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, 2017

BOROUGH OF WATCHUNG

INDEX

PART I	PAGES
Independent Auditor's Report	1-3

	EXHIBITS
Financial Statements - Regulatory Basis	
Current Fund:	
Balance Sheets - Regulatory Basis	"A"
Statements of Operations and Change in Fund Balance - Regulatory Basis	"A-1"
Statement of Revenues - Regulatory Basis - Year Ended December 31, 2017	"A-2"
Statement of Expenditures - Regulatory Basis - Year Ended December 31, 2017	"A-3"
Trust Fund:	
Balance Sheets - Regulatory Basis	"B"
Statement of Fund Balance - Regulatory Basis - Assessment Trust Fund	"B-1"
General Capital Fund:	
Balance Sheets - Regulatory Basis	"C"
Statement of Fund Balance - Regulatory Basis	"C-1"
General Fixed Assets Account Group:	
Balance Sheets - Regulatory Basis	"F"

	PAGES
Notes to Financial Statements - December 31, 2017	4-34

BOROUGH OF WATCHUNG

INDEX (CONTINUED)

Supplementary Schedules

	EXHIBITS
Current Fund:	
Schedule of Cash-Treasurer	"A-4"
Schedule of Petty Cash Funds	"A-5"
Schedule of Change Funds	"A-6"
Schedule of Accounts Payable	"A-7"
Schedule of Taxes Receivable and Analysis of Property Tax Levy	"A-8"
Schedule of Revenue Accounts Receivable	"A-9"
Schedule of Grants Receivable - Grant Fund	"A-10"
Schedule of 2015 Appropriation Reserves	"A-11"
Schedule of Reserve for Grants-Unappropriated - Grant Fund	"A-12"
Schedule of Reserve for Tax Appeals	"A-13"
Schedule of Due State of New Jersey for Senior Citizen and Veteran Deductions	"A-14"
Schedule of County Taxes Payable	"A-15"
Schedule of Local District School Taxes Payable	"A-16"
Schedule of Regional High School Taxes Payable	"A-17"
Schedule of Tax Overpayments	"A-18"
Schedule of Prepaid Taxes	"A-19"
Schedule of Due to State of New Jersey - DCA	"A-20"
Schedule of Prepaid Licenses	"A-21"
Schedule of Reserve for Grants-Appropriated - Grant Fund	"A-22"
Schedule of Reserve for Tax Sale Premiums	"A-23"
Schedule of Tax Title Liens	"A-24"
Schedule of Interfunds	"A-25"
Schedule of Accounts Payable - Grant Fund	"A-26"
Schedule of Deferred Charges	"A-27"
Schedule of Reserve for Sewer Repair Emergency	"A-28"
Schedule of Due Current Fund – Grant Fund	"A-29"
Trust Fund:	
Schedule of Cash-Treasurer	"B-2"
Schedule of Assessments Receivable - Assessment Trust Fund	"B-3"
Schedule of Due Current Fund - Assessment Trust Fund	"B-4"
Schedule of Reserve for Payroll Deductions	"B-5"
Schedule of State of New Jersey Trust Loan Payable - New Jersey Environmental Infrastructure Trust Loan	"B-6"
Schedule of State of New Jersey Trust Loan Payable - New Jersey Environment Infrastructure Fund Loan	"B-7"
Analysis of Assessments Cash for the Year Ended December 31, 2017 - Assessment Trust Fund	"B-8"
Schedule of Reserve for Accounts Payable - Other Trust Fund	"B-9"
Schedule of Reserve for Open Space Deposits - Other Trust Fund	"B-10"
Schedule of Reserve for State Unemployment Compensation Insurance	"B-11"
Schedule of Reserve for COAH Deposits - Other Trust Fund	"B-12"

BOROUGH OF WATCHUNG

I N D E X (CONTINUED)

	EXHIBITS
Trust Fund (Continued):	
Schedule of Reserve for Miscellaneous Trust Deposits - Other Trust Fund	"B-13"
Schedule of Reserve for Animal Control Expenditures - Animal Control Trust Fund	"B-14"
Schedule of Reserve for Police Outside Overtime - Other Trust Fund	"B-15"
Schedule of Reserve for Assessments	"B-16"
Schedule of Due General Capital Fund - Assessment Trust Fund	"B-17"
Schedule of Due Current Fund - Other Trust Fund	"B-18"
Schedule of Reserve for Recreation Deposits - Other Trust Fund	"B-19"
Schedule of Reserve for Law Enforcement Trust Fund - Other Trust Fund	"B-20"
Schedule of Reserve for Law Enforcement Trust Fund - Federal - Other Trust Fund	"B-21"
Schedule of Reserve for Developers' Deposits - Other Trust Fund	"B-22"
Schedule of Due State of New Jersey - Dog Licenses - Animal Control Trust Fund	"B-23"
Schedule of Due Current Fund – Animal Control Trust Fund	"B-24"
General Capital Fund:	
Schedule of Cash-Treasurer	"C-2"
Analysis of Cash	"C-3"
Schedule of Deferred Charges to Future Taxation - Funded	"C-4"
Schedule of Deferred Charges to Future Taxation - Unfunded	"C-5"
Schedule of Reserve for Capital Projects	"C-6"
Schedule of Contracts Payable	"C-7"
Schedule of Capital Improvement Fund	"C-8"
Schedule of Due Assessment Trust Fund	"C-9"
Schedule of Improvement Authorizations	"C-10"
Schedule of General Serial Bonds	"C-11"
Schedule of State of New Jersey Trust Loan Payable - New Jersey Environmental Infrastructure Trust Loans	"C-12"
Schedule of State of New Jersey Fund Loan Payable - New Jersey Environmental Infrastructure Fund Loans	"C-13"
Schedule of Due Current Fund	"C-14"
Schedule of State of New Jersey Loan Payable - Green Trust Loan Program	"C-15"
Schedule of State Aid Receivable	"C-16"
Schedule of Bond Anticipation Notes Payable	"C-17"
Schedule of Reserve for Grant Receivable	"C-18"
Schedule of Reserve for Debt Service	"C-19"
Schedule of Bonds and Notes Authorized But Not Issued	"C-20"

BOROUGH OF WATCHUNG

I N D E X (CONTINUED)

	PAGES
PART II	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	35-36
Schedule of Expenditures of Federal Awards - Year Ended December 31, 2017	37
Schedule of Expenditures of State Financial Assistance - Year Ended December 31, 2017	38
Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance - Year Ended December 31, 2017	39-40
PART III	
Statistical Data	41-43
Officials in Office and Surety Bonds	44-45
General Comments and Recommendations	46-49

BOROUGH OF WATCHUNG

PART I

INDEPENDENT AUDITOR'S REPORT ON AUDIT OF FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES AND DATA

FINANCIAL STATEMENTS – REGULATORY BASIS – ALL FUNDS

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS

SUPPLEMENTARY SCHEDULES – ALL FUNDS

YEAR ENDED DECEMBER 31, 2017 AND 2016

SUPLEE, CLOONEY & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
308 East Broad Street, Westfield, New Jersey 07090-2122
Telephone 908-789-9300 Fax 908-789-8535
E-mail info@scnco.com

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various individual funds and account group of the Borough of Watchung, as of December 31, 2017 and 2016, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various individual funds for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Borough's regulatory financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these regulatory financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the regulatory financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the regulatory financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles.

As described in Note 1 of the regulatory financial statements, the regulatory financial statements are prepared by the Borough of Watchung on the basis of the financial reporting provisions prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of New Jersey.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the various individual funds and account group of the Borough of Watchung as of December 31, 2017 and 2016, or the results of its operations and changes in fund balance for the years then ended of the revenues or expenditures for the year ended December 31, 2017.

Opinion on Regulatory Basis of Accounting

In our opinion, the regulatory financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets of the various individual funds and account group as of December 31, 2017 and 2016, the regulatory basis statement of operations and changes in fund balance for the years then ended and the regulatory basis statement of revenues and expenditures and changes in fund balance for the year ended December 31, 2017 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Watchung's regulatory financial statements. The supplementary information, data and schedules of expenditures of federal awards and state financial assistance listed in the table of contents as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey are presented for purposes of additional analysis and are not a required part of the regulatory financial statements.

The supplemental information and schedules listed above and also listed in the table of contents are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the regulatory financial statements. Such information has been subjected to the auditing procedures applied in the audit of the regulatory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the regulatory financial statements or to the regulatory financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information and data listed in the table of contents and the schedule of expenditures of federal awards, and the schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the regulatory financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2018 on our consideration of the Borough of Watchung's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Watchung's internal control over financial reporting and compliance.

Suplee Clooney & Company

CERTIFIED PUBLIC ACCOUNTANTS

Robert W. Suplee

REGISTERED MUNICIPAL ACCOUNTANT NO. 439

March 13, 2018

CURRENT FUND

BOROUGH OF WATCHUNG

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

	REF.	BALANCE DECEMBER 31, 2017	BALANCE DECEMBER 31, 2016
ASSETS			
Current Fund:			
Cash	A-4	$ 9,207,035.57	$ 4,893,744.65
Cash-Change Fund	A-6	250.00	250.00
Due State of NJ-Senior Citizen and Veteran Deductions	A-14	4,149.79	4,149.79
		$ 9,211,435.36	$ 4,898,144.44
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-8	$ 191,558.30	$ 167,697.66
Tax Title Liens	A-24	1,813.71	12,713.09
Revenue Accounts Receivable	A-9	8,212.42	16,495.25
Interfunds Receivable	A-25	13,417.18	9,991.17
	A	$ 215,001.61	$ 206,897.17
Deferred Charges	A-27	$	$ 106,306.06
		$	$ 106,306.06
		$ 9,426,436.97	$ 5,211,347.67
Grant Fund:			
Cash	A-4	$ 169,235.50	$ 193,178.93
Interfunds Receivable	A-29	30,000.00	
Grant Aid Receivable	A-10	158,500.00	73,500.00
		$ 357,735.50	$ 266,678.93
	A	$ 9,784,172.47	$ 5,478,026.60

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

BOROUGH OF WATCHUNG

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

	REF.	BALANCE DECEMBER 31, 2017	BALANCE DECEMBER 31, 2016
LIABILITIES, RESERVES AND FUND BALANCE			
Current Fund:			
Liabilities:			
Appropriation Reserves	A-3:A-11	$ 607,203.21	$ 656,788.55
Accounts Payable	A-7	284,163.56	342,323.12
Prepaid Taxes	A-19	4,332,664.88	483,009.67
Interfunds Payable	A-25	349,742.06	204,582.91
Tax Overpayments	A-18		2,216.05
Local School Taxes Payable	A-16		2,966.24
Reserve for:			
Sewer Repair Emergency	A-28	11,792.76	24,105.57
Prepaid Licenses	A-21	1,525.00	650.00
Due State of New Jersey - DCA	A-20	3,993.00	2,834.00
Tax Sale Premiums & Outside Liens	A-23	149,812.88	365,178.43
Tax Appeals	A-13	67,848.91	17,848.91
		$ 5,808,746.26	$ 2,102,503.45
Reserve for Receivables and Other Assets	A	215,001.61	206,897.17
Fund Balance	A-1	3,402,689.10	2,901,947.05
		$ 9,426,436.97	$ 5,211,347.67
Grant Fund:			
Grants-Appropriated	A-22	$ 344,754.88	$ 266,434.55
Grants-Unappropriated	A-12	12,980.62	
Accounts Payable	A-26		244.38
		$ 357,735.50	$ 266,678.93
	A	$ 9,784,172.47	$ 5,478,026.60

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 - REGULATORY BASIS

	REF.	YEAR ENDED DECEMBER 31, 2017	YEAR ENDED DECEMBER 31, 2016
REVENUE AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-1:A-2	$ 825,000.00	$ 800,000.00
Miscellaneous Revenue Anticipated	A-2	3,473,736.97	3,347,342.05
Receipts From Delinquent Taxes	A-2	179,028.47	287,295.82
Receipts From Current Taxes	A-2	34,644,208.04	35,985,663.65
Non-Budget Revenue	A-2	374,175.27	349,807.02
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-11	488,532.62	295,971.95
Accounts Payable Canceled	A-7	27,520.65	3,257.68
TOTAL INCOME		$ 40,012,202.02	$ 41,069,338.17
EXPENDITURES			
Budget and Emergency Authorizations:			
Operations:			
Salaries and Wages	A-3	$ 5,026,650.00	$ 5,007,229.17
Other Expenses	A-3	4,563,974.00	4,587,813.93
Municipal Debt Service	A-3	1,958,666.87	1,827,871.13
Capital Improvement Fund	A-3	175,000.00	165,000.00
Public and Private Programs Offset by Revenues	A-3	324,507.08	236,158.05
Interlocal Service Agreements	A-3	772,756.00	761,494.00
Deferred Charges and Regulatory Expenditures	A-3	1,325,608.75	1,160,805.96
Municipal Open Space Taxes	A-2:A-8	352,339.04	345,877.96
County Taxes	A-15	7,016,629.22	6,863,256.84
Local District School Tax	A-16	10,780,323.00	12,635,781.00
Regional High School Tax	A-17	6,336,580.00	6,317,950.00
Reserve for Tax Appeals	A-2:A-13	50,000.00	
Interfunds Advanced		3,426.01	9,991.17
TOTAL EXPENDITURES		$ 38,686,459.97	$ 39,919,229.21
Excess in Revenue		$ 1,325,742.05	$ 1,150,108.96
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by Statute Deferred Charges to Budget of Succeeding Year			106,306.06
Statutory Excess to Fund Balance		$ 1,325,742.05	$ 1,256,415.02
Fund Balance, January 1	A	2,901,947.05	2,445,532.03
		$ 4,227,689.10	$ 3,701,947.05
Decreased by:			
Utilized as Anticipated Revenue	A-1:A-2	825,000.00	800,000.00
Fund Balance, December 31	A	$ 3,402,689.10	$ 2,901,947.05

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

BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENT OF REVENUES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

	REF.	BUDGET ADOPTED	BUDGET NJSA 40A:4-87	REALIZED	EXCESS OR (DEFICIT)
Fund Balance Anticipated	A-1	$ 825,000.00		$ 825,000.00	
Miscellaneous Revenues:					
Alcoholic Beverage Licenses	A-9	$ 16,500.00	$	$ 17,500.00	$ 1,000.00
Other Licenses	A-2	18,000.00		21,089.00	3,089.00
Fees and Permits:					
Construction Code Official	A-9	180,000.00		216,067.00	36,067.00
Other	A-2	183,000.00		171,429.66	(11,570.34)
Municipal Court - Fines and Costs	A-9	195,000.00		201,997.63	6,997.63
Interest and Costs on Taxes	A-9	105,000.00		101,100.34	(3,899.66)
Interest on Investments and Deposits	A-9	20,000.00		58,488.99	38,488.99
Sewer Rents	A-9	1,220,000.00		1,264,740.89	44,740.89
Energy Receipts Tax	A-9	700,092.00		700,092.00	
Uniform Fire Safety Act	A-9	25,000.00		26,794.65	1,794.65
Reserve for Debt Service	A-9	59,378.73		59,378.73	
Open Space Trust Fund Debt Payment	A-9	365,000.00		365,000.00	
Bulk Pickup Fees	A-9	9,000.00		10,551.00	1,551.00
Shared Court Reimbursement	A-9	50,000.00		18,000.00	(32,000.00)
Fees & Permits Increased by Ordinance	A-2	47,000.00		47,000.00	
Clean Communities	A-10		14,835.44	14,835.44	
Safe and Secure	A-10	60,000.00		60,000.00	
Recycling Tonnage Grant	A-10		10,667.51	10,667.51	
NJ Body Armor	A-10		2,910.35	2,910.35	
Alcohol Education Rehabilitation	A-10		1,093.78	1,093.78	
Somerset County Youth Services	A-10		5,000.00	5,000.00	
FEMA Grant	A-10		100,000.00	100,000.00	
Sub-Total Miscellaneous Revenues	A-1	$ 3,252,970.73	$ 134,507.08	$ 3,473,736.97	$ 86,259.16
Receipts From Delinquent Taxes	A-1	$ 160,000.00	$	$ 179,028.47	$ 19,028.47
Amount to be Raised by Taxes for Support of Municipal Budget: Local Tax for Municipal Purposes	A-8:A-2	$ 10,297,029.27	$	$ 10,623,336.78	$ 326,307.51
Budget Totals		$ 14,535,000.00	$ 134,507.08	$ 15,101,102.22	$ 431,595.14
Non-Budget Revenues	A-1:A-2			374,175.27	374,175.27
		$ 14,535,000.00	$ 134,507.08	$ 15,475,277.49	$ 805,770.41
	REF.	A-3	A-3		

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

BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENT OF REVENUES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

ANALYSIS OF REALIZED REVENUES	REF.		
Allocation of Current Tax Collections:			
Revenue From Collections	A-1:A-8		$ 34,644,208.04
Allocated to:			
Local District School Taxes	A-8	$ 10,780,323.00	
Regional High School Taxes	A-8	6,336,580.00	
Municipal Open Space Tax	A-8	352,339.04	
County Taxes	A-8	7,016,629.22	
Reserve for Tax Appeals	A-1:A-13	50,000.00	
			24,535,871.26
Balance for Support of Municipal Budget Appropriations			$ 10,108,336.78
Add: Appropriation "Reserve for Uncollected Taxes"	A-3		515,000.00
Amount for Support of Municipal Budget Appropriations	A-2		$ 10,623,336.78
Other Licenses:			
Board of Health	A-9		$ 19,730.00
Registrar	A-9		69.00
Borough Clerk	A-9		640.00
Prepaid Licenses	A-21		650.00
	A-2		$ 21,089.00
Fees and Permits-Other:			
Board of Health	A-9		$ 13,875.00
Clerk & Other Fees and Permits	A-9		28,108.91
Engineering Department	A-9		4,135.00
Planning Board	A-9		5,600.00
Board of Adjustment	A-9		2,601.00
Police	A-9		2,756.00
Fire Official	A-9		4,948.00
Recreation	A-9		52,625.75
Tower Lease	A-9		103,780.00
	A-2		$ 218,429.66

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

BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENT OF REVENUES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

	REF.		
ANALYSIS OF NON-BUDGET REVENUE			
Senior Citizens' and Veterans' Administrative Fee		$	635.00
FEMA			123,777.92
Prior Year Refunds			23,240.57
Cable TV Franchise Fees			99,910.98
Police Outside Overtime Administrative Fee			52,837.37
Dog Trust Excess			2,976.15
Sale of Surplus/Scrap			13,001.97
Other Miscellaneous			53,465.66
Tax Collector			4,329.65
	A-2:A-4	$	374,175.27

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

BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
OPERATIONS WITHIN "CAPS"					
GENERAL GOVERNMENT					
Administrative and Executive:					
Salaries and Wages	$ 200,000.00	$ 200,000.00	$ 188,229.92	$ 11,770.08	$
Other Expenses	24,800.00	24,800.00	24,272.23	527.77	
Mayor and Council:					
Salaries and Wages	24,000.00	24,000.00	24,000.00		
Other Expenses	59,850.00	59,850.00	45,311.90	14,538.10	
Municipal Clerk:					
Salaries and Wages	92,000.00	92,000.00	91,725.25	274.75	
Other Expenses	27,200.00	27,200.00	25,452.75	1,747.25	
Elections:					
Other Expenses	2,956.00	2,956.00	2,061.02	894.98	
Financial Administration:					
Salaries and Wages	167,000.00	167,000.00	154,766.89	12,233.11	
Other Expenses	28,100.00	28,100.00	27,582.90	517.10	
Audit	39,000.00	39,000.00	39,000.00		
Assessment of Taxes:					
Salaries and Wages	68,000.00	68,000.00	65,400.81	2,599.19	
Other Expenses	31,000.00	31,000.00	30,992.81	7.19	
Collection of Taxes:					
Salaries and Wages	61,000.00	61,000.00	60,637.54	362.46	
Other Expenses	24,500.00	24,500.00	24,499.38	0.62	
Legal Services and Costs:					
Other Expenses	155,000.00	155,000.00	147,026.98	7,973.02	
Engineering Services and Costs:					
Salaries and Wages	125,000.00	125,000.00	120,874.42	4,125.58	
Other Expenses	121,250.00	121,250.00	120,295.55	954.45	
Public Building and Grounds:					
Salaries and Wages	48,000.00	48,000.00	48,000.00		
Other Expenses	141,250.00	141,250.00	136,136.26	5,113.74	
Bulk Clean Up	12,000.00	12,000.00	6,939.58	5,060.42	

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

BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
Planning Board:					
Salaries and Wages	$ 3,250.00	$ 3,250.00	$ 3,019.42	$ 230.58	$
Other Expenses	29,160.00	29,160.00	27,433.77	1,726.23	
Board of Adjustment:					
Salaries and Wages	3,250.00	3,250.00		3,250.00	
Other Expenses	18,620.00	18,620.00	16,759.07	1,860.93	
PUBLIC SAFETY					
Fire:					
Other Expenses	115,600.00	115,600.00	56,207.61	59,392.39	
Fire Official:					
Salaries and Wages	40,000.00	40,000.00	39,653.31	346.69	
Other Expenses	2,850.00	2,850.00	1,972.76	877.24	
Police:					
Salaries and Wages	3,525,000.00	3,525,000.00	3,458,822.53	66,177.47	
Other Expenses	276,153.00	276,153.00	266,621.11	9,531.89	
First Aid Organization Contributions	31,000.00	31,000.00	31,000.00		
Emergency Management Service:					
Salaries and Wages	5,700.00	5,700.00	5,657.96	42.04	
Other Expenses	8,300.00	8,300.00	1,534.96	6,765.04	
Public Defender:					
Salaries and Wages	100.00	100.00		100.00	
Municipal Court:					
Salaries and Wages	70,000.00	70,000.00	64,999.92	5,000.08	
Other Expenses	75,000.00	75,000.00	41,763.51	33,236.49	
Audit Services	5,000.00	5,000.00	5,000.00		
Streets and Roads:					
Salaries and Wages	285,000.00	285,000.00	284,286.11	713.89	
Other Expenses	221,400.00	221,400.00	206,623.67	14,776.33	

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

BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
HEALTH AND WELFARE					
Board of Health:					
Salaries and Wages	$ 3,250.00	$ 3,250.00	$	$ 3,250.00	$
Dog Regulation:					
Other Expenses	18,900.00	18,900.00	18,473.00	427.00	
Sewer System:					
Salaries and Wages	72,000.00	72,000.00	71,425.42	574.58	
Other Expenses	56,000.00	56,000.00	37,351.04	18,648.96	
Condo Act Reimbursement:					
Other Expenses	9,000.00	9,000.00	8,676.61	323.39	
RECREATION AND EDUCATION					
Recreation:					
Salaries and Wages	6,500.00	26,500.00	24,117.32	2,382.68	
Other Expenses	113,010.00	93,010.00	55,682.44	37,327.56	
Traffic and Beautification:					
Other Expenses	2,000.00	2,000.00	1,117.61	882.39	
Environmental Commission:					
Other Expenses	1,050.00	1,050.00	847.00	203.00	
Historical Preservation:					
Other Expenses	9,425.00	9,425.00	7,213.52	2,211.48	
Free Public Library:					
Salaries and Wages	18,000.00	18,000.00	18,000.00		
Other Expenses	22,000.00	22,000.00	21,456.02	543.98	
STATE UNIFORM CONSTRUCTION CODE					
Construction Code Official:					
Salaries and Wages	119,000.00	119,000.00	118,558.14	441.86	
Other Expenses	20,100.00	20,100.00	16,265.11	3,834.89	
Plumbing Inspector:					
Salaries and Wages	25,000.00	25,000.00	11,858.82	13,141.18	

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

BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
Electrical Inspector:					
Salaries and Wages	$ 23,500.00	$ 23,500.00	$ 23,492.07	$ 7.93	$
Fire Sub-Code Inspector:					
Salaries and Wages	22,000.00	22,000.00	16,079.69	5,920.31	
INSURANCE					
Group Insurance for Employees	1,880,000.00	1,874,200.00	1,732,463.98	141,736.02	
Workers Compensation	158,000.00	158,000.00	157,995.50	4.50	
Other Insurance Premiums	160,000.00	160,000.00	142,367.08	17,632.92	
Health Insurance Waiver	17,000.00	22,800.00	22,740.57	59.43	
UNCLASSIFIED					
Electricity	120,000.00	120,000.00	119,449.41	550.59	
Telephone	80,000.00	80,000.00	78,430.35	1,569.65	
Water	16,000.00	16,000.00	15,908.44	91.56	
Natural Gas	38,000.00	38,000.00	37,632.93	367.07	
Fire Hydrant Service	247,000.00	247,000.00	215,521.70	31,478.30	
Gasoline	80,000.00	80,000.00	67,008.47	12,991.53	
Street Lighting	85,000.00	85,000.00	78,803.22	6,196.78	
Salary and Wage Adjustment Account	100.00	100.00		100.00	
TOTAL OPERATIONS WITHIN "CAPS"	$ 9,589,124.00	$ 9,589,124.00	$ 9,013,497.36	$ 575,626.64	$
Detail:					
Salaries and Wages	$ 5,006,550.00	$ 5,026,550.00	$ 4,893,605.54	$ 132,944.46	$
Other Expenses	4,582,574.00	4,562,574.00	4,119,891.82	442,682.18	

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

BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"					
Statutory Expenditures:					
Social Security System (O.A.S.I.)	$ 210,000.00	$ 210,000.00	$ 186,624.27	$ 23,375.73	$
Contribution to:					
Police and Firemen's Retirement Fund	772,923.00	772,923.00	772,923.00		
Public Employee's Retirement System	189,124.00	189,124.00	189,124.00		
Defined Contribution Retirement Plan	2,000.00	2,000.00		2,000.00	
Deferred Charge:					
2016 Sewer Repair Emergency	106,396.06	106,396.06	106,306.06		90.00
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"	$ 1,280,443.06	$ 1,280,443.06	$ 1,254,977.33	$ 25,375.73	$ 90.00
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	$ 10,869,567.06	$ 10,869,567.06	$ 10,268,474.69	$ 601,002.37	$ 90.00
OPERATIONS EXCLUDED FROM "CAPS"					
Municipal Alliance Contribution - Match	$ 1,500.00	$ 1,500.00	$	$ 1,500.00	$
INTERLOCAL MUNICIPAL SERVICE AGREEMENTS					
Sewer Interlocal Agreements:					
Other Expenses	636,000.00	636,000.00	636,000.00		
Somerset County Interlocal Agreements:					
Recycling	35,000.00	35,000.00	35,000.00		
Board of Health:					
Other Expenses	101,756.00	101,756.00	101,455.66	300.34	

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

BOROUGH OF WATCHUNG

"A-3"
SHEET #6

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
PUBLIC AND PRIVATE PROGRAMS OFF-SET BY REVENUES					
Safe and Secure Communities Program:					
State Share	$ 60,000.00	$ 60,000.00	$ 60,000.00	$	$
Local Share	130,000.00	130,000.00	130,000.00		
Clean Communities Program (40A:4-87 + $14,835.44)		14,835.44	14,835.44		
Somerset County Youth Services (40A:4-87 + $5,000.00)		5,000.00	5,000.00		
Body Armor Replacement Fund (40A:4-87 + $2,910.35)		2,910.35	2,910.35		
Alcohol Education Rehabilitation (40A:4-87 + $1,093.78)		1,093.78	1,093.78		
Recycling Tonnage (40A:4-87 + $10,667.51)		10,667.51	10,667.51		
FEMA (40A;4-87 +$100,000.00)		100,000.00	100,000.00		
TOTAL OPERATIONS EXCLUDED FROM "CAPS"	$ 964,256.00	$ 1,098,763.08	$ 1,096,962.74	$ 1,800.34	$
CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"					
Capital Improvement Fund	$ 125,000.00	$ 125,000.00	$ 125,000.00	$	$
Police Four Wheel Drive Vehicle	35,000.00	35,000.00	30,715.00	4,285.00	
Building & Ground Improvements	15,000.00	15,000.00	14,884.50	115.50	
TOTAL CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"	$ 175,000.00	$ 175,000.00	$ 170,599.50	$ 4,400.50	$
MUNICIPAL DEBT SERVICE-EXCLUDED FROM "CAPS"					
Payment of Bond Principal	$ 1,215,000.00	$ 1,215,000.00	$ 1,215,000.00	$	$
Interest on Bonds	558,827.25	558,827.25	553,401.74		5,425.51
Green Trust Loan	30,456.00	30,456.00	30,455.60		0.40
NJ UST Remediation Loan	46,638.00	46,638.00	46,637.39		0.61
NJEIT Loan	115,000.00	115,000.00	113,172.14		1,827.86
TOTAL MUNICIPAL DEBT SERVICE-EXCLUDED FROM "CAPS"	$ 1,965,921.25	$ 1,965,921.25	$ 1,958,666.87	$	$ 7,254.38

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

BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
DEFERRED CHARGES-MUNICIPAL-EXCLUDED FROM "CAPS"					
Ordinance 3/03 -06/27	$ 18,011.69	$ 18,011.69	$ 18,011.69	$	$
Ordinance 15/11	1,544.00	1,544.00	1,544.00		
Ordinance 16/08	25,700.00	25,700.00	25,700.00		
TOTAL DEFERRED CHARGES-MUNICIPAL-EXCLUDED FROM "CAPS"	$ 45,255.69	$ 45,255.69	$ 45,255.69	$	$
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	$ 3,150,432.94	$ 3,284,940.02	$ 3,271,484.80	$ 6,200.84	$ 7,254.38
SUB-TOTAL GENERAL APPROPRIATIONS	$ 14,020,000.00	$ 14,154,507.08	$ 13,539,959.49	$ 607,203.21	$ 7,344.38
RESERVE FOR UNCOLLECTED TAXES	$ 515,000.00	$ 515,000.00	$ 515,000.00	$	$
TOTAL GENERAL APPROPRIATIONS	$ 14,535,000.00	$ 14,669,507.08	$ 14,054,959.49	$ 607,203.21	$ 7,344.38
REF.	A-2:A-3		A-1	A:A-1	

	REF.	
Amendment by (NJSA 40A:4-87)	A-2	$ 134,507.08
Budget	A-3	14,535,000.00
		$ 14,669,507.08

Reserve for Uncollected Taxes	A-2	$ 515,000.00
Deferred Charges	A-27	106,306.06
Accounts Payable	A-7	227,563.56
Reserve for Grants Appropriated	A-22	194,507.08
Disbursements	A-4	13,411,162.54
		$ 14,454,539.24
Less: Refunds	A-4	399,579.75
		$ 14,054,959.49

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

TRUST FUND

BOROUGH OF WATCHUNG

TRUST FUND

BALANCE SHEETS - REGULATORY BASIS

	REF.	BALANCE DECEMBER 31, 2017	BALANCE DECEMBER 31, 2016
ASSETS			
Assessment Fund:			
Cash	B-2: B-8	$ 346,760.90	$
Assessment Receivable	B-3	1,490,735.56	1,711,040.65
Due Current Fund	B-4	19,876.94	204,582.91
		$ 1,857,373.40	$ 1,915,623.56
Animal Control Fund:			
Cash	B-2	$ 7,980.35	$ 5,749.95
		$ 7,980.35	$ 5,749.95
Other Funds:			
Cash	B-2	$ 2,211,105.04	$ 2,491,761.47
Due Current Fund	B-18	990.12	
		$ 2,212,095.16	$ 2,491,761.47
		$ 4,077,448.91	$ 4,413,134.98
LIABILITIES, RESERVES AND FUND BALANCE			
Assessment Fund:			
Assessment Loans:			
NJEIT Trust Loans Payable	B-6	$ 235,000.00	$ 270,000.00
NJEIT Fund Loans Payable	B-7	368,602.22	391,852.38
Reserve for Assessments	B-16	11,208.84	11,208.84
Due General Capital Fund	B-17	1,184,478.70	1,184,478.70
Fund Balance	B-1	58,083.64	58,083.64
		$ 1,857,373.40	$ 1,915,623.56
Animal Control Fund:			
Reserve For Animal Control Fund Expenditures	B-14	$ 5,004.20	$ 5,749.95
Due Current Fund	B-24	2,976.15	
		$ 7,980.35	$ 5,749.95
Other Funds:			
Reserve For:			
Various Trust Deposits	B-13	$ 504,888.98	$ 455,332.79
COAH Deposits	B-12	859,500.28	1,073,985.91
Police Outside Overtime	B-15	10,274.41	31,491.81
Open Space Trust Deposits	B-10	43,175.79	55,361.35
State Unemployment Compensation Insurance	B-11	106,072.31	99,067.46
Recreation Deposits	B-19	13,435.95	21,753.33
Law Enforcement Trust Fund	B-20	4,812.75	4,771.62
Law Enforcement Trust Fund - Federal	B-21	2,297.53	2,294.05
Developers Deposits	B-22	654,232.48	742,463.33
Due Current Fund	B-18	10,441.03	391.17
Accounts Payable	B-9	2,963.65	4,848.65
		$ 2,212,095.16	$ 2,491,761.47
		$ 4,077,448.91	$ 4,413,134.98

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

BOROUGH OF WATCHUNG

ASSESSMENT TRUST FUND

STATEMENT OF FUND BALANCE - REGULATORY BASIS

	REF.	YEAR ENDED DECEMBER 31, 2017	YEAR ENDED DECEMBER 31, 2016
Balance, January 1	B	$ 58,083.64	$ 58,083.64
Balance, December 31	B	$ 58,083.64	$ 58,083.64

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

THIS PAGE INTENTIONALLY LEFT BLANK

GENERAL CAPITAL FUND

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

BALANCE SHEETS - REGULATORY BASIS

	REF.	BALANCE DECEMBER 31, 2017	BALANCE DECEMBER 31, 2016
ASSETS			
Cash	C-2:C-3	$ 590,504.73	$ 821,453.95
Deferred Charges to Future Taxation:			
Funded	C-4	18,082,457.68	19,927,899.43
Unfunded	C-5	1,783,818.00	1,105,648.69
State Aid Receivable	C-16	302,480.22	425,355.22
Due Current Fund	C-14	298,875.00	
Due Assessment Trust Fund	C-9	1,184,478.70	1,184,478.70
		$ 22,242,614.33	$ 23,464,835.99
LIABILITIES, RESERVES AND FUND BALANCE			
Bond Anticipation Notes Payable	C-17	$ 1,000,000.00	$
General Serial Bonds Payable	C-11	16,875,000.00	18,569,000.00
Contracts Payable	C-7	278,634.24	89,014.00
Capital Improvement Fund	C-8	322,916.72	205,991.72
Reserve for Grant Receivable	C-18	50,000.00	50,000.00
Reserve for Capital Projects	C-6	27,942.00	27,942.00
Reserve for Debt Service	C-19		59,378.73
State of New Jersey Loan Payable:			
Environmental Infrastructure Trust Loans	C-12	305,000.00	355,000.00
Environmental Infrastructure Fund Loans	C-13	410,377.59	445,563.44
Green Trust Loan Program	C-15	492,080.09	558,335.99
Due Current Fund	C-14		9,600.00
Improvement Authorizations:			
Funded	C-10	1,635,560.63	2,280,240.48
Unfunded	C-10	678,901.02	678,176.11
Fund Balance	C-1	166,202.04	136,593.52
		$ 22,242,614.33	$ 23,464,835.99

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

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

STATEMENT OF FUND BALANCE - REGULATORY BASIS

	REF.	YEAR ENDED DECEMBER 31, 2017	YEAR ENDED DECEMBER 31, 2016
Balance, January 1	C	$ 136,593.52	$ 51,193.94
Increased by:			
Receipts on Fully Funded Authorizations	C-2	2,640.00	9,504.72
Bond Sale Premium	C-2	26,968.52	81,700.00
Funded Improvements Authorizations Canceled			44,194.86
		$ 166,202.04	$ 186,593.52
Decreased by:			
Surplus Anticipated-Current Fund			50,000.00
Balance, December 31	C	$ 166,202.04	$ 136,593.52

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

THIS PAGE INTENTIONALLY LEFT BLANK

GENERAL FIXED ASSETS ACCOUNT GROUP

"F"

BOROUGH OF WATCHUNG

STATEMENT OF GENERAL FIXED ASSETS

BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER 31, 2017	BALANCE DECEMBER 31, 2016
FIXED ASSETS:		
Land	$ 13,189,000.00	$ 13,189,000.00
Buildings	6,124,988.95	6,121,236.30
Machinery and Equipment	5,598,209.24	5,364,497.92
TOTAL FIXED ASSETS	$ 24,912,198.19	$ 24,674,734.22
RESERVE:		
Investments in General Fixed Assets	$ 24,912,198.19	$ 24,674,734.22

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

NOTES TO FINANCIAL STATEMENTS

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

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

Sale of Municipal Assets - The proceeds from the sale of municipal assets can be held in a reserve until anticipated as revenue in a future budget. GAAP requires such proceeds to be recorded as revenue in the year of sale.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

General Fixed Assets - N.J.A.C. 5:30-5.6, Accounting for Governmental Fixed Assets, which differs in certain respects from generally accepted accounting principles, requires the inclusion of a statement of general fixed assets of the Borough as part of its basic financial statements. General fixed assets are defined as non-expendable personal property having a physical existence, a useful life of more than one year and an acquisition cost of $500.00 or more per unit. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage system are not capitalized. No depreciation has been provided on general fixed assets or reported in the financial statements. General Fixed Assets that have been acquired and are utilized in a governmental fund operation are accounted for in the General Fixed Asset Account Group rather than in a governmental fund.

The Borough has developed a fixed assets accounting and reporting system based on an inspection and valuation prepared by an independent appraisal firm and updated by the Borough. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Land is stated at the assessed value contained in the Borough's most recent property revaluation.

Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation.

Fixed assets acquired through grants in aid or contributed capital have not been accounted for separately.

Inventories of Supplies - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires the cost of inventories to be reported as a current asset and equally offset by a fund balance reserve.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Accounting (Continued)

Accounting and Financial Reporting for Pensions - The Governmental Accounting Standards Board (GASB) approved Statement No. 68 Accounting and financial reporting for pensions administered by state and local government employers. This Statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirement of Statement No. 27, *Accounting for Pension by State and Local Governmental Employers,* as well as the requirements of Statement No. 50, *Pension Disclosures,* as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This statement is effective for periods beginning after June 15, 2014.

GASB approved Statement 71, Pension Transition for Contributions made Subsequent to the Measurement Date-an amendment to GASB No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement 68 requires a state or local government employer (or non-employer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or non-employer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Accounting and Financial Reporting for Pensions (Continued)

In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or non-employer contributing entity that arise from other types of events.

At transition to Statement 68, if it is not practical for an employer or non-employer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported. Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or non-employer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

Under GAAP, municipalities are required to recognize the pension liability in Statements of Revenues, Expenses, Changes in Net Assets (balance sheets) and Notes to the Financial Statements in accordance with GASB 68. The liability required to be displayed by GASB 68 is displayed as a separate line item in the Unrestricted Net Assets area of the balance sheet.

New Jersey's municipalities and counties do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording the net pension liability as a liability on their balance sheets. However, N.J.A.C. 5:30 6.1(c)(2) requires municipalities to disclose GASB 68 information in the Notes to the Financial Statements. The disclosure must meet the requirements of GASB 68.

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, certificates of deposit, and short-term investments with original maturities of three months or less as cash and cash equivalents. Investments are stated at cost, which approximates market.

Deposits

New Jersey statutes permit the deposit of public funds in institutions which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA) or the State of New Jersey Cash Management Fund. GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. All collateral must be deposited with the Federal Reserve Bank or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than $25,000,000.00. Under (GUDPA), if a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of the deposits to the governmental unit. The Borough of Watchung had the following cash and cash equivalents at December 31, 2017:

Fund	Cash in Bank	Reconciling Items	Total
Current Fund	$8,404,330.57	$802,705.00	$9,207,035.57
Grant Fund	169,235.50		169,235.50
Assessment Trust Fund	346,760.90		346,760.90
Animal Control Trust Fund	7,980.35		7,980.35
Other Trust Fund	2,226,356.22	(15,251.18)	2,211,105.04
General Capital Fund	648,454.22	(57,949.49)	590,504.73
Total - December 31, 2017	$11,803,117.76	$729,504.33	$12,532,622.09

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

Deposits (Continued)

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Borough does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of December 31, 2017, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash balance in the bank, $250,000.00 was covered by Federal Depository Insurance and $11,553,117.76 was covered by NJGUDPA.

Investments

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

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;

2. Government money market mutual funds which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. These funds are also required to be rated by a nationally recognized statistical rating organization;

3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;

4. Bonds or other obligations of the Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located;

5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Local Government Services of the Department of Community Affairs for investment by Local Units;

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

Investments (Continued)

6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization;

7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c. 281 (C. 52:18A-90.4); or

8. Agreements for the repurchase of fully collateralized securities if:

   a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;

   b. the custody of collateral is transferred to a third party;

   c. the maturity of the agreement is not more than 30 days;

   d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c. 236 (C. 17:19-41); and

   e. a master repurchase agreement providing for the custody and security of collateral is executed.

Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1 and existing investment practices, the Borough is generally not exposed to credit risks and interest rate risks for its investments, nor is it exposed to foreign currency risk for its deposits and investments.

NOTE 3: MUNICIPAL DEBT

The Local Bond Law, Chapter 40A:2, governs the issuance of bonds to finance general municipal capital expenditures. All bonds are retired in annual installments within the statutory period of usefulness. All bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. 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.

NOTE 3: MUNICIPAL DEBT (CONTINUED)

SUMMARY OF MUNICIPAL DEBT

	Year 2017	Year 2016	Year 2015
Issued:			
General:			
Bonds and Notes	$ 17,875,000.00	$ 18,569,000.00	$ 18,415,000.00
Loans Payable	1,811,059.90	2,020,751.81	2,240,188.13
Debt Issued	$ 19,686,059.90	$ 20,589,751.81	$ 20,655,188.13
Authorized But Not Issued:			
General:			
Bonds and Notes	783,818.00	1,105,648.69	1,596,948.69
TOTAL BONDS AND NOTES ISSUED AND AUTHORIZED BUT NOT ISSUED	$ 20,469,877.90	$ 21,695,400.50	$ 22,252,136.82

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 1.274%.

	Gross Debt	Deductions	Net Debt
School Debt	$ 7,217,277.11	$ 7,217,277.11	$
General Debt	20,469,877.90		20,469,877.90
	$ 27,687,155.01	$ 7,217,277.11	$ 20,469,877.90

Net debt $20,469,877.90 divided by equalized valuation basis per N.J.S.A. 40A:2-2, $1,724,367,736.33 equals 1.187%.

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

Equalized Valuation Basis - December 31, 2017	$ 1,724,367,736.33
3 1/2% of Equalized Valuation Basis	$ 60,352,870.77
Net Debt	20,469,877.90
Remaining Borrowing Power	$ 39,882,992.87

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:

$15,609,000.00 General Obligation Bonds of 2007 with on remaining installment due for $950,000.00 in August 2018.	$950,000.00
$8,170,000.00 General Obligation Bonds of 2016 due in annual installments of $315,000.00 to $630,000.00 through February 2032 at an interest rate of 1.0% to 3.0%.	7,855,000.00
$8,070,000.00 General Obligation Refunding Bonds of 2017 due in annual installments of $870,000.00 to $935,000.00 through August 2027 at an interest rate of 3.0% to 4.0%	8,070,000.00
	$16,875,000.00

Green Trust Loans:

$750,000.00 Dam Restoration Loan due in semi-annual installments of $17,129.38 to $23,087.82 through January 2029 at an interest rate of 2.00%	$477,003.09
$500,000.00 Watchung Lake Development Loan due in annual installments of $13,923.38 to $15,077.03 through March 2018 at an interest rate of 2.00%.	15,077.00
	$492,080.09

New Jersey Environmental Infrastructure Loans:

$915,000.00 Infrastructure Trust Loan of 2000 due in annual installments of $55,000.00 to $75,000.00 through August 2020 at an interest rate of 5.00% to 5.25%.	$210,000.00
$230,000.00 Infrastructure Trust Loan of 2001 due in annual installments of $15,000 through February 2021 at an interest rate of 5.00%.	60,000.00
$226,237.00 Infrastructure Fund Loan of 2001 due in annual installments of $10,026.15 to $13,367.97 through February 2021 at an interest rate of 0.00%.	41,775.06
$300,000.00 Infrastructure Trust Loan of 2014 due in annual installments of $10,000.00 to $20,000.00 through August 2033 at an interest rate of 0.00%.	270,000.00
$907,706.00 Infrastructure Fund Loan of 2014 due in annual installments of $31,000.23 to $46,500.34 through August 2033 at an interest rate of 0.00%.	737,204.75
	$1,318,979.81

BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

At December 31, 2017 the Borough has authorized but not issued bonds and notes as follows:

General Capital Fund	$783,818.00

BOND ANTICIPATION NOTES

At December 31, 2017, the Borough had the following bond anticipation notes outstanding:

Fund	Interest Rate	Maturity Date	Amount
General Capital Fund	2.5%	11/1/18	$1,000,000.00

NOTE 3: MUNICIPAL DEBT (CONTINUED)

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

	General		
Calendar Year	Principal	Interest	Total
2018	1,265,000.00	508,387.50	1,773,387.50
2019	1,300,000.00	464,612.50	1,764,612.50
2020	1,345,000.00	432,081.25	1,777,081.25
2021	1,355,000.00	398,450.00	1,753,450.00
2022	1,375,000.00	354,125.00	1,729,125.00
2023	1,375,000.00	308,575.00	1,683,575.00
2024	1,400,000.00	262,875.00	1,662,875.00
2025	1,415,000.00	216,825.00	1,631,825.00
2026	1,440,000.00	170,625.00	1,610,625.00
2027	1,455,000.00	124,125.00	1,579,125.00
2028	630,000.00	77,175.00	707,175.00
2029	630,000.00	63,787.50	693,787.50
2030	630,000.00	47,250.00	677,250.00
2031	630,000.00	28,350.00	658,350.00
2032	630,000.00	9,450.00	639,450.00
	$ 16,875,000.00	$ 3,466,693.75	$ 20,341,693.75

Schedule of Annual Debt Service for Principal and Interest for New Jersey Green Trust Loans Payable - Watchung Lake Development & Dam Restoration

Calendar Year	Principal	Interest	Total
2018	52,359.85	10,239.96	62,599.81
2019	38,032.20	9,354.57	47,386.77
2020	38,796.65	8,605.19	47,401.84
2021	39,576.46	7,840.74	47,417.20
2022	40,371.95	7,060.93	47,432.88
2023	41,183.43	6,265.44	47,448.87
2024	42,011.21	5,453.97	47,465.18
2025	42,855.63	4,626.18	47,481.81
2026	43,717.04	3,781.75	47,498.79
2027	44,595.75	2,920.36	47,516.11
2028	45,492.13	2,041.65	47,533.78
2029	23,087.82	1,145.27	24,233.09
	$ 492,080.12	$ 69,336.01	$ 561,416.13

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

Calendar	General Capital Fund		Assessment Trust Fund		
Year	Principal	Interest	Principal	Interest	Total
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
	$ 110,000.00	$ 11,812.50	$ 100,000.00	$ 10,762.50	$ 232,575.00

NOTE 3: MUNICIPAL DEBT (CONTINUED)

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

Calendar Year	Principal	Interest	Total
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
	$ 60,000.00	$ 6,000.00	$ 66,000.00

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

Calendar Year	Principal	Total
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
	$ 42,013.77	$ 42,013.77

Schedule of Annual Debt Service for Principal and Interest for Environmental Infrastructure Loan Payable - 2014 Infrastructure Trust Loan

Calendar Year	Principal - Capital	Principal - Assessment	Interest	Total
2018	5,000.00	$ 5,000.00	$ 10,175.00	$ 20,175.00
2019	7,500.00	7,500.00	9,675.00	24,675.00
2020	7,500.00	7,500.00	8,925.00	23,925.00
2021	7,500.00	7,500.00	8,175.00	23,175.00
2022	7,500.00	7,500.00	7,425.00	22,425.00
2023	7,500.00	7,500.00	6,675.00	21,675.00
2024	7,500.00	7,500.00	5,925.00	20,925.00
2025	7,500.00	7,500.00	5,175.00	20,175.00
2026	7,500.00	7,500.00	4,725.00	19,725.00
2027	10,000.00	10,000.00	4,275.00	24,275.00
2028	10,000.00	10,000.00	3,675.00	23,675.00
2029	10,000.00	10,000.00	3,075.00	23,075.00
2030	10,000.00	10,000.00	2,475.00	22,475.00
2031	10,000.00	10,000.00	1,875.00	21,875.00
2032	10,000.00	10,000.00	1,275.00	21,275.00
2033	10,000.00	10,000.00	650.00	20,650.00
	$ 135,000.00	$ 135,000.00	$ 84,175.00	$ 354,175.00

NOTE 3: MUNICIPAL DEBT (CONTINUED)

Schedule of Annual Debt Service for Principal for Environmental Infrastructure Loan Payable - 2014 Infrastructure Fund Loan

Calendar Year	Principal - Capital	Principal - Assessment	Total
2018	$ 23,250.17	$ 23,250.17	$ 23,250.17
2019	23,250.17	23,250.17	23,250.17
2020	23,250.17	23,250.17	23,250.17
2021	23,250.17	23,250.17	23,250.17
2022	23,250.17	23,250.17	23,250.17
2023	23,250.17	23,250.17	23,250.17
2024	23,250.17	23,250.17	23,250.17
2025	23,250.17	23,250.17	23,250.17
2026	23,250.17	23,250.17	23,250.17
2027	23,250.17	23,250.17	23,250.17
2028	23,250.17	23,250.17	23,250.17
2029	23,250.17	23,250.17	23,250.17
2030	23,250.17	23,250.17	23,250.17
2031	23,250.17	23,250.17	23,250.17
2032	23,250.17	23,250.17	23,250.17
2033	19,849.83	19,849.83	19,849.83
	$ 368,602.38	$ 368,602.38	$ 368,602.38

NOTE 4: FUND BALANCE APPROPRIATED

Fund balance at December 31, 2017 which is appropriated and included as anticipated revenue in its own respective fund for the year ending December 31, 2018 was as follows:

Current Fund	$845,000.00

NOTE 5: PROPERTY TAXES

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

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

	Balance December 31, 2017	Balance December 31, 2016
Prepaid Taxes	$4,332,664.88	$483,009.67

NOTE 6: PENSION PLANS

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

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

NOTE 6: PENSION PLANS (CONTINUED)

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

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

Vesting and Benefit Provisions

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

The vesting and benefit provisions for PFRS are set by N.J.S.A. 43:16A and 43:36. All benefits vest after ten years of service, except for disability benefits, which vest alter four years of service. Retirement benefits for age and service are available at age 55. Members may seek special retirement after achieving 25 years of creditable service or they may elect deferred retirement after achieving ten years of service.

Newly elected or appointed officials that have an existing DCRP account, or are a member of another State-administered retirement system are immediately invested in the DCRP. For newly elected or appointed officials that do not qualify for immediate vesting in the DCRP, employee and employer contributions are held during the initial year of membership. Upon commencing the second year of DCRP membership, the member is fully invested. However, if a member is not eligible to continue in the DCRP for a second year of membership, the member may apply for a refund of the employee contributions from the DCRP, while the employer contributions will revert back to the employer. Employees are required to contribute 5.5% of their base salary and employers contribute 3.0%.

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing employers. Plan members and employer contributions may be amended by State of New Jersey legislation. Effective 2017, PERS provides for employee contributions of 7.35% of employees' annual compensation. Employers are required to contribute at an actuarially determined rate. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

NOTE 6: PENSION PLANS (CONTINUED)

Funding Policy (Continued)

The contribution policy for PFRS is set by N.J.S.A. 43: 16A and requires contributions by active members and contributing employers. Plan member and employer contributions *may* be amended by State of New Jersey legislation. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits. During 2017, members contributed at a uniform rate of 10.00% of base salary.

Certain Borough employees are also covered by the Federal Insurance Contribution Act. The Borough's share of pension costs, which is based upon the annual billings received from the State, amounted to $962,047.00 for 2017, $919,691.75 for 2016, and $832,391.16 for 2015.

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

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions – GASB #68

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68 "Accounting and Financial Reporting for Public Employees Pensions" and is effective for fiscal years beginning after June 15, 2014. This statement requires the State of New Jersey to calculate and allocate, for note disclosure purposes only, the unfunded net pension liability of Public Employees Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) of the participating municipality as of December 31, 2016. The statement does not alter the amounts of funds that must be budgeted for pension payments under existing state law.

Under accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, any unfunded net pension liability of the municipality, allocated by the State of New Jersey, is not required to be reported in the financial statements as presented and any pension contributions required to be paid are raised in that year's budget and no liability is accrued at December 31, 2016.

Public Employees Retirement System (PERS)

At June 30, 2016, the State reported a net pension liability of $6,266,504.00 for the Borough of Watchung's proportionate share of the total net pension liability. The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Borough's proportion was 0.0211583772 percent, which was an increase of 0.0009419563 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the State recognized an actuarially determined pension expense of $609,450.00 for the Borough of Watchung's proportionate share of the total pension expense. The pension expense recognized in the Borough's financial statement based on the April 1, 2016 billing was $173,807.00.

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

At June 30, 2016, the State reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Inflow of Resources	Deferred Outflow of Resources
Differences between expected and actual experience	-	$116,538.00
Changes of assumptions		1,298,085.00
Net difference between projected and actual earnings on pension plan investments		238,948.00
Changes in proportion and differences between Borough contributions and proportionate share of contributions	$85,766.00	155,710.00
	$85,766.00	$1,809,281.00

Other local amounts reported by the State as the Borough's proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the State's actuarially calculated pension expense as follows:

Year Ended June 30,	Amount
2017	$382,784.00
2018	382,784.00
2019	441,088.00
2020	379,655.00
2021	137,204.00
	$1,723,515.00

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which rolled forward to June 30, 2016. These actuarial valuations used the following assumptions:

	June 30, 2015	June 30, 2016
Inflation	3.04 Percent	3.08 Percent
Salary Increases (based on age)		
Though 2026	2.15-4.40 Percent	1.65-4.15 Percent
Thereafter	3.15-5.40 Percent	2.65-5.15 Percent
Investment Rate of Return	7.90 Percent	7.65 percent

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA.

In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

	June 30, 2016	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Markets	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Returns	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%
	100.00%	

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2016 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1- percentage point higher than the current rate:

	June 30, 2016		
	1% Decrease 2.98%	At Current Discount Rate 3.98%	1% Increase 4.98%
Borough's proportionate share of the pension liability	$7,678,870.00	$6,266,504.00	$5,100,474.00

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 http://www.state.nj.us/treasury/pensions

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Police and Firemen's Retirement System (PFRS)

At June 30, 2016, the State reported a net pension liability of $18,108,759.00 for the Borough of Watchung's proportionate share of the total PFRS net pension liability. The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Borough's proportion was 0.0947975615 percent, which was an increase of 0.0035855014 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the State recognized an actuarially determined pension expense of $1,893,281.00. The pension expense recognized in the Borough's financial statement based on the April 1, 2016 billing was $741,418.00

At June 30, 2016, the State reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	Deferred Inflow of Resources	Deferred Outflow of Resources
Differences between expected and actual experience	$118,706.00	
Changes of assumptions		$2,508,212.00
Net difference between projected and actual earnings on pension plan investments		1,268,844.00
Changes in proportion and differences between the Borough's contributions and proportionate share of contributions	922,163.00	965,076.00
	$1,040,869.00	$4,742,132.00

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Amount
2017	$835,944.00
2018	835,944.00
2019	1,107,908.00
2020	829,723.00
2021	91,744.00
	$3,701,263.00

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which rolled forward to June 30, 2016. This actuarial valuation used the following assumptions:

	2016	2015
Inflation	3.08 Percent	3.04 Percent
Salary Increases (based on age)		
Through 2026	2.10-8.98 Percent	2.60-9.48 Percent
Thereafter	3.10-9.98 Percent	3.60-10.48 Percent
Investment Rate of Return	7.65 Percent	7.90 Percent

Pre-retirement mortality rates were based on the RP-2000 Pre-Retirement mortality tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Post- retirement mortality rates for female service retirements and beneficiaries were based the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales.

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

Actuarial Assumptions

Disability mortality rates were based on special mortality tables used for the period after disability retirement. The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS s target asset allocation as of June 30, 2016 are summarized in the following table:

	June 30,2016	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.87%
US Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%
	100.00%	

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 5.55% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2050. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2050, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2016 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1- percentage point higher than the current rate:

	June 30, 2016		
	1% Decrease 4.55%	At Current Discount Rate 5.55%	1% Increase 6.55%
Borough's proportionate share of the PFRS pension liability	$23,349,917.00	$18,108,759.00	$13,834,910.00

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

Special Funding Situation

In accordance with N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.c. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.c. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed by the State on behalf of the Borough under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68, and the State is treated as a nonemployer contributing entity. Since the Borough does not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to disclose in the notes to the financial statements of the Borough related to this legislation.

At December 31, 2016 and 2015, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is $1,520,687.00 and $1,332,353.00 respectively.

At December 31, 2016, the Borough's and State of New Jersey's proportionate share of the PFRS net pension liability were as follows:

Borough's Proportionate Share of Net Pension Liability	$18,108,759.00
State of New Jersey Proportionate Share of Net Pension Liability Associated with the Borough	1,520,687.00
	$19,629,446.00

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Police and Firemen's Retirement System (PFRS). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 http://www.state.nj.us/treasury/pensions

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 $814,549.91 and $632,264.93 at December 31, 2017 and 2016, respectively. In accordance with New Jersey accounting principles and practices these amounts are not reported as an expenditure or liability in the accompanying financial statements.

NOTE 8: DEFERRED COMPENSATION PLAN

The Borough offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Borough employees, permits them to defer a portion of their salaries until future years. The Borough does not make any contribution to the plan. The deferred compensation is not available to employees until retirement, death, disability, termination or financial hardships.

In accordance with the requirements of the Small Business Job Protection Act of 1996 and the funding requirements of Internal Revenue Code Section 457(g), the Borough's Plan was amended to require that all amounts of compensation deferred under the Plan are held for the exclusive benefits of plan participants and beneficiaries. All assets and income under the Plan are held in trust, in annuity contracts or custodial accounts.

All assets of the Plan are held by an independent administrator, the Equitable Life Assurance Society of the United States (the "Equitable").

The accompanying financial statements do not include the Borough's Deferred Compensation Plan activities. The Borough's Deferred Compensation Plan is fully contributory and the Borough has no liabilities in conjunction with the plan.

NOTE 9: LITIGATION

The Borough Attorney's letters did not indicate any litigation, claims or contingent liabilities which would materially affect the financial statements of the Borough.

NOTE 10: TAX APPEALS

There are tax appeals filed with the State Tax Court of New Jersey requesting a reduction of assessments for 2017. 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 $67,848.91 for these appeals in the event that the tax reductions are granted.

NOTE 11: CONTINGENT LIABILITIES

The Borough participated in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of funds for eligible purposes. Findings and questioned costs, if any, relative to federal and state financial assistance programs will be discussed in detail in Part II, Report Section of the 2017 audit. In addition, these programs are also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2017, 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:

Year	Interest on Deposits	Withholdings & Contributions	Amount Reimbursed	Ending Balance
2017	$ 890.73	$ 6,114.12	$ 0.00	$ 106,072.31
2016	0.27	12,017.40	0.00	99,067.46
2015	4.02	6,838.54	11,632.76	87,049.79

NOTE 13: INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances consisted of the following at December 31, 2017:

Fund	Interfund Receivable	Interfund Payable
Current Fund	$ 2,145.28	$ 349,742.06
Assessment Trust Fund	19,876.94	1,184,478.70
Grant Fund	30,000.00	
Trust Other Fund	990.12	2,145.28
General Capital Fund	1,483,353.70	
	$ 1,536,366.04	$ 1,536,366.04

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

NOTE 14: GASB 45: OTHER POST-RETIREMENT BENEFITS

Plan Description. The Borough contributes to the State Health Benefits Program (SHBP) a cost-sharing, multiple-employer defined benefit postemployment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq. to provide health benefits to State employees, retirees, and their dependents. The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at hht://www.state.nj.us/treasury/pensions.

NOTE 14: GASB 45: OTHER POST-RETIREMENT BENEFITS (CONTINUED)

Funding Policy. Contributions to pay for the health premiums of participating employees in the SHBP are billed to the Borough on a monthly basis. Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. In accordance with Chapter 62, P.L. 1994, post-retirement medical benefits have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis. The Borough's contributions to SHBP for the years ended December 31, 2017, 2016, and 2015 were $840,731.18, $770,734.45, and $746,290.95, respectively, which equaled the required contributions for each year.

NOTE 15: SUBSEQUENT EVENTS

The Borough has evaluated subsequent events occurring after the financial statement date through March 13, 2018 which is the date the financial statements were available to be issued. Based upon this evaluation, the Borough has determined the following subsequent event needs to be disclosed.

BOROUGH OF WATCHUNG

SUPPLEMENTARY SCHEDULES – ALL FUNDS

YEAR ENDED DECEMBER 31, 2017

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF CASH - TREASURER

	REF.	CURRENT FUND		GRANT FUND	
Balance, December 31, 2016	A		$ 4,893,744.65		$ 193,178.93
Increased by Receipts:					
Taxes Receivable	A-8	$ 34,297,146.03		$	
Tax Title Liens Receivable	A-24	11,330.81			
Tax Overpayments	A-18	33,868.57			
Prepaid Taxes	A-19	4,332,664.88			
Miscellaneous Revenue Not Anticipated	A-2	374,175.27			
Revenue Accounts Receivable	A-9	3,278,579.89			
Petty Cash Funds	A-5	400.00			
State of New Jersey-Senior Citizens and Veterans	A-14	31,750.00			
Appropriation Refunds	A-3	399,579.75			
Interfunds Returned	A-25	559,770.21			
Prepaid Licenses	A-21	1,525.00			
Grants Receivable	A-10			109,507.08	
Grants Appropriated-Match	A-22			130,000.00	
Grants Unappropriated	A-12			12,980.62	
Tax Sale Premiums & Outside Liens	A-23	233,038.52			
Due State of New Jersey - DCA	A-20	15,003.00			
			43,568,831.93		252,487.70
			$ 48,462,576.58		$ 445,666.63
Decreased by Disbursements:					
Appropriations	A-3	$ 13,411,162.54		$	
Appropriation Reserves	A-11	400,650.93			
Accounts Payable	A-7	25,807.47			
Local District School Tax	A-16	10,783,289.24			
County Taxes	A-15	7,016,629.22			
Regional High School Tax	A-17	6,336,580.00			
Municipal Open Space Tax	A-2	352,339.04			
Tax Overpayment Refunds	A-18	36,084.62			
Due State of New Jersey - DCA	A-20	13,844.00			
Petty Cash Funds	A-5	400.00			
Reserve for Sewer Emergency	A-28	12,312.81			
Interfunds Advanced	A-25:A-29	418,037.07		30,000.00	
Grants Appropriated	A-22			246,431.13	
Tax Sale Premiums & Outside Liens	A-23	448,404.07			
			39,255,541.01		276,431.13
Balance, December 31, 2017	A		$ 9,207,035.57		$ 169,235.50

"A-5"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF PETTY CASH FUNDS

	ADVANCED	REIMBURSED
Police	$ 300.00	$ 300.00
Clerk	100.00	100.00
	$ 400.00	$ 400.00
REF.	A-4	A-4

"A-6"

SCHEDULE OF CHANGE FUNDS

	BALANCE DECEMBER 31, 2017 AND 2016
Tax Collector	$ 100.00
Municipal Court	100.00
Clerk	50.00
	$ 250.00
REF.	A

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF ACCOUNTS PAYABLE

	REF.		
Balance, December 31, 2016	A		$ 342,323.12
Increased by:			
2017 Appropriations	A-3	$ 227,563.56	
2016 Appropriation Reserves	A-11	56,600.00	
			284,163.56
			$ 626,486.68
Decreased by:			
Transfer to 2016 Appropriation Reserves	A-11	$ 288,995.00	
Disbursements	A-4	25,807.47	
Canceled	A-1	27,520.65	
			342,323.12
Balance, December 31, 2017	A		$ 284,163.56

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

YEAR	BALANCE DECEMBER 31, 2016	2017 LEVY	COLLECTIONS 2016	COLLECTIONS 2017	TRANSFERRED TO TAX TITLE LIENS	CANCELED	BALANCE DECEMBER 31, 2017
Prior	$ 167,697.69	$	$	$ 167,697.69	$	$	$
2016		34,864,000.68	483,009.67	34,161,198.37	431.43	27,802.91	191,558.30
	$ 167,697.69	$ 34,864,000.68	$ 483,009.67	$ 34,328,896.06	$ 431.43	$ 27,802.91	$ 191,558.30
REF.	A		A-2:A-19	A-2	A-24		A

	REF.	
Collector (Including Homestead Credit)	A-4	$ 34,297,146.06
Due From State of New Jersey Per Chapter 20, P.L. 1971	A-14	31,750.00
		$ 34,328,896.06

ANALYSIS OF 2017 PROPERTY TAX LEVY

TAX YIELD				
General Purpose Tax			$ 34,765,975.85	
Added Taxes (54:4-63.1 et. seq.)			98,024.83	
				$ 34,864,000.68
TAX LEVY				
Local District School Tax (Abstract)	A-2:A-16		$ 10,780,323.00	
Regional High School Tax (Abstract)	A-2:A-17		6,336,580.00	
County Taxes:				
County Tax	A-15	$ 5,635,458.99		
County Library Tax	A-15	827,480.41		
County Open Space Preservation Tax	A-15	533,888.08		
County Added	A-15	19,801.74		
	A-2		7,016,629.22	
Local Tax for Municipal Purposes (Abstract)	A-2	$ 10,297,029.27		
Municipal Open Space Taxes	A-2	352,339.04		
Add: Additional Tax Levied		81,100.15		
Local Tax for Municipal Purposes Levied			10,730,468.46	
				$ 34,864,000.68

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	REF.	BALANCE DECEMBER 31, 2016	ACCRUED IN 2017	COLLECTED BY TREASURER	BALANCE DECEMBER 31, 2017
Clerk:					
Alcoholic Beverage Licenses	A-2	$	$ 17,500.00	$ 17,500.00	$
Other Licenses	A-2		640.00	640.00	
Other Fees and Permits	A-2		28,108.91	28,108.91	
Uniform Construction Code Official	A-2		216,067.00	216,067.00	
Recreation: Fees and Permits	A-2		52,625.75	52,625.75	
Planning Board: Fees and Permits	A-2		5,600.00	5,600.00	
Registrar of Vital Statistics:					
Other Licenses	A-2		69.00	69.00	
Board of Health:					
Other Licenses	A-2		19,730.00	19,730.00	
Fees and Permits	A-2		13,875.00	13,875.00	
Board of Adjustment: Fees and Permits	A-2		2,601.00	2,601.00	
Tower Lease: Fees and Permits	A-2		103,780.00	103,780.00	
Police: Fees and Permits	A-2		2,756.00	2,756.00	
Engineering: Fees and Permits	A-2		4,135.00	4,135.00	
Fire Official: Fees and Permits	A-2		4,948.00	4,948.00	
Municipal Court: Fines and Costs	A-2	16,495.25	193,714.80	201,997.63	8,212.42
Interest and Costs on Taxes	A-2		101,100.34	101,100.34	
Interest on Investments and Deposits	A-2		58,488.99	58,488.99	
Sewer Rents	A-2		1,264,740.89	1,264,740.89	
Uniform Fire Safety Act	A-2		26,794.65	26,794.65	
Shared Court Reimbursement	A-2		18,000.00	18,000.00	
Energy Receipts Tax	A-2		700,092.00	700,092.00	
Reserve for Debt Service	A-2		59,378.73	59,378.73	
Open Space Trust Fund Debt Payment	A-2		365,000.00	365,000.00	
Bulk Pickup Fees	A-2		10,551.00	10,551.00	
		$ 16,495.25	$ 3,270,297.06	$ 3,278,579.89	$ 8,212.42
	REF.	A		A-4	A

BOROUGH OF WATCHUNG

GRANT FUND

SCHEDULE OF GRANTS RECEIVABLE

	BALANCE DECEMBER 31, 2016	ACCRUED 2017	RECEIPTS	BALANCE DECEMBER 31, 2017
Clean Communities	$	$ 14,835.44	$ 14,835.44	$
Safe & Secure	73,500.00	60,000.00	75,000.00	58,500.00
Recycling Tonnage Grant		10,667.51	10,667.51	
NJ Body Armor		2,910.35	2,910.35	
Alcohol Education Rehabilitation		1,093.78	1,093.78	
Somerset County Youth Services		5,000.00	5,000.00	
FEMA Grant		100,000.00		100,000.00
	$ 73,500.00	$ 194,507.08	$ 109,507.08	$ 158,500.00
REF.	A	A-2	A-4	A

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF 2016 APPROPRIATION RESERVES

	BALANCE DECEMBER 31, 2016	ACCOUNTS PAYABLE	ADJUSTED BALANCE	PAID OR CHARGED	BALANCE LAPSED
Salaries and Wages:					
Administrative and Executive	$ 21,821.26	$	$ 1,821.26	$	$ 1,821.26
Mayor & Council	125.00		125.00		125.00
Financial Administration	1,032.96		1,032.96		1,032.96
Assessment of Taxes	8,029.02		8,029.02		8,029.02
Collection of Taxes	218.96		218.96		218.96
Engineering Services and Costs	8,193.25		1,193.25		1,193.25
Planning Board	3,250.00		3,250.00		3,250.00
Public Building & Grounds	4,766.55		4,766.55		4,766.55
Board of Adjustments	3,250.00		3,250.00		3,250.00
Fire Official	41.94		41.94		41.94
Police	52,403.28		2,403.28		2,403.28
Emergency Management Services	135.00		135.00		135.00
Public Defender	100.00		100.00		100.00
Municipal Court	22,499.98		22,499.98		22,499.98
Streets & Roads	6,138.91		6,138.91		6,138.91
Board of Health	750.00		750.00		750.00
Fire Sub-Code Inspector	1,740.08		1,740.08		1,740.08
Uniform Construction Code	6,875.92		6,875.92		6,875.92
Plumbing Inspector	110.92		110.92		110.92
Electrical Inspector	169.02		169.02		169.02
Other Expenses:					
Administrative and Executive	61.80		61.80	35.91	25.89
Mayor and Council	498.62	13,250.50	13,749.12	13,709.51	39.61
Clerk	11.08	98.98	110.06	63.64	46.42
Elections	372.93		372.93		372.93
Financial Administration	54.42	33.69	88.11		88.11
Assessment of Taxes	5.61		5.61	5.00	0.61
Collection of Taxes	2.22		2.22		2.22
Legal Services and Costs	4,987.34	4,487.34	9,474.68	9,182.76	291.92
Engineering Services and Costs	3,677.27		10,677.27	4,168.25	6,509.02
Public Buildings and Grounds	5,419.39	31,110.19	36,529.58	23,177.04	13,352.54
Planning Board	818.73	59.29	878.02	818.60	59.42
Board of Adjustment	500.22	17.47	517.69	500.00	17.69
Fire	11,667.97	54,505.02	66,172.99	53,539.13	12,633.86
Fire Official	74.82	543.93	618.75	200.00	418.75
Police	8,536.97	89,469.56	98,006.53	96,028.26	1,978.27
Emergency Management	19.20	5,190.00	5,209.20	4,739.58	469.62
Municipal Court	26,089.42		26,089.42	6,679.82	19,409.60
Streets and Roads	28,815.04	73,747.64	102,562.68	85,405.91	17,156.77
Dog Regulation	663.00		663.00		663.00
Sewer System	6,807.76	11,000.00	17,807.76	11,366.03	6,441.73
Condo Act Reimbursement	2,430.93		2,430.93		2,430.93
Recreation	819.39	481.39	1,300.78	991.91	308.87
Traffic and Beautification	1,320.57		1,320.57	26.40	1,294.17
Environmental Commission	530.00		530.00		530.00
Historical Preservation	8,065.89		8,065.89		8,065.89
Group Insurance For Employees	199,131.32		199,131.32	1,022.85	198,108.47
Other Insurance Premiums	2,944.87		2,944.87		2,944.87
Buildings & Grounds Improvements	3,250.00	5,000.00	8,250.00	8,250.00	
Health Insurance Waiver	3,215.29		3,215.29		3,215.29
Free Public Library	1,729.97		1,729.97	1,226.66	503.31
Uniform Construction Code	1,266.90		1,266.90	1,246.04	20.86
Electricity	23,156.95		23,156.95	10,202.74	12,954.21
Telephone	5,111.67		5,111.67	2,975.05	2,136.62
Water	1,770.61		1,770.61	729.37	1,041.24
Natural Gas/Fuel Oil	20,571.65		20,571.65	3,944.70	16,626.95
Fire Hydrant	33,609.35		33,609.35	18,901.01	14,708.34
Gasoline	24,582.00		24,582.00	5,337.68	19,244.32
Street Lighting	26,046.92		16,046.92	6,677.08	9,369.84
Salary and Wage Adjustment Account	100.00		50,100.00	50,100.00	
Social Security System	27,254.45		27,254.45		27,254.45

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF 2016 APPROPRIATION RESERVES

		BALANCE DECEMBER 31, 2016	ACCOUNTS PAYABLE	ADJUSTED BALANCE	PAID OR CHARGED	BALANCE LAPSED
Defined Contribution Retirement Plan		1,114.21		1,114.21		1,114.21
Capital Improvement Fund				30,000.00	30,000.00	
Sewer Interlocal Agreements		27,478.71		27,478.71	6,000.00	21,478.71
Board of Health		551.04		551.04		551.04
TOTAL		$ 656,788.55	$ 288,995.00	$ 945,783.55	$ 457,250.93	$ 488,532.62
	REF.	A	A-7			A-1
Disbursements	A-4				$ 400,650.93	
Accounts Payable	A-7				56,600.00	
					$ 457,250.93	

"A-12"

BOROUGH OF WATCHUNG

GRANT FUND

SCHEDULE OF RESERVE FOR GRANTS - UNAPPROPRIATED

	REF.		
Incresed by:			
Receipts	A-4	$	12,980.62
Balance, December 31, 2017	A		12,980.62
Analysis of Balance:			
Recycling Tonnage		$	12,980.62
		$	12,980.62

"A-13"

CURRENT FUND

SCHEDULE OF RESERVE FOR TAX APPEALS

Balance, December 31, 2016	A	$	17,848.91
Increased by:			
Contested Amount Pending Appeal	A-2		50,000.00
Balance, December 31, 2017	A	$	67,848.91

BOROUGH OF WATCHUNG

CURRENT FUND

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

	REF.		
Balance, December 31, 2016	A	$	4,149.79
Increased by:			
Deductions Per Tax Billings	A-14		31,750.00
		$	35,899.79
Decreased by:			
Receipts	A-4		31,750.00
Balance, December 31, 2017	A	$	4,149.79

REVENUE REALIZED:			
Deductions Per Tax Billings:			
Senior Citizens & Disabled Persons		$	2,250.00
Veterans & Widow of Veterans			29,500.00
	A-8:A-14	$	31,750.00

"A-15"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF COUNTY TAXES PAYABLE

	REF.		
2017 Tax Levy:			
County Tax	A-8	$ 5,635,458.99	
County Library Tax	A-8	827,480.41	
County Open Space Preservation Tax	A-8	533,888.08	
County Added	A-8	19,801.74	
	A-1		$ 7,016,629.22
Decreased by:			
Payments	A-4		$ 7,016,629.22

"A-16"

SCHEDULE OF LOCAL DISTRICT SCHOOL TAXES PAYABLE

Balance, December 31, 2016	A	$ 2,966.24
Increased by:		
2017 Tax Levy - Calendar Year	A-1:A-8	10,780,323.00
		$ 10,783,289.24
Decreased by:		
Payments	A-4	$ 10,783,289.24

"A-17"

SCHEDULE OF REGIONAL HIGH SCHOOL TAXES PAYABLE

Increased by:		
2017 Tax Levy - Calendar Year	A-1:A-8	$ 6,336,580.00
Decreased by:		
Payments	A-4	$ 6,336,580.00

"A-18"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF TAX OVERPAYMENTS

	REF.		
Balance, December 31, 2016	A	$	2,216.05
Increased by:			
Overpayments in 2017	A-4		33,868.57
		$	36,084.62
Decreased by:			
Refunded	A-4	$	36,084.62

"A-19"

SCHEDULE OF PREPAID TAXES

Balance, December 31, 2016	A	$	483,009.67
Increased by:			
Collections of 2018 Taxes	A-4		4,332,664.88
		$	4,815,674.55
Decreased by:			
Applied to Taxes Receivable	A-8		483,009.67
Balance, December 31, 2017	A	$	4,332,664.88

"A-20"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF DUE TO STATE OF NEW JERSEY - DCA

	REF.		
Balance, December 31, 2016	A	$	2,834.00
Increased by:			
Receipts	A-4		15,003.00
		$	17,837.00
Decreased by:			
Disbursements	A-4		13,844.00
Balance, December 31, 2017	A	$	3,993.00

"A-21"

SCHEDULE OF PREPAID LICENSES

Balance, December 31, 2016	A	$	650.00
Increased by:			
Receipts	A-4		1,525.00
		$	2,175.00
Decreased by:			
Applied To Current Revenue	A-2		650.00
Balance, December 31, 2017	A	$	1,525.00

BOROUGH OF WATCHUNG

GRANT FUND

SCHEDULE OF RESERVE FOR GRANTS - APPROPRIATED

	BALANCE DECEMBER 31, 2016	TRANSFERRED FROM 2017 BUDGET	PAID OR CHARGED	BALANCE DECEMBER 31, 2017
Safe and Secure Communities & Match	$ 134,000.00	$ 190,000.00	$ 160,000.00	$ 164,000.00
Green Communities Program and Match	3,000.00			3,000.00
Click It Or Ticket	1,980.30		1,746.40	233.90
Body Armor Replacement Fund	8,127.83	2,910.35	6,474.49	4,563.69
Youth Services/Athletic Grants	6,986.62	5,000.00		11,986.62
Alcohol Education Rehabilitation Fund	7,520.00	1,093.78	358.88	8,254.90
Drunk Driving Enforcement Fund	2,878.84			2,878.84
All Hazards Emergency Oper. Planning Program	591.80			591.80
Recycling Tonnage Grant	42,547.71	10,667.51	20,437.98	32,777.24
		100,000.00	56,749.00	43,251.00
Clean Communities	58,801.45	14,835.44	420.00	73,216.89
	$ 266,434.55	$ 324,507.08	$ 246,186.75	$ 344,754.88
REF.	A			A

	REF.	
Grants	A-3	$ 194,507.08
Matching Funds for Grants	A-4	130,000.00
		$ 324,507.08

Disbursements (Net of Refunds)	A-4	$ 246,431.13
Prior Year Accounts Payable	A-26	(244.38)
		$ 246,186.75

"A-23"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF RESERVE FOR OUTSIDE LIENS & TAX SALE PREMIUMS

	REF.		
Balance, December 31, 2016	A	$	365,178.43
Increased by:			
Receipts	A-4		233,038.52
		$	598,216.95
Decreased by:			
Disbursements	A-4		448,404.07
Balance, December 31, 2017	A	$	149,812.88

"A-24"

SCHEDULE OF TAX TITLE LIENS

Balance, December 31, 2016	A	$	12,713.09
Increased by:			
Transferred From Taxes	A-8		431.43
		$	13,144.52
Decreased by:			
Receipts	A-4		11,330.81
Balance, December 31, 2017	A	$	1,813.71

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF INTERFUNDS

	REF.	TOTAL	GRANT FUND	ASSESSMENT TRUST FUND	ANIMAL CONTROL TRUST FUND	TRUST FUND TRUST OTHER	TRUST FUND OPEN SPACE	TRUST FUND RECREATION	GENERAL CAPITAL FUND
Balance, December 31, 2016:									
Interfunds Receivable	A	$ 9,991.17	$	$	$	$ 391.17	$	$	$ 9,600.00
Interfunds Payable	A	204,582.91		204,582.91					
Receipts	A-4	559,770.21	30,000.00	220,305.09			990.12		308,475.00
Disbursements	A-4	418,037.07		405,011.06	2,976.15	1,754.11		8,295.75	
Balance, December 31, 2017:									
Interfunds Receivable	A	$ 13,417.18	$	$	$ 2,976.15	$ 2,145.28	$	$ 8,295.75	$
Interfunds Payable	A	349,742.06	30,000.00	19,876.94			990.12		298,875.00

"A-26"

BOROUGH OF WATCHUNG

GRANT FUND

SCHEDULE OF ACCOUNTS PAYABLE

	REF.		
Balance, December 31, 2016	A	$	244.38
Decreased by:			
Transferred To Grants Appropriated	A-22	$	244.38

"A-27"

SCHEDULE OF DEFERRED CHARGES - CURRENT

Balance, December 31, 2016	A	$	106,306.06
Decreased by:			
Budget Appropriation	A-3	$	106,306.06

"A-28"

SCHEDULE OF RESERVE FOR SEWER REPAIR EMERGENCY

Balance, December 31, 2016	A	$	24,105.57
Decreased by:			
Disbursements	A-4		12,312.81
Balance, December 31, 2017	A	$	11,792.76

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF DUE CURRENT FUND - GRANT FUND

	REF.		
Increased by:			
Disbursements	A-4	$	30,000.00
Balance, December 31, 2017 (Due From)	A	$	30,000.00

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF CASH-TREASURER

	REF.	ASSESSMENT		ANIMAL CONTROL		OTHER	
Balance, December 31, 2016	B		$ 0.00		$ 5,749.95		$ 2,491,761.47
Increased by Receipts:							
Assessment Receivable	B-3: B-8	$ 220,305.09		$		$	
Due Current Fund	B-4: B-8: B-18	405,011.06				13,418.70	
Due State of New Jersey - Dog Licenses	B-23			306.60			
Animal Control Licenses	B-14			2,230.40			
Reserve for Various Trust Deposits	B-13					65,306.19	
Reserve for COAH Deposits	B-12					169,192.19	
Reserve for Police Outside Overtime	B-15					386,001.97	
Reserve for Open Space Trust Deposits	B-10					352,814.44	
Reserve for State Unemployment Insurance	B-11					7,004.85	
Reserve for Recreation Deposits	B-19					14,177.32	
Reserve for Law Enforcement Trust Fund	B-20					41.13	
Reserve for Law Enforcement Trust Fund - Fed	B-21					3.48	
Reserve for Developers Deposits	B-22					85,901.90	
Reserve for Payroll Deductions	B-5					6,640,345.99	
			625,316.15		2,537.00		7,734,208.16
			$ 625,316.15		$ 8,286.95		$ 10,225,969.63
Decreased by Disbursements:							
Due Current Fund	B-4: B-18	$ 220,305.09		$		$ 4,358.96	
Assessment Loans - Trust Loan	B-6	35,000.00					
Assessment Loans - Fund Loan	B-7	23,250.16					
Due State of New Jersey - Dog Licenses	B-23			306.60			
Reserve for Various Trust Deposits	B-13					17,635.00	
Reserve for COAH Deposits	B-12					383,677.82	
Reserve for Police Outside Overtime	B-15					407,219.37	
Reserve for Open Space Trust Deposits	B-10					365,000.00	
Reserve for Recreation Deposits	B-19					22,494.70	
Reserve for Developers Deposits	B-22					174,132.75	
Reserve for Payroll Deductions	B-5					6,640,345.99	
			278,555.25		306.60		8,014,864.59
Balance, December 31, 2017	B		$ 346,760.90		$ 7,980.35		$ 2,211,105.04

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, 2016	COLLECTED	BALANCE DECEMBER 31, 2017	BALANCE PLEDGED TO CAPITAL	BALANCE PLEDGED TO RESERVE	BALANCE PLEDGED TO LOANS
88-20	Construction of Sanitary Sewer - Various Roads	06/28/01	10	06/28/06-11	$ 39,582.22	$ 5,210.12	$ 34,372.10	$ 34,372.10	$	$
08-05	Sanitary Sewer Extension Valley Road	08/18/11	20	10/18/11-32	67,657.34	9,634.88	58,022.46	58,022.46		
06-29	Skyline/Johnston Sanitary Sewer System	01/13/11	20	03/14/11-32	318,719.62	38,348.27	280,371.35	280,371.35		
97-02	Construction of Sanitary Sewer and P.W. Improv.	11/08/01	10	11/08/06-11	6,403.57	3,842.15	2,561.42	2,561.42		
99-12,99-13,99-14	Installation of Sanitary Sewer and Public Water	09/14/06	20	11/14/07-26	286,417.56	39,104.28	247,313.28	147,313.28		100,000.00
96-16	Brook Drive and Will Lane Roadway Improvements	06/28/07	10	07/01/07-16	657.01	657.01				
2013-23	Lakeview/Cedar Curbing	08/21/14	various	04/01/15-24	109,389.27	15,973.25	93,416.02	93,416.02		
13-4	Johnston/Valley	02/19/15	10	4/1/16-25	448,135.57	39,288.91	408,846.66		11,208.84	397,637.82
03-03/06-27 & 03-04/06-28	Corey Lane, Orchard Road, Old Somerset Road Eaton Road, Sunbright Road and Valley Road	05/28/09	20	05/28/09-29	434,078.49	68,246.22	365,832.27	365,832.27		
					$ 1,711,040.65	$ 220,305.09	$ 1,490,735.56	$ 981,888.90	$ 11,208.84	$ 497,637.82
				REF.	B	B-2	B			

"B-4"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF DUE CURRENT FUND

ASSESSMENT TRUST FUND

	REF.		
Balance, December 31, 2016 (Due From)	B	$	204,582.91
Increased by:			
Disbursements	B-2		220,305.09
		$	424,888.00
Decreased by:			
Receipts	B-2		405,011.06
Balance, December 31, 2017 (Due From)	B	$	19,876.94

"B-5"

SCHEDULE OF RESERVE FOR PAYROLL DEDUCTIONS

Increased by:			
Receipts	B-2	$	6,640,345.99
Decreased by:			
Disbursements	B-2	$	6,640,345.99

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	PRINCIPAL REQUIREMENTS OF LOAN OUTSTANDING DECEMBER 31, 2017 DATE	AMOUNT	INTEREST RATE	BALANCE DECEMBER 31, 2016	DECREASED IN 2017	BALANCE DECEMBER 31, 2017
NJ Environmental Infrastructure Trust 2000	11/09/00	$ 915,000.00	08/01/18	$ 30,000.00	5.25%			
			08/01/19-20	35,000.00	5.25%	$ 130,000.00	$ 30,000.00	$ 100,000.00
NJ Environmental Infrastructure Trust 2014	05/21/14	150,000.00	08/01/18	5,000.00	5.00%			
			08/01/19-24	7,500.00	5.00%			
			08/01/25-26	7,500.00	3.00%			
			08/01/27-31	10,000.00	3.00%			
			08/01/32	10,000.00	3.125%			
			08/01/33	10,000.00	3.25%	140,000.00	5,000.00	135,000.00
						$ 270,000.00	$ 35,000.00	$ 235,000.00
					REF.	B	B-2	B

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

PURPOSE	DATE OF ISSUE	ORIGINAL ISSUE	PRINCIPAL REQUIREMENTS OF LOAN OUTSTANDING DECEMBER 31, 2017 DATE	AMOUNT	BALANCE DECEMBER 31, 2016	DECREASED IN 2017	BALANCE DECEMBER 31, 2017
NJ Environmental Infrastructure Trust 2014	5/21/14	457,253.31	08/01/18-32	23,250.16			
			08/01/33	19,849.82	$ 391,852.38	$ 23,250.16	$ 368,602.22
					$ 391,852.38	$ 23,250.16	$ 368,602.22
				REF.	B	B-2	B

BOROUGH OF WATCHUNG

TRUST FUND

ANALYSIS OF ASSESSMENTS CASH

FOR THE YEAR ENDED DECEMBER 31, 2017
ASSESSMENT TRUST FUND

	BALANCE DECEMBER 31, 2016	RECEIPTS ASSESSMENTS RECEIVABLE	RECEIPTS MISCELLANEOUS	DISBURSEMENTS	BALANCE DECEMBER 31, 2017
Due General Capital Fund	$ 51,573.62	$ 151,016.18	$	$	$ 202,589.80
Due Current Fund	(204,582.91)		405,011.06	220,305.09	(19,876.94)
Assessment Loans	94,925.65	69,288.91		58,250.16	105,964.40
Assessment Trust Surplus	58,083.64				58,083.64
	$ (0.00)	$ 220,305.09	$ 405,011.06	$ 278,555.25	$ 346,760.90
	B	B-2	B-2	B-2	B

"B-9"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR ACCOUNTS PAYABLE

OTHER TRUST FUND

	REF.		
Balance, December 31, 2016	B	$	4,848.65
Increased by:			
Various Trust Deposits	B-13		2,963.65
		$	7,812.30
Decreased by:			
Various Trust Deposits	B-13		4,848.65
Balance, December 31, 2017	B	$	2,963.65

"B-10"

SCHEDULE OF RESERVE FOR OPEN SPACE DEPOSITS
OTHER TRUST FUND

Balance, December 31, 2016	B		$	55,361.35
Increased by:				
Levy and Added		$ 352,339.04		
Interest		475.40		
	B-2			352,814.44
			$	408,175.79
Decreased by:				
Disbursements - Current Anticipated Revenue	B-2			365,000.00
Balance, December 31, 2017	B		$	43,175.79

"B-11"

BOROUGH OF WATCHUNG

TRUST FUND

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

OTHER TRUST FUND

	REF.		
Balance, December 31, 2016	B	$	99,067.46
Increased by:			
Deposits	B-2		7,004.85
Balance, December 31, 2017	B	$	106,072.31

"B-12"

SCHEDULE OF RESERVE FOR COAH DEPOSITS
OTHER TRUST FUND

Balance, December 31, 2016	B	$	1,073,985.91
Increased by:			
Receipts	B-2		169,192.19
		$	1,243,178.10
Decreased by:			
Disbursements	B-2		383,677.82
Balance, December 31, 2017	B	$	859,500.28

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR MISCELLANEOUS TRUST DEPOSITS

OTHER TRUST FUND

		BALANCE DECEMBER 31, 2016	INCREASED	DECREASED	BALANCE DECEMBER 31, 2017
Donations and Gifts		$ 24,233.80	$ 4,823.65	$ 4,323.65	$ 24,733.80
POAA		1,056.95	6.00		1,062.95
Due State of NJ - Marriage Licenses		162.00	563.00	625.00	100.00
Fire Safety Penalties		54,284.64	3,275.00	1,050.00	56,509.64
Fire Department Penalties		1,750.00	250.00		2,000.00
Sidewalk Fund		31,463.40			31,463.40
Public Defender		14,538.42	7,125.00	6,000.00	15,663.42
Tree Fund		5,672.25	1,400.00	3,605.00	3,467.25
Ness Property Clean-Up		306,346.94	2,612.19	4,995.00	303,964.13
Accumulated Sick and Vacation		15,824.39	50,100.00		65,924.39
		$ 455,332.79	$ 70,154.84	$ 20,598.65	$ 504,888.98
	REF.	B			B
Receipts	B-2		$ 65,306.19		
Transfer Prior Accounts Payable	B-9		4,848.65		
			$ 70,154.84		
Disbursements	B-2			$ 17,635.00	
Accounts Payable	B-9			2,963.65	
				$ 20,598.65	

"B-14"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR ANIMAL CONTROL EXPENDITURES
ANIMAL CONTROL TRUST FUND

	REF.		
Balance, December 31, 2016	B	$	5,749.95
Increased by:			
Dog License Fees	B-2		2,230.40
		$	7,980.35
Decreased by:			
Excess Transferred To Current Fund	B-24		2,976.15
Balance, December 31, 2017	B	$	5,004.20

LICENSE FEES COLLECTED

YEAR		AMOUNT
2016	$	2,377.60
2015		2,626.60
	$	5,004.20

"B-15"

SCHEDULE OF RESERVE FOR POLICE OUTSIDE OVERTIME
OTHER TRUST FUND

Balance, December 31, 2016	B	$	31,491.81
Increased by:			
Receipts	B-2		386,001.97
		$	417,493.78
Decreased by:			
Disbursements	B-2		407,219.37
Balance, December 31, 2017	B	$	10,274.41

"B-16"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR ASSESSMENTS

	REF.	
Balance, December 31, 2016 and December 31, 2017	B	$ 11,208.84

"B-17"

SCHEDULE OF DUE GENERAL CAPITAL FUND - ASSESSMENT TRUST FUND

Balance, December 31, 2016 and December 31, 2017 (Due To)	B	$ 1,184,478.70

"B-18"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF DUE CURRENT FUND - OTHER TRUST FUND

	REF.		
Balance, December 31, 2016 (Net)			
Due From	B		$ 391.17
Increased by:			
Receipts	B-2		13,418.70
			$ 13,809.87
Decreased by:			
Disbursements	B-2		4,358.96
Balance, December 31, 2017 (Net)			$ 9,450.91
Analysis of Balance:			
Due To Current Fund - Recreation		$ 8,295.75	$
Due To Current Fund - Developer's Escrow		2,145.28	
Subtotal - Due To Current Fund	B		$ 10,441.03
Due From Current Fund - Open Space	B		(990.12)
			$ 9,450.91

"B-19"

SCHEDULE OF RESERVE FOR RECREATION DEPOSITS
OTHER TRUST FUND

Balance, December 31, 2016	B	$ 21,753.33
Increased by:		
Receipts	B-2	14,177.32
		$ 35,930.65
Decreased by:		
Disbursements	B-2	22,494.70
Balance, December 31, 2017	B	$ 13,435.95

"B-20"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR LAW ENFORCEMENT TRUST FUND
OTHER TRUST FUND

	REF.		
Balance, December 31, 2016	B	$	4,771.62
Increased by:			
Receipts	B-2		41.13
Balance, December 31, 2017	B	$	4,812.75

"B-21"

SCHEDULE OF RESERVE FOR LAW ENFORCEMENT TRUST FUND - FEDERAL
OTHER TRUST FUND

Balance, December 31, 2016	B	$	2,294.05
Increased by:			
Receipts	B-2		3.48
Balance, December 31, 2017	B	$	2,297.53

"B-22"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR DEVELOPERS' DEPOSITS
OTHER TRUST FUND

	REF.	
Balance, December 31, 2016	B	$ 742,463.33
Increased by:		
Receipts	B-2	85,901.90
		$ 828,365.23
Decreased by:		
Disbursements	B-2	174,132.75
Balance, December 31, 2017	B	$ 654,232.48

"B-23"

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

Increased by:		
Receipts	B-2	$ 306.60
Decreased by:		
Disbursements	B-2	$ 306.60

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF DUE CURRENT FUND - ANIMAL CONTROL TRUST FUND

	REF.		
Increased by:			
Excess Animal Control Reserves	B-14	$	2,976.15
Balance, December 31, 2017	B	$	2,976.15

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF CASH - TREASURER

	REF.				
Balance, December 31, 2016	C			$	821,453.95
Increased by Receipts:					
Deferred Charges to Future Taxation - Unfunded	C-5	$	45,255.69		
Receipts on Fully Funded Authorizations	C-1		2,640.00		
Premium on Sale of Bonds & Notes	C-1		26,968.52		
Bond Anticipation Notes Payable	C-17		1,000,000.00		
State Aid Receivable	C-16		346,375.00		
Capital Improvement Fund	C-8		155,000.00		
					1,576,239.21
				$	2,397,693.16
Decreased by Disbursements:					
Due Current Fund	C-14	$	308,475.00		
Contracts Payable	C-7		1,439,334.70		
Reserve for Debt Service	C-19		59,378.73		
					1,807,188.43
Balance, December 31, 2017	C			$	590,504.73

"C-3"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

ANALYSIS OF CASH

	REF.	BALANCE DECEMBER 31, 2017
Fund Balance		$ 166,202.04
Capital Improvement Fund		322,916.72
Improvement Authorizations-Funded		1,635,560.63
Unfunded Improvements Expended - Listed on "C-5"		(436,599.55)
Contracts Payable		278,634.24
Reserve for Grant Receivable		50,000.00
Reserve for Capital Projects		27,942.00
Unexpended Proceeds of Bond Anticipation Notes - Listed on "C-5"		331,682.57
Interfunds		(1,483,353.70)
State Aid Receivable		(302,480.22)
	C	$ 590,504.73

"C-4"

SCHEDULE OF DEFERRED CHARGES TO
FUTURE TAXATION - FUNDED

Balance, December 31, 2016	C		$ 19,927,899.43
Increased by:			
Bond Sale	C-11		8,070,000.00
			$ 27,997,899.43
Decreased by:			
Appropriation to Pay Bonds	C-11	$ 1,215,000.00	
Bonds Refunded	C-11	8,549,000.00	
Environmental Infrastructure Trust	C-12	50,000.00	
Environmental Infrastructure Fund	C-13	35,185.85	
Green Trust	C-15	66,255.90	
			9,915,441.75
Balance, December 31, 2017	C		$ 18,082,457.68

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

ORDINANCE NUMBER	IMPROVEMENT DESCRIPTION	BALANCE DECEMBER 31, 2016	2017 AUTHORIZATIONS	BUDGET APPROPRIATION	BALANCE DECEMBER 31, 2017	ANALYSIS OF BALANCE DECEMBER 31, 2017 BOND ANTICIPATION NOTES	EXPENDITURES	UNEXPENDED IMPROVEMENT AUTHORIZATIONS
03-03/06-27	Sewer Improvements - Various Roads	$ 18,011.69	$	$ 18,011.69	$	$	$	$
13-04	Sewer Extensions Johnston/Valley Const Phase	40,393.00			40,393.00		40,393.00	
15-11	Various Public Improvements	1,544.00		1,544.00				
16-04	Various Public Improvements	506,700.00			506,700.00	506,700.00		
16-07	Various Public Improvements	513,300.00			513,300.00		396,206.55	117,093.45
16-08	Improvements to Phillips Field	25,700.00		25,700.00				
17-02	Various Public Improvements		495,425.00		495,425.00	493,300.00		2,125.00
17-08	Road Resurfacing Program		228,000.00		228,000.00			228,000.00
		$ 1,105,648.69	$ 723,425.00	$ 45,255.69	$ 1,783,818.00	$ 1,000,000.00	$ 436,599.55	$ 347,218.45
	REF.	C	C-10	C-2	C	C-17	C-3	

	REF.	
Improvement Authorizations Unfunded	C-10	$ 678,901.02
Less: Unexpended Proceeds of Bond Anticipation Notes	C-3	(331,682.57)
		$ 347,218.45

"C-6"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF RESERVE FOR CAPITAL PROJECTS

	REF.	
Balance, December 31, 2016 and December 31, 2017	C	$ 27,942.00

"C-7"

SCHEDULE OF CONTRACTS PAYABLE

Balance, December 31, 2016	C		$ 89,014.00
Increased by:			
Improvement Authorizations	C-10		1,633,913.94
			$ 1,722,927.94
Decreased by:			
Disbursements	C-2	$ 1,439,334.70	
Canceled	C-10	4,959.00	
			1,444,293.70
Balance, December 31, 2017	C		$ 278,634.24

"C-8"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF CAPITAL IMPROVEMENT FUND

	REF.		
Balance, December 31, 2016	C	$	205,991.72
Increased by:			
2017 Appropriations	C-2		155,000.00
		$	360,991.72
Decreased by:			
Appropriated to Finance Improvement Authorizations	C-10		38,075.00
Balance, December 31, 2017	C	$	322,916.72

"C-9"

SCHEDULE OF DUE ASSESSMENT TRUST FUND

Balance, December 31, 2016 and December 31, 2017 (Due From)	C	$	1,184,478.70

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

ORDINANCE NUMBER	IMPROVEMENT AUTHORIZATIONS	ORDINANCE DATE	ORDINANCE AMOUNT	BALANCE DECEMBER 31, 2016 FUNDED	BALANCE DECEMBER 31, 2016 UNFUNDED	NEW AUTHORIZATIONS	CONTRACTS PAYABLE CANCELED	CONTRACTS PAYABLE	BALANCE DECEMBER 31, 2017 FUNDED	BALANCE DECEMBER 31, 2017 UNFUNDED
01-10/02-29	Various Capital Improvements	04/26/01	$ 5,329,750.00	$ 673,369.46	$	$	$	$ 18,302.50	$ 655,066.96	$
04-10	Various Public Improvements	08/12/04	878,500.00	31,996.00					31,996.00	
05-13	Acquisition of Fire Truck	09/22/05	50,000.00	50,000.00					50,000.00	
06-16	Various Equipment and Improvements	06/22/06	116,500.00	49,860.26					49,860.26	
06-17	Various Public Improvements	06/22/06	1,183,000.00	5,891.25					5,891.25	
07-16	Various Equipment and Improvements	08/16/07	133,000.00	60,000.00					60,000.00	
08-18	Acquisition of Fire and Recreation Equipment	08/14/08	75,500.00	60,000.00					60,000.00	
09-02	Reconstruction of Bayberry and Johnston	02/26/09	1,590,000.00	127,222.37				1,240.00	125,982.37	
09-13	Various Public Improvements	08/20/09	254,500.00	111,210.75					111,210.75	
12-05	Affordable Housing Services	05/10/12	70,000.00	66,860.22				709.50	66,150.72	
13-04	Sewer Extensions Johnston/Valley Const Phase	04/25/13	1,173,000.00		3,908.93			3,908.93		
13-09	Acquisition and Installation of Radio Equipment	07/18/13	90,000.00	1,177.32					1,177.32	
13-11	Police and Fire Equipment	09/12/13	62,500.00	931.98			4,959.00		5,890.98	
14-17	Various Public Improvements	09/18/14	1,050,000.00	357,017.08				302,178.15	54,838.93	
15-3	Road Resurfacing Program	04/02/15	1,150,000.00	250,063.58				88,781.17	161,282.41	
15-11	Various Public Improvements	11/05/15	512,000.00	351,493.03	1,544.00			239,365.57	113,671.46	
16-04	Various Public Improvements	04/21/16	708,400.00	38,305.96	506,700.00			436,675.81		108,330.15
16-07	Various Public Improvements	06/16/16	540,000.00		140,323.18			23,229.73		117,093.45
16-08	Improvements to Phillips Field	06/16/16	27,000.00	841.22	25,700.00				26,541.22	
16-10	Acquisition of Fire Truck	09/15/16	44,000.00	44,000.00					44,000.00	
17-02	Various Public Improvements	02/16/17	745,000.00			745,000.00		519,522.58		225,477.42
17-08	Road Resurfacing Program	06/22/17	240,000.00			240,000.00			12,000.00	228,000.00
				$ 2,280,240.48	$ 678,176.11	$ 985,000.00	$ 4,959.00	$ 1,633,913.94	$ 1,635,560.63	$ 678,901.02
			REF.	C	C		C-7	C-7	C	C:C-5

	REF.	
Bonds and Notes	C-5	$ 723,425.00
Grants Receivable	C-16	223,500.00
Capital Improvement Fund	C-8	38,075.00
		$ 985,000.00

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF GENERAL SERIAL BONDS

PURPOSE	DATE OF ISSUE	ORIGINAL ISSUE	MATURITIES OF BONDS OUTSTANDING DECEMBER 31, 2017 DATE	AMOUNT	INTEREST RATE	BALANCE DECEMBER 31, 2016	ISSUED IN 2017	PAID IN 2017	BALANCE DECEMBER 31, 2017
General Improvement	08/15/07	$ 15,609,000.00	08/15/18	$ 950,000.00	4.375%	$ 10,399,000.00	$	$ 9,449,000.00	$ 950,000.00
General Improvement	2/15/16	8,170,000.00	02/15/18	315,000.00	1.000%				
			02/15/19	365,000.00	1.000%				
			02/15/20	425,000.00	1.250%				
			02/15/21	450,000.00	1.500%				
			02/15/22	475,000.00	2.000%				
			02/15/23	480,000.00	2.000%				
			02/15/24	510,000.00	2.000%				
			02/15/25	535,000.00	2.000%				
			02/15/26	565,000.00	2.000%				
			02/15/27	585,000.00	2.000%				
			02/15/28	630,000.00	2.000%				
			02/15/29	630,000.00	2.250%				
			2/15/30-32	630,000.00	3.000%	8,170,000.00		315,000.00	7,855,000.00
Refunding Bonds	3/22/17	8,070,000.00	08/15/19	935,000.00	3.000%				
			08/15/20	920,000.00	3.000%				
			08/15/21	905,000.00	4.000%				
			08/15/22	900,000.00	4.000%				
			08/15/23	895,000.00	4.000%				
			08/15/24	890,000.00	4.000%				
			08/15/25	880,000.00	4.000%				
			08/15/26	875,000.00	4.000%				
			08/15/27	870,000.00	4.000%		8,070,000.00		8,070,000.00
						$ 18,569,000.00	$ 8,070,000.00	$ 9,764,000.00	$ 16,875,000.00
					REF.	C	C-4	C-4	C

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

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

PURPOSE	DATE OF ISSUE	ORIGINAL ISSUE	PRINCIPAL REQUIREMENTS OF LOAN OUTSTANDING DECEMBER 31, 2017 DATE	AMOUNT	INTEREST RATE	BALANCE DECEMBER 31, 2016	DECREASED IN 2017	BALANCE DECEMBER 31, 2017
NJ Environmental Infrastructure Trust 2000	11/09/00	$ 915,000.00	08/01/18-19	$ 35,000.00	5.25%			
			08/01/20	40,000.00	5.25%	$ 140,000.00	$ 30,000.00	$ 110,000.00
NJ Environmental Infrastructure Trust 2001B	11/08/01	230,000.00	08/01/18-21	15,000.00	5.00%	75,000.00	15,000.00	60,000.00
NJ Environmental Infrastructure Trust 2014A	05/21/14	300,000.00	08/01/18	5,000.00	3%-5%			
			8/1/19-26	7,500.00	3%-5%			
			8/1/27-33	10,000.00	3%-3.25%	140,000.00	5,000.00	135,000.00
						$ 355,000.00	$ 50,000.00	$ 305,000.00
					REF.	C	C-4	C

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

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

PURPOSE	DATE OF ISSUE	ORIGINAL ISSUE	PRINCIPAL REQUIREMENTS OF LOAN OUTSTANDING DECEMBER 31, 2017 DATE	AMOUNT	BALANCE DECEMBER 31, 2016	DECREASED IN 2017	BALANCE DECEMBER 31, 2017
NJ Environmental Infrastructure Trust 2001B	11/08/01	$ 226,237.00	08/01/18	$ 11,219.54			
			08/01/19	10,742.11			
			08/01/20	10,264.68			
			08/01/21	9,787.44	$ 53,710.73	$ 11,935.67	$ 41,775.06
NJ Environmental Infrastructure Trust 2014A	5/21/14	914,507.00	2018-2033	23,250.18	391,852.71	23,250.18	368,602.53
					$ 445,563.44	$ 35,185.85	$ 410,377.59
				REF.	C	C-4	C

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF DUE CURRENT FUND

	REF.		
Balance, December 31, 2016 (Due To)	C	$	9,600.00
Decreased by:			
Disbursements	C-2		308,475.00
Balance, December 31, 2017 (Due From)	C	$	298,875.00

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

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

PURPOSE	ORIGINAL ISSUE	PRINCIPAL REQUIREMENTS OF LOAN OUTSTANDING DECEMBER 31, 2017 DATE	AMOUNT	BALANCE DECEMBER 31, 2016	PAID IN 2017	BALANCE DECEMBER 31, 2017
Watchung Lake Development	$ 425,903.00	08/01/18	$ 15,077.00	$ 44,784.70	$ 29,707.70	$ 15,077.00
Best Lake Dam Restoration	750,000.00	2018	37,282.82			
		2019	38,032.20			
		2020	38,796.65			
		2021	39,576.46			
		2022	40,371.95			
		2023	41,183.43			
		2024	42,011.21			
		2025	42,855.63			
		2026	43,717.04			
		2027	44,595.75			
		2028	45,492.13			
		2029	23,087.82	513,551.29	36,548.20	477,003.09
				$ 558,335.99	$ 66,255.90	$ 492,080.09
			REF.	C	C-4	C

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF STATE AID RECEIVABLE

	REF.		
Balance, December 31, 2016	C	$	425,355.22
Increased by:			
New Grants Awarded	C-10		223,500.00
		$	648,855.22
Decreased By:			
Receipts	C-2		346,375.00
Balance, December 31, 2017	C	$	302,480.22

Analysis of Balance:

DOT - Ordinance 2008-16	$	50,000.00
DOT - Ordinance 2012-09		152,855.22
DOT - Ordinance 2016-04		43,750.00
DOT - Ordinance 2017-02		55,875.00
	$	302,480.22

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

ORDINANCE	ORIGINAL DATE OF ISSUE	DATE OF ISSUE	DATE OF MATURITY	INTEREST RATE	INCREASED	BALANCE DECEMBER 31, 2017
Ord 16-04	12/28/17	12/28/17	11/01/18	2.50%	$ 506,700.00	$ 506,700.00
Ord 17-02	12/28/17	12/28/17	11/01/18	2.50%	493,300.00	493,300.00
					$ 1,000,000.00	$ 1,000,000.00
				REF.	C-2	C:C5

"C-18"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF RESERVE FOR GRANT RECEIVABLE

	REF.	
Balance, December 31, 2016 and December 31, 2017	C	$ 50,000.00

"C-19"

RESERVE FOR DEBT SERVICE

Balance, December 31, 2016	C	$ 59,378.73
Decreased by:		
Disbursements	C-2	$ 59,378.73

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

ORDINANCE NUMBER	IMPROVEMENT DESCRIPTION	BALANCE DECEMBER 31, 2017
13-04	Sewer Extensions Johnston/Valley Construction Phase	$ 40,393.00
16-07	Various Public Improvements	513,300.00
17-02	Various Public Improvements	2,125.00
17-08	Road Resurfacing Program	228,000.00
		$ 783,818.00

BOROUGH OF WATCHUNG

PART II

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

SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

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

SUPLEE, CLOONEY & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
308 East Broad Street, Westfield, New Jersey 07090-2122
Telephone 908-789-9300 Fax 908-789-8535
E-mail info@scnco.com

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory financial statements of the various individual funds and the account group of the Borough of Watchung, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Borough's regulatory financial statements, and have issued our report thereon dated March 13, 2018. Our report disclosed that, as described in Note 1 to the financial statements, the Borough of Watchung prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the regulatory financial statements, we considered the Borough's control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of Borough's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Suplee Clooney & Company
CERTIFIED PUBLIC ACCOUNTANTS

Robert W. Suplee
REGISTERED MUNICIPAL ACCOUNTANT NO. 439

March 13, 2018

SCHEDULE "1"

BOROUGH OF WATCHUNG

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2017

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL C.F.D.A. NUMBER	PASS THROUGH GRANTORS NUMBER	GRANT AWARD AMOUNT	GRANT PERIOD FROM	GRANT PERIOD TO	2017 RECEIPTS	2017 EXPENDITURES	CUMULATIVE EXPENDITURES DECEMBER 31, 2017
U.S. Department of Homeland Security								
Pass Through from State of New Jersey								
Disaster Assistance (4086 HMGP Sandy-Generators)	97.036	F# 346 S# 204	$ 100,000.00	10/30/12	4/30/13	$	$ 56,749.00	$ 56,749.00
Disaster Assistance (4086 PA Sandy-Vegatative Debris)	97.036	PA-02-NJ-4086-PW-02182	595,255.71	10/30/12	4/30/13	123,777.92		559,343.38
						$ 123,777.92	$ 56,749.00	$ 616,092.38
National Highway Traffic Safety Administration								
Pass Through from State of New Jersey								
Road Improvements Program 2008 (08-16)	20.205		200,000.00			$	$	$ 200,000.00
Road Improvements Program 2012 (12-09)	20.205		200,000.00					200,000.00
Road Improvements Program 2015 (15-03)	20.205		190,000.00			47,500.00	14,668.19	163,353.34
Road Improvements Program 2016 (16-04)	20.205		190,000.00			131,250.00	117,120.84	160,944.76
Road Improvements Program 2017 (17-02)	20.205		223,500.00			167,625.00	155,856.77	155,856.77
						$ 215,125.00	$ 170,524.96	$ 519,210.11
					TOTAL	$ 338,902.92	$ 227,273.96	$ 1,135,302.49

SCHEDULE "2"

BOROUGH OF WATCHUNG

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2017

STATE GRANTOR DEPARTMENT/PROGRAM TITLE	STATE ACCOUNT NUMBER	GRANT AWARD AMOUNT	2017 RECEIPTS	2017 EXPENDITURES	CUMULATIVE EXPENDITURES DECEMBER 31, 2017
DEPARTMENT OF LAW AND PUBLIC SAFETY					
Drunk Driving Enforcement Fund - Prior Year(s)	1110-100-066-1110-YYYY	$ 9,591.05	$	$ 358.88	$ 7,071.09
Click It Or Ticket - Prior Year(s)		1,980.30			
Alcohol Education Rehabilitation Fund - Prior Year(s)	9735-760-098-Y900-001-X100-6020	8,599.56			1,079.53
Alcohol Education Rehabilitation Fund	9735-760-098-Y900-001-X100-6020	1,093.78	1,093.78		
			$ 1,093.78	$ 358.88	$ 8,150.62
NJ DIVISION OF CRIMINAL JUSTICE					
Safe and Secure Communities - Prior Year(s)	1020-100-066-1020-232-YCJS-6120	120,000.00	$ 75,000.00	$ 30,000.00	$ 120,000.00
Safe and Secure Communities	1020-100-066-1020-232-YCJS-6120	60,000.00			
Body Armor Replacement Fund - Prior Year(s)	1020-718-066-1020-001-YCJS-6120	8,962.32		1,746.40	2,580.89
Body Armor Replacement Fund	1020-718-066-1020-001-YCJS-6120	2,910.35	2,910.35		
			$ 77,910.35	$ 31,746.40	$ 122,580.89
DEPARTMENT OF ENVIRONMENTAL PROTECTION					
Clean Communities Grant - Prior Year(s)	4900-765-042-4900-004-V42Y-6020	69,158.82	$	$ 420.00	$ 10,777.37
Clean Communities Grant	4900-765-042-4900-004-V42Y-6020	14,835.44	14,835.44		
Recycling Tonnage Grant - Prior Year(s)	4900-752-042-4900-001-V42Y-6020	62,516.24		20,437.98	40,406.51
Recycling Tonnage Grant	4900-752-042-4900-001-V42Y-6020	10,667.51	10,667.51		
			$ 25,502.95	$ 20,857.98	$ 51,183.88
	TOTAL		$ 104,507.08	$ 52,963.26	$ 181,915.39

BOROUGH OF WATCHUNG

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

YEAR ENDED DECEMBER 31, 2017

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of financial assistance are presented on the prescribed basis of accounting, modified accrual basis with certain exceptions, prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with the budget laws of New Jersey, which is a comprehensive basis of accounting, other than U.S. generally accepted accounting principles. The basis of accounting, with exception, is described in Note 1 to the Borough's financial statements - regulatory basis. The Borough has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 4. RELATIONSHIP TO FINANCIAL STATEMENTS - REGULATORY BASIS

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

Receipts:

	Federal	State	Other	Total
Current Fund	$ 123,777.92	$	$	$ 123,777.92
Grant Fund		104,507.08	5,000.00	109,507.08
General Capital Fund	215,125.00			215,125.00
	$ 338,902.92	$ 104,507.08	$ 5,000.00	$ 448,410.00

Expenditures:

	Federal	State	Other	Total
Current Fund	$	$	$	$ 0.00
Grant Fund	56,749.00	52,963.26	136,474.49	246,186.75
General Capital Fund	170,524.96			170,524.96
	$ 227,273.96	$ 52,963.26	$ 136,474.49	$ 416,711.71

NOTE 5. OTHER

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

THIS PAGE INTENTIONALLY LEFT BLANK

PART III

BOROUGH OF WATCHUNG

STATISTICAL DATA

LIST OF OFFICIALS

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2017

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

	YEAR 2017		YEAR 2016	
	AMOUNT	%	AMOUNT	%
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	$ 825,000.00	2.06%	$ 800,000.00	1.95%
Miscellaneous - From Other Than Local Property Tax Levies	4,363,965.51	10.91%	3,996,378.70	9.73%
Collection of Delinquent Taxes and Tax Title Liens	179,028.47	0.45%	287,295.82	0.70%
Collections of Current Tax Levy	34,644,208.04	86.58%	35,985,663.65	87.63%
Total Revenue	$ 40,012,202.02	100.00%	$ 41,069,338.17	100.00%
EXPENDITURES				
Budget Expenditures:				
Municipal Purposes	$ 14,147,162.70	36.57%	$ 13,746,372.24	34.44%
County Taxes	7,016,629.22	18.14%	6,863,256.84	17.19%
Local and Regional School Taxes	17,116,903.00	44.25%	18,953,731.00	47.48%
Municipal Open Space Taxes	352,339.04	0.91%	345,877.96	0.87%
Interfunds Advanced	53,426.01	0.14%	9,991.17	0.03%
Total Expenditures	$ 38,686,459.97	100.00%	$ 39,919,229.21	100.00%
Excess in Revenue	$ 1,325,742.05		$ 1,150,108.96	
Adjustments to Income Before Fund Balance:				
Expenditures Included Above Which are by Statute Deferred Charges to Budget of Succeeding Year			106,306.06	
Statutory Excess to Fund Balance	$ 1,325,742.05		$ 1,256,415.02	
Fund Balance, January 1	2,901,947.05		2,445,532.03	
	$ 4,227,689.10		$ 3,701,947.05	
Less: Utilization as Anticipated Revenue	825,000.00		800,000.00	
Fund Balance, December 31	$ 3,402,689.10		$ 2,901,947.05	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	2017	2016	2015
Tax Rate	$ 1.979	$ 2.091	$ 2.118
Municipal	$ 0.586	$ 0.574	$ 0.568
Municipal Open Space	0.020	0.020	0.020
County (Including Library)	0.369	0.368	0.371
County Open Space	0.031	0.031	0.031
Local School	0.613	0.732	0.749
Regional High School	0.360	0.366	0.379

Assessed Valuations:

2017	$1,756,744,611.00
2016	$1,724,988,537.00
2015	$1,689,336,172.00

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.

Year	Tax Levy	Cash Collections	Percentage of Collection
2017	$34,864,000.68	$34,644,208.04	99.37%
2016	$36,161,574.40	$35,985,663.65	99.51%
2015	$35,386,367.26	$35,092,951.60	99.17%

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.

Year	Amount of Tax Title Liens	Amount of Delinquent Taxes	Total Delinquent	Percentage of Tax Levy
2017	$1,813.71	$191,558.30	$193,372.01	0.55%
2016	$12,713.09	$167,697.66	$180,410.75	0.49%
2015	$4,513.06	$290,253.98	$294,767.04	0.83%

COMPARATIVE SCHEDULE OF FUND BALANCES

Year	Balance Current Fund	Utilized in Budget of Succeeding Year
2017	$3,402,689.10	$845,000.00
2016	$2,901,647.05	$825,000.00
2015	$2,445,532.03	$800,000.00
2014	$1,072,447.73	$700,000.00
2013	$1,397340.05	$700,000.00

OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office during the period under audit:

Name	Title	Amount of Bond
Stephen Pote	Mayor	*
Debra Joren	Council Member, President of Council	*
Stephen L. Black	Council Member	*
William Nehls	Council Member	*
Robert Gibbs	Council Member	*
David Mobus	Council Member	*
George Sopko	Council Member	*
Thomas Atkins	Administrator	*
Michelle DeRocco	Municipal Clerk, Deputy Registrar	*
William J. Hance	Chief Financial Officer, Treasurer, Purchasing Agent	*
Albert E. Cruz	Attorney	

OFFICIALS IN OFFICE AND SURETY BONDS (CONTINUED)

Name	Title	Amount of Bond
Raymond Murray	Tax Collector	*
Edward Kerwin	Tax Assessor	*
Jodi Mack	Court Administrator	*
John Richardson	Municipal Court Judge	*
Joseph Cina	Police Chief	*
Thomas Herits	Engineer	
Edward P. Bennett	Construction Code / Zoning Official	*
Robert Burns	Public Works Manager	*

*All officials and employees handling and collecting Borough funds are covered by the Borough's insurance policy and blanket bond through the Municipal Excess Liability Joint Insurance Fund.

COMMENTS AND RECOMMENDATIONS

GENERAL COMMENTS

CONTRACTS AND AGREEMENTS REQUIRED TO BE ADVERTISED FOR (N.J.S.A. 40A:11-4)

Every contract or agreement for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds, not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefor, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate the amount set forth in or the amount calculated by the Governor pursuant to Section 3 of P.L. 1971 c. 198 (C.40A:11-3), except by contract or agreement.

Effective July 1, 2015, the Borough of Watchung's bid threshold became $40,000.00 in accordance with N.J.S.A. 40A:11-3. The governing body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed $40,000.00 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 indicate that bids were requested by public advertising for the following items:

Improvements to Valley Drive
Fire House Renovations
Improvements to Washington Drive

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

Municipal Attorney	Insurance Consulting
Municipal Auditor	Bond Counsel
Municipal Engineer	Labor Attorney
Board of Adjustment Attorney	Board of Adjustment Engineer/Planner
Planning Board Engineer	Planning Board Attorney
Architect	Site Remediation
Municipal Prosecutor	Housing Advisory Services

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 $40,000.00 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 5, 2017 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, 2017.

2. Payment of taxes shall be remitted to the Tax Collector of the Borough of Watchung.

3. Interest shall be charged and calculated at the rate of 8% per annum on first $1,500.00 of the delinquency and 18% per annum on any amount in excess of $1,500.00, to be calculated from the date the tax was payable until the date of actual payment received.

4. There shall be a 10 day grace period, after which unpaid taxes will be charged interest from the due date.

5. Redemption fee for Tax Sale Certificates to the Municipality as follows:

   2% on Certificates $200.00 to $4,999.99
   4% on Certificates $5,000.00 to $9,999.99
   6% on Certificates over $10,000.00

6. Redemption amounts shall be obtained from the Tax Collector. A $25.00 fee will be charged for each additional request for a redemption calculation.

6a. Duplicate Tax Sale Certificate - $100.00 fee

6b. In lieu of publication, notice of tax sale to be mailed - $25.00 fee

7. Bad check fee of $20.00 shall be charged on all returned checks.

8. The Borough Clerk is hereby directed to publish a copy of this resolution.

DELINQUENT TAXES AND TAX TITLE LIENS

The last tax sale was held on October 27, 2017 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:

Year	Number of Liens
2017	2
2016	5
2015	4

It is essential to good management that all means provided by statute be utilized to liquidate tax title liens in order to get such properties back on a tax paying basis.

VERIFICATION OF DELINQUENT TAXES AND OTHER CHARGES

A test verification of delinquent charges and current payments was made in accordance with the regulations of the Division of Local Government Services, including the mailing of verification notices as follows:

Information Tax Positive Confirmation	50
Delinquent Tax Positive Confirmation	25

OTHER COMMENTS

Transactions invariably occur in one fund which require a corresponding entry to be made in another fund, thus creating interfund balances. Reference to the various balance sheets show the interfund balances remaining at year end. As a general rule all interfund balances should be closed out as of the end of the year. It is the Borough's policy to review and liquidate all interfund balances on a periodic basis.

RECOMMENDATIONS

None