

REPORT OF AUDIT
BOROUGH OF WASHINGTON
COUNTY OF WARREN
DECEMBER 31, 2012

BOROUGH OF WASHINGTON, N.J.
YEAR ENDED DECEMBER 31, 2012
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BOROUGH OF WASHINGTON

PART I

REPORT OF AUDIT ON FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2012

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the Borough Council
Borough of Washington
Washington, New Jersey 07882

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds of the Borough of Washington in the County of Warren, as of December 31, 2012 and 2011, 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 funds for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Borough's basic 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 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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



Honorable Mayor and
Members of the Borough Council
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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 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 financial statements, the financial statements are prepared by the Borough of Washington 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 each fund of the Borough of Washington as of December 31, 2012 and 2011, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis Accounting Principles

We are unable to obtain sufficient evidence to support the cost of fixed assets. As more fully describe in Note 1, due to the length of time over which these fixed assets were acquired, it is not practical to determine their actual costs. We are, therefore, unable to express an opinion as to the general fixed assets account group at December 31, 2012, and 2011, stated as \$9,196,380.00 and \$9,232,300.00, respectively.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in "Basis for Qualified Opinion on Regulatory Basis Accounting Principles", the financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets as of December 31, 2012 and 2011, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2012 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Washington's basic financial statements. The supplementary information listed in the table of contents and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 listed in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2013 on our consideration of the Borough of Washington'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 Washington's internal control over financial reporting and compliance.



Thomas M. Ferry, C.P.A.
Registered Municipal Accountant
No. 497

Ferraioli, Wielkutz, Cerullo, + Cuva, P.A.

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants

April 25, 2013



Borough of Washington, N.J.

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31, 2012 and 2011

<u>Assets</u>	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Current Fund:			
Cash	A-4	3,342,597.86	3,568,951.75
Change Fund	A-5	325.00	325.00
Due From State of New Jersey:			
Senior Citizen and Veteran Deductions	A-12	6,674.49	7,424.49
		<u>3,349,597.35</u>	<u>3,576,701.24</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Taxes Receivable	A-6	739,109.32	802,987.98
Tax Title Liens Receivable	A-7	913,734.48	844,382.18
Property Acquired for Taxes - Assessed Valuation	A-8	138,600.00	138,600.00
Maintenance Liens Receivable	A-9	7,825.83	7,825.83
Labor Liens Receivable	A-10	4,484.00	
Revenue Accounts Receivable	A-11	5,810.21	3,670.41
Interfund Receivables:			
Other Trust	A-13	1,709.52	1,083.95
General Capital Fund	A-13		242,801.86
Sewer Operating Fund	A-13	129.57	129.57
		<u>1,811,402.93</u>	<u>2,041,481.78</u>
		<u>5,161,000.28</u>	<u>5,618,183.02</u>
Federal and State Grant Fund:			
Interfund Receivable:			
Current Fund	A-23	20,596.07	34,397.08
Grants Receivable	A-24	465,620.16	274,480.63
		<u>486,216.23</u>	<u>308,877.71</u>
		<u>5,647,216.51</u>	<u>5,927,060.73</u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N.J.

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31, 2012 and 2011

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Current Fund:			
Appropriation Reserves	A-3;A-15	306,009.99	277,975.29
Interfunds Payable:			
Federal and State Grants	A-13	20,596.07	34,397.08
Tax Anticipation Note Payable	A-14	1,165,000.00	2,000,000.00
Tax Overpayments	A-16	51,873.46	65,571.19
Accounts Payable	A-16		24,313.66
Reserve for:			
State Library Aid	A-16	3,547.88	4,223.61
Tax Appeals	A-16	75,000.00	75,000.00
Sale of Municipal Assets	A-16	9,900.00	9,400.00
Encumbrances Payable	A-17	177,694.96	234,487.03
Prepaid Taxes	A-18	24,985.81	35,955.77
County Taxes Payable	A-19	28,733.36	1,924.79
Local School District Tax Payable	A-20	112,732.21	91,223.73
Regional High School Taxes Payable	A-21	0.10	42,091.46
		<u>1,976,073.84</u>	<u>2,896,563.61</u>
Reserve for Receivables	Contra	1,811,402.93	2,041,481.78
Fund Balance	A-1	1,373,523.51	680,137.63
		<u>5,161,000.28</u>	<u>5,618,183.02</u>
Federal and State Grant Fund:			
Appropriated Reserve for Grants	A-25	464,302.78	291,687.21
Unappropriated Reserve for Grants	A-26	5,846.10	6,617.47
Encumbrances Payable	A-27	16,067.35	10,573.03
		<u>486,216.23</u>	<u>308,877.71</u>
		<u>5,647,216.51</u>	<u>5,927,060.73</u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N.J.
Comparative Statement of Operations and Changes in Fund Balance - Regulatory Basis

Current Fund

Years Ended December 31, 2012 and 2011

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Revenues and Other Income:			
Fund Balance Utilized	A-2	310,000.00	306,681.36
Miscellaneous Revenue Anticipated	A-2	1,351,720.33	1,094,572.98
Receipts from Delinquent Taxes	A-2	781,448.37	561,586.56
Receipts from Current Taxes	A-2	16,647,650.06	16,694,248.55
Non-Budget Revenue	A-2	48,334.77	162,998.37
Other Credits to Income:			
Interfunds Returned	A-13	242,801.86	8,175.20
Appropriated Grant Reserves Canceled	A-13	70,557.97	
Unexpended Balance of Appropriation Reserves	A-15	177,777.81	227,674.30
Cancellation of Various Reserves	A-16	24,313.66	1,438.92
Encumbrances Canceled	A-17	36,927.89	66,620.08
Cancellation of Special Improvement District Payable			4,789.20
Total Revenues and Other Income		<u>19,691,532.72</u>	<u>19,128,785.52</u>
Expenditures:			
Budget and Emergency Appropriations:			
Operations - Within "CAPS"			
Operating	A-3	2,595,305.21	2,787,183.08
Deferred Charges and Statutory Expenditures	A-3	254,803.00	253,720.01
Operations - Excluded From CAPS:			
Operating	A-3	3,000,651.00	2,544,682.54
Capital Improvements	A-3	12,500.00	140,000.00
Municipal Debt Service	A-3	825,358.81	778,154.12
Deferred Charges	A-3	69,763.00	70,000.00
Refund of Prior Year Revenue			175.00
Interfund Advances	A-13	625.57	188,327.31
Grant Receivables Canceled	A-13	120,880.88	
County Taxes including Added Taxes	A-19	3,222,630.93	3,382,467.69
Local District School Tax	A-20	4,262,723.00	4,187,281.00
Regional High School Tax	A-21	4,122,905.44	4,247,430.20
Special Improvement District Tax	A-22	200,000.00	200,000.00
Total Expenditures		<u>18,688,146.84</u>	<u>18,779,420.95</u>
Statutory Excess to Fund Balance		1,003,385.88	349,364.57
Fund Balance, January 1,		<u>680,137.63</u>	<u>637,454.42</u>
		1,683,523.51	986,818.99
Decreased by:			
Fund Balance Utilized as Budget Revenue		<u>310,000.00</u>	<u>306,681.36</u>
Fund Balance, December 31,	A	<u>1,373,523.51</u>	<u>680,137.63</u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Statement of Revenues - Regulatory Basis

Current Fund

Year Ended December 31, 2012

	Ref.	Budget	Appropriated by: 40A:4-87	Realized	Excess or (Deficit)
Fund Balance Anticipated	A-1	310,000.00		310,000.00	
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages	A-11	5,000.00		5,184.00	184.00
Other	A-11	2,500.00		2,145.00	(355.00)
Fees and Permits	A-11	30,000.00		26,296.50	(3,703.50)
Fines and Costs:					
Municipal Court	A-11	80,000.00		68,676.62	(11,323.38)
Interest and Costs on Taxes	A-11	100,000.00		160,397.01	60,397.01
Interest on Investments and Deposits	A-11	3,000.00		3,947.15	947.15
Consolidated Municipal Property Tax Relief Aid	A-11	62,667.00		62,667.00	
Energy Receipts Tax	A-11	530,709.00		530,709.00	
Special Items of General Revenue Anticipated With Prior Written Consent of Director of Local Government Services:					
Public and Private Revenues:					
Recycling Tonnage Grant	A-24	6,617.47		6,617.47	
Municipal Alliance	A-24	10,517.00		10,517.00	
Clean Communities Grant	A-24		11,367.48	11,367.48	
Small Cities	A-24		400,000.00	400,000.00	
Other Special Items:					
Uniform Fire Safety Act	A-11	10,000.00		10,305.74	305.74
Cable TV Gross Receipts	A-11	20,500.00		20,782.36	282.36
Animal Shelter Trust Fund	A-11	10,108.00		10,108.00	
General Capital Fund Balance	A-11	22,000.00		22,000.00	
Total Miscellaneous Revenues	A-1	893,618.47	411,367.48	1,351,720.33	46,734.38
Receipts from Delinquent Taxes	A-1;A-2	439,483.00		781,448.37	341,965.37
Subtotal General Revenues		1,643,101.47	411,367.48	2,443,168.70	388,699.75
Amount to be Raised by Taxes for Support of Municipal Budget-Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	A-2	5,559,694.15		5,724,764.70	165,070.55
Budget Totals		7,202,795.62	411,367.48	8,167,933.40	553,770.30
Non-Budget Revenue	A-1;A-2			48,334.77	48,334.77
		<u>7,202,795.62</u>	<u>411,367.48</u>	<u>8,216,268.17</u>	<u>602,105.07</u>
		A-3	A-3		

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N.J.
Statement of Revenues - Regulatory Basis

A-2
Page 2 of 2

Current Fund

Year Ended December 31, 2012

<u>Analysis of Realized Revenues</u>	<u>Ref.</u>	
Revenue from Collections	A-1;A-6	16,647,650.06
Allocated to School and County Taxes	A-6	<u>11,767,917.36</u>
Balance for Support of Municipal Budget Appropriations		4,879,732.70
Add:		
Appropriated Reserve for Uncollected Taxes	A-3	<u>845,032.00</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u><u>5,724,764.70</u></u>
Receipts from Delinquent Taxes:		
Delinquent Taxes		
Taxes Receivable	A-6	778,336.67
Tax Title Liens Receivable	A-7	3,111.70
	A-2	<u>781,448.37</u>
<u>Analysis of Non-budget Revenues</u>	<u>Ref.</u>	
Miscellaneous Revenues Not Anticipated:		
Fire Prevention Inspection Fees		10,016.00
Division of Motor Vehicles Fines & Fees		1,497.00
Tax Department Miscellaneous		10,927.02
Senior Citizen and Veterans Admin. Costs Reimb.		999.08
Various Refunds and Miscellaneous		<u>24,895.67</u>
	A-4	<u><u>48,334.77</u></u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N. J.
Statement of Expenditures - Regulatory Basis

Current Fund
Year Ended December 31, 2012

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>By Emergency</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
General Government:							
Administrative and Executive:							
Salaries and Wages		109,879.00		79,879.00	79,326.11	552.89	
Other Expenses		26,659.00		26,659.00	23,739.52	2,919.48	
Mayor and Council:							
Salaries and Wages		12,500.00		12,500.00	12,166.66	333.34	
Other Expenses		7,065.00		7,065.00	7,028.02	36.98	
Municipal Clerk:							
Salaries and Wages		76,373.00		76,373.00	75,873.00	500.00	
Other Expenses		14,850.00		14,850.00	11,052.81	3,797.19	
Financial Administration:							
Salaries and Wages		94,668.00		94,668.00	93,168.00	1,500.00	
Other Expenses		15,000.00		18,000.00	17,902.91	97.09	
Annual Audit		25,980.00		25,980.00	25,350.00	630.00	
Revenue Administration:							
Salaries and Wages		82,923.00		82,923.00	81,423.00	1,500.00	
Other Expenses		5,870.00		5,870.00	5,869.13	0.87	
Assessment of Taxes:							
Salaries and Wages		36,888.52		36,888.52	31,400.78	5,487.74	
Other Expenses		20,950.00		15,950.00	12,104.42	3,845.58	
Legal Services and Costs:							
Other Expenses		69,000.00		114,000.00	104,070.93	9,929.07	
Engineering Services and Costs:							
Other Expenses		50,000.00		50,000.00	40,551.58	9,448.42	
Municipal Land Use Law (N.J.S. 40:55 D-1)							
Planning Board:							
Salaries and Wages		3,727.59		3,727.59	3,727.59		
Other Expenses		10,137.34		10,137.34	7,197.71	2,939.63	
Board of Adjustment:							
Salaries and Wages		3,985.00		3,985.00	994.00	2,991.00	
Other Expenses		5,563.34		5,563.34	798.28	4,765.06	
Local Code Enforcement:							
Salaries and Wages		24,120.00		24,120.00	18,016.25	6,103.75	
Other Expenses		1,875.00		1,875.00	340.50	1,534.50	

Borough of Washington, N. J.
Statement of Expenditures - Regulatory Basis
Current Fund

Year Ended December 31, 2012

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>By Emergency</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
P.E.O.S.H.A. (P.L. 1983,C516):							
Other Expenses		1,000.00		1,000.00	49.33	950.67	
Insurance:							
General Liability		227,000.00		226,000.00	225,718.00	282.00	
Employee Group Health		250,000.00		216,932.00	189,423.29	27,508.71	
Public Safety:							
Fire:							
Other Expenses							
Miscellaneous Other Expenses		33,319.00		33,319.00	33,319.00		
Fire Hydrant Service		69,000.00		69,000.00	67,792.40	1,207.60	
First Aid Organization - Aid Maintenance:							
Other Expenses		19,300.00		19,300.00	19,300.00		
Uniform Fire Safety Act (CH. 383, P.L. 1983)							
Fire and Code Enforcement:							
Salaries and Wages		22,650.24		23,650.24	21,925.82	1,724.42	
Other Expenses		4,600.00		4,600.00	4,328.14	271.86	
Office of Emergency Management:							
Salaries and Wages		5,500.00		5,500.00	3,000.00	2,500.00	
Other Expenses		1,000.00		1,000.00		1,000.00	
Public Works							
Road Repair and Maintenance							
Salaries and Wages		376,833.00		376,833.00	331,130.27	45,702.73	
Other Expenses		138,987.00		138,987.00	64,774.53	74,212.47	
Shade Tree Commission:							
Salaries and Wages		934.00		934.00	934.00		
Other Expenses		13,500.00		15,500.00	15,404.34	95.66	
Public Buildings and Grounds:							
Salaries and Wages		12,083.24		12,083.24	11,557.35	525.89	
Other Expenses		32,695.00		32,695.00	21,826.07	10,868.93	
Solid Waste Collection:							
Other Expenses		265,000.00		265,000.00	265,000.00		
Health and Welfare							
Animal Control:							
Salaries and Wages		10,057.94		10,057.94	10,057.94		

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N. J.
Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2012

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>By Emergency</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
Park and Recreation:							
Recreation and Education							
Salaries and Wages		40,000.00		40,000.00	34,023.22	5,976.78	
Celebration of Public Event, Anniversary or Holiday							
Other Expenses		4,500.00		7,000.00	4,118.65	2,881.35	
Public Defender (P.L. 1977,C.256)							
Other Expenses		6,000.00		6,000.00	3,000.00	3,000.00	
Utility Expenses							
Electricity		54,000.00		54,000.00	34,712.32	19,287.68	
Natural Gas		30,000.00		20,000.00	15,706.43	4,293.57	
Street Lighting & Traffic Lights		83,500.00		83,500.00	72,846.01	10,653.99	
Solid Waste Disposal		173,400.00		173,400.00	173,400.00		
Telephone		20,000.00		17,000.00	14,037.98	2,962.02	
Water		12,000.00		12,000.00	10,650.57	1,349.43	
Gasoline and Diesel Fuel		19,000.00		19,000.00	17,480.02	1,519.98	
Total Operations Within "CAPS"		<u>2,623,873.21</u>		<u>2,595,305.21</u>	<u>2,317,616.88</u>	<u>277,688.33</u>	
Total Operations Including Contingent- Within "CAPS"		<u>2,623,873.21</u>		<u>2,595,305.21</u>	<u>2,317,616.88</u>	<u>277,688.33</u>	
Detail:							
Salaries and Wages	A-1	913,122.53		884,122.53	808,723.99	75,398.54	
Other Expenses (Including Contingent)	A-1	<u>1,710,750.68</u>		<u>1,711,182.68</u>	<u>1,508,892.89</u>	<u>202,289.79</u>	
Deferred Charges and Statutory Expenditures- Municipal Within "CAPS"							
Statutory Expenditures							
Contribution to:							
Public Employees Retirement System		142,903.00		142,903.00	142,903.00		
Social Security System (O.A.S.I.)		84,000.00		84,000.00	74,500.30	9,499.70	
Unemployment Compensation Insurance		24,900.00		24,900.00	24,900.00		
Defined Contribution Retirement Program		3,000.00		3,000.00	2,252.10	747.90	
Total Deferred Charged and Statutory Expenditures - Municipal within "CAPS"	A-1	<u>254,803.00</u>		<u>254,803.00</u>	<u>244,555.40</u>	<u>10,247.60</u>	
Total General Appropriations for Municipal Purposes within "CAPS"		<u>2,878,676.21</u>		<u>2,850,108.21</u>	<u>2,562,172.28</u>	<u>287,935.93</u>	

Borough of Washington, N. J.
Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2012

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>By Emergency</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
Operations - Excluded From "CAPS"							
Maintenance of Free Public Library							
Salaries and Wages		123,631.05		123,631.05	112,609.29	11,021.76	
Other Expenses		48,992.00		48,992.00	41,939.70	7,052.30	
Total Other Operations - Excluded From Caps		<u>172,623.05</u>		<u>172,623.05</u>	<u>154,548.99</u>	<u>18,074.06</u>	
Shared Service Agreements							
Shared Police Services - Washington Twp		2,229,430.00		2,229,430.00	2,229,430.00		
Shared Court Services - Mansfield		168,138.00		168,138.00	168,138.00		
Public and Private Programs Offset By Revenues							
Recycling Tonnage Grant		6,617.47		6,617.47	6,617.47		
Small Cities Grant		400,000.00		400,000.00	400,000.00		
Clean Communities		11,367.48		11,367.48	11,367.48		
Municipal Alliance:							
State Share		10,517.00		10,517.00	10,517.00		
Local Share		1,958.00		1,958.00	1,958.00		
Total Public and Private Programs Offset By Revenues		<u>2,828,027.95</u>		<u>2,828,027.95</u>	<u>2,828,027.95</u>		
Total Operations - Excluded from "CAPS"		<u>3,000,651.00</u>		<u>3,000,651.00</u>	<u>2,982,576.94</u>	<u>18,074.06</u>	
Detail:							
Salaries and Wages	A-1	123,631.05		123,631.05	112,609.29	11,021.76	
Other Expenses	A-1	2,877,019.95		2,877,019.95	2,869,967.65	7,052.30	
Capital Improvements - Excluded From "CAPS"							
Capital Improvements Recreation		12,500.00		12,500.00	12,500.00		
Total Capital Improvements Excluded from "CAPS"	A-1	<u>12,500.00</u>		<u>12,500.00</u>	<u>12,500.00</u>		
Municipal Debt Service -Excluded From "CAPS"							
Payment of Bond Principal		320,000.00		320,000.00	320,000.00		
Payment of Bond Anticipation and Capital Notes		82,270.00		82,270.00	81,176.00		1,094.00
Interest on Bonds		276,100.00		276,100.00	267,411.30		8,688.70
Interest on Notes		49,482.00		78,050.00	78,050.00		
Loan Repayment for Principal and Interest		39,800.00		39,800.00	38,832.63		967.37
Interest on Tax Anticipation Note		39,888.89		39,888.89	39,888.88		0.01
Total Municipal Debt Service-Excluded from "CAPS"	A-1	<u>807,540.89</u>		<u>836,108.89</u>	<u>825,358.81</u>		<u>10,750.08</u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N. J.
Statement of Expenditures - Regulatory Basis
Current Fund

Year Ended December 31, 2012

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>By Emergency</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
Deferred Charges - Municipal - Excluded From "CAPS"							
Deferred Charges to Future Taxation Unfunded: Bond Ordinance 02-07		69,763.00	_____	69,763.00	69,763.00	_____	_____
Total Deferred Charges - Excluded from "CAPS"	A-1	69,763.00	_____	69,763.00	69,763.00	_____	_____
Total General Appropriations for Municipal Purposes Excluded from "CAPS"		3,890,454.89	_____	3,919,022.89	3,890,198.75	18,074.06	10,750.08
Total General Appropriations - Excluded From "CAPS"		3,890,454.89	_____	3,919,022.89	3,890,198.75	18,074.06	10,750.08
Subtotal General Appropriations		6,769,131.10	_____	6,769,131.10	6,452,371.03	306,009.99	10,750.08
Reserve for Uncollected Taxes		845,032.00	_____	845,032.00	845,032.00	_____	_____
Total General Appropriations		7,614,163.10	_____	7,614,163.10	7,297,403.03	306,009.99	10,750.08
						A	
Adopted Budget	A-2			7,202,795.62			
Appropriation by 40A:4-87	A-2			411,367.48			
				7,614,163.10			
<u>Analysis of Paid or Charged</u>							
Reserve for Uncollected Taxes	A-2				845,032.00		
Cash Disbursed	A-4				5,844,216.12		
Federal & State Grants (Matching Funds)	A-13				1,958.00		
Encumbrances Payable	A-17				177,694.96		
Interfund - Federal and State Grant Fund	A-25				428,501.95		
					7,297,403.03		

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Comparative Balance Sheet - Regulatory Basis

Trust Funds

December 31, 2012 and 2011

<u>Assets</u>	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Assessment Trust Fund			
Cash	B-2	<u>2,749.34</u>	<u>2,749.34</u>
Animal Control Trust Fund:			
Cash- Treasurer	B-2	<u>18,879.40</u>	<u>20,021.40</u>
Other Trust Funds:			
Cash	B-2	<u>1,398,423.13</u>	<u>955,491.22</u>
		<u>1,420,051.87</u>	<u>978,261.96</u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Comparative Balance Sheet - Regulatory Basis

Trust Funds

December 31, 2012 and 2011

<u>Liabilities, Reserves & Fund Balance</u>	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Assessment Trust Fund:			
Prepaid Assessments	B-8	1,488.20	1,488.20
Fund Balance	B-1	1,261.14	1,261.14
		<u>2,749.34</u>	<u>2,749.34</u>
Animal Control Trust Fund:			
Reserve for Animal Control Trust			
Fund Expenditures	B-3	16,938.80	19,997.40
Encumbrances	B-4	1,928.60	
Due State Department of Health	B-6	12.00	24.00
		<u>18,879.40</u>	<u>20,021.40</u>
Other Trust Fund:			
Interfund - Current Fund	B-5	1,709.52	1,083.95
Reserve for:			
Escrow Deposits	B-7	819,260.98	630,298.80
Municipal Alliance	B-7		2.79
POAA	B-7	1,888.78	1,612.78
Recreation	B-7	25,792.13	45,552.92
Police Department Trust	B-7	5,310.44	5,310.44
Police Donations	B-7	7,597.84	7,597.84
Tax Sale Premiums	B-7	281,200.00	61,600.00
Public Defender	B-7	5,161.50	4,961.50
Fire Safety Bureau Trust	B-7	12,038.78	12,012.09
WBFD Dedicated Penalty Trust	B-7	55.22	
C.O.A.H.	B-7	25,542.47	33,013.91
Unemployment	B-7	75,653.18	56,402.69
Payroll	B-7	15,257.05	13,872.19
Comcast	B-7	24,285.28	25,000.00
Snow Removal	B-7	83,026.01	57,169.32
Encumbrances	B-7	14,643.95	
		<u>1,398,423.13</u>	<u>955,491.22</u>
		<u>1,420,051.87</u>	<u>978,261.96</u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N. J.

Statement of Fund Balance - Assessment Trust - Regulatory Basis

Trust Funds

Year Ended December 31, 2012

	<u>Ref.</u>	
Balance - December 31, 2011	B	<u>1,261.14</u>
Balance - December 31, 2012	B	<u>1,261.14</u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N. J.
Comparative Balance Sheet - Regulatory Basis
General Capital Fund
December 31, 2012 and 2011

<u>Assets</u>	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Cash	C-2;C-3	231,128.35	94,932.34
Interfund - Sewer Capital Fund	C-5	399,612.30	799,612.30
Deferred Charges to Future Taxation			
Funded	C-8	9,099,613.67	6,724,480.04
Unfunded	C-9	1,195.00	2,858,586.00
		<u>9,731,549.32</u>	<u>10,477,610.68</u>
 <u>Liabilities, Reserves and Fund Balance</u>			
Interfund - Current Fund	C-4		242,801.86
Interfund - Sewer Operating Fund	C-6		150,000.00
Encumbrances Payable	C-7	311,009.30	
Capital Improvement Fund	C-10	109,091.00	117,660.00
Improvement Authorizations:			
Funded	C-11	28,854.10	355,184.66
Unfunded	C-11		28,418.08
Reserve for:			
Contracts Payable	C-12	34,443.25	28,483.61
Debt Service	C-13	112,407.42	
Bond Anticipation Notes	C-14		2,787,628.00
Green Acres Loan Payable	C-15	418,613.67	449,480.04
General Serial Bonds Payable	C-16	8,681,000.00	6,275,000.00
Fund Balance	C-1	36,130.58	42,954.43
		<u>9,731,549.32</u>	<u>10,477,610.68</u>

Footnote C: There were Bonds and Notes Authorized But Not Issued in the amount of \$1,195.00 on December 31, 2012. See Exhibit C-17.

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N. J.
Schedule of Fund Balance - Regulatory Basis
General Capital Fund
Year Ended December 31, 2012

	<u>Ref.</u>		
Balance - December 31, 2011	C		42,954.43
Increased by:			
Premium on Bond Anticipation Notes		51,370.65	
Premium on Bond Sale Notes		<u>2,709.00</u>	
	C-2		<u>54,079.65</u>
			97,034.08
Decreased by:			
Anticipated As Current Fund Revenue		22,000.00	
Bond Anticipation Notes		452.00	
Bond Sale		<u>38,451.50</u>	
	C-2		<u>60,903.50</u>
Balance - December 31, 2012	C		<u><u>36,130.58</u></u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N. J.

Comparative Balance Sheet - Regulatory Basis

Sewer Utility Fund

December 31, 2012 and 2011

	<u>Ref</u>	<u>2012</u>	<u>2011</u>
<u>Assets</u>			
Operating Fund:			
Cash-Treasurer	D-5	1,172,768.07	881,382.79
Change Fund	D-7	75.00	75.00
		<u>1,172,843.07</u>	<u>881,457.79</u>
Interfund Receivable:			
Sewer Capital Fund	D-10		0.44
General Capital	D-10		150,000.00
			<u>150,000.44</u>
Receivables with Full Reserves:			
Consumer Accounts	D-8	352,776.95	373,529.12
Sewer Liens	D-9	20,515.79	18,641.47
		<u>373,292.74</u>	<u>392,170.59</u>
Total Operating Fund		<u>1,546,135.81</u>	<u>1,423,628.82</u>
Capital Fund:			
Cash	D-5;D-6	14,015.86	54,016.30
Fixed Capital*	D-11	17,805,593.72	17,805,593.72
Fixed Capital Authorized and Uncompleted*	D-12	169,546.00	169,546.00
Total Capital Fund		<u>17,989,155.58</u>	<u>18,029,156.02</u>
Total Assets		<u>19,535,291.39</u>	<u>19,452,784.84</u>

* The fixed capital reported is taken from the municipal records and does not necessarily reflect the true condition of such fixed capital.

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N. J.

Comparative Balance Sheet - Regulatory Basis

Sewer Utility Fund

December 31, 2012 and 2011

	<u>Ref</u>	<u>2012</u>	<u>2011</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Operating Fund:			
Appropriation Reserve	D-4;D-13	58,711.55	55,343.55
Encumbrances Payable	D-14	113,680.98	105,020.57
Interfund Payable			
Current Fund	D-10	129.57	129.57
Accrued Interest	D-15	77,288.25	76,598.25
Accounts Payable	D-18		10,517.44
Overpayment of Sewer Charges	D-18	101.72	5,572.56
		<u>249,912.07</u>	<u>253,181.94</u>
Reserve for Receivables	Contra	373,292.74	392,170.59
Fund Balance	D-1	922,931.00	778,276.29
Total Operating Fund		<u>1,546,135.81</u>	<u>1,423,628.82</u>
Capital Fund:			
Interfund Payable:			
General Capital Fund	D-10	399,612.30	799,612.30
Sewer Operating Fund	D-10		0.44
Improvement Authorization			
Funded	D-16	122,560.01	122,560.01
Reserve for:			
Capital Outlay	D-17	60,000.00	
Capital Improvement Fund	D-19	4,500.00	4,500.00
Reserve for Amortization	D-20	12,642,800.30	11,308,292.03
Reserve for Deferred Amortization	D-21	132,546.00	132,546.00
USDA Rural Development Loan	D-22	4,144,705.24	5,099,213.51
Serial Bonds Payable	D-23	478,000.00	558,000.00
Fund Balance	D-2	4,431.73	4,431.73
		<u>17,989,155.58</u>	<u>18,029,156.02</u>
Total Liabilities, Reserves and Fund Balances		<u>19,535,291.39</u>	<u>19,452,784.84</u>

Footnote D: There were Bonds and Notes Authorized But Not Issued on December 31, 2012 in the amount of \$577,088.18 Per Exhibit D-24.

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N. J.

Comparative Statement of Operations and Changes in Fund Balance - Regulatory Basis

Sewer Utility Operating Fund

Years Ended December 31, 2012 and 2011

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
Revenue and Other Income Realized:			
Surplus	D-1;D-3	441,242.55	
Rents	D-3	2,440,509.31	2,254,288.64
Miscellaneous	D-3	24,025.00	22,000.00
Reserve Capacity Charges	D-3	18,782.56	24,215.85
Industrial/Commercial Permit Fees	D-3	16,810.43	21,628.37
Non-Budget Revenues	D-3	132,000.68	152,985.73
Other Credits to Income:			
Unexpended Balance of			
Appropriation Reserves	D-13	55,343.55	31,872.47
Encumbrances Cancelled	D-14	3,810.30	24,719.21
Accounts Payable Cancelled	D-18	10,517.44	9,571.79
Total Income		<u>3,143,041.82</u>	<u>2,541,282.06</u>
Expenditures:			
Operating	D-4	1,104,109.60	962,335.00
Capital Improvements	D-4	60,000.00	
Debt Service	D-4	1,085,019.71	1,139,524.56
Deferred Charges and Statutory Expenditures	D-4	308,015.25	100,000.00
Refund of Revenue			
Total Expenditures		<u>2,557,144.56</u>	<u>2,201,859.56</u>
Statutory Excess to Surplus		<u>585,897.26</u>	<u>339,422.50</u>
Fund Balance - January 1,	D-1	<u>778,276.29</u>	<u>438,853.79</u>
Fund Balance - December 31,	D	<u><u>922,931.00</u></u>	<u><u>778,276.29</u></u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N. J.
Statement of Fund Balance - Regulatory Basis
Sewer Utility Capital Fund
Year Ended December 31, 2012

	<u>Ref.</u>	
Balance - December 31, 2011	D	<u><u>4,431.73</u></u>
Balance - December 31, 2012	D	<u><u>4,431.73</u></u>

D-3

Statement of Revenues - Regulatory Basis
Sewer Utility Operating Fund
Year Ended December 31, 2012

	<u>Ref.</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess (Deficit)</u>
Operating Surplus Anticipated	D-1	441,242.55	441,242.55	
Rents	D-1;D-8	2,250,000.00	2,440,509.31	190,509.31
Miscellaneous	D-1;D-5	20,000.00	24,025.00	4,025.00
Reserve Capacity Charges	D-1;D-5	24,000.00	18,782.56	(5,217.44)
Industrial/Commercial Permit Fees	D-1;D-5	21,000.00	16,810.43	(4,189.57)
Non-Budget Revenues	D-1		132,000.68	132,000.68
Budget Totals		<u><u>2,756,242.55</u></u>	<u><u>3,073,370.53</u></u>	<u><u>317,127.98</u></u>

Analysis of Non-Budget Revenue

Interest on Investments:

Interest on Delinquent Sewer Rents
Miscellaneous
Connection Fees
Interest on Operating Deposits

	32,885.32	
	25.00	
	98,197.18	
	<u>893.18</u>	
D-5		132,000.68
D-3		<u><u>132,000.68</u></u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N. J.
Statement of Expenditures - Regulatory Basis
Sewer Operating Fund
Year Ended December 31, 2012

	<u>Ref.</u>	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
		<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operating:						
Salaries and Wages		104,774.60	104,774.60	99,145.07	5,629.53	
Other Expenses		999,335.00	999,335.00	946,683.63	52,651.37	
Total Operating	D-1	<u>1,104,109.60</u>	<u>1,104,109.60</u>	<u>1,045,828.70</u>	<u>58,280.90</u>	
Capital Improvements:						
Capital Outlay		60,000.00	60,000.00	60,000.00		
Total Capital Improvements	D-1	<u>60,000.00</u>	<u>60,000.00</u>	<u>60,000.00</u>		
Debt Service:						
Payment of Bond Principal		80,000.00	80,000.00	80,000.00		
Interest on Bonds		24,000.00	24,000.00	24,000.00		
Infrastructure Trust Principal and Interest		1,180,117.70	1,180,117.70	981,019.71		199,097.99
Total Debt Service	D-1	<u>1,284,117.70</u>	<u>1,284,117.70</u>	<u>1,085,019.71</u>		<u>199,097.99</u>
Deferred Charges and Statutory Expenditures						
Capital Ordinance Funding		300,000.00	300,000.00	300,000.00		
Statutory Expenditures:						
Contribution to:						
Social Security System (O.A.S.I.)		8,015.25	8,015.25	7,584.60	430.65	
Total Deferred Charges and Statutory Expenditures	D-1	<u>308,015.25</u>	<u>308,015.25</u>	<u>307,584.60</u>	<u>430.65</u>	
Total Sewer Utility Appropriations		<u>2,756,242.55</u>	<u>2,756,242.55</u>	<u>2,498,433.01</u>	<u>58,711.55</u>	<u>199,097.99</u>
					D	
Cash Disbursed	D-5			2,360,752.03		
Encumbrances Payable	D-14			113,680.98		
Accrued Interest	D-15			24,000.00		
				<u>2,498,433.01</u>		

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Washington, N.J.
Comparative Balance Sheet - Regulatory Basis
Public Assistance Fund
December 31, 2012 and 2011

	<u>Ref.</u>	<u>2012</u>	<u>2011</u>
<u>Assets</u>			
Cash	E-1	<u> </u>	<u>1,938.01</u>
<u>Liabilities and Reserves</u>			
Reserve for Public Assistance	E-5	<u> </u>	<u>1,938.01</u>

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

Borough of Washington, N.J.

Comparative Statement of General Fixed Assets - Regulatory Basis

December 31, 2012 and 2011

(Unaudited)

	Balance <u>Dec. 31, 2012</u>	Balance <u>Dec. 31, 2011</u>
<u>General Fixed Assets:</u>		
Land / Land Improvements		
Buildings	5,305,500.00	5,354,300.00
Machinery and Equipment	<u>3,890,880.00</u>	<u>3,878,000.00</u>
	<u>9,196,380.00</u>	<u>9,232,300.00</u>
 Investment in Fixed Assets	 <u>9,196,380.00</u>	 <u>9,232,300.00</u>

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

BOROUGH OF WASHINGTON, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements of the Borough of Washington have been prepared in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a comprehensive basis of accounting other than generally accepted accounting principles. 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 Borough accounts for its financial transactions through the following separate funds which differ from the fund structure required by GAAP.

A. Reporting Entity

The Borough of Washington (the "Borough") 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 Washington include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Washington, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Borough of Washington do not include operations of the library, first aid squads, local or regional school districts, inasmuch as their activities are administered by separate boards.

GASB has issued Statement No. 14 which requires the financial reporting entity to include both the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will, by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

However, the municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements. The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Borough do not include the volunteer Fire Department which is considered a component unit under GAAP. Complete financial statements of the above components can be obtained by contacting the Treasurer of the respective entity.

BOROUGH OF WASHINGTON, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting

The Borough uses funds, as required by the Division, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial administration by segregating transactions related to certain Borough functions or activities. An account group, on the other hand, is designed to provide accountability for certain assets and liabilities that are not recorded in those Funds.

The Borough has the following funds and account groups:

Current Fund - This fund accounts for resources and expenditures for governmental operations of a general nature, including Federal and State grants.

Trust Funds - Trust Funds are used to account for assets held by the government in a trustee capacity. Funds held by the Borough as an agent for individual, private organizations, or other governments are recorded in the Trust Funds.

Other Trust Fund - This fund is established to account for the assets and resources which are also held by the Borough as a trustee or agent for individuals, private organizations, other governments and/or other funds.

Animal Control Trust Fund - This fund is used to account for fees collected from dog and cat licenses and expenditures which are regulated by NJS 4:19-15.11.

General Capital Fund - This fund is used to account for the receipt and disbursement of funds used for acquisition or improvement of general capital facilities, other than those acquired in the Current Fund.

Sewer Utility Operating and Sewer Capital Fund - This fund was used to account for the operations and acquisition of capital facilities of the municipally owned Sewer Utility.

Public Assistance Fund - This fund is used to account for the 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 - To account for all fixed assets of the Borough. The Borough's infrastructure is not reported in the group.

BOROUGH OF WASHINGTON, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (continued)

Basis of Accounting

A modified accrual basis of accounting is followed by the Borough of Washington. Under this method of accounting revenues, except State/Federal Aid, are recognized when received and expenditure are recorded, when incurred. The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from generally accepted accounting principles (GAAP) applicable to local government units. The more significant differences are as follows:

Property Tax Revenues - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall subject to the provisions of the New Jersey Statutes enforce the lien by placing the property on a tax sale. Annual in rem tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Borough. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the taxes receivable and tax title liens that are uncollectible. GAAP requires tax revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Miscellaneous Revenues - Miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund, and Sewer Operating Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

BOROUGH OF WASHINGTON, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (continued)

Grant Revenues - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough's budget. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

Budgets and Budgetary Accounting

An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures for the Current Fund, and Sewer Operating Fund. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Borough and approved by the State Division of Local Government Services per N.J.S.A. 40-A:4 et seq.

The Borough is not required to adopt budgets for the following funds:

Animal Control Trust Fund
General Capital Fund

Public Assistance Trust Fund
Sewer Capital Fund

The governing body shall introduce and approve the annual budget not later than February 10, of the fiscal year. The budget shall be adopted not later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level. During the year several budget transfers were approved by the governing body.

Expenditures - Are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with an encumbrance accounting system. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations, at December 31, are reported as expenditures through the establishment of appropriation reserves unless canceled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.

BOROUGH OF WASHINGTON, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (continued)

Encumbrances - Contractual orders outstanding at December 31, are reported as expenditures through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures under GAAP.

Appropriation Reserves - Are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as additions to income. Appropriation reserves do not exist under GAAP.

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick pay are not recorded until paid. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations be recorded as a long-term obligation.

Property Acquired for Taxes - Is recorded in the Current Fund at the assessed valuation when such property was acquired and fully reserved. GAAP requires such property to be recorded in the General Fixed Assets Account Group at market value on the date of acquisition.

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.

Inventories - 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.

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within one year of the date acquired by the government. Investments are stated at cost and are limited by NJSA 40A:5-15.1(a).

Deferred Charges to Future Taxation Funded and Unfunded - Upon the authorization of capital projects, the Borough establishes deferred charges for the costs of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or non-funding of the authorized cost of capital projects. According to N.J.S.A. 40A:2-4, the Borough may levy taxes on all taxable property within the local unit to repay the debt. Annually, the Borough raises the debt requirements for that particular year in the current budget. As the funds are raised by taxation, the deferred charges are reduced.

BOROUGH OF WASHINGTON, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (continued)

Comparative Data - Comparative data for the prior year has been presented in the accompanying balance sheets and statements of operations in order to provide an understanding of changes in the Borough's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

Use of Estimates - The preparation of financial statements requires management of the Borough to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

General Fixed Assets - The Borough of Washington has developed a fixed asset accounting and reporting system, as promulgated by the Division of Local Government Services, which differs from generally accepted accounting principles

Fixed Assets used in Governmental operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain (infrastructure) general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets sidewalks and drainage systems are not capitalized.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

No depreciation has been provided for in the financial statements.

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.

GAAP requires that all fixed assets be capitalized at historical cost or estimated historical cost if actual historical cost is not available.

BOROUGH OF WASHINGTON, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. 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 which are required by the Division and which differ from the financial statements required by GAAP. In addition, the Division requires the financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from GAAP.

NOTE 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2012 statutory budget included a reserve for uncollected taxes in the amount of \$845,032.00. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2012 statutory budget was \$310,000.00.

Interdepartment budget transfers are not permitted prior to November 1. After November 1, budget transfers can be made in the form of a resolution and approved by the Borough Council.

N.J.S.A. 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. There were items of revenue and appropriation inserted into the annual budget for 2012; Clean Communities Grant for \$11,367.48; and Small Cities Grant for \$400,000.00.

The municipality may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need or public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budgets of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. During 2012, there were no special emergency appropriations.

BOROUGH OF WASHINGTON, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

NOTE 3: FIXED ASSETS (UNAUDITED)

The following schedule is a summarization of the changes in general fixed assets for the calendar year ended December 31, 2012.

	<u>Balance as of</u> <u>12/31/11</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance as of</u> <u>12/31/12</u>
Land, Land Improvements, & Buildings	\$5,354,300.00	\$ -	\$48,800.00	\$5,305,500.00
Machinery & Equipment	<u>\$3,878,000.00</u>	<u>17,825.00</u>	<u>4,945.00</u>	<u>3,890,880.00</u>
	<u>\$9,232,300.00</u>	<u>\$17,825.00</u>	<u>\$53,745.00</u>	<u>\$9,196,380.00</u>

NOTE 4: MUNICIPAL DEBT

The Local Bond law governs the issuance of bonds and notes to finance capital expenditures. General obligation bonds have been issued for the general capital fund. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond anticipation notes, which are issued to temporarily finance capital projects, must be paid off within ten years and five months or retired by the issuance of bonds.

The Borough's debt is summarized as follows:

Issued	<u>Year 2012</u>	<u>Year 2011</u>	<u>Year 2010</u>
General:			
Bonds, Notes & Loans	\$9,099,613.67	\$ 9,512,108.04	\$10,025,084.22
Sewer Utility:			
Bonds, Notes & Loans	<u>4,622,705.24</u>	<u>5,657,213.51</u>	<u>6,723,056.91</u>
Total Issued	<u>13,722,318.91</u>	<u>15,169,321.55</u>	<u>16,748,141.13</u>
Net Debt Issued	<u>\$13,722,318.91</u>	<u>\$15,169,321.55</u>	<u>\$16,748,141.13</u>

BOROUGH OF WASHINGTON, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

NOTE 4: MUNICIPAL DEBT (CONTINUED)

<u>Authorized But Not Issued</u>	<u>Year 2012</u>	<u>Year 2011</u>	<u>Year 2010</u>
General:			
Bonds and Notes	\$ 1,195.00	\$ 70,958.00	\$ 1,195.00
Sewer Utility:			
Bonds and Notes	<u>577,088.18</u>	<u>877,088.18</u>	<u>631,828.52</u>
Total Authorized But Not Issued	<u>578,283.18</u>	<u>948,046.18</u>	<u>633,023.52</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$14,300,602.09</u>	<u>\$16,117,367.73</u>	<u>\$17,381,164.65</u>

SUMMARY OF STATUTORY DEBT CONDITION - ANNUAL DEBT STATEMENT

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 statement net debt of 1.728%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	\$ 9,100,808.67	\$ 112,407.42	\$8,988,401.25
Sewer Utility Debt	5,199,793.42	5,199,793.42	-
Local School District Debt	2,960,000.00	2,960,000.00	-
Regional School District Debt	<u>4,868,902.10</u>	<u>4,868,902.10</u>	<u>-</u>
	<u>\$22,129,504.19</u>	<u>\$13,141,102.94</u>	<u>\$8,988,401.25</u>

Net Debt \$8,988,401.25 divided by equalized valuation basis per N.J.S. 40A:2-2 as amended, \$520,267,040.33 = 1.728%.

BORROWING POWER UNDER N.J.S. 40A:2-6 AS AMENDED

3 ½% of Equalized Valuation Basis (Municipal)	\$18,209,346.41
Net Debt	<u>8,988,401.25</u>
Remaining Borrowing Power	<u>\$ 9,220,945.16</u>

ANALYSIS OF AVERAGE EQUALIZED VALUATION

2012	520,267,040.33	
2011		556,822,869.00
2010		582,251,051.00

BOROUGH OF WASHINGTON, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

NOTE 4: MUNICIPAL DEBT (CONTINUED)

School Debt Deduction

School Debt is deductible up to the extent of 2.5% of the Average Equalized Assessed Valuation of real property for the Local and Regional School Districts.

CALCULATION OF "SELF-LIQUIDATING PURPOSE" SEWER UTILITY PER N.J.S. 40A:2-45

Cash Receipts from Fees, Rents or Other Charges for Year		\$3,073,370.53
Operating And Maintenance Costs	\$1,112,124.85	
Debt Service	<u>1,085,019.71</u>	
		<u>2,197,144.56</u>
Excess in Revenue		<u>\$ 876,225.97</u>

If there is an "excess in revenue" all such utility debt is deductible. If there is a deficit, then utility debt is not deductible to the extent of 20 times such deficit amount. The forgoing debt information is not in agreement with the Annual Debt Statement filed by the Chief Financial Officer. A updated copy will be filed.

The Borough's debt issued and outstanding on December 31, 2012 is as follows:

General Capital Fund:

\$328,750.00 Green Acres Trust Loan - dated October 17, 2002 with New Jersey Department of Environmental Protection. This loan is payable in semi-annual installments through July 2022. Interest is paid semi-annually at a rate of 2.00% per annum. The balance remaining as of December 31, 2012 was \$184,450.14.

\$283,200.00 Green Acres Trust Loan - dated March 4, 2009 with New Jersey Department of Environmental Protection. This loan is payable in semi-annual installments through December 31, 2026. Interest is paid semi-annually at a rate of 2.00% per annum. The balance remaining as of December 31, 2012 was \$234,163.53.

General Serial Bonds - \$5,590,000.00 of 2008 General Improvement Bonds - dated March 12, 2008. This bond is payable in annual installments through March 1, 2022. The interest is payable annually at variable interest rates. The balance remaining as of December 31, 2012 was \$5,145,000.00.

BOROUGH OF WASHINGTON, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

NOTE 4: MUNICIPAL DEBT (CONTINUED)

General Capital Fund (continued):

General Refunding Bonds - \$830,000.00 of 2012 General Refunding Bonds - dated April 1, 2012. This bond is payable in annual installments through April 1, 2016. The interest is payable semi-annually a rate of 2.00% per annum. The balance remaining as of December 31, 2012 was \$830,000.00.

General Improvement Bonds - \$2,706,000.00 of 2012 General Improvement Bonds - dated April 1, 2012. This bond is payable in annual installments through April 1, 2027. The interest is payable semi-annually at various rates from 2.00-2.60% per annum. The balance remaining as of December 31, 2012 was \$2,706,000.00.

Sewer Utility Capital Fund:

Wastewater Treatment Loans:

\$7,060,000.00 of 1998 Trust Loan dated August 1, 1998. This loan is payable in annual installments of \$425,000.00 to \$575,000.00 through August 2017. Interest is calculated at 5.00% and is included in the annual installments. The remaining balance as of December 31, 2012 was \$2,605,000.00.

\$1,075,000.00 of 1998 Trust Loan dated August 1, 1998. This loan is payable in annual installments of \$65,000.00 to \$85,000.00 through August 2017. Interest is calculated at 5.00% and is included in the annual installments. The remaining balance as of December 31, 2012 was \$385,000.00.

\$790,000.00 of 2002 Trust Loan dated October 15, 2002. This loan is payable in annual installments of \$35,000.00 to \$60,000.00 through August 2022. Interest is calculated at variable interest rates and is included in the annual installments. The remaining balance as of December 31, 2012 was \$500,000.00.

\$1,014,350.00 of 1998 Fund Loan dated August 1, 1998. This loan is payable in annual installments of \$11,047.73 to \$55,622.13 through August 2017. The remaining balance as of December 31, 2012 was \$228,786.18.

\$835,741.00 of 2002 Fund Loan dated October 15, 2002. This loan is payable in annual installments of \$41,418.99 to \$44,186.70 through August 2022. The remaining balance as of December 31, 2012 was \$425,919.06.

BOROUGH OF WASHINGTON, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

NOTE 4: MUNICIPAL DEBT (CONTINUED)

Sewer Revenue Bonds:

\$728,828.00 of 2008 Sewer Bonds Notes dated March 12, 2008. This loan is payable in annual installments of \$78,000.00 to \$80,000.00 through March 1, 2018. Interest is calculated at variable interest rates and is included in the annual installments. The remaining balance as of December 31, 2012 was \$478,000.00.

The Borough's long term debt consisted of the following at December 31, 2012:

General Obligation Bonds & Loan from the General Capital Account	\$ 9,099,613.67
Sewer Utility Loan from the Sewer Utility Capital Account	<u>4,622,705.24</u>
	<u>\$13,722,318.91</u>

**SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST FOR BONDED DEBT
ISSUED AND OUTSTANDING DECEMBER 31, 2012**

Calendar Year	General		Sewer Utility		Yearly Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	501,486.79	318,560.21	757,571.44	194,260.00	1,259,058.23	512,820.21
2014	582,119.68	294,441.24	787,106.88	161,560.00	1,369,226.56	456,001.24
2015	602,765.27	278,533.13	816,719.59	127,360.00	1,419,484.86	405,893.13
2016	628,423.86	261,537.05	846,002.95	91,760.00	1,474,426.81	353,297.05
2017	769,095.68	238,315.23	844,773.14	54,660.00	1,613,868.82	292,975.23
2018-2022	4,746,037.94	659,322.88	570,531.24	44,255.00	5,316,569.18	703,577.88
2023-2027	<u>1,269,684.45</u>	<u>75,273.78</u>			<u>1,269,684.45</u>	<u>75,273.78</u>
Total	<u>9,099,613.67</u>	<u>2,125,983.52</u>	<u>4,622,705.24</u>	<u>673,855.00</u>	<u>13,722,318.91</u>	<u>2,799,838.52</u>

Long-term debt as of December 31, 2012 consisted of the following:

	Balance Dec. 31, 2011	Additions	Reductions	Balance Dec. 31, 2012	Amount Due Within One Year
General Capital Fund:					
General Serial Bonds	\$ 6,275,000.00	\$3,536,000.00	\$1,130,000.00	\$8,681,000.00	\$470,000.00
Green Acres Trust Fund	<u>449,480.04</u>	<u>-</u>	<u>30,866.37</u>	<u>418,613.67</u>	<u>31,486.79</u>
	<u>6,724,480.04</u>	<u>\$3,536,000.00</u>	<u>\$1,160,866.37</u>	<u>\$9,099,613.67</u>	<u>\$501,486.79</u>

BOROUGH OF WASHINGTON, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

NOTE 4: MUNICIPAL DEBT (CONTINUED)

	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Amount Due</u> <u>Within One Year</u>
Sewer Capital Fund:					
General Serial Bonds	\$ 558,000.00	\$ -	\$ 80,000.00	\$ 478,000.00	\$ 80,000.00
Waste Sewer Loans	<u>5,099,213.51</u>	<u>-</u>	<u>954,508.27</u>	<u>4,144,705.24</u>	<u>677,571.44</u>
	<u>5,657,213.51</u>	<u>-</u>	<u>1,034,508.27</u>	<u>4,622,705.24</u>	<u>757,571.44</u>
Compensated Absences Payable	<u>121,891.10</u>	<u>8,544.25</u>	<u>19,679.50</u>	<u>110,755.85</u>	<u>-</u>
	<u>\$12,503,584.65</u>	<u>\$3,544,544.25</u>	<u>\$2,215,054.14</u>	<u>\$13,833,074.76</u>	<u>\$1,259,058.23</u>

NOTE 5: BOND ANTICIPATION NOTES

The Borough issues bond anticipation notes to temporarily fund various capital projects prior to the issuance of serial bonds. The term of the notes cannot exceed one year but the notes may be renewed from time to time for a period not exceeding one year. Generally, such notes must be paid no later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original notes. The State of New Jersey also prescribes that on or before the third anniversary date of the original note, a payment of an amount at least equal to the first legally payable installment of the bonds in anticipation of such notes were issued be paid or retired. A second and third legal installment must be paid if the notes are to be renewed beyond the fourth and fifth anniversary date of the original issuance.

The following activity related to bond anticipation notes occurred during the calendar year ended December 31, 2012.

	<u>Beginning</u> <u>Balance</u>	<u>Reduction</u>
Notes Payable:		
General Capital:		
PNC Bank	<u>\$2,787,628.00</u>	<u>\$2,787,628.00</u>

NOTE 6: TAX ANTICIPATION NOTES

Tax Anticipation Notes in the amount of \$1,165,000.00 issued April 4, 2012. The interest is payable annually at a rate of 1.75%. The balance remaining as of December 31, 2012 was \$1,165,000.00. The Borough did not renew this note upon maturity.

BOROUGH OF WASHINGTON, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

NOTE 7: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2012 which are appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2013 were as follows:

Current Fund	<u>\$704,500.00</u>
Sewer Utility Operating	<u>\$300,000.00</u>

NOTE 8: TAXES COLLECTED IN ADVANCE

Taxes collected in advance are recorded as cash liabilities in the financial statements. Following is a comparison of the liability for the previous two years:

	<u>Balance Dec 31, 2012</u>	<u>Balance Dec 31, 2011</u>
Prepaid Taxes	<u>\$24,985.81</u>	<u>\$35,955.77</u>
Cash Liability for Taxes Collected in Advance	<u>\$24,985.81</u>	<u>\$35,955.77</u>

NOTE 9: LOCAL AND REGIONAL DISTRICT SCHOOL TAXES

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the School District. The Borough of Washington has elected to defer school taxes.

	<u>Balance December 31, 2012</u>	<u>Balance December 31, 2011</u>
<u>Local District School Tax</u>		
Balance of Tax	\$2,079,318.23	\$2,057,809.75
Deferred	<u>1,966,586.02</u>	<u>1,966,586.02</u>
School Tax Payable	<u>112,732.21</u>	<u>\$ 91,223.73</u>
<u>Regional High School Tax</u>		
Balance of Tax	2,041,281.82	2,123,715.19
Deferred	<u>2,041,281.72</u>	<u>2,081,623.73</u>
School Tax Payable	<u>\$.10</u>	<u>\$ 42,091.46</u>

BOROUGH OF WASHINGTON, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

NOTE 10: PENSION PLANS

Description of Systems:

Substantially all of the Borough's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Police and Firemen's Retirement System (PFRS) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the State of New Jersey. The Public Employees' Retirement System and the Police and Firemen's Retirement System (PFRS) are considered a cost sharing multiple-employer plans. According to the State of New Jersey Administrative Code, all obligations of the systems will be assumed by the State of New Jersey should the systems terminate.

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to certain qualified members. Membership is mandatory for substantially all full time employees of the State 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. Vesting occurs after 8-10 years of service and 25 years for health care coverage. Members are eligible for retirement at age 60 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 60 with 25 or more years of credited service. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on contributions. In case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Chapter 103, P.L. 2007 amended the early retirement reduction formula for members hired on or after July 1, 2007 and retiring with 25 years of service to be reduced by 1% for every year between age 55 and 60, plus 3% for every year under age 55.

Chapter 89, P.L. 2008 increased the PERS eligibility age for unreduced benefits from age 60 to age 62 for members hired on or after November 1, 2008; increased the minimum annual compensation required for membership eligibility for new members. Also, it amended the early retirement reduction formula for members hired on or after November 1, 2008 and retiring with 25 years of service to be reduced by 1% for every year between age 55 and 62, plus 3% for every year under age 55.

Chapter 1, P.L. 2010, effective May 21, 2010, changed the membership eligibility criteria for new members of PERS from the amount of compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to 1/60 from 1/55, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be

BOROUGH OF WASHINGTON, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

NOTE 10: PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS), (continued)

earned for the highest paid position only. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined as 1/7th of the required amount, beginning in fiscal year 2012.

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Chapter 78, P.L. 2011, provides that new members of PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1% for each month that the member is under age 65. Tier 5 members will be eligible for a service retirement benefit at age 65.

Police and Firemens' Retirement System (PFRS)

The Police and Firemens' Retirement System was established in July 1944 under the provisions of N.J.S.A. 43:16A to provide retirement, death and disability benefits to its members. Membership is mandatory for all full time county and municipal police and firemen, and state firemen or officer employees with police powers appointed after June 30, 1944.

Enrolled members of the Police and Firemens' Retirement System may retire at age 55 with no minimum service requirement. The annual allowance is equal to 2% of the members' final compensation for each year of service up to 30 years, plus 1% of each year of creditable service over 30 years. Final compensation equals the compensation for the final year of service prior to retirement. Special retirement is permitted to members who have 25 or more years of creditable service in the system. Benefits fully vest on reaching 10 years of service. Members are always fully vested for their own contributions. In the case of death before retirement, members' beneficiaries are entitled to full payment of members' contributions.

Chapter 1, P.L. 2010, effective May 21, 2010 (Tier 2 members), eliminated the provision in PFRS that would permit a member to retire, at any age after 25 years of service credit, on a special retirement allowance of 70% of final compensation after the retirement system reaches a funded level of 104%. Also, for new members of PFRS, the law capped the maximum compensation that can be used to calculate a pension from the plan at the annual wage contribution base for Social Security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary.

BOROUGH OF WASHINGTON, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

NOTE 10: PENSION PLANS (CONTINUED)

Police and Firemens' Employees' Retirement System (PFRS) (continued)

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information for PERS and PFRS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Divisions of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

Contribution Requirements

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.5% for PERS. This amount will increase to 6.5% plus an additional 1% phased in over 7 years beginning 2012 and 8.5% for PFRS, which increased to 10% in October 2011, of the employee's annual compensation, as defined by law. Employers are required to contribute at an actuarially determined rate in all Funds except the SACT. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS and PFRS. In the PERS and PFRS, the employer contribution includes funding for post-retirement medical premiums.

The Borough's contribution to the various plans, equal to the required contributions for each year, were as follows:

<u>Year Ended December 31,</u>	<u>PERS</u>	<u>PFRS</u>
2012	\$142,903.00	\$ -
2011	136,453.00	-
2010	132,586.91	1,882.24

Defined Contribution Retirement Program

The Defined Contribution Retirement Program (DCRP) was established on July 1, 2007 for certain public employees under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. The program provides eligible members, with a minimum base salary of \$1,500.00 or more, with a tax-sheltered, defined contribution retirement benefit, in addition to life insurance and disability coverage. The DCRP is jointly administered by the Division of Pensions and Benefits and Prudential Financial.

If the eligible elected or appointed official will earn less than \$5,000.00 annually, the official may choose to waiver participation in the DCRP for that office or position. The waiver is irrevocable.

BOROUGH OF WASHINGTON, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

NOTE 10: PENSION PLANS (CONTINUED)

Defined Contribution Retirement Program (continued)

This retirement program is a new pension system where the value of the pension is based on the amount of the contribution made by the employee, employer and through investment earnings. It is similar to a Deferred Compensation Program where the employee has a portion of tax deferred salary placed into an account that the employee manages through investment option provided by the employer.

The law requires that three classes of employees enroll in the DCRP detailed as follows:

All elected officials taking office on or after July 1, 2007, except that a person who is reelected to an elected office held prior to that date without a break in service may retain in the PERS.

A Governor appointee with advice and consent of the Legislature or who serves at the pleasure of the Governor only during that Governor's term of office.

Other employees commencing service after July 1, 2007, pursuant to an appointment by an elected official or elected governing body which include the statutory untenured Chief Administrative Officer such as the Business Administrator, County Administrator, or Municipal or County Manager, Department Heads, Legal Counsel, Municipal or County Engineer, Municipal Prosecutor and the Municipal Court Judge.

Notwithstanding the foregoing requirements, other employees who hold a professional license or certificate or meet other exceptions are permitted to remain to join or remain in PERS.

Contributions made by employees for DCRP are currently at 5.5% of the base wages. Member contributions are matched by a 3.0% employer contribution.

There were 9 employees eligible to be enrolled in the DCRP as of December 31, 2012.

NOTE 11: ACCRUED SICK AND VACATION BENEFITS

The Borough of Washington has permitted employees to accrue unused sick pay, which may be taken as time off or paid at a later date at an agreed upon rate. It is estimated that the current cost of such unpaid compensation would be approximately \$110,755.85. This amount is not reported either as an expenditure or liability. However, it is expected that the cost of such unpaid compensation would be included in the Borough's budget operating expenditures in the year in which it is used.

BOROUGH OF WASHINGTON, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

NOTE 12: CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2012, \$-0- of the Borough's bank balance of \$6,233,690.09 was exposed to custodial credit risk.

Investments

Investment Rate Risk

The Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk

New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowance investments are Bonds of the United States of America, bonds or other obligations of the towns or bonds or other obligations of the local unit or units within which the Borough is located; obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk

The Borough places no limit on the amount the Borough may invest in any one issuer.

NOTE 13: RISK MANAGEMENT

The Borough is exposed to various risks of loss related to general liability, automobile coverage, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough has obtained insurance coverage to guard against these events which will provide minimum exposure to the Borough should they occur. During the 2012 calendar year, the Borough did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

BOROUGH OF WASHINGTON, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

NOTE 14: PUBLIC ASSISTANCE

The Borough of Washington has elected to have the County of Warren process all public assistance granted to the residents. Therefore, the Borough of Washington no longer has a public assistance director.

NOTE 15: HEALTH INSPECTIONS

The Borough of Washington has elected to have the County of Warren, Department of Health, do all the health inspections. Therefore, the Borough does not have a health inspector.

NOTE 16: DUE TO/FROM OTHER FUNDS

Balances due to/from other funds at December 31, 2012 consist of the following:

\$ 1,709.52	Due to Current Fund from Other Trust Fund for cash receipts and disbursements in the Current Fund.
20,596.07	Due to Federal and State Grant Fund from Current Fund for cash receipts in the Current Fund.
129.57	Due to Current Fund from Sewer Operating Fund for cash receipts and disbursements in the Current Fund.
<u>311,009.30</u>	Due to General Capital Fund from the Sewer Capital Fund for cash receipts and disbursements.
<u>\$333,444.46</u>	

It is anticipated that all interfunds will be liquidated during the calendar year.

BOROUGH OF WASHINGTON, NJ

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

NOTE 17: CONTINGENT LIABILITIES

The Borough of Washington counsel advises us of the following:

1. "Various claims by persons who have asserted tort claims against the Borough of Washington. These claims have been turned over to the insurance company and this firm is not familiar with the status of those claims, except that the insurance company has not advised us in writing that there are any claims that will exceed the policy limits or that there are any uncovered claims asserted.
2. Various tax appeals which are being handled by others.
3. The Borough is involved in litigation with First Surety Financial which claims that the contractor on the municipal garage site assigned to it all of the proceeds of the construction contract between the Borough and the contractor. When the contractor defaulted, the contractor instructed the Borough to pay any future payments due under the contract to the Borough's surety. First Surety Financial asserts those payments should have been made to it. The total amount that is claimed is not known at the present time but it is thought to be under \$500,000. The Borough has joined its surety as a party in the matter. The Borough has also asserted claims against its surety for certain liquidated damages claims the Borough has against the contractor. The surety has denied an obligation to pay these claims."

SUPPLEMENTARY DATA

BOROUGH OF WASHINGTON, N.J.

OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2012

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

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
Scott McDonald	Mayor	*
Patrick Boyle	Deputy Mayor	*
Jeanine Gleba	Councilperson	*
David Higgins	Councilperson	*
Robert Torres	Councilperson	*
Justin Jewell	Councilperson	*
John Valentine	Councilperson	*
Kristine Blanchard	Manager, Municipal Clerk, Licensing Official, Registrar, Search Officer	*
Patrick Stefanelli	Zoning Officer	*
Kay F. Stasyshan	Tax Collector	*
Natasha Turchan	CFO	*
Ryan Riccio	Tax Assessor, Tax Search Officer	*
Mike Stone	Code Enforcement	*
Andrew Holt	Engineer	
Richard P. Cushing, Esq.	Attorney	
Scott Willhelm	Public Defender	
Betty Wysocki	Animal Control Officer	*
Thomas M. Ferry, C.P.A., R.M.A.	Auditor	

* Public Employees Dishonesty Blanket Bond is in force covering each employee for \$1,000,000.00 issued by Fidelity and Deposit Company of Maryland, Statewide Insurance Fund, named insurer.

Borough of Washington
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2012

Federal Grantor/Pass-Through Grantor/ Program Title	Federal C.F.D.A Number	Program or Award Amount	Grant Period From/To	12/31/2011		Receipts	Expended	Receivable Cancelled	Reserve Cancelled	12/31/2012		MEMO Cumulative Total Expenditures
				(Receivable)	Reserve Balance					(Receivable)	Reserve Balance	
FEDERAL AND STATE GRANT FUND												
Federal Emergency Management Agency SLAHEOP GRANT	83.562	2,405.72	1/1/04-12/31/04		501.40				501.40			1,904.32
Department of Housing & Urban Development												
Pass Through State of New Jersey Department of Community Affairs												
Small Cities Program	14.2280	400,000.00	2/1/12-1/13/14				12,912.50			400,000.00	387,087.50	12,912.50
Small Cities Program	14.2280	169,000.00	4/1/09-8/31/10		21.71				21.71			168,978.49
				-	21.71	-	12,912.50	-	21.71	400,000.00	387,087.50	181,890.99
Department of Justice												
COPS More			1997	610.30				610.30				
Bulletproof Vest Partnership Program	16.607	1,792.50	1/1/09-12/31/09	1,792.50				1,792.50				1,792.50
Bulletproof Vest Partnership Program	16.607	700.00	1/1/08-12/31/08	700.00				700.00				700.00
Bulletproof Vest Partnership Program	16.607	2,430.00	1/1/04-12/31/04	236.08				233.08		3.00		2,430.00
				3,338.88	-	-	-	3,335.88	-	3.00	-	4,922.50
FEDERAL AND STATE GRANT FUND												
				3,338.88	523.11	-	12,912.50	3,335.88	523.11	400,003.00	387,087.50	188,717.81
GENERAL CAPITAL FUND												
Department of Housing & Urban Development												
Pass Through State of New Jersey Economic Development Initiative Grant	14.251	112,407.42	2005	112,407.42		112,407.42						112,407.42
TOTAL FEDERAL AID				115,746.30	523.11	112,407.42	12,912.50	3,335.88	523.11	400,003.00	387,087.50	301,125.23

Note: This schedule was not subject to an audit in accordance with Federal OMB Circular A-133.

Borough of Washington
 Schedule of Expenditures of State Awards
 For the Year Ended December 31, 2012

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From/To	12/31/2011		Receipts	Expended	Receivable Cancelled	Reserve Cancelled	12/31/2012		MEMO Cumulative Total Expenditures
				Receivable	Reserve Balance					Receivable	Reserve Balance	
FEDERAL AND STATE GRANT FUND												
NJ Department of Solid Waste Administration:												
Clean Communities	4900-765-042-4900-004-VCMC-6020	6,963.67	1/1/01-12/31/06		5,594.30		5,594.30					6,963.67
Clean Communities	4900-765-042-4900-004-VCMC-6020	463.34	1/1/07-12/31/07		463.34		463.34					463.34
Clean Communities	4900-765-042-4900-004-VCMC-6020	9,101.00	1/1/08-12/31/08		8,776.00		8,776.00					9,101.00
Clean Communities	4900-765-042-4900-004-VCMC-6020	11,708.57	1/1/09-12/31/09		11,708.57		2,068.62				9,639.95	2,068.62
Clean Communities	4900-765-042-4900-004-VCMC-6020	12,192.00	1/1/10-12/31/10		12,192.00						12,192.00	
Clean Communities	4900-765-042-4900-004-V42Y-6020	11,537.17	1/1/11-12/31/11		11,537.17						11,537.17	
Clean Communities	4900-765-042-4900-004-V42Y-6020	11,367.48	1/1/11-12/31/12			11,367.48					11,367.48	
Recycling Tonnage	4900-752-042-4900-001-V42Y-6020	484.00	1/1/06-12/31/06		484.00		484.00					484.00
Recycling Tonnage	4900-752-042-4900-001-V42Y-6020	4,574.64	1/1/07-12/31/07		4,574.64		4,574.64					4,574.64
Recycling Tonnage	4900-752-042-4900-001-V42Y-6020	773.18	1/1/08-12/31/08		773.18		38.01				735.17	38.01
Recycling Tonnage	4900-752-042-4900-001-V42Y-6020	7,674.04	1/1/09-12/31/09		7,674.04						7,674.04	
Recycling Tonnage	4900-752-042-4900-001-V42Y-6020	14,691.48	1/1/11-12/31/11		14,691.48						14,691.48	
Recycling Tonnage	4900-752-042-4900-001-V42Y-6020	5,846.10	1/1/12-12/31/12			5,846.10					5,846.10	
Municipal Stormwater Grant	4850-100-042-4850-116-42-6120	5,000.00			528.80				528.80			4471.20
Municipal Stormwater Regulation Grant	4850-100-042-4850-116-42-6120	5,000.00			5,000.00				5,000.00			
Cool Cities Tree Planting	07-100-042-4870-101-6120	25,000.00	2/1/07-2/1/09						3,860.00			21,140.00
Site Remediation Grant		122,920.00	1/1/04-12/31/04	116,545.00	55,213.62			116,545.00	55,213.62			67,706.38
Total NJ Department of Solid Waste Administration:				116,545.00	143,071.14	17,213.58	21,998.91	116,545.00	64,602.42		73,683.39	112,539.66
Highlands Water Protection and Planning Council:												
Planning Assistance COAH Third Round Grant	06-033-01	7,500.00	10/15/05-12/15/05		2,732.39				2,732.39			4,767.61
Highlands Water Protection & Planning	09-032-012-2121	5,000.00	1/1/10-12/31/10	5,000.00	5,000.00					5,000.00	5,000.00	
Total Highlands Water Protection and Planning Council				5,000.00	7,732.39				2,732.39	5,000.00	5,000.00	4,767.61
Department of Community Affairs:												
Municipal Alliance *		6,320.00	1/1/09-12/31/09	1,135.75		1,135.75						6,320.00
Municipal Alliance *		6,528.00	1/1/10-12/31/10	6,528.00		6,528.00						6,528.00
Municipal Alliance *		10,517.00	1/1/11-12/31/11	933.00	77.62	933.00					77.62	10,439.38
Municipal Alliance *		10,517.00	1/1/12-12/31/12			254.63	10,517.00			10,262.37		23,287.38
Total Department of Community Affairs				8,596.75	77.62	8,851.38	10,517.00			10,262.37	77.62	23,287.38
New Jersey Department of Transportation:												
Beethoven Avenue	6320-480-078-6320-AJQ-TCAP-6010	140,000.00	Continuous	140,000.00	140,000.00	89,645.21	140,000.00			50,354.79		
Department of Law and Public Safety:												
Domestic Violence Training Grant	760-098-9735-Y900-001	3,580.88	1/1/03-12/31/03		2,700.05				2,700.05			880.83
Alcohol Education and Rehabilitation Fund	9735-760-098-4900-001-X100-6020	3,853.16	2002 and Prior		3,853.16						3,853.16	
Alcohol Education and Rehabilitation Fund	9735-760-098-4900-001-X100-6020	375.00	2004 and Prior		347.21						347.21	
Total Department of Law and Public Safety					6,900.42				2,700.05		4,200.37	880.83
TOTAL FEDERAL AND STATE GRANT FUND - STATE AID				270,141.75	297,781.57	115,710.17	172,515.91	116,545.00	70,034.86	65,617.16	82,961.38	141,475.48
GENERAL CAPITAL FUND												
New Jersey Department of Transportation:												
Improvement to Washington Avenue (Ord. # 02-2007)	6320-480-078-6320-AJQ-TCAP-6010	498,265.00	Continuous		16,521.64		10,900.23				5,621.41	492,643.59
Total New Jersey Department of Transportation:					16,521.64		10,900.23				5,621.41	492,643.59
TOTAL GENERAL CAPITAL FUND					16,521.64		10,900.23				5,621.41	492,643.59
TOTAL STATE AID				270,141.75	314,303.21	115,710.17	183,416.14	116,545.00	70,034.86	65,617.16	88,582.79	634,119.07

Note: This schedule was not subject to an audit in accordance with N.J.OMB Circular 04-04.

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE

CURRENT FUND

	<u>Year 2012</u>		<u>Year 2011</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>Revenue and Other Income Realized</u>				
Fund Balance Utilized	310,000.00	1.57%	306,681.36	1.60%
Miscellaneous - From Other Than				
Local Property Tax Levies	1,351,720.33	6.86%	1,094,572.98	5.72%
Collection of Delinquent Taxes				
and Tax Title Liens	781,448.37	3.97%	561,586.56	2.94%
Collection of Current				
Tax Levy	16,647,650.06	84.54%	16,694,248.55	87.27%
Other Credits to Income	600,713.96	3.06%	471,696.07	2.47%
	<u>19,691,532.72</u>	<u>100.00%</u>	<u>19,128,785.52</u>	<u>100.00%</u>
<u>Expenditures</u>				
Budget Expenditures:				
Municipal Purposes	6,758,381.02	36.16%	6,573,739.75	35.01%
Local and Regional School Taxes	8,385,628.44	44.87%	8,434,711.20	44.91%
County Taxes	3,222,630.93	17.24%	3,382,467.69	18.01%
Special Improvement District Tax	200,000.00	1.07%	200,000.00	1.06%
Other Expenditures	121,506.45	0.66%	188,502.31	1.01%
	<u>18,688,146.84</u>	<u>100.00%</u>	<u>18,779,420.95</u>	<u>100.00%</u>
Statutory Excess to Fund Balance	1,003,385.88		349,364.57	
Fund Balance, January 1,	680,137.63		637,454.42	
	1,683,523.51		986,818.99	
Less:				
Utilized as Anticipated Revenue	310,000.00		306,681.36	
Fund Balance, December 31,	<u>1,373,523.51</u>		<u>680,137.63</u>	

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE

SEWER UTILITY OPERATING FUND

	<u>Year 2012</u>		<u>Year 2011</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>Revenue and Other Income Realized</u>				
Fund Balance Utilized	441,242.55	14.04%		
Rents	2,440,509.31	77.65%	2,254,288.64	88.71%
Miscellaneous	24,025.00	0.76%	22,000.00	0.87%
Reserve Capacity Charges	18,782.56	0.60%	24,215.85	0.95%
Industrial/Commercial Permit Fees	16,810.43	0.53%	21,628.37	0.85%
Other Credits to Income	201,671.97	6.42%	219,149.20	8.62%
	<u>3,143,041.82</u>	<u>100.00%</u>	<u>2,541,282.06</u>	<u>100.00%</u>
<u>Expenditures</u>				
Budget Expenditures:				
Operating	1,104,109.60	43.18%	962,335.00	43.71%
Capital Improvements	60,000.00	2.35%		
Debt Service	1,085,019.71	42.43%	1,139,524.56	51.75%
Deferred Charges and Statutory Expenditures	308,015.25	12.04%	100,000.00	4.54%
	<u>2,557,144.56</u>	<u>100.00%</u>	<u>2,201,859.56</u>	<u>100.00%</u>
Statutory Excess to Fund Balance	585,897.26		339,422.50	
Fund Balance, January 1,	778,276.29		438,853.79	
	1,364,173.55		778,276.29	
Less:				
Utilized as Anticipated Revenue	441,242.55		-	
Fund Balance, December 31,	<u>922,931.00</u>		<u>778,276.29</u>	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>Tax Rate:</u>	<u>4.600</u>	<u>4.670</u>	<u>4.488</u>
<u>Apportionment of Tax Rate:</u>			
Municipal	1.495	1.494	1.415
County	0.775	.816	.780
County Open Space	0.085	.094	.094
Local School	1.147	1.125	1.081
Regional School	1.098	1.141	1.118

Assessed Valuation

2012	371,768,899.00		
2011		372,149,461.00	
2010			374,253,624.00

COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

A study of this tabulation could 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>Currently</u>	
		<u>Collections</u>	<u>Percentage of Collection</u>
2012	17,454,813.23	16,647,650.06	95.37%
2011	17,588,983.61	16,694,248.55	94.91%
2010	17,023,522.23	16,333,251.45	95.95%

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 Delinquent Taxes</u>	<u>Amount of Tax Title Liens</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2012	739,109.32	913,734.48	1,652,843.80	9.47%
2011	802,987.98	844,382.18	1,647,370.16	9.37%
2010	589,847.80	764,723.75	1,354,571.55	7.96%

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

The value of property acquired by liquidation of tax title liens on December 31, on the basis of the last assessed valuation of such properties, was as follows:

<u>Year</u>	<u>Amount</u>
2012	138,600.00
2011	138,600.00
2010	138,600.00

COMPARISON OF SEWER UTILITY LEVIES

<u>Year</u>	<u>Levy</u>	<u>Collections</u>
2012	2,421,631.46	2,440,509.31
2011	2,375,494.36	2,254,288.64
2010	2,322,313.04	2,322,313.04

COMPARATIVE SCHEDULE OF FUND BALANCES

<u>Current Fund:</u>	<u>Year</u>	<u>Balance Dec. 31,</u>	<u>Utilized In Budget of Succeeding Year</u>
	2012	1,373,523.51	704,500.00
	2011	680,137.63	310,000.00
	2010	637,454.42	306,681.36
	2009	193,240.70	130,000.00
	2008	39,381.41	-
<u>Sewer Utility Operating Fund:</u>			
	2012	922,931.00	300,000.00
	2011	778,276.29	433,227.30
	2010	438,853.79	-
	2009	36,269.25	-
	2008	21,633.61	-

Borough of Washington, N.J.

Schedule of Cash - Treasurer

Current Fund

Year Ended December 31, 2012

	<u>Ref.</u>		<u>Current Fund</u>
Balance - December 31, 2011	A		3,568,951.75
Increased by Receipts:			
Miscellaneous Revenue Not Anticipated	A-2	48,334.77	
Taxes Receivable	A-6	17,342,826.85	
Tax Title Liens Receivable	A-7	3,111.70	
Revenue Accounts Receivable	A-11	922,566.21	
Due From State - Senior Citizen and Veteran Deductions	A-12	47,954.11	
Interfunds	A-13	358,538.63	
Tax Anticipation Note Payable	A-14	1,165,000.00	
Various Cash Liabilities and Reserves	A-16	19,914.04	
Prepaid Taxes	A-18	24,985.81	
			<u>19,933,232.12</u>
			23,502,183.87
Decreased by Disbursements:			
Current Year Budget Appropriations	A-3	5,844,216.12	
Interfunds	A-13	181,792.09	
Tax Anticipation Note Payable	A-14	2,000,000.00	
Appropriation Reserves	A-15	100,197.48	
Various Cash Liabilities and Reserves	A-16	33,787.50	
Encumbrances Payable	A-17	197,559.14	
County Taxes Payable	A-19	3,195,822.36	
Local School District Taxes Payable	A-20	4,241,214.52	
Regional High School Taxes Payable	A-21	4,164,996.80	
Special Improvement District Taxes Payable	A-22	200,000.00	
			<u>20,159,586.01</u>
Balance - December 31, 2012	A		<u><u>3,342,597.86</u></u>

Borough of Washington, N.J.
Schedule of Cash - Change Fund
Current Fund
Year Ended December 31, 2012

	<u>Ref.</u>	
Balance - December 31, 2011	A	<u>325.00</u>
Balance - December 31, 2012	A	<u>325.00</u>
<u>Analysis of Balance:</u>		
Tax Collector		100.00
Municipal Clerk		100.00
Recreation		<u>125.00</u>
		<u>325.00</u>

Borough of Washington, N.J.
Schedule of Taxes Receivable and Analysis of Property Tax Levy

Current Fund

Year Ended December 31, 2012

<u>Year</u>	Balance, Dec. 31,	<u>Levy</u>	<u>Added Taxes</u>	<u>Collected</u>		<u>Senior Citizen and Veteran Deductions</u>	<u>Transferred to Tax Title Liens</u>	<u>Cancelled</u>	Balance, Dec. 31,
	<u>2011</u>			<u>2011</u>	<u>2012</u>				<u>2012</u>
2010	11,772.71				250.00				11,522.71
2011	791,215.27		877.41		781,882.56	(3,795.89)			14,006.01
	<u>802,987.98</u>		<u>877.41</u>		<u>782,132.56</u>	<u>(3,795.89)</u>			<u>25,528.72</u>
2012		17,301,592.31	153,220.92	35,955.77	16,560,694.29	51,000.00	72,464.00	21,118.57	713,580.60
	<u>802,987.98</u>	<u>17,301,592.31</u>	<u>154,098.33</u>	<u>35,955.77</u>	<u>17,342,826.85</u>	<u>47,204.11</u>	<u>72,464.00</u>	<u>21,118.57</u>	<u>739,109.32</u>
	A			A-2;A-18	A-2;A-4	A-2;A-12	A-7		A

Analysis of Tax Levy

	<u>Ref.</u>	
Tax yield:		
General Purpose Tax		17,301,592.31
Added Tax (R.S. 54:4-63.1 et seq.)		<u>153,220.92</u>
		<u>17,454,813.23</u>
Tax Levy:		
County Tax	A-19	3,193,897.57
Added County Taxes	A-19	<u>28,733.36</u>
		3,222,630.93
Local District School Tax	A-20	4,262,723.00
Regional High School Tax	A-21	4,082,563.43
Special Improvement District Tax	A-22	<u>200,000.00</u>
		8,545,286.43
	A-2	<u>11,767,917.36</u>
Local Tax for Municipal Purposes	A-2	5,559,694.15
Additional Taxes		<u>127,201.72</u>
		5,686,895.87
		<u>17,454,813.23</u>

Borough of Washington, N.J.
Schedule of Tax Title Liens Receivable

Current Fund

Year Ended December 31, 2012

	<u>Ref.</u>	
Balance - December 31, 2011	A	844,382.18
Increased by:		
Transferred from 2012 Taxes Receivable	A-6	72,464.00
		<u>916,846.18</u>
Decreased by:		
Collected	A-4	3,111.70
		<u>913,734.48</u>
Balance - December 31, 2012	A	<u><u>913,734.48</u></u>

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**Schedule of Property Acquired for
Taxes Assessed Valuation**

Current Fund

Year Ended December 31, 2012

	<u>Ref.</u>	
Balance - December 31, 2011	A	<u><u>138,600.00</u></u>
Balance - December 31, 2012	A	<u><u>138,600.00</u></u>

Borough of Washington, N.J.
Schedule of Maintenance Liens Receivable
Current Fund

Year Ended December 31, 2012

Balance - December 31, 2011	<u>Ref.</u> A	<u><u>7,825.83</u></u>
Balance - December 31, 2012	A	<u><u>7,825.83</u></u>

Schedule of Labor Liens Receivable
Current Fund

Year Ended December 31, 2012

	<u>Ref.</u>	
Increased by:		
Labor Liens Accrued		11,956.21
Decreased by:		
Adjustment		<u>7,472.21</u>
Balance - December 31, 2012	A	<u><u>4,484.00</u></u>

Borough of Washington, N.J.

Schedule of Revenue Accounts Receivable

Current Fund

Year Ended December 31, 2012

	<u>Ref.</u>	Balance Dec. 31, 2011	<u>Accrued</u>	<u>Collected</u>	Balance Dec. 31, 2012
Clerk:					
Licenses:					
Alcoholic Beverages	A-2		5,184.00	5,184.00	
Other	A-2		2,145.00	2,145.00	
Fees and Permits	A-2		26,296.50	26,296.50	
Municipal Court :					
Fines and Costs	A-2	3,670.41	70,816.42	68,676.62	5,810.21
Tax Collector:					
Interest and Costs on Taxes	A-2		160,397.01	160,397.01	
Interest on Investments and Deposits	A-2		3,947.15	3,947.15	
Consolidated Municipal Property Tax					
Relief Aid	A-2		62,667.00	62,667.00	
Energy Receipts	A-2		530,709.00	530,709.00	
Animal Shelter Trust Fund	A-2		10,108.00	10,108.00	
General Capital Fund Balance	A-2		22,000.00	22,000.00	
Uniform Fire Safety Act	A-2		10,305.74	10,305.74	
Cable TV Gross Receipts	A-2		20,782.36	20,782.36	
		<u>3,670.41</u>	<u>925,358.18</u>	<u>923,218.38</u>	<u>5,810.21</u>
		A			A
Cash Receipts	A-4			922,566.21	
Interfund Receivable	A-13			652.17	
				<u>923,218.38</u>	

Borough of Washington, N.J.

**Schedule of Amount Due From State of New Jersey
for Senior Citizens' and Veterans' Deductions - CH. 73 P.L. 1976**

Current Fund

Year Ended December 31, 2012

	<u>Ref.</u>	
Balance - December 31, 2011	A	7,424.49
Increased by:		
Senior Citizens' and Veterans' Deductions Per Tax Billing		50,000.00
Senior Citizens' and Veterans' Deductions Per Tax Collector		<u>1,000.00</u>
		51,000.00
Less: Senior Citizens Deductions Disallowed By the Tax Collector - 2011 Taxes		<u>3,795.89</u>
	A-6	<u>47,204.11</u>
		<u>54,628.60</u>
Decreased by:		
State Share of Senior Citizens and Veteran Deductions Received in Cash	A-4	<u>47,954.11</u>
Balance - December 31, 2012	A	<u><u>6,674.49</u></u>

Borough of Washington, N.J.

Schedule of Interfunds Receivables/(Payables)

Current Fund

Year Ended December 31, 2012

<u>Fund</u>	<u>Ref.</u>	Due From/(To) Balance			Due From/(To) Balance	
		<u>Dec. 31, 2011</u>	<u>Increased</u>	<u>Decreased</u>	<u>Dec. 31, 2012</u>	
Federal and State Grants	A	(34,397.08)	238,549.05	252,350.06	(20,596.07)	
Other Trust	A	1,083.95	652.17	26.60	1,709.52	
General Capital Fund	A	242,801.86		242,801.86		
Sewer Utility Operating Fund	A	129.57			129.57	
		<u>209,618.30</u>	<u>239,201.22</u>	<u>495,178.52</u>	<u>(18,756.98)</u>	
<u>Analysis</u>						
Due From Current Fund	A-1	244,015.38			1,839.09	
Due To Current Fund		<u>(34,397.08)</u>			<u>(20,596.07)</u>	
		<u>209,618.30</u>			<u>(18,756.98)</u>	
Grant Receivables Cancelled	A-1		120,880.88			
Appropriated Grants Canceled	A-1			70,557.97		
Appropriations-Grants	A-3		1,958.00			
Received	A-4		115,710.17	242,828.46		
Disbursed	A-4			181,792.09		
Revenue Accounts Receivable	A-11		652.17			
			<u>239,201.22</u>	<u>495,178.52</u>		

Borough of Washington, N.J.

Schedule of Tax Anticipation Note

Current Fund

Year Ended December 31, 2012

<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance, Dec. 31, 2011</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance, Dec. 31, 2012</u>
3/15/13	1.75%	<u>2,000,000.00</u>	<u>1,165,000.00</u>	<u>2,000,000.00</u>	<u>1,165,000.00</u>
		A	A-4	A-4	A

Borough of Washington, N.J.
Schedule of Appropriation Reserves
Current Fund
Year Ended December 31, 2012

	Balance, Dec. 31, <u>2011</u>	Balance after <u>Transfers</u>	Total Paid or <u>Charged</u>	Balance <u>Lapsed</u>
<u>GENERAL GOVERNMENT</u>				
Administration and Executive:				
Other Expenses	2,659.33	2,659.33		2,659.33
Mayor and Council:				
Other Expenses	669.54	669.54		669.54
Elections (Clerk):				
Salaries and Wages	550.00	550.00		550.00
Other Expenses	1,142.41	1,142.41		1,142.41
Financial Administration:				
Salaries and Wages	1,500.00	1,500.00		1,500.00
Other Expenses	0.67	0.67		0.67
Annual Audit	1,130.00	1,130.00		1,130.00
Forensic Audit	12,500.00	12,500.00		12,500.00
Revenue Administration:				
Salaries and Wages	1,500.00	1,500.00		1,500.00
Other Expenses	0.81	0.81		0.81
Assessment of Taxes:				
Salaries and Wages	5,458.50	5,458.50		5,458.50
Other Expenses	10,037.38	10,037.38	649.96	9,387.42
Legal Services and Costs:				
Other Expenses	3,685.44	3,685.44	3,455.04	230.40
Engineering Services and Costs:				
Other Expenses	316.94	316.94		316.94
Planning Board:				
Other Expenses	403.57	403.57	143.75	259.82
Board of Adjustment:				
Salaries and Wages	2,371.50	2,371.50		2,371.50
Other Expenses	3,820.54	3,820.54		3,820.54
Local Code Enforcement:				
Salaries and Wages	1,871.50	1,871.50		1,871.50
Other Expenses	323.94	323.94		323.94
P.E.O.S.H.A. (P.L. 1983, C516)				
Other Expenses	731.00	731.00		731.00
Insurance:				
General Liability	648.00	648.00		648.00
Employee Group Health	42,941.65	42,941.65	2,485.00	40,456.65
<u>PUBLIC SAFETY</u>				
Fire				
Other Expenses:				
Misc. Other Expenses	206.33	206.33		206.33
Fire Hydrant Service	471.10	471.10		471.10

Borough of Washington, N.J.
Schedule of Appropriation Reserves
Current Fund
Year Ended December 31, 2012

	Balance, Dec. 31, <u>2011</u>	Balance after <u>Transfers</u>	Total Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Uniform Fire Safety Act (P.L. 1983,C.383):				
Fire and Safety Code Enforcement:				
Salaries and Wages	3,520.34	3,520.34	120.00	3,400.34
Other Expenses	653.37	653.37		653.37
Office of Emergency Management:				
Salaries and Wages	2,040.00	2,040.00		2,040.00
Other Expenses	1,000.00	1,000.00		1,000.00
<u>STREETS AND ROADS</u>				
Road Repairs and Maintenance:				
Salaries and Wages	44,017.95	44,017.95	44,017.95	
Other Expenses	5,937.57	5,937.57	5,937.57	
Shade Tree Commission:				
Other Expenses	763.99	763.99		763.99
Public Building and Grounds:				
Salaries and Wages	464.74	464.74		464.74
Other Expenses	1,414.53	1,414.53		1,414.53
<u>HEALTH AND WELFARE</u>				
Animal Control:				
Salaries and Wages	50.06	50.06		50.06
Park and Recreation:				
Recreation and Education				
Salaries and Wages	13,470.99	13,470.99		13,470.99
Celebration of Public Event, Anniversary or Holiday				
Other Expenses	148.00	148.00		148.00
<u>UNCLASSIFIED</u>				
Utility Expenses:				
Electricity	12,173.37	12,173.37		12,173.37
Natural Gas	10,549.30	10,549.30		10,549.30
Street Lighting & Traffic Lights	9,664.66	9,664.66	2,475.77	7,188.89
Solid Waste Disposal	88.40	88.40		88.40
Telephone	13,359.32	13,359.32		13,359.32
Water	4,712.66	4,712.66		4,712.66
Gasoline and Diesel Fuel	0.93	0.93		0.93
Deferred Charges and Statutory Expenditures				
Contribution to:				
Social Security System (O.A.S.I.)	16,354.10	16,354.10	26.01	16,328.09
Defined Contribution Retirement Program	1,764.43	1,764.43		1,764.43
Maintenance of Free Public Library:				
Salaries and Wages	22,845.95	22,845.95	22,845.95	
Other Expenses	18,040.48	18,040.48	18,040.48	
Total General Appropriation Reserves	<u>277,975.29</u>	<u>277,975.29</u>	<u>100,197.48</u>	<u>177,777.81</u>
	A		A-4	A-1

Borough of Washington, N.J.

Schedule of Various Cash Liabilities and Reserves

Current Fund

Year Ended December 31, 2012

<u>Liabilities and Reserves</u>	<u>Balance Dec. 31, 2011</u>	<u>Increased</u>	<u>Decreased</u>	<u>Canceled</u>	<u>Balance Dec. 31, 2012</u>
<u>Liabilities:</u>					
Accounts Payable	24,313.66			24,313.66	
Tax Overpayments	65,571.19	16,555.04	30,252.77		51,873.46
<u>Reserve for:</u>					
Tax Appeals	75,000.00				75,000.00
State Library Aid	4,223.61	2,859.00	3,534.73		3,547.88
Sale of Municipal Assets	9,400.00	500.00			9,900.00
	<u>178,508.46</u>	<u>19,914.04</u>	<u>33,787.50</u>	<u>24,313.66</u>	<u>140,321.34</u>
	A	A-4	A-4	A-1	A

Borough of Washington, N.J.
Schedule of Encumbrances Payable

Current Fund

Year Ended December 31, 2012

	<u>Ref.</u>	
Balance - December 31, 2011	A	234,487.03
Increased by:		
Transfer from Current Appropriations	A-3	177,694.96
		<u>412,181.99</u>
Decreased by:		
Cancelled to Surplus	A-1	36,927.89
Disbursements	A-4	197,559.14
		<u>234,487.03</u>
Balance - December 31, 2012	A	<u><u>177,694.96</u></u>

Schedule of Prepaid Taxes

Current Fund

Year Ended December 31, 2012

	<u>Ref.</u>	
Balance - December 31, 2011	A	35,955.77
Increased by:		
Receipts - Prepaid 2013 Taxes	A-4	24,985.81
		<u>60,941.58</u>
Decreased by:		
Applied to 2012 Taxes	A-6	35,955.77
		<u>24,985.81</u>
Balance - December 31, 2012	A	<u><u>24,985.81</u></u>

Borough of Washington, N.J.
Schedule of County Taxes Payable

Current Fund

Year Ended December 31, 2012

Balance - December 31, 2011	<u>Ref.</u> A		1,924.79
Increased by:			
Levy	A-6	3,193,897.57	
Added and Omitted Taxes	A-6	<u>28,733.36</u>	
	A-1		<u>3,222,630.93</u>
			<u>3,224,555.72</u>
Decreased by:			
Payments	A-4		<u>3,195,822.36</u>
Balance - December 31, 2012	A		<u><u>28,733.36</u></u>

Borough of Washington, N.J.
Schedule of Local School District Tax

Current Fund

Year Ended December 31, 2012

	<u>Ref.</u>		
Balance - December 31, 2011			
School Tax Deferred		1,966,586.02	
School Tax Payable	A	<u>91,223.73</u>	2,057,809.75
Increased by:			
Levy School Year July 1, 2012 to June 30, 2013	A-6		<u>4,262,723.00</u>
			<u>6,320,532.75</u>
Decreased by:			
Payments	A-4		<u>4,241,214.52</u>
Balance - December 31, 2012			
School Tax Payable	A	112,732.21	
School Tax Deferred		<u>1,966,586.02</u>	<u>2,079,318.23</u>
2012 Liability for Local Taxes Paid			4,241,214.52
Taxes Payable December 31, 2012			<u>112,732.21</u>
			<u>4,353,946.73</u>
Less:			
Taxes Payable December 31, 2011			<u>91,223.73</u>
Amount Charged to Operations	A-1		<u><u>4,262,723.00</u></u>

Borough of Washington, N.J.
Schedule of Regional High School Taxes Payable
Current Fund
Year Ended December 31, 2012

	<u>Ref.</u>		
Balance - December 31, 2011			
Tax Payable	A	42,091.46	
School Taxes Deferred		<u>2,081,623.73</u>	2,123,715.19
Increased by:			
Levy School Year July 1, 2012 to June 30, 2013	A-6		<u>4,082,563.43</u>
			<u>6,206,278.62</u>
Decreased by:			
Payments	A-4		<u>4,164,996.80</u>
Balance - December 31, 2012			
Tax Payable	A	0.10	
School Taxes Deferred		<u>2,041,281.72</u>	<u>2,041,281.82</u>
2012 Liability for Regional District School Tax:			
Taxes Paid			4,164,996.80
Taxes Payable-December 31, 2012			<u>0.10</u>
			<u>4,164,996.90</u>
Less:			
Taxes Payable-December 31, 2011			<u>42,091.46</u>
Amount Charged to Operations	A-1		<u><u>4,122,905.44</u></u>

A-22

Schedule of Special Improvement District Taxes Payable
Current Fund
Year Ended December 31, 2012

	<u>Ref.</u>		
Increased by:			
Levy- 2012	A-1;A-6		<u>200,000.00</u>
Decreased by:			
Payments	A-4		<u>200,000.00</u>

Borough of Washington, N.J.

Schedule of Interfunds Receivable (Payable)

Federal and State Grant Fund

Year Ended December 31, 2012

<u>Fund</u>	<u>Ref.</u>	<u>Balance Dec. 31, 2011</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2012</u>
Current Fund	A	<u>34,397.08</u>	<u>238,549.05</u>	<u>252,350.06</u>	<u>20,596.07</u>
Grants Receivable	A-24		109,864.07		
Grants Receivable Canceled	A-24		120,880.88		
Appropriated Grants	A-25			171,360.86	
Appropriated Grants Canceled	A-25			70,557.97	
Appropriated Grants - Matching Share	A-25		1,958.00		
Unappropriated Grants	A-26		5,846.10		
Encumbrances Payable	A-27			<u>10,431.23</u>	
			<u>238,549.05</u>	<u>252,350.06</u>	

Borough of Washington, N.J.

Schedule of Grants Receivable

Federal and State Grant Fund

Year Ended December 31, 2012

<u>Grant</u>	<u>Balance Dec. 31, 2011</u>	<u>Budget Revenue</u>	<u>Received</u>	<u>Transfer from Unappropriated Reserves</u>	<u>Canceled</u>	<u>Balance Dec. 31, 2012</u>
Municipal Alliance Grant	8,596.75	10,517.00	8,851.38			10,262.37
2005 Summer Recreation Program	500.00				500.00	
2006 Summer Recreation Program	500.00				500.00	
COPS More Program - 1997	610.30				610.30	
NJDOT - Beethoven Avenue	140,000.00		89,645.21			50,354.79
Clean Communities		11,367.48	11,367.48			
Recycling Tonnage		6,617.47		6,617.47		
N.J. Site Remediation Fund:	116,545.00				116,545.00	
Highlands Water Protection & Planning	5,000.00					5,000.00
Bulletproof Vest Program	2,728.58				2,725.58	3.00
Small Cities Grant		400,000.00				400,000.00
	<u>274,480.63</u>	<u>428,501.95</u>	<u>109,864.07</u>	<u>6,617.47</u>	<u>120,880.88</u>	<u>465,620.16</u>
	A	A-2	A-23	A-26	A-23	A

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Borough of Washington, N.J.

Schedule of Appropriated Reserves of Grants

Federal and State Grant Fund

Year Ended December 31, 2012

<u>Grant</u>	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Transfer</u> <u>From 2012</u> <u>Budget</u>	<u>Expended</u>	<u>Cancelled</u>	<u>Balance</u> <u>Dec. 31, 2012</u>
Recycling Tonnage Grant	21,579.87	6,617.47	5,096.65		23,100.69
Alcohol Education and Rehabilitation Fund	4,200.37				4,200.37
Municipal Alliance Grant:					
Local Share		1,958.00	1,858.00		100.00
State Share	77.62	10,517.00	10,517.00		77.62
Clean Communities Program	50,271.38	11,367.48	16,902.26		44,736.60
Domestic Violence Training	2,700.05			2,700.05	
Cool Cities Community Grant	3,860.00			3,860.00	
Small Cities Grant	21.71	400,000.00	12,912.50	21.71	387,087.50
Hazardous Discharge Site Redemption	55,213.62			55,213.62	
NJDOT - Beethoven Avenue	140,000.00		140,000.00		
SLAHEOP Grant	501.40			501.40	
Planning Assistance COAH	2,732.39			2,732.39	
Municipal Stormwater Regulation Grant	5,000.00			5,000.00	
Highlands Water Protection & Planning	5,000.00				5,000.00
Storm Water Management Programs	528.80			528.80	
	<u>291,687.21</u>	<u>430,459.95</u>	<u>187,286.41</u>	<u>70,557.97</u>	<u>464,302.78</u>
	A			A-23	A
	<u>Ref.</u>				
Budget Appropriations and State Grants	A-3	428,501.95			
Interfund - Current Fund	A-23	1,958.00	171,360.86		
Reserve for Encumbrances	A-27		15,925.55		
		<u>430,459.95</u>	<u>187,286.41</u>		

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Borough of Washington, N.J.

Schedule of Unappropriated Reserves for Grants

Federal and State Grant Fund

Year Ended December 31, 2012

<u>Grant</u>	<u>Balance Dec. 31, 2011</u>	<u>Transfer To Appropriated Reserves</u>	<u>Cash Received</u>	<u>Balance Dec. 31, 2012</u>
Recycling Tonnage Grant	<u>6,617.47</u> A	<u>6,617.47</u> A-24	<u>5,846.10</u> A-23	<u>5,846.10</u> A

Borough of Washington, N.J.
Schedule of Encumbrances Payable
Federal and State Grant Fund
Year Ended December 31, 2012

	<u>Ref.</u>	
Balance - December 31, 2011	A	10,573.03
Increased by:		
Charged to Appropriated Reserves	A-25	<u>15,925.55</u>
		26,498.58
Decreased by:		
Interfund Current Fund	A-23	<u>10,431.23</u>
Balance - December 31, 2012	A	<u><u>16,067.35</u></u>

Borough of Washington, N. J.

Schedule of Cash

Trust Funds

Year Ended December 31, 2012

	<u>Ref.</u>	<u>Assessment Trust Fund</u>	<u>Animal Control Trust Fund</u>	<u>Other Trust Funds</u>
Balance - December 31, 2011	B	<u>2,749.34</u>	<u>20,021.40</u>	<u>955,491.22</u>
Increased by Receipts:				
Dog License Fees - Borough	B-3		9,040.00	
Cat License Fees - Borough	B-3		1,420.00	
Dog Late Fees	B-3		2,649.00	
Dog License Fees - State Share	B-6		1,462.80	
Other Trust Funds	B-7			2,493,104.54
Interfund - Current Fund	B-5			1,057.49
Total Receipts			<u>14,571.80</u>	<u>2,494,162.03</u>
		<u>2,749.34</u>	<u>34,593.20</u>	<u>3,449,653.25</u>
Decreased by Disbursements:				
Interfund - Current Fund	B-5			431.92
Reserve for Animal Control Trust				
Fund Expenditures	B-3		14,239.00	
State Share - Dog Licenses	B-6		1,474.80	
Other Trust Funds	B-7			2,050,798.20
Total Disbursements			<u>15,713.80</u>	<u>2,051,230.12</u>
Balance - December 31, 2012	B	<u><u>2,749.34</u></u>	<u><u>18,879.40</u></u>	<u><u>1,398,423.13</u></u>

Borough of Washington, N. J.

Reserve/(Deficit) for Animal Control Trust Fund Expenditures

Trust Funds

Year Ended December 31, 2012

	<u>Ref.</u>		
Balance - December 31, 2011	B		19,997.40
Increased by:			
Dog License Fees	B-2	9,040.00	
Cat License Fees	B-2	1,420.00	
Dog Late Fees	B-2	2,649.00	
		<u>13,109.00</u>	<u>33,106.40</u>
Decreased by:			
Reserve for Animal Control Trust			
Fund Expenditures	B-2	14,239.00	
Encumbrances	B-4	1,928.60	
		<u>16,167.60</u>	<u>16,938.80</u>
Balance - December 31, 2012	B		<u><u>16,938.80</u></u>

License Fees CollectedYear

2011	9,990.00
2010	11,515.00
	<u>21,505.00</u>

Schedule of Animal Control Trust Encumbrances

Trust Funds

Year Ended December 31, 2012

	<u>Ref.</u>	
Increased by:		
Encumbrances	B-3	<u>1,928.60</u>
Balance - December 31, 2012	B	<u><u>1,928.60</u></u>

Borough of Washington, N. J.

Schedule of Interfund Receivable (Payable) - Current Fund

Trust Fund

Year Ended December 31, 2012

	Due (to) / from Balance <u>Dec. 31, 2011</u>	<u>Increased</u>	<u>Decreased</u>	Due (to) / from Balance <u>Dec. 31, 2012</u>
Other Trust Fund	<u>(1,083.95)</u>	<u>1,057.49</u>	<u>431.92</u>	<u>(1,709.52)</u>
	B	B-2	B-2	B

Borough of Washington, N. J.
Schedule of Due to State Department of Health

Trust Funds

Year Ended December 31, 2012

	<u>Ref.</u>	
Balance - December 31, 2011	B	24.00
Increased by:		
State Fees Collected	B-2	<u>1,462.80</u>
		1,486.80
Decreased by:		
Disbursements	B-2	<u>1,474.80</u>
Balance - December 31, 2012	B	<u><u>12.00</u></u>

Borough of Washington, N. J.

Schedule of Other Trust Funds

Trust Funds

Year Ended December 31, 2012

	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31, 2012</u>
Reserve for:				
Escrow Deposits	630,298.80	510,612.20	321,650.02	819,260.98
Municipal Alliance	2.79		2.79	
POAA	1,612.78	276.00		1,888.78
Recreation	45,552.92	102,865.11	122,625.90	25,792.13
Police Department Trust	5,310.44			5,310.44
Tax Sale Premiums	61,600.00	244,700.00	25,100.00	281,200.00
Public Defender	4,961.50	200.00		5,161.50
Fire Safety Bureau Trust	12,012.09	3,761.05	3,734.36	12,038.78
Police Donations	7,597.84			7,597.84
C.O.A.H.	33,013.91	2,528.56	10,000.00	25,542.47
Unemployment	56,402.69	29,484.87	10,234.38	75,653.18
Payroll	13,872.19	1,527,191.90	1,525,807.04	15,257.05
Comcast	25,000.00		714.72	24,285.28
WBFD Dedicated Penalty Trust		755.22	700.00	55.22
Snow Removal	57,169.32	70,729.63	44,872.94	83,026.01
Encumbrances		14,643.95		14,643.95
	<u>954,407.27</u>	<u>2,507,748.49</u>	<u>2,065,442.15</u>	<u>1,396,713.61</u>
	B			B
	<u>Ref.</u>			
Cash Receipts	B-2	2,493,104.54		
Cash Disbursements	B-2		2,050,798.20	
Encumbrances	B-7	<u>14,643.95</u>	<u>14,643.95</u>	
		<u>2,507,748.49</u>	<u>2,065,442.15</u>	

Borough of Washington, N. J.
Schedule of Prepaid Assessments
Trust Funds
Year Ended December 31, 2012

	<u>Ref.</u>	
Balance - December 31, 2011	B	<u><u>1,488.20</u></u>
Balance - December 31, 2012	B	<u><u>1,488.20</u></u>

Borough of Washington, N. J.

Schedule of Cash

General Capital Fund

Year Ended December 31, 2012

	<u>Ref.</u>		
Balance - December 31, 2011	C;C-3		94,932.34
Increased by Receipts:			
Capital Fund Balance	C-1	54,079.65	
Interfund - Sewer Capital Fund	C-5	400,000.00	
Budget Appropriation:			
Improvement Costs	C-9	69,763.00	
Capital Improvement Fund	C-10	12,500.00	
Reserve for Debt Service	C-13	112,407.42	
Serial Bonds	C-16	20,000.00	
		<u>668,750.07</u>	<u>668,750.07</u>
			<u>763,682.41</u>
Decreased by Disbursements:			
Capital Fund Balance	C-1	60,903.50	
Bond Issuance Costs	C-2	20,000.00	
Interfund - Current Fund	C-4	242,801.86	
Interfund - Sewer Operating Fund	C-6	150,000.00	
Capital Improvement Fund	C-10	664.36	
Improvement Authorizations	C-11	58,184.34	
		<u>532,554.06</u>	<u>532,554.06</u>
Balance - December 31, 2012	C;C-3		<u><u>231,128.35</u></u>

Borough of Washington, N. J.
Analysis of Cash
General Capital Fund
Year Ended December 31, 2012

	Balance Dec. 31, 2011	Receipts		Disbursements		Transfers		Balance Dec. 31, 2012
		Budget	Receipts Miscellaneous	Improvement Authorizations	Miscellaneous	To	(From)	
Fund Balance	42,954.43		54,079.65		60,903.50			36,130.58
Capital Improvement Fund	117,660.00	12,500.00			664.36		20,404.64	109,091.00
Contracts Payable	28,483.61					5,959.64		34,443.25
Encumbrances Payable						311,009.30		311,009.30
Reserve for Debt Service			112,407.42					112,407.42
Interfund - Current Fund	242,801.86				242,801.86			
Interfund - Sewer Capital Fund	(799,612.30)		400,000.00					(399,612.30)
Interfund - Sewer Operating Fund	150,000.00				150,000.00			
<u>Improvement Authorizations</u>								
<u>Ordinance</u>								
23-2002 Improvements to Myrtle Avenue	(1,195.00)							(1,195.00)
02-2007 Supplemental Amending 2005-1	16,521.64						10,900.23	5,621.41
08-2005 Various Improvements and Purposes	282.00							282.00
12-2005 Various Public Improvements and Acquisitions	7,584.47							7,584.47
07-2007 Various Improvements and Purposes	(64,778.27)		69,763.00	4,864.57				120.16
12-2007 Various Improvements and Purposes	309,064.30						309,064.30	
02-2008 Redevelopment Projects	729.45				711.86			17.59
05-2008 Various Improvements and Purposes	22,703.90				18,899.48	10,900.23		14,704.65
11-2008 Acq. of New and Additional Fire Apparatus	21,732.25				21,208.43			523.82
04-2012 Improvement to Recreation Facility					12,500.00	12,500.00		
	<u>94,932.34</u>	<u>12,500.00</u>	<u>636,250.07</u>	<u>58,184.34</u>	<u>454,369.72</u>	<u>340,369.17</u>	<u>340,369.17</u>	<u>231,128.35</u>
	C	C-2	C-2	C-2	C-2			C

Borough of Washington, N. J.
Schedule of Interfund Receivable (Payable) - Current Fund
General Capital Fund
Year Ended December 31, 2012

	<u>Ref.</u>	
Balance - December 31, 2011	C	<u><u>(242,801.86)</u></u>
Decreased by:		
Disbursement	C-2	<u><u>242,801.86</u></u>

Borough of Washington, N. J.

Schedule of Interfund Receivable (Payable) - Sewer Capital Fund

General Capital Fund

Year Ended December 31, 2012

	<u>Ref.</u>	
Balance - December 31, 2011	C	799,612.30
Decreased by:		
Cash Receipts	C-2	<u>400,000.00</u>
Balance - December 31, 2012	C	<u><u>399,612.30</u></u>

C-6

Schedule of Interfund Receivable (Payable) - Sewer Operating Fund

General Capital Fund

Year Ended December 31, 2012

	<u>Ref.</u>	
Balance - December 31, 2011	C	<u><u>(150,000.00)</u></u>
Decreased by:		
Cash Disbursed	C-2	<u><u>150,000.00</u></u>

Borough of Washington, N. J.
Schedule of Encumbrances Payable
General Capital Fund
Year Ended December 31, 2012

	<u>Ref.</u>		
Increased by:			
Capital Improvement Fund	C-10	1,945.00	
Improvement Authorizations	C-11	<u>309,064.30</u>	
			<u><u>311,009.30</u></u>
 Balance - December 31, 2012	 C		 <u><u>311,009.30</u></u>

Borough of Washington, N. J.

Schedule of Deferred Charges to Future
Taxation - Funded

General Capital Fund

Year Ended December 31, 2012

	<u>Ref.</u>	
Balance - December 31, 2011	C	6,724,480.04
Increased by:		
Serial Bonds Issued	C-16	<u>2,726,000.00</u>
		9,450,480.04
Decreased by:		
Funded by Budget Appropriation		
Green Acres Loan Payable	C-15	30,866.37
Serial Bonds Payable	C-16	<u>320,000.00</u>
		<u>350,866.37</u>
Balance - December 31, 2012	C	<u><u>9,099,613.67</u></u>

Borough of Washington, N. J.
Schedule of Deferred Charges to Future Taxation - Unfunded
General Capital Fund
Year Ended December 31, 2012

Analysis of
Balance
Dec. 31, 2012

Ord. No./Date	Improvement Description	Balance Dec. 31, 2011	Notes Paid by Budget Appropriation	Bonds Issued	Funded by Premium	Funded by Budget Appropriation	Balance Dec. 31, 2012	Expended
23-2002	Improvements to Myrtle Avenue	1,195.00					1,195.00	1,195.00
07-2007	Various Improvements	1,967,524.00	40,514.13	1,857,246.87		69,763.00		
02-2008	Redevelopment Projects	97,177.00	1,265.82	95,911.18				
05-2008	Various Improvements and Purposes	317,690.00	14,396.05	303,293.95				
11-2008	Acquisition of New and additional Fire Apparatus	475,000.00	25,000.00	449,548.00	452.00			
		<u>2,858,586.00</u>	<u>81,176.00</u>	<u>2,706,000.00</u>	<u>452.00</u>	<u>69,763.00</u>	<u>1,195.00</u>	<u>1,195.00</u>
		C	C-14	C-16	C-1	C-2	C	

Borough of Washington, N. J.
Schedule of Capital Improvement Fund
General Capital Fund
Year Ended December 31, 2012

	<u>Ref.</u>	
Balance - December 31, 2011	C	117,660.00
Increased by:		
Cash Receipts	C-2	<u>12,500.00</u>
		130,160.00
Decreased by:		
Preliminary Costs:		
Pleasant Valley Mill Dam	C-2	664.36
Encumbrances Payable	C-7	1,945.00
Contracts Payable	C-12	5,959.64
Appropriated to Finance		
Improvement Authorizations	C-11	<u>12,500.00</u>
		<u>21,069.00</u>
Balance - December 31, 2012	C	<u><u>109,091.00</u></u>

Borough of Washington, N. J.**Schedule of Contracts Payable****General Capital Fund****Year Ended December 31, 2012**

	<u>Ref.</u>	
Balance - December 31, 2011	C	28,483.61
Increased by:		
Capital Improvement Fund	C-10	<u>5,959.64</u>
Balance - December 31, 2012	C	<u><u>34,443.25</u></u>

Borough of Washington, N. J.
Schedule of Reserve for Debt Service
General Capital Fund
Year Ended December 31, 2012

	<u>Ref.</u>	
Increased by:		
Cash Receipts	C-2	<u>112,407.42</u>
Balance - December 31, 2012	C	<u>112,407.42</u>

Borough of Washington, N. J.

Schedule of Bond Anticipation Notes Payable

General Capital Fund

Year Ended December 31, 2012

<u>Ord. No./Date</u>	<u>Improvement Description</u>	<u>Date of Original Issue</u>	<u>Balance Dec. 31, 2011</u>	<u>Decreased</u>
07-2007	Various Improvements	11/28/07	1,897,761.00	1,897,761.00
02-2008	Redevelopment Project	09/18/08	97,177.00	97,177.00
05-2008	Various Improvements	09/18/08	317,690.00	317,690.00
11-2008	Acquisition of Fire Fighting Apparatus	08/27/09	475,000.00	475,000.00
			<u>2,787,628.00</u>	<u>2,787,628.00</u>

C

	<u>Ref.</u>	
Fund Balance	C-1	452.00
Paid by Budget Appropriation	C-9	81,176.00
Deferred Charges to Future Taxation- Unfunded	C-9	<u>2,706,000.00</u>
		<u>2,787,628.00</u>

Borough of Washington, N. J.
Schedule of Green Acres Trust Loan Payable
General Capital Fund
Year Ended December 31, 2012

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding Dec. 31, 2012</u>		<u>Interest Rate</u>	<u>Balance, Dec. 31, 2011</u>	<u>Decreased</u>	<u>Balance, Dec. 31, 2012</u>
			<u>Date</u>	<u>Amount</u>				
Green Acres Loan	10/17/2002	328,750.00	1/17/2013-1/17/2022 7/17/2013-7/17/2022	See Notes	2.00%	200,955.86	16,505.72	184,450.14
Green Acres Loan	3/4/2009	283,200.00	6/30/2013-6/30/2026 12/31/2013-12/31/2026	See Notes	2.00%	248,524.18	14,360.65	234,163.53
						<u>449,480.04</u>	<u>30,866.37</u>	<u>418,613.67</u>
						C	C-8	C

Borough of Washington, N. J.
Schedule of General Serial Bonds Payable
General Capital Fund
Year Ended December 31, 2012

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding, December 31, 2012		Interest Rate	Balance Dec. 31, 2011	Increased	Decreased	Balance Dec. 31, 2012
			Date	Amount					
General Improvement Bonds	#####	2,410,000.00	4/1/2013	195,000.00	4.500%	1,005,000.00		1,005,000.00	
			4/1/2014	205,000.00	4.600%				
			4/1/2015	205,000.00	4.650%				
			4/1/2016	205,000.00	4.700%				
General Improvement Bonds	#####	5,590,000.00	3/1/2013	140,000.00	4.500%	5,270,000.00		125,000.00	5,145,000.00
			3/1/2014	150,000.00	4.500%				
			3/1/2015	175,000.00	4.500%				
			3/1/2016	200,000.00	4.500%				
			3/1/2017	540,000.00	4.500%				
			3/1/2018	640,000.00	4.500%				
			3/1/2019	750,000.00	4.500%				
			3/1/2020	850,000.00	4.500%				
			3/1/2021	850,000.00	4.500%				
			3/1/2022	850,000.00	4.500%				
General Refunding Bonds	#####	830,000.00	4/1/2013	205,000.00	2.000%		830,000.00		830,000.00
			4/1/2014	215,000.00	2.000%				
			4/1/2015	205,000.00	2.000%				
			4/1/2016	205,000.00	2.000%				
General Improvement Bonds	#####	2,706,000.00	4/1/2013	125,000.00	2.00-2.60%				
			4/1/2014	185,000.00					
			4/1/2015-16	190,000.00					
			4/1/2017	195,000.00					
			4/1/2018-22	125,000.00					
			4/1/2023-25	250,000.00					
			4/1/2026	225,000.00					
			4/1/2027	221,000.00					
						<u>6,275,000.00</u>	<u>3,536,000.00</u>	<u>1,130,000.00</u>	<u>8,681,000.00</u>
						C			C

Issued for Cash	C-2;C-8	20,000.00	
Deferred Charges to Future Taxation - Funded	C-8	2,706,000.00	
Paid by Budget Appropriation	C-8		320,000.00
Refunding Bond		810,000.00	810,000.00
		<u>3,536,000.00</u>	<u>1,130,000.00</u>

Borough of Washington, N. J.
Schedule of Bonds and Notes Authorized But Not Issued
General Capital Fund
Year Ended December 31, 2012

<u>Ord.</u> <u>No./Date</u>	<u>Improvement Description</u>	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Funded by</u> <u>Budget</u> <u>Appropriation</u>	<u>Balance</u> <u>Dec. 31, 2012</u>
23-2002	Improvements to Myrtle Ave.	1,195.00		1,195.00
07-2007	Various Improvements and Purposes	69,763.00	69,763.00	
		<u>70,958.00</u>	<u>69,763.00</u>	<u>1,195.00</u>
			C-9	Footnote C

Borough of Washington, N. J.

Schedule of Cash

Sewer Utility Fund

Year Ended December 31, 2012

	<u>Ref.</u>	<u>Operating</u>	<u>Capital</u>
Balance - December 31, 2011	D;D-6	<u>881,382.79</u>	<u>54,016.30</u>
Increased by Receipts:			
Miscellaneous Revenue Not Anticipated	D-3	132,000.68	
Miscellaneous	D-3	24,025.00	
Reserve Capacity Charges	D-3	18,782.56	
Industrial/Commercial Permit Fees	D-3	16,810.43	
Consumer Accounts/Liens Receivable	D-8	2,434,936.75	
Interfund-Sewer Operating	D-10	0.44	
Interfund-General Capital	D-10	150,000.00	
Reserve for Capital Outlay	D-17		60,000.00
Reserve for Overpayments	D-18	101.72	
Budget Appropriation-Costs of Improvement Authorized Ord. #06-97	D-20		<u>300,000.00</u>
		<u>2,776,657.58</u>	<u>360,000.00</u>
		3,658,040.37	414,016.30
Decreased by Disbursements:			
Budget Appropriations	D-4	2,360,752.03	
Interfund - General Capital	D-10		400,000.00
Interfund-Sewer Operating	D-10		0.44
Encumbrances Payable	D-14	101,210.27	
Accrued Interest	D-15	23,310.00	
		<u>2,485,272.30</u>	<u>400,000.44</u>
Balance - December 31, 2012	D;D-6	<u><u>1,172,768.07</u></u>	<u><u>14,015.86</u></u>

Borough of Washington, N. J.

Analysis of Cash

Sewer Utility Capital Fund

Year Ended December 31, 2012

	Balance <u>Dec. 31, 2011</u>	<u>Receipts</u> <u>Budgeted</u>	<u>Disbursements</u> <u>Miscellaneous</u>	Balance <u>Dec. 31, 2012</u>
Fund Balance	4,431.73			4,431.73
Capital Improvement Fund	4,500.00			4,500.00
Reserve for Capital Outlay		60,000.00		60,000.00
Interfund - Sewer Operating Fund	0.44		0.44	
Interfund - General Capital Fund	799,612.30		400,000.00	399,612.30
Ord. <u>Improvement Authorizations</u>				
06-97 Improvements to Wastewater Treatment Plant	(877,088.18)	300,000.00		(577,088.18)
10-04 Improvement of Sanitary Sewer System	8,274.79			8,274.79
13-05 Various Public Improvements	31,139.22			31,139.22
11-07 Improvement of Sanitary Sewer System	83,146.00			83,146.00
	<u>54,016.30</u>	<u>360,000.00</u>	<u>400,000.44</u>	<u>14,015.86</u>
	D;D-5	D-5	D-5	D;D-5

Borough of Washington, N. J.
Schedule of Change Fund
Sewer Utility Operating Fund
Year Ended December 31, 2012

	<u>Ref.</u>	
Balance - December 31, 2011	D	75.00
Balance - December 31, 2012	D	75.00

Schedule of Consumer Accounts Receivable
Sewer Utility Operating Fund
Year Ended December 31, 2012

	<u>Balance Dec. 31, 2011</u>	<u>Charges</u>	<u>Transferred to Lien</u>	<u>Collections</u>	<u>Balance Dec. 31, 2012</u>
Consumer Accounts Receivable	373,529.12	2,421,631.46	1,874.32	2,440,509.31	352,776.95
	D		D-9		D
Rents Received		<u>Ref.</u>		2,434,936.75	
		D-5			
Overpayments Applied		D-18		5,572.56	
		D-3		2,440,509.31	

Borough of Washington, N. J.

Schedule of Sewer Liens

Sewer Utility Operating Fund

Year Ended December 31, 2012

	<u>Ref.</u>	
Balance - December 31, 2011	D	18,641.47
Increased by:		
Transferred from Receivable	D-8	<u>1,874.32</u>
Balance - December 31, 2012	D	<u><u>20,515.79</u></u>

Borough of Washington, N. J.

Schedule of Interfund Accounts Receivable (Payable)

Sewer Utility Fund

Year Ended December 31, 2012

	<u>Ref.</u>	<u>Sewer Operating Fund</u>			<u>Sewer Capital Fund</u>	
		<u>Current Fund</u>	<u>Sewer Capital Fund</u>	<u>General Capital Fund</u>	<u>General Capital Fund</u>	<u>Sewer Operating Fund</u>
Balance - December 31, 2011	D	<u>(129.57)</u>	<u>0.44</u>	<u>150,000.00</u>	<u>(799,612.30)</u>	<u>(0.44)</u>
Decreased by:						
Cash Disbursed	D-5				400,000.00	0.44
Cash Received	D-5		<u>0.44</u>	<u>150,000.00</u>		
			<u>0.44</u>	<u>150,000.00</u>	<u>400,000.00</u>	<u>0.44</u>
Balance - December 31, 2012	D	<u><u>(129.57)</u></u>	<u><u>0.44</u></u>	<u><u>150,000.00</u></u>	<u><u>(399,612.30)</u></u>	<u><u>0.44</u></u>

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Borough of Washington, N. J.

Schedule of Fixed Capital

Sewer Utility Capital Fund

Year Ended December 31, 2012

<u>Description</u>	<u>Balance Dec. 31, 2011</u>	<u>Balance Dec. 31, 2012</u>
Wastewater Treatment Plant Equipment	17,780,843.72 24,750.00 <u>17,805,593.72</u>	17,780,843.72 24,750.00 <u>17,805,593.72</u>
	D	D

Borough of Washington, N. J.
Schedule of Fixed Capital Authorized and Uncompleted
Sewer Utility Capital Fund
Year Ended December 31, 2012

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Ordinance</u>		<u>Balance,</u>	<u>Balance,</u>
		<u>Date</u>	<u>Amount</u>	<u>Dec. 31, 2011</u>	<u>Dec. 31, 2012</u>
10-04	Improvement of Sanitary Sewer System	06/14/04	40,000.00	40,000.00	40,000.00
13-05	Various Improvements	06/10/05	41,000.00	41,000.00	41,000.00
11-07	Improvement of Sanitary Sewer System	09/18/07	88,546.00	88,546.00	88,546.00
				<u>169,546.00</u>	<u>169,546.00</u>
				D	D

Borough of Washington, N. J.
Schedule of Appropriation Reserves
Sewer Utility Operating Fund
Year Ended December 31, 2012

	Balance, Dec. 31, <u>2011</u>	Balance after <u>Transfers</u>	Balance <u>Lapsed</u>
Operating: Other Expenses	<u>55,343.55</u>	<u>55,343.55</u>	<u>55,343.55</u>
	D		D-1

Borough of Washington, N. J.
Schedule of Encumbrances Payable
Sewer Utility Operating Fund
Year Ended December 31, 2012

	<u>Ref.</u>		
Balance - December 31, 2011	D		105,020.57
Increased by:			
Transfer from Budget	D-4		<u>113,680.98</u>
			218,701.55
Decreased by:			
Cancelled	D-1	3,810.30	
Cash Disbursed	D-5	<u>101,210.27</u>	
			<u>105,020.57</u>
Balance - December 31, 2012	D		<u><u>113,680.98</u></u>

Borough of Washington, N. J.
Schedule of Accrued Interest
Sewer Utility Operating Fund
Year Ended December 31, 2012

	<u>Ref.</u>	Totals	<u>Loans</u>	<u>Bonds</u>
Balance - December 31, 2011	D	76,598.25	68,925.75	7,672.50
Increased by:				
Budget Appropriations	D-4	<u>24,000.00</u>	<u> </u>	<u>24,000.00</u>
Decreased by:				
Disbursements	D-5	<u>23,310.00</u>	<u> </u>	<u>23,310.00</u>
Balance - December 31, 2012	D	<u><u>77,288.25</u></u>	<u><u>68,925.75</u></u>	<u><u>8,362.50</u></u>

<u>Principal Outstanding December 31, 2012</u>	<u>Interest Rate</u>	<u>From</u>	<u>To</u>	<u>Period in Days</u>	<u>Required Amount</u>	<u>Excess/ (Deficit)</u>	<u>Actual Amount</u>
<u>U.S.D.A. Rural Development Loan:</u>							
2,605,000.00	5.000%	8/1/12	12/31/12	152	54,994.44	366.50	55,360.95
385,000.00	5.000%	8/1/12	12/31/12	152	8,127.78	54.17	8,181.94
500,000.00	5.000%	10/15/12	12/31/12	77	5,347.22	35.64	5,382.86
					<u>68,469.44</u>	<u>456.31</u>	<u>68,925.75</u>
<u>Serial Bonds:</u>							
478,000.00	4.50%	9/1/2012	12/31/12	121	<u>7,229.75</u>	<u>1,132.75</u>	<u>8,362.50</u>

Borough of Washington, N. J.
Schedule of Improvement Authorizations
Sewer Utility Capital Fund
Year Ended December 31, 2012

ORD. No.	Improvement Description	Ordinance		Balance Dec. 31, 2011		Balance Dec. 31, 2012	
		Date	Amount	Funded	Unfunded	Funded	Unfunded
10-04	Improvement of Sanitary Sewer System	06/14/04	40,000.00	8,274.79		8,274.79	
13-05	Various Public Improvements	06/10/05	41,000.00	31,139.22		31,139.22	
11-07	Improvement of Sanitary Sewer System	09/18/07	88,546.00	83,146.00		83,146.00	
				<u>122,560.01</u>		<u>122,560.01</u>	
				D		D	

Borough of Washington, N. J.

Schedule of Reserves

Sewer Utility Capital Fund

Year Ended December 31, 2012

<u>Description</u>	<u>Increased</u>	<u>Balance Dec. 31, 2012</u>
Capital Outlay	<u>60,000.00</u>	<u>60,000.00</u>
	D-5	D

Borough of Washington, N. J.

Schedule of Reserves

Sewer Utility Fund

Year Ended December 31, 2012

<u>Description</u>	<u>Balance</u> <u>Dec. 31,2011</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31,2012</u>
Overpaid Sewer Charges	5,572.56	101.72	5,572.56	101.72
Accounts Payable	<u>10,517.44</u>		<u>10,517.44</u>	
	<u>16,090.00</u>	<u>101.72</u>	<u>16,090.00</u>	<u>101.72</u>
	D			D
Cancelled	D-1		10,517.44	
Cash Receipts	D-5	101.72		
Tax Overpayments Applied	D-8		5,572.56	
		<u>101.72</u>	<u>16,090.00</u>	

Borough of Washington, N. J.
Schedule of Capital Improvement Fund
Sewer Utility Capital Fund
Year Ended December 31, 2012

	<u>Ref.</u>	
Balance - December 31, 2011	D	4,500.00
Balance - December 31, 2012	D	4,500.00

Schedule of Reserve for Amortization
Sewer Utility Capital Fund
Year Ended December 31, 2012

	<u>Ref.</u>	
Balance - December 31, 2011	D	11,308,292.03
Increased by:		
Budget Appropriation - Costs of Improvements Authorized		
Ord. #06-97	D-5	300,000.00
USDA Rural Development Loan by Operating Budget	D-22	954,508.27
Serial Bonds Paid by Operating Budget	D-23	80,000.00
		1,334,508.27
Balance - December 31, 2012	D	12,642,800.30

Borough of Washington, N. J.
Schedule of Deferred Reserve for Amortization
Sewer Utility Capital Fund
Year Ended December 31, 2012

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Date of Ordinance</u>	<u>Balance, Dec. 31, 2011</u>	<u>Balance, Dec. 31, 2012</u>
10-04	Improvements to Sanitary Sewer	06/14/04	3,000.00	3,000.00
13-05	Various Improvements	06/10/05	41,000.00	41,000.00
11-07	Improvements to Sanitary Sewer	09/01/07	88,546.00	88,546.00
			<u>132,546.00</u>	<u>132,546.00</u>
			D	D

Borough of Washington, N. J.
Schedule of Wastewater Loans Payable
Sewer Utility Capital Fund
Year Ended December 31, 2012

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturities Outstanding December 31, 2012</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2011</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2012</u>
			<u>Date</u>	<u>Amount</u>				
Trust Loan - Project #S40706-03	08/01/98	7,060,000.00	2013	470,000.00	5.00%	3,055,000.00	450,000.00	2,605,000.00
			2014	495,000.00	5.00%			
			2015	520,000.00	5.00%			
			2016	545,000.00	5.00%			
			2017	575,000.00	5.00%			
Fund Project - Loan #S340706-03	08/01/98	6,458,430.00	2013	301,690.84	0.00%	301,691.41	301,691.41	
Trust Loan - Project #S340706-04	08/01/98	1,075,000.00	2013	70,000.00	5.00%	450,000.00	65,000.00	385,000.00
			2014	75,000.00	5.00%			
			2015	75,000.00	5.00%			
			2016	80,000.00	5.00%			
			2017	85,000.00	5.00%			
Fund Loan - Project #S340706-04	08/01/98	1,014,350.00	2013	54,702.76	0.00%	282,416.34	53,630.16	228,786.18
			2014	55,622.13	0.00%			
			2015	53,323.70	0.00%			
			2016	54,089.84	0.00%			
			2017	11,047.75	0.00%			

Borough of Washington, N. J.
Schedule of Wastewater Loans Payable
Sewer Utility Capital Fund
Year Ended December 31, 2012

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturities Outstanding December 31, 2012</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2011</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2012</u>
			<u>Date</u>	<u>Amount</u>				
Trust Loan - Project #S340706-05	10/15/02	790,000.00	2013	40,000.00	5.00%	540,000.00	40,000.00	500,000.00
			2014	40,000.00	5.00%			
			2015	45,000.00	5.00%			
			2016	45,000.00	5.00%			
			2017	50,000.00	5.00%			
			2018	50,000.00	5.00%			
			2019	55,000.00	5.00%			
			2020	55,000.00	5.00%			
			2021	60,000.00	5.00%			
			2022	60,000.00	4.75%			
Fund Loan - Project #S340706-05	10/15/02	835,741.00	2013	42,868.68	0.00%	470,105.76	44,186.70	425,919.06
			2014	41,484.75	0.00%			
			2015	43,395.89	0.00%			
			2016	41,913.11	0.00%			
			2017	43,725.39	0.00%			
			2018	42,077.87	0.00%			
			2019	43,725.39	0.00%			
			2020	41,913.11	0.00%			
			2021	43,395.88	0.00%			
			2022	41,418.99	0.00%			
						<u>470,105.76</u>	<u>44,186.70</u>	<u>425,919.06</u>
						<u>5,099,213.51</u>	<u>954,508.27</u>	<u>4,144,705.24</u>
						D	D-20	D

Borough of Washington, N. J.
Schedule of Sewer Serial Bonds Payable
Sewer Utility Capital Fund
Year Ended December 31, 2012

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities Outstanding December 31, 2012 Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2011</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2012</u>
Sewer Bonds	03/12/08	728,000.00	3/1/2013- 2017 03/01/18	80,000.00 78,000.00	4.50% 4.50%	<u>558,000.00</u>	<u>80,000.00</u>	<u>478,000.00</u>
						D	D-20	D

Borough of Washington, N. J.

Schedule of Bonds and Notes Authorized But Not Issued

Sewer Utility Capital Fund

Year Ended December 31, 2012

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Balance, Dec. 31,2011</u>	<u>Funded by Budget Appropriation</u>	<u>Balance, Dec. 31,2012</u>
06-97	Improvements to Wastewater Treatment Plant	<u>877,088.18</u>	<u>300,000.00</u> D-20	<u>577,088.18</u> Footnote D

Borough of Washington, N.J.

Schedule of Cash-Treasurer

Public Assistance Fund

Year Ended December 31, 2012

	<u>Ref.</u>	<u>P.A.T.F. Account #1</u>
Balance - December 31, 2011	E	<u>1,938.01</u>
Decreased by Disbursements: Reserves	E-5	<u>1,938.01</u>

Borough of Washington, N.J.

Schedule of Cash and Reconciliation Per N.J.S.A. 40A:5-5

Public Assistance Fund

Year Ended December 31, 2012

NOT APPLICABLE

Borough of Washington, N.J.
Schedule of Cash and Reconciliation
Public Assistance Fund
Year Ended December 31, 2012

	<u>Ref.</u>	
Balance - December 31, 2011	E-1	<u><u>1,938.01</u></u>
Decreased by Disbursements:		
Cash Disbursements Record	E-1	<u><u>1,938.01</u></u>

Borough of Washington, N.J.

Schedule of Expenditures - Cash Basis

Public Assistance Fund

Year Ended December 31, 2012

	P.A.T.F. <u>Account # 2</u>
Close Account to Current Fund	<u>1,938.01</u>
Total Disbursements (P.A.T.F.)	<u><u>1,938.01</u></u>
	E-1;E-5

Borough of Washington, N.J.
Schedule of Reserve for Public Assistance
Public Assistance Fund
Year Ended December 31, 2012

	<u>Ref.</u>	
Balance - December 31, 2011	E	<u><u>1,938.01</u></u>
Decreased by:		
Closed to Current Fund	E-4	<u><u>1,938.01</u></u>

BOROUGH OF WASHINGTON

*** * * * ***

PART II

**REPORT ON INTERNAL CONTROL AND ON COMPLIANCE
AND OTHER MATTERS**

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2012

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

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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

Honorable Mayor and
Members of the Borough Council
Borough of Washington
Washington, New Jersey 07882

We have audited the financial statements-regulatory basis of the Borough of Washington in the County of Warren as of and for the year ended December 31, 2012, and have issued our report thereon dated April 25, 2013. Our report disclosed that, as described in Note 1 to the financial statements-regulatory basis, the Borough of Washington 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 of accounting and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 of Washington's financial statements-regulatory basis are free of 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*.

In addition, we noted certain immaterial instances of noncompliance that we have reported to the management of the Borough of Washington in the accompanying comments and recommendations section of this report.

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 Borough of Washington internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Washington internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.



Thomas M. Ferry, C.P.A.
Registered Municipal Accountant
No. 497

Ferraioli, Wielkottz, Cerullo, + Cuva, P.A.
FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants

April 25, 2013



GENERAL COMMENTS

Cash Balances

Cash balances in all funds were verified by independent certificates obtained from the depositories as of December 31, 2012, and at April 25, 2013, in connection with the supplemental reconciliations made for all officials. Cash on hand was counted on that date.

Contracts and Agreements Required to be Advertised for N.J.S.A. 40A:11-4

N.J.S. 40A:11-3 states:

a. "When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution, as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids, except that the governing body of any contracting unit may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c.198 (C.40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

b. Any contracts made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to subparagraph (i) of paragraph (a) of subsection (1) of section 5 of P.L. 1971, c.198 (C.40A:11-5) may be awarded for a period not exceeding 12 consecutive months. The Division of Local Government Services shall adopt and promulgate rules and regulations concerning the methods of accounting for all contracts that do not coincide with the contracting unit's fiscal year.

c. The Governor, in consultation with the Department of the Treasury, shall, no later than March 1 of every fifth year beginning in the fifth year after the year in which P.L. 1999, c.440 takes effect, adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish, as set forth in subsection a. of this section, or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in section 2 of P.L. 1971, c.198 (C.40A:11-2), and shall round the adjustment to the nearest \$1,000. The Governor shall, no later than June 1 of every fifth year, notify each governing body of the adjustment. That adjustment shall become effective on July 1 of the year in which it is made."

N.J.S. 40A:11-4 states: "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body and subject to subsection b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder."

GENERAL COMMENTS (CONTINUED)

Contracts and Agreements Required to be Advertised for N.J.S.A. 40A:11-4 (continued)

Effective January 1, 2011, the bid threshold in accordance with N.J.S. 40A:11-3 and 40A:11-4 (as amended) is \$17,500.00 and with a qualified purchasing agent the threshold may be up to \$36,000.00.

The Governing Body of the Borough of Washington have the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year and where question arises as to whether any contract or agreement might result in violation of the statute, the Borough Attorney's opinion should be sought before a commitment is made.

The minutes indicated the bids were requested by public advertising per N.J.S. 40A:11-4. The minutes also indicated that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S. 40A:11-5.

Inasmuch as the system of records did not provide for the accumulation of payments for categories for the performance of any work or the furnishing or hiring of any material or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violation existed. None were noted.

Our review of the Borough's minutes indicated that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 40A:11-5.

Our examination of expenditures did not reveal any individual payments, contracts or agreements in excess of the statutory threshold "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.

The Borough is a member of a Cooperative Pricing Council organized in the surrounding area.

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 be delinquent.

The Governing Body on January 3, 2012 adopted the following resolutions authorizing interest to be charged on delinquent taxes:

RESOLUTION OF THE BOROUGH OF WASHINGTON, COUNTY OF WARREN, STATE OF NEW JERSEY, FIXING THE RATE OF INTEREST TO BE CHARGED ON DELINQUENT TAXES OF ASSESSMENTS

"WHEREAS, taxes are payable in quarterly installments on February 1st, May 1st, August 1st and November 1st in each year, and installments become delinquent if not paid on or before those dates".

GENERAL COMMENTS (CONTINUED)

Collection of Interest on Delinquent Taxes and Assessments (continued)

“BE IT THEREFORE RESOLVED, that Council does hereby authorize an interest charge not to exceed eight (8%) percent per annum on the first \$1,500.00 of the delinquency and eighteen (18%) percent per annum on any amount in excess of \$1,500.00 upon all delinquent installments; and

BE IT ALSO RESOLVED, that Council does hereby authorize a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000.00 who fails to pay that delinquency prior to the end of the calendar year. That penalty so fixed shall not exceed six (6%) percent of the amount of the delinquency.

BE IT FURTHER RESOLVED, that any installments received after the expiration of the grace period, and such grace period shall be the period starting with the second day and ending on the ten (10th) day of the month in which taxes are due, shall bear interest at the applicable interest rate from the original due date.

BE IT FURTHER RESOLVED, that the Tax Collector of the Borough of Washington is hereby authorized to conduct the annual sale of delinquent taxes for the Calendar Year 2012.

It appears from an examination of the Collector's records, that interest was collected in accordance with the forgoing resolution.

As part of the audit, an agreement between the Borough and Phillipsburg National Bank, dated October 12, 1992, effective January 1, 1993, established the Bank as the official Tax Receiving Agency, was reviewed. However, the statutes read that the Tax Receiving Agency can only accept current year tax payments. Therefore, the agreement between the bank and Borough was reviewed, and accepted by the Division of Local Government Services for their approval on February 4, 1993.

Delinquent Taxes and Tax Title Liens

The last tax sale was held on October 25, 2012 and was complete, except for properties in bankruptcy court.

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

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

<u>Year</u>	<u>Number of Liens</u>
2012	17
2011	18
2010	17

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.

A test verification of delinquent charges and current payments was made in accordance with the regulations of the Division of Local Government Services.

Verification of Delinquent Taxes and Other Charges

The result of the test, which was made as of December 31, 2012 is not yet known, but a separate report will be rendered if any irregularities are developed.

In addition, analytical review procedures were utilized to ascertain the validity of the receivables.

OTHER COMMENTS

Interfunds

1. Reference to various balance sheets show interfund balances remaining at year end. Transactions invariably occur in one fund which requires a corresponding entry to be made in another fund, thus creating interfund balances. As a general rule, all interfund balances should be closed out as of the end of year.

Management Response:

It is the Borough's policy to review and liquidate all interfund balances on a periodic basis.

Treasurer

1. There is a Deferred Charge to Future Taxation - Unfunded over five years old.

Management Response:

The Borough plans to make appropriations in future budgets to fund additional deferred charges unfunded.

2. There are tax overpayments on the balance sheet that need to be reviewed for possible cancellation.

Management Response:

Tax overpayments ledger will be reviewed and balances cancelled or applied.

RECOMMENDATIONS

1. That interfund balances be reviewed and liquidated on a periodic basis.
2. That the Deferred Charges to Future Taxation - Unfunded over five years old be cancelled or funded.
3. That tax overpayments be reviewed for possible cancellation.

Status of Prior Year's Audit Findings/Recommendations

A review was performed on all prior year's recommendations and corrective action was taken on all, with the exception of the following which is included in this years recommendations:

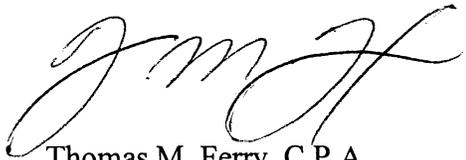
1. That interfund balances be reviewed and liquidated on a periodic basis.
2. That the Deferred Charges to Future Taxation - Unfunded over five years old be cancelled or funded.
3. That tax overpayments be reviewed for possible cancellation.

* * * * *

The problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to our comments or recommendations, or should you desire assistance in implementing the recommendations, please do not hesitate to call us.

Very truly yours,
Ferraioli, Wielkotz, Cerullo & Cuva, P.A.
Certified Public Accountants



Thomas M. Ferry, C.P.A.
Registered Municipal Accountant
No. 497

