164.00	77,164.00	75,675.53	1,488.47	
Snow Removal(Snow Emergency EO #15 40A:4-45.3bb):					
Salaries and Wages	15,440.00	15,440.00	15,440.00		
Other Expenses	14,510.00	14,510.00	14,510.00		
<u>INTERLOCAL MUNICIPAL SERVICE AGREEMENTS</u>					
Sewer Interlocal Agreements:					
Other Expenses	575,000.00	575,000.00	572,170.79	2,829.21	
Somerset County Interlocal Agreements:					
CDL Testing	600.00	600.00	600.00		
Recycling	47,000.00	47,000.00	38,923.20	8,076.80	
<u>PUBLIC AND PRIVATE PROGRAMS OFF-SET BY REVENUES</u>					
Safe & Secure Communities Program:					
State Share	60,000.00	60,000.00	60,000.00		
Local Share	158,000.00	158,000.00	158,000.00		
Alcohol Education Rehab Fund (NJSA 40A:4-87 \$624.62)		624.62	624.62		
Clean Communities Program	7,234.51	7,234.51	7,234.51		
N.J. Body Armor	2,525.80	5,061.18	5,061.18		
Municipal Alliance Contribution	1,500.00	1,500.00	1,500.00		
Somerset County Youth Athletic Grant (NJSA 40A:4-87 \$15,000.00)		15,000.00	15,000.00		
Recycling Tonnage (NJSA 40A:4-87 \$2,777.03)		2,777.03	2,777.03		
Municipal Stormwater Regulation Program (NJSA 40A:4-87 \$10,585.00)		10,585.00	10,585.00		
Somerset County Youth Services Grant (NJSA 40A:4-87 \$10,000.00)		10,000.00	10,000.00		
Drunk Driving Enforcement Fund	2,545.50	2,545.50	2,545.50		
Matching Funds for Grants	25,000.00	25,000.00		25,000.00	
TOTAL OPERATIONS EXCLUDED FROM "CAPS"	\$ 2,251,919.81	\$ 2,293,441.84	\$ 2,165,947.02	\$ 127,494.82	
<u>DETAIL OPERATIONS-EXCLUDED FROM "CAPS"</u>					
Salaries and Wages	\$ 19,640.00	\$ 19,640.00	\$ 19,640.00	\$	
Other Expenses	2,232,279.81	2,273,801.84	2,146,307.02	127,494.82	
<u>CAPITAL IMPROVEMENTS-EXCLUDED FROM "CAPS"</u>					
Capital Improvement Fund	\$ 144,000.00	\$ 144,000.00	\$ 144,000.00	\$	
Building & Grounds Improvements	60,000.00	60,000.00		60,000.00	
Office Equipment	4,500.00	4,500.00	1,885.31	2,614.69	
Police Four Wheel Drive Vehicles	25,500.00	25,500.00	25,500.00		
TOTAL CAPITAL IMPROVEMENTS- EXCLUDED FROM "CAPS"	\$ 234,000.00	\$ 234,000.00	\$ 171,385.31	\$ 62,614.69	

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, 2005

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
<u>MUNICIPAL DEBT SERVICE-EXCLUDED FROM "CAPS"</u>					
Payment of Bond Principal	\$ 825,000.00	\$ 825,000.00	\$ 825,000.00	\$	
Payment of BAN	60,000.00	60,000.00	60,000.00		
Interest on Bonds	320,000.00	320,000.00	316,806.50		3,193.50
Interest on Notes	40,000.00	40,000.00	36,822.42		3,177.58
Green Trust Loan	69,400.00	69,400.00	69,368.15		31.85
Economic Recovery Loan	13,800.00	13,800.00	13,551.46		248.54
NJ UST Remediation Loan	12,830.00	12,830.00	12,830.00		
NJEIT Loan	120,000.00	120,000.00	62,226.34		57,773.66
TOTAL MUNICIPAL DEBT SERVICE- EXCLUDED FROM "CAPS"	\$ 1,461,030.00	\$ 1,461,030.00	\$ 1,396,604.87	\$	\$ 64,425.13
<u>DEFERRED CHARGES-MUNICIPAL- EXCLUDED FROM "CAPS"</u>					
Deficit in Dedicated Assessment Budget	\$ 170,504.65	\$ 170,504.65	\$ 170,504.65	\$	
Deferred Charges to Future Taxation-Unfunded.					
Ordinance 01-10	65,999.00	65,999.00	65,999.00		
Ordinance 01-19	50,000.00	50,000.00	50,000.00		
Ordinance 03-01	57,500.00	57,500.00	57,500.00		
Ordinance 99-12	56,696.00	56,696.00	56,696.00		
Ordinance 99-14	69,805.00	69,805.00	69,805.00		
Ordinance 01-09	50,000.00	50,000.00	50,000.00		
TOTAL DEFERRED CHARGES-MUNICIPAL- EXCLUDED FROM "CAPS"	\$ 520,504.65	\$ 520,504.65	\$ 520,504.65	\$	\$
<u>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"</u>	<u>\$ 4,467,454.46</u>	<u>\$ 4,508,976.49</u>	<u>\$ 4,254,441.85</u>	<u>\$ 190,109.51</u>	<u>\$ 64,425.13</u>
<u>SUB-TOTAL GENERAL APPROPRIATIONS RESERVE FOR UNCOLLECTED TAXES</u>	<u>\$ 10,764,268.36</u>	<u>\$ 10,805,790.39</u>	<u>\$ 9,883,046.43</u>	<u>\$ 858,318.83</u>	<u>\$ 64,425.13</u>
<u>TOTAL GENERAL APPROPRIATIONS</u>	<u>\$ 11,300,268.36</u>	<u>\$ 11,341,790.39</u>	<u>\$ 10,419,046.43</u>	<u>\$ 858,318.83</u>	<u>\$ 64,425.13</u>
	REF.				
	A-2		A-1	A'A-1	
Amendment by (NJSA 40A:4-87)	A-2	\$ 41,522.03			
Budget	A-3	11,300,268.36			
		<u>\$ 11,341,790.39</u>			
Reserve for Uncollected Taxes	A-2		\$ 536,000.00		
Accounts Payable	A-7		465,346.90		
Reserve for Grants Appropriated	A-22		113,827.84		
Disbursements	A-4		9,385,126.23		
			<u>\$ 10,500,300.97</u>		
Less: Refunds	A-4		81,254.54		
			<u>\$ 10,419,046.43</u>		

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, 2005</u>	<u>BALANCE DECEMBER 31, 2004</u>
Assessment Fund:			
Cash	B-2: B-8	\$ 67,905.77	\$ 303,332.91
Assessment Receivable	B-3	500,837.82	593,111.60
Prospective Assessments Funded	B-5	761,294.68	88,350.00
Due Current Fund	B-4	30,268.92	
Amount To Be Raised By Taxation:			
Cancelled Assessments	B-6	3,990.00	3,990.00
		<u>\$ 1,364,297.19</u>	<u>\$ 988,784.51</u>
Animal Control Fund:			
Cash	B-2	\$ 996.55	\$ 675.31
Due Current Fund	B-24		19.00
		<u>\$ 996.55</u>	<u>\$ 694.31</u>
Other Funds:			
Cash	B-2	\$ 2,240,740.10	\$ 3,363,221.70
Due Current Fund	B-18		1,690.89
		<u>\$ 2,240,740.10</u>	<u>\$ 3,364,912.59</u>
		<u>\$ 3,606,033.84</u>	<u>\$ 4,354,391.41</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Assessment Fund:			
Assessment Serial Bonds	B-16	\$ 543,000.00	\$ 744,000.00
Assessment Loans:			
2000 Trust Loan	B-25	395,000.00	
2000 Fund Loan	B-26	240,951.65	
Due Current Fund	B-4		229,943.62
Reserve For Assessments	B-7	102,648.15	4,952.10
Fund Balance	B-1	82,697.39	9,888.79
		<u>\$ 1,364,297.19</u>	<u>\$ 988,784.51</u>
Animal Control Fund:			
Reserve For Animal Control Fund Expenditures	B-14	\$ 687.30	\$ 404.31
Due Current Fund	B-24	13.05	
Prepaid Dog Licenses	B-17	296.00	290.00
Due State of New Jersey - Dog Licenses	B-22	0.20	
		<u>\$ 996.55</u>	<u>\$ 694.31</u>
Other Funds:			
Due Current Fund	B-18	\$ 1,539.46	\$
Reserve For:			
Various Trust Deposits	B-13	156,789.77	129,690.50
COAH Deposits	B-12	124,184.42	1,139,149.47
Police Outside Overtime	B-15	19,688.28	54,756.04
Open Space Trust Deposits	B-10	906,217.27	947,847.53
State Unemployment Compensation Insurance	B-11	127,660.39	120,999.62
Recreation Deposits	B-19	26,588.43	21,428.18
Law Enforcement Trust Fund	B-20	453.63	737.65
Developers Deposits	B-21	846,527.20	950,254.58
Accounts Payable	B-9	31,091.25	49.02
		<u>\$ 2,240,740.10</u>	<u>\$ 3,364,912.59</u>
		<u>\$ 3,606,033.84</u>	<u>\$ 4,354,391.41</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, 2004	B		\$ 9,888.79
Increased by:			
Reserve for Assessments	B-7	\$ 17,210.47	
Revenue - Current Fund	B-2	<u>55,598.13</u>	
			<u>72,808.60</u>
Balance, December 31, 2005	B		\$ <u>82,697.39</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, 2005</u>	<u>BALANCE DECEMBER 31, 2004</u>
<u>ASSETS</u>			
Cash	C-2:C-3	\$ 2,460,986.73	\$ 1,858,735.85
Deferred Charges to Future Taxation:			
Funded	C-4	7,572,084.93	9,445,865.25
Unfunded	C-5	17,257,765.00	7,758,291.00
Due Current Fund	C-6	133,014.77	73,014.77
State Aid Receivable	C-18	71,250.00	285,000.00
Loans Receivable - NJ Environmental Infrastructure Trust	C-9		447,024.00
		<u>\$ 27,495,101.43</u>	<u>\$ 19,867,930.87</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Bond Anticipation Notes Payable	C-19	\$ 2,000,000.00	\$ 1,750,000.00
General Serial Bonds Payable	C-11	5,987,000.00	6,812,000.00
Contracts Payable	C-7	2,544,978.10	1,003,573.68
Accrued Interest on Sale of Bonds	C-16	3,105.00	3,105.00
Capital Improvement Fund	C-8	228,772.72	223,322.72
State of New Jersey Loan Payable:			
Environmental Infrastructure Trust Loans	C-12	590,000.00	1,030,000.00
Environmental Infrastructure Fund Loans	C-13	418,454.12	942,592.13
Economic Development Authority	C-14	146,836.91	171,606.53
Green Trust Loan Program	C-15	429,793.90	489,666.59
Improvement Authorizations:			
Funded	C-10	862,815.34	932,751.46
Unfunded	C-10	13,955,839.67	6,178,742.09
Reserve for Payment of Bond Anticipation Notes	C-17	134,500.00	134,500.00
Fund Balance	C-1	193,005.67	196,070.67
		<u>\$ 27,495,101.43</u>	<u>\$ 19,867,930.87</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, 2004	C	\$ 196,070.67
Increased by:		
Receipts	C-2	<u>38,935.00</u>
		235,005.67
Decreased by:		
Improvement Authorizations	C-10	<u>42,000.00</u>
Balance, December 31, 2005	C	<u>\$ 193,005.67</u>

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

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PUBLIC ASSISTANCE TRUST FUND

BOROUGH OF WATCHUNG

PUBLIC ASSISTANCE TRUST FUND

BALANCE SHEETS - STATUTORY BASIS

	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2004</u>	<u>BALANCE DECEMBER 31, 2003</u>
<u>ASSETS</u>			
Cash-Treasurer:			
Public Assistance Trust Fund I	E-1	\$ 8,610.85	\$ 8,452.79
Public Assistance Trust Fund II	E-1	<u>5,952.78</u>	<u>9,703.78</u>
		<u>\$ 14,563.63</u>	<u>\$ 18,156.57</u>
<u>LIABILITIES AND RESERVES</u>			
Reserve for Public Assistance:			
Public Assistance Trust Fund I		\$ 2,396.72	\$ 2,396.72
Community Emergency Fund		6,214.13	6,056.07
Public Assistance Trust Fund II		<u>5,952.78</u>	<u>9,703.78</u>
		<u>\$ 14,563.63</u>	<u>\$ 18,156.57</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 31, 2005	BALANCE DECEMBER 31, 2004
FIXED ASSETS		
Land	\$ 4,789,000.00	\$ 4,789,000.00
Buildings	6,054,980.00	6,054,980.00
Machinery and Equipment	<u>4,078,667.53</u>	<u>3,740,044.16</u>
<u>TOTAL FIXED ASSETS</u>	<u>\$ 14,922,647.53</u>	<u>\$ 14,584,024.16</u>
 RESERVE		
Investments in General Fixed Assets	<u>\$ 14,922,647.53</u>	<u>\$ 14,584,024.16</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, 2005 AND 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, 2005:

<u>Fund</u>	<u>Cash In Bank</u>	<u>Change Fund</u>	<u>Total</u>
Current Fund	\$6,809,138.28	\$250.00	\$6,809,388.28
Grant Fund	213,728.98		213,728.98
Assessment Trust Fund	67,905.77		67,905.77
Animal Control Trust Fund	996.55		996.55
Other Trust Fund	2,240,740.10		2,240,740.10
General Capital Fund	2,460,986.73		2,460,986.73
Public Assistance Trust Fund	14,563.63		14,563.63
<u>Total - December 31, 2005</u>	<u>\$11,808,060.04</u>	<u>\$250.00</u>	<u>\$11,808,310.04</u>

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

A. Deposits (Continued)

At December 31, 2005, the Borough's cash deposits in the checking and savings accounts were entirely covered by the Federal Deposit Insurance Corporation (F.D.I.C.) or by the pledged collateral pool maintained by the banks as required by New Jersey statutes.

All bank deposits and investments as of the balance sheet date are classified as to credit risk by the following three categories described below:

Category 1 - are deposits covered by federal depository insurance, or by collateral held by the Borough or its agent, in the Borough's name.

Category 2 - are deposits covered by collateral held by the pledging financial institution's trust department, or by its agent, in the Borough's name.

Category 3 - are deposits covered by collateral, held by the pledging financial institution, or its trust department, or its agent not in the Borough's name.

At December 31, 2005 all of the Borough's \$11,808,060.04 in deposits are classified as Category 1.

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.

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

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.
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: MUNICIPAL DEBT

The Local Bond Law, Chapter 40A:2, governs the issuance of bonds to finance general municipal capital expenditures. All bonds are retired in annual installments within the statutory period of usefulness. All bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond Anticipation Notes, which are issued to temporarily finance capital projects, shall mature and be paid off within ten years or financed by the issuance of bonds. A summary of bond and note transactions for the year ended December 31, 2005 are detailed on Exhibits "B-16", "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, 2005 are detailed on Exhibits "B-25", "B-26", "C-12", "C-13", "C-14", and "C-15".

SUMMARY OF MUNICIPAL DEBT

	<u>Year 2005</u>	<u>Year 2004</u>	<u>Year 2003</u>
Issued:			
General:			
Bonds and Notes	\$ 7,987,000.00	\$ 8,562,000.00	\$ 9,037,000.00
Assessment Bonds	543,000.00	744,000.00	945,000.00
Loans Payable	<u>2,221,036.58</u>	<u>2,633,535.44</u>	<u>2,823,051.33</u>
Debt Issued	\$ 10,751,036.58	\$ 11,939,535.44	\$ 12,805,051.33
Authorized But Not Issued:			
General:			
Bonds and Notes	<u>15,257,765.00</u>	<u>6,008,291.00</u>	<u>5,033,627.49</u>
TOTAL BONDS AND NOTES ISSUED AND AUTHORIZED BUT NOT ISSUED	\$ <u>26,008,801.58</u>	\$ <u>17,947,826.44</u>	\$ <u>17,838,678.82</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 1.53%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School Debt	\$ 25,433,832.26	\$ 25,433,832.26	\$
General Debt	<u>26,008,483.65</u>	<u>134,500.00</u>	<u>25,873,983.65</u>
	\$ <u>51,442,315.91</u>	\$ <u>25,568,332.26</u>	\$ <u>25,873,983.65</u>

Net debt \$25,873,983.65 divided by equalized valuation basis per N.J.S.40A:2-2, \$1,681,598,443.33 equals 1.53%.

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

Equalized Valuation Basis - December 31, 2005	\$ <u>1,488,961,426.00</u>
3 1/2% of Equalized Valuation Basis	\$ 52,113,649.91
Net Debt	<u>25,873,983.65</u>
Remaining Borrowing Power	<u>\$ 26,239,666.26</u>

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

NOTE 3: MUNICIPAL DEBT (CONTINUED)

LONG-TERM DEBT

General Serial Bonds:

\$1,292,000.00 General Obligation Bonds of 1991 due in annual installments of \$72,000.00 to \$110,000.00 through July 2006 at an interest rate of 6.40%.	\$72,000.00
\$1,724,000.00 General Obligation Bonds of 1995 due in annual installments of \$114,000.00 to \$115,000.00 through January 2010 at an interest rate of 5.75%.	574,000.00
\$9,500,000.00 General Obligation Bonds of 1999, \$8,141,000.00 of which is for Capital purposes, due in annual installments of \$400,000.00 to \$600,000.00 through May 2014 at an interest rate of 4.00% to 4.40%.	<u>5,341,000.00</u>
	<u>\$5,987,000.00</u>

Assessment Serial Bonds:

\$9,500,000.00 General Obligation Bonds of 1999, \$1,359,000.00 of which is for Assessment purposes, due in annual installments of \$135,000.00 to \$136,000.00 through May 2009 at an interest rate of 4.00% to 4.40%.	<u>\$543,000.00</u>
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Economic Development Loans:

\$128,300.00 Underground Storage Tank Remediation Loan due in annual installments of \$12,830.00 through July 2009 at an interest rate of 0.00%.	\$51,320.00
\$267,330.00 Public Works Facility Loan due in annual installments of \$11,939.57 to \$34,086.13 through August 2013 at an interest rate of 1.50%.	<u>95,516.91</u>
	<u>\$146,836.91</u>

Green Trust Loans:

\$585,780.00 Watchung Lake Purchase Loan due in annual installments of \$13,598.48 to \$19,263.64 through June 2008 at an interest rate of 2.00%.	\$94,429.71
\$500,000.00 Watchung Lake Development Loan due in annual installments of \$10,227.80 to \$15,077.03 through March 2018 at an interest rate of 2.00%.	<u>335,364.19</u>
	<u>429,793.90</u>

New Jersey Environmental Infrastructure Loans:

\$915,000.00 Infrastructure Trust Loan of 2000 due in annual installments of \$30,000.00 to \$75,000.00 through August 2020 at an interest rate of 5.00% to 5.25%.	\$785,000.00
\$872,646.00 Infrastructure Fund Loan of 2000 due in annual installments of \$10,811.19 to \$45,804.39 through August 2016 at an interest rate of 0.00%.	476,073.56
\$230,000.00 Infrastructure Trust Loan of 2001 due in annual installments of \$10,000.00 to \$15,000.00 through February 2021 at an interest rate of 4.00% 5.00%.	200,000.00
\$226,237.00 Infrastructure Fund Loan of 2001 due in annual installments of \$10,026.15 to \$13,495.28 through February 2021 at an interest rate of 0.00%.	<u>183,332.21</u>
	<u>\$1,644,405.77</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

BOND ANTICIPATION NOTE

	<u>Interest Rate</u>	<u>Issue & Maturity Dates</u>	<u>Amount</u>
General Capital	4.25%	12/6/05 - 12/5/06	\$2,000,000.00

BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

At December 31, 2005 the Borough has authorized but not issued bonds and notes as follows:

General Capital Fund	<u>\$15,257,765.00</u>
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Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued and Outstanding

<u>Calendar Year</u>	<u>Assessment</u>		<u>General</u>		<u>Total</u>
	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>		
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>543,000.00</u>	\$ <u>5,987,000.00</u>	\$ <u>1,170,892.25</u>	\$	<u>7,700,892.25</u>

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

<u>Calendar Year</u>	<u>Principal</u>	<u>Total</u>
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>51,320.00</u>	\$ <u>51,320.00</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>
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	11,939.57	179.10	12,118.67
	\$ <u>95,516.91</u>	\$ <u>6,447.40</u>	\$ <u>101,964.31</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

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

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 37,209.08	\$ 1,703.48	\$ 38,912.56
2007	37,956.98	955.58	38,912.56
2008	19,263.65	192.64	19,456.29
	<u>\$ 94,429.71</u>	<u>\$ 2,851.70</u>	<u>\$ 97,281.41</u>

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>
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	15,077.00	150.77	15,227.77
	<u>\$ 335,364.19</u>	<u>\$ 45,330.78</u>	<u>\$ 380,694.97</u>

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

<u>Calendar Year</u>	<u>General Capital Fund</u>		<u>Assessment Trust Fund</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2006	\$ 20,000.00	\$ 19,918.76	\$ 15,000.00	\$ 20,150.00	\$ 75,068.76
2007	20,000.00	18,918.76	20,000.00	19,400.00	78,318.76
2008	20,000.00	17,918.76	20,000.00	18,400.00	76,318.76
2009	20,000.00	16,918.76	20,000.00	17,400.00	74,318.76
2010	20,000.00	15,918.76	25,000.00	16,400.00	77,318.76
2011	20,000.00	14,918.76	25,000.00	15,150.00	75,068.76
2012	25,000.00	13,918.76	25,000.00	13,900.00	77,818.76
2013	25,000.00	12,668.76	25,000.00	12,650.00	75,318.76
2014	25,000.00	11,418.76	30,000.00	11,400.00	77,818.76
2015	25,000.00	10,168.76	30,000.00	9,900.00	75,068.76
2016	30,000.00	8,887.50	30,000.00	8,362.50	77,250.00
2017	30,000.00	7,350.00	30,000.00	6,825.00	74,175.00
2018	35,000.00	5,775.00	30,000.00	5,250.00	76,025.00
2019	35,000.00	3,937.50	35,000.00	3,675.00	77,612.50
2020	40,000.00	2,100.00	35,000.00	1,837.50	78,937.50
	<u>\$ 390,000.00</u>	<u>\$ 180,737.60</u>	<u>\$ 395,000.00</u>	<u>\$ 180,700.00</u>	<u>\$ 1,146,437.60</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

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

Calendar Year	General Capital Fund		Assessment Trust Fund		Total
		Principal		Principal	
2006	\$	24,259.88	\$	21,533.57	\$ 45,793.45
2007		23,652.16		24,137.21	47,789.37
2008		23,044.42		23,524.59	46,569.01
2009		22,436.69		22,911.97	45,348.66
2010		21,828.96		25,362.45	47,191.41
2011		21,221.22		24,596.67	45,817.89
2012		23,652.16		23,830.89	47,483.05
2013		22,892.49		23,065.11	45,957.60
2014		22,132.82		25,362.44	47,495.26
2015		21,373.16		24,443.51	45,816.67
2016		8,627.95		2,183.24	10,811.19
	\$	<u>235,121.91</u>	\$	<u>240,951.65</u>	\$ <u>476,073.56</u>

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

Calendar Year	Principal		Interest		Total
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>200,000.00</u>	\$	<u>88,000.00</u>	\$ <u>288,000.00</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

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

<u>Calendar Year</u>		<u>Principal</u>		<u>Total</u>
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>183,332.21</u>	\$	<u>183,332.21</u>

NOTE 4: FUND BALANCES APPROPRIATED

Fund balance at December 31, 2005 which was appropriated and included as anticipated revenue in its own respective fund for the year ending December 31, 2006 was not available.

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, 2005</u>	Balance <u>December 31, 2004</u>
Prepaid Taxes	\$ <u>215,680.81</u>	\$ <u>214,314.82</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 \$112,292.00 for 2004 and \$175,000.00 for 2005.

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 \$454,169.77 and \$388,602.22 at December 31, 2005 and 2004, 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 2005. 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 2005 audit. In addition, these programs are also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2005, 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 on Deposits</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2005	\$ 3,100.98	\$ 5,294.79	\$ 1,735.00	\$ 127,660.39
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

NOTE 13: INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances consisted of the following at December 31, 2005:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 1,552.51	\$ 171,634.69
Grant Fund	8,351.00	
Assessment Trust Fund	30,268.92	
Animal Control Trust Fund		13.05
Trust Other Fund		1,539.46
General Capital Fund	<u>133,014.77</u>	<u> </u>
	\$ <u>173,187.20</u>	\$ <u>173,187.20</u>

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

BOROUGH OF WATCHUNG
SUPPLEMENTARY SCHEDULES – ALL FUNDS
YEAR ENDED DECEMBER 31, 2005

BOROUGH OF WATCHUNGCURRENT FUNDSCHEDULE OF CASH - TREASURER

	<u>REF.</u>	<u>CURRENT FUND</u>	<u>GRANT FUND</u>
Balance, December 31, 2004	A	\$ 5,201,759.57	\$ 215,808.97
Increased by Receipts:			
Taxes Receivable	A-8	\$ 26,944,193.14	\$
Tax Overpayments	A-18	15,847.20	
Prepaid Taxes	A-19	215,680.81	
Miscellaneous Revenue Not Anticipated	A-2	1,232,456.89	
Revenue Accounts Receivable	A-9	3,169,115.04	
Petty Cash Funds	A-5	400.00	
State of New Jersey-Senior Citizens and Veterans	A-14	61,500.00	
Appropriation Refunds	A-3	81,254.54	
Interfunds Returned	A-24	379,164.91	
Prepaid Licenses	A-21	665.00	
Grants Receivable	A-10		94,593.92
Grants - Appropriated	A-22		159,500.00
Reserve for Outside Liens	A-23	59,284.61	
Due State of New Jersey - DCA	A-20	<u>13,409.00</u>	
		\$ <u>32,172,971.14</u>	<u>254,093.92</u>
		\$ <u>37,374,730.71</u>	\$ <u>469,902.89</u>
Decreased by Disbursements:			
2005 Appropriations	A-3	\$ 9,385,126.23	\$
2004 Appropriation Reserves	A-11	92,325.17	
Local District School Tax	A-16	8,894,098.00	
County Taxes	A-15	6,487,469.27	
Regional High School Tax	A-17	4,868,233.51	
Refund of Tax Overpayments	A-18	15,847.20	
Municipal Open Space Taxes	A-2	355,026.88	
Accounts Payable	A-7	340,204.79	
Due State of New Jersey - DCA	A-20	12,013.00	
Petty Cash Funds	A-5	400.00	
Reserve for Outside Liens	A-23	59,284.61	
Grants Appropriated	A-22		249,822.91
Due Current Fund	A-25		6,351.00
Interfunds Advanced	A-24	<u>55,563.77</u>	
		<u>30,565,592.43</u>	<u>256,173.91</u>
Balance, December 31, 2005	A	\$ <u>6,809,138.28</u>	\$ <u>213,728.98</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 DECEMBER 31, 2004 AND 2005</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, 2004	A		\$ 586,848.34
Increased by:			
2005 Appropriations	A-3	\$ 465,346.90	
2004 Appropriation Reserves	A-11	<u>300.00</u>	
			\$ <u>465,646.90</u>
			\$ 1,052,495.24
Decreased by:			
Canceled	A-1	194,759.16	
Disbursements	A-4	<u>340,204.79</u>	
			<u>534,963.95</u>
Balance, December 31, 2005	A		\$ <u><u>517,531.29</u></u>

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

YEAR	BALANCE DECEMBER 31, 2004	2005 LEVY	COLLECTIONS		CANCELED	BALANCE DECEMBER 31, 2005
			2004	2005		
2004	\$ 133,178.00	\$	\$	125,082.35	\$ 8,095.65	\$
2005		27,514,208.74	214,314.82	26,881,360.79	54,001.23	364,531.90
	\$ 133,178.00	\$ 27,514,208.74	\$ 214,314.82	\$ 27,006,443.14	\$ 62,096.88	\$ 364,531.90
REF.	A		A-2:A-19	A-2		A

REF.

Collector	A-4	\$ 26,944,193.14
Due From State of New Jersey Per Chapter 20, P. L. 1971	A-14	62,250.00
		<u>\$ 27,006,443.14</u>

ANALYSIS OF 2005 PROPERTY TAX LEVY

TAX YIELD			
General Purpose Tax		\$ 27,378,139.92	
Added Taxes (54:4-63.1 et. seq.)		<u>136,068.82</u>	
			\$ <u>27,514,208.74</u>
TAX LEVY			
Local District School Tax (Abstract)	A-16	\$	8,894,098.00
Regional High School Tax (Abstract)	A-17		5,178,115.94
County Taxes:			
County Tax	A-15	\$	5,348,017.33
County Library Tax	A-15		592,825.72
County Open Space Preservation Tax	A-15		514,283.21
County Added	A-15		<u>32,343.01</u>
Local Tax for Municipal Purposes (Abstract)	A-2	\$	6,487,469.27
Municipal Open Space Tax	A-1:A-2		355,026.88
Add: Additional Tax Levied			<u>144,343.10</u>
Local Tax for Municipal Purposes Levied			<u>6,954,525.53</u>
			\$ <u>27,514,208.74</u>

BOROUGH OF WATCHUNGCURRENT FUNDSCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2004</u>	<u>ACCRUED IN 2005</u>	<u>COLLECTED BY TREASURER</u>	<u>BALANCE DECEMBER 31, 2005</u>
Clerk:					
Alcoholic Beverage Licenses	A-2	\$	\$ 10,519.40	\$ 10,519.40	\$
Other Licenses	A-2		2,160.00	2,160.00	
Fees and Permits	A-2		1,515.38	1,515.38	
Uniform Construction Code Official	A-2		211,137.00	211,137.00	
Recreation: Fees and Permits	A-2		380.00	380.00	
Planning Board: Fees and Permits	A-2		1,840.00	1,840.00	
Registrar of Vital Statistics:					
Other Licenses	A-2		90.00	90.00	
Fees and Permits	A-2		16,052.00	16,052.00	
Board of Health:					
Other Licenses	A-2		15,045.50	15,045.50	
Fees and Permits	A-2		6,860.75	6,860.75	
Board of Adjustment: Fees and Permits	A-2		7,000.00	7,000.00	
Tower Lease: Fees and Permits	A-2		83,653.05	83,653.05	
Police: Fees and Permits	A-2		4,917.25	4,917.25	
Engineering					
Fees and Permits	A-2		9,230.00	9,230.00	
Bureau of Fire Prevention: Fees and Permits					
Fire Official	A-2		411.00	411.00	
Smoke Detectors	A-2		2,175.00	2,175.00	
Tax Search: Fees and Permits	A-2				
Municipal Court: Fines and Costs	A-2	18,952.62	280,856.38	280,449.14	19,359.86
Interest and Costs on Taxes	A-2		63,571.29	63,571.29	
Interest on Investments and Deposits	A-2		309,151.53	309,151.53	
Sewer Rents	A-2	23,518.73	1,011,664.00	1,028,007.73	7,175.00
Legislative Initiative Block Grant	A-2		22,359.00	22,359.00	
Consolidated Municipal Property Tax Relief Aid	A-2		320,674.00	320,674.00	
Energy Receipts Tax	A-2		649,765.00	649,765.00	
Supplemental Energy Receipts Tax	A-2		34,259.00	34,259.00	
Municipal Homeland Security Assistance	A-2		50,000.00	50,000.00	
Uniform Fire Safety Act	A-2		23,997.02	23,997.02	
Bulk Pickup Fees	A-2		13,895.00	13,895.00	
		<u>\$ 42,471.35</u>	<u>\$ 3,153,178.55</u>	<u>\$ 3,169,115.04</u>	<u>\$ 26,534.86</u>
<u>REF.</u>		A		A-4	A

BOROUGH OF WATCHUNG

GRANT FUND

SCHEDULE OF GRANTS RECEIVABLE

	BALANCE DECEMBER 31, 2004	ACCRUED 2005	RECEIPTS	BALANCE DECEMBER 31, 2005
Safe and Secure Communities	\$	\$ 60,000.00	\$ 45,000.00	\$ 15,000.00
Alcohol Education & Rehabilitation		624.62	624.62	
Recycling Tonnage Grant		2,777.03	2,777.03	
Clean Communities Program		7,234.51	7,234.51	
State of NJ - Local Library Grant	30,000.00			30,000.00
Body Armor Replacement Fund		5,061.18	5,061.18	
Stormwater Grant		10,585.00	6,351.00	4,234.00
S.C. Youth Athletic & Recreation Program	30,081.24	15,000.00	15,000.08	30,081.16
S.C. Youth Services Program		5,000.00	5,000.00	
S.C. Youth Services New Initiative		5,000.00	5,000.00	
Drunk Driving Enforcement Fund		2,545.50	2,545.50	
	<u>\$ 60,081.24</u>	<u>\$ 113,827.84</u>	<u>\$ 94,593.92</u>	<u>\$ 79,315.16</u>
<u>REF.</u>	A	A-2	A-4	A

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF 2004 APPROPRIATION RESERVES

	BALANCE DECEMBER <u>31, 2004</u>	PAID OR <u>CHARGED</u>	BALANCE <u>LAPSED</u>
<u>OPERATIONS WITHIN "CAPS"</u>			
Salaries and Wages:			
Borough Clerk	\$ 22,378.10	\$	\$ 22,378.10
Financial Administration	11.00		11.00
Assessment of Taxes	2,519.87		2,519.87
Collection of Taxes	400.63		400.63
Engineering Services	4,398.55		4,398.55
Public Buildings and Grounds	6,188.39		6,188.39
Planning Board	6,341.16		6,341.16
Board of Adjustment	2,190.85		2,190.85
Fire Official	3,902.50		3,902.50
Police	113,075.26		113,075.26
Streets & Roads	7,152.32		7,152.32
Board of Health	1,144.47		1,144.47
Administration of Public Assistance	36.94		36.94
Board of Recreation Commissioners	2,402.19		2,402.19
Community Service Committee	14.00		14.00
Construction Official	19,227.89		19,227.89
Plumbing Inspector	700.81		700.81
Electrical Inspector	624.50		624.50
Fire Subcode Inspector	338.00		338.00
Public Defender	7,600.00		7,600.00
Municipal Court	2,859.26		2,859.26
NJ PEOSHA Police Department	42,000.00		42,000.00
Free Public Library	4,160.00	4,160.00	
Other Expenses:			
Administrative & Executive	4,708.96	3,190.00	1,518.96
Mayor & Council	2,887.96	2,722.90	165.06
Clerk	11,407.70	519.44	10,888.26
Elections	592.76		592.76
Financial Administration	861.73	628.99	232.74
Assessment of Taxes	2,194.22	2,194.22	
Collection of Taxes	2,531.93	1,518.28	1,013.65
Legal Services and Costs	61,710.71	6,422.47	55,288.24
Engineering Services and Costs	18,189.35	3,993.75	14,195.60
Public Buildings and Grounds	9,077.05	4,690.79	4,386.26
Planning Board	9,920.52	3,424.00	6,496.52
Board of Adjustments	4,586.03	49.97	4,536.06
Group Insurance for Employees	44,244.30	5,090.41	39,153.89
Worker's Compensation	45.67		45.67
Worker's Compensation	33,948.04		33,948.04
Fire	517.70	504.68	13.02
Fire Official	1,200.16	396.99	803.17
Police	15,311.64	7,771.08	7,540.56
Emergency Management Services	153.30		153.30
Streets & Roads	1,313.62	302.38	1,011.24
Dog Regulation	125.75	125.75	
Administration of Public Assistance	180.00	4.00	176.00
Condo Act Reimbursement	4,000.00		4,000.00
Board of Recreation Commissioners	9,519.55	50.00	9,469.55

"A-12"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF RESERVE FOR HOMELAND SECURITY - UNAPPROPRIATED

	<u>REF.</u>	
Balance, December 31, 2004	A	\$ 50,000.00
Decreased by:		
Applied to 2005 Revenue	A-2	\$ <u>50,000.00</u>

"A-13"

SCHEDULE OF RESERVE FOR TAX APPEALS

Balance, December 31, 2004 and December 31, 2005	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, 2004	A	\$	899.79
Increased by:			
Deductions Per Tax Billings		\$	61,000.00
Senior Citizens' Deduction Allowed by Tax Collector			<u>1,250.00</u>
			\$ <u>62,250.00</u>
			\$ <u>63,149.79</u>
Decreased by:			
Receipts	A-4		<u>61,500.00</u>
Balance, December 31, 2005	A	\$	<u><u>1,649.79</u></u>
REVENUE REALIZED:			
Deductions Per Tax Billings:			
Senior Citizens		\$	6,250.00
Veterans			54,750.00
Senior Citizen Deduction Allowed by Collector			<u>1,250.00</u>
	A-8		\$ <u><u>62,250.00</u></u>

"A-15"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF COUNTY TAXES PAYABLE

	<u>REF.</u>			
2005 Tax Levy:				
County Tax	A-8	\$	5,348,017.33	
County Library Tax	A-8		592,825.72	
County Open Space Preservation Tax	A-8		514,283.21	
County Added	A-8		<u>32,343.01</u>	
	A-1			\$ 6,487,469.27
Decreased by:				
Payments	A-4			\$ <u><u>6,487,469.27</u></u>

"A-16"

SCHEDULE OF LOCAL DISTRICT SCHOOL TAXES PAYABLE

Increased by:				
2005 Tax Levy - Calendar Year	A-1:A-8	\$		8,894,098.00
Decreased by:				
Payments	A-4	\$		<u><u>8,894,098.00</u></u>

"A-17"

SCHEDULE OF REGIONAL HIGH SCHOOL TAXES PAYABLE

Balance, December 31, 2004 (Prepaid)	A	\$		149,978.28
Increased by:				
2005 Tax Levy - Calendar Year	A-1:A-8			<u>5,178,115.94</u>
		\$		<u><u>5,028,137.66</u></u>
Decreased by:				
Payments	A-4			<u>4,868,233.51</u>
Balance, December 31, 2005 (Payable)	A	\$		<u><u>159,904.15</u></u>

BOROUGH OF WATCHUNG
CURRENT FUND
SCHEDULE OF TAX OVERPAYMENTS

	<u>REF.</u>		
Increased by:			
Overpayments in 2005 - Receipts	A-4	\$	15,847.20
Decreased by:			
Refunds	A-4	\$	<u>15,847.20</u>

SCHEDULE OF PREPAID TAXES

Balance, December 31, 2004 (2005 Taxes)	A	\$	214,314.82
Increased by:			
Collections of 2006 Taxes	A-4	\$	<u>215,680.81</u>
Decreased by:			
Applied to Taxes Receivable	A-8	<u></u>	<u>214,314.82</u>
Balance, December 31, 2005 (2006 Taxes)	A	\$	<u>215,680.81</u>

"A-20"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF DUE TO STATE OF NEW JERSEY - DCA

	<u>REF.</u>	
Balance, December 31, 2004	A	\$ 3,122.00
Increased by:		
Receipts	A-4	<u>13,409.00</u>
		\$ 16,531.00
Decreased by:		
Disbursements	A-4	<u>12,013.00</u>
Balance, December 31, 2005	A	<u>\$ 4,518.00</u>

"A-21"

SCHEDULE OF PREPAID LICENSES

Balance, December 31, 2004	A	\$ 120.00
Increased by:		
Receipts	A-4	<u>665.00</u>
		\$ 785.00
Decreased by:		
Applied To Revenue	A-2	<u>120.00</u>
Balance, December 31, 2005	A	<u>\$ 665.00</u>

BOROUGH OF WATCHUNG

GRANT FUND

SCHEDULE OF RESERVE FOR GRANTS - APPROPRIATED

	BALANCE DECEMBER 31, 2004	TRANSFERRED FROM 2005 BUDGET	PAID OR CHARGED	BALANCE DECEMBER 31, 2005
Safe and Secure Communities	\$ 16,250.00	\$ 60,000.00	\$ 70,000.00	\$ 6,250.00
Match	130,296.59	158,000.00	105,507.19	182,789.40
Somerset Cty Planning Incentive Grant & Match	32,274.30			32,274.30
Cross Acceptance Program	2,000.00			2,000.00
Clean Communities Program	477.63	7,234.51	7,712.14	
Green Communities Program & Match	1,000.00			1,000.00
Special Legislative	6,375.00			6,375.00
Body Armor Replacement Fund	1,729.35	5,061.18	(974.32)	7,764.85
Federal Bulletproof Vest Fund	3,125.54		1,990.81	1,134.73
S.C. Youth Athletic & Recreation Program	8,060.24	15,000.00	18,880.40	4,179.84
S.C. Youth Services Program	750.00	5,000.00		5,750.00
S.C. Youth Initiative Grant		5,000.00		5,000.00
Alcohol Education Rehabilitation Fund	1,040.63	624.62	950.00	715.25
Drunk Driving Enforcement Fund	13,642.16	2,545.50	12,475.60	3,712.06
State of NJ - Local Library Grant	30,000.00		30,000.00	
All Hazards Emergency Oper. Planning Program	591.80			591.80
Recycling Tonnage Grant	3,819.22	2,777.03	3,819.22	2,777.03
Stormwater Grant	6,351.00	10,585.00		16,936.00
Municipal Alliance Contribution - Match		1,500.00	1,500.00	
	<u>\$ 257,783.46</u>	<u>\$ 273,327.84</u>	<u>\$ 251,861.04</u>	<u>\$ 279,250.26</u>
	REF. A			A
Grants	A-3	\$ 113,827.84		
Matching Funds for Grants	A-4	<u>159,500.00</u>		
		<u>\$ 273,327.84</u>		
Disbursements	A-4		\$ 249,822.91	
Accounts Payable	A-26		22,144.88	
Prior Year Accounts Payable	A-26		<u>(20,106.75)</u>	
			<u>\$ 251,861.04</u>	

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF RESERVE FOR OUTSIDE LIENS

	<u>REF.</u>	
Increased by:		
Receipts	A-4	\$ 59,284.61
Decreased by:		
Disbursements	A-4	\$ <u>59,284.61</u>

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF INTERFUNDS

REF.	TOTAL	GRANT FUND	ASSESSMENT TRUST FUND	ANIMAL CONTROL TRUST FUND	OTHER TRUST FUND	GENERAL CAPITAL FUND
Balance, December 31, 2004:						
Interfunds Receivable	\$ 229,943.62	\$	\$ 229,943.62	\$	\$	\$
Interfunds Payable	76,724.66	2,000.00		19.00	1,690.89	73,014.77
Receipts	379,164.91	6,351.00	278,433.53		34,380.38	60,000.00
Reserve Canceled	300.00				300.00	
Disbursements	55,563.77		18,220.99	32.05	37,310.73	
Balance, December 31, 2005:						
Interfunds Receivable	\$ 1,552.51	\$	\$	\$ 13.05	\$ 1,539.46	\$
Interfunds Payable	171,634.69	8,351.00	30,268.92			133,014.77

BOROUGH OF WATCHUNG

GRANT FUND

SCHEDULE OF DUE CURRENT FUND

	<u>REF.</u>	
Balance, December 31, 2004 (Due From)	A	\$ 2,000.00
Increased by:		
Disbursements	A-4	<u>6,351.00</u>
Balance, December 31, 2005 (Due From)	A	<u>\$ 8,351.00</u>

SCHEDULE OF ACCOUNTS PAYABLE

Balance, December 31, 2004	A	\$ 20,106.75
Increased by:		
Grants Appropriated	A-22	<u>22,144.88</u>
		\$ 42,251.63
Decreased by:		
Transferred to Grants Appropriated	A-22	<u>20,106.75</u>
Balance, December 31, 2005	A	<u>\$ 22,144.88</u>

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF CASH-TREASURER

REF.	ASSESSMENT	ANIMAL CONTROL	OTHER
B	\$ 303,332.91	\$ 675.31	\$ 3,363,221.70
Balance, December 31, 2004			
Increased by Receipts:			
	\$ 92,273.78	\$	\$
B-3; B-8	Assessment Receivable		
B-4; B-8; B-18; B-24	Due Current Fund	32.05	37,310.73
B-7	Current Fund Anticipated Revenue		
B-1; B-8	Current Fund Revenue - Fund Balance Deficit		
B-17	Prepaid Dog Licenses	296.00	
B-22	Due State of New Jersey - Dog Licenses	392.40	
B-14	Animal Control Licenses	2,270.60	
B-13	Reserve For Various Trust Deposits		69,854.80
B-12	Reserve For COAH Deposits		122,702.94
B-15	Reserve For Police Outside Overtime		208,900.50
B-10	Reserve For Open Space Trust Deposits		378,669.74
B-11	Reserve For State Unemployment Insurance		8,395.77
B-19	Reserve For Recreation Deposits		12,300.00
B-20	Reserve For Law Enforcement Trust Fund		4.88
B-21	Reserve For Developers Deposits		238,603.07
B-23	Reserve For Redemption Of Outside Liens		59,284.61
	\$ 280,999.42	\$ 2,991.05	\$ 1,136,027.04
	\$ 584,332.33	\$ 3,666.36	\$ 4,499,246.74
Decreased by Disbursements:			
B-4; B-8; B-18	Due Current Fund	\$	\$ 34,380.38
B-8; B-16	Assessment Serial Bonds		
B-25	Assessment Loans - Trust Loan		
B-26	Assessment Loans - Fund Loan		
B-22	Due State of New Jersey - Dog Licenses	451.00	
B-14	Reserve For Animal Control Expenditures	2,218.81	
B-13	Reserve For Various Trust Deposits		37,785.53
B-12	Reserve For COAH Deposits		1,137,667.99
B-15	Reserve For Police Outside Overtime		243,968.26
B-10	Reserve For Open Space Trust Deposits		404,633.75
B-11	Reserve For State Unemployment Insurance		1,735.00
B-19	Reserve For Recreation Deposits		6,884.75
B-20	Reserve For Law Enforcement Trust Fund		288.90
B-21	Reserve For Developers Deposits		331,879.47
B-23	Reserve For Redemption Of Outside Liens		59,284.61
	\$ 516,426.56	\$ 2,669.81	\$ 2,258,508.64
B	\$ 67,905.77	\$ 996.55	\$ 2,240,740.10
Balance, December 31, 2005			

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF ASSESSMENTS RECEIVABLE

ASSESSMENT TRUST FUND

ORDINANCE	IMPROVEMENT DESCRIPTION	DATE OF CONFIRMATION	ANNUAL INSTALLMENTS	DUE DATES	BALANCE DECEMBER 31, 2004	COLLECTED	BALANCE DECEMBER 31, 2005	BALANCE PLEDGED TO	
								RESERVE	CAPITAL
12/22/88 & 09/21/90	Various Road Improvements	11/14/96	10	01/14/06	\$ 7,015.90	\$ 4,209.62	\$ 2,806.28	\$ 2,806.28	\$
12/22/88 & 09/21/90	Construction of Sanitary Sewer - Various Roads	10/23/97	10	06/1/06	18,014.30	10,524.65	7,489.65	7,489.65	
10/12/95	Curbing on Sherwood, Fair, and Elsinore	11/12/98	10	06/1/06 - 07	3,648.07	1,216.13	2,431.94		2,431.94
10/22/87, 11/10/88 & 05/22/89	Construction of Sanitary Sewer - Vail Lane	06/18/98	10	06/1/06 - 07	4,952.10	2,473.20	2,475.90	2,475.90	
88-20 & 95-11	Construction of Sanitary Sewer - Various Roads	06/28/01	10	06/28/05 - 11	477,075.28	59,259.96	417,816.32	89,876.32	327,940.00
97-02	Construction of Sanitary Sewer and P.W. Improv.	11/8/01	10	11/8/06 - 11	82,405.95	14,589.22	67,817.73		67,817.73
					\$ 593,111.60	\$ 92,273.78	\$ 500,837.82	\$ 102,648.15	\$ 398,189.67

REF

B

B-2

6

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

	<u>REF.</u>	
Balance, December 31, 2004 (Due To)	B	\$ 229,943.62
Increased by:		
Receipts	B-2	18,220.99
		\$ 248,164.61
Decreased by:		
Disbursements	B-2	278,433.53
Balance, December 31, 2005 (Due From)	B	\$ 30,268.92

SCHEDULE OF PROSPECTIVE ASSESSMENTS FUNDED
ASSESSMENT TRUST FUND

<u>ORDINANCE NUMBER</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE DECEMBER 31, 2004</u>	<u>LOAN TRANSFERRED FROM GENERAL CAPITAL</u>	<u>BALANCE DECEMBER 31, 2005</u>
96-16	Improvements to Will Lane & Brook Drive	\$ 88,350.00	\$	\$ 88,350.00
99-12,99-13 & 99-14	Sanitary Sewer Improvements		672,944.68	672,944.68
		\$ 88,350.00	\$ 672,944.68	\$ 761,294.68
	<u>Ref.</u>	B		B
	<u>Ref.</u>			
	2000 Fund Loan Transferred from General Capital Fund	B-25	\$ 410,000.00	
	2000 Trust Loan Transferred from General Capital Fund	B-26	374,678.18	
	Decrease in Loan Principal per Lender	B-26	(111,733.50)	
			\$ 672,944.68	

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, 2005</u>	<u>ANALYSIS OF</u> <u>BALANCE</u>
			<u>ASSESSMENTS</u> <u>CANCELLED</u>
12/22/88	Improvement to Sewer System - Nottingham Drive	\$ 3,990.00	\$ 3,990.00
		<u>\$ 3,990.00</u>	<u>\$ 3,990.00</u>
		<u>REF.</u>	<u>B</u>

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>	<u>CURRENT</u> <u>BUDGET</u> <u>FOR</u> <u>DEFICIT</u>	<u>COLLECTIONS</u> <u>TO SURPLUS</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2005</u>
87-22	Construction of Sanitary Sewer - Vail Lane	\$ 4,952.10	\$	\$ 2,476.20	\$ 2,475.90
88-12	Construction of Sanitary Sewer - Parlin		18,014.30	10,524.65	7,489.65
88-12	Construction of Sanitary Sewer - Oakridge		7,015.90	4,209.62	2,806.28
88-20	Construction of Sanitary Sewer - Valley		89,876.32		89,876.32
		<u>\$ 4,952.10</u>	<u>\$ 114,906.52</u>	<u>\$ 17,210.47</u>	<u>\$ 102,648.15</u>
		<u>REF.</u>	<u>B</u>	<u>B-1</u>	<u>B</u>

BOROUGH OF WATCHUNG

TRUST FUND

ANALYSIS OF ASSESSMENT CASH

FOR THE YEAR ENDED DECEMBER 31, 2005
ASSESSMENT TRUST FUND

Fund Balance	BALANCE DECEMBER 31, 2004	ASSESSMENTS RECEIVABLE	RECEIPTS CURRENT BUDGET	DISBURSEMENTS		BALANCE DECEMBER 31, 2005
				MISCELLANEOUS	BONDS AND LOANS	
	\$ 9,888.79	\$ 17,210.47	\$ 55,598.13	\$	\$	\$ 82,697.39
Assessment Serial Bonds: Ordinance Date:						
12/22/88			27,050.00	27,050.00		
12/22/88 & 9/21/90	1,745.85		11,454.15	13,200.00		
12/22/88 & 9/21/90	16,038.48		8,711.52	24,750.00		
10/12/95	48,461.93	1,216.13		10,438.00		39,240.06
3/13/97	18,755.21	14,588.22	30,697.82	34,585.00		29,456.25
5/9/96	(28,241.27)	59,258.96		82,135.00		(51,117.31)
7/18/96	6,740.30			8,842.00		(2,101.70)
Assessment Loans: Ordinance Number						
99-12, 99-13 & 99-14			36,993.03	36,993.03		
Due Current Fund	229,943.62				18,220.99	(30,288.92)
	\$ 303,332.91	\$ 92,273.78	\$ 170,504.65	\$ 237,993.03	\$ 278,433.53	\$ 67,905.77
REF:	B	B-2	B-2	B-2	B-2	B

"B-9"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR ACCOUNTS PAYABLE

OTHER TRUST FUND

	<u>REF.</u>		
Balance, December 31, 2004	B	\$	49.02
Increased by:			
Reserve for:			
Various Trust Deposits	B-13	\$	4,670.00
Open Space Deposits	B-10		15,666.25
Recreation Deposits	B-19		255.00
Developers Deposits	B-21		10,500.00
			<u>31,091.25</u>
		\$	<u>31,140.27</u>
Decreased by:			
Accounts Payable Prior Year-Developers Deposits	B-21		<u>49.02</u>
Balance, December 31, 2005	B	\$	<u><u>31,091.25</u></u>

"B-10"

SCHEDULE OF RESERVE FOR OPEN SPACE DEPOSITS

OTHER TRUST FUND

Balance, December 31, 2004	B	\$	947,847.53
Increased by:			
Open Space Taxes		\$	355,026.88
Interest Earned			<u>23,642.86</u>
	B-2		<u>378,669.74</u>
		\$	<u>1,326,517.27</u>
Decreased by:			
Disbursements	B-2	\$	404,633.75
Accounts Payable	B-9		<u>15,666.25</u>
			<u>420,300.00</u>
Balance, December 31, 2005	B	\$	<u><u>906,217.27</u></u>

"B-11"

BOROUGH OF WATCHUNG

TRUST FUND

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

OTHER TRUST FUND

	<u>REF.</u>		
Balance, December 31, 2004	B	\$	120,999.62
Increased by:			
SUI Deposits		\$	5,294.79
Interest Earned			<u>3,100.98</u>
	B-2		<u>8,395.77</u>
		\$	<u>129,395.39</u>
Decreased by:			
Disbursements	B-2		<u>1,735.00</u>
Balance, December 31, 2005	B	\$	<u><u>127,660.39</u></u>

"B-12"

SCHEDULE OF RESERVE FOR COAH DEPOSITS
OTHER TRUST FUND

Balance, December 31, 2004	B	\$	1,139,149.47
Increased by:			
Receipts	B-2		<u>122,702.94</u>
		\$	<u>1,261,852.41</u>
Decreased by:			
Disbursements	B-2		<u>1,137,667.99</u>
Balance, December 31, 2005	B	\$	<u><u>124,184.42</u></u>

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR MISCELLANEOUS TRUST DEPOSITS

OTHER TRUST FUND

	BALANCE DECEMBER 31, 2004	INCREASED	DECREASED	BALANCE DECEMBER 31, 2005
Bequests & Gifts	\$ 11,379.30	\$ 6,896.00	\$ 5,529.00	\$ 12,746.30
Imp. to Borough Property - Donation	3,290.00	1,095.00		4,385.00
Tax Premiums	24,000.00	20,000.00	15,000.00	29,000.00
3rd Party Inspection Fees	512.36			512.36
POAA	843.95	32.00		875.95
Due State of NJ - Marriage Licenses	525.00	750.00	1,125.00	150.00
Fire Safety Penalties	20,191.97	7,750.00	1,620.00	26,321.97
Fire Department Penalties	5,844.92	1,250.00		7,094.92
Public Defender	3,161.00	23,439.50	9,235.00	17,365.50
Sidewalk Fund	14,942.00	8,642.30		23,584.30
Accumulated Sick and Vacation	45,000.00		10,246.53	34,753.47
	<u>\$ 129,690.50</u>	<u>\$ 69,854.80</u>	<u>\$ 42,755.53</u>	<u>\$ 156,789.77</u>

REF.	B	B-2	B
B-2		\$ 37,785.53	
B-9		4,670.00	
B-18		<u>300.00</u>	
		\$ 42,755.53	

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, 2004	B		\$ 404.31
Increased by:			
Dog License Fees	B-2	\$ 2,093.60	
Cat License Fees	B-2	177.00	
Prior Year Prepaid Applied	B-17	<u>231.20</u>	
			\$ <u>2,501.80</u>
Decreased by:			
Disbursements Under R.S. 4:19-15.11	B-2		<u>2,218.81</u>
Balance, December 31, 2005	B		\$ <u><u>687.30</u></u>

<u>LICENSE FEES COLLECTED</u>	
<u>YEAR</u>	<u>AMOUNT</u>
2004	\$ 2,004.00
2003	<u>2,075.40</u>
	\$ <u><u>4,079.40</u></u>

SCHEDULE OF RESERVE FOR POLICE OUTSIDE OVERTIME
OTHER TRUST FUND

Balance, December 31, 2004	B		\$ 54,756.04
Increased by:			
Receipts	B-2		<u>208,900.50</u>
			\$ <u>263,656.54</u>
Decreased by:			
Disbursements	B-2		<u>243,968.26</u>
Balance, December 31, 2005	B		\$ <u><u>19,688.28</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>BALANCE</u>	<u>BALANCE</u>
						<u>DECEMBER 31, 2004</u>	<u>DECEMBER 31, 2005</u>
Construction and Extension of Sanitary Sewer System/ Various Road Improvements	01/01/95	\$ 650,000.00	\$	65,000.00	5.75%	\$ 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		136,000.00	4.00%		
				136,000.00	4.10%		
				136,000.00	4.35%		
				135,000.00	4.35%	679,000.00	543,000.00
						\$ 744,000.00	\$ 543,000.00
							201,000.00

REF

B

B-2

B

B

"B-17"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF PREPAID DOG LICENSES
ANIMAL CONTROL TRUST FUND

	<u>REF.</u>		
Balance, December 31, 2004	B	\$	290.00
Increased by:			
Receipts	B-2		<u>296.00</u>
		\$	586.00
Decreased by:			
Prior Year Prepaid Applied to Due State	B-22	\$	58.80
Prior Year Prepaid Applied to Reserve	B-14		<u>231.20</u>
			<u>290.00</u>
Balance, December 31, 2005	B	\$	<u><u>296.00</u></u>

"B-18"

SCHEDULE OF DUE CURRENT FUND - OTHER TRUST FUND

Balance, December 31, 2004 (Due From)	B	\$	1,690.89
Increased by:			
Disbursements	B-2		<u>34,380.38</u>
		\$	36,071.27
Decreased by:			
Receipts	B-2	\$	37,310.73
Reserve Canceled	B-13		<u>300.00</u>
			<u>37,610.73</u>
Balance, December 31, 2005 (Due To)	B	\$	<u><u>1,539.46</u></u>

"B-19"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR RECREATION DEPOSITS
OTHER TRUST FUND

	<u>REF.</u>		
Balance, December 31, 2004	B	\$	21,428.18
Increased by:			
Receipts	B-2		<u>12,300.00</u>
		\$	33,728.18
Decreased by:			
Disbursements	B-2	\$	6,884.75
Accounts Payable	B-9		<u>255.00</u>
			<u>7,139.75</u>
Balance, December 31, 2005	B	\$	<u><u>26,588.43</u></u>

"B-20"

SCHEDULE OF RESERVE FOR LAW ENFORCEMENT TRUST FUND
OTHER TRUST FUND

Balance, December 31, 2004	B	\$	737.65
Increased by:			
Receipts	B-2		<u>4.88</u>
		\$	742.53
Decreased by:			
Disbursements	B-2		<u>288.90</u>
Balance, December 31, 2005	B	\$	<u><u>453.63</u></u>

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR DEVELOPERS' DEPOSITS
OTHER TRUST FUND

	<u>REF.</u>		
Balance, December 31, 2004	B		\$ 950,254.58
Increased by:			
Receipts	B-2	\$ 238,603.07	
Transfer Prior Year Accounts Payable	B-9	<u>49.02</u>	
			<u>238,652.09</u>
			\$ 1,188,906.67
Decreased by:			
Disbursements	B-2	\$ 331,879.47	
Accounts Payable	B-9	<u>10,500.00</u>	
			<u>342,379.47</u>
Balance, December 31, 2005	B		\$ <u>846,527.20</u>

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

Increased by:			
Receipts	B-2	\$ 392.40	
Prior Year Prepaid Applied	B-17	<u>58.80</u>	
			\$ 451.20
Decreased by:			
Disbursements	B-2		<u>451.00</u>
Balance, December 31, 2005	B		\$ <u>0.20</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	\$	59,284.61
Decreased by:			
Disbursements	B-2	\$	<u>59,284.61</u>

SCHEDULE OF DUE CURRENT FUND
ANIMAL CONTROL TRUST FUND

Balance, December 31, 2004 (Due From)	B	\$	19.00
Decreased by:			
Receipts	B-2	\$	<u>32.05</u>
Balance, December 31, 2005 (Due To)	B	\$	<u>13.05</u>

"B-25"

BOROUGH OF WATCHUNG
TRUST FUND

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

PURPOSE	DATE OF ISSUE	ORIGINAL ISSUE	DATE	PRINCIPAL REQUIREMENTS OF LOAN OUTSTANDING DECEMBER 31, 2005	INTEREST RATE	INCREASED	DECREASED	BALANCE DECEMBER 31, 2005
NJ Environmental Infrastructure Trust 2000	11/09/00	\$ 915,000.00	08/01/06	\$ 15,000.00	5.00%			
			08/01/07-09	20,000.00	5.00%			
			8/1/10-13	25,000.00	5.00%			
			08/01/14	30,000.00	5.00%			
			8/1/15-16	30,000.00	5.13%			
			08/01/17-18	30,000.00	5.25%			
			8/1/19-20	35,000.00	5.25%			
						\$ 410,000.00	\$ 15,000.00	\$ 995,000.00
						\$ 410,000.00	\$ 15,000.00	\$ 995,000.00

REF

B-5

B-2

B

"B-26"

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

PURPOSE	DATE OF ISSUE	ORIGINAL ISSUE	DATE	PRINCIPAL REQUIREMENTS OF LOAN OUTSTANDING DECEMBER 31, 2005	INCREASED	DECREASED	BALANCE DECEMBER 31, 2005
NJ Environmental Infrastructure Trust 2000	11/09/00	\$ 872,646.00	08/01/06	\$ 21,533.57			
			08/01/07	24,137.21			
			08/01/08	23,524.59			
			08/01/09	22,911.97			
			08/01/10	25,362.45			
			08/01/11	24,596.67			
			08/01/12	23,830.89			
			08/01/13	23,065.11			
			08/01/14	25,362.44			
			08/01/15	24,443.51			
			2,183.24				
				\$ 374,678.18	\$ 133,726.53	\$	\$ 240,951.65
				\$ 374,678.18	\$ 133,726.53	\$	\$ 240,951.65

REF

B-5

B

B

Paid in 2005
Decrease in Loan Principal per Lender

\$ 21,993.03
111,733.50
\$ 133,726.53

BOROUGH OF WATCHUNGGENERAL CAPITAL FUNDSCHEDULE OF CASH - TREASURER

	<u>REF.</u>		
Balance, December 31, 2004	C		\$ 1,858,735.85
Increased by Receipts:			
Deferred Charges To Future Taxation - Unfunded	C-5	\$ 570,000.00	
Reserve for Open Space	C-10	400,000.00	
Fund Balance	C-1	38,935.00	
Improvement Authorization Refunds	C-10	22,906.98	
State Aid Receivable	C-18	213,750.00	
Bond Anticipation Notes Payable	C-19	2,000,000.00	
Capital Improvement Fund	C-8	<u>144,000.00</u>	
			<u>3,389,591.98</u>
			\$ <u>5,248,327.83</u>
Decreased by Disbursements:			
Contracts Payable	C-7	\$ 1,037,341.10	
Due Current Fund	C-6	60,000.00	
Bond Anticipation Notes Payable	C-19	<u>1,690,000.00</u>	
			<u>2,787,341.10</u>
Balance, December 31, 2005	C		\$ <u><u>2,460,986.73</u></u>

"C-3"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

ANALYSIS OF CASH

	<u>REF.</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2005</u>
Fund Balance		\$ 193,005.67
Capital Improvement Fund		228,772.72
Improvement Authorizations-Funded		862,815.34
Reserve for Payment of Bond Anticipation Notes		134,500.00
Unfunded Improvements Expended - Listed on "C-5"		(2,190,931.97)
Contracts Payable		2,544,978.10
Unexpended Proceeds of Bond Anticipation Notes - Listed on "C-5"		889,006.64
Due Current Fund		(133,014.77)
State Aid Receivable		(71,250.00)
Accrued Interest On Sale of Bonds		<u>3,105.00</u>
	C	\$ <u>2,460,986.73</u>

"C-4"

SCHEDULE OF DEFERRED CHARGES TO
FUTURE TAXATION FUNDED

Balance, December 31, 2004	C		\$ 9,445,865.25
Decreased by:			
2005 Budget Appropriation to Pay Bonds	C-11	\$ 825,000.00	
2005 Budget Appropriation to Pay Loan:			
Environmental Infrastructure Trust Loans	C-12	30,000.00	
Environmental Infrastructure Fund Loans	C-13	37,726.33	
Economic Development Authority	C-14	24,769.62	
Green Trust Loan Program	C-15	59,872.69	
Transfer Loans Payable to Assessment Trust Fund	C-12:C-13	784,678.18	
Reduction in Fund Loan Principal per Lender	C-13	<u>111,733.50</u>	
			<u>1,873,780.32</u>
Balance, December 31, 2005	C		\$ <u>7,572,084.93</u>

"C-6"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF DUE CURRENT FUND

	<u>REF.</u>	
Balance, December 31, 2004 (Due From)	C	\$ 73,014.77
Increase by:		
Disbursements	C-2	<u>60,000.00</u>
Balance, December 31, 2005 (Due From)	C	\$ <u><u>133,014.77</u></u>

"C-7"

SCHEDULE OF CONTRACTS PAYABLE

Balance, December 31, 2004	C	\$ 1,003,573.68
Increased by:		
Improvement Authorizations	C-10	<u>2,597,760.77</u>
		\$ <u>3,601,334.45</u>
Decreased by:		
Disbursements	C-2	\$ 1,037,341.10
Canceled Payables	C-10	<u>19,015.25</u>
		<u>1,056,356.35</u>
Balance, December 31, 2005	C	\$ <u><u>2,544,978.10</u></u>

"C-8"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>REF.</u>		
Balance, December 31, 2004	C	\$	223,322.72
Increased by:			
2005 Budget Appropriation	C-2	\$	<u>144,000.00</u>
			367,322.72
Decreased by:			
Appropriated to Finance Improvement Authorizations	C-10		<u>138,550.00</u>
Balance, December 31, 2005	C	\$	<u><u>228,772.72</u></u>

"C-9"

SCHEDULE OF LOANS RECEIVABLE - NJ ENVIRONMENTAL INFRASTRUCTURE TRUST

Balance, December 31, 2004	C	\$	447,024.00
Decreased by:			
Cancel Loans Receivable	C-5	\$	<u><u>447,024.00</u></u>

BOROUGH OF WATCHUNG
GENERAL CAPITAL FUND

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

ORDINANCE NUMBER	IMPROVEMENT AUTHORIZATIONS	DATE	ORDINANCE AMOUNT	BALANCE FUNDED	2004 UNEFUNDED	2005 AUTHORIZATIONS	REFUNDS	CONTRACTS PAYABLE	CONTRACTS PAYABLE CANCELED	BALANCE DECEMBER 31, 2005 FUNDED	UNFUNDED
91-18	Rehabilitation of 9 Dwellings Pursuant to the Watchung Borough Rehabilitation Program	07/18/91	\$ 95,000.00	\$ 40,004.13	\$	\$	\$	\$	\$	\$ 40,004.13	\$
96-16	Construction of Improvements to Will Ln, Brook Dr	07/18/96	93,000.00	40,568.90						40,568.90	
97-17	Reconstruction of Johnson Drive (Section 1)	12/16/97	300,000.00	842.50				52.50		780.00	
98-08	Acquisition of Equipment and Capital Improvements	03/26/98	44,000.00	270.50						270.50	
98-22	Road Improvements	08/20/98	300,000.00								80,500.00
98-23	Rehabilitation of Dwellings Pursuant to COAH Plan	09/24/98	50,000.00	4,500.00	80,500.00					4,500.00	80,500.00
99-12, 04-02 & 04-22	Installation of Sanitary Sewer and Public Water Connections along Century Ln., Cardinal Dr., Pheo Dr., Old Somerset Rd. & Valley Rd.	09/09/99	1,500,000.00	210,872.34	50,636.99			10,780.50		35,276.04	223,512.00
99-14, 02-05 & 04-06	Installation of Sanitary Sewer and Public Water Connections - Oakwood & Valley Roads	09/09/99	825,000.00	202,113.65	60,805.00		1,950.00	2,488.80		107,808.05	223,512.00
00-05	General Road Resurfacing and Rehabilitation Projects	03/03/00	250,000.00	2,713.93				2,713.93			
00-10	Acquisition of Equipment of Various Public Works Improvements	00/08/00	170,000.00	8,299.00							
00-12	Sewer Design, Construction & Rehabilitation	00/08/00	100,000.00	10,740.43				10,740.43			
01-08	Acquisition of Equipment of Various Public Works Improvements	00/08/00	100,000.00								
01-09	Acquisition of Equipment of Various Public Works Improvements	04/26/01	178,476.00	33,887.07				1,880.00		32,007.09	
01-10 & 02-20	Various 2001 Capital Improvements	04/26/01	165,000.00		50,249.82			33,349.82			2,594,007.64
01-19 & 02-04	General Road Resurfacing and Rehabilitation Projects	04/26/01	5,329,750.00		2,643,255.32			40,247.88	15,154.85		13,154.85
03-01	Purchase of Front End Loader	10/12/01	575,000.00								
03-03	Various Road Sanitary Sewer Improvement Project	03/13/03	105,000.00		7,581.02			20.66			
03-04	Various Road Water Improvement Project	03/27/03	1,264,550.00		1,037,000.00			1,600.00			
03-12	Remediation of Underground Storage Tanks	06/26/03	602,700.00		447,600.00			7,252.92			1,095,400.00
03-13	Acquisition of Police Equipment	06/26/03	40,000.00					10,850.00		1,500.00	440,347.05
03-14	Improvement of Anderson Road	06/26/03	10,000.00							450.36	
04-04	Acquisition of Fire, OEM, & Construction Equipment	09/11/03	308,000.00		108,000.00		14,325.28	255,119.20	3,860.40	20,657.00	
04-05	Acquisition of 577 Dump Truck	05/27/04	110,000.00								
04-06	Acquisition of Police, Recreation, Fire, & Rescue Equip.	07/15/04	38,793.00								
04-10	Various Public Improvements	08/12/04	878,500.00	58,263.78	706,325.00		6,631.70	20,145.55		44,749.93	335,641.77
04-14	Road Resurfacing & Rehabilitation Projects	09/23/04	100,000.00	70,194.13				440,877.36			
04-15	Police Facility Rock Slope Retention Remediation	09/23/04	630,000.00		96,720.43			90,720.43			
04-24	Various Sewer & Water Improvement Projects	11/15/04	152,000.00	31,500.00	598,500.00					31,500.00	598,500.00
05-05	Improvements to Best Lake	06/23/05	75,000.00	7,500.00	144,400.00			152,000.00			
05-06	Various Communications Equipment	06/23/05	225,000.00			75,000.00		481,700.00			26,300.00
05-07	Various Public Works Improvements	06/23/05	1,471,000.00			1,471,000.00		102,504.76			20,485.24
05-10	Acquisition of Real Property for Open Space	07/21/05	8,400,000.00			8,400,000.00		1,182,500.91		400,000.00	288,460.00
05-11	Equipment-Court, Rescue Squad, & Police	09/08/05	42,000.00			42,000.00		6,850.62			8,000,000.00
05-13	Acquisition of Fire Truck	09/22/05	50,000.00			50,000.00				50,000.00	

	REF	C	C	C-2	C-7	C	C-7	C	C-5
	\$ 932,751.40	\$ 6,478,742.09	\$ 10,265,000.00	\$ 22,800.00	\$ 2,597,769.77	\$ 19,015.25	\$ 662,815.34	\$ 13,053,609.67	
Bonds & Notes									
Fund Balance			\$ 9,682,450.00						
Capital Improvement Fund			42,000.00						
Transfer from Open Space Trust Fund			138,550.00						
			400,000.00						
			\$ 10,263,000.00						

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, 2004</u>	<u>BALANCE DECEMBER 31, 2005</u>	<u>PAID IN 2005</u>	<u>BALANCE DECEMBER 31, 2005</u>	<u>REF.</u>
General Improvement	07/01/91	\$ 1,292,000.00	\$ 72,000.00	6.40%	\$ 182,000.00	\$ 110,000.00	\$	72,000.00	C
General Improvement	01/01/95	1,724,000.00	115,000.00	5.75%	689,000.00	115,000.00	115,000.00	574,000.00	
General Improvement	05/01/99	8,141,000.00	600,000.00	4.00%					
			600,000.00	4.10%					
			600,000.00	4.35%					
			600,000.00	4.38%					
			600,000.00	4.40%					
			541,000.00	4.40%					
					5,941,000.00	600,000.00	600,000.00	5,341,000.00	
					\$ 6,812,000.00	\$ 825,000.00	\$	5,987,000.00	C-4

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, 2005</u>	<u>AMOUNT</u>	<u>BALANCE DECEMBER 31, 2004</u>	<u>PAID IN 2005</u>	<u>BALANCE DECEMBER 31, 2005</u>	<u>REF.</u>
New Public Works Facility	\$ 143,275.00	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	\$ 107,456.53	\$ 11,939.62	\$ 95,516.91	
Underground Storage Tanks	102,640.00	08/01/06		12,830.00				
		08/01/07		12,830.00				
		08/01/08		12,830.00				
		08/01/09		12,830.00		12,830.00	51,320.00	
					64,150.00			
					\$ 171,606.53	\$ 24,769.62	\$ 146,836.91	
						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, 2005</u>	<u>AMOUNT</u>	<u>BALANCE</u>	
					<u>DECEMBER 31, 2004</u>	<u>DECEMBER 31, 2005</u>
Acquire Watchung Lake	\$ 236,077.00	08/01/06	\$ 37,209.08			
		08/01/07	37,956.98			
		08/01/08	19,263.64	\$	130,905.62	\$ 36,475.91
Watchung Lake Development	425,903.00	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			
					<u>358,760.97</u>	<u>23,396.78</u>
					\$ 489,666.59	\$ 59,872.69
					<u>429,793.90</u>	<u>335,364.19</u>

REF. C C-4 C

"C-16"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF ACCRUED INTEREST ON SALE OF BONDS

	<u>REF.</u>	
Balance, December 31, 2004 and December 31, 2005	C	\$ <u>3,105.00</u>

"C-17"

SCHEDULE OF RESERVE FOR PAYMENT OF BOND ANTICIPATION NOTES

Balance, December 31, 2004 and December 31, 2005	C	\$ <u>134,500.00</u>
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"C-18"

SCHEDULE OF STATE AID RECEIVABLE

Balance, December 31, 2004	C	\$ 285,000.00
Decreased by: Receipts	C-2	<u>213,750.00</u>
Balance, December 31, 2005	C	\$ <u>71,250.00</u>

ANALYSIS OF BALANCE:

04-10 Various Public Improvements		\$ <u>71,250.00</u>
		\$ <u>71,250.00</u>

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

<u>ORDINANCE</u>	<u>ORIGINAL DATE OF ISSUE</u>	<u>DATE OF ISSUE</u>	<u>DATE OF MATURITY</u>	<u>INTEREST RATE</u>	<u>BALANCE DECEMBER 31, 2004</u>	<u>INCREASED</u>	<u>DECREASED</u>	<u>BALANCE DECEMBER 31, 2005</u>
Various Public Improvements	12/5/00	12/5/03	12/4/04	2.11%	\$ 1,750,000.00	\$	\$ 1,750,000.00	\$
Various Public Improvements	12/5/00	12/3/04	12/2/05	4.25%		2,000,000.00		2,000,000.00
					<u>\$ 1,750,000.00</u>	<u>\$ 2,000,000.00</u>	<u>\$ 1,750,000.00</u>	<u>\$ 2,000,000.00</u>
		<u>REF.</u>	<u>C</u>			<u>C-2</u>		<u>C-5</u>
Bond Anticipation Note Paid By Budget Disbursements							\$ 60,000.00	
							<u>1,690,000.00</u>	
							<u>\$ 1,750,000.00</u>	

BOROUGH OF WATCHUNGGENERAL CAPITAL FUNDSCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

<u>ORDINANCE NUMBER</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE DECEMBER 31, 2005</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	223,512.00
99-14/02-05/04-06	Installation of Sanitary Sewer and Public Water Connections - Oakwood & Valley Rds	223,512.00
00-06	Various Public Works & Police Facility Improvements	31,500.00
01-09	Purchase of Various Equipment & Public Works Improvements	80,000.00
01-10/02-29	Various 2001 Capital Improvements	1,705,001.00
01-19	General Road Resurfacing and Rehabilitation	235,000.00
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	356,325.00
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
05-05	Improvements to Best Lake	71,250.00
05-06	Various Communications Equipment	213,750.00
05-07	Various Public Works Improvements	1,177,450.00
05-10	Acquisition of Real Property for Open Space	8,000,000.00
		<u>\$ 15,257,765.00</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, 2004	E	\$ 8,452.79	\$ 9,703.78	\$ 18,156.57
Increased by Receipts:				
Interest Earned		158.06		158.06
		<u>\$ 8,610.85</u>	<u>\$ 9,703.78</u>	<u>\$ 18,314.63</u>
Decreased by Disbursements:				
Reserve For:				
Public Assistance			3,751.00	3,751.00
Balance, December 31, 2005	E	<u>\$ 8,610.85</u>	<u>\$ 5,952.78</u>	<u>\$ 14,563.63</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, 2005	E-3	\$	14,563.63
Increased by:			
Receipts			14.57
		\$	<u>14,578.20</u>
Decreased by:			
Disbursements			<u>420.00</u>
Balance, January 31, 2006		\$	<u><u>14,158.20</u></u>

<u>RECONCILIATION - JANUARY 31, 2006</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			
Account #0036-214279		5,532.78	5,532.78
Account #0036-521341	<u>6,228.70</u>		<u>6,228.70</u>
Balance, January 31, 2006	<u>\$ 8,625.42</u>	<u>\$ 5,532.78</u>	<u>\$ 14,158.20</u>

BOROUGH OF WATCHUNG

PUBLIC ASSISTANCE TRUST FUND

SCHEDULE OF PUBLIC ASSISTANCE CASH AND
RECONCILIATION AS OF DECEMBER 31, 2005

	<u>REF.</u>	
Balance, December 31, 2004		\$ 18,156.57
Increased by:		
Receipts		158.06
		<u>\$ 18,314.63</u>
Decreased by:		
Disbursements		<u>3,751.00</u>
Balance, December 31, 2005	E-2	<u>\$ 14,563.63</u>

<u>RECONCILIATION - DECEMBER 31, 2005</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			
Account #0036-214279		5,952.78	5,952.78
Account #0036-521341	<u>6,214.13</u>		<u>6,214.13</u>
Balance, December 31, 2005	<u>\$ 8,610.85</u>	<u>\$ 5,952.78</u>	<u>\$ 14,563.63</u>

"E-4"

BOROUGH OF WATCHUNG

PUBLIC ASSISTANCE TRUST FUND

SCHEDULE OF PUBLIC ASSISTANCE REVENUES
YEAR ENDED DECEMBER 31, 2005

	<u>P.A.T.F. I</u>	<u>FUND</u> <u>TOTAL</u>
Interest Earned	\$ <u>158.06</u>	\$ <u>158.06</u>
<u>TOTAL RECEIPTS</u>	\$ <u>158.06</u>	\$ <u>158.06</u>

"E-5"

SCHEDULE OF PUBLIC ASSISTANCE EXPENDITURES
YEAR ENDED DECEMBER 31, 2005

	<u>P.A.T.F. II</u>	<u>FUND</u> <u>TOTAL</u>
Current Year Assistance (Reported): Maintenance Payments	\$ <u>3,751.00</u>	\$ <u>3,751.00</u>
<u>TOTAL DISBURSEMENTS</u>	\$ <u>3,751.00</u>	\$ <u>3,751.00</u>

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BOROUGH OF WATCHUNG

PART II

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

SCHEDULES OF EXPENDITURES
OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE

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



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited 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, 2005, and have issued our report thereon dated March 9, 2006. Our report disclosed that, as described in Note 1 to the financial statements, the Township of Warren 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.

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.

SUPLEE, CLOONEY & COMPANY

Compliance and Other Matters

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. However, we noted immaterial instances of noncompliance which are discussed in Part III, General Comments and Recommendation Section of this report.

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


CERTIFIED PUBLIC ACCOUNTANTS


REGISTERED MUNICIPAL ACCOUNTANT NO. 50

March 9, 2006

BOROUGH OF WATCHUNG

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2005

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL C.F.D.A. NUMBER	GRANT AWARD AMOUNT	GRANT PERIOD		2005 RECEIPTS	2005 EXPENDITURES	CUMULATIVE EXPENDITURES DECEMBER 31, 2005
			FROM	TO			
Pass Through From State of New Jersey							
U.S. Department of Justice							
Federal Bulleiproof Partnership Program - prior	16,579	\$ 3,184.87		Continuous	\$	\$ 1,115.75	\$ 3,184.87
Federal Bulleiproof Partnership Program - 2003	16,579	1,171.46		Continuous		875.06	875.06
Federal Bulleiproof Partnership Program - 2004	16,579	838.33		Continuous			
State and Local All Hazards Emergency Operation Planning	83,562	2,405.72					1,813.92
			TOTAL		\$ -0-	\$ 1,990.81	\$ 5,873.85

BOROUGH OF WATCHUNG

SCHEDULE OF STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2005

<u>STATE GRANTOR, DEPARTMENT/PROGRAM TITLE</u>	<u>STATE ACCOUNT NUMBERS</u>	<u>GRANT AWARD AMOUNT</u>	<u>2005 RECEIPTS</u>	<u>2005 EXPENDITURES</u>	<u>CUMULATIVE EXPENDITURES DECEMBER 31, 2005</u>
<u>DEPARTMENT OF HUMAN SERVICES</u>					
Public Assistance-State Share	7550-150-064-7550-121-LLL-6020	3,751.00 \$	\$	3,751.00 \$	3,751.00
<u>DEPARTMENT OF LAW AND PUBLIC SAFETY</u>					
Drunk Driving Enforcement Fund - prior	1110-100-066-1110-YYYY	10,493.30 \$	\$	4,339.20 \$	10,493.30
Drunk Driving Enforcement Fund - 2001	1110-100-066-1110-YYYY	3,727.00		3,727.00	3,727.00
Drunk Driving Enforcement Fund - 2002	1110-100-066-1110-YYYY	2,994.74		2,994.74	2,994.74
Drunk Driving Enforcement Fund - 2004	1110-100-066-1110-YYYY	2,561.22		1,414.66	1,414.66
Drunk Driving Enforcement Fund - 2005	1110-100-066-1110-YYYY	2,545.50	2,545.50		1,848.71
Alcohol Education Rehabilitation Fund - 2003	9735-760-098-Y900-001-X100-6020	1,848.71		728.56	1,848.71
Alcohol Education Rehabilitation Fund - 2004	9735-760-098-Y900-001-X100-6020	312.07		221.44	221.44
Alcohol Education Rehabilitation Fund - 2005	9735-760-098-Y900-001-X100-6020	624.67			
		\$	3,170.12 \$	13,475.60 \$	20,696.93
<u>INDIVISION OF CRIMINAL JUSTICE</u>					
Safe and Secure Communities - 2004	1020-100-066-1020-232-YCJS-6120	60,000.00 \$	\$	16,250.00 \$	60,000.00
Safe and Secure Communities - 2005	1020-100-066-1020-232-YCJS-6120	60,000.00		53,750.00	53,750.00
Body Armor Replacement Fund - 2003	1020-718-066-1020-001-YCJS-6120	2,554.04			1,579.72
Body Armor Replacement Fund - 2004	1020-718-066-1020-001-YCJS-6120	2,420.19			690.84
Body Armor Replacement Fund - 2005	1020-718-066-1020-001-YCJS-6120	5,061.18	5,061.18		
		\$	50,961.18 \$	70,000.00 \$	116,020.56
<u>DEPARTMENT OF ENVIRONMENTAL PROTECTION</u>					
Clean Communities Grant - 2004	4900-765-042-4900-004-V42Y-6020	7,279.09 \$	\$	477.63 \$	7,279.09
Clean Communities Grant - 2004	4900-765-042-4900-004-V42Y-6020	7,234.51		7,234.51	7,234.51
Recycling Tonnage Grant - 2003	4900-752-042-4900-001-V42Y-6020	3,819.22		3,819.22	3,819.22
Recycling Tonnage Grant - 2004	4900-752-042-4900-001-V42Y-6020	2,777.03		2,777.03	
Stormwater Grant	W005-517	6,351.00			
Municipal Stormwater Regulation	W005-517	10,595.00	6,351.00		
		\$	16,962.94 \$	11,531.36 \$	18,352.62
<u>NEW JERSEY PUBLIC LIBRARY FUND</u>					
Local Library Grant		30,000.00	\$	30,000.00 \$	30,000.00
<u>DEPARTMENT OF TRANSPORTATION</u>					
Anderson Street	6320-480-078-6320-AFC-TCAP-0010	150,000.00 \$	150,000.00 \$	83,250.00 \$	150,000.00
<u>DEPARTMENT OF COMMUNITY AFFAIRS</u>					
Special Legislative	02-100-022-8030-394-FFFF-6120	10,000.00 \$	\$	\$	3,625.00
<u>TOTAL</u>		\$	219,593.84 \$	211,957.96 \$	342,429.23

BOROUGH OF WATCHUNG

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

YEAR ENDED DECEMBER 31, 2005

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, 2005

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

	YEAR 2005		YEAR 2004	
	AMOUNT	%	AMOUNT	%
<u>REVENUE AND OTHER INCOME REALIZED</u>				
Fund Balance Utilized	\$ 1,750,000.00	5.01%	\$ 1,738,000.00	5.59%
Miscellaneous - From Other Than Local Property Tax Levies	5,933,963.71	17.00%	3,961,213.15	12.74%
Collection of Delinquent Taxes and Tax Title Liens	125,082.35	0.36%	230,685.39	0.74%
Collections of Current Tax Levy	27,095,675.61	77.63%	25,154,962.90	80.93%
Total Revenue	\$ 34,904,721.67	100.00%	\$ 31,084,861.44	100.00%
<u>EXPENDITURES</u>				
Budget Expenditures:				
Municipal Purposes	\$ 10,741,365.26	33.93%	\$ 10,323,352.82	34.85%
County Taxes	6,487,469.27	20.49%	6,350,809.43	21.44%
Local and Regional School Taxes	14,072,213.94	44.45%	12,268,954.53	41.43%
Municipal Open Space Taxes	355,026.88	1.13%	327,411.14	1.11%
Prepaid Regional High School Taxes			149,978.28	0.51%
Interfunds Advanced			196,633.60	0.66%
Total Expenditures	\$ 31,656,075.35	100.00%	\$ 29,617,139.80	100.00%
Statutory Excess in Revenue	\$ 3,248,646.32		\$ 1,467,721.64	
Fund Balance, January 1	3,198,862.02		3,469,140.38	
	\$ 6,447,508.34		\$ 4,936,862.02	
Less: Utilization as Anticipated Revenue	1,750,000.00		1,738,000.00	
Fund Balance, December 31	\$ 4,697,508.34		\$ 3,198,862.02	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Tax Rate	\$ <u>1.550</u>	\$ <u>1.550</u>	\$ <u>1.540</u>
Municipal	\$ 0.365	\$ 0.369	\$ 0.374
Municipal Open Space	0.020	0.021	0.021
County	0.337	0.362	0.356
County Open Space	0.030	0.031	0.028
Local School	0.504	0.492	0.503
Regional High School	<u>0.294</u>	<u>0.275</u>	<u>0.258</u>

Assessed Valuations:

2005	<u>\$1,766,331,608.00</u>		
2004		<u>\$1,605,968,053.00</u>	
2003			<u>\$1,490,344,799.00</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>
2005	\$27,514,208.74	\$27,095,675.61	98.48%
2004	\$25,351,488.59	\$25,154,962.90	99.22%
2003	\$23,414,501.75	\$23,113,065.91	98.71%

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>
2005	-0-	\$364,531.90	\$364,531.90	1.32%
2004	-0-	\$133,178.00	\$133,178.00	0.53%
2003	-0-	\$229,507.30	\$229,507.30	0.98%

COMPARATIVE SCHEDULE OF FUND BALANCES

<u>Year</u>	<u>Balance Current Fund</u>	<u>Utilized in Budget of Succeeding Year</u>
2005	\$4,697,508.34	*
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

*budget not introduced

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	*
Stephen Pote	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	*
Joseph 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 July 1, 2005, the bid threshold in accordance with N.J.S.A. 40A:11-4 is \$21,000.00. Effective July 1, 2005, the bid threshold in accordance with N.J.S.A. 40A:11-4 was increased to \$29,000.00 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 \$29,000.00 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:

- Anderson Road Reconstruction Sections I and II
- Miscellaneous Roadway and Drainage Improvements Project
- Improvements to Johnston Drive Section I and II and Stirling Road

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. Our examination of expenditures did not reveal any individual payments, contracts or agreements in excess of \$29,000.00 for the performance of any work or the furnishing or hiring of any materials or supplies, other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S.A. 40A:11-6.

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

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

The governing body on January 1, 2005 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, 2005.
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 21, 2005 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>
2005	-0-
2004	-0-
2003	-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 2005 Taxes	25
Payments of 2004 Taxes	30

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

BOROUGH OF WATCHUNG

OFFICE OF THE ADMINISTRATOR



TO: Mayor and Council
FROM: Laureen Fellin, Clerk/Administrator *lf*
DATE: April 5, 2006
RE: Audit Report

Attached hereto is a copy of the 2005 Audit Report, plus a "Summary or Synopsis of Audit Report for Publication" (three pages). At the Council meeting of 5/11 a resolution will be adopted stating compliance with the regulations of the Local Finance Board and certifying by individual signature that each member of the governing body has reviewed the audit and is familiar with the sections entitled "General Comments" and "Recommendations".

SUMMARY OR SYNOPSIS OF AUDIT REPORT FOR PUBLICATION

SUMMARY OR SYNOPSIS OF 2005 AUDIT REPORT
OF BOROUGH OF WATCHUNG AS REQUIRED BY N.J.S.40A:5-7

COMBINED COMPARATIVE BALANCE SHEETS-STATUTORY BASIS

	DECEMBER 31, 2005	DECEMBER 31, 2004
<u>ASSETS</u>		
Cash and Investments	\$ 11,808,310.04	\$ 10,961,940.88
Taxes, Assessments and Liens Receivable	865,369.72	726,289.60
Prospective Assessments - Funded	761,294.68	88,350.00
Accounts Receivable	355,927.01	1,296,112.94
Deferred Charges to Future Taxation - General Capital	24,829,849.93	17,203,826.44
General Fixed Assets	<u>14,922,647.53</u>	<u>14,584,024.16</u>
<u>TOTAL ASSETS</u>	<u>\$ 53,543,398.91</u>	<u>\$ 44,860,544.02</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Bonds, Notes and Loans Payable	\$ 10,751,036.58	\$ 11,939,535.44
Improvement Authorizations	14,818,655.01	7,111,493.55
Other Liabilities and Special Funds	7,685,229.12	7,265,098.14
Reserve for Certain Assets Receivable	392,619.27	555,571.25
Reserve for Investment in General Fixed Assets	14,922,647.53	14,584,024.16
Fund Balance	<u>4,973,211.40</u>	<u>3,404,821.48</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 53,543,398.91</u>	<u>\$ 44,860,544.02</u>

BOROUGH OF WATCHUNG

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

	<u>YEAR 2005</u>	<u>YEAR 2004</u>
<u>REVENUE AND OTHER INCOME REALIZED</u>		
Fund Balance Utilized	\$ 1,750,000.00	\$ 1,738,000.00
Miscellaneous-From Other Than Local Property Tax Levies	5,705,572.60	3,961,213.15
Collections of Delinquent Taxes and Tax Title Liens	125,082.35	230,685.39
Collections of Current Tax Levy	27,095,675.61	25,154,962.90
Interfunds Returned	228,391.11	
	<u>34,904,721.67</u>	<u>31,084,861.44</u>
<u>TOTAL INCOME</u>	<u>\$ 34,904,721.67</u>	<u>\$ 31,084,861.44</u>
<u>EXPENDITURES</u>		
Budget Expenditures:		
Municipal Purposes	\$ 10,741,365.26	\$ 10,323,352.82
County Taxes	6,487,469.27	6,350,809.43
Local and Regional School Taxes	14,072,213.94	12,268,954.53
Municipal Open Space Tax	355,026.88	327,411.14
Prepaid Regional High School Tax		149,978.28
Interfunds Advanced		196,633.60
	<u>31,656,075.35</u>	<u>29,617,139.80</u>
<u>TOTAL EXPENDITURES</u>	<u>\$ 31,656,075.35</u>	<u>\$ 29,617,139.80</u>
Statutory Excess in Revenue	\$ 3,248,646.32	\$ 1,467,721.64
Fund Balance, January 1	3,198,862.02	3,469,140.38
	<u>6,447,508.34</u>	<u>4,936,862.02</u>
Less: Utilization as Anticipated Revenue	<u>1,750,000.00</u>	<u>1,738,000.00</u>
Fund Balance, December 31	<u>\$ 4,697,508.34</u>	<u>\$ 3,198,862.02</u>

RECOMMENDATIONS

NONE

The above summary or synopsis was prepared from the report of audit of the Borough of Watchung, County of Somerset, for the year 2005. This report of audit, submitted by Suplee, Clooney & Company, Registered Municipal Accountants and Certified Public Accountants, is on file at the Borough Clerk's Office and may be inspected by any interested person.

Clerk

ANNUAL AUDIT REPORT
FOR THE YEAR 2005

MUNICIPAL COURT OF: BOROUGH OF WATCHUNG

COUNTY OF: SOMERSET

COURT INFORMATION:

ADDRESS: 840 SOMERSET STREET PHONE: 908-757-1407
WATCHUNG, NEW JERSEY 07069-6327 COUNTY: SOMERSET

JUDGE: RICHARD SASSO
COURT
DIRECTOR: N/A
COURT
ADMINISTRATOR: PAMELA STEVES

REPORT COMPLETED BY:

NAME: ROBERT B. CAGNASSOLA R.M.A. NUMBER: 50

SIGNED BY:  DATE: March 30, 2006

ADDRESS: SUPLEE, CLOONEY & COMPANY
308 EAST BROAD STREET
WESTFIELD, NEW JERSEY 07090

RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDING DECEMBER 31, 2004

<u>AGENCY</u>	BEGINNING BALANCE AS OF DECEMBER 31, 2004	RECEIPTS	DISBURSEMENTS	ENDING BALANCE AS OF DECEMBER 31, 2005
STATE OF NEW JERSEY	\$9,058.88	\$136,476.64	\$137,038.00	\$8,497.52
COUNTY	9,033.50	126,893.01	126,718.26	9,208.25
MUNICIPALITY	18,952.62	282,652.38	282,245.14	19,359.86
MUNICIPALITY - P.O.A.A.	2.00	30.00	32.00	
MUNICIPALITY - PUBLIC DEFENDER	1,469.00	23,842.50	23,439.50	1,872.00
CONDITIONAL DISCHARGE	(75.00)	317.00	225.00	17.00
COUNTY WEIGHTS AND MEASURES	150.00	15,950.00	16,100.00	
FISH AND GAME		100.00	100.00	
RESTITUTION		707.66	643.54	64.12
DUE BAIL		7,030.00	7,030.00	
MISCELLANEOUS		439.00	439.00	
OVERPAYMENTS		247.00	247.00	
TOTAL FINES ACCOUNT	\$38,591.00	\$594,685.19	\$594,257.44	\$39,018.75
BAIL ACCOUNT	\$37,485.25	\$301,161.17	\$280,211.25	\$58,435.17
	<u>\$76,076.25</u>	<u>\$895,846.36</u>	<u>\$874,468.69</u>	<u>\$97,453.92</u>

*Was the ending balance disbursed by the 15th of the next month? YES If not, explain?

GENERAL MUNICIPAL COURT INFORMATION

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

2. Amount paid or charged in 2005 to 2005 appropriations for salaries of judge(s) \$33,746.00
 Other staff \$113,934.00 And expenses \$87,570.66
3. Is an approved statewide violations bureau schedule of fines prominently posted in the place where fines are to be paid to the violations clerk? YES
4. Does the court have an approved supplemental Local Violations Bureau Schedule? YES
 If so, is it prominently posted in the place where fines are to be paid to the violations clerk?
YES
5. List staff members that are bonded:
- | | | | |
|---------------------|-------------------------|----------------|--------------------|
| Judge | _____ | Amount of Bond | _____ |
| Court Director | _____ | Amount of Bond | _____ |
| Court Administrator | <u>Pamela Steves</u> | Amount of Bond | <u>\$50,000.00</u> |
| Deputy Court Adm. | <u>Loretta Shpunder</u> | Amount of Bond | <u>\$50,000.00</u> |
| Deputy Court Clerk | _____ | Amount of Bond | _____ |
6. When does Judges term expire? 12/31/2006
7. Are uniform traffic tickets serially numbered, properly controlled and accounted for? YES
8. Are tickets eligible for destruction disposed of in a timely and proper manner? YES

FINANCIAL PROCEDURES

Daily Financial Procedures

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

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

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

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

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

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

10. As of what date or dates was cash counted, reconciliation made and bank balances confirmed?
12/31/05, 3/7/06

Monthly Financial Procedures

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

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

13. Who is responsible for the municipal court financial procedures(name and title)?
PAMELA STEVES - COURT ADMINISTRATOR

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

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

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

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

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

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

Bail Procedures

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

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

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

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

