

BOROUGH OF ROCKAWAY
FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION
DECEMBER 31, 2010

(With Independent Auditor's Report Thereon)

BOROUGH OF ROCKAWAY
YEAR ENDED DECEMBER 31 2010

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BOROUGH OF ROCKAWAY

PART I

REPORT OF AUDIT ON FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2010

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INDEPENDENT AUDITOR'S REPORT

June 29, 2011

The Honorable Mayor and
Members of the Borough Council
Borough of Rockaway
One East Main Street
Rockaway, New Jersey 07866

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Rockaway in the County of Morris, as of and for the years ended December 31, 2010 and 2009, and the related statements 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, 2010. These financial statements are the responsibility of the Borough's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed below, we conducted our audits 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, 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provides a reasonable basis for our opinion.

The Length of Service Awards Program of the Borough of Rockaway has not been audited, and we were not engaged to audit The Length of Service Awards Program financial statements as part of our audit of the Borough's financial statements.

As described in Note 1, these financial statements were prepared in conformity with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which practices differ from accounting principles generally accepted in the United States of America. The affect on the financial statements of the variances between the prescribed basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.



The Honorable Mayor and
Members of the Borough Council
June 29, 2011
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In our opinion, because of the Borough of Rockaway's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough of Rockaway, New Jersey as of December 31, 2010 and 2009 or the results of its operation for the years then ended.

However, in our opinion, the financial statements referred to above, with the exception of the Length of Services Awards Program present fairly, in all material respects, the financial position - regulatory basis of the various funds and account group of the Borough of Rockaway, New Jersey at December 31, 2010 and 2009, and the results of its operations and the changes in fund balance - regulatory basis of such funds for the years then ended and the statement of revenues - regulatory basis, and statement of expenditures - regulatory basis for the year ended December 31, 2010, on the basis of accounting described in Note 1.

In accordance with the Government Auditing Standards, we have also issued a report dated June 29, 2011 on our consideration of the Borough of Rockaway, New Jersey internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of Rockaway, State of New Jersey, taken as a whole. The accompanying supplementary information, schedules and exhibits listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of Rockaway, State of New Jersey. Such information has been subject to auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects, in relation to the financial statements taken as a whole, on the basis of accounting described in Note 1.



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

Ferraioli, Wielkutz, Cerullo, & Cova, P.A.

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



Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31, 2010 and 2009

<u>Assets</u>	<u>Ref.</u>	<u>2010</u>	<u>2009</u>
Current Fund:			
Cash and Cash Equivalents - Treasurer	A-4	1,762,752.97	1,830,963.37
Cash - Change Funds	A-6	100.00	200.00
		1,762,852.97	1,831,163.37
 Receivables and Other Assets with Full Reserves:			
Delinquent Taxes Receivable	A-7	309,068.59	410,172.19
Tax Title Liens Receivable	A-8	533,818.10	516,246.65
Property Acquired for Taxes - Assessed Valuation	A-9	961,500.00	961,500.00
Revenue Accounts Receivable	A-10	10,810.22	5,813.27
Outside Vendors Receivable	A-11	131,614.80	109,246.28
Interfund Receivables:			
Special Recreation Fund	A-12	77,500.39	37,074.40
Animal Control Trust	A-12	34.82	46.03
Water Operating Fund	A-12	155,903.94	
Public Assistance Trust Fund	A-12	19,295.63	19,290.96
Other Trust Fund	A-12	368,285.92	48,769.16
		2,567,832.41	2,108,158.94
 Deferred Charges:			
Overexpenditure of Improvement Authorization	A-13	61,482.94	99,874.77
		4,392,168.32	4,039,197.08
 Federal and State Grant Fund:			
Cash and Cash Equivalents - Treasurer	A-5	5,715.81	7,802.82
Federal and State Grants Receivable	A-22	33,201.66	23,349.91
Interfund - Current Fund	A-25	10,604.34	14,440.27
Interfund - Other Trust fund	A-26	1,000.00	1,000.00
		50,521.81	46,593.00
		4,442,690.13	4,085,790.08

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

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31, 2010 and 2009

	<u>Ref.</u>	<u>2010</u>	<u>2009</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Current Fund:			
Appropriation Reserves	A-3;A-14	192,503.62	153,218.46
Interfund Payables:			
Federal and State Grant Fund	A-12	10,604.34	14,440.27
General Capital Fund	A-12	416,012.09	283,631.16
Water Capital Fund	A-12	600,000.00	600,000.00
Amount Due to State of New Jersey for			
Senior Citizen's and Veteran's Deductions	A-15	8,695.72	8,425.01
Encumbrances Payable	A-16	134,496.17	142,781.36
Prepaid Taxes	A-17	202,823.55	169,824.14
School Taxes Payable	A-18		31,836.00
Tax Overpayments	A-21	2,808.72	3,777.43
Deposits for Redemption of Tax Sale Certificates	A-21		12,941.46
Revaluation	A-21	2,160.00	2,160.00
		<u>1,570,104.21</u>	<u>1,423,035.29</u>
Reserve for Receivables	Contra	2,567,832.41	2,108,158.94
Fund Balance	A-1	<u>254,231.70</u>	<u>508,002.85</u>
		<u>4,392,168.32</u>	<u>4,039,197.08</u>
Federal and State Grant Fund:			
Reserve for Federal and State Grants	A-23	14,621.17	14,621.17
Unappropriated Reserve for Grants	A-24	<u>35,900.64</u>	<u>31,971.83</u>
		<u>50,521.81</u>	<u>46,593.00</u>
		<u>4,442,690.13</u>	<u>4,085,790.08</u>

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

Borough of Rockaway, N.J.

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

Current Fund

Year Ended December 31, 2010 and 2009

	<u>Ref.</u>	<u>2010</u>	<u>2009</u>
Revenues and Other Income:			
Fund Balance Utilized	A-2	254,000.00	262,000.00
Miscellaneous Revenue Anticipated	A-2	1,092,598.98	1,346,695.31
Receipts from Delinquent Taxes	A-2	410,160.47	391,253.23
Receipts from Current Taxes	A-2	18,098,704.15	17,534,607.67
Non-Budget Revenue	A-2	164,399.26	80,146.00
Other Credits to Income:			
Due from Outside Vendors	A-11	5,075.00	
Unexpended Balance of Appropriation Reserves	A-14	91,479.30	53,618.95
Interfunds Returned	A-12	.11.21	108,648.08
		<u>20,116,428.37</u>	<u>19,776,969.24</u>
Total Revenues and Other Income			
Expenditures:			
Budget and Emergency Appropriations:			
Appropriations Within "CAP"			
Operations:			
Salaries and Wages	A-3	2,248,725.00	2,215,834.00
Other Expenses	A-3	2,265,774.00	2,205,611.00
Deferred Charges and Statutory Expenditures -	A-3	528,279.83	450,208.00
Appropriations Excluded from "CAP"			
Salaries and Wages	A-3	36,131.10	34,652.07
Other Expenses	A-3	487,744.86	594,035.75
Capital Improvement Fund	A-3	61,561.00	50,765.00
Debt Service	A-3	367,165.45	414,376.14
Local District School Tax	A-18	6,573,992.00	6,444,711.00
Regional High School Taxes	A-19	4,813,838.79	4,756,085.46
County Taxes	A-20	2,176,322.65	2,124,341.58
County Share of Added Taxes	A-20	13,369.96	15,235.21
Interfund Advanced	A-12	515,851.36	150,215.95
Due from Outside Vendors	A-11	27,443.52	17,331.34
		<u>20,116,199.52</u>	<u>19,473,402.50</u>
Total Expenditures			
Excess (Deficit) Revenue Over Expenditures		228.85	303,566.74
Adjustment to Income Before Fund Balance - Expenditures			
Included above Which are by Statute Deferred			
Charges to Budget of Succeeding Year			
		<u>228.85</u>	<u>303,566.74</u>
Statutory Excess to Fund Balance			
		228.85	303,566.74
Fund Balance, January 1,	A	508,002.85	466,436.11
		<u>508,231.70</u>	<u>770,002.85</u>
Decreased by:			
Fund Balance Utilized as Budget Revenue		254,000.00	262,000.00
		<u>254,000.00</u>	<u>262,000.00</u>
Fund Balance, December 31,	A	<u>254,231.70</u>	<u>508,002.85</u>

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

Borough of Rockaway, N.J.

Statement of Revenues - Regulatory Basis

Current Fund

Year Ended December 31, 2010

	Ref.	Budget	Realized	Excess or (Deficit)
Fund Balance Anticipated	A-1	<u>254,000.00</u>	<u>254,000.00</u>	
Miscellaneous Revenues:				
Licenses:				
Alcoholic Beverages	A-10	13,000.00	12,360.00	(640.00)
Other	A-2	31,000.00	32,912.98	1,912.98
Fees and Permits	A-2	31,000.00	32,331.29	1,331.29
Fines and Costs:				
Municipal Court	A-10	122,000.00	114,767.28	(7,232.72)
Interest and Costs on Taxes	A-4	105,000.00	91,938.87	(13,061.13)
Consolidated Municipal Property Tax Relief Aid	A-4	105,276.00	104,741.47	(534.53)
Energy Receipts Tax	A-4	441,719.00	441,719.00	
Uniform Construction Code Fees	A-10	83,000.00	81,625.00	(1,375.00)
Special Items of General Revenue Anticipated				
With Prior written Consent of Director of				
Local Government Services:				
Public and Private Revenues:				
Recycling Tonnage Grant	A-22	11,921.30	11,921.30	
Drunk Driving Enforcement Fund	A-22	6,724.10	6,724.10	
Clean Communities Program	A-22	2,176.43	2,176.43	
Safe and Secure Communities Program	A-22	29,407.00	29,407.00	
Walmart Grant - Reserve	A-22	1,000.00	1,000.00	
Over the Limit	A-22	5,700.00	5,700.00	
Municipal Alliance	A-22	2,500.00	2,500.00	
Clean Communities - 2010	A-22	8,565.86	8,565.86	
Body Armor - 2010	A-22	866.27	866.27	
Other Special Items:				
Uniform Fire Safety Act	A-4	25,593.40	23,331.72	(2,261.68)
School Resource Officer	A-4	70,000.00	70,000.00	
Other Trust Fund - Fire Prevention	A-12	8,410.41	8,410.41	
Fire Prevention Fines - 2010	A-12	9,600.00	9,600.00	
Total Miscellaneous Revenues	A-1	<u>1,114,459.77</u>	<u>1,092,598.98</u>	<u>(21,860.79)</u>
Receipts from Delinquent Taxes	A-1;A-2	<u>350,000.00</u>	<u>410,160.47</u>	<u>60,160.47</u>
Subtotal General Revenues		<u>1,718,459.77</u>	<u>1,756,759.45</u>	<u>38,299.68</u>
Amount to be Raised by Taxes for Support of				
Municipal Budget - Local Tax for Municipal				
Purposes Including Reserve for Uncollected Taxes	A-2	<u>4,748,914.60</u>	<u>4,993,115.33</u>	<u>244,200.73</u>
Budget Totals		<u>6,467,374.37</u>	<u>6,749,874.78</u>	<u>282,500.41</u>
Non-Budget Revenue	A-1;A-2		<u>164,399.26</u>	<u>164,399.26</u>
		<u>6,467,374.37</u>	<u>6,914,274.04</u>	<u>446,899.67</u>
		A-3		

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

Borough of Rockaway, N.J.

Statement of Revenues - Regulatory Basis

Current Fund

Year Ended December 31, 2010

Analysis of Realized Revenues

	<u>Ref.</u>	
Revenue from Collections	A-1;A-7	18,098,704.15
Allocated to School and County Taxes	A-7	<u>13,577,523.40</u>
Balance for Support of Municipal Budget Appropriations		4,521,180.75
Add : Appropriation - Reserve for Uncollected Taxes	A-3	<u>471,934.58</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>4,993,115.33</u>
Receipts from Delinquent Taxes:		
Delinquent Tax Collections	A-7	<u>410,160.47</u>
		A-2
Licenses - Other		
Clerk:	A-10	<u>32,912.98</u>
	A-2	<u>32,912.98</u>
Fees and Permits - Other:		
Clerk	A-10	2,521.59
Board of Health	A-10	8,345.00
Registrar	A-10	1,505.00
Fire Inspections	A-10	10,273.00
Tax Collector Searches	A-10	356.70
Planning Board / Board of Adjustment	A-10	<u>9,330.00</u>
	A-2	<u>32,331.29</u>

Analysis of Non-budget Revenues

	<u>Ref.</u>	
Miscellaneous Revenues Not Anticipated:		
CDRS		10,625.00
Administrative Costs Sen. Citizens & Veterans Ded.		1,432.62
Hotel Fees		4,110.51
Payment in Lieu		2,000.00
Road Opening		11,984.46
Miscellaneous		26,043.56
Sale of Assets		44,880.00
Cable TV Franchise Fees		<u>59,892.00</u>
	A-4	160,968.15
Interest on Investments	A-10	<u>3,431.11</u>
	A-2	<u>164,399.26</u>

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

Borough of Rockaway

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2010

	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>General Appropriations</u>						
Operations						
Mayor and Council						
Salaries and Wages		22,750.00	22,750.00	22,750.00		
Other Expenses		2,500.00	2,500.00	1,584.93	915.07	
Municipal Clerk						
Salaries and Wages		94,500.00	94,500.00	94,500.00		
Other Expenses		58,000.00	58,000.00	52,025.02	5,974.98	
Financial Administration						
Salaries and Wages		82,500.00	82,500.00	82,500.00		
Other Expenses		7,300.00	7,300.00	6,387.47	912.53	
Audit Services						
Other Expenses		15,600.00	15,600.00	15,600.00		
Collection of Taxes						
Salaries and Wages		51,050.00	51,050.00	51,050.00		
Other Expenses		7,900.00	7,900.00	5,550.48	2,349.52	
Assessment of Taxes						
Salaries and Wages		25,050.00	25,050.00	25,050.00		
Other Expenses		6,050.00	6,050.00	2,944.21	3,105.79	
Legal Services						
Other Expenses		75,000.00	75,000.00	75,000.00		
Engineering Services						
Other Expenses		18,000.00	18,000.00	15,512.50	2,487.50	
Public Building and Grounds						
Salaries and Wages		5,000.00	5,000.00	5,000.00		
Other Expenses		7,500.00	7,500.00	2,876.50	4,623.50	

Borough of Rockaway
Statement of Expenditures - Regulatory Basis
Current Fund
Year Ended December 31, 2010

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Board of Adjustment						
Salaries and Wages		5,000.00	5,000.00	5,000.00		
Other Expenses		2,500.00	2,500.00	1,789.05	710.95	
Zoning Enforcement						
Salaries and Wages		12,075.00	12,075.00	12,075.00		
Other Expense		450.00	450.00	155.00	295.00	
Police						
Salaries and Wages		1,568,000.00	1,568,000.00	1,568,000.00		
Other Expenses		114,920.00	114,920.00	93,856.18	21,063.82	
Alarm System - Police and Fire						
Other Expenses		120,000.00	120,000.00	119,563.41	436.59	
Emergency Management Assistance						
Other Expenses		2,800.00	2,800.00		2,800.00	
Volunteer Fire / Ambulance Department						
Other Expenses		70,300.00	70,300.00	68,721.21	1,578.79	
Fire Prevention / Uniform Fire Code						
Salaries and Wages		40,100.00	40,100.00	40,100.00		
Other Expense		28,150.00	28,150.00	27,598.42	551.58	
Streets and Road Maintenance						
Salaries and Wages		200,000.00	200,000.00	180,473.34	19,526.66	
Other Expenses		112,500.00	112,500.00	112,500.00		
Other Public Works Functions						
Other Expenses		5,500.00	5,500.00	3,484.30	2,015.70	
Building and Grounds						
Other Expenses		54,500.00	54,500.00	53,861.63	638.37	

Borough of Rockaway

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2010

	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Senior Citizens						
Salaries and Wages		8,500.00	8,500.00	8,500.00		
Other Expenses		5,000.00	5,000.00	5,000.00		
Shade Tree Commission						
Other Expenses		11,000.00	11,000.00	7,306.53	3,693.47	
Vehicle Maintenance						
Other Expenses		33,500.00	33,500.00	25,421.24	8,078.76	
Insurance						
General Liability		90,000.00	90,000.00	90,000.00		
Worker Compensation		62,900.00	62,900.00	62,900.00		
Employee Group Health		287,000.00	287,000.00	285,830.22	1,169.78	
Board of Health						
Salaries and Wages		2,450.00	2,450.00	2,450.00		
Other Expenses		161,738.00	161,738.00	155,563.70	6,174.30	
Administration of Public Assistance						
Salaries and Wages		7,800.00	7,800.00	7,800.00		
Other Expenses		500.00	500.00	92.85	407.15	
Recreation Commission (R.S. 40A12-1)						
Salaries and Wages		20,800.00	20,800.00	20,799.99	0.01	
Other Expenses		54,716.00	54,716.00	51,476.19	3,239.81	
Maintenance of Parks						
Other Expenses		37,000.00	37,000.00	33,381.77	3,618.23	
Celebration of Public Events						
Other Expenses		12,300.00	12,300.00	12,079.29	220.71	
Uniform Construction Code Enforcement						
Salaries and Wages		29,350.00	29,350.00	29,350.00		
Other Expenses		800.00	800.00	512.00	288.00	

Borough of Rockaway

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2010

	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>General Appropriations</u>						
Construction Code Official		46,500.00	46,500.00	46,500.00		
Salaries and Wages		1,350.00	1,350.00	609.05	740.95	
Other Expenses						
UNCLASSIFIED:						
Utilities:						
Electricity		52,000.00	52,000.00	52,000.00		
Street Lighting		87,000.00	87,000.00	87,000.00		
Telephone		35,000.00	35,000.00	34,755.08	244.92	
Gas (Natural or Propane)		22,000.00	22,000.00	18,373.32	3,626.68	
Gasoline and Diesel		35,000.00	35,000.00	33,744.83	1,255.17	
Solid Waste Disposal - Salaries and Wages		27,300.00	27,300.00	27,300.00		
Solid Waste Disposal - Other Expenses		567,000.00	567,000.00	563,444.99	3,555.01	
Total Operations {Item 8(A)} Within "CAPS"		4,513,999.00	4,513,999.00	4,407,699.70	106,299.30	
Contingent		500.00	500.00	165.90	334.10	
Total Operations Including Contingent Within "CAPS"		4,514,499.00	4,514,499.00	4,407,865.60	106,633.40	
Detail:						
Salaries and Wages	A-1	2,248,725.00	2,248,725.00	2,229,198.33	19,526.67	
Other Expenses (Including Contingent)	A-1	2,265,774.00	2,265,774.00	2,178,667.27	87,106.73	
Deferred Charges and Statutory Expenditures						
Deferred Charges						
Overexpenditure of Improvement Authorization		38,391.83	38,391.83	38,391.83		
Statutory Expenditures						
Public Employees' Retirement System		91,390.00	91,390.00	91,390.00		
Police and Firemens' Retirement System of N.J.		298,098.00	298,098.00	298,098.00		

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

Borough of Rockaway

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2010

	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>General Appropriations</u>						
Social Security System (O.A.S.I.)		100,000.00	100,000.00	100,000.00		
Defined Contribution Retirement Program		400.00	400.00		400.00	
Total Deferred Charges and Statutory Expenditures	A-1	528,279.83	528,279.83	527,879.83	400.00	
Total General Appropriations for Municipal Purposes Within "CAPS"		5,042,778.83	5,042,778.83	4,935,745.43	107,033.40	
Operations Excluded From "CAPS"						
Municipal Library		313,165.00	313,165.00	249,342.05	63,822.95	
Other Expenses		9,200.00	9,200.00		9,200.00	
Length of Service Awards Program		30,000.00	30,000.00	29,993.00	7.00	
Sewerage processing and disposal						
Shared Service Agreements:						
Municipal Court - Dover Township		90,000.00	90,000.00	90,000.00		
Total Other Operations - Excluded From "CAPS"		442,365.00	442,365.00	369,335.05	73,029.95	
Public and Private Programs Offset By Revenues						
Drunk Driving Enforcement Fund						
Police:						
Salaries and Wages		6,724.10	6,724.10	6,724.10		
Safe and Secure Communities Program (C.220 P.L. 1993)						
Police:						
Salaries and Wages		29,407.00	29,407.00	29,407.00		
Clean Communities		8,565.86	8,565.86	8,565.86		
Body Armor		866.27	866.27	866.27		

Borough of Rockaway

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2010

	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
General Appropriations						
Unappropriated Reserve - Recycling Tonnage		11,921.30	11,921.30	11,921.30		
Unappropriated Reserve - Clean Communities		2,176.43	2,176.43	2,176.43		
Unappropriated Reserve - Over the Limit		5,700.00	5,700.00	5,700.00		
Walmart Grant		1,000.00	1,000.00	1,000.00		
Municipal Alliance						
Other Expenses		2,500.00	2,500.00	2,500.00		
Safe and Secure Communities Program (C.220 P.L. 1993)						
Police						
Other Expenses		12,650.00	12,650.00	12,650.00		
Total Public and Private Programs Offset by Revenues		81,510.96	81,510.96	81,510.96		
Total Operations - Excluded From "Caps"		523,875.96	523,875.96	450,846.01	73,029.95	
Detail:						
Salaries and Wages	A-1	36,131.10	36,131.10	36,131.10		
Other Expenses	A-1	487,744.86	487,744.86	414,714.91	73,029.95	
Capital Improvements Excluded From "CAPS"						
Capital Improvements		10,000.00	10,000.00	10,000.00		
Recreation Equipment		6,790.00	6,790.00	5,742.20	1,047.80	
DPW Equipment		6,000.00	6,000.00	967.20	5,032.80	
Fire Department Equipment		18,746.00	18,746.00	18,746.00		
Police Department Equipment		14,025.00	14,025.00	10,629.00	3,396.00	
Buildings and Ground Equipment		6,000.00	6,000.00	3,036.33	2,963.67	
Total Capital Improvements Excluded from "CAPS"	A-1	61,561.00	61,561.00	49,120.73	12,440.27	

Borough of Rockaway

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2010

	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>General Appropriations</u>						
Municipal Debt Service Excluded from "CAPS"						
Payment of Bond Principal		235,000.00	235,000.00	235,000.00		
Payment of Bond Anticipation Notes		51,285.00	51,285.00	51,285.00		
Interest on Bonds		60,288.00	60,288.00	60,287.50		0.50
Interest on Notes		20,651.00	20,651.00	20,592.95		58.05
Total Municipal Debt Service Excluded From "CAPS"	A-1	367,224.00	367,224.00	367,165.45		58.55
Total General Appropriations Excluded from "CAPS"		952,660.96	952,660.96	867,132.19	85,470.22	58.55
Subtotal General Appropriations		5,995,439.79	5,995,439.79	5,802,877.62	192,503.62	58.55
Reserve for Uncollected Taxes	A-2	471,934.58	471,934.58	471,934.58		
Total General Appropriations		6,467,374.37	6,467,374.37	6,274,812.20	192,503.62	58.55
			A-2		A	
<u>Analysis of Paid or Charged</u>						
Reserve for Uncollected Taxes	A-2			471,934.58		
Cash Disbursed	A-4			5,466,532.39		
Encumbrances Payable	A-16			134,496.17		
Schedule of Interfunds	A-12			94,596.27		
Schedule of Deferred Charges	A-13			38,391.83		
Reserve for Federal & State Grants	A-23			68,860.96		
				6,274,812.20		

Borough of Rockaway

Comparative Balance Sheet - Regulatory Basis

Trust Funds

December 31, 2010 and 2009

<u>Assets</u>	<u>Ref.</u>	<u>2010</u>	<u>2009</u>
Animal Control Trust:			
Cash - Treasurer	B-1	15,210.82	12,014.39
Other Trust Funds:			
Cash	B-1	425,105.91	239,636.82
Interfund - Public Assistance	B-2	500.00	500.00
Escrow Accounts Receivable	B-3	18,875.64	74,744.89
		444,481.55	314,881.71
Emergency Services Volunteer Length of Service Award Program (Unaudited)			
Cash	B-1	117,374.68	89,978.78
Contributions Receivable	B-9	10,600.00	10,800.00
		127,974.68	100,778.78
<u>Total Assets</u>		587,667.05	427,674.88

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

Borough of Rockaway

Comparative Balance Sheet - Regulatory Basis

Trust Funds

December 31, 2010 and 2009

<u>Liabilities, Reserves & Fund Balance</u>	<u>Ref.</u>	<u>2010</u>	<u>2009</u>
Animal Control Trust:			
Prepaid Animal Licenses	B-4	1,072.00	1,815.00
Interfund - Current Fund	B-5	34.82	46.03
Due To State of New Jersey	B-7	13.20	31.00
Reserve for Animal Control			
Trust Fund Expenditures	B-8	14,090.80	10,122.36
		15,210.82	12,014.39
Other Trust Fund:			
Interfund - Current Fund -			
Other Trust Funds	B-2	368,285.92	48,769.16
Interfund - Federal and State Grant Fund	B-2	1,000.00	1,000.00
Various Reserves	B-6	74,372.63	259,686.55
Due To State	B-6	823.00	5,426.00
		444,481.55	314,881.71
Emergency Services Volunteer Length of			
Service Award Program (Unaudited)			
Net Assets Available for Benefits	B-10	127,974.68	100,778.78
		587,667.05	427,674.88
<u>Total Liabilities, Reserves and Fund Balance</u>			

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

Borough of Rockaway

Comparative Balance Sheet - Regulatory Basis

General Capital Fund

December 31, 2010 and 2009

	<u>Ref.</u>	<u>2010</u>	<u>2009</u>
<u>Assets</u>			
Cash	C-2;C-3	(47,622.46)	496,212.17
Due from State of N.J. - Department of Transportation	C-4	130,000.00	134,521.72
Due from Morris County: Community Development Revenue Sharing Grant	C-6	80,000.00	80,540.00
Deferred Charges to Future Taxation:			
Funded	C-5	1,537,000.00	1,772,000.00
Unfunded	C-7	2,277,280.00	2,131,915.00
Due from Current Fund	C-13	416,012.09	283,631.16
Due From Special Recreation Fund	C-14	2,705.00	2,705.00
Due From Water Operating Fund	C-15	272,648.89	16,150.00
		<u>4,668,023.52</u>	<u>4,917,675.05</u>
<u>Liabilities, Reserves and Fund Balance</u>			
General Serial Bonds	C-8	1,537,000.00	1,772,000.00
Bond Anticipation Notes	C-9	2,055,890.00	2,107,175.00
Improvement Authorizations:			
Funded	C-10	182,961.01	176,758.16
Unfunded	C-10	743,709.47	622,725.05
Capital Improvement Fund	C-11	6,050.00	6,400.00
Due to Water Capital Fund	C-12	137,805.80	228,009.60
Fund Balance	C-1	4,607.24	4,607.24
		<u>4,668,023.52</u>	<u>4,917,675.05</u>

Footnote: There were Bonds and Notes Authorized But Not Issued
in the Amount of \$221,390.00 on December 31, 2010

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

Borough of Rockaway
Statement of Changes in Fund Balance - Regulatory Basis
General Capital Fund
Year Ended December 31, 2010

	<u>Ref.</u>	
Balance - December 31, 2009	C;C-3	<u><u>4,607.24</u></u>
Balance - December 31, 2010	C;C-3	<u><u>4,607.24</u></u>

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

Borough of Rockaway
Comparative Balance Sheet - Regulatory Basis

Water Utility Fund

December 31, 2010 and 2009

	<u>Ref</u>	<u>2010</u>	<u>2009</u>
<u>Assets</u>			
Operating Fund:			
Cash	D-5	261,966.03	142,381.05
Change Fund	D-7	100.00	100.00
Interfund - Water Capital Fund	D-12	409,375.15	242,721.10
		671,441.18	385,202.15
Receivables with Full Reserves:			
Consumer Accounts Receivable	D-8	129,153.08	128,026.89
Deferred Charges:			
Overexpenditure of Appropriation Reserves	D-10	22,101.58	6,513.40
Overexpenditure of Appropriations Payable	D-10	16,879.17	
Operating Deficit	D-10	9,152.24	
		48,132.99	6,513.40
Total Operating Fund		848,727.25	519,742.44
Capital Fund:			
Cash	D-5;D-6	(144,568.17)	(228,713.22)
Fixed Capital	D-9	6,291,023.28	6,291,023.28
Fixed Capital Authorized and Uncompleted	D-11	957,000.00	857,000.00
Interfund - General Capital Fund	D-12	137,805.80	228,009.60
Interfund - Current Fund	D-12	600,000.00	600,000.00
Total Capital Fund		7,841,260.91	7,747,319.66
Total Assets		8,689,988.16	8,267,062.10

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

Borough of Rockaway
Comparative Balance Sheet - Regulatory Basis

Water Utility Fund

December 31, 2010 and 2009

	<u>Ref</u>	<u>2010</u>	<u>2009</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Operating Fund:			
Appropriation Reserves	D-4;D-14	23,825.36	65,704.25
Interfund - Current Fund	D-12	155,903.94	
Interfund - Recreation Trust Fund	D-12	91,000.00	50,000.00
Interfund - General Capital	D-12	272,648.89	16,150.00
Reserve for Encumbrances	D-13	41,671.12	45,977.74
Accrued Interest on Loan Payable	D-15	3,525.27	3,525.08
Accrued Interest on Bond Anticipation Notes	D-16	1,751.90	1,110.79
		<u>590,326.48</u>	<u>182,467.86</u>
Reserve for Receivables	Contra	129,153.08	128,026.89
Fund Balance	D-2	129,247.69	209,247.69
		<u>129,247.69</u>	<u>209,247.69</u>
Total Operating Fund		<u>848,727.25</u>	<u>519,742.44</u>
Capital Fund:			
Interfund - Water Operating Fund	D-12	409,375.15	242,721.10
Loan Payable	D-17	51,090.16	65,045.58
Bond Anticipation Notes Payable	D-18	665,000.00	665,000.00
Improvement Authorizations:			
Funded	D-19	5,000.00	
Unfunded	D-19	543,693.88	545,752.68
Capital Improvement Fund	D-20	93,175.00	98,175.00
Reserve for Amortization	D-21	6,024,933.12	6,010,977.70
Reserve for Deferred Amortization	D-22	28,850.00	23,850.00
Fund Balance	D-1	20,143.60	95,797.60
		<u>7,841,260.91</u>	<u>7,747,319.66</u>
Total Capital Fund		<u>7,841,260.91</u>	<u>7,747,319.66</u>
Total Liabilities, Reserves and Fund Balances		<u>8,689,988.16</u>	<u>8,267,062.10</u>

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

There were bonds and notes authorized but not issued in the amount of \$ 478,150.00
as of December 31, 2010

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

Borough of Rockaway
Schedule of Fund Balance - Regulatory Basis

Water Capital Fund

Year Ended December 31, 2010

	<u>Ref.</u>	
Balance - December 31, 2009	D	95,797.60
Decreased by:		
Anticipated as Water Operating Revenue	D-12	<u>75,654.00</u>
Balance - December 31, 2010	D	<u><u>20,143.60</u></u>

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

Borough of Rockaway

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

Water Utility Operating Fund

Year Ended December 31, 2010 and 2009

	<u>Ref.</u>	<u>2010</u>	<u>2009</u>
Revenue and Other Income Realized:			
Surplus Anticipated	D-3	80,000.00	300,000.00
Rents	D-3	1,116,974.78	1,097,403.54
Water Capital Fund Balance	D-3	75,654.00	
Miscellaneous	D-3	<u>124,287.38</u>	<u>184,514.60</u>
Total Income		<u>1,396,916.16</u>	<u>1,581,918.14</u>
Expenditures:			
Operating	D-4	1,275,000.00	1,355,000.00
Debt Service	D-4	22,555.00	32,415.00
Deferred Charges and Statutory Expenditures	D-4	108,513.40	92,000.00
Surplus (General Budget)			<u>100,000.00</u>
Total Expenditures		<u>1,406,068.40</u>	<u>1,579,415.00</u>
Operating Deficit to be Raised in Budget of Succeeding Year	D-10	<u>(9,152.24)</u>	
Statutory Excess to Surplus			2,503.14
Fund Balance - January 1,	D	<u>209,247.69</u>	<u>506,744.55</u> <u>509,247.69</u>
Decreased by:			
Utilized as Anticipated Revenue		<u>80,000.00</u>	<u>300,000.00</u>
Fund Balance - December 31,	D	<u>129,247.69</u>	<u>209,247.69</u>

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

Borough of Rockaway
Statement of Revenues - Regulatory Basis

Water Utility Operating Fund

Year Ended December 31, 2010

	<u>Ref.</u>	<u>Anticipated Budget</u>	<u>Realized</u>	<u>Excess (Deficit)</u>
Surplus Anticipated	D-2	80,000.00	80,000.00	
Rents	D-2;D-8	1,075,415.00	1,116,974.78	41,559.78
Miscellaneous	D-2;D-3	175,000.00	124,287.38	(50,712.62)
Water Capital Fund Balance	D-2;D-12	<u>75,654.00</u>	<u>75,654.00</u>	<u>0.00</u>
Budget Totals		<u>1,406,069.00</u>	<u>1,396,916.16</u>	<u>(9,152.84)</u>
		D-4		

Analysis Realized Revenues

Miscellaneous:

Interest on Deposits:

Water Capital Fund	D-12		0.05	
Water Operating		175.57		
Interest on Delinquent Accounts		5,705.37		
Searches		732.67		
Taps		8,500.00		
Sprinklers		13,400.41		
Settlement of Litigation		94,965.71		
Miscellaneous		<u>807.60</u>		
	D-5		<u>124,287.33</u>	
			<u>124,287.38</u>	

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

Borough of Rockaway

Statement of Expenditures - Regulatory Basis

Water Utility Operating Fund

Year Ended December 31, 2010

Ref.	Appropriated		Expended		Unexpended Balance Canceled	Overexpended
	Budget	Budget After Modification	Paid or Charged	Reserved		
	575,000.00	575,000.00	575,000.00			16,879.17
	<u>700,000.00</u>	<u>700,000.00</u>	<u>716,879.17</u>			
D-2	1,275,000.00	1,275,000.00	1,291,879.17			16,879.17
	<u>7,140.00</u>	<u>7,140.00</u>	<u>7,140.00</u>			
	<u>15,415.00</u>	<u>15,415.00</u>	<u>15,415.00</u>			
D-2	22,555.00	22,555.00	22,555.00			
	<u>6,514.00</u>	<u>6,514.00</u>	<u>6,513.40</u>		0.60	
	<u>30,000.00</u>	<u>30,000.00</u>	<u>30,000.00</u>			
	<u>72,000.00</u>	<u>72,000.00</u>	<u>48,174.64</u>	<u>23,825.36</u>		
D-2	108,514.00	108,514.00	84,688.04	23,825.36	0.60	
	<u>1,406,069.00</u>	<u>1,406,069.00</u>	<u>1,399,122.21</u>	<u>23,825.36</u>	<u>0.60</u>	<u>16,879.17</u>
				D		D-10
D-5			1,179,935.47			
D-10			6,513.40			
D-12			155,903.94			
D-12			6,498.89			
D-13			41,671.12			
D-15			1,459.39			
D-16			7,140.00			
			<u>1,399,122.21</u>			

Operating:

Salaries and Wages
Other Expenses

Total Operating

Debt Service:

Interest on Notes
Payment of Water Loan

Total Debt Service

Deferred Charges and Statutory Expenditures:

Deferred Charges:
Overexpenditure of Appropriation Reserves
Statutory Expenditures:
Contribution to:
Public Employees' Retirement System
Social Security System (O.A.S.I.)

Total Deferred Charges and Statutory Expenditures

Cash Disbursed

Deferred Charges
Interfund - Current Fund
Interfund - General Capital
Reserve for Encumbrances
Interest on Loan
Interest on Bond Anticipation Notes

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

Borough of Rockaway
Comparative Balance Sheet - Regulatory Basis
Public Assistance Fund
December 31, 2010 and 2009

	<u>Ref.</u>	<u>2010</u>	<u>2009</u>
<u>Assets</u>			
Cash	E-1	<u>18,477.80</u>	<u>108,014.29</u>
<u>Liabilities</u>			
Reserve for Public Assistance	E-6	(1,317.83)	88,223.33
Interfund - Current Fund	E-7	19,295.63	19,290.96
Interfund - Other Trust	E-8	<u>500.00</u>	<u>500.00</u>
		<u>18,477.80</u>	<u>108,014.29</u>

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

Borough of Rockaway
Comparative Balance Sheet - Regulatory Basis
Special Recreation Fund
December 31, 2010 and 2009

	<u>Ref.</u>	<u>2010</u>	<u>2009</u>
<u>Assets</u>			
Cash - Treasurer	F-1	47,890.92	47,845.97
Interfund - Water Operating	F-4	<u>91,000.00</u>	<u>50,000.00</u>
		<u>138,890.92</u>	<u>97,845.97</u>
<u>Reserves</u>			
Reserve for Special Recreation Fund	F-2	58,685.53	58,066.57
Interfund - Current Fund	F-3	77,500.39	37,074.40
Interfund - General Capital Fund	F-5	<u>2,705.00</u>	<u>2,705.00</u>
		<u>138,890.92</u>	<u>97,845.97</u>

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

Borough of Rockaway

Comparative Statement of General Fixed Assets - Regulatory Basis

Year Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>General Fixed Assets:</u>		
Land and Land Improvements	9,407,660.00	8,982,660.00
Buildings and Buildings Improvements	4,223,268.00	4,128,268.00
Machinery and Equipment	<u>4,859,376.00</u>	<u>4,792,376.00</u>
	<u>18,490,304.00</u>	<u>17,903,304.00</u>
Investment in Fixed Assets	<u>18,490,304.00</u>	<u>17,903,304.00</u>

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

BOROUGH OF ROCKAWAY, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

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 accounting principles generally accepted in the United States of America (GAAP).

The financial statements of the Borough of Rockaway 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 accounting principles generally accepted in the United States of America. 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 Rockaway (the "Borough") operates under a Mayor/Council form of government. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

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 NJSA 40A:5-5. Accordingly, the financial statements of the Borough do not include the operations of the municipal library, the volunteer fire department and the first aid squad which are considered component units under GAAP. Complete financial statements of the above components can be obtained by contacting the Treasurer of the respective entity.

BOROUGH OF ROCKAWAY, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting and Basis of Presentation

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 NJSA 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.

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.

Water Operating and Capital Fund - Account for operations and acquisition of capital facilities of the municipally owned water utility.

General Fixed Assets Account Group - To account for all fixed assets of the Borough. The Borough's infrastructure is not reported in the group.

Special Recreation Fund - Receipts, custodianship and disbursements of funds in accordance with the purpose for which the reserve was created.

BOROUGH OF ROCKAWAY, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

A modified accrual basis of accounting is followed by the Borough of Rockaway. 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 accounting principles generally accepted in the United States of America (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, remain in arrears on November 11 in the current year, 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. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

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.

BOROUGH OF ROCKAWAY, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (continued)

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 the water 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:

General Capital Fund
Trust Fund

Water Capital Fund
Public Assistance 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.

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 appropriations 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.

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.

BOROUGH OF ROCKAWAY, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (continued)

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 amount 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 N.J.S.A. 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.

General Fixed Assets - The Borough of Rockaway 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.

BOROUGH OF ROCKAWAY, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (continued)

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 and 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 are not accounted for separately.

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

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.

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.

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.

BOROUGH OF ROCKAWAY, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(CONTINUED)**

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 2010 statutory budget included a reserve for uncollected taxes in the amount of \$471,934.58. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2010 statutory budget was \$254,000.00.

Inter department 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 Borough Council.

NJSA 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. During 2010, there were no special items of revenue inserted into the budget.

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 for 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 2010, there were no emergency authorizations.

BOROUGH OF ROCKAWAY, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(CONTINUED)**

NOTE 3: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2010, the following deferred charges are shown on the balance sheets of various funds:

	<u>Balance Dec. 31, 2010</u>	<u>2011 Budget Appropriation</u>	<u>Balance to Succeeding Years</u>
Current Fund:			
Overexpenditure of Improvement Authorization	<u>\$61,482.94</u>	<u>\$61,482.94</u>	<u>\$ -</u>
Water Utility Fund:			
Overexpenditure of Appropriation Reserves	\$22,101.58	\$22,102.00	\$ -
Overexpenditure of Appropriation Payable	16,879.17	16,880.00	-
Operating Deficit	<u>9,152.24</u>	<u>9,153.00</u>	<u>-</u>
	<u>\$48,132.99</u>	<u>\$48,135.00</u>	<u>\$ -</u>

NOTE 4: FIXED ASSETS

The following schedule is a summarization of changes in the general fixed assets account group for the year 2010.

	<u>Dec. 31, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Dec. 31, 2010</u>
Land and Land Improvements	\$ 8,982,660.00	\$425,000.00	\$ -	\$ 9,407,660.00
Buildings and Building Improvements	4,128,268.00	95,000.00	-	4,223,268.00
Machinery and Equipment	<u>4,792,376.00</u>	<u>95,000.00</u>	<u>28,000.00</u>	<u>4,859,376.00</u>
	<u>\$17,903,304.00</u>	<u>\$615,000.00</u>	<u>\$28,000.00</u>	<u>\$18,490,304.00</u>

BOROUGH OF ROCKAWAY, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(CONTINUED)**

NOTE 5: MUNICIPAL DEBT

Long-term debt as of December 31, 2010 consisted of the following:

	<u>Balance Dec. 31, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Dec. 31, 2010</u>	<u>Amount Due Within One Year</u>
General Capital Fund:					
Bonds Payable -					
General Obligation Debt	\$1,772,000.00	\$ -	\$235,000.00	\$1,537,000.00	\$245,000.00
Other Liabilities -					
Compensated Absences Payable	193,245.52	1,501.60	-	194,747.12	-
Water Utility Capital Fund:					
New Jersey Dept. of Environmental Protection Loan	<u>65,045.58</u>	<u>-</u>	<u>13,955.42</u>	<u>51,090.16</u>	<u>14,235.91</u>
	<u>\$2,030,291.10</u>	<u>\$1,501.60</u>	<u>\$248,955.42</u>	<u>\$1,782,837.28</u>	<u>\$259,235.91</u>

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:

<u>Issued</u>	<u>Year 2010</u>	<u>Year 2009</u>	<u>Year 2008</u>
General Capital Fund:			
Bonds and Notes	\$3,592,890.00	\$3,879,175.00	\$3,841,925.00
Water Utility Fund:			
Bonds and Notes and Loans	<u>716,090.16</u>	<u>730,045.58</u>	<u>458,726.00</u>
Net Debt Issued	<u>\$4,308,980.16</u>	<u>\$4,609,220.58</u>	<u>\$4,300,651.00</u>

BOROUGH OF ROCKAWAY, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(CONTINUED)**

NOTE 5: MUNICIPAL DEBT (CONTINUED)

<u>Authorized But Not Issued</u>	<u>Year 2010</u>	<u>Year 2009</u>	<u>Year 2008</u>
General Capital Fund:			
Bonds and Notes	\$ 221,390.00	\$ 24,740.00	\$ 150,000.00
Water Capital Fund:			
Bonds and Notes	<u>478,150.00</u>	<u>383,150.00</u>	<u>215,000.00</u>
Total Authorized But Not Issued	<u>699,540.00</u>	<u>407,890.00</u>	<u>365,000.00</u>
Less: Deductions:			
Self Liquidating	<u>-</u>	<u>1,113,195.58</u>	<u>673,726.00</u>
Net Bonds and Notes Issued and Authorized But not Issued	<u>\$5,008,520.16</u>	<u>\$3,903,915.00</u>	<u>\$3,991,925.00</u>

SUMMARY OF STATUTORY DEBT CONDITION - ANNUAL DEBT STATEMENTS

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .54%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local and Regional School District Debt	\$3,421,355.00	\$3,421,355.00	\$ -
Water Utility Debt	1,194,240.16	-	1,194,240.16
General Debt	<u>3,814,280.00</u>	<u>-</u>	<u>3,814,280.00</u>
	<u>\$8,429,875.16</u>	<u>\$3,421,355.00</u>	<u>\$5,008,520.16</u>

Net Debt \$5,008,520.16 divided by average equalized valuation basis per N.J.S.A. 40A:2-2 as amended, \$924,171,240.00 = .54%.

BOROUGH OF ROCKAWAY, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(CONTINUED)**

NOTE 5: MUNICIPAL DEBT (CONTINUED)

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

3 ½% of Average Equalized Valuation Basis	\$32,345,993.40
Net Debt	<u>5,008,520.16</u>
Remaining Borrowing Power	<u>\$27,337,473.24</u>

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

Cash Receipts from Fees, Rents or Other Charges for Year	\$1,321,262.16
Deductions:	
Operating and Maintenance Cost	\$1,393,879.17
Debt Service	<u>22,555.00</u>
	<u>1,416,434.17</u>
(Deficit) in Revenue	<u>\$(95,172.01)</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.

AVERAGE EQUALIZED VALUATION PER N.J.S.A. 40A:2-2 - SUMMARY

2010	\$924,171,240.00	
2009		\$930,567,237.00
2008		\$906,528,892.00

BOROUGH OF ROCKAWAY, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(CONTINUED)**

NOTE 5: MUNICIPAL DEBT (CONTINUED)

Long Term Debt as of December 31, 2010 consisted of the following:

Outstanding bonds whose principal and interest are paid from the current fund budget of the Borough:

\$3,027,000.00 General Improvement Bonds of 2003 dated November 15, 2003, payable in annual installments through November 15, 2016. Interest is paid semi-annually at a rate ranging from 2.50% to 3.75% per annum. The remaining balance as of December 31, 2010 was \$1,537,000.00.

Outstanding loan whose principal and interest is paid from the Water Utility Fund budget of the Borough:

The Borough of Rockaway has entered into loan agreements with the State of New Jersey for the rehabilitation of the Borough's water supply system. The loans are repayable over 10 years from the date of the final consummation of the loan. The funds have been provided through the Water Supply Fund established by the Water Supply Bond Act of 1981, P. L. 1981, c. 261. The loan in the amount of \$155,330.10 is at an interest rate of 2.00% under loan No. WRSB 90-0-06.

Installment payments of principal and interest on the above described loan are due on February 7 and August 7 of each year. The remaining balance as of December 31, 2010 was \$51,090.16.

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST FOR BONDED DEBT ISSUED AND OUTSTANDING

Calendar Year	General		Water Utility		Yearly Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	245,000.00	53,237.50	14,235.91	1,178.89	259,235.91	54,416.39
2012	250,000.00	45,642.50	14,522.05	892.75	264,522.05	46,535.25
2013	255,000.00	37,392.50	14,813.94	600.86	269,813.94	37,993.36
2014	260,000.00	28,722.50	7,518.26	189.14	267,518.26	28,911.64
2015	270,000.00	19,492.50	-	-	270,000.00	19,492.50
2016	257,000.00	9,637.50	-	-	257,000.00	9,637.50
	<u>1,537,000.00</u>	<u>194,125.00</u>	<u>51,090.16</u>	<u>2,861.64</u>	<u>1,588,090.16</u>	<u>196,986.64</u>

BOROUGH OF ROCKAWAY, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(CONTINUED)**

NOTE 6: BOND ANTICIPATION NOTES

The Borough can issue 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 which 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.

On December 31, 2010, the Borough had \$2,055,890.00 in outstanding General Capital Bond Anticipation Notes and \$665,000.00 in outstanding Water Utility Capital Bond Anticipation Notes maturing on June 1, 2011 at an interest rate of 0.80%. The Borough renewed the Bond Anticipation Note in the amount of \$2,720,890.00 for a three month period maturing on September 1, 2011 at an interest rate of 1.35% in anticipation of a Bond Sale on or before September 1, 2011.

The following activity related to bond anticipation notes occurred during the calendar year ended December 31, 2010.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Notes Payable:				
Valley National Bank	<u>\$2,772,175.00</u>	<u>\$2,720,890.00</u>	<u>\$2,772,175.00</u>	<u>\$2,720,890.00</u>

NOTE 7: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2010 which are appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2011 were as follows:

Current Fund	<u>\$188,000.00</u>
Water Utility Operating Fund	<u>\$ 80,000.00</u>

NOTE 8: REGIONAL HIGH SCHOOL AND LOCAL SCHOOL DISTRICT 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 Rockaway has not elected to defer school taxes.

BOROUGH OF ROCKAWAY, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(CONTINUED)**

NOTE 9: DUE TO/FROM OTHER FUNDS

Balances due to/from other funds at December 31, 2010 consist of the following:

\$ 34.82	Due to Current Fund from Animal Control Trust Fund for various receipts in Animal Control Trust Fund.
155,903.94	Due to Current Fund from Water Operating Fund for disbursements.
500.00	Due to Other Trust Fund from Public Assistance Trust Fund for advances made to Public Assistance Trust Fund.
368,285.92	Due to Current Fund from Other Trust Fund for various receipts and disbursements made.
416,012.09	Due to General Capital Fund from Current Fund for various receipts and disbursements.
137,805.80	Due to Water Capital Fund from General Capital Fund for various receipts and disbursements.
19,295.63	Due to Current Fund from Public Assistance Trust Fund for interest income and advances made to Public Assistance.
77,500.39	Due to Current Fund from Special Recreation Trust Fund for various receipts and disbursements.
91,000.00	Due to Special Recreation Trust Fund from Water Operating Fund for various receipts and disbursements.
409,375.15	Due to Water Operating Fund from Water Capital Fund for various receipts and disbursements.
10,604.34	Due to Federal and State Grant Fund from Current Fund for various receipts and disbursements made.
1,000.00	Due to Federal and State Grant Fund from Other Trust Fund for a receipt deposited into Trust Fund.
2,705.00	Due to General Capital Fund from Special Recreation Fund for a disbursement in General Capital Fund.
600,000.00	Due to Water Capital Fund from Current Fund for a disbursement in Water Capital Fund.
<u>272,648.89</u>	Due to General Capital Fund from Water Operating Fund for interest on Bond Anticipation Notes paid by General Capital and cash disbursements.
<u>\$ 2,562,671.97</u>	

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

BOROUGH OF ROCKAWAY, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(CONTINUED)**

NOTE 10: PENSION PLANS

Description of System

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 Firemens' 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 Firemens' 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 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. Membership is mandatory for such employees and 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

BOROUGH OF ROCKAWAY, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(CONTINUED)**

NOTE 10: PENSION PLANS (CONTINUED)

Description of Systems, (continued)

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

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 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.

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, 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 ROCKAWAY, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(CONTINUED)**

NOTE 10: PENSION PLANS (CONTINUED)

Description of Systems, (continued)

Police and Firemens' 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.

Significant Legislation

On March 17, 2009, the legislative of the State of New Jersey enacted Public Laws 2009, c.19(S-21) the "Pension Deferral Program". This law allows the Division of Pensions and Benefits to provide non-state government pension system employers the option of paying their full amount, or an amount that reflects a 50 percent reduction of the normal and accrued liability component of the Public Employees' Retirement System and/or the Police and Firemen's Retirement System obligation for payment due to the State Fiscal Year ending June 30, 2009. The amount deferred will be repaid starting in April 2012 over a 15-year period at 8¼ percent. The amount will fluctuate based on pension system investment earnings on the deferred amount. The local employer is allowed to payoff the obligation at any time prior to April 2012.

The Borough of Rockaway has opted not to defer.

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 5.0% for PERS and 8.5% for PFRS of the employee's annual compensation, as defined through June 30, 2007. Under Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, the PERS and employee contribution rate will increase to 5.5 percent effective July 1, 2007. 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:

BOROUGH OF ROCKAWAY, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(CONTINUED)**

NOTE 10: PENSION PLANS (CONTINUED)

<u>Year Ended December 31,</u>	<u>PERS</u>	<u>PFRS</u>
2010	\$121,390.00	\$298,098.00
2009	103,095.00	275,713.00
2008	71,551.00	261,275.00

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 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 annually, the official may choose to waiver participation in the DCRP for that office or position. The waiver is irrevocable.

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 join or remain in PERS.

BOROUGH OF ROCKAWAY, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(CONTINUED)**

NOTE 11: 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, 2010, \$117,374.68 of the Borough's bank balance of \$2,476,035.81 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 Boroughs 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.

Unaudited Investments

As more fully described in Note 15, the Borough has created a Length of Service Award Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program as specified in NJSA 43:15B-1 et. seq. except that all investments are retained in the name of the Borough. All investments are valued at fair value. In accordance with NJAC 5:30-14.37, the investments are maintained by Lincoln Benefit Life, which is an authorized provider approved by the Division of Local Government Services. The balance in the account on December 31, 2010 and 2009 amounted to \$117,374.68 and \$89,978.78, respectively.

BOROUGH OF ROCKAWAY, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(CONTINUED)**

NOTE 11: CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

The following investments represent 5% or more of the total invested with Valic on December 31, 2010:

	<u>2010</u>	<u>2009</u>
Fixed Accounts Plus	\$31,826.90	\$23,565.74
Money Market I Fund	10,805.10	8,112.66
Stock Index Fund	59,437.88	47,390.54
Science & Technology Fund	7,864.32	5,559.50
All Others	<u>7,440.48</u>	<u>5,350.34</u>
Total	<u>\$117,374.68</u>	<u>\$89,978.78</u>

NOTE 12: ACCRUED SICK AND VACATION BENEFITS

The Borough of Rockaway permits employees to accrue a limited amount of unused vacation and sick pay, which may be taken as time off or paid upon retirement or separation at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$194,747.12.

This amount is not reported either as an expenditure or a liability. The Borough has reserved \$1,189.06 from previous budgets to be used to offset this liability and is reflected on the Trust Fund balance sheet. See Exhibit B-6 for an analysis. It is expected that any remaining cost of such unpaid compensation would be included in the Borough of Rockaway's budget operating expenditures in the year in which it is used.

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 2010 calendar year, the Borough did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

The Borough of Rockaway is currently a member of the Morris County Joint Insurance Fund (hereinafter referred to as the "JIF"). The JIF provides their members with Liability, Property, Worker's Compensation and Employer Liability Insurance. The JIF is a risk-sharing public entity pool that is both an insured and self administered group of municipalities established for the purpose of providing low-cost insurance coverage for their respective members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the JIF are elected.

BOROUGH OF ROCKAWAY, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(CONTINUED)**

NOTE 13: RISK MANAGEMENT (CONTINUED)

As a member of the JIF, the Borough could be subject to supplemental assessments in the event of deficiencies. If the assets of the JIF are to be exhausted, members would become responsible for their respective shares of the JIF's liabilities.

The JIF can declare and distribute dividends to members upon approval of the State of New Jersey Department of Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body.

Financial statements for the funds are available at the office of the JIF's Executive Director.

NOTE 14. 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, 2010</u>	<u>Balance Dec 31, 2009</u>
Prepaid Taxes	<u>\$202,823.55</u>	<u>\$169,824.14</u>
Cash Liability for Taxes Collected in Advance	<u>\$202,823.55</u>	<u>\$169,824.14</u>

**NOTE 15: EMERGENCY SERVICES VOLUNTEER LENGTH OF SERVICE AWARD PLAN
(LOSAP)**

On November 16, 2001, the Division of Local Government Services approved the Borough's LOSAP plan, provided by the Variable Annuity Life Insurance Company (VALIC). The purpose of this plan is to enhance the Borough's ability to retain and recruit volunteer firefighters and volunteer members of emergency service squads.

VALIC will provide for the benefit of participants, a multi-fund variable annuity contract as its funding vehicle. The plan shall have minimum and maximum contribution requirements as follows: the minimum contribution for each participating active volunteer member shall be \$100 per year of active emergency service the maximum contribution for each active volunteer member shall be \$1,500.00 per year of active emergency service, subject to periodic increases as permitted. In no event shall the contribution for any year of active emergency service exceed the accrual limitation in Code Section 457(e)(II)(3)(ii).

BOROUGH OF ROCKAWAY, N.J.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(CONTINUED)**

**NOTE 15: EMERGENCY SERVICES VOLUNTEER LENGTH OF SERVICE AWARD PLAN
(LOSAP) (CONTINUED)**

Withholding Notwithstanding any other provision in the Plan, the amount of award contributions credited to a Participant's Account pursuant to his Joinder Agreement shall not be treated as compensation subject to Federal income tax withholding or New Jersey Gross Income Tax withholding.

We have reviewed the plan for the year ended December 31, 2010, in accordance with the American Institute of Certified Public Accounts (AICPA) Statement on Standards for Accounting and Review Services.

NOTE 16: COMMITMENTS AND CONTINGENT LIABILITIES

We are advised by Borough Counsel that they are unaware of any matters that would have a material effect on the Borough's financial position.

SUPPLEMENTARY DATA

BOROUGH OF ROCKAWAY, N.J.

OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2010

The following officials were in office in 2010 during the period under audit:

<u>Name</u>	<u>Title</u>
Russell Greuter	Mayor
John Willer	Council
Melissa Burnside	Council
Joyce Kanigel	Council
Thomas Mulligan	Council
Thomas Donofrio	Council
Joseph Vicente	Council
John J. Doherty	Chief Financial Officer
Sheila Seifert	Borough Clerk
Donna Browne	Tax Search Officer
Donna Browne	Tax Collector
Edward Wacks	Attorney
Michael Spillane	Engineer
Jim Silance	Building, Construction Official
Thomas Trapasso	Fire Official
Barrie Krause	Zoning Official
Bernard Murdoch	Assessor
Joseph Rossi	Superintendent of Public Works
Douglas Scheer	Police Chief
Edna Puleo	Librarian
Elizabeth Shuman	Welfare Director
Deborah Tanzola	Water Utility Clerk
Thomas M. Ferry, CPA/RMA	Municipal Auditor

Blanket bond covering all officials by the Selective Insurance Company of America was for \$1,000,000.00.

All bonds were examined and were properly executed.

Borough of Rockaway

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2010

Federal Grantor/Pass-Through Grantor/ Program Title	C.F.D.A. Number	Federal Award Amount	Grant Period From/To	12/31/2009		12/31/2010		MEMO Cumulative Total Expenditures
				(Receivable)	Reserve Balance	(Receivable)	Reserve Balance	
GENERAL CAPITAL FUND								
US Department of Housing and Urban Development: Community Development Block Grant (1) Ord. # 02-08	06/06-834	80,000.00	01/01/06-12/31/06		95.72			79,904.28
Community Development Block Grant (1) Ord. # 01-08	07/07-891	79,460.00	11/01/07-10/31/08	(540.00)	2,912.10			77,087.90
Community Development Block Grant (1) Ord. # 31-08	06/08-941	80,000.00	12/01/08-08/30/09	(80,000.00)				80,000.00
Community Development Block Grant (1) Ord. # 15-10	05/10-1065	80,000.00	01/11/10-08/30/11					80,000.00
Total US Department of Housing and Urban Development:				<u>(80,540.00)</u>	<u>3,007.82</u>	<u>(80,000.00)</u>	<u>2,467.82</u>	<u>316,992.18</u>
		TOTAL FEDERAL AID		<u>(80,540.00)</u>	<u>3,007.82</u>	<u>(80,000.00)</u>	<u>2,467.82</u>	<u>316,992.18</u>

(1) Pass Through Grant - Morris County

Borough of Rockaway

Schedule of Expenditures of State Awards

For the Year Ended December 31, 2010

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From/To	12/31/2009		12/31/2010		MEMO Cumulative Total Expenditures
				(Receivable)	Reserve Balance	(Receivable)	Reserve Balance	
FEDERAL AND STATE GRANT FUND								
NJ Department of Solid Waste Administration:								
Client Communities	4900-765-042-4900-004-V42Y-6020	10,443.54	1/1/10-12/31/10		2,176.43	10,443.54	8,565.86	8,565.86
Clean Communities	4900-765-042-4900-004-V42Y-6020	2,176.43	1/1/09-12/31/09		2,176.43		2,176.43	2,176.43
Recycling Tonnage	4900-752-042-4900-001-V42Y-6020	7,128.34	1/1/07-12/31/07	(4,126.97)			(4,126.97)	7,128.34
Recycling Tonnage	4900-752-042-4900-001-V42Y-6020	7,200.00	1/1/08-12/31/08		5,672.74		5,672.74	7,200.00
Recycling Tonnage	4900-752-042-4900-001-V42Y-6020	2,184.52	1/1/08-12/31/08		2,184.52		2,184.52	2,184.52
Recycling Tonnage	4900-752-042-4900-001-V42Y-6020	11,921.30	1/1/09-12/31/09		11,921.30		7,857.26	4,064.04
Recycling Tonnage	4900-752-042-4900-001-V42Y-6020	12,808.18	1/1/10-12/31/10	(4,126.97)	21,954.99	23,251.72	12,808.18	31,319.19
Total NJ Department of Solid Waste Administration:								
		10,150.00			10,150.00	9,150.00	4,450.00	5,700.00
		9,150.00				9,150.00	9,150.00	9,150.00
		4,000.00		(300.00)			(300.00)	4,000.00
		4,000.00			0.03	4,000.00	4,000.00	4,000.00
		2,025.05		(300.00)	10,150.03	13,150.00	5,700.00	2,025.02
							17,600.03	11,725.02
NJ Division of Highway Traffic Safety:								
Over the Limit Under Arrest	1160-100-066-160-132-YHTS-6120	29,407.00	1/1/09-12/31/09	(16,262.94)		16,262.94	29,407.00	29,407.00
Over the Limit Under Arrest	1160-100-066-160-132-YHTS-6120	29,407.00	1/1/10-12/31/10			5,792.31		25,078.00
Click it or Ticket	1160-100-066-1160-113-YHTS-6020	4,000.00	1/1/07-12/31/07	(300.00)			(300.00)	4,000.00
Click it or Ticket	1160-100-066-1160-113-YHTS-6020	4,000.00	1/1/10-12/31/10			4,000.00		4,000.00
Child Passenger Safety	1160-100-066-1160-120-YHTS-6010	2,025.05	1/1/05-12/31/05	(300.00)	0.03		(300.00)	2,025.02
Total NJ Division of Highway Traffic Safety:								
		29,407.00		(16,262.94)	10,150.03	24,525.38	3,720.55	11,725.02
		29,407.00				16,262.94		29,407.00
		25,078.00				5,792.31		25,078.00
		1,588.07			587.62		1,187.16	1,588.07
		1,465.81			1,465.81		2,470.13	278.65
		2,470.13		(160.00)	63.26		(160.00)	1,656.74
		1,720.00		(16,422.94)	2,116.69	24,525.38	3,720.55	87,415.46
Total NJ Division of Criminal Justice:								
		29,407.00				29,407.00		29,407.00
		25,078.00				5,792.31		25,078.00
		1,588.07						1,588.07
		1,465.81						278.65
		2,470.13						1,656.74
		1,720.00						87,415.46
NJ Division of Motor Vehicles:								
Drunk Driving Enforcement Fund	6400-100-078-6400-YYYY	6,724.10	1/1/09-12/31/09		6,724.10			6,724.10
Alcohol Education and Rehabilitation Fund	9735-760-098-Y900	589.00	1/1/08-12/31/08		589.00		589.00	589.00
Alcohol Education and Rehabilitation Fund	9735-760-098-Y900	2,910.92	1/1/10-12/31/10		7,313.10	2,010.92	2,010.92	2,010.92
Total NJ Division of Motor Vehicles:								
		6,724.10			6,724.10	6,724.10	2,599.92	6,724.10
		2,500.00			2,000.00		(2,500.00)	2,500.00
		2,500.00			2,000.00		(2,500.00)	500.00
					2,000.00		(5,000.00)	3,000.00
TOTAL FEDERAL AND STATE GRANT FUND - STATE AID								
				(23,349.91)	43,534.81	62,938.02	48,463.62	140,183.77
GENERAL CAPITAL FUND								
NJ Department of Transportation:								
Various Capital Improvements - Ord. 19-08	6320-480-078-6320-AJQ-TCAP-6010	140,000.00	1/1/08-12/31/08	(2,205.34)	43,784.24	2,164.28	41,619.96	98,380.04
Various Capital Improvements - Ord. 08-07	6320-480-078-6320-AJQ-TCAP-6010	132,316.38	1/1/09-12/31/09	(132,316.38)		53,799.32	9,269.50	121,046.88
Various Capital Improvements - Ord. 15-10	6320-480-078-6320-AJQ-TCAP-6010	130,000.00	1/1/10-12/31/10	(134,521.72)	43,784.24	78,517.06	(130,000.00)	130,000.00
Total NJ Department of Transportation:								
		140,000.00		(23,349.91)	43,534.81	67,860.96	180,889.46	221,426.92
		2,500.00						2,500.00
		2,500.00						500.00
								3,000.00
TOTAL GENERAL CAPITAL FUND								
				(134,521.72)	43,784.24	78,517.06	180,889.46	221,426.92
PUBLIC ASSISTANCE FUND								
NJ Department of Human Services:								
General Assistance	7550-150-15000-0-60	172,919.18	1/1/10-06/30/10			172,919.18		172,919.18
TOTAL STATE AID								
				(157,871.63)	87,319.05	314,374.26	229,353.08	534,529.87

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

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>Tax Rate:</u>	<u>2.357</u>	<u>2.305</u>	<u>2.253</u>

Apportionment of Tax Rate:

Municipal	.611	.585	.545
County Tax	.281	.275	.288
Local School Tax	.846	.832	.830
Regional High School Tax	.619	.613	.590

Assessed Valuation

2010	777,226,713		
2009		775,031,591	
2008			771,256,001

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>Collections</u>	<u>Percentage of Collections</u>
2010	18,431,376.19	18,098,704.15	98.19%
2009	17,990,611.67	17,534,607.67	97.46%
2008	17,485,967.05	17,029,626.59	97.39%

Increase in future tax levies can also be warranted if revenue source outside of these directly generated by the municipality, such as federal or state aid, should decline without corresponding decreases in budgeted expenditures.

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>Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2010	533,818.10	309,068.59	842,886.69	4.57%
2009	516,246.65	410,172.19	923,418.84	5.13%
2008	774,695.81	391,426.06	1,166,121.87	6.67%

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

The value of property acquired by liquidation of tax liens on December 31, 2010 on the basis of the last assessed valuation of such properties, was as follows:

<u>Year</u>	<u>Amount</u>
2010	961,500.00
2009	961,500.00
2008	61,500.00

COMPARISON OF WATER UTILITY LEVIES AND COLLECTIONS

<u>Year</u>	<u>Levy</u>	<u>Cash Collections</u>
2010	1,118,100.97	1,116,974.78
2009	1,110,145.88	1,097,403.54
2008	1,184,186.19	1,201,100.65

COMPARATIVE SCHEDULE OF FUND BALANCES

	<u>Year</u>	<u>Balance Dec. 31,</u>	<u>Utilized In Budget of Succeeding Year</u>
Current Fund:	2010	254,231.70	188,000.00
	2009	508,002.85	254,000.00
	2008	466,436.11	262,000.00
	2007	624,758.50	500,000.00
	2006	800,528.24	700,000.00
Water Utility Operating Fund:	2010	129,247.69	80,000.00
	2009	209,247.69	80,000.00
	2008	506,744.55	300,000.00
	2007	595,824.23	400,000.00
	2006	871,493.92	445,500.00

Borough of Rockaway, N.J.

Schedule of Current Cash - Treasurer

Year Ended December 31, 2010

	<u>Ref.</u>		<u>Current Fund</u>
Balance - December 31, 2009	A		1,830,963.37
Increased by Receipts:			
Interest and Costs on Taxes	A-2	91,938.87	
Energy Receipts Tax	A-2	441,719.00	
Consolidated Municipal Property Tax Relief Aid	A-2	104,741.47	
Uniform Fire Safety Act	A-2	23,331.72	
Miscellaneous Revenue Not Anticipated	A-2	160,968.15	
School Resource Officer	A-2	70,000.00	
Change Fund	A-6	100.00	
Taxes Receivable	A-7	18,267,680.37	
Revenue Accounts Receivable	A-10	262,975.06	
Due From State - Senior Citizen and Veteran Deductions	A-15	71,630.82	
Interfunds	A-12	305,633.89	
Prepaid Taxes	A-17	202,823.55	
Various Cash Liabilities and Reserves	A-21	<u>123,720.95</u>	
			<u>20,127,263.85</u>
			21,958,227.22
Decreased by Disbursements:			
Current Year Budget Appropriations	A-3	5,466,532.39	
Interfunds	A-12	749,987.30	
Due from Outside Vendors	A-11	27,443.52	
Appropriation Reserves	A-14	61,739.16	
Encumbrances Payable	A-16	142,781.36	
Local District School Taxes	A-18	6,605,828.00	
Regional High School Taxes	A-19	4,813,838.79	
County Taxes Payable	A-20	2,189,692.61	
Various Cash Liabilities and Reserves	A-21	<u>137,631.12</u>	
			<u>20,195,474.25</u>
Balance - December 31, 2010	A		<u><u>1,762,752.97</u></u>

Borough of Rockaway, N.J.
Schedule of Cash - Treasurer
Federal and State Grant Fund
Year Ended December 31, 2010

	<u>Ref.</u>	
Balance - December 31, 2009	A	7,802.82
Increased by Receipts:		
Interfund - Current Fund	A-25	12.99
		<u>7,815.81</u>
Decreased by Disbursements:		
Appropriated Reserves	A-23	2,100.00
		<u>2,100.00</u>
Balance - December 31, 2010	A	<u><u>5,715.81</u></u>

Schedule of Change Funds
Year Ended December 31, 2010

	<u>Ref.</u>	
Balance - December 31, 2009	A	200.00
Decrease by:		
Transfer to Cash Checking	A-4	100.00
		<u>100.00</u>
Balance - December 31, 2010	A	<u><u>100.00</u></u>
	<u>Analysis of Balance</u>	
Collector - Treasurer		<u><u>100.00</u></u>

Borough of Rockaway, N.J.

Schedule of Taxes Receivable and Analysis of Property Tax Levy

Current Fund

Year Ended December 31, 2010

Year	Balance, Dec. 31, 2009	Levy	Collected		Senior Citizen and Veteran Deductions	Transferred to Tax Title Liens	Canceled	Balance, Dec. 31, 2010
			2009	2010				
2009	410,172.19			410,160.47			11.72	
2010		18,319,234.45	169,824.14	17,857,519.90	71,360.11	17,571.45	6,032.00	309,068.59
	410,172.19	18,319,234.45	112,141.74	18,267,680.37	71,360.11	17,571.45	6,032.00	309,068.59
	A		A-2;A-17	A-2;A-4	A-2;A-15	A-8		A

Analysis of Tax Levy

Tax yield:	Ref.
General Property Tax	18,289,599.58
Public Utility Tax	29,634.87
Added Tax (R.S. 54:4-63.1 et seq.)	112,141.74
	<u>18,431,376.19</u>
Tax Levy:	
Local District School Tax	6,573,992.00
Regional High School Tax	4,813,838.79
County Tax	2,176,322.65
Added County Taxes	13,369.96
	<u>2,189,692.61</u>
	<u>13,577,523.40</u>
Local Tax for Municipal Purposes	4,748,914.60
Additional Taxes	104,938.19
	<u>4,853,852.79</u>
	<u>18,431,376.19</u>

Borough of Rockaway, N.J.
Schedule of Tax Title Liens
Year Ended December 31, 2010

	<u>Ref.</u>	
Balance - December 31, 2009	A	516,246.65
Increased by:		
Transfer from 2010 Taxes Receivable	A-7	<u>17,571.45</u>
Balance - December 31, 2010	A	<u><u>533,818.10</u></u>

Schedule of Property Acquired for Taxes
(At Assessed Valuation)

Year Ended December 31, 2010

	<u>Ref.</u>	
Balance - December 31, 2009	A	<u><u>961,500.00</u></u>
Balance - December 31, 2010	A	<u><u>961,500.00</u></u>

Borough of Rockaway, N.J.

Schedule of Revenue Accounts Receivable

Current Fund

Year Ended December 31, 2010

	<u>Ref.</u>	<u>Balance Dec. 31, 2009</u>	<u>Accrued</u>	<u>Treasurer</u>	<u>Balance Dec. 31, 2010</u>
Clerk:					
Alcoholic Beverages	A-2		12,360.00	12,360.00	
Other Licenses	A-2		32,912.98	32,912.98	
Fees and Permits	A-2		2,521.59	2,521.59	
Registrar:					
Fees and Permits	A-2		1,505.00	1,505.00	
Health Officer:					
Fees and Permits	A-2		8,345.00	8,345.00	
Fire Inspections	A-2		10,273.00	10,273.00	
Tax Collector					
Fees and Permits	A-2		356.70	356.70	
Planning Board / Board of Adjustment	A-2		9,330.00	9,330.00	
Construction Code Official					
Uniform Construction Code Fee	A-2		81,625.00	81,625.00	
Interest on Investments	A-2		3,431.11	3,431.11	
Municipal Court					
Fines and Costs	A-2	<u>5,813.27</u>	<u>119,764.23</u>	<u>114,767.28</u>	<u>10,810.22</u>
		<u>5,813.27</u>	<u>282,424.61</u>	<u>277,427.66</u>	<u>10,810.22</u>
		A			A
Cash Receipts	A-4			262,975.06	
Schedule of Interfunds	A-12			<u>14,452.60</u>	
				<u>277,427.66</u>	

Borough of Rockaway, N.J.

Schedule of Outside Vendors Receivable

Current Fund

Year Ended December 31, 2010

Balance - December 31, 2009	<u>Ref.</u> A	109,246.28
Increased by:		
Cash Disbursement	A-4;A-1	<u>27,443.52</u>
		136,689.80
Decreased by:		
Cash Receipt in Other Trust Fund	A-12;A-1	<u>5,075.00</u>
Balance - December 31, 2010	A	<u><u>131,614.80</u></u>

Borough of Rockaway, N.J.

Schedule of Interfunds

Current Fund

Year Ended December 31, 2010

Fund	Ref.	Due From/(To) Balance		Increased	Decreased	Due From/(To) Balance	
		Dec. 31, 2009				Dec. 31, 2010	
Other Trust	A	48,769.16		324,234.92	4,718.16	368,285.92	
General Capital	A	(283,631.16)		319,877.95	187,497.02	(416,012.09)	
Animal Control Trust	A	46.03		34.82	46.03	34.82	
Federal and State Grant Fund	A	(14,440.27)		75,588.02	79,423.95	(10,604.34)	
Water Operating	A			155,903.94		155,903.94	
Water Capital	A	(600,000.00)				(600,000.00)	
Special Recreation Fund	A	37,074.40		40,425.99		77,500.39	
Public Assistance	A	19,290.96		4.67		19,295.63	
		<u>(792,890.88)</u>		<u>916,070.31</u>	<u>271,685.16</u>	<u>(405,595.73)</u>	
<u>Analysis</u>							
Due From Other Funds	A-1	105,180.55				621,020.70	
Due To Other Funds		<u>(898,071.43)</u>				<u>(1,026,616.43)</u>	
		<u>(792,890.88)</u>				<u>(405,595.73)</u>	
Anticipated As Revenue	A-2			18,010.41			
2010 Budget Appropriation	A-3			94,527.95	68.32		
Disbursed	A-4			483,650.89	266,336.41		
Received	A-4			300,938.02	4,695.87		
Uniform Construction Code Fees	A-10			13,698.00			
Interest on Investments	A-10			170.04	584.56		
Police Outside Services	A-11			5,075.00			
				<u>916,070.31</u>	<u>271,685.16</u>		

Borough of Rockaway, N.J.

Schedule of Deferred Charges

Year Ended December 31, 2010

<u>Purpose</u>	Balance, Dec. 31, <u>2009</u>	Amount in 2010 <u>Budget</u>	Balance, Dec. 31, <u>2010</u>
Overexpenditure of Improvement Authorization	<u>99,874.77</u> A	<u>38,391.83</u> A-3	<u>61,482.94</u> A

Borough of Rockaway, N.J.
Schedule of Appropriation Reserves
Current Fund
Year Ended December 31, 2010

	Balance, Dec. 31, <u>2009</u>	Balance after <u>Transfers</u>	<u>Paid or Charged</u>	Balance <u>Lapsed</u>
Other Expenses Within "CAPS":				
Mayor and Council	1,105.61	1,105.61		1,105.61
Municipal Clerk	14,557.49	14,557.49	10,513.19	4,044.30
Financial Administration	332.62	332.62		332.62
Collection of Taxes	2,470.09	2,470.09		2,470.09
Assessment of Taxes	1,080.53	1,080.53		1,080.53
Engineering Services	587.00	587.00		587.00
Public Building and Grounds	7,713.08	7,713.08		7,713.08
Board of Adjustment	2,357.29	2,357.29		2,357.29
Zoning Enforcement	450.00	450.00		450.00
Liability Insurance	10,327.65	10,327.65		10,327.65
Group Insurance	23,440.19	23,440.19	11,200.00	12,240.19
Police	15,060.78	15,060.78	14,140.00	920.78
Alarm System- Police and Fire	287.81	287.81		287.81
Emergency Management	1,818.12	1,818.12		1,818.12
Volunteer Fire/Ambulance Department	1,630.12	1,630.12	1,630.12	
Fire Prevention/Uniform Fire Code	1,278.86	1,278.86	1,200.00	78.86
Municipal Prosecutor	33.13	33.13		33.13
Buildings and Grounds	186.48	186.48		186.48
Shade Tree Commission	2,281.78	2,281.78	2,281.78	
Board of Health	4,686.95	4,686.95	4,686.95	
Administration of Public Assistance	162.01	162.01		162.01
Board of Recreation Comm.	664.58	664.58		664.58
Maintenance of Parks	2,527.67	2,527.67	2,230.12	297.55
Uniform Construction Code Enforcement	323.51	323.51		323.51
Construction Code Official	928.09	928.09		928.09
Gas (Natural or Propane)	409.31	409.31		409.31
Contingent	187.10	187.10		187.10
Total Other Expenses Within "CAPS"	<u>96,887.85</u>	<u>96,887.85</u>	<u>47,882.16</u>	<u>49,005.69</u>

Borough of Rockaway, N.J.
Schedule of Appropriation Reserves
Current Fund
Year Ended December 31, 2010

	Balance, Dec. 31, <u>2009</u>	Balance after <u>Transfers</u>	<u>Paid or Charged</u>	Balance <u>Lapsed</u>
Deferred Charges and Statutory Expenditures Within "CAPS":				
Defined Contribution Retirement Program	400.00	400.00		400.00
Total Deferred Charges and Statutory Expenditures Within "CAPS"	<u>400.00</u>	<u>400.00</u>		<u>400.00</u>
Total Reserves Within "CAPS"	<u>97,287.85</u>	<u>97,287.85</u>	<u>47,882.16</u>	<u>49,405.69</u>
Other Expenses Excluded From "CAPS":				
Municipal Library	41,669.07	41,669.07	5,457.00	36,212.07
Length of Service Awards Program	<u>8,400.00</u>	<u>8,400.00</u>	<u>8,400.00</u>	
Total Other Expenses Excluded from "CAPS"	<u>50,069.07</u>	<u>50,069.07</u>	<u>13,857.00</u>	<u>36,212.07</u>
Capital Improvements				
Purchase of Recreation Equipment	1,815.14	1,815.14		1,815.14
Purchase of Fire Department Equipment	<u>4,046.40</u>	<u>4,046.40</u>		<u>4,046.40</u>
Total Capital Improvements	<u>5,861.54</u>	<u>5,861.54</u>		<u>5,861.54</u>
Total Reserves Excluded from "CAPS"	<u>55,930.61</u>	<u>55,930.61</u>	<u>13,857.00</u>	<u>42,073.61</u>
Total Reserves	<u>153,218.46</u>	<u>153,218.46</u>	<u>61,739.16</u>	<u>91,479.30</u>
	A	A	A-4	A-1

Borough of Rockaway, N.J.

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

Current Fund

Year Ended December 31, 2010

	<u>Ref.</u>	
Balance - December 31, 2009	A	8,425.01
Increased by:		
Received from State	A-4	<u>71,630.82</u>
		80,055.83
Decreased by:		
Senior Citizens' and Veterans' Deductions Per Tax Billing		71,250.00
Add: Senior Citizen & Veterans Deductions Allowed By Tax Collector:		500.00
Less: Senior Citizen Deductions Disallowed By Tax Collector: 2010 Taxes		<u>389.89</u>
	A-7	<u>71,360.11</u>
Balance - December 31, 2010	A	<u><u>8,695.72</u></u>

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

Current Fund

Year Ended December 31, 2010

	<u>Ref.</u>	
Balance - December 31, 2009	A	142,781.36
Increased by:		
Charges to 2010 Budget Appropriations	A-3	134,496.17
		<u>277,277.53</u>
Decreased by:		
Disbursed	A-4	142,781.36
		<u>142,781.36</u>
Balance - December 31, 2010	A	<u><u>134,496.17</u></u>

A-17

Schedule of Prepaid Taxes

Current Fund

Year Ended December 31, 2010

	<u>Ref.</u>	
Balance - December 31, 2009	A	169,824.14
Increased by:		
Receipts - Prepaid 2011 Taxes	A-4	202,823.55
		<u>372,647.69</u>
Decreased by:		
Applied to 2010 Taxes	A-7	169,824.14
		<u>169,824.14</u>
Balance - December 31, 2010	A	<u><u>202,823.55</u></u>

Borough of Rockaway, N.J.
Schedule of Local District School Tax
Current Fund

Year Ended December 31, 2010

	<u>Ref.</u>	
Balance - December 31, 2009	A	31,836.00
Increased by:		
Levy Calendar Year 2010	A-1;A-7	6,573,992.00
		<u>6,605,828.00</u>
Decreased by:		
Payments	A-4	<u>6,605,828.00</u>

A-19

Schedule of Regional High School Tax
Current Fund

Year Ended December 31, 2010

	<u>Ref.</u>	
Increased by:		
Levy Calendar Year 2010	A-1;A-7	<u>4,813,838.79</u>
Decreased by:		
Payments	A-4	<u>4,813,838.79</u>

A-20

Schedule of County Taxes Payable
Current Fund

Year Ended December 31, 2010

	<u>Ref.</u>	
Increased by:		
Levy	A-1;A-7	2,176,322.65
Added and Omitted Taxes:		
2010 Taxes	A-1;A-7	<u>13,369.96</u>
		<u>2,189,692.61</u>
Decreased by:		
Payments	A-4	<u>2,189,692.61</u>

Borough of Rockaway, N.J.

Schedule of Various Cash Liabilities and Reserves

Current Fund

Year Ended December 31, 2010

<u>Liabilities and Reserves</u>	Balance, Dec. 31, <u>2009</u>	<u>Increased</u>	<u>Decreased</u>	Balance, Dec. 31, <u>2010</u>
<u>Liabilities:</u>				
Tax Overpayments	3,777.43	3,715.39	4,684.10	2,808.72
Deposits for Redemption of Tax Sale Certificates	12,941.46	120,005.56	132,947.02	
 <u>Reserves for:</u>				
Revaluation	<u>2,160.00</u>	<u> </u>	<u> </u>	<u>2,160.00</u>
	<u>18,878.89</u>	<u>123,720.95</u>	<u>137,631.12</u>	<u>4,968.72</u>
	A	A-4	A-4	A

/

Borough of Rockaway, N.J.

Schedule of Federal and State Grants Receivable

Federal and State Grant Fund

Year Ended December 31, 2010

Grant	Balance, Dec. 31, 2009	Budget Revenue	Received	Transferred From Unappropriated Reserves	Balance, Dec. 31, 2010
Safe and Secure Communities Program	16,262.94	29,407.00	22,055.25		23,614.69
Clean Communities		10,742.29	8,565.86	2,176.43	0.00
Drunk Driving Enforcement Fund		6,724.10		6,724.10	
Recycling Tonnage	4,126.97	11,921.30		11,921.30	4,126.97
Click-it or Ticket	300.00				300.00
Body Armor		866.27	866.27		
Domestic Violence Response Team Grant	160.00				160.00
Municipal Alliance	2,500.00	2,500.00			5,000.00
Over the Limit		5,700.00		5,700.00	
Walmart Grant		1,000.00		1,000.00	
	<u>23,349.91</u>	<u>68,860.96</u>	<u>31,487.38</u>	<u>27,521.83</u>	<u>33,201.66</u>
A	A-2	A-25	A-24	A	

Borough of Rockaway, N.J.

Schedule of Appropriated Reserves for Federal and State Grants

Federal and State Grant Fund

Year Ended December 31, 2010

<u>Grant</u>	Balance, Dec. 31, 2009	Transfer From 2010 Budget	Expended	Balance, Dec. 31, 2010
Recycling Tonnage Grant	7,857.26	11,921.30	11,921.30	7,857.26
Drunk Driving Enforcement Fund		6,724.10	6,724.10	
Clean Communities Program		10,742.29	10,742.29	
Body Armor	2,053.43	866.27	866.27	2,053.43
N.J. Alcohol Rehabilitation Grant	589.00			589.00
Municipal Alliance Grant		2,500.00	2,500.00	
State Share	2,000.00			2,000.00
Domestic Violence Response Team Grant		63.26		63.26
State Share				
Safe and Secure Communities Program		29,407.00	29,407.00	
State Share	2,058.19	12,650.00	12,650.00	2,058.19
Local Share		5,700.00	5,700.00	
Over the Limit		1,000.00	1,000.00	
Walmart Grant				
Child Passenger Safety Grant	0.03			0.03
	<u>14,621.17</u>	<u>81,510.96</u>	<u>81,510.96</u>	<u>14,621.17</u>
	A			A
	<u>Ref.</u>			
State and Federal Grants	A-3	68,860.96		
Matching Funds for Grants	A-25	<u>12,650.00</u>		
		<u>81,510.96</u>		
Disbursed	A-5		2,100.00	
Interfund - Current Fund	A-25		<u>79,410.96</u>	
			<u>81,510.96</u>	

Borough of Rockaway, N.J.

Schedule of Unappropriated Reserves for Grants

Federal and State Grant Fund

Year Ended December 31, 2010

<u>Grant</u>	Balance, Dec. 31, <u>2009</u>	Transfer To 2010 <u>Budget</u>	<u>Received</u>	Balance, Dec. 31, <u>2010</u>
Body Armor			1,603.86	1,603.86
Recycling Tonnage Grant	11,921.30	11,921.30	12,808.18	12,808.18
Clean Communities Program	2,176.43	2,176.43	1,877.68	1,877.68
Over the Limit	10,150.00	5,700.00	9,150.00	13,600.00
Alcohol Education and Rehabilitation			2,010.92	2,010.92
Walmart Grant	1,000.00	1,000.00		
Click-it or Ticket			4,000.00	4,000.00
Drunk Driving Enforcement Fund	<u>6,724.10</u>	<u>6,724.10</u>	<u> </u>	<u> </u>
	<u>31,971.83</u>	<u>27,521.83</u>	<u>31,450.64</u>	<u>35,900.64</u>
	A	A-22	A-25	A

Borough of Rockaway, N.J.

Schedule of Due From Current Fund

Federal and State Grant Fund

Year Ended December 31, 2010

	<u>Ref.</u>		
Balance - December 31, 2009	A		14,440.27
Increased by:			
Federal and State Grant Fund Receipts	A-22	31,487.38	
Federal and State Grant Fund Unappropriated Reserves	A-24	31,450.64	
Matching Funds for Grants 2010 Budget Appropriation	A-23	<u>12,650.00</u>	
			<u>75,588.02</u>
			90,028.29
Decreased by:			
Federal and State Grant Fund Expenditures	A-23	79,410.96	
Interest on Investments	A-5	<u>12.99</u>	
			<u>79,423.95</u>
Balance - December 31, 2010	A		<u><u>10,604.34</u></u>

A-26

Schedule of Due From - Other Trust Fund

Federal and State Grant Fund

Year Ended December 31, 2010

	<u>Ref.</u>		
Balance - December 31, 2009	A		<u><u>1,000.00</u></u>
Balance - December 31, 2010	A		<u><u>1,000.00</u></u>

Borough of Rockaway

Schedule of Cash

Trust Funds

Year Ended December 31, 2010

	<u>Ref.</u>	<u>Emergency Services Volunteer Length of Service Award Program</u>	<u>Animal Control Fund</u>	<u>Other Trust Funds</u>
Balance - December 31, 2009	B	<u>89,978.78</u>	<u>12,014.39</u>	<u>239,636.82</u>
Increase by Receipts:				
Schedule of Interfunds	B-2			112,647.79
Escrow Accounts Receivable	B-3			74,744.89
Prepaid Licenses	B-4		1,072.00	
Schedule of Interfund - Current Fund	B-5		34.82	
Other Trust Funds	B-6			3,262,777.93
Animal License Fees - Township Share	B-8		16,766.20	
Dog License Fees - State Share	B-7		1,132.80	
Schedule of Contributions Receivable	B-9	10,800.00		
Schedule of Net Assets Available for Benefits	B-10	<u>16,595.90</u>		
Total Receipts		<u>27,395.90</u>	<u>19,005.82</u>	<u>3,450,170.61</u>
		<u>117,374.68</u>	<u>31,020.21</u>	<u>3,689,807.43</u>
Decreased by Disbursements:				
Schedule of Interfunds	B-2			53,819.60
Escrow Accounts Receivable	B-3			18,875.64
Schedule of Interfund - Current Fund	B-5		46.03	
Other Trust Funds	B-6			3,192,006.28
State Share - Dog Licenses	B-7		1,140.60	
Reserve for Animal Control Trust Fund Expenditures	B-8		<u>14,622.76</u>	
Total Disbursements			<u>15,809.39</u>	<u>3,264,701.52</u>
Balance - December 31, 2010	B	<u><u>117,374.68</u></u>	<u><u>15,210.82</u></u>	<u><u>425,105.91</u></u>

Borough of Rockaway

Schedule of Interfund

Other Trust Funds

Year Ended December 31, 2010

	Due From/(To) Balance Dec. 31, 2009	<u>Increased</u>	<u>Decreased</u>	Due From/(To) Balance Dec. 31, 2010
Federal and State Grant Fund	(1,000.00)			(1,000.00)
Public Assistance	500.00			500.00
Current Fund - Other Trusts	<u>(48,769.16)</u>	<u>377,986.20</u>	<u>58,469.44</u>	<u>(368,285.92)</u>
	<u>(49,269.16)</u>	<u>377,986.20</u>	<u>58,469.44</u>	<u>(368,785.92)</u>
	B			B
	<u>Ref.</u>			
Schedule of Other Trust Funds	B-6	265,338.41	4,649.84	
Other Trust Fund - Cash Receipts	B-1	112,647.79		
Other Trust Fund - Cash Disbursements	B-1		<u>53,819.60</u>	
		<u>377,986.20</u>	<u>58,469.44</u>	

B-3

Escrow Accounts Receivable

Other Trust Funds

Year Ended December 31, 2010

Balance - December 31, 2009	<u>Ref.</u> B	74,744.89
Increased by:		
Cash Disbursements	B-1	<u>18,875.64</u>
		93,620.53
Decreased by:		
Cash Receipts	B-1	<u>74,744.89</u>
Balance - December 31, 2010	B	<u>18,875.64</u>

Borough of Rockaway
Schedule of Prepaid Animal Licenses

Trust Funds

Year Ended December 31, 2010

	<u>Ref.</u>	
Balance - December 31, 2009	B	1,815.00
Increased by:		
Prepaid Animal Control Licenses:		
Dog Licenses		204.00
Cat Licenses		868.00
	B-1	1,072.00
		2,887.00
Decreased by:		
Realized Revenue:		
Dog Licenses	B-8	1,486.00
Cat Licenses	B-8	329.00
		1,815.00
Balance - December 31, 2010	B	1,072.00

B-5

Schedule of Due To - Current Fund

Animal Control Trust

Year Ended December 31, 2010

	<u>Ref.</u>	
Balance - December 31, 2009	B	46.03
Increased by:		
Interest Income	B-1	34.82
		80.85
Decreased by:		
Cash Disbursement	B-1	46.03
		46.03
Balance - December 31, 2010	B	34.82

Borough of Rockaway

Schedule of Various Reserves and Due to State

Trust Funds

Year Ended December 31, 2010

	Ref.	Balance Dec. 31, 2009	Increased	Decreased	Balance Dec. 31, 2010
Reserve for:					
Tax Sale Premium		81,900.00		49,400.00	32,500.00
COAH		10,797.00			10,797.00
Unemployment Insurance		28,607.61	38.66	689.12	27,957.15
Deferred Sick Leave		1,189.06			1,189.06
Shade Tree Commission		650.00			650.00
Forfeited Assets		12,109.90	959.97	660.00	12,409.87
Federal Police Funds		1,070.95		937.41	133.54
Recycling		47,019.74	4,048.40	2,202.45	48,865.69
Parking Offenses Adjudication Act		2,543.26			2,543.26
Public Defender		12,642.96			12,642.96
DARE Program		967.79	1,500.00	365.90	2,101.89
Vial of Life		1,000.00			1,000.00
National Night Out		1,022.83	2,750.00	3,635.23	137.60
Outside Liens			4,629.84		4,629.84
State of New Jersey Housing		772.77			772.77
Fire Prevention		8,410.41	10,191.00	18,010.41	591.00
Payroll		48,982.27	3,238,218.90	3,371,750.17	(84,549.00)
Total Reserves	B	259,686.55	3,262,336.77	3,447,650.69	74,372.63
Due To State:					
Due to State of NJ - Building Surcharge		5,201.00	3,891.00	8,449.00	643.00
Due to State of NJ - Burial Permits			5.00		5.00
Due to State of NJ - Marriage License Fees		225.00	1,195.00	1,245.00	175.00
Total Due to State	B	5,426.00	5,091.00	9,694.00	823.00
		265,112.55	3,267,427.77	3,457,344.69	75,195.63
		B			B
Ref.					
Cash Receipts	B-1		3,262,777.93		
Cash Disbursements	B-1			3,192,006.28	
Interfund - Current Fund	B-2		4,649.84	265,338.41	
			3,267,427.77	3,457,344.69	

Borough of Rockaway

Schedule of Due to State Department of Health

Trust Funds

Year Ended December 31, 2010

	<u>Ref.</u>	
Balance - December 31, 2009	B	31.00
Increased by:		
State Fees Collected	B-1	<u>1,132.80</u> 1,163.80
Decreased by:		
Paid to State	B-1	1,140.60
Audit Adjustment	B-8	<u>10.00</u> <u>1,150.60</u>
Balance - December 31, 2010	B	<u><u>13.20</u></u>

Borough of Rockaway
Reserve for Animal Control Fund Expenditures

Trust Funds

Year Ended December 31, 2010

	<u>Ref.</u>	
Balance - December 31, 2009	B	10,122.36
Increased by:		
Dog License Fees		10,190.20
Cat License Fees		4,920.50
Late Fees		<u>1,655.50</u>
	B-1	16,766.20
Transfer from Prepaid Licenses:		
Dog Licenses		1,486.00
Cat Licenses		<u>329.00</u>
	B-4	1,815.00
Audit Adjustment	B-7	<u>10.00</u>
		<u>18,591.20</u>
		28,713.56
Decreased by:		
Expenditures R.S. 4:19-15.11	B-1	<u>14,622.76</u>
Balance - December 31, 2010	B	<u><u>14,090.80</u></u>

License Fees Collected

<u>Year</u>	
2009	15,605.00
2008	<u>15,979.00</u>
	<u><u>31,584.00</u></u>

Borough of Rockaway

Schedule of Contributions Receivable

Emergency Services Volunteer Length of Service Award Program

Year Ended December 31, 2010

	<u>Ref.</u>	
Balance - December 31, 2009	B	10,800.00
Increased by:		
Borough Contributions - 2010	B-10	<u>10,600.00</u>
		21,400.00
Decreased by:		
Receipts	B-1	<u>10,800.00</u>
Balance - December 31, 2010	B	<u><u>10,600.00</u></u>

B-10

Schedule of Net Assets Available for Benefits

Emergency Services Volunteer Length of Service Award Program

Year Ended December 31, 2010

	<u>Ref.</u>		
Balance - December 31, 2009	B		100,778.78
Increased by:			
Borough Contributions - 2010	B-9	10,600.00	
Adjustment to			
2009 Borough Contribution		2,866.00	
Increase in Investment Value		9,634.74	
Interest Income		987.21	
Adjustments		<u>3,107.95</u>	
	B-1	<u>16,595.90</u>	
			<u>27,195.90</u>
Balance - December 31, 2010	B		<u><u>127,974.68</u></u>

Borough of Rockaway

Schedule of Cash

General Capital Fund

Year Ended December 31, 2010

	<u>Ref.</u>		
Balance - December 31, 2009	C		496,212.17
Increased by Receipts:			
Due from State of N.J. DOT	C-4	78,517.06	
Due From County of Morris - Community Development Block Grant	C-6	80,000.00	
Interfund - Current Fund	C-13	160,583.97	
	C-3	<u> </u>	319,101.03
			<u>815,313.20</u>
Decreased by Disbursements:			
Bond Anticipation Notes	C-9	51,285.00	
Improvement Authorizations	C-10	225,342.62	
Interfund - Water Capital Fund	C-12	90,203.80	
Interfund - Current Fund	C-13	239,605.35	
Interfund - Water Operating Fund	C-15	256,498.89	
	C-3	<u> </u>	862,935.66
			<u> </u>
Balance - December 31, 2010	C		<u><u>(47,622.46)</u></u>

**Borough of Rockaway
Analysis of Cash
General Capital Fund**

Year Ended December 31, 2010

	Balance or (Deficit) Dec. 31, 2009	Receipts		Disbursements			Transfers		Balance or (Deficit) Dec. 31, 2010
		Miscellaneous	Miscellaneous	Improvement Authorizations	Bond Anticipation Notes	Miscellaneous	From	To	
Fund Balance	4,607.24								4,607.24
Capital Improvement Fund	6,400.00								6,050.00
Interfund - Current Fund	(283,631.16)	160,583.97	239,605.35	51,285.00		10,350.00	10,000.00		(416,012.09)
Interfund - Water Capital	228,009.60		90,203.80			10,000.00	7,925.45		137,805.80
Interfund - Water Operating	(16,150.00)		256,498.89						(272,648.89)
Due From Special Revenue Fund	(2,705.00)								(2,705.00)
Due From State of NJ- DOT Grant	(134,521.72)	78,517.06							(130,000.00)
Due From Morris County - Community Development Block Grant	(80,540.00)	80,000.00				80,000.00	540.00		(80,000.00)
Improvement Authorizations:									
13-00 Imp. To Centennial Park	1,806.41								1,806.41
03-01 Various Capital Improvement	9,868.56			5,058.00					4,810.56
05-01 Andrea Drive Storm Drain Repair	6,000.00								6,000.00
05-02 Rockaway & Lincoln Ave. Storm Drain Rep.	7,000.00								7,000.00
07-02 Various Capital Improvements	50,365.71			12,165.45					38,200.26
05-03 Various Capital Improvements	27,036.04			27,036.04					
09-03 Various Capital Improvements	71,769.34			30,350.00					
05-05 Various Improvements	99,571.23								41,419.34
13-06 Various Capital Improvements	141,184.20			2,048.40					99,571.23
08-07 Various Capital Improvements	260,646.48			15,448.24					139,135.80
01-08 Sanitary Sewer Rehabilitation	2,912.10					53,799.32			191,398.92
02-08 Park Lake ADA Restrooms	95.72					540.00			2,372.10
19-08 Various Capital Improvements	121,227.42			2,164.28					95.72
07-09 Various Capital Improvements	(24,740.00)								116,857.80
15-10 Various Capital Improvements				131,072.21					(24,740.00)
						7,925.45	220,350.00		81,352.34
		319,101.03	586,308.04	225,342.62	51,285.00	294,820.11	294,820.11		(47,622.46)
	496,212.17	C-2	C-2	C-2	C-2	C-2	C-2	C	

Borough of Rockaway
Schedule of Due From State of New Jersey -
Department of Transportation
General Capital Fund
Year Ended December 31, 2010

	<u>Ref.</u>	
Balance - December 31, 2009	C;C-3	134,521.72
Increased by:		
State Grant - East New Street	C-10	130,000.00
		<u>264,521.72</u>
Decreased by:		
Receipts	C-2	78,517.06
Cancelled	C-10	56,004.66
		<u>134,521.72</u>
Balance - December 31, 2010	C;C-3	<u><u>130,000.00</u></u>

C-5

Schedule of Deferred Charges to Future
Taxation - Funded

General Capital Fund

Year Ended December 31, 2010

	<u>Ref.</u>	
Balance - December 31, 2009	C	1,772,000.00
Decreased by:		
Serial Bonds Paid by Current Year		
Budget Appropriations	C-8	235,000.00
		<u>235,000.00</u>
Balance - December 31, 2010	C	<u><u>1,537,000.00</u></u>

Borough of Rockaway

**Schedule of Due From Morris County -
Community Development Block Grant**

General Capital Fund

Year Ended December 31, 2010

	<u>Ref.</u>	
Balance - December 31, 2009	C	80,540.00
Increased by:		
Sanitary Sewer Rehabilitation	C-10	<u>80,000.00</u>
		160,540.00
Decreased by:		
Cash Receipts	C-2	80,000.00
Cancelled	C-10	<u>540.00</u>
		<u>80,540.00</u>
Balance - December 31, 2010	C	<u><u>80,000.00</u></u>

Borough of Rockaway
Schedule of General Serial Bonds Payable

General Capital Fund

Year Ended December 31, 2010

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2009</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2010</u>
				Maturities of Bonds Outstanding, December 31, 2010				
				<u>Date</u>				
General Improvements Bonds Series 2003	11/15/2003	3,027,000.00	11/15/2011	245,000.00	3.10%			
			11/15/2012	250,000.00	3.30%			
			11/15/2013	255,000.00	3.40%			
			11/15/2014	260,000.00	3.55%			
			11/15/2015	270,000.00	3.65%			
			11/15/2016	257,000.00	3.75%			
						<u>1,772,000.00</u>	<u>235,000.00</u>	<u>1,537,000.00</u>
						<u><u>1,772,000.00</u></u>	<u><u>235,000.00</u></u>	<u><u>1,537,000.00</u></u>
						C	C-5	C

Borough of Rockaway
Schedule of Bond Anticipation Notes Payable
General Capital Fund
Year Ended December 31, 2010

Ordinance Number	Improvement Description	Original Note	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2009		Balance Dec. 31, 2010	
							Increased	Decreased	Increased	Decreased
13-00	Imp. To Centennial Park	13,000.00	12/27/2006	12/14/2010	06/01/2011	0.80%	12,316.00	12,316.00	11,631.63	11,631.63
14-00	Pur. Of Senior Citizens Van	6,000.00	12/27/2006	12/14/2010	06/01/2011	0.80%	5,684.00	5,684.00	5,368.21	5,368.21
09-03	Various Capital Improvements	900.00	12/27/2006	12/14/2010	06/01/2011	0.80%	863.00	863.00	825.66	825.66
10-03	Various Capital Improvements	28,500.00	12/27/2006	12/14/2010	06/01/2011	0.80%	27,000.00	27,000.00	25,500.00	25,500.00
11-04	Various Capital Improvements	351,500.00	12/27/2006	12/14/2010	06/01/2011	0.80%	338,530.00	338,530.00	325,559.52	325,559.52
05-05	Various Capital Improvements	548,625.00	12/27/2006	12/14/2010	06/01/2011	0.80%	530,275.00	530,275.00	511,926.34	511,926.34
13-06	Various Capital Improvements	396,150.00	12/27/2006	12/14/2010	06/01/2011	0.80%	235,807.00	235,807.00	225,463.66	225,463.66
08-07	Various Capital Improvements	175,000.00	12/26/2007	12/14/2010	06/01/2011	0.80%	161,250.00	161,250.00	154,164.98	154,164.98
19-08	Various Capital Improvements	375,250.00	12/25/2008	12/14/2010	06/01/2011	0.80%	375,250.00	375,250.00	375,250.00	375,250.00
08-07	Various Capital Improvements	100,000.00	12/25/2008	12/14/2010	06/01/2011	0.80%	100,000.00	100,000.00	100,000.00	100,000.00
13-06	Various Capital Improvements	150,000.00	12/15/2009	12/14/2010	06/01/2011	0.80%	150,000.00	150,000.00	150,000.00	150,000.00
07-09	Various Capital Improvements	170,200.00	12/15/2009	12/14/2010	06/01/2011	0.80%	170,200.00	170,200.00	170,200.00	170,200.00
							<u>2,107,175.00</u>	<u>2,107,175.00</u>	<u>2,055,890.00</u>	<u>2,055,890.00</u>
							C			C
						Renewals	Ref.	2,055,890.00	2,055,890.00	
						Paid by Budget Appropriation	C-13;C-2	51,285.00	51,285.00	
								<u>2,055,890.00</u>	<u>2,107,175.00</u>	

Borough of Rockaway
Schedule of Improvement Authorizations
General Capital Fund
Year Ended December 31, 2010

Ordinance Number	Improvement Description	Ordinance Date	Amount	Balance Dec. 31, 2009		2010 Authorizations	Paid or Charged	Canceled	Balance Dec. 31, 2010	
				Funded	Unfunded				Funded	Unfunded
	General Improvements:									
13-00	Imp. To Centennial Park	09/14/2000	30,000.00	1,806.41			5,058.00		1,806.41	
03-01	Various Capital Improvements	05/10/2001	600,000.00	9,868.56					4,810.56	
05-01	Andrea Drive Storm Drain Repair	06/07/2001	20,000.00	6,000.00					6,000.00	
05-02	Rockaway & Lincoln Ave. Storm Drain Rep.	06/13/2002	7,000.00	7,000.00					7,000.00	
07-02	Various Capital Improvements	06/13/2002	440,000.00	50,365.71			12,165.45		38,200.26	
05-03	Various Capital Improvements	06/12/2003	190,000.00	27,036.04			27,036.04			
09-03	Various Capital Improvements	09/25/2003	1,375,000.00	71,769.34			30,350.00		41,419.34	
05-05	Various Capital Improvements	05/12/2005	577,500.00	99,571.23			2,048.40			99,571.23
13-06	Various Capital Improvements	08/10/2006	417,000.00	141,184.20			15,448.24			139,135.80
08-07	Various Capital Improvements	05/10/2007	440,000.00	260,646.48				53,799.32		191,398.92
01-08	Sanitary Sewer Rehabilitation	02/14/2008	80,000.00	2,912.10				540.00		2,372.10
02-08	Park Lake ADA Restrooms	02/14/2008	80,000.00				2,164.28			95.72
19-08	Various Capital Improvements	08/14/2008	535,000.00	121,227.42			2,205.34			116,857.80
15-10	Various Capital Improvements	08/12/2011	417,000.00			417,000.00	138,997.66		81,352.34	196,650.00
				<u>176,758.16</u>	<u>622,725.05</u>	<u>417,000.00</u>	<u>233,268.07</u>	<u>56,544.66</u>	<u>182,961.01</u>	<u>743,709.47</u>
				C	C				C	C

Ref.	Amount
Due From Morris County- Community Development Revenue Sharing Grant	80,000.00
Due From State of New Jersey - Dept of Trans. Grant	130,000.00
Deferred Charges to Future Taxation - Unfunded Capital Improvement Fund	196,650.00
	<u>10,350.00</u>
	<u>417,000.00</u>
Interfund - Current Fund	7,925.45
Cash Disbursements	<u>225,342.62</u>
	<u>233,268.07</u>

Borough of Rockaway
Schedule of Capital Improvement Fund
General Capital Fund
Year Ended December 31, 2010

	<u>Ref.</u>	
Balance - December 31, 2009	C;C-3	6,400.00
Increased by:		
Budget Appropriation	C-13	<u>10,000.00</u>
		16,400.00
Decreased by:		
Appropriated to Finance Improvement Authorizations	C-10	<u>10,350.00</u>
Balance - December 31, 2010	C,C-3	<u><u>6,050.00</u></u>

C-12

Schedule of Due To Water Capital Fund
General Capital Fund
Year Ended December 31, 2010

	<u>Ref.</u>	
Balance - December 31, 2009	C;C-3	228,009.60
Decreased by:		
Cash Disbursement	C-2	<u>90,203.80</u>
Balance - December 31, 2010	C;C-3	<u><u>137,805.80</u></u>

Borough of Rockaway
Schedule of Due from Current Fund
General Capital Fund
Year Ended December 31, 2010

	<u>Ref.</u>	
Balance - December 31, 2009	C;C-3	283,631.16
Increased by:		
Disbursements	C-2	239,605.35
Capital Improvement Fund	C-11	10,000.00
Payment of Bond Anticipation Note	C-7	<u>51,285.00</u>
		<u>300,890.35</u>
		584,521.51
Decreased by:		
Cash Receipts	C-2	160,583.97
Improvement Authorizations	C-10	<u>7,925.45</u>
		<u>168,509.42</u>
Balance - December 31, 2010	C;C-3	<u><u>416,012.09</u></u>

C-14

Schedule of Due From - Special Recreation Fund
General Capital Fund
Year Ended December 31, 2010

	<u>Ref.</u>	
Balance - December 31, 2009	C	<u><u>2,705.00</u></u>
Balance - December 31, 2010	C	<u><u>2,705.00</u></u>

Borough of Rockaway
Schedule Due From Water Operating
General Capital Fund
Year Ended December 31, 2010

	<u>Ref.</u>	
Balance - December 31, 2009	C	16,150.00
Increased by:		
Cash Disbursements	C-2	<u>256,498.89</u>
Balance - December 31, 2010	C	<u><u>272,648.89</u></u>

Borough of Rockaway
Schedule of Bonds and Notes Authorized But Not Issued
General Capital Fund
Year Ended December 31, 2010

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Balance Dec. 31, 2009</u>	<u>2010 Authorizations</u>	<u>Balance Dec. 31, 2010</u>
	<u>General Improvements:</u>			
07-09	Various Capital Improvements	24,740.00		24,740.00
15-10	Various Capital Improvements	<u>24,740.00</u>	<u>196,650.00</u>	<u>196,650.00</u>
			<u>196,650.00</u>	<u>221,390.00</u>
			<u>C-7</u>	<u>Footnote C</u>

Borough of Rockaway

Schedule of Cash

Water Utility Fund

Year Ended December 31, 2010

	<u>Ref.</u>	<u>Operating</u>	<u>Capital</u>
Balance - December 31, 2009	D	<u>142,381.05</u>	<u>(228,713.22)</u>
Increased by Receipts:			
Miscellaneous Revenue	D-3	124,287.33	
Consumer Accounts Receivable	D-8	1,116,974.78	
Schedule of Interfunds	D-12	<u>291,000.00</u>	<u>91,000.05</u>
		<u>1,532,262.11</u>	<u>91,000.05</u>
		<u>1,674,643.16</u>	<u>(137,713.17)</u>
Decreased by Disbursements:			
Budget Appropriations	D-4	1,179,935.47	
Schedule of Interfunds	D-12	91,000.00	
Reserve for Encumbrances	D-13	45,977.74	
Appropriation Reserves	D-14	87,805.83	
Interest on Loan	D-15	1,459.20	
Interest on Bond Anticipation Note	D-16	6,498.89	
Improvement Authorizations	D-19		<u>6,855.00</u>
		<u>1,412,677.13</u>	<u>6,855.00</u>
Balance - December 31, 2010	D	<u><u>261,966.03</u></u>	<u><u>(144,568.17)</u></u>

Borough of Rockaway

Analysis of Cash

Water Capital Fund

Year Ended December 31, 2010

	Balance or (Deficit) Dec. 31, 2009	Receipts		Disbursements		Transfers		Balance or (Deficit) Dec. 31, 2010
		Miscellaneous	Improvement Authorizations	From	To			
Fund Balance	95,797.60			75,654.00				20,143.60
Capital Improvement Fund	98,175.00			5,000.00				93,175.00
Interfund - General Capital Fund	(228,009.60)					90,203.80		(137,805.80)
Interfund - Water Operating Fund	242,721.10	91,000.05				75,654.00		409,375.15
Interfund - Current Fund	(600,000.00)							(600,000.00)
Improvement Authorizations:								
14-06 Various Improvements to Water Supply & Distribution System	(215,000.00)							(215,000.00)
20-08 Various Water/Sewer Utility Improvements	130,088.68		6,855.00	59,106.70				64,126.98
08-09 Various Water / Sewer Utility Improvements	247,514.00			31,097.10				216,416.90
16-10 Various Water / Sewer Utility Improvements						5,000.00		5,000.00
	(228,713.22)	91,000.05	6,855.00	170,857.80		170,857.80		(144,568.17)
	D	D-5	D-5	D-5		D		D

Borough of Rockaway
Schedule of Change Fund
Water Utility Fund
Year Ended December 31, 2010

	<u>Ref.</u>	
Balance - December 31, 2009	D	<u>100.00</u>
Balance - December 31, 2010	D	<u>100.00</u>

Borough of Rockaway
Schedule of Consumer Accounts Receivable
Water Utility Operating Fund
Year Ended December 31, 2010

	<u>Ref.</u>	
Balance - December 31, 2009	D	128,026.89
Increased by:		
Water Rents Levied		<u>1,118,100.97</u>
		1,246,127.86
Decreased by:		
Receipts	D-3;D-5	<u>1,116,974.78</u>
Balance - December 31, 2010	D	<u><u>129,153.08</u></u>

Borough of Rockaway
Schedule of Fixed Capital
Water Utility Capital Fund
Year Ended December 31, 2010

<u>Description</u>	<u>Balance</u> <u>Dec. 31, 2009</u>	<u>Balance</u> <u>Dec. 31, 2010</u>
Fixed Capital Prior to 1970	32,512.50	32,512.50
Pumping Station Land	2,700.00	2,700.00
Storage System Land	400.00	400.00
Springs and Wells	402,384.92	402,384.92
Pumping Station Structures	22,848.54	22,848.54
Electric Pumping Station Equipment	16,901.51	16,901.51
Storage Reservoirs and Tanks	757,609.38	757,609.38
Distribution Mains and Accessories	2,409,451.10	2,409,451.10
Service Pipes and Stops	82,117.00	82,117.00
Fire Hydrants and Cisterns	77,747.86	77,747.86
General Structures	71,837.61	71,837.61
Meters, Meter Boxes and Vaults	279,533.76	279,533.76
Engineering	11,004.96	11,004.96
General Equipment	177,435.26	177,435.26
Shoring Unit	5,961.50	5,961.50
Booster Pump	1,736.67	1,736.67
Pumping Equipment	20,896.31	20,896.31
Water Line and Reservoirs	84,562.63	84,562.63
Sewer Lines	16,651.20	16,651.20
Water Treatment Facility	788,753.37	788,753.37
Altitude Valve	4,000.00	4,000.00
Trucks	51,193.06	51,193.06
Purification Equipment	263,279.87	263,279.87
Loader Replacement	153,601.91	153,601.91
Woodside Transit Pipeline	213,373.95	213,373.95
Water Utility Vehicles	339,768.41	339,768.41
Portable Radios	2,760.00	2,760.00
	<u>6,291,023.28</u>	<u>6,291,023.28</u>
	D	D

Borough of Rockaway

Schedule of Deferred Charges

Water Utility Operating Fund

Year Ended December 31, 2010

	Balance Dec. 31, 2009	Increased by: Added in 2010	Decreased by: Raised in 2010 Budget	Balance Dec. 31, 2009
Overexpenditure of Appropriations Payable		16,879.17		16,879.17
Operating Deficit		9,152.24		9,152.24
Overexpenditure of Appropriation Reserves	6,513.40	22,101.58	6,513.40	22,101.58
	<u>6,513.40</u>	<u>48,132.99</u>	<u>6,513.40</u>	<u>48,132.99</u>
	D		D-4	D
	<u>Ref.</u>			
Overexpenditure of Appropriations Payable		16,879.17		
Operating Deficit		9,152.24		
Overexpenditure of Appropriation Reserves		22,101.58		
		<u>48,132.99</u>		

Borough of Rockaway

Schedule of Fixed Capital Authorized and Uncompleted

Water Utility Capital Fund

Year Ended December 31, 2010

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Date</u>	<u>Ordinance Amount</u>	Balance,	
				<u>Dec. 31, 2009</u>	<u>2010 Authorizations</u>
20-08	Various Water/Sewer Utility Improvements	08/14/2008	380,000.00	857,000.00	857,000.00
16-10	Various Water/Sewer Utility Improvements	08/12/2010	100,000.00		100,000.00
				<u>857,000.00</u>	<u>957,000.00</u>
				D	D

Borough of Rockaway

Schedule of Interfund Accounts Receivable (Payable)

Water Utility Fund

Year Ended December 31, 2010

	Ref.		Water Operating Fund			Water Capital Fund		
			Water Capital Fund	General Capital Fund	Recreation Trust Fund	Current Fund	General Capital Fund	Current Fund
Balance - December 31, 2009	D		<u>242,721.10</u>	<u>(16,150.00)</u>	<u>(50,000.00)</u>		<u>600,000.00</u>	<u>(242,721.10)</u>
Increased by:								
Anticipated Items of Revenue	D-3;D-1		75,654.00					75,654.00
Budget Appropriation	D-4			6,498.89		155,903.94		
Receipts	D-5			250,000.00	41,000.00			91,000.05
Disbursements	D-5		91,000.00					
Interest on Deposits	D-3/D-5		0.05					
			<u>166,654.05</u>	<u>256,498.89</u>	<u>41,000.00</u>	<u>155,903.94</u>		<u>166,654.05</u>
Decreased by:								
Improvement Authorizations	D-19						90,203.80	
Balance - December 31, 2010	D		<u>409,375.15</u>	<u>(272,648.89)</u>	<u>(91,000.00)</u>	<u>(155,903.94)</u>	<u>600,000.00</u>	<u>(409,375.15)</u>

Borough of Rockaway
Schedule of Reserve for Encumbrances
Water Utility Operating Fund
Year Ended December 31, 2010

	<u>Ref.</u>	
Balance - December 31, 2009	D	45,977.74
Increased by:		
Transferred from		
Budget Appropriations	D-4	<u>41,671.12</u>
		87,648.86
Decreased by:		
Disbursements	D-5	<u>45,977.74</u>
Balance - December 31, 2010	D	<u><u>41,671.12</u></u>

Borough of Rockaway
Schedule of 2009 Appropriation Reserves
Water Utility Operating Fund
Year Ended December 31, 2010

	<u>Balance, Dec. 31, 2009</u>	<u>Balance After Transfers</u>	<u>Paid</u>	<u>Over Expenditure</u>
Operating:				
Salaries and Wages	17,505.29	17,505.29	17,505.29	
Other Expenses	48,198.96	48,198.96	70,300.54	22,101.58
Total Appropriation Reserves	<u>65,704.25</u>	<u>65,704.25</u>	<u>87,805.83</u>	<u>22,101.58</u>
	D		D-5	D-10

Borough of Rockaway

Schedule of Accrued Interest on Rehabilitation Loan Payable

Water Utility Operating Fund

Year Ended December 31, 2010

	<u>Ref.</u>	
Balance - December 31, 2009	D	3,525.08
Increased by:		
Budget Appropriation for Interest on Loan	D-4	1,459.39 <u>4,984.47</u>
Decreased by:		
Interest Paid	D-5	<u>1,459.20</u>
Balance - December 31, 2010	D	<u><u>3,525.27</u></u>

	<u>Principal Outstanding Dec. 31, 2010</u>	<u>Interest Rate</u>	<u>From</u>	<u>To</u>	<u>Period (Days)</u>	<u>Required Amount</u>	<u>Actual Amount</u>
Loan Payable	<u>51,090.16</u>	2.00%	08/07/10	12/31/10	146	<u>408.72</u>	<u>3,525.08</u>

D-16

Schedule of Accrued Interest on Bond Anticipation Notes

Water Utility Operating Fund

Year Ended December 31, 2010

	<u>Ref.</u>	
Balance - December 31, 2009	D	1,110.79
Increased by:		
Budget Appropriation for Interest on Bonds	D-4	7,140.00 <u>8,250.79</u>
Decreased by:		
Interest Paid	D-5	<u>6,498.89</u>
Balance - December 31, 2010	D	<u><u>1,751.90</u></u>

	<u>Principal Outstanding Dec. 31, 2010</u>	<u>Interest Rate</u>	<u>From</u>	<u>To</u>	<u>Period (Days)</u>	<u>Required Amount</u>	<u>Actual Amount</u>
Bond Anticipation Note Payable	<u>665,000.00</u>	0.80%	12/14/2010	12/31/2010	17	<u>247.78</u>	<u>1,751.90</u>

Borough of Rockaway**Schedule of Loan Payable****New Jersey Department of Environmental Protection****Water Utility Capital Fund****Year Ended December 31, 2010**

	<u>Ref.</u>	
Balance - December 31, 2009	D	65,045.58
Decreased by:		
Paid by Budget Appropriation	D-21	<u>13,955.42</u>
Balance - December 31, 2010	D	<u><u>51,090.16</u></u>

Borough of Rockaway
Schedule of Bond Anticipation Notes Payable

Water Utility Capital Fund

Year Ended December 31, 2010

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Original Note</u>	<u>Date of Original Issue</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2009</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2010</u>
20-08	Various Water/Sewer Utility Imp.	380,000.00	12/23/2008	12/14/2010	06/01/2011	0.80%	665,000.00	665,000.00	665,000.00	665,000.00
						Renewals	D	665,000.00	665,000.00	D
								<u>665,000.00</u>	<u>665,000.00</u>	

Borough of Rockaway
Schedule of Improvement Authorizations

Water Utility Capital Fund

Year Ended December 31, 2010

Ordinance Number	Improvement Description	Ordinance Date	Ordinance Amount	Balance Dec. 31, 2009		2010 Authorizations	Paid or Charged	Balance Dec. 31, 2010	
				Funded	Unfunded			Funded	Unfunded
General Improvements:									
20-08	Various Water/Sewer Utility Improvements	08/14/08	380,000.00		130,088.68		65,961.70		64,126.98
08-09	Various Water/Sewer Utility Improvements	06/25/09	453,150.00		415,664.00		31,097.10		384,566.90
16-10	Various Water/Sewer Utility Improvements	08/12/10	100,000.00		545,752.68	100,000.00		5,000.00	95,000.00
					D	D		D	D
							6,855.00		
							90,203.80		
						5,000.00			
						95,000.00			
						D-11			
							97,058.80		

Ref.
D-5 Cash Disbursements
D-12 Interfund - General Capital Fund
D-22 Deferred Reserve for Amortization
D-23 Authorized But Not Issued

Borough of Rockaway
Schedule of Capital Improvement Fund
Water Utility Capital Fund
Year Ended December 31, 2010

	<u>Ref.</u>	
Balance - December 31, 2009	D	98,175.00
Decreased by:		
Improvement Authorizations	D-22	<u>5,000.00</u>
Balance - December 31, 2010	D	<u><u>93,175.00</u></u>

Schedule of Reserve for Amortization
Water Utility Capital Fund
Year Ended December 31, 2010

	<u>Ref.</u>	
Balance - December 31, 2009	D	6,010,977.70
Increased by:		
Payment of Water Loan	D-17	<u>13,955.42</u>
Balance - December 31, 2010	D	<u><u>6,024,933.12</u></u>

Borough of Rockaway

Schedule of Deferred Reserve for Amortization

Water Utility Capital Fund

Year Ended December 31, 2010

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Date of Ordinance</u>	<u>Balance, Dec. 31, 2009</u>	<u>Fixed Capital Authorized</u>	<u>Balance, Dec. 31, 2010</u>
<u>General Improvements:</u>					
08-09	Various Water / Sewer Utility Improvements	06/25/09	23,850.00		23,850.00
16-10	Various Water / Sewer Utility Improvements	08/12/10		5,000.00	5,000.00
			<u>23,850.00</u>	<u>5,000.00</u>	<u>28,850.00</u>
			D	D-19;D-20	D

Borough of Rockaway

Schedule of Bonds and Notes Authorized But Not Issued

Water Utility Capital Fund

Year Ended December 31, 2010

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Balance, Dec. 31, 2009</u>	<u>2010 Authorizations</u>	<u>Balance, Dec. 31, 2010</u>
14-06	Various Improvements to The Water Supply & Distribution System	215,000.00		215,000.00
08-09	Various Water / Sewer Utility Improvements	168,150.00		168,150.00
16-10	Various Water / Sewer Utility Improvements		95,000.00	95,000.00
		<u>383,150.00</u>	<u>95,000.00</u>	<u>478,150.00</u>
			D-19	D

Borough of Rockaway
Schedule of Cash-Treasurer
Public Assistance Fund
Year Ended December 31, 2010

	<u>Ref.</u>	<u>Total</u>	<u>P.A.T.F. Account #1</u>	<u>P.A.T.F. Account #2</u>
Balance - December 31, 2009	E	108,014.29	3,464.79	104,549.50
Increased by Receipts:				
State Aid		78,300.00		78,300.00
Interest		4.67	4.67	
Transfer From PATF II		686.02	686.02	
Miscellaneous		133.00		133.00
State/Municipal Refund		4,259.00		4,259.00
	E-4	83,382.69	690.69	82,692.00
Decreased by Disbursements:				
Public Assistance - 2010		169,102.20		169,102.20
Assistance Ineligible for State Aid		3,130.96	3,130.96	
Transfer to PATF I		686.02		686.02
	E-5	172,919.18	3,130.96	169,788.22
Balance - December 31, 2010	E	18,477.80	1,024.52	17,453.28

Borough of Rockaway

Schedule of Public Assistance Cash and Reconciliation

Per N.J.S. 40A:5-5

Year Ended December 31, 2010

	<u>Ref.</u>		
Balance - December 31, 2010	E		18,477.80
Increased by:			
Cash Receipts Record			<u>384.18</u>
			18,861.98
Decreased by:			
Cash Disbursements Record			<u>30.00</u>
Balance -May 31, 2011	E		<u><u>18,831.98</u></u>
<u>Reconciliation - May 31, 2011</u>		<u>P.A.T.F.</u> <u>Account #1</u>	<u>P.A.T.F.</u> <u>Account #2</u>
			<u>TOTAL</u>
Balance on Deposit per Statement of:			
The Provident Bank # 9811201673		995.07	995.07
Sovereign Checking - #143-1047716		<u>20,208.91</u>	<u>20,208.91</u>
		995.07	21,203.98
Less: Outstanding Checks		<u>2,372.00</u>	<u>2,372.00</u>
Balance - May 31, 2011		<u><u>995.07</u></u>	<u><u>17,836.91</u></u>
			<u><u>18,831.98</u></u>

Borough of Rockaway

Schedule of Cash and Reconciliation

Public Assistance Fund

Year Ended December 31, 2010

	<u>Ref.</u>	
Balance - December 31, 2009	E-1	108,014.29
Increased by Receipts:		
Cash Receipts Record	E-4	83,382.69
		<u>191,396.98</u>
Decreased by Disbursements:		
Cash Disbursements Record	E-5	<u>172,919.18</u>
Balance - December 31, 2010	E-1	<u><u>18,477.80</u></u>

<u>Reconciliation - December 31, 2010</u>	<u>P.A.T.F. Account #1</u>	<u>P.A.T.F. Account #2</u>	<u>TOTAL</u>
Balance on Deposit per Statement of:			
TD Bank			
Checking - #7858097236	1,024.52		1,024.52
Sovereign Bank:			
Checking - #143-1047716		19,825.28	19,825.28
	<u>1,024.52</u>	<u>19,825.28</u>	<u>20,849.80</u>
Add: Deposit In Transits			0.00
Less: Outstanding Checks		<u>2,372.00</u>	<u>2,372.00</u>
Balance - December 31, 2010	<u><u>1,024.52</u></u>	<u><u>17,453.28</u></u>	<u><u>18,477.80</u></u>

Borough of Rockaway

Schedule of Revenues - Cash Basis

Public Assistance Fund

Year Ended December 31, 2010

	<u>Total</u>	<u>P.A.T.F. Account #1</u>	<u>P.A.T.F. Account #2</u>
State Aid Payments	78,300.00		78,300.00
Less: Refunds to the State			
Net State Aid Payments	<u>78,300.00</u>		<u>78,300.00</u>
Interest Income	4.67	4.67	
Miscellaneous	133.00		133.00
Transfer From PATF II	686.02	686.02	
Supplemental Security Income: State/Municipal Refund	<u>4,259.00</u>		<u>4,259.00</u>
Total Receipts	<u><u>83,382.69</u></u>	<u>690.69</u>	<u><u>82,692.00</u></u>

E-1

E-5

Schedule of Expenditures - Cash Basis

Public Assistance Fund

Year Ended December 31, 2010

	<u>Total</u>	<u>P.A.T.F. Account #1</u>	<u>P.A.T.F. Account #2</u>
Reported:			
Current Year Assistance (State Matching):			
Maintenance Payments	36,874.57		36,874.57
Other:			
Transportation	10,050.81		10,050.81
Utilities	1,762.82		1,762.82
Rental Assistance	86,099.00		86,099.00
Shelter / Motel	17,833.00		17,833.00
Security Deposit	9,041.00		9,041.00
Rent	<u>10,322.00</u>		<u>10,322.00</u>
Total Payments Reported	<u>171,983.20</u>		<u>171,983.20</u>
Payments for Assistance Over Reported:	2,881.00		2,881.00
Sub-Total	<u>169,102.20</u>		<u>169,102.20</u>
Assistance Ineligible for State Aid	3,130.96	3,130.96	
Transfer to PATF II	<u>686.02</u>		<u>686.02</u>
Total Disbursements (P.A.T.F.)	<u><u>172,919.18</u></u>	<u>3,130.96</u>	<u><u>169,788.22</u></u>

E-1

Borough of Rockaway
Schedule of Reserve for Public Assistance
Public Assistance Fund
Year Ended December 31, 2010

	<u>Ref.</u>	
Balance - December 31, 2009	E	88,223.33
Increased by:		
Receipts		<u>83,378.02</u>
		171,601.35
Decreased by:		
Disbursements		<u>172,919.18</u>
Balance - December 31, 2010	E	<u><u>(1,317.83)</u></u>
<u>Analysis of Balance:</u>		
Account #1		16,462.09
Account #2		<u>(17,779.92)</u>
		<u><u>(1,317.83)</u></u>

E-7

Schedule of Due To Current Fund
Public Assistance Fund
Year Ended December 31, 2010

	<u>Ref.</u>	
Balance - December 31, 2009	E	19,290.96
Increased by:		
Cash Receipts	E-1	<u>4.67</u>
Balance - December 31, 2010	E	<u><u>19,295.63</u></u>
<u>Analysis of Balance:</u>		
Account #1 - Due From		15,123.59
Account #2 - Due To		<u>(34,419.22)</u>
		<u><u>(19,295.63)</u></u>

Borough of Rockaway
Schedule of Due To Other Trust Fund
Public Assistance Fund
Year Ended December 31, 2010

	<u>Ref.</u>	
Balance - December 31, 2009	E	<u><u>500.00</u></u>
Balance - December 31, 2010	E	<u><u>500.00</u></u>
<u>Analysis of Balance:</u>		
Account #2 - Due To		<u><u>500.00</u></u>

Borough of Rockaway
Schedule of Cash-Treasurer
Special Recreation Fund
Year Ended December 31, 2010

	<u>Ref.</u>		
Balance - December 31, 2009	F		47,845.97
Increased by Receipts:			
Beach Tags		4,127.00	
Recreation Cards		27,330.00	
Ski Club		384.00	
Summer Program		32,175.00	
Teams		5,980.00	
Miscellaneous		4,473.00	
		<u>74,469.00</u>	
Interfund - Current Fund	F-3	41.04	
			<u>74,510.04</u>
			122,356.01
Decreased by Disbursements:			
Cash Disbursements	F-2	33,465.09	
Interfund - Water Operating	F-4	41,000.00	
		<u>74,465.09</u>	
Balance - December 31, 2010	F		<u><u>47,890.92</u></u>

Borough of Rockaway
Schedule of Reserve for Special Recreation Fund

Special Recreation Fund

Year Ended December 31, 2010

	<u>Ref.</u>	
Balance - December 31, 2009	F	58,066.57
Increased by:		
Special Recreation Fund Receipts	F-1	74,469.00
		132,535.57
Decreased by:		
Special Recreation Fund Disbursements	F-1	33,465.09
Interfund - Current Fund	F-3	40,384.95
		73,850.04
Balance - December 31, 2010	F	58,685.53

F-3

Schedule of Due To - Current Fund

Special Recreation Fund

Year Ended December 31, 2010

	<u>Ref.</u>	
Balance - December 31, 2009	F	37,074.40
Increased by:		
Disbursement in Current Fund	F-2	40,384.95
Interest Income	F-1	41.04
		40,425.99
Balance - December 31, 2010	F	77,500.39

Borough of Rockaway
Schedule of Due From Water Operating Fund

Special Recreation Fund

Year Ended December 31, 2010

	<u>Ref.</u>	
Balance - December 31, 2009	F	50,000.00
Increased by:		
Cash Disbursement	F-1	<u>41,000.00</u>
Balance - December 31, 2010	F	<u><u>91,000.00</u></u>

F-5

Schedule of Due to General Capital Fund

Special Recreation Fund

Year Ended December 31, 2010

	<u>Ref.</u>	
Balance - December 31, 2009	F	<u><u>2,705.00</u></u>
Balance - December 31, 2010	F	<u><u>2,705.00</u></u>

BOROUGH OF ROCKAWAY

PART II

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

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2010

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

Charles J. Ferraioli, Jr., MBA, CPA, RMA
Steven D. Wielkocz, CPA, RMA
James J. Cerullo, CPA, RMA
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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

June 29, 2011

Honorable Mayor and
Members of the Borough Council
Borough of Rockaway
1 East Main Street
Rockaway, N. J. 07866

We have audited the financial statements - regulatory basis of the Borough of Rockaway, in the County of Morris, State of New Jersey as of and for the year ended December 31, 2010, and have issued our report thereon dated June 29, 2011. Our report disclosed that, as described in Note 1 to the financial statements - regulatory basis, the Borough of Rockaway 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, we considered the Borough of Rockaway's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements - regulatory basis, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Rockaway's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough of Rockaway's internal control over financial reporting.

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



Honorable Mayor and
Members of the Borough Council
Borough of Rockaway
June 29, 2011
Page 2

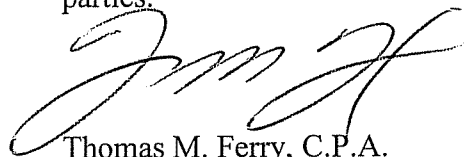
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as 10-01 that we consider to be significant deficiencies in internal control over financial reporting. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Rockaway'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.

We noted certain immaterial instances of noncompliance that we have reported to the management of the Borough of Rockaway in the accompanying comments and recommendations section of this report.

This report is intended solely for the information of management, The Division of Local Government Services, Department of Community Affairs, State of New Jersey, Federal Awarding Agencies and Pass Through Entities and is not intended to be and should not be used by anyone other than these specified parties.



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



BOROUGH OF ROCKAWAY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2010

Summary of Auditor's Results:

A qualified opinion was issued on the Borough's financial statements prepared on an other comprehensive basis of accounting.

The audit did disclose a significant deficiency in the internal control of the Borough.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

The audit did disclose findings required to be reported under Generally Accepted Government Auditing Standards, as follows:

Finding 10-1:

Segregation of Duties

The Borough does not maintain an adequate segregation of duties within the Treasury Department, Tax Collector Department and the Water Operating Department. Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to misappropriate funds and prevent detection within a reasonable period of time. The Chief Financial Officer controls disbursements of funds, has control of checks, has control of signature stamps and reconciles bank statements. This situation occurred because of the limited number of employees qualified to perform other accounting functions. The Borough was made aware of this lack on internal control and will consider strengthening Internal Control within reason of the costs and benefits derived. Therefore, no formal recommendation is deemed necessary at this time.

Findings and Questioned Costs for Federal Awards:

Not applicable

Findings and Questioned Costs for State Awards:

Not applicable

BOROUGH OF ROCKAWAY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2010

The Borough's prior year finding 09-1 regarding segregation of duties has not been corrected and is included in the audit for year ended December 31, 2010.

GENERAL COMMENTS

Cash Balance

Cash balances in all funds were verified by independent certificates obtained from the depositories as of December 31, 2010, and June 29, 2011, 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.A. 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.A. 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 July 1, 2010, the bid threshold in accordance with N.J.S.A. 40A:11-3 and 40A:11-4 (as amended) is \$26,000.00 and with a qualified purchasing agent the threshold may be up to \$36,000.00.

The Governing Body of the Borough of Rockaway 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.A. 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.A. 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.

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.

On January 4, 2010 the governing body adopted the following resolution authorizing interest to be charges on delinquent taxes:

BE IT RESOLVED by the Mayor and Council of the Borough of Rockaway, County of Morris and State of New Jersey, that the rate of interest to be charged for non-payment of taxes on or before the date that they would become delinquent shall be set at the rate of 8% per annum on the first \$1,500 of the delinquency, and 18% per annum on any amount in excess of \$1,500, and

BE IT FURTHER RESOLVED, that the rate of interest to be charged for non-payment of water bills on or before the date that they would become delinquent shall be set at the rate of 8% per annum on the first \$1,500 of the delinquency, and 18% per annum on any amount in excess of \$1,500, and

BE IT FURTHER RESOLVED, that no interest shall be charged if payment of any installation is made within ten days after the date upon which same became payable.

GENERAL COMMENTS (CONTINUED)

Collection of Interest on Delinquent Taxes and Assessments (continued)

BE IT FURTHER RESOLVED, by the Mayor and Council of the Borough of Rockaway, County of Morris and State of New Jersey, in accordance with the provision of N.J.S.A. 54:4-67, a six percent (6%) penalty shall be charged to a taxpayer with a delinquency in excess of ten thousand and no/100 dollars, (\$10,000.00) who fails to pay the delinquency prior to the end of the calendar year. Delinquency in this instance means the sum of all taxes and municipal charges due on a given parcel of property covering any number of quarters or years.

BE IT FURTHER RESOLVED, this Resolution shall be effective immediately.

It appears from an examination of the collector's record that interest was collected in accordance with the forgoing resolutions.

Delinquent Taxes and Tax Title Liens

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>
2010	13
2009	13
2008	14

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 taxpaying basis.

Verification of Delinquent Taxes and Other Charges

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

The result of the test which was made as of December 31, 2010 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.

Local and Regional School Taxes Payable

The amount due to the local and regional school districts, as of December 31, 2010, was verified by school board secretaries and confirmed by us.

GENERAL COMMENTS (CONTINUED)

Expenditures

In connection with the expenditures, vouchers were examined to the extent deemed necessary to determine that the vouchers carried properly executed certifications as required by the statute.

An examination was made of the employees' compensation records to determine that salaries were paid in conformity with amounts of salaries and wages authorized in the ordinance.

Segregation of Duties

The Borough does not maintain an adequate segregation of duties within the Treasury Department, Tax Collector Department, the Water Operating Department and Construction Code Department. Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to misappropriate funds and prevent detection within a reasonable period of time. The Chief Financial Officer controls disbursements of funds, has control of checks, has control of signature stamps and reconciles bank statements. This situation occurred because of the limited number of employees qualified to perform other accounting functions. The Borough was made aware of this lack on internal control and will consider strengthening internal control within reason of the costs and benefits derived. Therefore, no formal recommendation is deemed necessary at this time.

OTHER COMMENTS

Technical Accounting Directives

Beginning January 1, 1986, the Borough of Rockaway is required to have installed Fixed Assets General Ledger Accounting system and Encumbrance system.

Technical accounting directives were issued and forwarded to the Borough of Rockaway from Division of Local Government Services and the Local Finance Board pursuant to N.J.S.A. 52:27BB through 32. As to the filing date of this report of audit, the Borough has not instituted the following systems:

1. Maintain the General Ledger as promulgated by the Division of Local Government Services.

Management Response:

A new general ledger package has been installed. It has been implemented in January 2011.

2. Fixed asset accounting system was not maintained in accordance with Technical Accounting Directive 85-2. The Borough's general fixed assets should be maintained.

Management Response:

An outside firm will be hired to perform this item. It will be part of the 2011 budget.

Public Assistance

1. The GA-6 forms filed with the State of New Jersey are not being reconciled to the Public Assistance cash disbursements.

Management Response:

As of July 2010, Public Assistance was transferred to the County of Morris.

Police Outside Services

1. The balance due from vendors needs to be researched for possible cancellation.

Management Response:

A review of all outside vendors will be performed to determine the validity of such charges.

OTHER COMMENTS (CONTINUED)

Interfunds

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: The Borough should implement a policy to review and liquidate all interfund balances on a periodic basis.

Revenue

Receipts from licenses, fees, permits, etc. for all departments were checked to the extent deemed appropriate to the records maintained. However, the following was noted:

Animal Control

1. The Animal Control cashbook does not tie into the Chief Financial Officer's cashbook.

Management Response:

A quarterly review will be done to insure that the cashbooks agree and deposits are being done in a timely manner.

Chief Financial Officer

1. A monthly analysis of trust fund escrows is not being maintained.

Management Response:

An escrow fund package has been set up with one of Rockaway's financial institutions to resolve this situation.

2. Escrow balances are being made in excess of receipts and balances creating an escrow receivable balance.

Management Response:

An escrow fund package has been set up with one of Rockaway's financial institutions to resolve this situation.

OTHER COMMENTS (CONTINUED)

Chief Financial Officer (continued)

3. The payroll account is not being reconciled on a monthly basis.

Management Response:

The payroll account will be reconciled monthly.

4. Grant receivables in Federal and State Grant Fund should be reviewed for possible cancellation.

Management Response:

Grant receivables will be cancelled.

Construction Department

1. Deposits are not being made within 48 hours.

Management Response:

A review will be made to insure that deposits are being made within 48 hours.

RECOMMENDATIONS

1. That Animal Control Outside Office cashbook ties into the Chief Financial Officer's cashbook on a monthly basis.
2. That the Borough maintain a general ledger as promulgated by the Division of Local Government Services.
3. That the general fixed assets be properly maintained.
4. That all interfunds be reviewed and liquidated on a periodic basis.
5. That escrow balances not be returned in excess of their receipts.
6. That the amount due to outside vendors for police outside services be reviewed and if not collectable, the receivable should be cancelled.
7. That the payroll account be reconciled on a monthly basis.
8. That Grant receivables in Federal and State Grant Fund be reviewed for possible cancellation.
9. That GA-6 forms be reconciled to the cash disbursements on a monthly basis.
10. That a monthly analysis of Trust Escrow be maintained on a monthly basis.
11. That Construction Department make deposits with 48 hours.

Status of Prior Year's Auditing Findings/Recommendations

A review was performed on all prior year's recommendations and corrective action was taken on all prior year's recommendations except for the following:

1. That Animal Control Outside Office cashbook ties into the Chief Financial Officer's cashbook on a monthly basis.
2. That the Borough maintain a general ledger as promulgated by the Division of Local Government Services.
3. That the general fixed assets be properly maintained.
4. That all interfunds be reviewed and liquidated on a periodic basis.
5. That escrow balances not be returned in excess of their receipts.
6. That the amount due to outside vendors for police outside services be reviewed and if not collectable, the receivable should be cancelled.
7. That the payroll account be reconciled on a monthly basis.
8. That GA-6 forms be reconciled to the cash disbursements on a monthly basis.
9. That a monthly analysis of Trust Escrow be maintained on a monthly basis.

* * * * *

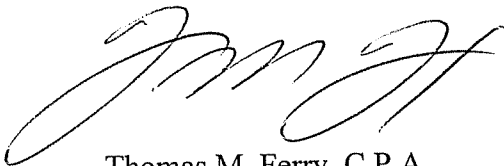
The problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion of the financial statements taken as a whole.

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

Appreciation

We wish to express our appreciation of the assistance and courtesies rendered by the Borough officials during the course of the audit.

Very truly yours,



Thomas M. Ferry, C.P.A.
Registered Municipal Accountant

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

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