

BOROUGH OF ROCKAWAY
COUNTY OF MORRIS
REPORT OF AUDIT
2017

NISIVOCCIA LLP
CERTIFIED PUBLIC ACCOUNTANTS

BOROUGH OF ROCKAWAY

COUNTY OF MORRIS

REPORT OF AUDIT

2017

BOROUGH OF ROCKAWAY
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2017

<u>PART I – Financial Statements and Supplementary Data</u>	<u>Page</u>
Independent Auditors' Report	1-3
<u>Financial Statements</u>	
<u>Current Fund</u>	<u>Schedule</u>
Comparative Balance Sheet – Regulatory Basis	A
Comparative Statement of Operations and Change in Fund Balance – Regulatory Basis	A-1
Statement of Revenue – Regulatory Basis	A-2
Statement of Expenditures – Regulatory Basis	A-3
<u>Trust Funds</u>	
Comparative Balance Sheet – Regulatory Basis	B
Statement of Fund Balance - Assessment Trust Fund – Regulatory Basis (Not Applicable)	B-1
Statement of Revenue - Assessment Trust Fund – Regulatory Basis (Not Applicable)	B-2
Statement of Expenditures - Assessment Trust Fund – Regulatory Basis (Not Applicable)	B-3
<u>General Capital Fund</u>	
Comparative Balance Sheet– Regulatory Basis	C
Statement of Fund Balance – Regulatory Basis	C-1
<u>Water Utility Fund</u>	
Comparative Balance Sheet – Regulatory Basis	D
Comparative Statement of Operations and Changes in Fund Balance – Water Utility	
Operating Fund – Regulatory Basis	D-1
Statement of Water Capital Fund Balance – Regulatory Basis	D-1A
Statement of Revenue – Regulatory Basis	D-2
Statement of Expenditures – Regulatory Basis	D-3
<u>Sewer Utility Fund (Not Applicable)</u>	
<u>Public Assistance Fund (Not Applicable)</u>	
<u>Bond and Interest Fund (Not Applicable)</u>	
<u>General Fixed Assets Account Group</u>	
Comparative Balance Sheet – Regulatory Basis (Unaudited)	H
	<u>Page</u>
<u>Notes to Financial Statements</u>	1-25
<u>Supplementary Data</u>	<u>Schedule</u>
Officials in Office and Surety Bonds	1
<u>Current Fund</u>	
Schedule of Cash	A-4
Schedule of Cash - Collector	A-5
Schedule of Cash - Grant Funds (Not Applicable)	A-6
Schedule of Taxes Receivable and Analysis of Property Tax Levy	A-7
Schedule of Tax Title Liens	A-8
Schedule of Revenue Accounts Receivable	A-9
Schedule of Sewer Rents Receivable	A-10
Schedule of 2016 Appropriation Reserves	A-11
Schedule of Local School District Taxes Payable	A-12
Schedule of Regional High School District Taxes Payable	A-13
Schedule of Unappropriated Reserves	A-14
Schedule of Appropriated Reserves	A-15

BOROUGH OF ROCKAWAY
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

PART I – Financial Statements and Supplementary Data (Cont'd)

<u>Supplementary Data</u>	<u>Schedule</u>
<u>Trust Funds</u>	
Schedule of Cash and Investments - Treasurer	B-4
Analysis of Cash - Assessment Trust Fund (Not Applicable)	B-5
Schedule of Reserve for Animal Control Fund Expenditures - Animal Control Fund	B-6
<u>General Capital Fund</u>	
Schedule of Cash	C-2
Analysis of Cash	C-3
Schedule of Deferred Charges to Future Taxation - Unfunded	C-4
Schedule of Improvement Authorizations	C-5
Schedule of Capital Improvement Fund	C-6
Schedule of Bond Anticipation Notes Payable	C-7
Schedule of Serial Bonds Payable	C-8
Schedule of Bonds and Notes Authorized But Not Issued	C-9
<u>Water Utility Fund</u>	
Schedule of Cash - Treasurer	D-4
Schedule of Cash - Collector	D-4A
Analysis of Cash – Water Utility	D-5
Schedule of Consumer Accounts Receivable	D-6
Schedule of Fixed Capital	D-7
Schedule of Fixed Capital Authorized and Uncompleted	D-8
Schedule of 2016 Appropriation Reserves	D-9
Schedule of Improvement Authorizations	D-10
Schedule of Capital Improvement Fund	D-11
Schedule of Deferred Reserve for Amortization	D-12
Schedule of Reserve for Amortization	D-12A
Schedule of Bond Anticipation Notes Payable	D-13
Schedule of Serial Bonds Payable	D-14
Schedule of Bonds and Notes Authorized But Not Issued (Not Applicable)	D-15
<u>Sewer Utility Fund (Not Applicable)</u>	
<u>Public Assistance Fund (Not Applicable)</u>	

PART II – Single Audit

	<u>Page</u>
Schedule of Expenditures of Federal Awards	1
Schedule of Expenditures of State Awards	2
Notes to the Schedule of Expenditures of Federal and State Awards	3
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	4-5
Schedule of Findings and Responses	6-7
Summary Schedule of Prior Audit Findings	8

PART III – Comments and Recommendations

	<u>Page</u>
Comments and Recommendations	9-12
Summary of Recommendations	13

BOROUGH OF ROCKAWAY

PART I

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2017



Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mt. Arlington, NJ 07856
973-328-1825 | 973-328-0507 Fax

Lawrence Business Center
11 Lawrence Road
Newton, NJ 07860
973-383-6699 | 973-383-6555 Fax

Independent Auditors' Report

The Honorable Mayor and Members
of the Borough Council
Borough of Rockaway
Rockaway, New Jersey

Report on the Financial Statements

We have audited the financial statements – *regulatory basis* of the various funds of the Borough of Rockaway, in the County of Morris (the "Borough") as of and for the year ended December 31, 2017 and 2016, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

The Honorable Mayor and Members
of the Borough Council
Borough of Rockaway
Page 2

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

As described in Note 1, the financial statements are prepared by the Borough on the basis of accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for the Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly in accordance with accounting principles generally accepted in the United States of America the financial position of each fund and account group of the Borough as of December 31, 2017 and 2016, or the changes in financial position or where applicable, cash flows thereof for the years then ended.

Basis for Qualified Opinion

The Borough's general fixed assets account group is stated at historical cost or estimated historical cost in the accompanying financial statements. We were unable to obtain sufficient evidence to support the cost of the fixed assets of the general fixed assets account group. As more fully described in Note 1, due to the length of time over which these fixed assets were acquired, it is not practical to determine their actual costs. Therefore, based upon the underlying accounting records, we have not audited the general fixed assets account group.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects on the December 31, 2017 and 2016 financial statements of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the various funds of the Borough of Rockaway as of December 31, 2017 and 2016, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the years then ended on the basis of the accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the various funds that collectively comprise the Borough's financial statements. The supplementary data schedules listed in the table of contents and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are presented for purposes of additional analysis and are not a required part of the financial statements.

The Honorable Mayor and Members
of the Borough Council
Borough of Rockaway
Page 3

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2018 on our consideration of the Borough of Rockaway's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Rockaway's internal control over financial reporting and compliance.

Mount Arlington, New Jersey
April 2, 2018

Nisivoccia, LLP

NISIVOCCIA LLP

Kathryn L. Mantell

Kathryn L. Mantell

Certified Public Accountant

Registered Municipal Accountant No. 447

BOROUGH OF ROCKAWAY
COUNTY OF MORRIS
2017
CURRENT FUND

BOROUGH OF ROCKAWAY
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31,	
	Ref.	2017	2016
<u>ASSETS</u>			
Cash and Cash Equivalents:			
Treasurer	A-4	\$ 4,202,773.99	\$ 2,816,557.41
Change Fund		100.00	100.00
		<u>4,202,873.99</u>	<u>2,816,657.41</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-7	323,944.65	313,948.76
Sewer Rents Receivable	A-10	58,925.15	64,926.71
Tax Title Liens Receivable	A-8	676,706.88	653,798.21
Property Acquired for Taxes at Assessed Valuation		961,500.00	961,500.00
Revenue Accounts Receivable	A-9	100,472.75	72,572.75
Due from Animal Control Trust Fund	B		7,179.89
Due from Water Utility Operating Fund	D	41,916.09	
Total Receivables and Other Assets With Full Reserves		<u>2,163,465.52</u>	<u>2,073,926.32</u>
Total Regular Fund		<u>6,366,339.51</u>	<u>4,312,397.22</u>
<u>TOTAL ASSETS</u>		<u>\$ 6,366,339.51</u>	<u>\$ 4,890,583.73</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Appropriation Reserves:			
Encumbered	A-3;A-11	\$ 327,563.34	\$ 288,440.70
Unencumbered	A-3;A-11	699,206.66	781,998.68
		<u>1,026,770.00</u>	<u>1,070,439.38</u>
Due to Other Trust Funds	B	192,430.82	35,674.74
Due to General Capital Fund	C		39,304.38
Due to State of NJ - Marriage License Fees		200.00	275.00
Due to State of NJ - Department of Community Affairs		1,880.00	1,421.00
Due to State of New Jersey for Senior Citizen's and Veteran's Deductions		9,360.28	8,807.73
Prepaid Taxes		727,671.57	130,164.61
Due to County of Morris - Added & Omitted Taxes		3,403.62	2,206.56
Tax Overpayments		29,429.36	4,812.89
Accounts Payable - Vendors		1,429.35	9,261.00

BOROUGH OF ROCKAWAY
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
(Continued)

		December 31,	
	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u> (Cont'd)			
Reserve for Appropriated Grants	A-15	\$ 107,816.66	\$ 56,743.45
Reserve for Unappropriated Grants	A-14	38,472.35	23,472.35
Reserve for Revaluation of Real Property		2,160.00	2,160.00
Reserve for Master Plan		20,000.00	5,000.00
Reserve for Sale of Municipal Assets		514,311.00	439,311.00
Reserve for Pending Tax Appeals		250,000.00	100,000.00
Reserve for Sewer Improvements		26,788.79	
		<u>2,952,123.80</u>	<u>1,929,054.09</u>
Reserve for Receivables and Other Assets	A	2,163,465.52	2,073,926.32
Fund Balance	A-1	<u>1,250,750.19</u>	<u>887,603.32</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>6,366,339.51</u>	<u>4,890,583.73</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF ROCKAWAY
CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE -
REGULATORY BASIS

		Year Ended December 31,	
	Ref.	2017	2016
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 350,000.00	\$ 350,000.00
Miscellaneous Revenue Anticipated		1,913,286.48	1,424,680.07
Receipts from:			
Delinquent Taxes		313,946.58	388,237.50
Current Taxes		22,657,188.52	21,864,814.16
Nonbudget Revenue		393,435.77	227,032.85
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		229,667.14	196,328.67
Interfunds Returned		7,179.89	2,196.64
Cancellation of Prior Year Appropriation		686.00	
Total Income		25,865,390.38	24,453,289.89
<u>Expenditures</u>			
Budget and Emergency Appropriations:			
Municipal Purposes		8,312,515.08	8,026,372.48
Local School District Taxes		8,052,620.00	7,800,356.00
County Taxes		2,349,120.72	2,145,517.75
County Share of Added Taxes		3,403.62	2,206.56
Regional School District Taxes		6,157,668.00	5,907,310.00
Escrow Receivable Cancelled			7,191.24
Reserve for Deferred Sick Leave		85,000.00	
Reserve for Tax Appeals		150,000.00	48,095.95
Interfunds Advanced		41,916.09	7,179.89
Total Expenditures		25,152,243.51	23,944,229.87
Excess in Revenue		713,146.87	509,060.02
<u>Fund Balance</u>			
Balance January 1		887,603.32	728,543.30
		1,600,750.19	1,237,603.32
Decreased by:			
Utilized as Anticipated Revenue		350,000.00	350,000.00
Balance December 31	A	\$ 1,250,750.19	\$ 887,603.32

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF ROCKAWAY
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

	Budget	Added by NJSA 40A:4-87	Realized	Excess or Deficit *
Fund Balance Anticipated	\$ 350,000.00		\$ 350,000.00	
Miscellaneous Revenue:				
Alcoholic Beverage Licenses	14,000.00		15,400.00	\$ 1,400.00
Other Licenses	30,000.00		15,720.00	14,280.00 *
Fees and Permits	45,000.00		76,689.18	31,689.18
Municipal Court - Fines and Costs	65,000.00		83,156.75	18,156.75
Interest and Costs on Taxes	90,000.00		88,234.32	1,765.68 *
Consolidated Municipal Property Tax Relief Act	49,546.00		49,546.00	
Energy Receipts Tax (P.L. 1998, Chapters 162 & 167)	497,449.00		497,449.00	
Uniform Construction Code Fees	80,000.00		152,642.34	72,642.34
Shared Service Agreement:				
Morris Hills Regional School Resource Officer	93,000.00		93,000.00	
Uniform Fire Safety Fees	25,000.00		37,586.26	12,586.26
Sewer User Fees	575,823.00		741,947.55	166,124.55
Click It or Ticket	4,400.00			4,400.00 *
Recycling Tonnage Grant	10,604.00	\$ 2,781.54	13,385.54	
Clean Communities		12,664.36	12,664.36	
Body Armor Replacement		1,705.18	1,705.18	
Safe and Secure Communities Grant - Salaries	29,407.00			29,407.00 *
Drive Sober Or Get Pulled Over Grant	5,500.00		5,500.00	
Municipal Alliance Grant	9,256.00			9,256.00 *
Distracted Driving Grant	5,500.00		5,500.00	
Drive Sober Year-End Crackdown Grant	5,500.00			5,500.00 *
Morris County Historic Preservation Trust Fund Grant	45,920.00		23,160.00	22,760.00 *
	1,680,905.00	17,151.08	1,913,286.48	215,230.40

BOROUGH OF ROCKAWAY
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

	Budget	Added by NJSA 40A:4-87	Realized	Excess or Deficit *
Receipts from Delinquent Taxes	\$ 300,000.00		\$ 313,946.58	\$ 13,946.58
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	6,130,061.00		6,255,128.18	125,067.18
Minimum Library Tax	299,248.00		299,248.00	
Budget Totals	6,429,309.00		6,554,376.18	125,067.18
	8,760,214.00	\$ 17,151.08	9,131,609.24	\$ 354,244.16
Nonbudget Revenue			393,435.77	
	\$ 8,760,214.00	\$ 17,151.08	\$ 9,525,045.01	

BOROUGH OF ROCKAWAY
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(continued)

Allocation of Current Tax Collections:

Revenue from Collection of Current Taxes	\$ 22,657,188.52
--	------------------

Allocated to:

Local School District Taxes	\$ 8,052,620.00	
Regional High School Taxes	6,157,668.00	
County Taxes	2,352,524.34	
		16,562,812.34
Balance for Support of Municipal Budget		6,094,376.18

Add: Appropriation "Reserve for Uncollected Taxes"	460,000.00

Realized for Support of Municipal Budget	\$ 6,554,376.18

Analysis of Nonbudget Revenue:

Treasurer:

Cable Television Franchise Fees	\$ 99,849.78	
Hotel Tax	15,102.48	
NJ Senior Citizens & Veterans Deductions - Admin Fee	960.54	
Interest on Investments	4,731.22	
Insurance Fund Dividend	7,196.00	
Police Outside Duty Administration Fee	164,592.24	
Prior Year Refund	5,511.84	
Other Miscellaneous	35,429.60	
		\$ 333,373.70

Prior Year Revenue Accounts Receivable Collected:

Safe and Secure Communities	\$ 29,407.00	
Municipal Alliance	4,880.00	
		34,287.00

Tax Collector - Other Miscellaneous Revenue	1,260.00
Interest Earned in General Capital Fund	5,779.52
Prior Year Police Outside Duty Admin Fees	17,381.68
Interest Earned in Other Trust Funds	1,296.48
Interest Earned in Animal Control Fund	57.39
	\$ 393,435.77

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF ROCKAWAY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
GENERAL GOVERNMENT:					
Mayor & Council:					
Salaries & Wages	\$ 26,637.00	\$ 26,637.00	\$ 26,634.38	\$ 2.62	
Other Expenses	1,800.00	1,800.00	1,346.53	453.47	
Municipal Clerk:					
Salaries & Wages	111,750.00	111,750.00	108,230.31	3,519.69	
Other Expenses	48,820.00	48,820.00	36,465.99	12,354.01	
Financial Administration:					
Salaries & Wages	85,261.00	85,261.00	83,326.48	1,934.52	
Other Expenses	18,065.00	18,065.00	16,707.22	1,357.78	
Audit	25,000.00	25,000.00	25,000.00		
Tax Assessment Administration:					
Salaries & Wages	28,173.00	28,173.00	28,173.00		
Other Expenses	4,400.00	4,400.00	2,915.00	1,485.00	
Revenue Administration (Tax Collection):					
Salaries & Wages	59,734.00	59,734.00	59,734.00		
Other Expenses	8,500.00	8,500.00	8,333.19	166.81	
Legal Services and Costs:					
Other Expenses	123,000.00	103,000.00	79,792.52	23,207.48	
Engineering Services:					
Other Expenses	30,000.00	50,000.00	42,685.93	7,314.07	
Municipal Land Use Law (N.J.S.A. 40A:55D-1):					
Land Use Board:					
Salaries & Wages	23,800.00	23,800.00	21,991.40	1,808.60	
Other Expenses	14,250.00	14,250.00	11,677.43	2,572.57	
Zoning Commission:					
Salaries & Wages	13,577.00	13,577.00	13,577.00		
Other Expenses	400.00	400.00	9.53	390.47	

BOROUGH OF ROCKAWAY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
GENERAL GOVERNMENT (continued):					
Insurance:					
Employee Group Insurance	\$ 518,241.00	\$ 513,191.00	\$ 419,855.28	\$ 93,335.72	
Workers' Compensation	61,871.00	61,871.00	61,870.00	1.00	
General Liability Insurance	96,967.00	96,967.00	93,543.87	3,423.13	
Health Benefit Waiver	11,000.00	16,050.00	16,000.01	49.99	
Unemployment Insurance	7,500.00	7,500.00	7,500.00		
PUBLIC SAFETY:					
Volunteer Fire/Ambulance:					
Other Expenses	81,225.00	81,225.00	74,638.08	6,586.92	
Uniform Fire Safety Act (P.L. 1983, Ch. 383):					
Fire Prevention Bureau:					
Salaries & Wages	44,745.00	44,745.00	44,740.47	4.53	
Other Expenses	5,900.00	5,900.00	5,797.37	102.63	
Office of Emergency Management:					
Salaries & Wages	5,000.00	5,000.00	4,999.92	0.08	
Other Expenses	2,800.00	2,800.00	2,406.50	393.50	
Police:					
Salaries & Wages	2,157,074.00	2,157,074.00	2,051,533.39	105,540.61	
Other Expenses	145,200.00	145,200.00	140,099.07	5,100.93	
Alarm System - Police and Fire:					
Other Expenses	135,000.00	135,000.00	134,793.61	206.39	
PUBLIC WORKS:					
Road Repair and Maintenance:					
Salaries & Wages	304,180.00	304,180.00	267,122.57	37,057.43	
Other Expenses	210,400.00	210,400.00	141,935.24	68,464.76	

BOROUGH OF ROCKAWAY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
PUBLIC WORKS: (Continued)					
Other Public Works:					
Other Expenses	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00		
Shade Tree Commission:					
Other Expenses	15,000.00	15,000.00	14,999.48	\$ 0.52	
Sewer:					
Salaries & Wages					
Other Expenses	109,827.00	109,827.00	100,371.76	9,455.24	
Public Building and Grounds:	35,015.00	35,015.00	13,531.78	21,483.22	
Other Expenses	79,345.00	79,345.00	78,395.89	949.11	
Vehicle Maintenance:					
Other Expenses	48,500.00	48,500.00	47,100.32	1,399.68	
HEALTH AND WELFARE:					
Board of Health:					
Salaries & Wages	938.00	938.00	926.88	11.12	
Other Expenses	159,572.00	159,572.00	158,496.05	1,075.95	
Senior Citizens' Programs:					
Salaries & Wages	7,000.00	7,000.00	3,841.31	3,158.69	
Other Expenses	5,000.00	5,000.00	3,260.70	1,739.30	
RECREATION AND EDUCATION:					
Board of Recreation Commissioners:					
Salaries & Wages	41,810.00	41,810.00	28,624.90	13,185.10	
Other Expenses	48,074.00	48,074.00	42,483.11	5,590.89	
Maintenance of Parks:					
Other Expenses	53,400.00	53,400.00	50,577.71	2,822.29	
Celebration of Public Events:					
Other Expenses	11,700.00	11,700.00	11,700.00		

BOROUGH OF ROCKAWAY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

	Appropriations		Expended By		Unexpended
	Budget	Budget After Modification	Paid or Charged	Reserved	Balance Cancelled
UNIFORM CONSTRUCTION CODE:					
Uniform Construction Code Enforcement:					
Salaries & Wages	\$ 20,229.00	\$ 20,229.00	\$ 19,402.25	\$ 826.75	
Other Expenses	700.00	700.00		700.00	
Construction Code Official:					
Salaries & Wages	45,793.00	45,793.00	43,863.88	1,929.12	
Other Expenses	1,200.00	1,200.00	181.20	1,018.80	
UNCLASSIFIED:					
Utilities:					
Gasoline and Diesel	22,000.00	22,000.00	22,000.00		
Electricity	50,000.00	50,000.00	45,014.55	4,985.45	
Natural Gas	17,000.00	17,000.00	17,000.00		
Street Lighting	71,000.00	71,000.00	70,020.79	979.21	
Telephone	35,000.00	35,000.00	31,431.24	3,568.76	
Solid Waste Disposal:					
Salaries & Wages	21,483.00	21,483.00	7,990.49	13,492.51	
Other Expenses	523,301.00	523,301.00	516,565.00	6,736.00	
Total Operations Within "CAPS"	5,837,157.00	5,837,157.00	5,365,214.58	471,942.42	
Contingent	500.00	500.00		500.00	
Total Operations including Contingent within "CAPS"	5,837,657.00	5,837,657.00	5,365,214.58	472,442.42	
Detail:					
Salaries & Wages	3,107,011.00	3,107,011.00	2,915,084.39	191,926.61	
Other Expenses	2,730,646.00	2,730,646.00	2,450,130.19	280,515.81	

BOROUGH OF ROCKAWAY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
DEFERRED CHARGES AND STATUTORY EXPENDITURES:					
Statutory Expenditures:					
Public Employee's Retirement System	\$ 146,270.00	\$ 146,019.89	\$ 138,344.00	\$ 7,675.89	
Contribution to Social Security System (O.A.S.I.)	120,002.00	120,002.00	113,832.07	6,169.93	
Police and Fireman's Retirement System of NJ	393,598.00	393,598.00	393,598.00		
Defined Contribution Retirement Plan	1,200.00	1,450.11	1,450.11		
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	661,070.00	661,070.00	647,224.18	13,845.82	
Total General Appropriations for Municipal Purposes Within "CAPS"	6,498,727.00	6,498,727.00	6,012,438.76	486,288.24	
OPERATIONS EXCLUDED FROM "CAPS":					
Length of Service Awards Program ("LOSAP")	14,400.00	14,400.00		14,400.00	
Aid to Library (N.J.S.A. 40:54-35):					
Salaries & Wages	156,514.00	156,514.00	142,556.06	13,957.94	
Other Expenses	142,734.00	142,734.00	120,712.99	22,021.01	
Employee Group Insurance (P.L. 2007, C.62)					
Sewerage Processing and Disposal (RVRSA)	208,644.00	208,644.00	208,644.00		
SHARED SERVICE AGREEMENTS:					
Town of Dover - Municipal Court	97,500.00	97,500.00	97,418.89	81.11	
Morris Hills Regional High School District - Resource Officers:					
Police Salaries & Wages	93,000.00	93,000.00	92,873.67	126.33	
STATE AND FEDERAL PROGRAMS OFFSET BY REVENUES:					
Clean Communities Grant (N.J.S.A 40A:4-87, + \$12,664.36)			12,664.36		
Municipal Alliance Grant	9,256.00	9,256.00	4,880.00	4,376.00	
Municipal Alliance Grant - Local Match	2,314.00	2,314.00	2,314.00		
Click It or Ticket Grant:					
Salary & Wages	4,400.00	4,400.00			\$ 4,400.00

BOROUGH OF ROCKAWAY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
OPERATIONS EXCLUDED FROM "CAPS" (Continued):					
STATE AND FEDERAL PROGRAMS OFFSET BY REVENUES:					
Safe and Secure Communities Grant:					
Police:					
Salaries & Wages	\$ 29,407.00	\$ 29,407.00	\$ 29,407.00		
Morris County Historic Preservation Trust Fund Grant	45,920.00	45,920.00	45,560.00		\$ 360.00
Morris County Historic Preservation Trust Fund Grant - Local Match	11,480.00	11,480.00	11,390.00		90.00
Drive Sober or Get Pulled Over Grant:					
Police:					
Salaries & Wages	5,500.00	5,500.00	5,500.00		
Distracted Driving Grant:					
Police:					
Salaries & Wages	5,500.00	5,500.00	5,500.00		
Drive Sober Year-End Crackdown Grant:					
Police:					
Salaries & Wages	5,500.00	5,500.00	5,500.00		
Reserve for Body Armor Replacement Fund (N.J.S.A 40A:4-87, + \$1,705.18):					
Police:					
Salaries & Wages		1,705.18	1,705.18		
Recycling Tonnage Grant	10,604.00	13,385.54	13,385.54		
Total Operations Excluded from "CAPS"	842,673.00	859,824.08	800,011.69	\$ 54,962.39	4,850.00
Detail:					
Salaries & Wages	299,821.00	301,526.18	283,041.91	14,084.27	4,400.00
Other Expenses	542,852.00	558,297.90	516,969.78	40,878.12	450.00

BOROUGH OF ROCKAWAY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS":

	Appropriations		Expended By		Unexpended
	Budget	Budget After Modification	Paid or Charged	Reserved	Balance Cancelled
Capital Improvement Fund	\$ 90,000.00	\$ 90,000.00	\$ 90,000.00		
DPW Equipment	14,000.00	14,000.00	7,639.50	\$ 6,360.50	
Fire Equipment	43,337.00	43,337.00	38,427.14	4,909.86	
Buildings & Grounds Equipment	123,600.00	123,600.00	113,833.36	9,766.64	
Police Equipment	8,000.00	8,000.00	7,725.00	275.00	
Recreation Equipment	12,000.00	12,000.00	355.97	11,644.03	
Sewer Capital Improvements	158,000.00	158,000.00	33,000.00	125,000.00	
Total Capital Improvements - Excluded from "CAPS"	448,937.00	448,937.00	290,980.97	157,956.03	

MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS":

Payment of Bond Principal	350,000.00	350,000.00	350,000.00		
Payment of Bond Anticipation Notes and Capital Notes	30,000.00	30,000.00	30,000.00		
Interest on Bonds	83,800.00	83,800.00	83,800.00		
Interest on Notes	46,077.00	46,077.00	46,077.00		
Total Municipal Debt Service - Excluded from "CAPS"	509,877.00	509,877.00	509,877.00		
Total General Appropriations - Excluded from "CAPS"	1,801,487.00	1,818,638.08	1,600,869.66	212,918.42	\$ 4,850.00
Subtotal General Appropriations	8,300,214.00	8,317,365.08	7,613,308.42	699,206.66	4,850.00
Reserve for Uncollected Taxes	460,000.00	460,000.00	460,000.00		
Total General Appropriations	\$ 8,760,214.00	\$ 8,777,365.08	\$ 8,073,308.42	\$ 699,206.66	\$ 4,850.00

Ref.

A

BOROUGH OF ROCKAWAY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

	<u>Ref.</u>	<u>Analysis of</u>	
		<u>Budget After Modification</u>	<u>Paid or Charged</u>
Adopted Budget		\$ 8,760,214.00	
Added by N.J.S.A. 40A:4-87		<u>17,151.08</u>	
		<u>\$ 8,777,365.08</u>	
Reserve for Uncollected Taxes			\$ 460,000.00
Reserve for Encumbrances	A		327,563.34
Reserve for Master Plan			10,000.00
Due to Other Trust			4,880.00
Due to Water Operating Fund			1,500.00
Transferred to Federal and State Grant Appropriated			29,529.43
Cash Disbursed			<u>7,447,756.70</u>
			8,281,229.47
Less: Appropriation Refunds			<u>207,921.05</u>
			<u>\$ 8,073,308.42</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF ROCKAWAY
COUNTY OF MORRIS
2017
TRUST FUNDS

BOROUGH OF ROCKAWAY
COMPARATIVE BALANCE SHEET - TRUST FUNDS - REGULATORY BASIS

		December 31,	
	Ref.	2017	2016
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents:			
Cash - Treasurer	B-4	\$ 29,464.27	\$ 39,192.89
		<u>29,464.27</u>	<u>39,192.89</u>
Other Trust Funds:			
Cash and Cash Equivalents	B-4	1,167,153.26	909,310.73
Police Outside Duty Receivable		1,081.08	
Due from Current Fund	A	192,430.82	35,674.74
		<u>1,360,665.16</u>	<u>944,985.47</u>
<u>TOTAL ASSETS</u>		<u>\$ 1,390,129.43</u>	<u>\$ 984,178.36</u>

LIABILITIES, RESERVES AND FUND BALANCE

Animal Control Fund:			
Due to State of New Jersey:			
Board of Health			\$ 3.00
Due to Current Fund	A		7,179.89
Prepaid Animal Licenses		\$ 1,074.00	1,281.00
Reserve for Animal Control Expenditures	B-6	28,390.27	30,729.00
		<u>29,464.27</u>	<u>39,192.89</u>

BOROUGH OF ROCKAWAY
COMPARATIVE BALANCE SHEET - TRUST FUNDS - REGULATORY BASIS

		December 31,	
	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE (Cont'd)</u>			
Other Trust Funds:			
Reserve for:			
Tax Sale Premiums		\$ 222,300.00	\$ 87,600.00
Council on Affordable Housing		37,874.92	1,990.50
State Unemployment Insurance		66,050.51	61,847.67
Deferred Sick Leave		224,696.08	97,674.82
Shade Tree		650.00	650.00
Trust Escrow		320,817.38	321,070.50
Addison Hills Escrow		9,526.23	9,512.56
Forfeited Assets		30,757.65	29,093.46
Police Federal Funds			133.54
Recycling		36,625.61	34,785.62
Tree Replacement		16,259.03	17,600.00
Parking Offenses Adjudication Act		2,543.26	2,543.26
Public Defender		12,642.96	12,642.96
D.A.R.E.		1,575.75	1,575.75
Vital Life		1,000.00	1,000.00
State of NJ Housing		772.77	772.77
Uniform Construction Code		4,695.00	2,645.00
National Night Out		687.70	1,168.10
Fire Prevention		4,737.39	5,476.50
Police Outside Duty		482.00	17,945.68
Municipal Alliance		11,551.61	14,496.45
Recreation		53,543.01	46,884.03
Storm Recovery		300,876.30	175,876.30
		<u>1,360,665.16</u>	<u>944,985.47</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		\$ 1,390,129.43	\$ 984,178.36

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF ROCKAWAY
ASSESSMENT TRUST FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF ROCKAWAY
ASSESSMENT TRUST FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

BOROUGH OF ROCKAWAY
ASSESSMENT TRUST FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF ROCKAWAY
COUNTY OF MORRIS
2017
GENERAL CAPITAL FUND

BOROUGH OF ROCKAWAY
GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31,	
	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 3,506,312.85	\$ 3,897,701.83
Due from Current Fund	A		39,304.38
Due from County of Morris:			
Community Development Block Grant - Community Center		80,000.00	80,000.00
Community Development Block Grant - Library		9,182.70	74,485.00
Office of Emergency Management Grant		75,000.00	75,000.00
Historic Society Preservation Trust		183,841.00	258,800.00
Deferred Charges to Future Taxation:			
Funded		1,550,000.00	1,900,000.00
Unfunded	C-4	4,504,251.00	3,923,310.00
<u>TOTAL ASSETS</u>		<u>\$ 9,908,587.55</u>	<u>\$ 10,248,601.21</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Bond Anticipation Notes Payable	C-7	\$ 4,504,251.00	\$ 3,923,310.00
Serial Bonds Payable	C-8	1,550,000.00	1,900,000.00
Improvement Authorizations:			
Funded	C-5	367,878.21	844,721.27
Unfunded	C-5	3,248,009.06	3,401,455.46
Capital Improvement Fund	C-6	74,030.50	27,380.50
Reserve for Sewer VacTruck			33,000.00
Reserve to Pay Debt Service		53,684.80	8,000.00
Fund Balance	C-1	110,733.98	110,733.98
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 9,908,587.55</u>	<u>\$ 10,248,601.21</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF ROCKAWAY
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>Ref</u>	
Balance December 31, 2016	C	\$ 110,733.98
Balance December 31, 2017	C	<u>\$ 110,733.98</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF ROCKAWAY
COUNTY OF MORRIS
2017
WATER UTILITY FUND

BOROUGH OF ROCKAWAY
WATER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31	
	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents:			
Treasurer	D-4	\$ 1,274,603.54	\$ 1,149,306.70
Change Fund		100.00	100.00
		<u>1,274,703.54</u>	<u>1,149,406.70</u>
Due from Water Utility Capital Fund	D		<u>115.86</u>
		<u>1,274,703.54</u>	<u>1,149,522.56</u>
Receivables and Other Assets with Full Reserves:			
Consumer Accounts Receivable	D-6	<u>221,072.61</u>	<u>222,280.20</u>
Total Operating Fund		<u>1,495,776.15</u>	<u>1,371,802.76</u>
Capital Fund:			
Cash and Cash Equivalents	D-4	1,781,150.63	1,361,745.59
Due from Water Utility Operating Fund	D	113,809.64	
Due From County of Morris:			
Community Development Block Grant Receivable			80,000.00
Fixed Capital	D-7	7,215,961.09	7,053,061.56
Fixed Capital Authorized and Uncompleted	D-8	<u>2,914,228.19</u>	<u>2,174,228.19</u>
Total Capital Fund		<u>12,025,149.55</u>	<u>10,669,035.34</u>
<u>TOTAL ASSETS</u>		<u>\$ 13,520,925.70</u>	<u>\$ 12,040,838.10</u>

BOROUGH OF ROCKAWAY
WATER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31	
	Ref.	2017	2016
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves:			
Unencumbered	D-3; D-9	\$ 425,207.39	\$ 530,159.78
Encumbered	D-3; D-9	61,797.07	115,665.40
		487,004.46	645,825.18
Due to Current Fund	A	41,916.09	
Due to Water Utility Capital Fund	D	113,809.64	
Accrued Interest on Notes		11,262.61	1,259.17
Accrued Interest on Bonds		23,383.60	24,133.60
Water Rent Overpayments		5,261.88	2,846.38
		682,638.28	674,064.33
Reserve for Receivables	D	221,072.61	222,280.20
Fund Balance	D-1	592,065.26	475,458.23
Total Operating Fund		1,495,776.15	1,371,802.76
Capital Fund:			
Serial Bonds Payable	D-14	1,410,000.00	1,460,000.00
Bond Anticipation Notes Payable	D-13	1,668,535.00	994,000.00
Improvement Authorizations:			
Funded	D-10	85,346.71	391,359.32
Unfunded	D-10	1,575,391.07	929,880.00
Capital Improvement Fund	D-11	90,125.00	50,125.00
Due to Water Utility Operating Fund	D		115.86
Reserve to Pay Debt Service	D-5	16,236.81	65,467.81
Reserve for Water Capital Improvements		123,063.08	
Deferred Reserve for Amortization	D-12	287,228.19	260,228.19
Reserve for Amortization	D-12A	6,764,426.09	6,513,061.56
Fund Balance	D-1A	4,797.60	4,797.60
Total Capital Fund		12,025,149.55	10,669,035.34
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		\$ 13,520,925.70	\$ 12,040,838.10

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF ROCKAWAY
WATER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS
AND CHANGE IN FUND BALANCE - REGULATORY BASIS

		Year Ended December 31,	
	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$	301,000.00	\$ 313,822.00
Water Rents		1,684,441.16	1,787,751.82
Miscellaneous		59,721.70	43,992.29
Nonbudget Revenue		3,905.51	3,625.61
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		364,775.66	173,686.64
Total Income		2,413,844.03	2,322,878.36
<u>Expenditures</u>			
Budget Expenditures:			
Operating		1,485,879.00	1,397,434.00
Capital Improvements		300,500.00	354,500.00
Debt Service		129,356.00	118,230.43
Deferred Charges and Statutory Expenditures		80,502.00	79,500.00
Total Expenditures		1,996,237.00	1,949,664.43
Excess in Revenue		417,607.03	373,213.93
<u>Fund Balance</u>			
Balance January 1	D	475,458.23	416,066.30
		893,065.26	789,280.23
Decreased by:			
Utilized by Water Utility Operating Budget		301,000.00	313,822.00
Balance December 31	D	\$ 592,065.26	\$ 475,458.23

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
 ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF ROCKAWAY
WATER UTILITY CAPITAL FUND
STATEMENT OF CAPITAL FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	
Balance December 31, 2016	D	<u>\$ 4,797.60</u>
Balance December 31, 2017	D	<u><u>\$ 4,797.60</u></u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF ROCKAWAY
WATER UTILITY OPERATING FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess</u>
Fund Balance Anticipated	\$ 301,000.00	\$ 301,000.00	
Rents	1,680,237.00	1,684,441.16	\$ 4,204.16
Miscellaneous Revenue Anticipated	15,000.00	59,721.70	44,721.70
	<u>1,996,237.00</u>	<u>2,045,162.86</u>	<u>48,925.86</u>
Nonbudget Revenue		3,905.51	3,905.51
	<u>\$ 1,996,237.00</u>	<u>\$ 2,049,068.37</u>	<u>\$ 52,831.37</u>
<u>Analysis of Revenue - Rents</u>			
Collections		\$ 1,681,883.78	
Overpayments Applied		<u>2,557.38</u>	
		<u>\$ 1,684,441.16</u>	
<u>Miscellaneous Revenue Anticipated:</u>			
Collector:			
Water Allocation Fees		\$ 30,570.00	
Sprinklers		14,086.83	
Water Connection Fees		8,225.00	
Interest on Delinquent Accounts		<u>6,839.87</u>	
Water Overpayments		<u>\$ 59,721.70</u>	
<u>Nonbudget Revenue:</u>			
Treasurer:			
Interest on Investments		\$ 994.32	
Due from Water Utility Capital Fund:			
Interest on Investments		<u>2,911.19</u>	
		<u>\$ 3,905.51</u>	

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

	Appropriation		Expended by		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operating:					
Salaries and Wages	\$ 590,929.00	\$ 590,929.00	\$ 527,560.39	\$ 63,368.61	
Other Expenses	603,000.00	603,000.00	443,900.19	159,099.81	
Group Insurance Plan for Employees	213,950.00	213,950.00	207,173.05	6,776.95	
General Insurance	78,000.00	78,000.00			
Capital Improvements:					
Capital Improvement Fund	40,000.00	40,000.00	40,000.00		
Capital Outlay	260,500.00	260,500.00	76,352.00	184,148.00	
Debt Service:					
Payment of Bonds	50,000.00	50,000.00	50,000.00		
Payment of Bond Interest	79,356.00	79,356.00	79,356.00		
Deferred Charges and Statutory Expenditures:					
Statutory Expenditures:					
Contribution to:					
Public Employees' Retirement System	23,002.00	23,002.00	23,002.00		
Unemployment Insurance	7,500.00	7,500.00	7,500.00		
Social Security System (O.A.S.I.)	50,000.00	50,000.00	38,185.98	11,814.02	
	<u>\$ 1,996,237.00</u>	<u>\$ 1,996,237.00</u>	<u>\$ 1,571,029.61</u>	<u>\$ 425,207.39</u>	<u>\$ -0-</u>
				D	
Ref.					
Cash Disbursed			\$ 1,431,813.00		
Accrued Interest on Bonds and Notes			79,356.00		
Encumbrances Payable			61,797.07		
			<u>1,572,966.07</u>		
			1,936.46		
Less: Appropriation Refunds			\$ 1,571,029.61		

BOROUGH OF ROCKAWAY
COUNTY OF MORRIS
2017
SEWER UTILITY FUND

NOT APPLICABLE

BOROUGH OF ROCKAWAY
COUNTY OF MORRIS
2017
PUBLIC ASSISTANCE FUND

NOT APPLICABLE

BOROUGH OF ROCKAWAY
COUNTY OF MORRIS
2017
BOND AND INTEREST FUND

NOT APPLICABLE

BOROUGH OF ROCKAWAY
COUNTY OF MORRIS
2017
GENERAL FIXED ASSETS ACCOUNT GROUP
UNAUDITED

BOROUGH OF ROCKAWAY
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
UNAUDITED

	December 31,	
	2017	2016
<u>ASSETS</u>		
Land	\$ 9,407,660.00	\$ 9,407,660.00
Buildings	4,269,606.00	4,269,606.00
Equipment and Vehicles	6,086,529.52	5,225,759.93
<u>TOTAL ASSETS</u>	<u>\$ 19,763,795.52</u>	<u>\$ 18,903,025.93</u>
 <u>RESERVES</u>		
Investment in Fixed Assets	<u>\$ 19,763,795.52</u>	<u>\$ 18,903,025.93</u>
<u>TOTAL RESERVES</u>	<u>\$ 19,763,795.52</u>	<u>\$ 18,903,025.93</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
 ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF ROCKAWAY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Except as noted below, the financial statements of the Borough of Rockaway include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Rockaway, as required by N.J.S. 40A:5-5. Accordingly, the financial statements of the Borough of Rockaway do not include the operations of the Library or Volunteer Fire and First Aid Squads.

Governmental Accounting Standards Board publication Codification of Government Accounting and Financial Reporting Standards ("GASB"), Section 2100 "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3) The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. As the financial reporting entity was established in accordance with New Jersey statutes, the requirements of GASB Codification Section 2100 were not followed and, accordingly, the reporting entity could be different from accounting principles generally accepted in the United States of America.

B. Description of Funds

The accounting policies of the Borough of Rockaway conform to the accounting practices applicable to municipalities which have been prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Such 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 of Rockaway accounts for its financial transactions through the following separate funds:

Current Fund - Resources and expenditures for governmental operations of a general nature, including federal and state grant funds.

Trust Fund - Receipt, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

BOROUGH OF ROCKAWAY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

B. Description of Funds (Cont'd)

General Capital Fund - Receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund.

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

General Fixed Assets Account Group (Unaudited) – Estimated values of land, buildings and certain fixed assets of the Borough as discussed in Note 1E – “Basis of Accounting”.

C. Basis of Accounting

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The following is a summary of the significant accounting policies.

Revenue is recorded when received in cash except for certain amounts which may be due from the State of New Jersey and for the prepayment of future years' revenue. Grant revenue is realized in the operating funds when it is budgeted and in the capital funds when improvements are authorized. The amounts recorded as property taxes and consumer accounts receivable have not been included in revenue. Amounts that are due to the municipality, which are susceptible of accrual, are recorded as receivables with offsetting reserves in the Current Fund.

Expenditures are charged to operations generally based on budgeted amounts. Exceptions to this general rule include:

1. Accumulated unpaid vacation, sick pay and other employee amounts are not accrued.
2. Prepaid expenses, such as insurance premiums applicable to subsequent periods, are charged to current budget appropriations in total.
3. Principal and interest on long-term debt are recognized when due.

Expenditures, if any, in excess of appropriations, appropriation reserves or ordinances become deferred charges which must be raised by future taxes. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the statutory appropriation reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31 of each year and recorded as liabilities, except for amounts which may be cancelled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

BOROUGH OF ROCKAWAY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

C. Basis of Accounting (Cont'd)

Had the Borough's financial statements been prepared under generally accepted accounting principles, encumbrances would not be considered as expenditures; appropriation reserves would not be recorded; revenue susceptible to accrual would have been reflected without offsetting reserves; Federal and State grants and assistance would be recognized when earned, not when received; inventories would not be reflected as expenditures at the time of purchase; fixed assets purchased by the Water Utility Capital Fund would be depreciated, investments would generally be stated at fair value, and the Borough's net pension liability and related deferred inflows and outflows would be recorded.

The cash basis of accounting is followed in the Trust and Capital Funds.

D. Deferred Charges to Future Taxation

The General Capital Fund balance sheet includes both funded and unfunded deferred charges. Funded deferred charges represent improvement authorizations where permanent financing has been obtained. Unfunded deferred charges represent improvement authorizations where no or temporary financing has been obtained. A municipality can permanently finance unfunded deferred charges through budget appropriation, grant funds, or by issuing bonds, loans or capital lease purchase agreements.

E. Other significant accounting policies include:

Management Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue and expenditures/expenses during the period reported. Actual results could differ from those estimates.

Cash and Cash Equivalents – Amounts include petty cash, change funds, amounts on deposit, and short-term investments with original maturities of three months or less.

Investments – Investments are stated at cost.

Allowance for Uncollectible Accounts – No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

Compensated Absences - Expenditures relating to unused vested accumulated vacation and sick pay are not recorded until paid.

Foreclosed Property - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired, and is fully reserved.

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.

4

BOROUGH OF ROCKAWAY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

E. Other significant accounting policies include: (Cont'd)

General Fixed Assets (Unaudited) (Cont'd)

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories is not included on the various balance sheets.

Grants Receivable - Grants receivable represent the total grant awards less amounts collected to date. Because the amount of grant funds to be collected are dependent on the total costs eligible for reimbursement, the actual amount collected may be less than the total amount awarded.

General Fixed Assets (Unaudited) – General fixed assets are recorded at cost or estimated historical cost. Infrastructure assets are not included in general fixed assets, as per state directive. Major renewals and betterments are charged to the asset accounts; maintenance and minor repairs and replacements, which do not improve or extend the lives of the respective assets, are expensed currently. Donated fixed assets are valued at their fair market value on the date donated. Fixed assets are reviewed for impairment.

The total value recorded for general fixed assets is offset by an “Investment in Fixed Assets”. When properties are retired or otherwise disposed of, the asset and the reserve are adjusted accordingly. Assets recorded in the General Fixed Assets Account Group may also be recorded in the Current Fund, General Capital Fund and Water Utility Fund. The values recorded in the general fixed assets account group and the capital funds may not always agree due to differences in valuation methods, timing of recognition of assets, and the recognition of infrastructures.

Property and equipment purchased by the Water Utility Fund are recorded in the capital account at cost and does not purport to represent replacement costs or current value. Contributions in aid of construction are not capitalized and depreciation is not recorded. The balances in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Water Utility Capital Fund represent charges to operations for the acquisition cost of property, equipment and improvements.

- F. Budget/Budgetary Control – Annual budgets are usually prepared in the first quarter for the Current and Water Utility Operating Funds. Budgets are prepared on the cash basis of accounting and are submitted to the governing body and the Division of Local Government Services. The legal level of budgetary control is established at the line item accounts within each fund and are defined as the lowest (most specific) level of detail as established pursuant to the flexible chart of accounts referenced in N.J.S.A. 40A. All budget amendments/transfers must be approved by the Borough Council during the year.

BOROUGH OF ROCKAWAY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 2: Long-Term Debt

The Local Bond Law governs the issuance of bonds to finance general Borough capital expenditures. All bonds are retired in serial installments within the statutory period of usefulness. All bonds issued by the Borough are general obligation bonds. The Borough's full faith and credit and taxing power have been pledged to the payment of the general obligation debt principal and interest.

Summary of Municipal Debt

	December 31,		
	2017	2016	2015
<u>Issued</u>			
General:			
Bonds and Notes	\$ 6,054,251.00	\$ 4,143,520.00	\$ 4,171,790.00
Water Utility:			
Bonds and Notes	3,078,535.00	2,454,000.00	1,810,000.00
	<u>9,132,786.00</u>	<u>6,597,520.00</u>	<u>5,981,790.00</u>
	December 31,		
	2017	2016	2015
<u>Less:</u>			
General:			
Reserve to Pay Debt Service	\$ 53,684.80	\$ 8,000.00	
Water Utility:			
Reserve to Pay Debt Service	16,236.81	65,467.81	\$ 65,467.81
	<u>69,921.61</u>	<u>73,467.81</u>	<u>65,467.81</u>
Net Bonds and Notes Issued and Authorized but not Issued	<u>\$ 9,116,549.19</u>	<u>\$ 6,524,052.19</u>	<u>\$ 5,916,322.19</u>

Summary of Statutory Debt Condition –Annual Debt Statement

The summarized statement of debt condition, which follows, is prepared in accordance with the required method of setting up the Revised Annual Debt Statement and indicates a statutory net debt of .70%.

	Gross Debt	Deductions	Net Debt
School Debt	\$ 2,319,937.57	\$ 2,319,937.57	
Water Utility Debt	3,078,535.00	3,078,535.00	
General Debt	<u>6,054,251.00</u>	<u>53,684.80</u>	<u>\$ 6,000,566.20</u>
	<u>\$ 11,452,723.57</u>	<u>\$ 5,452,157.37</u>	<u>\$ 6,000,566.20</u>

Net Debt: \$6,000,566.20 divided by Average Equalized Valuations of \$857,141,402 of Real Property = 0.70%.

BOROUGH OF ROCKAWAY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 2: Long-Term Debt (Cont'd)

Borrowing Power Under N.J.S. 40A:2-6 As Amended

3-1/2% Average Equalized Valuation of Real Property	\$30,012,170.85
Net Debt	<u>6,000,566.20</u>
Remaining Borrowing Power	<u>\$24,011,604.65</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	\$ 2,049,068.37
Deductions:	
Operating and Maintenance Cost	\$ 1,566,381.00
Debt Service	<u>129,356.00</u>
	<u>1,695,737.00</u>
Excess in Revenue	<u>\$ 353,331.37</u>

Footnote: 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 foregoing debt information is in agreement with the Annual Debt Statement filed by the Chief Financial Officer.

Summary of Municipal Debt Issued and Outstanding - Current Year

Fund	Balance 12/31/2016	Additions	Retirements	Balance 12/31/2017
Serial Bonds:				
General Capital Fund	\$ 1,900,000.00		\$ 350,000.00	\$ 1,550,000.00
Water Utility Capital Fund	1,460,000.00		50,000.00	1,410,000.00
Bond Anticipation Notes:				
General Capital Fund	3,923,310.00	\$ 4,504,251.00	3,923,310.00	4,504,251.00
Water Utility Capital Fund	994,000.00	1,668,535.00	994,000.00	1,668,535.00
	<u>\$ 8,277,310.00</u>	<u>\$ 6,172,786.00</u>	<u>\$ 5,317,310.00</u>	<u>\$ 9,132,786.00</u>

Summary of Municipal Debt Issued and Outstanding - Prior Year

Fund	Balance 12/31/2015	Additions	Retirements	Balance 12/31/2016
Serial Bonds:				
General Capital Fund	\$ 2,492,000.00		\$ 592,000.00	\$ 1,900,000.00
Water Utility Capital Fund	1,510,000.00		50,000.00	1,460,000.00
Bond Anticipation Notes:				
General Capital Fund	1,679,790.00	\$ 3,923,310.00	\$ 1,679,790.00	3,923,310.00
Water Utility Capital Fund	300,000.00	994,000.00	300,000.00	994,000.00
	<u>\$ 5,981,790.00</u>	<u>\$ 4,917,310.00</u>	<u>\$ 2,621,790.00</u>	<u>\$ 8,277,310.00</u>

BOROUGH OF ROCKAWAY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 2: Long-Term Debt (Cont'd)

Analysis of Debt Issued and Outstanding:
General Capital Serial Bonds

<u>Purpose</u>	<u>Final Maturity</u>	<u>Rate</u>	<u>Amount</u>
General Improvement Bond Series 2011	8/15/2021	4.000-5.000%	<u>\$ 1,550,000.00</u>

General Capital - Bond Anticipation Notes Payable

<u>Purpose</u>	<u>Final Maturity</u>	<u>Rate</u>	<u>Amount</u>
Various Capital Improvements	9/14/2018	2.25%	<u>\$ 4,504,251.00</u>

Water Utility Serial Bonds

<u>Purpose</u>	<u>Final Maturity</u>	<u>Rate</u>	<u>Amount</u>
Water Utility Bonds of 2011	8/15/2036	3.000-5.000%	<u>\$ 1,410,000.00</u>

Water Utility - Bond Anticipation Notes Payable

<u>Purpose</u>	<u>Final Maturity</u>	<u>Rate</u>	<u>Amount</u>
Various Water Improvements	9/14/2018	2.25%	<u>\$ 1,668,535.00</u>

Total Debt Issued and Outstanding	<u>\$ 9,132,786.00</u>
-----------------------------------	------------------------

Schedule of Annual Debt Service for Principal and Interest for the Next Five Years and
Thereafter for Bonded Debt Issued and Outstanding

<u>Calendar Year</u>	<u>General</u>		<u>Water Utility</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2018	\$ 365,000.00	\$ 69,800.00	\$ 50,000.00	\$ 62,356.26	\$ 547,156.26
2019	375,000.00	55,200.00	50,000.00	60,356.26	540,556.26
2020	395,000.00	36,450.00	55,000.00	57,856.26	544,306.26
2021	415,000.00	18,675.00	55,000.00	55,381.26	544,056.26
2022			60,000.00	52,906.26	112,906.26
2023-2027			330,000.00	223,281.30	553,281.30
2028-2032			415,000.00	143,875.04	558,875.04
2033-2036			395,000.00	43,531.26	438,531.26
	<u>\$ 1,550,000.00</u>	<u>\$ 180,125.00</u>	<u>\$ 1,410,000.00</u>	<u>\$ 699,543.90</u>	<u>\$ 3,839,668.90</u>

BOROUGH OF ROCKAWAY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 2: Long-Term Debt (Cont'd)

Net Pension Liability

The State of New Jersey Public Employees' Retirement System's (PERS) net pension liability was calculated to be \$5,628,812 at December 31, 2016. The State of New Jersey Police and Firemen's Retirement System's (PFRS) net pension liability was calculated to be \$7,939,771 at December 31, 2016. See Note 6 for further information on the PERS and PFRS.

Note 3: Fund Balances Appropriated

Fund balances at December 31, 2017 which were included in the introduced budget as appropriated and as anticipated revenue for the year ending December 31, 2018 budget were as follows:

Current Fund	\$ 541,500.00
Water Utility Operating Fund	301,000.00

Note 4: 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.

Note 5: Deferred Charges to be Raised in Succeeding Years

Certain expenditures are required to be deferred to budgets of the succeeding years. At December 31, 2017, the Borough did not have any deferred charges on the various balance sheets that need to be raised in the succeeding year.

Note 6: Pension Plans

Borough employees participate in one of the two contributory, defined benefit public employee retirement systems: the State of New Jersey Public Employee's Retirement System (PERS) or the State of New Jersey Police and Firemen's Retirement System (PFRS); or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

9

BOROUGH OF ROCKAWAY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 6: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Borough contributions to PERS amounted to \$161,346 for 2017.

The employee contribution rate was 7.20% effective July 1, 2016 and increased to 7.34% effective July 1, 2017. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

BOROUGH OF ROCKAWAY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

10

Note 6: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Pension Liabilities and Pension Expense

At December 31, 2016, the Borough's liability was \$5,628,812 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, the Borough's proportion was 0.019%, which was an increase of 0.001% from its proportion measured as of June 30, 2014. The Borough has rolled forward the net pension liability to December 31, 2016 with no adjustments. The State of New Jersey Public Employees' Retirement System (PERS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation. The Division of Local Government Services, Department of Community Affairs, State of New Jersey is permitting municipalities to include the June 30, 2016 pension information in the Notes to the Financial Statements as the June 30, 2017 pension information has not been released as of the date of this audit.

For the year ended December 31, 2017, the Borough recognized actual pension expense in the amount of \$161,346.

Actuarial Assumptions

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

Inflation Rate	3.08%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.65%

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

BOROUGH OF ROCKAWAY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 6: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Actuarial Assumptions (Cont'd)

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

Long Term Expected Rate of Return

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

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

BOROUGH OF ROCKAWAY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 6: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Discount Rate

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

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

The following presents the Borough's proportionate share of the collective net pension liability as of December 31, 2016 calculated using the discount rate as disclosed below, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	December 31, 2016		
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Borough's proportionate share of the Net Pension Liability	\$ 6,897,453	\$ 5,628,812	\$ 4,581,440

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

BOROUGH OF ROCKAWAY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 6: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS)

Plan Description

The State of New Jersey, State of New Jersey Police and Firemen's Retirement System (PFRS), is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the PFRS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:16A. The PFRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after 4 years of service.

The following represents the membership tiers for PFRS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to May 22, 2010
2	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
3	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

Contributions

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing members. The Local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual amounts over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of the assets.

BOROUGH OF ROCKAWAY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

14

Note 6: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Special Funding Situation

Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. The June 30, 2015 State special funding situation net pension liability amount is the accumulated difference between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The fiscal year ending June 30, 2016 State special funding situation pension expense is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2016. The pension expense is deemed to be a State administrative expense due to the special funding situation. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specific funded amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employer.

Borough contributions to PFRS amounted to \$393,598 for the year ended December 31, 2017. During the fiscal year ended June 30, 2016, the State of New Jersey contributed \$29,672 to the PFRS for normal pension benefits on behalf of the Borough, which is less than the contractually required contribution of \$98,907.

The employee contributions for PFRS are 10.00% of employees' annual compensation, as defined.

Pension Liabilities and Pension Expense

At December 31, 2016, the Borough's liability for its proportionate share of the net pension liability was \$9,221,580. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, the Borough's proportion was 0.048%, which was an decrease of 0.002% from its proportion measured as of June 30, 2015. The Borough has rolled forward the net pension liability to December 31, 2016 with no adjustments. The State of New Jersey Police and Firemen's Retirement System (PFRS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation. The Division of Local Government Services, Department of Community Affairs, State of New Jersey is permitting municipalities to include the June 30, 2016 pension information in the Notes to the Financial Statements as the June 30, 2017 pension information has not been released as of the date of this audit.

BOROUGH OF ROCKAWAY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 6: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Pension Liabilities and Pension Expense (Cont'd)

Additionally, the State's proportionate share of the net pension liability attributable to the Borough is \$774,384 as of December 31, 2016. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. The State's proportionate share of the net pension liability associated with the Borough was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, the State's proportion was 0.048%, which was an decrease of 0.002% from its proportion measured as of June 30, 2015 which is the same proportion as the Borough's. The Borough has rolled forward the net pension liability to December 31, 2016 with no adjustments. The State of New Jersey Police and Firemen's Retirement System (PFRS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation.

Borough's Proportionate Share of the Net Pension Liability	\$ 9,221,580
State's Proportionate Share of the Net Pension Liability Associated with the Borough	<u>774,384</u>
Total Net Pension Liability	<u>\$ 9,995,964</u>

For the year ended December 31, 2017, the Borough recognized total pension expense of \$387,467.

Actuarial Assumptions

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

Inflation Rate	3.08%
Salary Increases:	
Through 2026	2.10% - 8.98% based on age
Thereafter	3.10% - 9.98% based on age
Investment Rate of Return	7.65%

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

BOROUGH OF ROCKAWAY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 6: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Actuarial Assumptions (Cont'd)

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

Long Term Expected Rate of Return

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

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

BOROUGH OF ROCKAWAY
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2017
 (Continued)

17

Note 6: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Discount Rate – PFRS

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

Sensitivity of the Total Net Pension Liability (including the State's proportionate share of the net pension liability attributable to the Borough) to Changes in the Discount Rate

The following presents the total net pension liability (including the State's proportionate share of the net pension liability attributable to the Borough) as of December 31, 2016 calculated using the discount rate as disclosed above, as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	December 31, 2016		
	1%	Current	1%
	Decrease	Discount Rate	Increase
	(4.55%)	(5.55%)	(6.55%)
Borough's proportionate share of the NPL and the State's proportionate share of the Net Pension Liability associated with the Borough	\$ 12,889,063	\$ 9,995,964	\$ 7,636,816

Pension Plan Fiduciary Net Position - PFRS

Detailed information about the PFRS's fiduciary net position is available in the separately issued PFRS financial statements.

BOROUGH OF ROCKAWAY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 6: Pension Plans (Cont'd)

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

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 of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the Borough recognized pension expense of \$1,450.11 for the year ended December 31, 2017. Employee contributions to DCRP amounted to \$4,076.59 for the year ended December 31, 2017.

Note 7: Accrued Sick and Vacation Benefits

The Borough permits employees to accrue a limited amount of unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$231,024.22 at December 31, 2017. This amount is not reported either as an expenditure or a liability. It is expected that the cost of such unpaid compensation would be included in the Borough's budget operating expenditures in the year in which it is used. This amount is partially reserved in the Reserve for Deferred Sick Leave of \$224,696.08 on the Trust Fund balance sheet at December 31, 2017.

Note 8: Selected Tax Information

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and the imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the prior year may be placed in lien at a tax sale held after April 1 and through December 31. Unpaid taxes of the current year may be placed in lien at a tax sale held after December 10.

BOROUGH OF ROCKAWAY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 8: Selected Tax Information (Cont'd)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Tax Rate</u>	\$ 2.95	\$ 2.85	\$ 2.80
<u>Apportionment of Tax Rate</u>			
Municipal	0.82	0.81	0.79
County	0.30	0.28	0.28
Local School	1.03	1.00	0.75
Regional School	0.79	0.76	0.98
<u>Assessed Valuations</u>			
2017	<u>\$ 779,819,847.00</u>		
2016		<u>\$ 779,870,147.00</u>	
2015			<u>\$ 778,292,047.00</u>

Comparison of Tax Levies and Collections 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.

Year	Tax Levy	Currently	
		Cash Collections	Percentage of Collections
2017	\$ 23,022,336.39	\$ 22,657,188.52	98.41%
2016	22,202,233.22	21,864,814.16	98.48%
2015	21,866,739.49	21,450,743.85	98.09%

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

Note 9: Cash and Cash Equivalents

Cash and cash equivalents include change funds, amounts on deposit, and short-term investments with original maturities of three months or less.

Investments are stated at cost. The Borough classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

BOROUGH OF ROCKAWAY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 9: Cash and Cash Equivalents

GASB require disclosure of the level of custodial credit risk assumed by the Borough in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial risk is the risk that in the event of bank failure, the government's deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the Borough ensures that any deposit or investments matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The Borough limits its investments to those authorized in its cash management plan which are permitted under state statutes as detailed on the following two pages.

Custodial Credit Risk – The Borough's policy with respect to custodial credit risk requires that the Borough ensures that Borough funds are only deposited in financial institutions in which New Jersey municipalities are permitted to invest their funds.

Deposits:

New Jersey statutes require that municipalities deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Municipalities are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5% of the average daily balance of public funds on deposit, and

In addition to the above collateral requirement, if public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

BOROUGH OF ROCKAWAY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 9: Cash and Cash Equivalents (Cont'd)

Investments

New Jersey statutes permit the Borough to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

BOROUGH OF ROCKAWAY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 9: Cash and Cash Equivalents (Cont'd)

Investments

As of December 31, 2017, cash and cash equivalents of the Borough of Rockaway consisted of the following:

<u>Fund</u>	<u>Change Funds</u>	<u>Checking Accounts</u>	<u>NJ Cash Management Fund</u>	<u>Total</u>
Current Fund	\$ 100.00	\$ 4,200,013.05	\$ 2,760.94	\$ 4,202,873.99
Animal Control Trust Fund		29,464.27		29,464.27
Other Trust Funds		1,167,153.26		1,167,153.26
General Capital Fund		3,506,312.85		3,506,312.85
Water Utility Operating Fund	100.00	1,270,479.59	4,123.95	1,274,703.54
Water Utility Capital Fund		1,781,150.63		1,781,150.63
	<u>\$ 200.00</u>	<u>\$ 11,954,573.65</u>	<u>\$ 6,884.89</u>	<u>\$ 11,961,658.54</u>

During the period ended December 31, 2017, the Borough did not hold any investments. The carrying amount of the Borough's cash and cash equivalents at December 31, 2017, was \$11,961,658.54 and the bank balance was \$11,977,677.33. The \$6,884.89 invested with the State of New Jersey Cash Management Fund is uninsured and/or unregistered.

Note 10: Risk Management

The Borough is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Health benefits are provided to employees through the State of New Jersey health benefits plan.

The Borough of Rockaway is a member of the Morris County Municipal Joint Insurance Fund. This fund is both an insured and self-administered group of municipalities established for the purpose of providing certain low-cost insurance coverage for member municipalities in order to keep local property taxes at a minimum.

The following coverages are offered by these funds to its members:

- a.) Workers' Compensation and Employers' Liability
- b.) Liability Other Than Motor Vehicles
- c.) Property Damage Other Than Motor Vehicles
- d.) Motor Vehicle
- e.) Environmental

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

BOROUGH OF ROCKAWAY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 10: Risk Management (Cont'd)

This Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. In accordance with Statement No. 10 of the Governmental Auditing Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

The December 31, 2017 financial statements were not available as of the date of this report. Selected financial information for the Fund as of December 31, 2016 is as follows:

	<u>Morris County Municipal Joint Insurance Fund</u>
Total Assets	\$ 27,753,863.00
Net Position	\$ 12,178,035.00
Total Revenue	\$ 19,261,910.00
Total Expenditures	\$ 15,715,706.00
Change in Net Position	\$ 3,546,204.00
Members Dividends	\$ -0-

Financial statements for the Fund are available at the offices of the Fund's Executive Director:

PERMA Risk Management Services
9 Campus Drive, Suite 216
Parsippany, NJ 07054
(201) 881-7632

New Jersey Unemployment Compensation Insurance

The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Borough is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Borough is billed quarterly for amounts due to the State.

On following page is a summary of Borough and employee contributions, interest earned and reimbursements to the State for benefits paid and the ending balance of the Borough's trust fund for the current and previous two years.

BOROUGH OF ROCKAWAY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 10: Risk Management (Cont'd)

New Jersey Unemployment Compensation Insurance (Cont'd)

<u>Year</u>	<u>Borough Contributions</u>	<u>Interest Earned</u>	<u>Employees Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017	\$ 15,000.00	\$ 102.24	\$ 4,858.60	\$ 15,758.00	\$ 66,050.51
2016	15,000.00	102.80	4,250.06	16,063.92	61,847.67
2015	15,000.00	83.11	4,520.89	4,587.81	58,558.73

Note 11: Interfund Receivables and Payables

The following interfund balances remain on the balance sheet at December 31, 2017:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Current Fund	\$ 41,916.09	\$ 192,430.82
Other Trust Funds	192,430.82	
Water Utility Operating Fund		155,725.73
Water Utility Capital Fund	113,809.64	
	<u>\$ 348,156.55</u>	<u>\$ 348,156.55</u>

The interfund receivable in the Current Fund consists of December Sewer Utility receipts in the Water Utility Operating Fund that were not turned over by year-end. The interfund payable in the Current Fund is mainly the amount payable to the Other Trust Fund for Deferred Sick Leave and Storm Recovery. The interfund receivable in Water Utility Capital Fund is mainly for reserves for water utility capital improvements due from the Water Utility Operating Fund.

Note 12: Deferred Compensation Plans

The Borough offers its employees deferred compensation plans (the "plans") created in accordance with Section 457 of the Internal Revenue Code. The plans, which are administered by Nationwide Retirement Solutions, are available to all Borough employees and permit participants to defer a portion of their salary. The deferred compensation is not available to employees until termination, retirement, unforeseeable emergency or upon death to their beneficiaries.

Note 13: Economic Dependency

The Borough of Rockaway receives a substantial amount of support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Borough's programs and activities.

BOROUGH OF ROCKAWAY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 14: Contingent Liabilities

The Borough is periodically involved in various lawsuits arising in the normal course of business, including claims for property damage, personal injury, and various contract disputes. The Borough vigorously contests all lawsuits and believes the ultimate resolution would not have a material adverse effect on its financial position.

Amounts received or receivable from grantors, principally the federal and state governments are subject to regulatory requirements and adjustments by the agencies. Any disallowed claims, including amounts previously recognized by the Borough as revenue would constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although Borough officials expect such amounts, if any, to be immaterial.

Various tax appeals on assessed valuations have been filed against the Borough and are awaiting tax court decisions. The ultimate outcome and effect of such appeals have not been determined; however, the Borough Tax Assessor will aggressively defend the Borough's assessments. The Borough has established a reserve in the amount of \$250,00.00 which it feels should be sufficient to cover these tax appeals.

Note 15: Fixed Assets (Unaudited)

The following is a summarization of general fixed assets for the years ended December 31, 2016 and 2017.

	Balance 12/31/15	Additions	Deletions	Balance 12/31/16
Land	\$ 9,407,660.00			\$ 9,407,660.00
Buildings and Improvements	4,269,606.00			4,269,606.00
Equipment	5,046,965.41	\$ 217,772.52	\$ 38,978.00	5,225,759.93
	<u>\$ 18,724,231.41</u>	<u>\$ 217,772.52</u>	<u>\$ 38,978.00</u>	<u>\$ 18,903,025.93</u>
	Balance 12/31/16	Additions	Deletions	Balance 12/31/17
Land	\$ 9,407,660.00			\$ 9,407,660.00
Buildings and Improvements	4,269,606.00			4,269,606.00
Equipment	5,225,759.93	\$ 881,769.59	\$ 21,000.00	6,086,529.52
	<u>\$ 18,903,025.93</u>	<u>\$ 881,769.59</u>	<u>\$ 21,000.00</u>	<u>\$ 19,763,795.52</u>

BOROUGH OF ROCKAWAY

SUPPLEMENTARY DATA

BOROUGH OF ROCKAWAY
OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2017

Name	Title	Amount of Bond
Russell Greuter	Mayor	
Melissa Burnside	Councilwoman	
Joyce Kanigel	Councilwoman	
Thomas Mulligan	Councilman	
Robert Smith	Councilman	
Patrick McDonald	Councilman	
John "Jay" L. Willer	Councilman	
Sheila Seifert	Borough Clerk	(A)
Patricia Reiche	Chief Financial Officer/Treasurer	(A)
Donna Browne	Tax Collector	(A)
Deborah Tanzola	Water Clerk	(A)

All bonds were examined and were properly executed.

(A) All employees are covered under \$50,000 and \$950,000 Faithful Performance Bonds provided by the Morris County Municipal Joint Insurance Fund and the Municipal Excess Liability Joint Insurance Fund, respectively.

BOROUGH OF ROCKAWAY
COUNTY OF MORRIS
2017
CURRENT FUND

BOROUGH OF ROCKAWAY
CURRENT FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2016	A	\$ 2,816,557.41
Increased by Receipts:		
Tax Collector	\$ 23,693,916.80	
Revenue Accounts Receivable	1,112,511.61	
Miscellaneous Revenue Not Anticipated	333,373.70	
Due Animal Control Trust Fund:		
Interest Due Current Fund	57.39	
Prior Year Interfund Returned	7,179.89	
Due Other Trust Funds:		
Interfund Returned - Escrow	454.21	
Interest Due Current Fund	843.01	
Due General Capital Fund	5,779.52	
Due Water Utility Operating Fund:		
Sewer Receipts	701,260.58	
Due State of New Jersey:		
Marriage License Fees	1,225.00	
DCA Training Fees	11,789.34	
Veterans and Senior Citizens' Deductions	48,027.21	
Appropriation Refunds	207,921.05	
Unappropriated Grant Reserve	15,000.00	
Reserve for Sale of Municipal Assets	75,000.00	
		<u>26,214,339.31</u>
		29,030,896.72
Decreased by Disbursements:		
2017 Appropriation Expenditures	\$ 7,447,756.70	
2016 Appropriation Reserves	660,760.95	
Local School Taxes	8,052,620.00	
Regional High School Taxes	6,157,668.00	
County Taxes	2,351,327.28	
Due Other Trust Funds:		
Reserve for Municipal Alliance	2,314.00	
Escrow	7,155.81	
Prior Year Interfund Returned	28,707.17	
Due General Capital Fund:		
Prior Year Interfund Returned	39,304.38	
Redemption of Third Party Tax Title Liens	55,523.01	
Due State of New Jersey:		
DCA Training Fees	11,330.34	
Marriage License Fees	1,300.00	
Appropriated Grant Reserve	1,678.72	
Accounts Payable	7,831.65	
Tax Overpayments	2,844.72	
		<u>\$ 24,828,122.73</u>
Balance December 31, 2017	A	<u>\$ 4,202,773.99</u>

BOROUGH OF ROCKAWAY
CURRENT FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2017

Increased by Receipts:

Taxes Receivable	\$ 22,788,682.94
Interest and Costs on Taxes	88,234.32
2018 Prepaid Taxes	727,671.57
Tax Overpayments	32,274.08
Third Party Tax Title Liens	55,523.01
Water Utility Collections	270.88
Other Miscellaneous Revenue	1,260.00
	<hr/>

\$ 23,693,916.80

Decreased by Disbursements:

Paid to Treasurer	<u>\$ 23,693,916.80</u>
-------------------	-------------------------

BOROUGH OF ROCKAWAY
SCHEDULE OF CASH - GRANT FUNDS
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

BOROUGH OF ROCKAWAY
CURRENT FUND
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance Dec. 31, 2016	2017 Levy	Collections		State of NJ Veterans' and Senior Citizens' Deductions	Overpayments Applied	Cancelled	Transferred to Tax Title Liens	Balance Dec. 31, 2017
			2016	2017					
2016	\$ 313,948.76			\$ 313,946.58			\$ 2.18		
2017		\$ 23,022,336.39	\$ 130,164.61	22,474,736.36	\$ 47,474.66	\$ 4,812.89	18,295.90	\$ 22,907.32	\$ 323,944.65
	\$ 313,948.76	\$ 23,022,336.39	\$ 130,164.61	\$ 22,788,682.94	\$ 47,474.66	\$ 4,812.89	\$ 18,298.08	\$ 22,907.32	\$ 323,944.65

Ref. A

A

Analysis of 2017 Property Tax Levy:

Tax Yield:

General Purpose Tax	\$ 22,989,089.00
Added and Omitted Taxes	33,247.39
	<u>\$ 23,022,336.39</u>

Tax Levy:

Local School District Taxes	\$ 8,052,620.00
Regional High School District Taxes	6,157,668.00
County Taxes	\$ 2,349,120.72
County Added and Omitted Taxes	<u>3,403.62</u>
	<u>2,352,524.34</u>
	<u>16,562,812.34</u>
Local Tax for Municipal Purposes Levied	6,130,061.00
Minimum Library Tax	299,248.00
Add: Additional Tax Levied	<u>30,215.05</u>
	<u>6,459,524.05</u>
	<u>\$ 23,022,336.39</u>

BOROUGH OF ROCKAWAY
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

	<u>Ref.</u>		
Balance December 31, 2016	A	\$	653,798.21
Increased by:			
Adjustment		\$	1.35
Transfer from Taxes Receivable			<u>22,907.32</u>
			<u>22,908.67</u>
Balance December 31, 2017	A	\$	<u><u>676,706.88</u></u>

BOROUGH OF ROCKAWAY
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Accrued In</u> <u>2017</u>	<u>Collected by</u> <u>Treasurer</u>	<u>Cancelled</u>	<u>Balance</u> <u>Dec. 31, 2017</u>
Municipal Clerk:					
Alcoholic Beverage Licenses		\$ 15,400.00	\$ 15,400.00		
Fees and Permits		76,689.18	76,689.18		
Other Licenses		15,720.00	15,720.00		
Construction Code Official:					
Fees and Permits		152,642.34	152,642.34		
Municipal Court:					
Fines and Costs		83,156.75	83,156.75		
Consolidated Municipal					
Property Tax Relief Program		49,546.00	49,546.00		
Energy Receipts Taxes		497,449.00	497,449.00		
Uniform Fire Safety Fees		37,586.26	37,586.26		
Morris Hills Regional -					
School Resource Officer		93,000.00	93,000.00		
Municipal Alliance	\$ 24,506.23	9,256.00	4,880.00	\$ 4,376.00	\$ 24,506.23
Safe and Secure Communities:					
2011	11,863.68				11,863.68
2016	29,407.00		29,407.00		
2017		29,407.00			29,407.00
Drive Sober or Get Pulled Over		5,500.00	5,500.00		
Clean Communities	729.84	12,664.36	12,664.36		729.84
Drunk Driving Enforcement Fund	1,479.03				1,479.03
Distracted Driving		5,500.00	5,500.00		
Drive Sober Year End Crackdown		5,500.00			5,500.00
Recycling Tonnage	4,126.97	13,385.54	13,385.54		4,126.97
Click It or Ticket	300.00				300.00
Domestic Violence	160.00				160.00
Body Armor Grant		1,705.18	1,705.18		
Morris County - Historic Preservation					
Trust Fund Grant:					
Fox's Brook Culbert Project		45,920.00	23,160.00	360.00	22,400.00
	<u>\$ 72,572.75</u>	<u>\$ 1,150,027.61</u>	<u>\$ 1,117,391.61</u>	<u>\$ 4,736.00</u>	<u>\$ 100,472.75</u>

Ref.

A

A

Cash Collected	\$ 1,112,511.61
Due from Other Trust - MAC	4,880.00
	<u>\$ 1,117,391.61</u>

BOROUGH OF ROCKAWAY
CURRENT FUND
SCHEDULE OF SEWER RENTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2017

	<u>Ref.</u>	
Balance December 31, 2016		\$ 64,926.71
Increased by:		
Sewer Rents Levied	\$ 732,709.48	
Interest on Rents	4,465.63	
		<u>737,175.11</u>
		802,101.82
Decreased by:		
Collections in Water Utility Operating Fund:		
Sewer Rents	41,729.75	
Interest on Rents	186.34	
Collections in Current Fund:		
Sewer Rents	696,981.29	
Interest on Rents	4,279.29	
		<u>743,176.67</u>
Balance December 31, 2017	A	<u>\$ 58,925.15</u>

BOROUGH OF ROCKAWAY
CURRENT FUND
SCHEDULE OF 2016 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2017

	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
GENERAL GOVERNMENT:				
Mayor & Council:				
Other Expenses	\$ 860.93	\$ 860.93		\$ 860.93
Clerk:				
Other Expenses	15,003.39	15,003.39	\$ 1,203.89	13,799.50
Financial Administration:				
Other Expenses	5,764.21	5,764.21	4,314.71	1,449.50
Audit Fees	5,906.00	5,906.00	5,906.00	
Assessment of Taxes:				
Other Expenses	606.74	606.74		606.74
Revenue Administration (Tax Collection):				
Other Expenses	3,157.35	3,157.35	1,704.00	1,453.35
Legal Services and Costs:				
Other Expenses - Fees	26,144.02	26,144.02	7,655.02	18,489.00
Engineering Services:				
Other Expenses	4,766.71	4,766.71	3,314.20	1,452.51
Land Use Board:				
Other Expenses	7,826.44	7,826.44	5,120.00	2,706.44
Zoning Enforcement:				
Other Expenses	214.56	214.56		214.56
Insurance:				
Employee Group Insurance	54,105.27	54,105.27	5,270.95	48,834.32
Workers' Compensation				
General Liability Insurance	31,755.91	31,755.91	150.00	31,605.91
Employee Group Insurance	2,680.53	2,680.53		2,680.53
PUBLIC SAFETY				
Office of Emergency Management:				
Other Expenses	75.70	75.70		75.70
Volunteer Fire/Ambulance Department:				
Other Expenses	13,384.78	13,384.78	13,022.02	362.76
Fire Prevention/Uniform Fire Code:				
Salaries & Wages	58.24	58.24		58.24
Other Expenses	1,197.47	1,197.47	873.08	324.39
Police:				
Salaries & Wages	132,626.01	149,041.59	149,041.59	
Other Expenses	41,887.58	25,472.00	25,472.00	

BOROUGH OF ROCKAWAY
CURRENT FUND
SCHEDULE OF 2016 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2017
(Continued)

	Balance Dec. 31, 2016	Balance After Modification	Paid or Charged	Balance Lapsed
STREETS AND ROADS:				
Road Repairs and Maintenance:				
Salaries & Wages	\$ 73,783.79	\$ 73,783.79	\$ 73,783.79	
Other Expenses	117,880.31	117,880.31	117,880.31	
Other Public Works Functions:				
Other Expenses	4,900.62	4,900.62	4,200.36	\$ 700.26
Shade Tree Commission:				
Other Expenses	1,288.53	1,288.53	449.31	839.22
Sewer:				
Salaries & Wages	6,355.62	6,355.62		6,355.62
Other Expenses	32,918.35	32,918.35	19,022.87	13,895.48
Public Building and Grounds:				
Other Expenses	9,197.55	9,197.55	8,418.07	779.48
Vehicle Maintenance:				
Other Expenses	8,296.83	8,296.83	7,919.05	377.78
HEALTH AND WELFARE:				
Board of Health:				
Other Expenses	41,858.44	41,858.44	37,479.46	4,378.98
Senior Citizens' Programs:				
Salaries & Wages	1,673.00	1,673.00		1,673.00
Other Expenses	1,521.92	1,521.92	144.00	1,377.92
RECREATION AND EDUCATION:				
Recreation Commission:				
Salaries & Wages	966.66	966.66		966.66
Other Expenses	7,641.46	7,641.46	6,296.65	1,344.81
Maintenance of Parks	12,728.00	12,728.00	3,500.00	9,228.00
UNIFORM CONSTRUCTION CODE:				
Construction Code Official:				
Other Expenses	218.33	218.33	72.40	145.93
Uniform Construction Code Enforcement:				
Other Expenses	700.00	700.00		700.00
UNCLASSIFIED:				
Utilities:				
Gas (Natural or Propane)	17,299.19	17,299.19	6,872.12	10,427.07
Street Lighting	15,628.96	15,628.96	12,155.87	3,473.09
Electricity	11,880.01	11,880.01	5,724.86	6,155.15
Gasoline and Diesel	23,286.23	23,286.23	23,286.23	
Telephone	239.34	239.34		239.34
Solid Waste Disposal:				
Salaries & Wages	3,214.31	3,214.31		3,214.31
Other Expenses	58,710.33	58,710.33	57,749.87	960.46
Contingent	500.00	500.00		500.00

BOROUGH OF ROCKAWAY
CURRENT FUND
SCHEDULE OF 2016 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2017
(Continued)

	Balance Dec. 31, 2016	Balance After Modification	Paid or Charged	Balance Lapsed
STATUTORY EXPENDITURES:				
Public Employees Retirement System	\$ 29,134.00	\$ 29,134.00	\$ 2,606.40	\$ 26,527.60
Contribution to Social Security System (O.A.S.)	13,508.73	13,508.73	13,508.73	
Defined Contribution Retirement Plan	1,062.47	1,062.47	63.45	999.02
Aid to Municipal Library				
Salaries & Wages	11,400.90	11,400.90	11,400.90	
Other Expenses	24,834.30	24,834.30	24,834.30	
Length of Service Awards Program	14,400.00	14,400.00	10,400.00	4,000.00
Sewage Processing and Disposal	1,711.32	1,711.32		1,711.32
SHARED SERVICE AGREEMENTS:				
Morris Hills Regional District - Police Salaries	574.90	574.90		574.90
STATE AND FEDERAL PROGRAMS				
OFFSET BY REVENUES:				
Clean Communities Grant	6,827.00	6,827.00	6,827.00	
Safe and Secure Communities Grant	8.20	8.20		8.20
Drunk Driving Enforcement Fund	21,669.36	21,669.36	21,669.36	
Body Armor Grant	3,345.42	3,345.42	3,345.42	
CAPITAL IMPROVEMENTS:				
DPW Equipment	7,588.07	7,588.07	7,500.00	88.07
Fire Department Equipment	1.09	1.09		1.09
Police Department Equipment	3,050.00	3,050.00		3,050.00
Recreation Equipment	500.00	500.00	500.00	
Sewer Capital Improvements	125,000.00	125,000.00	125,000.00	
Buildings and Ground Equipment	5,114.00	5,114.00	5,114.00	
	<u>\$ 1,070,439.38</u>	<u>\$ 1,070,439.38</u>	<u>\$ 840,772.24</u>	<u>\$ 229,667.14</u>

Ref.

Analysis of Balance @ December 31, 2016

Unencumbered	\$ 781,998.68
Encumbered	288,440.70
	<u>\$ 1,070,439.38</u>

Analysis of Paid or Charged

Cash Disbursed	\$ 660,760.95
Reserve for Master Plan	5,000.00
Reserve for Sewer Capital Projects	26,788.79
Due Other Trust Funds:	
Storm Removal	125,000.00
Appropriated Grant Reserves	23,222.50
	<u>\$ 840,772.24</u>

BOROUGH OF ROCKAWAY
CURRENT FUND
SCHEDULE OF LOCAL SCHOOL DISTRICT TAXES PAYABLE
YEAR ENDED DECEMBER 31, 2017

Increased by:

Levy - Calendar Year 2017

\$ 8,052,620.00

Decreased by:

Payments to Local School District

\$ 8,052,620.00

CURRENT FUND
SCHEDULE OF REGIONAL HIGH SCHOOL DISTRICT TAXES PAYABLE
YEAR ENDED DECEMBER 31, 2017

Increased by:

Levy - Calendar Year 2017

\$ 6,157,668.00

Decreased by:

Payments to Regional High School District

\$ 6,157,668.00

BOROUGH OF ROCKAWAY
CURRENT FUND
SCHEDULE OF UNAPPROPRIATED GRANT RESERVES

	Balance Dec. 31, 2016	Cash Received	Balance Dec. 31, 2017
Click It or Ticket	\$ 3,800.00		\$ 3,800.00
Drive Sober or Get Pulled Over	8,800.00		8,800.00
Recycling Tonnage	10,872.35		10,872.35
Local Safety Improvement		\$ 15,000.00	15,000.00
	<u>\$ 23,472.35</u>	<u>\$ 15,000.00</u>	<u>\$ 38,472.35</u>

Ref.

A

A

BOROUGH OF ROCKAWAY

CURRENT FUND

SCHEDULE OF APPROPRIATED RESERVES

	Balance Dec. 31, 2016	Transferred from 2017 Budget Appropriations	Transferred from 2016 Budget Appropriations Reserves	Cash Disbursed	Balance Dec. 31, 2017
Body Armor Grant	\$ 1,678.72	\$ 1,593.90	\$ 3,345.42	\$ 1,678.72	\$ 4,939.32
Clean Communities	3,320.78				3,320.78
Click It or Ticket	600.00				600.00
Distracted Driving		27.50			27.50
Domestic Violence	63.26				63.26
Drive Sober Year End Crackdown		5,500.00			5,500.00
Drunk Driving Enforcement Fund	4,172.71		19,877.08		24,049.79
Morris County Historic Preservation		22,400.00			22,400.00
Municipal Alliance:					
2014	21,506.23				21,506.23
NJ Alcohol Rehabilitation	2,599.92				2,599.92
Recycling Tonnage	20,735.44				20,735.44
Safe and Secure Communities:					
2011	2,058.19				2,058.19
2016	8.20				8.20
2017		8.03			8.03
	<u>\$ 56,743.45</u>	<u>\$ 29,529.43</u>	<u>\$ 23,222.50</u>	<u>\$ 1,678.72</u>	<u>\$ 107,816.66</u>

Ref.

A

A

BOROUGH OF ROCKAWAY
COUNTY OF MORRIS
2017
TRUST FUNDS

BOROUGH OF ROCKAWAY
TRUST FUNDS
SCHEDULE OF CASH AND INVESTMENTS - TREASURER

	<u>Ref.</u>	<u>Animal Control Fund</u>	<u>Other Trust Funds</u>
Balance December 31, 2016	B	\$ 39,192.89	\$ 909,310.73
Increased by Receipts:			
Due Current Fund:			
Interest on Investments			\$ 1,297.22
Interfund			36,805.71
License Fees		\$ 12,468.20	
Interest on Investments		57.39	
State Registration Fees		862.80	
Prepaid Licenses		1,074.00	
Miscellaneous Fees		1,265.00	
Tax Sale Premiums			
Trust Escrow			199,700.00
Council on Affordable Housing			124,227.37
Addison Hills Escrow			35,884.42
Unemployment Insurance Deposits			13.67
Forfeited Assets			19,960.84
Recycling			2,237.59
Municipal Alliance			7,652.53
Uniform Construction Code			6,357.16
National Night Out			2,050.00
Fire Prevention			3,568.14
Outside Police Services			5,650.00
Reserve for Deferred Sick Leave			601,604.88
Recreation Deposits			70,000.00
		<u>15,727.39</u>	<u>27,246.23</u>
			<u>1,144,255.76</u>
			<u>2,053,566.49</u>

BOROUGH OF ROCKAWAY
TRUST FUNDS
SCHEDULE OF CASH AND INVESTMENTS - TREASURER

	<u>Ref.</u>	<u>Animal Control Fund</u>	<u>Other Trust Funds</u>
Decreased by Disbursements:			
Due Current Fund:			
Interest on Investments	\$	57.39	\$ 1,160.05
Interfund Returned		7,179.89	1,080.64
State of New Jersey Board of Health		938.40	
Expenditures Under R.S. 4:19-15.11		17,280.33	
Tax Sale Premiums			65,000.00
Unemployment Insurance Expenditures			15,758.00
Tree Replacement			1,340.97
National Night Out			4,048.54
Fire Prevention			6,389.11
Outside Police Services			602,767.96
Forfeited Assets			573.40
Police Federal Funds			133.54
Recycling			5,812.54
Municipal Alliance			9,302.00
Trust Escrow			124,480.49
Reserve for Deferred Sick Leave			27,978.74
Recreation Expenditures			20,587.25
		<u>\$ 25,456.01</u>	<u>\$ 886,413.23</u>
Balance December 31, 2017	B	<u>\$ 29,464.27</u>	<u>\$ 1,167,153.26</u>

BOROUGH OF ROCKAWAY
ASSESSMENT TRUST FUND
ANALYSIS OF CASH
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

BOROUGH OF ROCKAWAY
ANIMAL CONTROL FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES

	<u>Ref.</u>	
Balance December 31, 2016	B	\$ 30,729.00
Increased by:		
Dog and Cat License Fees		\$ 12,468.20
Prior Year Prepaid Licenses Applied		1,281.00
Prior Year Due to State Cancelled		3.00
Miscellaneous Fees		1,265.00
		<u>15,017.20</u>
		45,746.20
Decreased by:		
Expenditures Under R.S. 4:19-15.11		17,280.33
Prior Year Prepaids Due to State of New Jersey		75.60
		<u>17,355.93</u>
Balance December 31, 2017	B	<u>\$ 28,390.27</u>

<u>License Fees Collected</u>	<u>Amount</u>
<u>Year</u>	
2015	\$ 14,795.00
2016	15,179.00
	<u>29,974.00</u>
Maximum Allowable Reserve	<u>\$ 29,974.00</u>

BOROUGH OF ROCKAWAY
COUNTY OF MORRIS
2017
GENERAL CAPITAL FUND

BOROUGH OF ROCKAWAY
GENERAL CAPITAL FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2016	C	\$ 3,897,701.83
Increased by:		
Reserve to Pay Debt Service	\$ 248,768.29	
Reserve for Vac Truck	33,000.00	
Grants Receivable	220,261.30	
Bond Anticipation Note Proceeds	823,650.00	
Note Premium	43,891.00	
Due Current Fund:		
Interest	5,779.52	
Capital Improvement Fund	90,000.00	
		<u>1,465,350.11</u>
		5,363,051.94
Decreased by:		
Improvement Authorizations	1,577,289.46	
Reserve for Vac Truck	66,000.00	
Reserve for Debt Service	212,993.08	
Due Current Fund:		
Interest	456.55	
		<u>1,856,739.09</u>
Balance December 31, 2017	C	<u><u>\$ 3,506,312.85</u></u>

BOROUGH OF ROCKAWAY
GENERAL CAPITAL FUND
ANALYSIS OF CASH

	Balance/ (Deficit) Dec. 31, 2016	Receipts		Disbursements			Transfers		Balance/ (Deficit) Dec. 31, 2017
		Miscellaneous	Bond Anticipation Notes	Improvement Authorizations	Miscellaneous		From	To	
Capital Fund Balance	\$ 110,733.98								\$ 110,733.98
Capital Improvement Fund	27,380.50	\$ 90,000.00				\$ 43,350.00			74,030.50
Due from Current Fund	(39,304.38)	39,760.93			\$ 456.55				
Community Development Block Grant Receivable:									
Community Center	(80,000.00)	80,000.00				80,000.00			(80,000.00)
Library	(74,485.00)	65,302.30							(9,182.70)
Morris County Historic Society Preservation Trust	(258,800.00)	74,959.00							(183,841.00)
Morris County Office of Emergency Management Grant Receivable	(75,000.00)								(75,000.00)
Reserve for Sewer Vac Truck	33,000.00	33,000.00			66,000.00				
Reserve to Pay Debt Service	8,000.00	214,786.88	\$ 43,891.00		212,993.08				53,684.80
Ord. No.	Improvement Description								
04-11	Various Capital Improvements	316,541.36		\$ 46,161.48					270,379.88
12-13	Road Improvements	34,992.46		19,613.09					15,379.37
08-14	Maple Avenue Improvement Project	2,764.48		75.00					2,689.48
5-15	Various Capital Improvements	14,400.00							14,400.00
6-15	Various Capital Improvements	65,955.68		64,526.88					1,428.80
12-15	Various Capital Improvements	1,115,308.85		283,408.77					831,900.08
10-16	Various Capital Improvements	7,634.15		7,634.15					0.00
13-16	Library Exterior Restoration	333,285.00		254,304.95					78,980.05
14-16	Various Capital Improvements	2,355,294.75		693,230.14		18,000.00			1,644,064.61
10-17	Various Capital Improvements		\$ 823,650.00	208,335.00			\$ 141,350.00		756,665.00
		\$ 3,897,701.83	\$ 597,809.11	\$ 867,541.00	\$ 279,449.63	\$ 141,350.00	\$ 141,350.00		\$ 3,506,312.85

BOROUGH OF ROCKAWAY
GENERAL CAPITAL FUND
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

Ord. No.	Improvement Description	Balance Dec. 31, 2016	2017 Authorizations	Notes Paid by		Balance Dec. 31, 2017	Analysis of Balance December 31, 2017	
				Budget Appropriation	Reserve to Pay Debt Service		Bond Anticipation Notes	Unexpended Improvement Authorizations
12-13	Road Improvements	\$ 285,000.00		\$ 30,000.00		\$ 255,000.00	\$ 255,000.00	
12-15	Various Capital Improvements	1,394,790.00			\$ 146,709.00	1,248,081.00	1,248,081.00	
14-16	Various Capital Improvements	2,243,520.00			66,000.00	2,177,520.00	2,177,520.00	
10-17	Various Capital Improvements		\$ 823,650.00			823,650.00	823,650.00	
		<u>\$ 3,923,310.00</u>	<u>\$ 823,650.00</u>	<u>\$ 30,000.00</u>	<u>\$ 212,709.00</u>	<u>\$ 4,504,251.00</u>	<u>\$ 4,504,251.00</u>	<u>\$ - 0 -</u>
Ref.		C				C		
	Improvement Authorizations - Unfunded							
	Less: Unexpended Proceeds of Bond Anticipation Notes Issued:							
	Ordinance 12-13 (Road Improvements)							
	Ordinance 12-15 (Various Capital Improvements)							
	Ordinance 10-16 (Various Capital Improvements)							
	Ordinance 14-16 (Various Capital Improvements)							
	Ordinance 10-17 (Various Capital Improvements)							
								\$ 3,248,009.06
								(15,379.37)
								(831,900.08)
								(1,644,064.61)
								(756,665.00)
								\$ - 0 -

BOROUGH OF ROCKAWAY
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance		Balance December 31, 2016		2017 Authorizations				Paid or Charged		Balance December 31, 2017	
		Date	Amount	Funded	Unfunded	Capital Improvement Fund	Community Development Block Grant	Deferred Charges to Future Taxation Unfunded	Ordinance Reapprop- riation			Funded	Unfunded
04-11	Various Capital Improvements	05/12/11	\$1,713,175.00	\$ 316,541.36						\$ 46,161.48		\$ 270,379.88	\$ 15,379.37
12-13	Road Improvements	07/25/13	400,000.00		\$ 34,992.46					19,613.09		2,689.48	
08-14	Maple Avenue Improvements	07/10/14	129,000.00	2,764.48						75.00		14,400.00	
5-15	Various Capital Improvements	04/23/15	55,000.00	14,400.00								1,428.80	
6-15	Various Capital Improvements	06/11/15	80,000.00	65,955.68						64,526.88			
12-15	Various Capital Improvements	08/19/15	1,543,200.00		1,115,308.85					283,408.77			831,900.08
10-16	Various Capital Improvements	05/12/16	40,884.15		7,634.15					7,634.15			
13-16	Library Exterior Restoration	09/08/16	333,385.00	333,285.00						254,304.95		78,980.05	
14-16	Various Capital Improvements	09/08/16	2,361,600.00	111,774.75	2,243,520.00				\$(18,000.00)	693,230.14			1,644,064.61
10-17	Various Capital Improvements	06/22/17	947,000.00			\$ 43,350.00	\$ 80,000.00	\$ 823,650.00	18,000.00	208,335.00			756,665.00
				\$ 844,721.27	\$3,401,455.46	\$ 43,350.00	\$ 80,000.00	\$ 823,650.00	\$ - 0 -	\$ 1,577,289.46		\$ 367,878.21	\$ 3,248,009.06

Ref.

C

C

C

C

BOROUGH OF ROCKAWAY
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2016	C	\$ 27,380.50
Increased by:		
Current Fund Budget Appropriation		<u>90,000.00</u>
		117,380.50
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>43,350.00</u>
Balance December 31, 2017	C	<u><u>\$ 74,030.50</u></u>

BOROUGH OF ROCKAWAY
GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

Ord. No.	Improvement Description	Date of		Interest Rate	Balance Dec. 31, 2016	Issued	Matured	Balance Dec. 31, 2017
		Original Issue	Issue					
12-13	Road Improvements	09/22/15	09/16/16 09/14/17	0.980% 2.250%	\$ 285,000.00	\$ 255,000.00	\$ 285,000.00	\$ 255,000.00
12-15	Various Capital Improvements	09/22/15	09/16/16 09/14/17	0.980% 2.250%	1,394,790.00	1,248,081.00	1,394,790.00	1,248,081.00
14-16	Various Capital Improvements	11/23/16	11/23/16 09/14/17	1.320% 2.250%	2,243,520.00	2,177,520.00	2,243,520.00	2,177,520.00
10-17	Various Capital Improvements	09/14/17	09/14/17	2.250%		823,650.00		823,650.00
					<u>\$ 3,923,310.00</u>	<u>\$ 4,504,251.00</u>	<u>\$ 3,923,310.00</u>	<u>\$ 4,504,251.00</u>
					Ref.	C	C	
					Renewed			
					\$ 3,680,601.00			
					Issued for Cash			
					823,650.00			
					Paid by Reserve to Pay Debt Service			
					212,709.88			
					Paid by Budget Appropriation			
					30,000.00			
					<u>\$ 4,504,251.00</u>	<u>\$ 3,923,310.00</u>		

BOROUGH OF ROCKAWAY
GENERAL CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE

Purpose	Date of Issue	Original Issue	Maturities of Bonds				Interest Rate	Balance	
			Outstanding			Matured		Dec. 31, 2016	Dec. 31, 2017
			Date	December 31, 2017	Amount				
General Improvement Bonds Series 2011	08/30/11	\$ 3,470,000.00	08/15/18	\$ 365,000.00		4.00%			
			08/15/19	375,000.00		5.00%			
			08/15/20	395,000.00		4.50%			
			08/15/21	415,000.00		4.50%	\$ 1,900,000.00	\$ 350,000.00	\$ 1,550,000.00
							\$ 1,900,000.00	\$ 350,000.00	\$ 1,550,000.00

Ref.

C

C

BOROUGH OF ROCKAWAY
GENERAL CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
YEAR ENDED DECEMBER 31, 2017

Ord. Number	Ord. Date	Improvement Description	Balance Dec. 31, 2016	2017 Authorizations	Notes Paid by Budget Appropriation	Bond Anticipation Notes Issued	Bond Anticipation Notes Redeemed	Balance Dec. 31, 2017
12-13	07/25/13	Road Improvements			\$ 30,000.00	\$ 255,000.00	\$ 285,000.00	
12-15	08/19/15	Various Capital Improvements			146,709.00	1,248,081.00	1,394,790.00	
14-16	11/23/16	Various Capital Improvements			66,000.00	2,177,520.00	2,243,520.00	
10-17	06/22/17	Various Capital Improvements		\$ 823,650.00		823,650.00		
			\$ - 0 -	\$ 823,650.00	\$ 242,709.00	\$ 4,504,251.00	\$ 3,923,310.00	\$ - 0 -

BOROUGH OF ROCKAWAY
COUNTY OF MORRIS
2017
WATER UTILITY FUND

BOROUGH OF ROCKAWAY
WATER UTILITY FUNDS
SCHEDULE OF CASH - TREASURER

	Ref.	Operating	Capital
Balance December 31, 2016	D	\$ 1,149,306.70	\$ 1,361,745.59
Increased by Receipts:			
Water Utility Collector	\$	2,490,044.03	
Interest on Investments		994.32	\$ 2,911.19
Appropriation Refunds		1,936.46	
Reserve to Pay Debt Service - Note Premium			16,234.00
Bond Anticipation Note Payable			740,000.00
Community Development Block Grant Receivable			80,000.00
Budget Appropriation:			
Capital Improvement Fund			40,000.00
Canal Society		5,100.00	
Morris County Open Space Trust Fund		75,000.00	
NJ Highlands Coalition		2,715.10	
Due Water Utility Capital Fund - Interest Earned		3,027.05	
		<u>2,578,816.96</u>	<u>879,145.19</u>
		3,728,123.66	2,240,890.78
Decreased by Disbursements:			
2017 Budget Appropriations		1,431,813.00	
2016 Appropriation Reserves		156,001.54	
Water Overpayments Refunded		289.00	
Accrued Interest on Notes		5,746.30	
Accrued Interest on Bonds		64,356.26	
Improvement Authorizations Expenditures			391,248.10
Reserve to Pay Debt Service			65,465.00
Due from Water Capital Fund			
Canal Society		9,253.44	
Morris County Open Space Trust Fund		6,800.00	
NJ Highlands Coalition		75,000.00	
Due Current Fund:		3,000.00	
Sewer Collections		701,260.58	
Due Water Utility Operating Fund - Interest Earned			3,027.05
		<u>2,453,520.12</u>	<u>459,740.15</u>
Balance December 31, 2017	D	\$ 1,274,603.54	\$ 1,781,150.63

BOROUGH OF ROCKAWAY
WATER UTILITY OPERATING FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2017

Increased by Receipts:

Water Rents	\$ 1,681,883.78	
Allocation Fees	30,570.00	
Connection Fees	8,225.00	
Sprinklers	14,086.83	
Other Water Fees		
Water Overpayments	5,261.88	
Interest on Delinquent Accounts	6,839.87	
Total Consumer Accounts Receivable		\$ 1,746,867.36

Due Current Fund:

Sewer Rents	738,711.04
Sewer Interest on Delinquents	<u>4,465.63</u>

Decreased by Disbursements:

Paid to Treasurer	<u><u>\$ 2,490,044.03</u></u>
-------------------	-------------------------------

BOROUGH OF ROCKAWAY
WATER UTILITY CAPITAL FUND
ANALYSIS OF CASH

	Balance/ (Deficit) Dec. 31, 2016	Receipts			Disbursements		Transfers		Balance (Deficit) Dec. 31, 2017
		Bond Anticipation		Miscellaneous	Improvement Authorizations	Miscellaneous	From	To	
		Notes							
Capital Fund Balance	\$ 4,797.60								\$ 4,797.60
Capital Improvement Fund	50,125.00		\$ 40,000.00						90,125.00
Community Development Block Grant Receivable	(80,000.00)		80,000.00						
Due Water Utility Operating Fund	115.86		2,911.19		\$ 3,027.05	\$ 123,063.08	\$ 9,253.44		(113,809.64)
Reserve to Pay Debt Service	65,467.81		16,234.00		65,465.00				16,236.81
Reserve for Water Capital Improvements							123,063.08		123,063.08
Ord.									
No.		Improvement Description							
08-09		Various	Water	Utility Improvements	\$ 214,101.89				1,188.18
16-10		Various	Water	Utility Improvements	4,990.00				1,891.10
05-11		Various	Water	Utility Improvements	6,920.72				82,267.43
11-15		Various	Water	Utility Improvements	55,632.12				180,247.88
15-16		Various	Water	Utility Improvements	96,853.37				677,146.63
09-17		Various	Water	Utility Improvements	12,750.00		9,253.44		717,996.56
	\$ 1,361,745.59	\$ 740,000.00	\$ 139,145.19	\$ 391,248.10	\$ 68,492.05	\$ 132,316.52	\$ 132,316.52	\$ 1,781,150.63	

BOROUGH OF ROCKAWAY
WATER UTILITY OPERATING FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

	Balance Dec. 31, 2016	2017 Charges	Collections	Overpayments Applied	Balance Dec. 31, 2017
Water Rents	\$ 222,280.20	\$ 1,683,233.57	\$ 1,681,883.78	\$ 2,557.38	\$ 221,072.61
Miscellaneous		59,721.70	59,721.70		
	<u>\$ 222,280.20</u>	<u>\$ 1,742,955.27</u>	<u>\$ 1,741,605.48</u>	<u>\$ 2,557.38</u>	<u>\$ 221,072.61</u>

Ref.

D

D

BOROUGH OF ROCKAWAY
WATER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL

	Balance Dec. 31, 2016	Additions By Budget Capital Outlay	Balance Dec. 31, 2017
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	\$ 43,462.00	445,846.92
Pumping Station Structures	22,848.54		22,848.54
Electric Pumping Station Equipment	31,401.51		31,401.51
Storage Reservoirs and tanks	757,609.38	9,750.00	767,359.38
Distribution Mains and Accessories	2,820,197.43		2,820,197.43
Service Pipes and Stops	83,753.92		83,753.92
Fire Hydrants and Cisterns	77,747.86		77,747.86
General Structures	71,837.61		71,837.61
Meters, Meter Boxes and Vaults	288,790.86	40,370.00	329,160.86
Engineering	11,004.96		11,004.96
General Equipment	245,834.19	9,352.43	255,186.62
Shoring Unit	5,961.50		5,961.50
Booster Pump	1,736.67		1,736.67
Pumping Equipment	28,091.31		28,091.31
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
Improvement to Hillside Watertank	80,000.00		80,000.00
Portable Radios	2,760.00		2,760.00
Hillside Watertank Replacement	58,000.00		58,000.00
Redevelop/Repair Well 6A	32,304.00		32,304.00
Potable Water Improvements	80,000.00		80,000.00
Land Acquisition		31,515.10	31,515.10
Pressure Valve Replacement		18,985.00	18,985.00
Air Stripper Insulation		9,465.00	9,465.00
	<u>\$ 7,053,061.56</u>	<u>\$ 162,899.53</u>	<u>\$ 7,215,961.09</u>

D

D

BOROUGH OF ROCKAWAY
WATER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Balance Dec. 31, 2016</u>	<u>2017 Authorizations</u>	<u>Balance Dec. 31, 2017</u>
08-09	Various Water Utility Improvements	\$ 417,000.00		\$ 417,000.00
16-10	Various Water Utility Improvements	100,000.00		100,000.00
05-11	Various Water Utility Improvements	663,228.19		663,228.19
11-15	Various Water Utility Improvements	300,000.00		300,000.00
15-16	Various Water Utility Improvements	694,000.00		694,000.00
09-17	Various Water Utility Improvements		\$ 740,000.00	740,000.00
		<u>\$ 2,174,228.19</u>	<u>\$ 740,000.00</u>	<u>\$ 2,914,228.19</u>
		D		D

BOROUGH OF ROCKAWAY
WATER UTILITY OPERATING FUND
SCHEDULE OF 2016 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2017

	Balance Dec. 31, 2016	Balance After Modification	Paid or Charged	Balance Lapsed
Operating:				
Salaries and Wages	\$ 66,163.00	\$ 66,163.00	\$ 5,014.79	\$ 61,148.21
Other Expenses	251,206.39	251,206.39	64,439.22	186,767.17
Capital Outlay	314,128.69	314,128.69	211,595.51	102,533.18
Deferred Charges/Statutory Expenditures:				
Statutory Expenditures:				
Contribution to:				
Social Security System (OASI)	14,327.10	14,327.10		14,327.10
	<u>\$ 645,825.18</u>	<u>\$ 645,825.18</u>	<u>\$ 281,049.52</u>	<u>\$ 364,775.66</u>

Cash Disbursements	\$ 156,001.54
Morris County Open Space	284.90
Canal Society	1,700.00
Due to Water Utility Capital Fund	123,063.08
	<u>\$ 281,049.52</u>

Ref.

Balance December 31, 2016:

Unencumbered	D \$ 530,159.78
Encumbered	D <u>115,665.40</u>
	<u>\$ 645,825.18</u>

BOROUGH OF ROCKAWAY
WATER UTILITY CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance		Balance Dec. 31, 2016		2017 Authorizations Deferred Charges to Future Revenue	Paid or Charged	Balance Dec. 31, 2017	
		Date	Amount	Funded	Unfunded			Funded	Unfunded
08-09	Various Water Utility Improvements	06/25/2009	\$ 477,000.00	\$ 215,290.07			\$ 214,101.89	\$ 1,188.18	
16-10	Various Water Utility Improvements	08/12/2010	100,000.00	6,881.10			4,990.00	1,891.10	
05-11	Various Water Utility Improvements	05/12/2011	701,000.00	89,188.15			6,920.72	82,267.43	
11-15	Various Water Utility Improvements	07/09/2015	300,000.00		\$ 235,880.00		55,632.12		\$ 180,247.88
15-16	Various Water Utility Improvements	09/08/2016	774,000.00	80,000.00	694,000.00		96,853.37		677,146.63
09-17	Various Water Utility Improvements	05/10/2017	740,000.00			\$ 740,000.00	22,003.44		717,996.56
				\$ 391,359.32	\$ 929,880.00	\$ 740,000.00	\$ 400,501.54	\$ 85,346.71	\$ 1,575,391.07
				D	D			D	D
				Ref.					
				Cash Disbursed					
				Due to Water Utility Operating Fund					
				\$ 391,248.10					
				9,253.44					
				\$ 400,501.54					

BOROUGH OF ROCKAWAY
WATER UTILITY CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2016	D	\$ 50,125.00
Increased by:		
2017 Budget Appropriation		<u>40,000.00</u>
Balance December 31, 2017	D	<u><u>\$ 90,125.00</u></u>

BOROUGH OF ROCKAWAY
WATER UTILITY CAPITAL FUND
SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION

Ord. No.	Improvement Description	Date of Ordinance	Balance Dec. 31, 2016	Serial Bonds	Balance Dec. 31, 2017
				Paid by Operating Budget	
08-09	Various Water Utility Improvements	06/25/2009	\$ 48,850.00	\$ 5,000.00	\$ 53,850.00
16-10	Various Water Utility Improvements	08/12/2010	17,500.00	2,500.00	20,000.00
05-11	Various Water Utility Improvements	05/12/2011	<u>193,878.19</u>	<u>19,500.00</u>	<u>213,378.19</u>
			<u>\$ 260,228.19</u>	<u>\$ 27,000.00</u>	<u>\$ 287,228.19</u>
		<u>Ref.</u>	D		D

BOROUGH OF ROCKAWAY
WATER UTILITY CAPITAL FUND
SCHEDULE OF RESERVE FOR AMORTIZATION

	<u>Ref.</u>	
Balance December 31, 2016	D	\$ 6,513,061.56
Increased by:		
Budget Appropriations:		
Capital Outlay	\$ 162,899.53	
Notes Paid by Reserve to Pay Debt Service	65,465.00	
Serial Bonds Paid by Operating Budget	23,000.00	
		<u>251,364.53</u>
Balance December 31, 2017	D	<u>\$ 6,764,426.09</u>

BOROUGH OF ROCKAWAY
WATER UTILITY CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

Ord. Date	Improvement Description	Original Note	Date of Original Note	Date of			Interest Rate	Balance Dec. 31, 2016	Issued	Matured	Balance Dec. 31, 2017
				Issue	Maturity						
7/9/2015	11-15 Various Water Improvements	\$ 300,000.00	9/19/2016	09/19/2016 09/14/2017	09/19/2017 09/14/2018		0.98% 2.25%	\$ 300,000.00	\$ 234,535.00	\$ 300,000.00	\$ 234,535.00
9/8/2016	15-16 Various Water Improvements	694,000.00	11/23/2016	11/23/2016 09/14/2017	09/19/2017 09/14/2018		1.32% 2.25%	694,000.00	694,000.00	694,000.00	694,000.00
9/14/2017	09-17 Various Water Improvements	740,000.00	9/14/2017	09/14/2017	09/14/2018		2.25%		740,000.00		740,000.00
								<u>\$994,000.00</u>	<u>\$ 1,668,535.00</u>	<u>\$ 994,000.00</u>	<u>\$ 1,668,535.00</u>
			<u>Ref.</u>					D			D
	Renewals								\$ 928,535.00	\$ 928,535.00	
	Issued for Cash								740,000.00		
	Paid by Reserve to Pay Debt Service									65,465.00	
									<u>\$ 1,668,535.00</u>	<u>\$ 994,000.00</u>	

BOROUGH OF ROCKAWAY
WATER UTILITY CAPITAL FUND
SCHEDULE OF WATER CAPITAL SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance Dec. 31, 2016	Matured	Balance Dec. 31, 2017
			December 31, 2017					
			Date	Amount				
Water Utility Bonds of 2011	8/30/11	\$ 1,710,000.00	8/15/2018	\$ 50,000.00	4.000%			
			8/15/2019	50,000.00	5.000%			
			8/15/2020	55,000.00	4.500%			
			8/15/2021	55,000.00	4.500%			
			8/15/2022	60,000.00	4.500%			
			8/15/2023	60,000.00	5.000%			
			8/15/2024	65,000.00	5.000%			
			8/15/2025	65,000.00	3.000%			
			8/15/2026	70,000.00	3.000%			
			8/15/2027	70,000.00	5.000%			
			8/15/2028	75,000.00	5.000%			
			8/15/2029	80,000.00	5.000%			
			8/15/2030	85,000.00	4.375%			
			8/15/2031	85,000.00	4.375%			
			8/15/2032	90,000.00	4.375%			
			8/15/2033	95,000.00	4.375%			
			8/15/2034	100,000.00	4.375%			
			8/15/2035	100,000.00	4.375%			
			8/15/2036	100,000.00	4.375%	\$ 1,460,000.00	\$ 50,000.00	\$ 1,410,000.00
					<u>\$ 1,460,000.00</u>	<u>\$ 50,000.00</u>	<u>\$ 1,410,000.00</u>	

Ref.

D

D

BOROUGH OF ROCKAWAY
WATER UTILITY CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

BOROUGH OF ROCKAWAY
COUNTY OF MORRIS
2017
SEWER UTILITY FUND

NOT APPLICABLE

BOROUGH OF ROCKAWAY
COUNTY OF MORRIS
2017
PUBLIC ASSISTANCE FUND

NOT APPLICABLE

BOROUGH OF ROCKAWAY

PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2017

BOROUGH OF ROCKAWAY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

Federal Funding Department	Federal Program	CFDA #	State		Grant Name	Grant Period		Grant Award Amount	Grant Receipts	Amount of Expenditures	Cumulative Expenditures	Amount Paid to Subrecipients			
			Pass Through Entity ID			From	To								
U.S. Department of Housing and Urban Development: (Passed Through County of Morris Department of Community Development)	Community Development Block Grants	14.218	N/A		Community Warming Center	01/01/15	12/31/17	\$80,000.00	\$ 80,000.00	\$ 64,526.88	\$ 74,571.20				
		14.218	N/A		Library Exterior Restoration	01/01/16	12/31/17	74,485.00	65,302.30	74,485.00	74,485.00				
Total Department of Housing and Urban Development												145,302.30	139,011.88	149,056.20	
U.S. Department of Transportation (Passed through New Jersey Department of Law & Public Safety Distracted Driving															
		20.616	100-066-1160-113-YHTS-6120		N/A	01/01/17	12/31/17	5,500.00	5,500.00	5,472.50	5,472.50				
(Passed through New Jersey Department of Law & Public Safety	Drive Sober or Get Pulled Over	20.616	N/A		N/A	01/01/17	12/31/17	5,500.00	5,500.00	5,500.00	5,500.00				
Total Department of Transportation												11,000.00	10,972.50	10,972.50	
TOTAL FEDERAL AWARDS												\$156,302.30	\$ 75,499.38	\$160,028.70	\$ - 0 -

N/A - Not Available/Applicable

BOROUGH OF ROCKAWAY
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2017

New Jersey Agency or Department	Name of Program	State Grant Award Number	Grant Period		Grant Award	Amount Received	Amount of Expenditures	Cumulative Expenditures
			From	To				
Department of Treasury:								
Passed through the County of Morris:								
Morris: Governor's Council on	Municipal Alliance to Prevent	100-082-2000-						
Alcoholism and Drug Abuse	Alcoholism and Drug Abuse	044-995120	01/01/17	12/31/17	\$ 9,256.00	\$ 4,880.00	\$ 4,880.00	\$ 4,880.00
Subtotal - Department of Treasury						4,880.00	4,880.00	4,880.00
Department of Environmental Protection	Clean Communities Act	765-042-4900- 004-V42Y-6020	01/01/16	12/31/17	14,906.92		6,827.00	14,906.92
			01/01/16	12/31/17	12,664.36	12,664.36	12,664.36	12,664.36
	Recycling Grant	752-042-4900- 001-V42Y-6020	01/01/17	12/31/18	13,385.54	13,385.54	13,385.54	13,385.54
Subtotal - Department of Environmental Protection						26,049.90	32,876.90	40,956.82
Department of Law and Public Safety	Body Armor Replacement Fund	1020-718-066- 1020-001-6120	01/01/16	12/31/17	3,428.90		1,678.72	1,788.66
			01/01/17	12/31/18	1,705.18	1,705.18		
	Drunk Driving Enforcement Fund	100-078-6400- 260-YYYY	01/01/16	12/31/17	21,669.36		21,669.36	21,669.36
	Safe and Secure Communities	100-066-1020- 232-YCJF	01/01/16	12/31/17	29,407.00	29,407.00		29,407.00
			01/01/17	12/31/18	29,407.00		29,398.97	29,398.97
Subtotal - Department of Law and Public Safety						31,112.18	52,747.05	82,263.99
TOTAL STATE AWARDS						\$62,042.08	\$90,503.95	\$ 128,100.81

SEE NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

BOROUGH OF ROCKAWAY
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2017

Note 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the "Schedules") include the federal and state grant activity of the Borough of Rockaway under programs of the federal and state governments for the year ended December 31, 2017. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the Borough, they are not intended to and do not present the financial position, changes in fund balance or cash flows of the Borough.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through identifying numbers are presented where available. The Borough has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.



Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mt. Arlington, NJ 07856
973-328-1825 | 973-328-0507 Fax
Lawrence Business Center
11 Lawrence Road
Newton, NJ 07860
973-383-6699 | 973-383-6555 Fax

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*

Independent Auditors' Report

The Honorable Mayor and Members
of the Borough Council
Borough of Rockaway
Rockaway, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements – *regulatory basis* - of the various funds of the Borough of Rockaway, in the County of Morris (the "Borough") as of and for the year ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated April 2, 2018. These financial statements have been prepared in accordance with accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America. That qualified report also indicated that we did not audit the general fixed assets account group.

Internal Control Over Financial Reporting

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

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

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

The Honorable Mayor and Members
of the Borough Council
Borough of Rockaway
Page 2

material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as Finding 2017-1, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough's financial statements 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*.

The Borough's Response to the Finding

The Borough's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Borough's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Mount Arlington, New Jersey
April 2, 2018

Nisivoccia, LLP

NISIVOCCIA LLP

Kathryn L. Mantell

Kathryn L. Mantell
Certified Public Accountant
Registered Municipal Accountant No. 447

BOROUGH OF ROCKAWAY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2017

Summary of Auditors' Results:

- The Independent Auditors' Report expresses a qualified opinion on the Borough's financial statements, prepared in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as the general fixed assets account group was not audited.
- A significant deficiency disclosed during the audit of the financial statements is reported in the *Independent Auditors' 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*. No material weaknesses are reported.
- No instances of noncompliance material to the financial statements of the Borough which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- The Borough was not subject to the single audit provisions of the Uniform Guidance and New Jersey's OMB Circular 15-08 for the year ended December 31, 2017 as both state and federal grant expenditures were less than the single audit thresholds of \$750,000 identified in the Uniform Guidance and NJOMB 15-08.

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

- The audit disclosed the following significant deficiency required to be reported under Generally Accepted Government Auditing Standards:

Finding 2017-1

Segregation of Duties

Criteria

Concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

Condition

The Borough does not maintain an adequate segregation of duties with respect to the recording and treasury functions.

The various departments/offices of the Borough are responsible for the issuance of permits and licenses; collections of taxes and permit and license fees; and recording of collections. Also, the reconciliation of bank accounts, the preparation of the general ledger including recording cash receipts and disbursements for the various funds are performed by one person with limited oversight review.

BOROUGH OF ROCKAWAY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2017
(Continued)

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

- The audit disclosed the following significant deficiency required to be reported under Generally Accepted Government Auditing Standards: (Cont'd)

Finding 2017-1 (Cont'd)

Segregation of Duties (Cont'd)

Cause

This is due, in part, to the limited number of personnel of the Borough and the decentralized nature of governmental collection procedures.

Effect or Potential Effect

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 perpetuate errors and prevent detection within a reasonable period of time.

Management's Response

The finding was evaluated, however, due to budgetary constraints, no resolution can be made at this time.

Findings and Questioned Costs for Federal Awards:

- Not Applicable since Federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- Not Applicable since State expenditures were below the single audit threshold.

BOROUGH OF ROCKAWAY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017

The Borough's prior year audit finding 2016-1 regarding segregation of duties has not been resolved due to budgetary constraints and is included as finding 2017-1.

BOROUGH OF ROCKAWAY

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2017

BOROUGH OF ROCKAWAY
COMMENTS AND RECOMMENDATIONS

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

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

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

b. Any contract 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.40A11-2), 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. The adjustment shall become effective on July 1 of the year in which it is made."

N.J.S. 40A: 11-4 states: "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body and subject to subsections 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."

Effective July 1, 2015 and thereafter, the threshold in accordance with N.J.S.A.40A:11-3 IS \$17,500, and with a qualified purchasing agent the threshold may be up to \$40,000.

The governing body of the Borough of Rockaway has 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.

BOROUGH OF ROCKAWAY
COMMENTS AND RECOMMENDATIONS
(Continued)

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

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

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

Collection of Interest on Delinquent Taxes and Assessments

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

On January 3, 2017, the governing body adopted the following resolution authorizing interest to be charged on delinquent taxes and utility charges:

BE IT RESOLVED by the Mayor and Council of the Borough of Rockaway, Morris County, New Jersey, that the rate of interest to be charged on delinquent taxes and utility charges in this Borough shall be as follows:

On all delinquents to and including December 31, 2017, at the rate or rates heretofore governing, and on all delinquents on and after January 1, 2017 at the rate of 8% per annum for and upon the first \$1,500 of the delinquency, the rate of 18% per annum for and upon any amount of the delinquency in excess of \$1,500; and the rate of 6% per annum for and upon any amount in excess of \$10,000; and that a grace period of 10 days will be allowed on taxes due February 1, May 1, August 1, and November 1. If taxes are not paid by the 10th, interest shall be charged from the due date.

BE IT RESOLVED, that the collector of the Borough be and hereby directed to collect interest on all taxes accordingly.

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

Delinquent Taxes and Tax Title Liens

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>Tax Title Liens</u>
2017	14
2016	14
2015	13

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.

BOROUGH OF ROCKAWAY
COMMENTS AND RECOMMENDATIONS
(Continued)

Verification of Delinquent Taxes and Other Charges

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

<u>Type</u>	<u>Number Mailed</u>
Payment of 2017 and 2018 Taxes	20
Delinquent Taxes	15
Tax Title Liens	5
Payment of 2017 Water Rents	10
Delinquent Water Rents	3

For items not returned, alternative procedures were performed, as appropriate.

New Jersey Administrative Code Accounting Requirements

The Division of Local Government Services has established three (3) accounting requirements which are prescribed in the New Jersey Administrative Code. They are as follows:

1. Maintenance of an encumbrance accounting system.
2. Fixed assets accounting and reporting system.
3. General ledger accounting system.

The Borough is in compliance with these requirements.

Segregation of Duties

The Borough does not maintain an adequate segregation of duties with respect to the recording and treasury functions. 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 perpetuate errors and prevent detection within a reasonable period of time. The various departments/offices of the Borough are responsible for the issuance of permits and licenses; collection of taxes, and permit and license fees; and recording of these collections. Also the deposit and recording of receipts for the various funds, the reconciliation of the bank accounts, and the preparation of the general ledger are all performed by the Chief Financial Officer. The disbursement of funds and the preparation of payroll are performed by the Finance Clerk, however; the Chief Financial Officer currently oversees and is partially involved in these duties. This is due, in part, to the limited number of personnel of the Borough and the decentralized nature of governmental collection procedures. Accordingly, management and the Borough Committee should be aware of this situation and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

Management's Response

The finding was evaluated, however due to budgetary constraints no resolution can be made at this time.

BOROUGH OF ROCKAWAY
COMMENTS AND RECOMMENDATIONS
(Continued)

Interfunds

An interfund balance still exists among the Current and General Capital Funds. However, interfunds are liquidated and monitored on a regular basis. Therefore, a formal recommendation is not judged to be necessary.

Municipal Court

The Rockaway Borough Municipal Court, along with three other courts, has been combined with the Town of Dover Municipal Court as a Joint Municipal Court. The joint court was dissolved as of December 31, 2017. Effective January 1, 2018, the Borough has entered a contract for a shared court with the Township of Parsippany-Troy Hills.

Status of Prior Year Recommendations

The Borough has initiated a corrective action plan to resolve comments and recommendations from the 2016 audit report. The recommendation regarding segregation of duties is included as current year recommendation and is being given consideration.

Management Suggestions

Grants Receivable

During our review of federal and state grants, we noted that a number of grants receivable and reserve balances are several years old. It is suggested that a review of the federal and state grants receivable and appropriated grant reserves be conducted to identify those grants which will be collected and disbursed and which grants should be canceled.

BOROUGH OF ROCKAWAY
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. An adequate segregation of duties be maintained with respect to the recording and treasury functions.