

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, 2018

BOROUGH OF WATCHUNG

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BOROUGH OF WATCHUNG

PART I

INDEPENDENT AUDITOR'S REPORT ON
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YEAR ENDED DECEMBER 31, 2018 AND 2017



SUPLEE, CLOONEY & COMPANY

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INDEPENDENT AUDITOR'S REPORT

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

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, 2018 and 2017, 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, 2018, 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.

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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, 2018 and 2017, 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, 2018.

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, 2018 and 2017, 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, 2018 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.

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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 August 7, 2019 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.



CERTIFIED PUBLIC ACCOUNTANTS



REGISTERED MUNICIPAL ACCOUNTANT NO. 439

August 7, 2019



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**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, 2018, and the related notes to the financial statements, which collectively comprise the Borough's regulatory financial statements, and have issued our report thereon dated August 7, 2019. 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.

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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.


CERTIFIED PUBLIC ACCOUNTANTS


REGISTERED MUNICIPAL ACCOUNTANT NO. 439

August 7, 2019

CURRENT FUND

BOROUGH OF WATCHUNG

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

	<u>REF.</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2018</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2017</u>
<u>ASSETS</u>			
Current Fund:			
Cash	A-4	\$ 5,366,463.76	\$ 9,207,035.57
Cash-Change Fund	A-6	250.00	250.00
Due State of NJ-Senior Citizen and Veteran Deductions	A-14	4,141.79	4,149.79
		<u>\$ 5,370,855.55</u>	<u>\$ 9,211,435.36</u>
Receivables and Other Assets With			
Full Reserves:			
Delinquent Property Taxes Receivable	A-8	\$ 140,578.17	\$ 191,558.30
Tax Title Liens	A-24		1,813.71
Revenue Accounts Receivable	A-9	11,435.82	8,212.42
Interfunds Receivable	A-25	1,717.74	13,417.18
	A	<u>\$ 153,731.73</u>	<u>\$ 215,001.61</u>
		<u>\$ 5,524,587.28</u>	<u>\$ 9,426,436.97</u>
Grant Fund:			
Cash	A-4	\$ 120,924.92	\$ 169,235.50
Interfunds Receivable	A-26		30,000.00
Grant Aid Receivable	A-10	187,000.00	158,500.00
		<u>\$ 307,924.92</u>	<u>\$ 357,735.50</u>
	A	<u>\$ 5,832,512.20</u>	<u>\$ 9,784,172.47</u>

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

BOROUGH OF WATCHUNG

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

	<u>REF.</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2018</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2017</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Current Fund:			
Liabilities:			
Appropriation Reserves	A-3:A-11	\$ 454,372.53	\$ 607,203.21
Accounts Payable	A-7	169,898.53	284,163.56
Prepaid Taxes	A-19	292,140.58	4,332,664.88
Interfunds Payable	A-25	20,340.86	349,742.06
Reserve for:			
Sewer Repair Emergency	A-18	11,792.76	11,792.76
Prepaid Licenses	A-21	1,650.00	1,525.00
Due State of New Jersey - DCA	A-20	4,447.00	3,993.00
Tax Sale Premiums & Outside Liens	A-23	182,455.42	149,812.88
Tax Appeals	A-13	67,848.91	67,848.91
		<u>\$ 1,204,946.59</u>	<u>\$ 5,808,746.26</u>
Reserve for Receivables and Other Assets	A	153,731.73	215,001.61
Fund Balance	A-1	4,165,908.96	3,402,689.10
		<u>\$ 5,524,587.28</u>	<u>\$ 9,426,436.97</u>
Grant Fund:			
Grants-Appropriated	A-22	\$ 294,944.30	\$ 344,754.88
Grants-Unappropriated	A-12	12,980.62	12,980.62
		<u>\$ 307,924.92</u>	<u>\$ 357,735.50</u>
	A	<u>\$ 5,832,512.20</u>	<u>\$ 9,784,172.47</u>

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

BOROUGH OF WATCHUNG

CURRENT FUND

STATEMENTS OF OPERATIONS
AND CHANGE IN FUND BALANCE - REGULATORY BASIS

	REF.	YEAR ENDED DECEMBER 31, 2018	YEAR ENDED DECEMBER 31, 2017
<u>REVENUE AND OTHER INCOME REALIZED</u>			
Fund Balance Utilized	A-1:A-2	\$ 925,000.00	\$ 825,000.00
Miscellaneous Revenue Anticipated	A-2	3,678,434.12	3,473,736.97
Receipts From Delinquent Taxes	A-2	193,587.73	179,028.47
Receipts From Current Taxes	A-2	35,704,783.55	34,644,208.04
Non-Budget Revenue	A-2	193,628.84	374,175.27
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-11	538,259.23	488,532.62
Interfunds Returned		11,699.44	
Accounts Payable Canceled	A-7	1,800.00	27,520.65
<u>TOTAL INCOME</u>		<u>\$ 41,247,192.91</u>	<u>\$ 40,012,202.02</u>
<u>EXPENDITURES</u>			
Budget and Emergency Authorizations:			
Operations:			
Salaries and Wages	A-3	\$ 5,261,600.00	\$ 5,026,650.00
Other Expenses	A-3	4,630,058.00	4,563,974.00
Municipal Debt Service	A-3	1,966,590.96	1,958,666.87
Capital Improvement Fund	A-3	173,700.00	175,000.00
Public and Private Programs Offset by Revenues	A-3	213,069.17	324,507.08
Interlocal Service Agreements	A-3	844,756.00	772,756.00
Deferred Charges and Statutory Expenditures	A-3	1,295,292.00	1,325,608.75
Municipal Open Space Taxes	A-2:A-8	360,218.25	352,339.04
County Taxes	A-15	7,101,928.67	7,016,629.22
Local District School Tax	A-16	11,019,050.00	10,780,323.00
Regional High School Tax	A-17	6,692,710.00	6,336,580.00
Reserve for Tax Appeals			50,000.00
Interfunds Advanced			3,426.01
<u>TOTAL EXPENDITURES</u>		<u>\$ 39,558,973.05</u>	<u>\$ 38,686,459.97</u>
Excess in Revenue		\$ 1,688,219.86	\$ 1,325,742.05
Fund Balance, January 1	A	3,402,689.10	2,901,947.05
		<u>\$ 5,090,908.96</u>	<u>\$ 4,227,689.10</u>
Decreased by:			
Utilized as Anticipated Revenue	A-1:A-2	925,000.00	825,000.00
Fund Balance, December 31	A	<u>\$ 4,165,908.96</u>	<u>\$ 3,402,689.10</u>

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, 2018

	REF.	BUDGET		REALIZED	EXCESS OR (DEFICIT)
		ADOPTED	NJSA 40A:4-87		
Fund Balance Anticipated	A-1	\$ 925,000.00		\$ 925,000.00	
Miscellaneous Revenues:					
Alcoholic Beverage Licenses	A-9	\$ 12,000.00	\$	\$ 18,000.00	\$ 6,000.00
Other Licenses	A-2	18,000.00		20,021.00	2,021.00
Fees and Permits:					
Construction Code Official	A-9	200,000.00		319,504.00	119,504.00
Other	A-2	205,000.00		229,253.91	24,253.91
Municipal Court - Fines and Costs	A-9	195,000.00		184,109.00	(10,891.00)
Interest and Costs on Taxes	A-9	100,000.00		153,449.10	53,449.10
Interest on Investments and Deposits	A-9	30,000.00		140,914.19	110,914.19
Sewer Rents	A-9	1,220,000.00		1,370,071.66	150,071.66
Energy Receipts Tax	A-9	700,092.00		700,092.00	
Uniform Fire Safety Act	A-9	25,000.00		30,303.34	5,303.34
Open Space Trust Fund Debt Payment	A-9	365,000.00		365,000.00	
Bulk Pickup Fees	A-9	9,000.00		10,000.00	1,000.00
Shared Court Reimbursement	A-9	50,000.00		54,646.75	4,646.75
Clean Communities	A-10		14,190.38	14,190.38	
Safe and Secure	A-10	60,000.00		60,000.00	
Alcohol Education Rehabilitation	A-10		878.79	878.79	
Somerset County Youth Services	A-10		5,000.00	5,000.00	
Somerset County Historic Grant	A-10		3,000.00	3,000.00	
<u>Sub-Total Miscellaneous Revenues</u>	A-1	\$ 3,189,092.00	\$ 23,069.17	\$ 3,678,434.12	\$ 466,272.95
Receipts From Delinquent Taxes	A-1	\$ 160,000.00	\$	\$ 193,587.73	\$ 33,587.73
Amount to be Raised by Taxes for Support of Municipal Budget: Local Tax for Municipal Purposes	A-8:A-2	\$ 10,620,908.00	\$	\$ 11,045,876.63	\$ 424,968.63
<u>Budget Totals</u>		\$ 14,895,000.00	\$ 23,069.17	\$ 15,842,898.48	\$ 924,829.31
Non-Budget Revenues	A-1:A-2			193,628.84	193,628.84
		\$ 14,895,000.00	\$ 23,069.17	\$ 16,036,527.32	\$ 1,118,458.15
	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, 2018

<u>ANALYSIS OF REALIZED REVENUES</u>	<u>REF.</u>		
Allocation of Current Tax Collections:			
Revenue From Collections	A-1:A-8	\$	35,704,783.55
Allocated to:			
Local District School Taxes	A-8	\$	11,019,050.00
Regional High School Taxes	A-8		6,692,710.00
Municipal Open Space Tax	A-8		360,218.25
County Taxes	A-8		<u>7,101,928.67</u>
			25,173,906.92
Balance for Support of Municipal Budget			
Appropriations		\$	10,530,876.63
Add: Appropriation "Reserve for Uncollected Taxes"	A-3		<u>515,000.00</u>
Amount for Support of Municipal Budget Appropriations	A-2	\$	<u>11,045,876.63</u>
Other Licenses:			
Board of Health	A-9	\$	17,665.00
Registrar	A-9		81.00
Borough Clerk	A-9		750.00
Prepaid Licenses Applied	A-21		<u>1,525.00</u>
	A-2	\$	<u>20,021.00</u>
Fees and Permits-Other:			
Board of Health	A-9	\$	7,630.00
Clerk & Other Fees and Permits	A-9		92,147.15
Planning Board	A-9		200.00
Board of Adjustment	A-9		12,778.00
Police	A-9		1,914.38
Fire Official	A-9		4,406.00
Recreation	A-9		2,520.00
Tower Lease	A-9		<u>107,658.38</u>
	A-2	\$	<u>229,253.91</u>

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, 2018

REF.

ANALYSIS OF NON-BUDGET REVENUE

Senior Citizens' and Veterans' Administrative Fee	\$	555.00
Prior Year Refunds		599.15
Cable TV Franchise Fees		102,287.31
Police Outside Overtime Administrative Fee		63,251.13
Dog Trust Excess		413.40
Sale of Surplus/Scrap		3,570.00
Other Miscellaneous		22,662.85
Tax Collector		<u>290.00</u>
A-2:A-4	\$	<u><u>193,628.84</u></u>

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

BOROUGH OF WATCHUNG

"A-3"
SHEET #1

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

	<u>APPROPRIATIONS</u>		<u>EXPENDED</u>		<u>UNEXPENDED BALANCE CANCELED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>RESERVED</u>	
<u>OPERATIONS WITHIN "CAPS"</u>					
<u>GENERAL GOVERNMENT</u>					
Administrative and Executive:					
Salaries and Wages	\$ 227,000.00	\$ 227,000.00	\$ 227,000.00	\$	\$
Other Expenses	25,000.00	25,000.00	24,941.18	58.82	
Mayor and Council:					
Salaries and Wages	24,000.00	24,000.00	24,000.00		
Other Expenses	59,850.00	54,850.00	42,204.59	12,645.41	
Municipal Clerk:					
Salaries and Wages	96,000.00	96,000.00	95,995.57	4.43	
Other Expenses	27,200.00	27,200.00	25,110.06	2,089.94	
Elections:					
Other Expenses	2,956.00	2,956.00	2,610.48	345.52	
Financial Administration:					
Salaries and Wages	167,000.00	167,000.00	167,000.00		
Other Expenses	28,100.00	28,100.00	27,415.31	684.69	
Audit	39,000.00	39,000.00	38,002.54	997.46	
Assessment of Taxes:					
Salaries and Wages	70,000.00	70,000.00	68,664.41	1,335.59	
Other Expenses	31,000.00	31,000.00	28,179.47	2,820.53	
Collection of Taxes:					
Salaries and Wages	64,000.00	64,000.00	60,031.59	3,968.41	
Other Expenses	24,500.00	21,500.00	20,804.86	695.14	
Legal Services and Costs:					
Other Expenses	160,000.00	190,000.00	185,830.53	4,169.47	
Engineering Services and Costs:					
Salaries and Wages	130,000.00	130,000.00	126,737.84	3,262.16	
Other Expenses	121,250.00	121,250.00	120,487.40	762.60	
Public Building and Grounds:					
Salaries and Wages	64,000.00	64,000.00	64,000.00		
Other Expenses	210,500.00	210,500.00	209,831.94	668.06	
Bulk Clean Up	10,000.00	10,000.00	10,000.00		

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

BOROUGH OF WATCHUNG

"A-3"
SHEET #2

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

	<u>APPROPRIATIONS</u>		<u>EXPENDED</u>		<u>UNEXPENDED BALANCE CANCELED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>RESERVED</u>	
Planning Board:					
Salaries and Wages	\$ 6,000.00	\$ 6,000.00	\$ 6,000.00	\$	\$
Other Expenses	29,500.00	29,500.00	24,967.06	4,532.94	
Board of Adjustment:					
Salaries and Wages	6,000.00	6,000.00	5,941.26	58.74	
Other Expenses	19,000.00	19,000.00	16,176.83	2,823.17	
<u>PUBLIC SAFETY</u>					
Fire:					
Other Expenses	123,000.00	123,000.00	71,734.55	51,265.45	
Fire Official:					
Salaries and Wages	40,700.00	40,700.00	40,638.46	61.54	
Other Expenses	2,850.00	2,850.00	2,169.25	680.75	
Police:					
Salaries and Wages	3,600,000.00	3,600,000.00	3,556,998.35	43,001.65	
Other Expenses	312,153.00	312,153.00	309,102.28	3,050.72	
First Aid Organization Contributions	27,148.00	27,148.00	27,148.00		
Emergency Management Service:					
Salaries and Wages	5,800.00	5,800.00	1,935.16	3,864.84	
Other Expenses	8,300.00	8,300.00	584.49	7,715.51	
Public Defender:					
Salaries and Wages	100.00	100.00		100.00	
Municipal Court:					
Salaries and Wages	68,000.00	68,000.00	64,999.92	3,000.08	
Other Expenses	56,000.00	56,000.00	46,917.07	9,082.93	
Audit Services	5,000.00	5,000.00	5,000.00		
Streets and Roads:					
Salaries and Wages	300,000.00	320,000.00	312,885.53	7,114.47	
Other Expenses	255,200.00	255,200.00	250,490.06	4,709.94	

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

BOROUGH OF WATCHUNG

"A-3"
SHEET #3

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

	<u>APPROPRIATIONS</u>		<u>EXPENDED</u>		<u>UNEXPENDED BALANCE CANCELED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>RESERVED</u>	
<u>HEALTH AND WELFARE</u>					
Board of Health:					
Salaries and Wages	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$	\$
Dog Regulation:					
Other Expenses	15,191.00	15,191.00	15,139.00	52.00	
Sewer System:					
Salaries and Wages	72,000.00	72,000.00	72,000.00		
Other Expenses	56,000.00	56,000.00	38,760.39	17,239.61	
Condo Act Reimbursement:					
Other Expenses	11,000.00	11,000.00	10,512.73	487.27	
<u>RECREATION AND EDUCATION</u>					
Recreation:					
Salaries and Wages	34,000.00	34,000.00	34,000.00		
Other Expenses	46,810.00	46,810.00	45,893.84	916.16	
Traffic and Beautification:					
Other Expenses	2,000.00	2,000.00	1,433.06	566.94	
Environmental Commission:					
Other Expenses	1,050.00	1,050.00	495.00	555.00	
Historical Preservation:					
Other Expenses	12,400.00	12,400.00	7,412.97	4,987.03	
Free Public Library:					
Salaries and Wages	18,000.00	18,000.00	18,000.00		
Other Expenses	24,000.00	24,000.00	23,364.25	635.75	
<u>STATE UNIFORM CONSTRUCTION CODE</u>					
Construction Code Official:					
Salaries and Wages	151,000.00	151,000.00	136,085.36	14,914.64	
Other Expenses	20,000.00	20,000.00	19,143.44	856.56	
Plumbing Inspector:					
Salaries and Wages	25,000.00	25,000.00	13,537.49	11,462.51	

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

BOROUGH OF WATCHUNG

"A-3"
SHEET #4

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

	<u>APPROPRIATIONS</u>		<u>EXPENDED</u>		<u>UNEXPENDED BALANCE CANCELED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>RESERVED</u>	
Electrical Inspector:					
Salaries and Wages	\$ 23,500.00	\$ 23,500.00	\$ 22,912.28	\$ 587.72	\$
Fire Sub-Code Inspector:					
Salaries and Wages	22,000.00	22,000.00	21,796.14	203.86	
<u>INSURANCE</u>					
Group Insurance for Employees	1,880,000.00	1,840,000.00	1,727,620.02	112,379.98	
Workers Compensation	159,000.00	159,000.00	159,000.00		
Other Insurance Premiums	158,000.00	158,000.00	157,360.64	639.36	
Health Insurance Waiver	27,000.00	27,000.00	27,000.00		
<u>UNCLASSIFIED</u>					
Electricity	125,000.00	115,000.00	59,631.69	55,368.31	
Telephone	85,000.00	85,000.00	84,310.03	689.97	
Water	18,000.00	18,000.00	11,633.63	6,366.37	
Natural Gas	40,000.00	40,000.00	29,371.13	10,628.87	
Fire Hydrant Service	247,000.00	247,000.00	246,737.27	262.73	
Gasoline	80,000.00	90,000.00	83,546.04	6,453.96	
Street Lighting	85,000.00	85,000.00	72,011.17	12,988.83	
Salary and Wage Adjustment Account	100.00	100.00	100.00		
<u>TOTAL OPERATIONS WITHIN "CAPS"</u>	<u>\$ 9,888,158.00</u>	<u>\$ 9,890,158.00</u>	<u>\$ 9,455,343.61</u>	<u>\$ 434,814.39</u>	<u>\$</u>
Detail:					
Salaries and Wages	\$ 5,241,600.00	\$ 5,261,600.00	\$ 5,164,126.42	\$ 97,473.58	\$
Other Expenses	<u>4,646,558.00</u>	<u>4,628,558.00</u>	<u>4,291,217.19</u>	<u>337,340.81</u>	

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

BOROUGH OF WATCHUNG

"A-3"
SHEET #5

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

	<u>APPROPRIATIONS</u>		<u>EXPENDED</u>		<u>UNEXPENDED BALANCE CANCELED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>RESERVED</u>	
<u>DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"</u>					
Statutory Expenditures:					
Social Security System (O.A.S.I.)	\$ 212,956.47	\$ 212,956.47	\$ 198,725.64	\$ 14,230.83	\$
Contribution to:					
Police and Firemen's Retirement Fund	824,190.00	824,190.00	824,190.00		
Public Employee's Retirement System	202,327.53	202,327.53	202,327.53		
Defined Contribution Retirement Plan	<u>2,000.00</u>				
 <u>TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"</u>	 \$ <u>1,241,474.00</u>	 \$ <u>1,239,474.00</u>	 \$ <u>1,225,243.17</u>	 \$ <u>14,230.83</u>	 \$
 <u>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"</u>	 \$ <u>11,129,632.00</u>	 \$ <u>11,129,632.00</u>	 \$ <u>10,680,586.78</u>	 \$ <u>449,045.22</u>	 \$
 <u>OPERATIONS EXCLUDED FROM "CAPS"</u>					
Municipal Alliance Contribution - Match	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00		\$
 <u>INTERLOCAL MUNICIPAL SERVICE AGREEMENTS</u>					
Sewer Interlocal Agreements:					
Other Expenses	708,000.00	708,000.00	708,000.00		
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	101,532.70	223.30	

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, 2018

	<u>APPROPRIATIONS</u>		<u>EXPENDED</u>		<u>UNEXPENDED BALANCE CANCELED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>RESERVED</u>	
<u>PUBLIC AND PRIVATE PROGRAMS</u>					
<u>OFF-SET BY REVENUES</u>					
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 + \$14,190.38)		14,190.38	14,190.38		
Somerset County Youth Services (40A:4-87 + \$5,000.00)		5,000.00	5,000.00		
Alcohol Education Rehabilitation (40A:4-87 + \$878.79)		878.79	878.79		
Somerset County Historic Grant (40A:4-87 + \$3,000.00)		3,000.00	3,000.00		
<u>TOTAL OPERATIONS EXCLUDED FROM "CAPS"</u>	\$ 1,036,256.00	\$ 1,059,325.17	\$ 1,059,101.87	\$ 223.30	\$
<u>CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"</u>					
Capital Improvement Fund	\$ 158,700.00	\$ 158,700.00	\$ 158,700.00	\$	\$
Building & Ground Improvements	15,000.00	15,000.00	9,895.99	5,104.01	
<u>TOTAL CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"</u>	\$ 173,700.00	\$ 173,700.00	\$ 168,595.99	\$ 5,104.01	\$
<u>MUNICIPAL DEBT SERVICE-EXCLUDED FROM "CAPS"</u>					
Payment of Bond Principal	\$ 1,265,000.00	1,265,000.00	\$ 1,265,000.00	\$	\$
Interest on Bonds	509,000.00	509,000.00	508,387.50		612.50
Interest on Notes	18,500.00	18,500.00	18,500.00		
Green Trust Loan	30,456.00	30,456.00	13,066.07		17,389.93
NJ UST Remediation Loan	46,638.00	46,638.00	46,637.39		0.61
NJEIT Loan	115,000.00	115,000.00	115,000.00		
<u>TOTAL MUNICIPAL DEBT SERVICE- EXCLUDED FROM "CAPS"</u>	\$ 1,984,594.00	\$ 1,984,594.00	\$ 1,966,590.96	\$	\$ 18,003.04

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

BOROUGH OF WATCHUNG

"A-3"
SHEET #7

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

	<u>APPROPRIATIONS</u>		<u>EXPENDED</u>		<u>UNEXPENDED BALANCE CANCELED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>RESERVED</u>	
<u>DEFERRED CHARGES-MUNICIPAL-EXCLUDED FROM "CAPS"</u>					
Ordinance 13-04	\$ 40,393.00	\$ 40,393.00	\$ 40,393.00	\$	\$
Ordinance 17-02	2,125.00	2,125.00	2,125.00		
Ordinance 17-02	13,300.00	13,300.00	13,300.00		
 TOTAL DEFERRED CHARGES-MUNICIPAL-EXCLUDED FROM "CAPS"	 \$ 55,818.00	 \$ 55,818.00	 \$ 55,818.00	 \$	 \$
 TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	 \$ 3,250,368.00	 \$ 3,273,437.17	 \$ 3,250,106.82	 \$ 5,327.31	 \$ 18,003.04
SUB-TOTAL GENERAL APPROPRIATIONS	\$ 14,380,000.00	\$ 14,403,069.17	\$ 13,930,693.60	\$ 454,372.53	\$ 18,003.04
RESERVE FOR UNCOLLECTED TAXES	\$ 515,000.00	\$ 515,000.00	\$ 515,000.00	\$	\$
<u>TOTAL GENERAL APPROPRIATIONS</u>	<u>\$ 14,895,000.00</u>	<u>\$ 14,918,069.17</u>	<u>\$ 14,445,693.60</u>	<u>\$ 454,372.53</u>	<u>\$ 18,003.04</u>
 REF. A-2:A-3			A-1	A:A-1	
Amendment by (NJSA 40A:4-87)	A-2	\$ 23,069.17			
Budget	A-3	14,895,000.00			
		<u>\$ 14,918,069.17</u>			
 Reserve for Uncollected Taxes	A-2		\$ 515,000.00		
Accounts Payable	A-7		74,666.85		
Reserve for Grants Appropriated	A-22		83,069.17		
Disbursements	A-4		13,772,957.58		
			<u>\$ 14,445,693.60</u>		

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

TRUST FUND

"B"

BOROUGH OF WATCHUNG

TRUST FUND

BALANCE SHEETS - REGULATORY BASIS

			BALANCE DECEMBER 31, 2018	BALANCE DECEMBER 31, 2017
<u>ASSETS</u>	<u>REF.</u>			
Assessment Fund:				
Cash	B-2: B-8	\$	675,552.14	\$ 346,760.90
Assessment Receivable	B-3		1,093,872.44	1,490,735.56
Due Current Fund	B-4		17,799.20	19,876.94
		\$	<u>1,787,223.78</u>	<u>1,857,373.40</u>
Animal Control Fund:				
Cash	B-2	\$	4,964.40	\$ 7,980.35
		\$	<u>4,964.40</u>	<u>7,980.35</u>
Other Funds:				
Cash	B-2	\$	2,882,444.68	\$ 2,211,105.04
Due Current Fund	B-18			990.12
		\$	<u>2,882,444.68</u>	<u>2,212,095.16</u>
		\$	<u>4,674,632.86</u>	<u>4,077,448.91</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>				
Assessment Fund:				
Assessment Loans:				
NJEIT Trust Loans Payable	B-6	\$	200,000.00	\$ 235,000.00
NJEIT Fund Loans Payable	B-7		345,352.06	368,602.22
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		46,184.18	58,083.64
		\$	<u>1,787,223.78</u>	<u>1,857,373.40</u>
Animal Control Fund:				
Reserve For Animal Control Fund Expenditures	B-14	\$	4,551.00	\$ 5,004.20
Due Current Fund	B-24		413.40	2,976.15
		\$	<u>4,964.40</u>	<u>7,980.35</u>
Other Funds:				
Reserve For:				
Various Trust Deposits	B-13	\$	496,607.25	\$ 504,888.98
COAH Deposits	B-12		1,059,768.52	859,500.28
Police Outside Overtime	B-15		70,425.65	10,274.41
Open Space Trust Deposits	B-10		38,994.62	43,175.79
State Unemployment Compensation Insurance	B-11		92,335.58	106,072.31
Recreation Deposits	B-19		17,691.72	13,435.95
Law Enforcement Trust Fund	B-20		9,725.72	4,812.75
Law Enforcement Trust Fund - Federal	B-21		2,297.53	2,297.53
Developers Deposits	B-22		1,092,905.33	654,232.48
Payroll Deductions Payable	B-5		388.42	
Due Current Fund	B-18		1,304.34	10,441.03
Accounts Payable	B-9			2,963.65
		\$	<u>2,882,444.68</u>	<u>2,212,095.16</u>
		\$	<u>4,674,632.86</u>	<u>4,077,448.91</u>

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

	<u>REF.</u>	YEAR ENDED DECEMBER 31, <u>2018</u>	YEAR ENDED DECEMBER 31, <u>2017</u>
Balance, January 1	B	\$ <u>58,083.64</u>	\$ <u>58,083.64</u>
Decreased by: Adjustments		<u>11,899.46</u>	<u></u>
Balance, December 31	B	\$ <u><u>46,184.18</u></u>	\$ <u><u>58,083.64</u></u>

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

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GENERAL CAPITAL FUND

"C"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

BALANCE SHEETS - REGULATORY BASIS

	<u>REF.</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2018</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2017</u>
<u>ASSETS</u>			
Cash	C-2:C-3	\$ 1,260,037.82	\$ 590,504.73
Deferred Charges to Future Taxation:			
Funded	C-4	16,675,389.43	18,082,457.68
Unfunded	C-5	3,981,750.00	1,783,818.00
State Aid Receivable	C-16	698,855.22	302,480.22
Due Current Fund	C-14	2,541.66	298,875.00
Due Assessment Trust Fund	C-9	1,184,478.70	1,184,478.70
		<u>\$ 23,803,052.83</u>	<u>\$ 22,242,614.33</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Bond Anticipation Notes Payable	C-17	\$ 2,698,000.00	\$ 1,000,000.00
General Serial Bonds Payable	C-11	15,610,000.00	16,875,000.00
Contracts Payable	C-7	1,714,586.04	278,634.24
Capital Improvement Fund	C-8	285,366.72	322,916.72
Reserve for Grant Receivable	C-18	50,000.00	50,000.00
Reserve for Capital Projects	C-6	27,942.00	27,942.00
State of New Jersey Loan Payable:			
Environmental Infrastructure Trust Loans	C-12	250,000.00	305,000.00
Environmental Infrastructure Fund Loans	C-13	375,669.16	410,377.59
Green Trust Loan Program	C-15	439,720.27	492,080.09
Improvement Authorizations:			
Funded	C-10	1,000,977.34	1,635,560.63
Unfunded	C-10	1,180,232.79	678,901.02
Fund Balance	C-1	170,558.51	166,202.04
		<u>\$ 23,803,052.83</u>	<u>\$ 22,242,614.33</u>

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

	<u>REF.</u>	<u>YEAR ENDED</u> <u>DECEMBER 31,</u> <u>2018</u>	<u>YEAR ENDED</u> <u>DECEMBER 31,</u> <u>2017</u>
Balance, January 1	C	\$ 166,202.04	\$ 136,593.52
Increased by:			
Receipts on Fully Funded Authorizations	C-2	4,356.47	2,640.00
Bond Sale Premium			26,968.52
Balance, December 31	C	\$ <u>170,558.51</u>	\$ <u>166,202.04</u>

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

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GENERAL FIXED ASSETS ACCOUNT GROUP

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

	BALANCE DECEMBER 31, 2018	BALANCE DECEMBER 31, 2017
<u>FIXED ASSETS:</u>		
Land	\$ 13,189,000.00	\$ 13,189,000.00
Buildings	6,129,836.03	6,124,988.95
Machinery and Equipment	<u>6,015,141.67</u>	<u>5,598,209.24</u>
<u>TOTAL FIXED ASSETS</u>	<u>\$ 25,333,977.70</u>	<u>\$ 24,912,198.19</u>
 <u>RESERVE:</u>		
Investments in General Fixed Assets	<u>\$ 25,333,977.70</u>	<u>\$ 24,912,198.19</u>

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

NOTES TO FINANCIAL STATEMENTS

BOROUGH OF WATCHUNG

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018 AND 2017

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.

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.

Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)

The Governmental Accounting Standards Board (GASB) has issued Statement no. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses for postemployment benefits other than pensions. It also requires the State of New Jersey to calculate and allocate to each participating member, for note disclosure purposes only, the OPEB net liability of New Jersey Health Benefits Local Government Retiree Plan (the Plan). The statement does not alter the amount of funds that must be budgeted for OPEB payment under existing state law.

Under GAAP, municipalities are required to recognize the OPEB liability in Statements of Revenues, Expenses, Changes in Net Position (balance sheets) and Notes to the Financial Statements in accordance with GASB 75. The liability required to be displayed by GASB 75 is displayed as a separate line item in the Unrestricted Net Position area of the balance sheet.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)

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 OPEB liability as a liability on their balance sheets. However, N.J.A.C. 5:30 6.1(c) (2) requires municipalities to disclose GASB 75 information in the Notes to the Financial Statements. The disclosure must meet the requirements of GASB 75.

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.

NOTE 2: CASH AND CASH EQUIVALENTS

Deposits (Continued)

The Borough of Watchung had the following cash and cash equivalents at December 31, 2018:

<u>Fund</u>	<u>Cash in Bank</u>	<u>Reconciling Items</u>	<u>Total</u>
Current Fund	\$5,227,151.02	\$139,312.74	\$5,366,463.76
Grant Fund	133,213.35	(12,288.43)	120,924.92
Assessment Trust Fund	675,552.14		675,552.14
Animal Control Trust Fund	6,664.40	(1,700.00)	4,964.40
Other Trust Fund	3,303,987.94	(421,543.26)	2,882,444.68
General Capital Fund	<u>1,326,129.13</u>	<u>(66,091.31)</u>	<u>1,260,037.82</u>
Total - December 31, 2018	<u>\$10,672,697.98</u>	<u>(\$362,310.26)</u>	<u>\$10,310,387.72</u>

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, 2018, 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 \$10,422,697.98 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;

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

Investments (Continued)

3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located;
5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Local Government Services of the Department of Community Affairs for investment by Local Units;
6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization;
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c. 281 (C. 52:18A-90.4); or

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

Investments (Continued)

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

	<u>Year 2018</u>	<u>Year 2017</u>	<u>Year 2016</u>
Issued:			
General:			
Bonds and Notes	\$ 18,308,000.00	\$ 17,875,000.00	\$ 18,569,000.00
Loans Payable	<u>1,610,741.49</u>	<u>1,811,059.90</u>	<u>2,020,751.81</u>
Debt Issued	\$ 19,918,741.49	\$ 19,686,059.90	\$ 20,589,751.81
Authorized But Not Issued:			
General:			
Bonds and Notes	<u>1,283,750.00</u>	<u>783,818.00</u>	<u>1,105,648.69</u>
TOTAL BONDS AND NOTES ISSUED AND AUTHORIZED BUT NOT ISSUED	\$ <u>21,202,491.49</u>	\$ <u>20,469,877.90</u>	\$ <u>21,695,400.50</u>

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

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.202%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School Debt	\$ 6,822,339.10	\$ 6,822,339.10	\$
General Debt	<u>21,202,491.49</u>		<u>21,202,491.49</u>
	\$ <u>28,024,830.59</u>	\$ <u>6,822,339.10</u>	\$ <u>21,202,491.49</u>

Net debt \$21,202,491.49 divided by equalized valuation basis per N.J.S.A. 40A:2-2, \$1,764,459,066.00 equals 1.202%.

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

Equalized Valuation Basis - December 31, 2018	\$ <u>1,764,459,066.00</u>
3 1/2% of Equalized Valuation Basis	\$ 61,756,067.31
Net Debt	<u>21,202,491.49</u>
Remaining Borrowing Power	\$ <u>40,553,575.82</u>

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

NOTE 3: MUNICIPAL DEBT (CONTINUED)

LONG-TERM DEBT

General Serial Bonds:

\$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%.	\$7,540,000.00
\$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%	<u>8,070,000.00</u>
	<u>\$15,610,000.00</u>

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%	<u>\$439,720.27</u>
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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%.	\$145,000.00
\$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%.	45,000.00
\$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%.	30,316.81
\$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%.	260,000.00
\$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%.	<u>690,704.41</u>
	<u>\$1,171,021.22</u>

BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

At December 31, 2018 the Borough has authorized but not issued bonds and notes as follows:

General Capital Fund	<u>\$1,283,750.00</u>
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BOND ANTICIPATION NOTES

At December 31, 2018, the Borough had the following bond anticipation notes outstanding:

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
General Capital Fund	2.37%	11/1/19	\$2,698,000.00

NOTE 3: MUNICIPAL DEBT (CONTINUED)

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

<u>Calendar Year</u>	<u>General</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
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
	<u>\$ 15,610,000.00</u>	<u>\$ 2,958,306.25</u>	<u>\$ 18,568,306.25</u>

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

<u>Calendar Year</u>		<u>Principal</u>		<u>Interest</u>		<u>Total</u>
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
	\$	<u>439,720.27</u>	\$	<u>59,096.05</u>	\$	<u>498,816.32</u>

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

<u>Calendar Year</u>	<u>General Capital Fund</u>		<u>Assessment Trust Fund</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2019	\$ 35,000.00	\$ 3,937.50	\$ 35,000.00	\$ 3,675.00	\$ 77,612.50
2020	40,000.00	2,100.00	35,000.00	1,837.50	78,937.50
	<u>\$ 75,000.00</u>	<u>\$ 6,037.50</u>	<u>\$ 70,000.00</u>	<u>\$ 5,512.50</u>	<u>\$ 156,550.00</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

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

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 15,000.00	\$ 1,875.00	\$ 16,875.00
2020	15,000.00	1,125.00	16,125.00
2021	15,000.00	375.00	15,375.00
	<u>\$ 45,000.00</u>	<u>\$ 3,375.00</u>	<u>\$ 48,375.00</u>

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

<u>Calendar Year</u>	<u>Principal</u>	<u>Total</u>
2019	\$ 10,742.11	\$ 10,742.11
2020	10,264.68	10,264.68
2021	9,787.44	9,787.44
	<u>\$ 30,794.23</u>	<u>\$ 30,794.23</u>

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

<u>Calendar Year</u>	<u>Principal - Capital</u>	<u>Principal - Assessment</u>	<u>Interest</u>	<u>Total</u>
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
	<u>\$ 130,000.00</u>	<u>\$ 130,000.00</u>	<u>\$ 74,000.00</u>	<u>\$ 334,000.00</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

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

<u>Calendar Year</u>		<u>Principal - Capital</u>		<u>Principal - Assessment</u>		<u>Total</u>
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
	\$	<u>345,352.21</u>	\$	<u>345,352.21</u>	\$	<u>345,352.21</u>

NOTE 4: FUND BALANCE APPROPRIATED

Fund balance at December 31, 2018 which is appropriated and included as anticipated revenue in its own respective fund for the year ending December 31, 2019 was as follows:

Current Fund	\$1,025,000.00
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NOTE 5: PROPERTY TAXES

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

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

	Balance <u>December 31, 2018</u>	Balance <u>December 31, 2017</u>
Prepaid Taxes	<u>\$292,140.58</u>	<u>\$4,332,664.88</u>

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 after 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 2018, PERS provides for employee contributions of 7.5% 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 2018, 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 \$1,026,517.53 for 2018, \$962,047.00 for 2017, and \$919,691.75 for 2016.

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

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" which 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, 2018. 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, 2018.

Public Employees Retirement System (PERS)

At June 30, 2018, the State reported a net pension liability of \$4,224,800.00 for the Borough of Watchung's proportionate share of the total net pension liability. The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. 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, 2018, the Borough's proportion was 0.0214571200 percent, which was a decrease of 0.0000571787 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the State recognized an actuarially determined pension expense of \$257,245.00 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, 2018 billing was \$199,307.00.

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Differences between expected and actual experience	\$ 21,784.00	\$ 80,568.00
Changes of assumptions	1,350,866.00	696,177.00
Net difference between projected and actual earnings on pension plan investments	39,629.00	
Changes in proportion and differences between Borough contributions and proportionate share of contributions	<u>50,261.00</u>	<u>136,528.00</u>
	<u>\$ 1,462,540.00</u>	<u>\$ 913,273.00</u>

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:

<u>Year Ended June 30,</u>	<u>Amount</u>
2019	\$46,575.40
2020	(\$23,343.60)
2021	(\$273,860.60)
2022	(\$235,088.60)
2023	<u>(\$63,549.60)</u>
	<u>(\$549,267.00)</u>

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, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which rolled forward to June 30, 2018. These actuarial valuations used the following assumptions:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Inflation	2.25 Percent	2.25 Percent
Salary Increases (based on age)		
Through 2026	1.65-4.15 Percent	1.65-4.15 Percent
Thereafter	2.65-5.15 Percent	2.65-5.15 Percent
Investment Rate of Return	7.00 Percent	7.00 Percent

Preretirement 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 Conduent modified 2014 projection scale. Postretirement 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. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. 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).

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the July 1, 2017 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.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018 and June 30, 2017) 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, 2018 are summarized in the following table:

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 (Continued)

<u>Assets Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Fund	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Market Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.66% and 5.00% as of June 30, 2018 and June 30, 2017, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% for both June 30, 2018 and June 30, 2017 and a municipal bond rate of 3.87% and 3.58% for June 30, 2018 and June 30, 2017 respectively 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 50% 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 June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

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, 2018, 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, 2018		
	1%	At Current	1%
	Decrease	Discount Rate	Increase
	<u>4.66%</u>	<u>5.66%</u>	<u>6.66%</u>
Borough's proportionate share of the pension liability	\$5,312,199.00	\$4,224,800.00	\$3,312,542.00

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>.

Police and Firemen's Retirement System (PFRS)

At June 30, 2018, the State reported a net pension liability of \$12,326,893.00 for the Borough of Watchung's proportionate share of the total PFRS net pension liability. The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. 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, 2018, the Borough's proportion was 0.0910967554 percent, which was a decrease of 0.0020301159 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the State recognized an actuarially determined pension expense of \$810,387.00. The pension expense recognized in the Borough's financial statement based on the April 1, 2018 billing was \$824,190.00.

NOTE 6: PENSION PLANS (CONTINUED)

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

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

At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Differences between expected and actual experience	\$ 51,012.00	\$ 125,410.00
Changes of assumptions	3,159,170.00	1,058,098.00
Net difference between projected and actual earnings on pension plan investments	67,439.00	
Changes in proportion and differences between the Borough's contributions and proportionate share of contributions	<u>767,994.00</u>	<u>471,864.00</u>
	\$ <u>4,045,615.00</u>	\$ <u>1,655,372.00</u>

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 <u>June 30</u>	<u>Amount</u>
2019	\$46,787.00
2020	(\$416,589.00)
2021	(\$1,058,997.00)
2022	(\$701,011.00)
2023	<u>(\$260,433.00)</u>
	<u>(\$2,390,243.00)</u>

NOTE 6: PENSION PLANS (CONTINUED)

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

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

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which rolled forward to June 30, 2018. This actuarial valuation used the following assumptions:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Inflation	2.25 Percent	2.25 Percent
Salary Increases (based on age)		
Through 2026	2.10-8.98 Percent	2.10-8.98 Percent
Thereafter	3.10-9.98 Percent	3.10-9.98 Percent
Investment Rate of Return	7.00 Percent	7.00 Percent

Preretirement mortality rates were based on the RP-2000 Combined Healthy Mortality tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scale thereafter. For preretirement accidental mortality, a custom table with representative rates was used and there is no mortality improvement assumed. Post-retirement mortality rates for male service retirements are based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis using Projection Scale AA from the base year of 2012 to 2013 and the Conduent modified 2014 projection scale thereafter. Postretirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scales thereafter. Disability mortality rates were based on a custom table with representative rates and no mortality improvement assumed.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

NOTE 6: PENSION PLANS (CONTINUED)

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

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

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018 and June 30, 2017) 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, 2018 are summarized in the following table:

<u>Assets Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Fund	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Market Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 6.51% and 6.14% as of June 30, 2018 and June 30, 2017 respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% for both June 30, 2018 and June 30, 2017 and a municipal bond rate of 3.87% and 3.58% as of June 30, 2018 and June 30, 2017 respectively 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.

NOTE 6: PENSION PLANS (CONTINUED)

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

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

Discount Rate (Continued)

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 50% 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 2062. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2062, 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, 2018, 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, 2018		
	1% Decrease <u>5.51%</u>	At Current Discount Rate <u>6.51%</u>	1% Increase <u>7.51%</u>
Borough's proportionate share of the PFRS pension liability	\$16,498,016.00	\$12,326,893.00	\$8,886,476.00

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 June 30, 2018 and 2017, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,674,405.00 and \$1,610,344.00 respectively.

At June 30, 2018, 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	\$12,326,893.00
State of New Jersey Proportionate Share of Net Pension Liability Associated with the Borough	<u>1,674,405.00</u>
	<u>\$14,001,298.00</u>

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 \$805,004.63 and \$814,549.91 at December 31, 2018 and 2017, 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 2018. 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 2018 audit. In addition, these programs are also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2018, 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:

<u>Year</u>	<u>Interest on Deposits</u>	<u>Withholdings & Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2018	\$ 1,101.63	\$ 6,345.88	\$ 21,184.24	\$ 92,335.58
2017	890.73	6,114.12	0.00	106,072.31
2016	0.27	12,017.40	0.00	99,067.46

NOTE 13: INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances consisted of the following at December 31, 2018:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 1,717.74	\$ 20,340.86
Assessment Trust Fund	17,799.20	1,184,478.70
Animal Control Trust Fund		413.40
Trust Other Fund		1,304.34
General Capital Fund	<u>1,187,020.36</u>	<u> </u>
	<u>\$ 1,206,537.30</u>	<u>\$ 1,206,537.30</u>

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

NOTE 14: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" which is effective for fiscal years beginning after June 15, 2017. This statement establishes standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses for postemployment benefits other than pensions. OPEB obligations are non-pension benefits that the municipality has contractually or otherwise agreed to provide employees once they have retired and, in most instances, will be for retirement health, prescription and dental insurance coverage.

Under current New Jersey budget and financial reporting requirements, the municipality is not required to fund any amounts in excess of their current costs on a pay-as-you-go basis or to accrue funds, create a trust or issue debt to finance their other post-employment benefit liability. Additionally, the municipality is not required to recognize any long-term obligations resulting from OPEB on their financial statements.

NOTE 14: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Plan Description and Benefits Provided

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The Plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions*; therefore, assets are accumulated to pay associated benefits.

The Plan provides medical and prescription drug coverage to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees.

Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations' agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A 52: 14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330.

The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

NOTE 14: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT
BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Contributions

The Borough's contributions to SHBP for the years ended December 31, 2018, 2017, and 2016 were \$831,126.73, \$840,731.18, and \$770,734.45, respectively, which equaled the required contributions for each year.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Total OPEB Liability

At June 30, 2018, the Plan reported a liability of \$13,766,101.00 for the Borough's proportionate share of the collective net OPEB liability. The total OPEB liability measured as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018.

The Borough's proportion of the OPEB liability was based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2017 through June 30, 2018.

At June 30, 2018, the Borough's proportion was 0.087869 percent, which was an increase of 0.001134 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the State reported OPEB expense of \$535,771.00. This OPEB expense was based on the OPEB plans June 30, 2018 measurement date.

NOTE 14: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT
BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience		\$2,795,009
Changes of assumptions		3,491,952
Net difference between projected and actual earnings on OPEB plan investments	\$7,275	
Changes in proportion	<u>225,578</u>	<u>1,487,286</u>
	<u>\$232,853</u>	<u>\$7,774,247</u>

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 OPEB will be recognized in the State's actuarially calculated pension expense as follows:

Year Ended <u>June 30,</u>	<u>Amount</u>
2019	(\$1,174,431)
2020	(\$1,174,431)
2021	(\$1,174,431)
2022	(\$1,175,199)
2023	(\$1,176,441)
Total Thereafter	<u>(\$1,666,463)</u>
	<u><u>(\$7,541,394)</u></u>

NOTE 14: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT
BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Inflation rate	2.50%	2.50%
Salary increases*		
Through 2026	1.65% to 8.98%	1.65% to 8.98%
Thereafter	2.65% to 9.98%	2.65% to 9.98%

* Salary increases are based on the defined benefit plan that the member is enrolled in and his or her age.

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Certain actuarial assumptions used in the July 1, 2016 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan — the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

100% of active members are considered to participate in the Plan upon retirement.

NOTE 14: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT
BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Actuarial Assumptions and Other Inputs (Continued)

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2018 and 2017 was 3.87% and 3.58%, respectively. This represents the municipal bond return rate as chosen by the State. The source is 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of the Borough's Proportionate Share of the OPEB Liability to
Changes in the Discount Rate

The following presents the OPEB liability associated with the Borough as of June 30, 2018, calculated using the discount rate as disclosed above as well as what the OPEB 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, 2018		
	1.00% <u>Decrease (2.87%)</u>	At Discount <u>Rate (3.87)</u>	1.00% <u>Increase (4.87%)</u>
Borough's proportionate share of the OPEB Liability	\$16,341,355	\$13,766,101	\$11,723,385

NOTE 14: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Sensitivity of the Borough's Proportionate Share of the OPEB Liability to Changes in Healthcare Trends

The following presents the total OPEB liability associated with the Borough as of June 30, 2018, calculated using the healthcare trend rate as disclosed above as well as what the OPEB liability would be if it was calculated using a healthcare trend rate that is 1- percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2018		
	1.00% <u>Decrease</u>	Healthcare Cost <u>Trend Rate</u>	1.00% <u>Increase</u>
Borough's proportionate share of the OPEB Liability	\$11,321,287	\$13,766,101	\$17,012,785

Special Funding Situation

The Borough, by resolution of the governing body, has elected to provide postretirement medical coverage to certain employees under the provisions of Chapter 330, P.L. 1997.

Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge.

The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No 75 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan, there is no net OPEB liability, deferred outflows of resources or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation.

At June 30, 2018 and 2017, the State's proportionate share of the net OPEB liability attributable to the Borough for the special funding situation is \$218,665.00 and \$312,426.00 respectively.

NOTE 14: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT
BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Special Funding Situation (Continued)

At June 30, 2018, the Borough's and State of New Jersey's proportionate share of the OPEB liability were as follows:

Borough's proportionate share of the OPEB Liability	\$13,766,101
State of New Jersey's proportionate share of OPEB Liability associated with the Borough	<u>218,665</u>
	<u>\$13,984,766</u>

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey State Health Benefits Local Government Retired Employees Plan. 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 15: SUBSEQUENT EVENTS

The Borough has evaluated subsequent events occurring after the financial statement date through August 7, 2019 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.

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BOROUGH OF WATCHUNG
SUPPLEMENTARY SCHEDULES – ALL FUNDS
YEAR ENDED DECEMBER 31, 2018

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF CASH - TREASURER

	<u>REF.</u>	<u>CURRENT FUND</u>	<u>GRANT FUND</u>
Balance, December 31, 2017	A	\$ 9,207,035.57	\$ 169,235.50
Increased by Receipts:			
Taxes Receivable	A-8	\$ 31,536,715.79	\$
Tax Title Liens Receivable	A-24	2,029.43	
Prepaid Taxes	A-19	292,140.58	
Miscellaneous Revenue Not Anticipated	A-2	193,628.84	
Revenue Accounts Receivable	A-9	3,593,839.95	
Petty Cash Funds	A-5	400.00	
State of New Jersey-Senior Citizens and Veterans	A-14	26,969.18	
Interfunds Returned	A-25:A-26	421,214.69	30,000.00
Prepaid Licenses	A-21	1,650.00	
Grants Receivable	A-10		54,569.17
Grants Appropriated-Match	A-22		130,000.00
Tax Sale Premiums & Outside Liens	A-23	166,625.89	
Due State of New Jersey - DCA	A-20	26,451.00	
		<u>36,261,665.35</u>	<u>214,569.17</u>
		\$ 45,468,700.92	\$ 383,804.67
Decreased by Disbursements:			
Appropriations	A-3	\$ 13,772,957.58	\$
Appropriation Reserves	A-11	235,075.86	
Accounts Payable	A-7	21,000.00	
Local District School Tax	A-16	11,019,050.00	
County Taxes	A-15	7,101,928.67	
Regional High School Tax	A-17	6,692,710.00	
Municipal Open Space Tax	A-2	360,218.25	
Due State of New Jersey - DCA	A-20	25,997.00	
Petty Cash Funds	A-5	400.00	
Interfunds Advanced	A-25	738,916.45	
Grants Appropriated	A-22		262,879.75
Tax Sale Premiums & Outside Liens	A-23	133,983.35	
		<u>40,102,237.16</u>	<u>262,879.75</u>
Balance, December 31, 2018	A	\$ <u>5,366,463.76</u>	\$ <u>120,924.92</u>

"A-5"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF PETTY CASH FUNDS

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

"A-6"

SCHEDULE OF CHANGE FUNDS

	<u>BALANCE DECEMBER 31, 2018 AND 2017</u>
Tax Collector	\$ 100.00
Municipal Court	100.00
Clerk	<u>50.00</u>
	\$ <u>250.00</u>
<u>REF.</u>	A

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF ACCOUNTS PAYABLE

	<u>REF.</u>		
Balance, December 31, 2017	A	\$	284,163.56
Increased by:			
2018 Appropriations	A-3	\$	74,666.85
2017 Appropriation Reserves	A-11		<u>61,431.68</u>
			136,098.53
		\$	<u>420,262.09</u>
Decreased by:			
Transfer to 2017 Appropriation Reserves	A-11	\$	227,563.56
Disbursements	A-4		21,000.00
Canceled	A-1		<u>1,800.00</u>
			<u>250,363.56</u>
Balance, December 31, 2018	A	\$	<u><u>169,898.53</u></u>

"A-8"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

<u>YEAR</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2017</u>	<u>2018 LEVY</u>	<u>COLLECTIONS</u>		<u>TRANSFERRED</u> <u>TO TAX</u> <u>TITLE LIENS</u>	<u>CANCELED</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2018</u>
			<u>2017</u>	<u>2018</u>			
Prior	\$ 191,558.30	\$	\$	\$ 191,558.30	\$	\$	\$
2018		35,859,716.92	4,332,664.88	31,372,118.67	215.72	14,139.48	140,578.17
	<u>\$ 191,558.30</u>	<u>\$ 35,859,716.92</u>	<u>\$ 4,332,664.88</u>	<u>\$ 31,563,676.97</u>	<u>\$ 215.72</u>	<u>\$ 14,139.48</u>	<u>\$ 140,578.17</u>
<u>REF.</u>	A		A-2:A-19	A-2	A-24		A

REF.

Collector (Including Homestead Credit)	A-4	\$ 31,536,715.79
Due From State of New Jersey Per Chapter 20, P.L. 1971	A-14	26,961.18
		<u>\$ 31,563,676.97</u>

ANALYSIS OF 2018 PROPERTY TAX LEVY

TAX YIELD

General Purpose Tax		\$ 35,795,864.94
Added Taxes (54:4-63.1 et. seq.)		<u>63,851.98</u>
		<u>\$ 35,859,716.92</u>

TAX LEVY

Local District School Tax (Abstract)	A-2:A-16	\$ 11,019,050.00
Regional High School Tax (Abstract)	A-2:A-17	6,692,710.00
County Taxes:		
County Tax	A-15	\$ 5,703,428.97
County Library Tax	A-15	846,106.12
County Open Space Preservation Tax	A-15	539,657.94
County Added	A-15	<u>12,735.64</u>
	A-2	7,101,928.67
Local Tax for Municipal Purposes (Abstract)	A-2	\$ 10,620,908.00
Municipal Open Space Taxes	A-2	360,218.25
Add: Additional Tax Levied		<u>64,902.00</u>
Local Tax for Municipal Purposes Levied		<u>11,046,028.25</u>
		<u>\$ 35,859,716.92</u>

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	<u>REF.</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2017</u>	<u>ACCRUED</u> <u>IN 2018</u>	<u>COLLECTED BY</u> <u>TREASURER</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2018</u>
Clerk:					
Alcoholic Beverage Licenses	A-2	\$	\$ 18,000.00	\$ 18,000.00	\$
Other Licenses	A-2		750.00	750.00	
Other Fees and Permits	A-2		92,147.15	92,147.15	
Uniform Construction Code Official	A-2		319,504.00	319,504.00	
Recreation: Fees and Permits	A-2		2,520.00	2,520.00	
Planning Board: Fees and Permits	A-2		200.00	200.00	
Registrar of Vital Statistics:					
Other Licenses	A-2		81.00	81.00	
Board of Health:					
Other Licenses	A-2		17,665.00	17,665.00	
Fees and Permits	A-2		7,630.00	7,630.00	
Board of Adjustment: Fees and Permits	A-2		12,778.00	12,778.00	
Tower Lease: Fees and Permits	A-2		107,658.38	107,658.38	
Police: Fees and Permits	A-2		1,914.38	1,914.38	
Fire Official: Fees and Permits	A-2		4,406.00	4,406.00	
Municipal Court: Fines and Costs	A-2	8,212.42	187,332.40	184,109.00	11,435.82
Interest and Costs on Taxes	A-2		153,449.10	153,449.10	
Interest on Investments and Deposits	A-2		140,914.19	140,914.19	
Sewer Rents	A-2		1,370,071.66	1,370,071.66	
Uniform Fire Safety Act	A-2		30,303.34	30,303.34	
Shared Court Reimbursement	A-2		54,646.75	54,646.75	
Energy Receipts Tax	A-2		700,092.00	700,092.00	
Open Space Trust Fund Debt Payment	A-2		365,000.00	365,000.00	
Bulk Pickup Fees	A-2		10,000.00	10,000.00	
		<u>\$ 8,212.42</u>	<u>\$ 3,597,063.35</u>	<u>\$ 3,593,839.95</u>	<u>\$ 11,435.82</u>
	<u>REF.</u>	<u>A</u>		<u>A-4</u>	<u>A</u>

BOROUGH OF WATCHUNG

GRANT FUND

SCHEDULE OF GRANTS RECEIVABLE

	BALANCE DECEMBER 31, 2017	ACCRUED 2018	RECEIPTS	BALANCE DECEMBER 31, 2018
Safe & Secure	\$ 58,500.00	\$ 60,000.00	\$ 31,500.00	\$ 87,000.00
Alcohol Education Rehabilitation		878.79	878.79	
Clean Communities		14,190.38	14,190.38	
Somerset County Block Grant - Historic Grant		3,000.00	3,000.00	
Somerset County Youth Services		5,000.00	5,000.00	
FEMA Grant	100,000.00			100,000.00
	<u>\$ 158,500.00</u>	<u>\$ 83,069.17</u>	<u>\$ 54,569.17</u>	<u>\$ 187,000.00</u>

REF.

A

A-2

A-4

A

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF 2017 APPROPRIATION RESERVES

	BALANCE DECEMBER 31, 2017	ACCOUNTS PAYABLE	ADJUSTED BALANCE	PAID OR CHARGED	BALANCE LAPSED
<u>Salaries and Wages:</u>					
Administrative and Executive Clerk	\$ 11,770.08	\$	\$ 1,770.08	\$	\$ 1,770.08
Financial Administration	274.75		274.75		274.75
Assessment of Taxes	12,233.11		12,233.11		12,233.11
Collection of Taxes	2,599.19		2,599.19		2,599.19
Engineering Services and Costs	362.46		362.46		362.46
Planning Board	4,125.58		4,125.58		4,125.58
Board of Adjustments	230.58		230.58		230.58
Fire Official	3,250.00		3,250.00		3,250.00
Police	346.69		346.69		346.69
Emergency Management Services	66,177.47		66,177.47		66,177.47
Public Defender	42.04		42.04		42.04
Municipal Court	100.00		100.00		100.00
Streets & Roads	5,000.08		5,000.08		5,000.08
Board of Health	713.89		713.89		713.89
Sewer System	3,250.00		3,250.00		3,250.00
Board of Recreation	574.58		574.58		574.58
Uniform Construction Code	2,382.68		2,382.68		2,382.68
Plumbing Inspector	441.86		441.86		441.86
Electrical Inspector	13,141.18		13,141.18		13,141.18
Fire Sub-Code Inspector	7.93		7.93		7.93
	5,920.31		5,920.31		5,920.31
<u>Other Expenses:</u>					
Administrative and Executive Clerk	527.77	35.00	562.77	556.05	6.72
Mayor and Council	14,538.10	270.00	14,808.10	8,993.81	5,814.29
Elections	1,747.25	192.30	1,939.55	143.11	1,796.44
Financial Administration	894.98		894.98		894.98
Assessment of Taxes	517.10	1,018.00	1,535.10	920.06	615.04
Collection of Taxes	7.19		7.19		7.19
Legal Services and Costs	0.62		0.62		0.62
Engineering Services and Costs	7,973.02	4,710.00	12,683.02	6,990.99	5,692.03
Public Buildings and Grounds	954.45	120.86	1,075.41	833.60	241.81
Bulk Cleanup	5,113.74	12,096.75	17,210.49	16,728.96	481.53
Planning Board	5,060.42		5,060.42		5,060.42
Board of Adjustment	1,726.23		1,726.23	1,428.06	298.17
Fire	1,860.93	100.00	1,960.93	1,960.00	0.93
Fire Official	59,392.39	625.01	60,017.40	51,950.02	8,067.38
Police	877.24		877.24	97.66	779.58
Emergency Management	9,531.89	58,765.27	68,297.16	53,776.22	14,520.94
Municipal Court	6,765.04	894.98	7,660.00	759.76	6,900.24
Streets and Roads	33,236.49	5,200.00	38,436.49	4,131.07	34,305.42
Dog Regulation	14,776.33	50,996.31	65,772.64	60,665.46	5,107.18
Sewer System	427.00		427.00		427.00
Condo Act Reimbursement	18,648.96	1,900.00	20,548.96	1,208.00	19,340.96
Board of Recreation	323.39		323.39		323.39
Traffic and Beautification	37,327.56	324.00	37,651.56	750.00	36,901.56
Environmental Commission	882.39		882.39		882.39
Historical Preservation	203.00		203.00		203.00
Free Public Library	2,211.48		2,211.48	573.45	1,638.03
Uniform Construction Code	543.98	6,500.00	7,043.98	505.00	6,538.98
Group Insurance For Employees	3,834.89		3,834.89	3,748.20	86.69
Other Insurance Premiums	141,736.02		141,736.02		141,736.02
Workers Compensation	17,632.92		17,632.92		17,632.92
Health Insurance Waiver	4.50		4.50		4.50
Electricity	59.43		59.43		59.43
Telephone	550.59	2,000.00	2,550.59		2,550.59
Water	1,569.65	400.00	1,969.65	1,568.49	401.16
Natural Gas/Fuel Oil	91.56	700.00	791.56	45.95	745.61
Fire Hydrant	367.07	4,500.00	4,867.07		4,867.07
Gasoline	31,478.30	30,000.00	31,478.30	1,200.00	30,278.30
Street Lighting	12,991.53		12,991.53	3,814.76	9,176.77
Salary and Wage Adjustment Account	6,196.78	15,500.00	21,696.78	728.36	20,968.42
Social Security System	100.00		30,100.00	30,100.00	
	23,375.73		23,375.73		23,375.73

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF 2017 APPROPRIATION RESERVES

	<u>BALANCE DECEMBER 31, 2017</u>	<u>ACCOUNTS PAYABLE</u>	<u>ADJUSTED BALANCE</u>	<u>PAID OR CHARGED</u>	<u>BALANCE LAPSED</u>
Defined Contribution Retirement Plan	\$ 2,000.00	\$	\$ 2,000.00	\$	\$ 2,000.00
Capital Improvement Fund			10,000.00	10,000.00	
Building and Grounds Improvement	115.50		115.50	115.50	
Police Four Wheel Drive Vehicle	4,285.00	30,715.00	35,000.00	30,715.00	4,285.00
Municipal Alliance Local Match	1,500.00		1,500.00	1,500.00	
Board of Health	300.34		300.34		300.34
	<u>\$ 607,203.21</u>	<u>\$ 227,563.56</u>	<u>\$ 834,766.77</u>	<u>\$ 296,507.54</u>	<u>\$ 538,259.23</u>
<u>TOTAL</u>	A	A-7			A-1
Disbursements	A-4			\$ 235,075.86	
Accounts Payable	A-7			<u>61,431.68</u>	
				<u>\$ 296,507.54</u>	

"A-12"

BOROUGH OF WATCHUNG

GRANT FUND

SCHEDULE OF RESERVE FOR GRANTS - UNAPPROPRIATED

REF.

Balance, December 31, 2017 and
December 31, 2018

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, 2017
and December 31, 2018

A

\$ 67,848.91

BOROUGH OF WATCHUNG

CURRENT FUND

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

	<u>REF.</u>		
Balance, December 31, 2017	A	\$	4,149.79
Increased by:			
Deductions Per Tax Billings	A-14		<u>28,250.00</u>
		\$	<u>32,399.79</u>
Decreased by:			
Receipts	A-4	\$	26,969.18
Deductions Disallowed	A-14		<u>1,288.82</u>
			<u>28,258.00</u>
Balance, December 31, 2018	A	\$	<u><u>4,141.79</u></u>
<u>REVENUE REALIZED:</u>			
Deductions Per Tax Billings	A-14	\$	28,250.00
Less: Deductions Disallowed by Collector	A-14		<u>1,288.82</u>
	A-8	\$	<u><u>26,961.18</u></u>

"A-15"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF COUNTY TAXES PAYABLE

REF.

2018 Tax Levy:

County Tax	A-8	\$	5,703,428.97	
County Library Tax	A-8		846,106.12	
County Open Space Preservation Tax	A-8		539,657.94	
County Added	A-8		<u>12,735.64</u>	
	A-1			\$ 7,101,928.67
Decreased by:				
Payments	A-4			\$ <u>7,101,928.67</u>

"A-16"

SCHEDULE OF LOCAL DISTRICT SCHOOL TAXES PAYABLE

Increased by:

2018 Tax Levy - Calendar Year	A-1:A-8	\$	11,019,050.00
Decreased by:			
Payments	A-4	\$	<u>11,019,050.00</u>

"A-17"

SCHEDULE OF REGIONAL HIGH SCHOOL TAXES PAYABLE

Increased by:

2018 Tax Levy - Calendar Year	A-1:A-8	\$	6,692,710.00
Decreased by:			
Payments	A-4	\$	<u>6,692,710.00</u>

"A-18"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF RESERVE FOR SEWER REPAIR EMERGENCY

REF.

Balance, December 31, 2017
and December 31, 2018

A

\$ 11,792.76

"A-19"

SCHEDULE OF PREPAID TAXES

Balance, December 31, 2017

A

\$ 4,332,664.88

Increased by:

Collections of 2019 Taxes

A-4

292,140.58
\$ 4,624,805.46

Decreased by:

Applied to Taxes Receivable

A-8

4,332,664.88

Balance, December 31, 2018

A

\$ 292,140.58

"A-20"

BOROUGH OF WATCHUNG
CURRENT FUND
SCHEDULE OF DUE TO STATE OF NEW JERSEY - DCA

	<u>REF.</u>	
Balance, December 31, 2017	A	\$ 3,993.00
Increased by:		
Receipts	A-4	<u>26,451.00</u>
		\$ <u>30,444.00</u>
Decreased by:		
Disbursements	A-4	<u>25,997.00</u>
Balance, December 31, 2018	A	\$ <u><u>4,447.00</u></u>

"A-21"

SCHEDULE OF PREPAID LICENSES

Balance, December 31, 2017	A	\$ 1,525.00
Increased by:		
Receipts	A-4	<u>1,650.00</u>
		\$ <u>3,175.00</u>
Decreased by:		
Applied To Current Revenue	A-2	<u>1,525.00</u>
Balance, December 31, 2018	A	\$ <u><u>1,650.00</u></u>

BOROUGH OF WATCHUNG

GRANT FUND

SCHEDULE OF RESERVE FOR GRANTS - APPROPRIATED

	BALANCE DECEMBER 31, 2017	TRANSFERRED FROM 2018 BUDGET	PAID OR CHARGED	BALANCE DECEMBER 31, 2018
Safe and Secure Communities & Match	\$ 164,000.00	\$ 190,000.00	\$ 140,000.00	\$ 214,000.00
Green Communities Program and Match	3,000.00		3,000.00	
Click It Or Ticket	1,980.30			1,980.30
Body Armor Replacement Fund	9,291.78		9,127.30	164.48
Youth Services/Athletic Grants	5,512.13	5,000.00	4,093.97	6,418.16
Alcohol Education Rehabilitation Fund	8,613.78	878.79		9,492.57
Drunk Driving Enforcement Fund	2,519.96		461.00	2,058.96
All Hazards Emergency Oper. Planning Program	591.80			591.80
Recycling Tonnage Grant	32,777.24		32,777.24	
FEMA Grant	43,251.00		43,251.00	
Somerset County Block Grant - Historic Grant		3,000.00		3,000.00
Clean Communities	73,216.89	14,190.38	30,169.24	57,238.03
	<u>\$ 344,754.88</u>	<u>\$ 213,069.17</u>	<u>\$ 262,879.75</u>	<u>\$ 294,944.30</u>
<u>REF.</u>	A		A-4	A
Grants	A-3	\$ 83,069.17		
Matching Funds for Grants	A-4	<u>130,000.00</u>		
		<u>\$ 213,069.17</u>		

"A-23"

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF RESERVE FOR OUTSIDE LIENS & TAX SALE PREMIUMS

	<u>REF.</u>		
Balance, December 31, 2017	A	\$	149,812.88
Increased by:			
Receipts	A-4		166,625.89
		\$	<u>316,438.77</u>
Decreased by:			
Disbursements	A-4		<u>133,983.35</u>
Balance, December 31, 2018	A	\$	<u><u>182,455.42</u></u>

"A-24"

SCHEDULE OF TAX TITLE LIENS

Balance, December 31, 2017	A	\$	1,813.71
Increased by:			
Transferred From Taxes	A-8		215.72
		\$	<u>2,029.43</u>
Decreased by:			
Receipts	A-4	\$	<u>2,029.43</u>

BOROUGH OF WATCHUNG

CURRENT FUND

SCHEDULE OF INTERFUNDS

	<u>REF.</u>	<u>TOTAL</u>	<u>GRANT FUND</u>	<u>ASSESSMENT TRUST FUND</u>	<u>ANIMAL CONTROL TRUST FUND</u>	<u>TRUST FUND</u>				<u>GENERAL CAPITAL FUND</u>
						<u>TRUST OTHER</u>	<u>OPEN SPACE</u>	<u>ESCROW</u>	<u>RECREATION</u>	
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
Receipts	A-4	421,214.69		393,602.21	2,976.15	16,340.58			8,295.75	
Disbursements	A-4	<u>738,916.45</u>	<u>30,000.00</u>	<u>395,679.95</u>	<u>413.40</u>	<u>14,195.30</u>	<u>990.12</u>	<u>1,304.34</u>		<u>296,333.34</u>
Balance, December 31, 2018:										
Interfunds Receivable	A	\$ 1,717.74	\$	\$	\$ 413.40	\$	\$	\$ 1,304.34	\$	\$
Interfunds Payable	A	<u>20,340.86</u>		<u>17,799.20</u>						<u>2,541.66</u>

BOROUGH OF WATCHUNG

GRANT FUND

SCHEDULE OF DUE CURRENT FUND - GRANT FUND

	<u>REF.</u>		
Balance, December 31, 2017 (Due From)	A	\$	30,000.00
Decreased by:			
Receipts	A-4	\$	<u>30,000.00</u>

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF CASH-TREASURER

	<u>REF.</u>	<u>ASSESSMENT</u>	<u>ANIMAL CONTROL</u>	<u>OTHER</u>
Balance, December 31, 2017	B	\$ 346,760.90	\$ 7,980.35	\$ 2,211,105.04
Increased by Receipts:				
Assessment Receivable	B-3: B-8	\$ 384,963.66	\$	\$
Due Current Fund	B-4: B-8: B-18	2,077.74		17,131.27
Due State of New Jersey - Dog Licenses	B-23		238.80	
Animal Control Licenses	B-14		1,859.20	
Reserve for Various Trust Deposits	B-13			52,364.16
Reserve for COAH Deposits	B-12			284,159.53
Reserve for Police Outside Overtime	B-15			432,281.15
Reserve for Open Space Trust Deposits	B-10			360,818.83
Reserve for State Unemployment Insurance	B-11			7,447.51
Reserve for Recreation Deposits	B-19			26,972.08
Reserve for Law Enforcement Trust Fund	B-20			4,912.97
Reserve for Developers Deposits	B-22			682,230.65
Reserve for Payroll Deductions	B-5			6,948,130.50
		<u>387,041.40</u>	<u>2,098.00</u>	<u>8,816,448.65</u>
		\$ 733,802.30	\$ 10,078.35	\$ 11,027,553.69
Decreased by Disbursements:				
Due Current Fund	B-18: B-24	\$	\$ 2,976.15	\$ 25,277.84
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		238.80	
Animal Control Licenses	B-14		1,899.00	
Reserve for Various Trust Deposits	B-13			63,609.54
Reserve for COAH Deposits	B-12			83,891.29
Reserve for Police Outside Overtime	B-15			372,129.91
Reserve for Open Space Trust Deposits	B-10			365,000.00
Reserve for Recreation Deposits	B-19			22,716.31
Reserve for State Unemployment Insurance	B-11			21,184.24
Reserve for Developers Deposits	B-22			243,557.80
Reserve for Payroll Deductions	B-5			6,947,742.08
		<u>58,250.16</u>	<u>5,113.95</u>	<u>8,145,109.01</u>
Balance, December 31, 2018	B	\$ <u>675,552.14</u>	\$ <u>4,964.40</u>	\$ <u>2,882,444.68</u>

BOROUGH OF WATCHUNGTRUST FUNDSCHEDULE OF ASSESSMENTS RECEIVABLEASSESSMENT TRUST FUND

<u>ORDINANCE</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>DATE OF CONFIRMATION</u>	<u>ANNUAL INSTALLMENTS</u>	<u>DUE DATES</u>	<u>BALANCE DECEMBER 31, 2017</u>	<u>CANCELED/ ADJUSTED</u>	<u>COLLECTED</u>	<u>BALANCE DECEMBER 31, 2018</u>	<u>BALANCE PLEDGED TO</u>		
									<u>CAPITAL</u>	<u>RESERVE</u>	<u>LOANS</u>
88-20	Construction of Sanitary Sewer - Various Roads	06/28/01	10	06/28/06-11	\$ 34,372.10	\$	\$ 21,423.66	\$ 12,948.44	\$ 12,948.44	\$	\$
08-05	Sanitary Sewer Extension Valley Road	08/18/11	20	10/18/11-32	58,022.46	747.00	11,995.26	45,280.20	45,280.20		
06-29	Skyline/Johnston Sanitary Sewer System	01/13/11	20	03/14/11-32	280,371.35	798.21	71,673.96	207,899.18	207,899.18		
97-02	Construction of Sanitary Sewer and P.W. Improv.	11/08/01	10	11/08/06-11	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	247,313.28	4,567.62	110,211.57	132,534.09	62,534.09		70,000.00
2013-23	Lakeview/Cedar Curbing	08/21/14	various	04/01/15-24	93,416.02	3,612.11	23,743.72	66,060.19	66,060.19		
13-4	Johnston/Valley	02/19/15	10	4/1/16-25	408,846.66		58,520.56	350,326.10		11,208.84	339,117.26
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	365,832.27	(386.90)	87,394.93	278,824.24	278,824.24		
					<u>\$ 1,490,735.56</u>	<u>\$ 11,899.46</u>	<u>\$ 384,963.66</u>	<u>\$ 1,093,872.44</u>	<u>\$ 673,546.34</u>	<u>\$ 11,208.84</u>	<u>\$ 409,117.26</u>
<u>REF.</u>					B		B-2	B			

"B-4"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF DUE CURRENT FUND

ASSESSMENT TRUST FUND

	<u>REF.</u>		
Balance, December 31, 2017 (Due From)	B	\$	19,876.94
Decreased by:			
Receipts	B-2		<u>2,077.74</u>
Balance, December 31, 2018 (Due From)	B	\$	<u><u>17,799.20</u></u>

"B-5"

SCHEDULE OF RESERVE FOR PAYROLL DEDUCTIONS

Increased by:			
Receipts	B-2	\$	6,948,130.50
Decreased by:			
Disbursements	B-2		<u>6,947,742.08</u>
Balance, December 31, 2018	B	\$	<u><u>388.42</u></u>

"B-6"

BOROUGH OF WATCHUNG

TRUST FUND

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

<u>PURPOSE</u>	<u>DATE OF ISSUE</u>	<u>ORIGINAL ISSUE</u>	<u>PRINCIPAL REQUIREMENTS OF LOAN OUTSTANDING DECEMBER 31, 2018</u>		<u>INTEREST RATE</u>	<u>BALANCE DECEMBER 31, 2017</u>	<u>DECREASED IN 2018</u>	<u>BALANCE DECEMBER 31, 2018</u>
			<u>DATE</u>	<u>AMOUNT</u>				
NJ Environmental Infrastructure Trust 2000	11/09/00	\$ 915,000.00	08/01/19-20	\$ 35,000.00	5.25%	\$ 100,000.00	\$ 30,000.00	\$ 70,000.00
NJ Environmental Infrastructure Trust 2014	05/21/14	150,000.00	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%			
						<u>135,000.00</u>	<u>5,000.00</u>	<u>130,000.00</u>
						<u>\$ 235,000.00</u>	<u>\$ 35,000.00</u>	<u>\$ 200,000.00</u>
					<u>REF.</u>	B	B-2	B

"B-7"

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

<u>PURPOSE</u>	<u>DATE OF ISSUE</u>	<u>ORIGINAL ISSUE</u>	<u>PRINCIPAL REQUIREMENTS OF LOAN OUTSTANDING DECEMBER 31, 2018</u>		<u>BALANCE DECEMBER 31, 2017</u>	<u>DECREASED IN 2018</u>	<u>BALANCE DECEMBER 31, 2018</u>
			<u>DATE</u>	<u>AMOUNT</u>			
NJ Environmental Infrastructure Trust 2014	5/21/14	\$ 457,253.31	08/01/19-32	\$ 23,250.16			
			08/01/33	19,849.82			
					<u>\$ 368,602.22</u>	<u>\$ 23,250.16</u>	<u>\$ 345,352.06</u>
					<u>\$ 368,602.22</u>	<u>\$ 23,250.16</u>	<u>\$ 345,352.06</u>
					<u>REF.</u>	B	B-2

BOROUGH OF WATCHUNG

TRUST FUND

ANALYSIS OF ASSESSMENTS CASH

FOR THE YEAR ENDED DECEMBER 31, 2018

ASSESSMENT TRUST FUND

	BALANCE DECEMBER 31, 2017	RECEIPTS			DISBURSEMENTS	BALANCE DECEMBER 31, 2018
		ASSESSMENTS RECEIVABLE	INTERFUNDS			
Due General Capital Fund	\$ 202,589.80	\$ 308,342.56	\$	\$	\$	\$ 510,932.36
Due Current Fund	(19,876.94)		2,077.74			(17,799.20)
Assessment Loans	105,964.40	88,520.56			58,250.16	136,234.80
Assessment Trust Surplus	58,083.64	(11,899.46)				46,184.18
	<u>\$ 346,760.90</u>	<u>\$ 384,963.66</u>	<u>\$ 2,077.74</u>	<u>\$ 58,250.16</u>	<u>\$</u>	<u>\$ 675,552.14</u>
	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, 2017	B	\$	2,963.65
Decreased by:			
Various Trust Deposits	B-13	\$	<u>2,963.65</u>

"B-10"

SCHEDULE OF RESERVE FOR OPEN SPACE DEPOSITS

OTHER TRUST FUND

Balance, December 31, 2017	B	\$	43,175.79
Increased by:			
Levy and Added		\$	360,218.25
Interest			<u>600.58</u>
	B-2		<u>360,818.83</u>
		\$	<u>403,994.62</u>
Decreased by:			
Disbursements - Current Anticipated Revenue	B-2		<u>365,000.00</u>
Balance, December 31, 2018	B	\$	<u><u>38,994.62</u></u>

"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, 2017	B	\$	106,072.31
Increased by:			
Deposits	B-2		<u>7,447.51</u>
		\$	<u>113,519.82</u>
Decreased by:			
Disbursements	B-2		<u>21,184.24</u>
Balance, December 31, 2018	B	\$	<u><u>92,335.58</u></u>

"B-12"

SCHEDULE OF RESERVE FOR COAH DEPOSITS
OTHER TRUST FUND

Balance, December 31, 2017	B	\$	859,500.28
Increased by:			
Receipts	B-2		<u>284,159.53</u>
		\$	<u>1,143,659.81</u>
Decreased by:			
Disbursements	B-2		<u>83,891.29</u>
Balance, December 31, 2018	B	\$	<u><u>1,059,768.52</u></u>

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR MISCELLANEOUS TRUST DEPOSITS

OTHER TRUST FUND

	BALANCE DECEMBER 31, 2017	INCREASED	DECREASED	BALANCE DECEMBER 31, 2018
Donations and Gifts	\$ 24,733.80	\$ 13,640.99	\$ 4,487.09	\$ 33,887.70
POAA	1,062.95	8.00		1,070.95
Due State of NJ - Marriage Licenses	100.00	7,280.00	1,750.00	5,630.00
Fire Safety Penalties	56,509.64	609.00	584.00	56,534.64
Fire Department Penalties	2,000.00	21,608.00		23,608.00
Sidewalk Fund	31,463.40	350.00		31,813.40
Public Defender	15,663.42	250.00		15,913.42
Tree Fund	3,467.25	5,400.00	8,867.25	
Ness Property Clean-Up	303,964.13	6,181.82		310,145.95
Accumulated Sick and Vacation	65,924.39		47,921.20	18,003.19
	<u>\$ 504,888.98</u>	<u>\$ 55,327.81</u>	<u>\$ 63,609.54</u>	<u>\$ 496,607.25</u>

REF.

B

B-2

B

Receipts

B-2

\$ 52,364.16

Transfer Prior Accounts Payable

B-9

2,963.65

\$ 55,327.81

"B-14"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR ANIMAL CONTROL EXPENDITURES
ANIMAL CONTROL TRUST FUND

	<u>REF.</u>		
Balance, December 31, 2017	B	\$	5,004.20
Increased by:			
Dog License Fees	B-2		1,859.20
		\$	<u>6,863.40</u>
Decreased by:			
Excess Transferred To Current Fund	B-24	\$	413.40
Disbursements	B-2		<u>1,899.00</u>
			<u>2,312.40</u>
Balance, December 31, 2018	B	\$	<u><u>4,551.00</u></u>

<u>LICENSE FEES COLLECTED</u>	
<u>YEAR</u>	<u>AMOUNT</u>
2017	\$ 2,173.40
2016	<u>2,377.60</u>
	<u>\$ 4,551.00</u>

"B-15"

SCHEDULE OF RESERVE FOR POLICE OUTSIDE OVERTIME
OTHER TRUST FUND

Balance, December 31, 2017	B	\$	10,274.41
Increased by:			
Receipts	B-2		432,281.15
		\$	<u>442,555.56</u>
Decreased by:			
Disbursements	B-2		<u>372,129.91</u>
Balance, December 31, 2018	B	\$	<u><u>70,425.65</u></u>

"B-16"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR ASSESSMENTS

REF.

Balance, December 31, 2017
and December 31, 2018

B

\$ 11,208.84

"B-17"

SCHEDULE OF DUE GENERAL CAPITAL FUND - ASSESSMENT TRUST FUND

Balance, December 31, 2017
and December 31, 2018 (Due To)

B

\$ 1,184,478.70

"B-18"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF DUE CURRENT FUND - OTHER TRUST FUND

	<u>REF.</u>	
Balance, December 31, 2017 (Due To, Net)	B	\$ 9,450.91
Increased by:		
Receipts	B-2	<u>17,131.27</u>
		\$ <u>26,582.18</u>
Decreased by:		
Disbursements	B-2	<u>25,277.84</u>
Balance, December 31, 2018 (Due To, Net)	B	\$ <u><u>1,304.34</u></u>
<u>Analysis of Balance:</u>		
Due To Current Fund - Developer's Escrow		\$ <u>1,304.34</u>
		\$ <u><u>1,304.34</u></u>

"B-19"

SCHEDULE OF RESERVE FOR RECREATION DEPOSITS
OTHER TRUST FUND

Balance, December 31, 2017	B	\$ 13,435.95
Increased by:		
Receipts	B-2	<u>26,972.08</u>
		\$ <u>40,408.03</u>
Decreased by:		
Disbursements	B-2	<u>22,716.31</u>
Balance, December 31, 2018	B	\$ <u><u>17,691.72</u></u>

"B-20"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR LAW ENFORCEMENT TRUST FUND
OTHER TRUST FUND

REF.

Balance, December 31, 2017	B	\$ 4,812.75
Increased by:		
Receipts	B-2	<u>4,912.97</u>
Balance, December 31, 2018	B	<u>\$ 9,725.72</u>

"B-21"

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

Balance, December 31, 2017 and December 31, 2018	B	\$ <u>2,297.53</u>
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"B-22"

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF RESERVE FOR DEVELOPERS' DEPOSITS
OTHER TRUST FUND

	<u>REF.</u>	
Balance, December 31, 2017	B	\$ 654,232.48
Increased by:		
Receipts	B-2	<u>682,230.65</u>
		\$ 1,336,463.13
Decreased by:		
Disbursements	B-2	<u>243,557.80</u>
Balance, December 31, 2018	B	\$ <u><u>1,092,905.33</u></u>

"B-23"

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

Increased by:		
Receipts	B-2	\$ 238.80
Decreased by:		
Disbursements	B-2	\$ <u><u>238.80</u></u>

BOROUGH OF WATCHUNG

TRUST FUND

SCHEDULE OF DUE CURRENT FUND - ANIMAL CONTROL TRUST FUND

	<u>REF.</u>	
Balance, December 31, 2017	B	\$ 2,976.15
Increased by:		
Excess Animal Control Reserves	B-14	\$ <u>413.40</u>
		3,389.55
Decreased by:		
Disbursements	B-2	<u>2,976.15</u>
Balance, December 31, 2018	B	\$ <u><u>413.40</u></u>

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF CASH - TREASURER

	<u>REF.</u>		
Balance, December 31, 2017	C	\$	590,504.73
Increased by Receipts:			
Deferred Charges to Future Taxation - Unfunded	C-5	\$	55,818.00
Receipts on Fully Funded Authorizations	C-1		4,356.47
Due Current Fund	C-14		296,333.34
Bond Anticipation Notes Payable	C-17		2,698,000.00
State Aid Receivable	C-16		99,625.00
Capital Improvement Fund	C-8		<u>158,700.00</u>
			3,312,832.81
		\$	<u>3,903,337.54</u>
Decreased by Disbursements:			
Contracts Payable	C-7	\$	1,643,299.72
Bond Anticipation Notes Payable	C-17		<u>1,000,000.00</u>
			<u>2,643,299.72</u>
Balance, December 31, 2018	C	\$	<u><u>1,260,037.82</u></u>

"C-3"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

ANALYSIS OF CASH

	<u>REF.</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2018</u>
Fund Balance		\$ 170,558.51
Capital Improvement Fund		285,366.72
Improvement Authorizations-Funded		1,000,977.34
Unfunded Improvements Expended - Listed on "C-5"		(375,606.34)
Contracts Payable		1,714,586.04
Reserve for Grant Receivable		50,000.00
Reserve for Capital Projects		27,942.00
Unexpended Proceeds of Bond Anticipation Notes - Listed on "C-5"		272,089.13
Interfunds		(1,187,020.36)
State Aid Receivable		<u>(698,855.22)</u>
	C	\$ <u>1,260,037.82</u>

"C-4"

SCHEDULE OF DEFERRED CHARGES TO
FUTURE TAXATION - FUNDED

Balance, December 31, 2017	C	\$ 18,082,457.68
Decreased by:		
Appropriation to Pay Bonds	C-11	\$ 1,265,000.00
Environmental Infrastructure Trust	C-12	55,000.00
Environmental Infrastructure Fund	C-13	34,708.43
Green Trust	C-15	<u>52,359.82</u>
		<u>1,407,068.25</u>
Balance, December 31, 2018	C	\$ <u>16,675,389.43</u>

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

[illegible]

"C-6"

BOROUGH OF WATCHUNG
GENERAL CAPITAL FUND
SCHEDULE OF RESERVE FOR CAPITAL PROJECTS

REF.

Balance, December 31, 2017 and December 31, 2018	C	\$ <u>27,942.00</u>
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"C-7"

SCHEDULE OF CONTRACTS PAYABLE

Balance, December 31, 2017	C	\$ 278,634.24
Increased by:		
Improvement Authorizations	C-10	<u>3,079,251.52</u>
		\$ <u>3,357,885.76</u>
Decreased by:		
Disbursements	C-2	<u>1,643,299.72</u>
Balance, December 31, 2018	C	\$ <u>1,714,586.04</u>

"C-8"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>REF.</u>	
Balance, December 31, 2017	C	\$ 322,916.72
Increased by:		
2018 Appropriations	C-2	158,700.00
		\$ <u>481,616.72</u>
Decreased by:		
Appropriated to Finance Improvement Authorizations	C-10	196,250.00
Balance, December 31, 2018	C	\$ <u><u>285,366.72</u></u>

"C-9"

SCHEDULE OF DUE ASSESSMENT TRUST FUND

Balance, December 31, 2017 and December 31, 2018 (Due From)	C	\$ <u><u>1,184,478.70</u></u>
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BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

ORDINANCE NUMBER	IMPROVEMENT AUTHORIZATIONS	ORDINANCE DATE	AMOUNT	BALANCE DECEMBER 31, 2017		NEW AUTHORIZATIONS	CONTRACTS PAYABLE CANCELED	CONTRACTS PAYABLE	BALANCE DECEMBER 31, 2018	
				FUNDED	UNFUNDED				FUNDED	UNFUNDED
01-10/02-29	Various Capital Improvements	04/26/01	\$ 5,329,750.00	\$ 655,066.96	\$	\$	\$	\$ 195,678.28	\$ 459,388.68	\$
04-10	Various Public Improvements	08/12/04	878,500.00	31,996.00				2,633.00	29,363.00	
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	125,982.37				11,035.00	114,947.37	
09-13	Various Public Improvements	08/20/09	254,500.00	111,210.75				60,000.00	51,210.75	
12-05	Affordable Housing Services	05/10/12	70,000.00	66,150.72					66,150.72	
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	5,890.98				4,959.00	931.98	
14-17	Various Public Improvements	09/18/14	1,050,000.00	54,838.93				43,341.53	11,497.40	
15-3	Road Resurfacing Program	04/02/15	1,150,000.00	161,282.41			35,755.03		197,037.44	
15-11	Various Public Improvements	11/05/15	512,000.00	113,671.46				50,604.80	63,066.66	
16-04	Various Public Improvements	04/21/16	708,400.00		108,330.15			40,974.37		67,355.78
16-07	Various Public Improvements	06/16/16	540,000.00		117,093.45			67,065.85		50,027.60
16-08	Improvements to Phillips Field	06/16/16	27,000.00	26,541.22				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		225,477.42			92,776.38		132,701.04
17-08	Road Resurfacing Program	06/22/17	240,000.00	12,000.00	228,000.00			240,000.00		
18-12	Various Public Improvements & Equipment	06/07/18	1,570,000.00			1,570,000.00		1,547,695.29		22,304.71
18-14	Installation of Electronic Sign	08/16/18	25,000.00			25,000.00		24,685.23	314.77	
18-15	Various Public Improvements & Equipment	10/04/18	1,351,000.00			1,351,000.00		443,156.34		907,843.66
				<u>\$ 1,635,560.63</u>	<u>\$ 678,901.02</u>	<u>\$ 2,946,000.00</u>	<u>\$ 35,755.03</u>	<u>\$ 3,115,006.55</u>	<u>\$ 1,000,977.34</u>	<u>\$ 1,180,232.79</u>

REF.

C

C

C-7

C-7

C

C:C-5

Bonds and Notes

C-5

\$ 2,253,750.00

Grants Receivable

C-16

496,000.00

Capital Improvement Fund

C-8

196,250.00

\$ 2,946,000.00

PURPOSE	DATE OF ISSUE	ORIGINAL ISSUE	MATURITIES OF BONDS OUTSTANDING DECEMBER 31, 2018		INTEREST RATE	BALANCE DECEMBER 31, 2017	PAID IN 2018	BALANCE DECEMBER 31, 2018
			DATE	AMOUNT				
General Improvement	08/15/07	\$ 15,609,000.00		\$		\$ 950,000.00	\$ 950,000.00	\$
General Improvement	2/15/16	8,170,000.00	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%	7,855,000.00	315,000.00	7,540,000.00
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
						16,875,000.00	\$ 1,265,000.00	\$ 15,610,000.00
						\$		
					REF.	C	C-4	C

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

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

<u>PURPOSE</u>	<u>DATE OF ISSUE</u>	<u>ORIGINAL ISSUE</u>	<u>PRINCIPAL REQUIREMENTS OF LOAN OUTSTANDING DECEMBER 31, 2018</u>		<u>INTEREST RATE</u>	<u>BALANCE DECEMBER 31, 2017</u>	<u>DECREASED IN 2018</u>	<u>BALANCE DECEMBER 31, 2018</u>
			<u>DATE</u>	<u>AMOUNT</u>				
NJ Environmental Infrastructure Trust 2000	11/09/00	\$ 915,000.00	08/01/19	\$ 35,000.00	5.25%	\$ 110,000.00	\$ 35,000.00	\$ 75,000.00
			08/01/20	40,000.00	5.25%			
NJ Environmental Infrastructure Trust 2001B	11/08/01	230,000.00	08/01/19-21	15,000.00	5.00%	60,000.00	15,000.00	45,000.00
NJ Environmental Infrastructure Trust 2014A	05/21/14	300,000.00	8/1/19-26	7,500.00	3%-5%	135,000.00	5,000.00	130,000.00
			8/1/27-33	10,000.00	3%-3.25%			
						<u>\$ 305,000.00</u>	<u>\$ 55,000.00</u>	<u>\$ 250,000.00</u>
					<u>REF.</u>	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

<u>PURPOSE</u>	<u>DATE OF ISSUE</u>	<u>ORIGINAL ISSUE</u>	<u>PRINCIPAL REQUIREMENTS OF LOAN OUTSTANDING DECEMBER 31, 2018</u>		<u>BALANCE DECEMBER 31, 2017</u>	<u>DECREASED IN 2018</u>	<u>BALANCE DECEMBER 31, 2018</u>
			<u>DATE</u>	<u>AMOUNT</u>			
NJ Environmental Infrastructure Trust 2001B	11/08/01	\$ 226,237.00	08/01/19	\$ 10,742.11	\$ 41,775.06	\$ 11,458.25	\$ 30,316.81
			08/01/20	10,264.68			
			08/01/21	9,787.44			
NJ Environmental Infrastructure Trust 2014A	5/21/14	914,507.00	2018-2033	23,250.18	<u>368,602.53</u>	<u>23,250.18</u>	<u>345,352.35</u>
					<u>\$ 410,377.59</u>	<u>\$ 34,708.43</u>	<u>\$ 375,669.16</u>
			<u>REF.</u>		C	C-4	C

BOROUGH OF WATCHUNG
GENERAL CAPITAL FUND
SCHEDULE OF DUE CURRENT FUND

	<u>REF.</u>	
Balance, December 31, 2017 (Due From)	C	\$ 298,875.00
Decreased by:		
Receipts	C-2	<u>296,333.34</u>
Balance, December 31, 2018 (Due From)	C	\$ <u>2,541.66</u>

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

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

<u>PURPOSE</u>	<u>ORIGINAL ISSUE</u>	<u>PRINCIPAL REQUIREMENTS OF LOAN OUTSTANDING DECEMBER 31, 2018</u>		<u>BALANCE DECEMBER 31, 2017</u>	<u>PAID IN 2018</u>	<u>BALANCE DECEMBER 31, 2018</u>
		<u>DATE</u>	<u>AMOUNT</u>			
Watchung Lake Development	\$ 425,903.00			\$ 15,077.00	\$ 15,077.00	\$
Best Lake Dam Restoration	750,000.00	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	477,003.09	37,282.82	439,720.27
				<u>\$ 492,080.09</u>	<u>\$ 52,359.82</u>	<u>\$ 439,720.27</u>
		<u>REF.</u>		C	C-4	C

BOROUGH OF WATCHUNG
GENERAL CAPITAL FUND
SCHEDULE OF STATE AID RECEIVABLE

	<u>REF.</u>	
Balance, December 31, 2017	C	\$ 302,480.22
Increased by:		
New Grants Awarded	C-10	496,000.00
		<u>\$ 798,480.22</u>
Decreased By:		
Receipts	C-2	99,625.00
		<u>99,625.00</u>
Balance, December 31, 2018	C	<u>\$ 698,855.22</u>

Analysis of Balance:

DOT - Ordinance 2008-16	\$ 50,000.00
DOT - Ordinance 2012-09	152,855.22
DOT - Ordinance 2018-12	496,000.00
	<u>496,000.00</u>
	<u>\$ 698,855.22</u>

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

<u>ORDINANCE</u>	<u>ORIGINAL DATE OF ISSUE</u>	<u>DATE OF ISSUE</u>	<u>DATE OF MATURITY</u>	<u>INTEREST RATE</u>	<u>BALANCE DECEMBER 31, 2017</u>	<u>INCREASED</u>	<u>DECREASED</u>	<u>BALANCE DECEMBER 31, 2018</u>
Ord 16-04	12/28/17	12/28/17	11/01/18	2.50%	\$ 506,700.00	\$	\$ 506,700.00	\$
Ord 16-04	11/01/18	11/01/18	11/01/19	2.37%		506,700.00		506,700.00
Ord 16-07	11/01/18	11/01/18	11/01/19	2.37%		500,000.00		500,000.00
Ord 17-02	12/28/17	12/28/17	11/01/18	2.50%	493,300.00		493,300.00	
Ord 17-02	11/01/18	11/01/18	11/01/19	2.37%		493,300.00		493,300.00
Ord 17-08	11/01/18	11/01/18	11/01/19	2.37%		228,000.00		228,000.00
Ord 18-12	11/01/18	11/01/18	11/01/19	2.37%		970,000.00		970,000.00
					<u>\$ 1,000,000.00</u>	<u>\$ 2,698,000.00</u>	<u>\$ 1,000,000.00</u>	<u>\$ 2,698,000.00</u>
			<u>REF.</u>		C	C-2	C-2	C:C5

"C-18"

* BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF RESERVE FOR GRANT RECEIVABLE

REF.

Balance, December 31, 2017
and December 31, 2018

C

\$ 50,000.00

"C-19"

BOROUGH OF WATCHUNG

GENERAL CAPITAL FUND

SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

<u>ORDINANCE NUMBER</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE DECEMBER 31, 2018</u>
18-12	Various Public Improvements & Equipment	\$ 300.00
18-15	Various Public Improvements & Equipment	<u>1,283,450.00</u>
		<u>\$ 1,283,750.00</u>

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PART II

BOROUGH OF WATCHUNG

STATISTICAL DATA

LIST OF OFFICIALS

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2018

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

	YEAR 2018		YEAR 2017	
	AMOUNT	%	AMOUNT	%
<u>REVENUE AND OTHER INCOME REALIZED</u>				
Fund Balance Utilized	\$ 925,000.00	2.24%	\$ 825,000.00	2.06%
Miscellaneous - From Other Than				
Local Property Tax Levies	4,423,821.63	10.73%	4,363,965.51	10.91%
Collection of Delinquent Taxes				
and Tax Title Liens	193,587.73	0.47%	179,028.47	0.45%
Collections of Current Tax Levy	<u>35,704,783.55</u>	<u>86.56%</u>	<u>34,644,208.04</u>	<u>86.58%</u>
Total Revenue	<u>\$ 41,247,192.91</u>	<u>100.00%</u>	<u>\$ 40,012,202.02</u>	<u>100.00%</u>
<u>EXPENDITURES</u>				
Budget Expenditures:				
Municipal Purposes	\$ 14,385,066.13	36.36%	\$ 14,147,162.70	36.57%
County Taxes	7,101,928.67	17.95%	7,016,629.22	18.14%
Local and Regional School Taxes	17,711,760.00	44.77%	17,116,903.00	44.25%
Municipal Open Space Taxes	360,218.25	0.91%	352,339.04	0.91%
Interfunds Advanced			53,426.01	0.14%
Total Expenditures	<u>\$ 39,558,973.05</u>	<u>100.00%</u>	<u>\$ 38,686,459.97</u>	<u>100.00%</u>
Excess in Revenue	\$ 1,688,219.86		\$ 1,325,742.05	
Fund Balance, January 1	<u>3,402,689.10</u>		<u>2,901,947.05</u>	
	\$ 5,090,908.96		\$ 4,227,689.10	
Less: Utilization as Anticipated Revenue	<u>925,000.00</u>		<u>825,000.00</u>	
Fund Balance, December 31	<u>\$ 4,165,908.96</u>		<u>\$ 3,402,689.10</u>	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Tax Rate	\$ <u>1.991</u>	\$ <u>1.979</u>	\$ <u>2.091</u>
Municipal	\$ 0.590	\$ 0.586	\$ 0.574
Municipal Open Space	0.020	0.020	0.020
County (Including Library)	0.366	0.369	0.368
County Open Space	0.031	0.031	0.031
Local School	0.612	0.613	0.732
Regional High School	<u>0.372</u>	<u>0.360</u>	<u>0.366</u>

Assessed Valuations:

2018	<u>\$1,797,883,724.00</u>	
2017	<u>\$1,756,744,611.00</u>	
2016		<u>\$1,724,988,537.00</u>

COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

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

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2018	\$35,859,716.92	\$35,704,783.55	99.56%
2017	\$34,864,000.68	\$34,644,208.04	99.36%
2016	\$36,161,574.40	\$35,985,663.65	99.51%

DELINQUENT TAXES AND TAX TITLE LIENS

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

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2018	\$0.00	\$140,578.17	\$140,578.17	0.39%
2017	\$1,813.71	\$191,558.30	\$193,372.01	0.55%
2016	\$12,713.09	\$167,697.66	\$180,410.75	0.49%

COMPARATIVE SCHEDULE OF FUND BALANCES

<u>Year</u>	<u>Balance Current Fund</u>	<u>Utilized in Budget of Succeeding Year</u>
2018	\$4,165,908.96	\$1,025,000.00
2017	\$3,402,689.10	\$925,000.00
2016	\$2,901,647.05	\$825,000.00
2015	\$2,445,532.03	\$800,000.00
2014	\$1,072,447.73	\$700,000.00

OFFICIALS IN OFFICE AND SURETY BONDS

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

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
Stephen Pote	Mayor	*
Robert Gibbs	Council Member, President of Council	*
Stephen L. Black	Council Member	*
William Nehls	Council Member	*
David Mobus	Council Member	*
George Sopko	Council Member	*
Maria Alberto	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)

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
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 High Tor Drive & Drainage Improvements

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 of 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 6, 2018 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, 2018.
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 26, 2018 and was complete.

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

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

<u>Year</u>	<u>Number of Liens</u>
2018	0
2017	2
2016	5

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

