

NEW JERSEY STATE BOARD OF ACCOUNTANCY

REGISTERED MUNICIPAL ACCOUNTANT

EXAMINATION

DECEMBER 6, 2019

PART I

MULTIPLE CHOICE QUESTIONS

ESSAY/SHORT ANSWER QUESTIONS

PREPARED BY
NEW JERSEY STATE BOARD OF ACCOUNTANCY
124 HALSEY STREET, 6TH FLOOR
NEWARK, NEW JERSEY
INSTRUCTIONS TO CANDIDATES

PART I

1. Record your candidate number in the upper right-hand corner on ALL answer sheets.
2. **MULTIPLE CHOICE QUESTIONS:** On the Multiple Choice Answer Sheet provided, select the best answer for each of the thirty (30) questions. Use a pencil to clearly mark and indicate your selection. Mark only one answer for each item. Answer all questions; your grade is based on the number of correct answers.
3. **SHORT ANSWER QUESTIONS:** On the QUESTION and ANSWER SHEETS PROVIDED, answer all four (4) short answer questions. Answer all questions; your grade is based on the number of correct answer. Do not answer these questions on the legal pads provided.
4. AT THE END OF THIS SESSION, PLEASE TURN IN THE FOLLOWING:
 - A. Multiple Choice Answer Sheet
 - B. Short Answers on Answer Sheets Provided
 - C. Any Unused Examination Material

MULTIPLE CHOICE

QUESTIONS

TOTAL POINT VALUE THIS SECTION
30 POINTS

REGISTERED MUNICIPAL ACCOUNTANTS EXAMINATION

DECEMBER 6, 2019

MULTIPLE CHOICE QUESTIONS

1. Proceeds from the sale of Utility Assessment Serial Bonds are required to be deposited in the:
 - A. Utility Trust Other Fund
 - B. Debt Service Fund
 - C. Utility Capital Fund
 - D. Utility Assessment Trust Fund

2. Which of the following appropriation(s) is considered an exception to the "1977 Cap Limitation" under the local government cap laws?
 - A. Pension costs in excess of 2%
 - B. Anticipated deficit in a municipal utility
 - C. Prior year's bills
 - D. Municipal Length of Service Award Program

3. Which of the following is a deduction when the calculation of self-liquidating purpose of a utility is made?
 - A. Capital Improvement Fund
 - B. Deficit in prior year's operations
 - C. Capital outlay expenditures
 - D. Contribution to Public Employee Retirement System
 - E. All of the above
 - F. None of the above

4. The Local Budget Law allows for an appropriation for "Health Benefits Waiver Payments" not in excess of:
 - A. \$5,000.00
 - B. 50% of the amount paid by the local unit
 - C. The lesser of 25% of the amount paid or \$250,000
 - D. The anticipated employee's healthcare contribution
 - E. None of the above

5. Revenue earned from Uniform Construction Code (UCC) fees that are greater than necessary to operate the UCC office must be:
- A. Closed out to fund balances in the current year
 - B. Dedicated in a trust other fund
 - C. Pledged for the tax reduction in the succeeding year
 - D. Reserved on the current fund balance sheet
6. A municipality may contribute annually to a first aid or volunteer ambulance squad not in excess of:
- A. \$35,000
 - B. \$70,000
 - C. \$111,233.45
 - D. \$154,518.75
 - E. None of the above
7. Pursuant to N.J.A.C. 5:30-7.4, which of the following criteria would make a municipality ineligible for local budget examination?
- A. Failure to maintain a current fund general ledger
 - B. Insufficient cash surplus at year end
 - C. Excess tax title liens balance outstanding
 - D. Deferred charges in excess of 3.5%
8. When calculating the maximum allowable amount to be raised by taxation, a municipality can exclude which appropriations increase?
- A. Police salaries and wages
 - B. Pension obligations
 - C. Judgements
 - D. Tax appeals pending
 - E. All of the above

9. A supplemental debt statement is required to be on file prior to the authorization of statutory debt except when the following type of debt is authorized:

- A. Net Refund Bonds
- B. Bond Anticipation Notes
- C. Special Emergency Notes
- D. Self Liquidation Utility Bonds

10. Each municipal shall annually report the value of compensated absences due employees in the:

- A. Notes to Financial Statements
- B. Annual Budget
- C. Financial Statements
- D. Notes to Financial Statements and User Friendly Budget
- E. Financial Statements and Notes to Financial Statements

11. The following information was available from Silver City's Tax Assessor's office:

<u>Tax Rate Certifications</u>	<u>2018</u>	<u>2019</u>
Local Municipal Purposes	2.58	3.15
County	.86	.82
Local District School	3.41	3.02
Local District School Purpose in Municipal Budget	<u>.15</u>	<u>.11</u>
Total Tax Rates (per \$100.00 assessed valuation)	<u>7.00</u>	<u>7.10</u>
Total Valuation of New Construction and Improvements for 2019		\$4,500,000.00
Total Valuation of New Construction and Improvements for 2018		\$3,000,000.00

Which amount would be added to Silver City's 2019 Cap base?

- A. \$ 7,400.00
- B. \$ 81,900.00
- C. \$116,100.00
- D. \$122,850.00

12. Unexpended year end appropriation balances are reported in the Current Fund Statement of Operations and Change in Fund Balance as an:
- A. Element of expenditures
 - B. Element of other credits to income
 - C. Adjustment to expenditures before fund balance
 - D. Are not reported in this statement
13. All municipal budget amendments shall be approved and adopted by a resolution passed by not less than a:
- A. Simple majority
 - B. Majority of full membership
 - C. 2/3 majority
 - D. 2/3 majority of full membership
14. The minimum amount which shall be annually appropriated and raised by taxes in the municipal budget for library purposes is:
- A. 1/3 of .01 for every dollar of assessable property
 - B. 1/3 of mil for every dollar of assessable property
 - C. 1/3 of .0001 for every dollar of assessable property
 - D. 15% of the equalized valuations
15. Contracts for auditing services cannot be awarded for terms in excess of:
- A. One year
 - B. Two years
 - C. Three years
 - D. Five years
16. The county share of prior year "added" and "omitted" taxes must be treated as a:
- A. Charge against budget operations in the year of the levy
 - B. Liability of the year of levy
 - C. Liability of the year when the tax is paid
 - D. Charge against budget operations in the year of payment

17. The provisions of GASB 75 "Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions" would require municipalities to:
- A. Utilize the State Health Benefit Plan (SHBP)
 - B. Budget amounts that exceed their current cash cost
 - C. Reflect the long-term liability on their balance sheets
 - D. Hire an actuary to calculate their OPED liability
 - E. Nothing – GASB pronouncements do not apply to municipalities in New Jersey
18. A county would be exempt from the Property Tax Levy Cap Law if their county purpose tax rate was:
- A. \$.10 or less for 2019
 - B. Flat for 2019
 - C. Not in excess of 2% of the previous year's tax rate
 - D. Less than the rate of the previous year
 - E. None of the above – there are no exceptions to the tax levy cap
19. Which one of the following audits is permitted by the New Jersey Office of Management and Budget's Circular 15-08 for municipalities expending less than \$750,000, but more than \$100,000 in State financial assistance within their fiscal year?
- A. Single audit in accordance with Federal Uniform Guidance
 - B. Single audit in accordance with N.J. OMB 15-08
 - C. Financial statement audit in accordance with Government Auditing Standards
 - D. Single audit in accordance with the Yellow Book
20. A capital improvement fund that has accumulated in the General Capital Fund from annual budget appropriations may be utilized for:
- A. Down payments for capital ordinances
 - B. All costs of a capital ordinance
 - C. Only a portion of costs of a capital ordinance
 - D. Preliminary improvement costs
 - E. All of the above

21. A municipality levied school taxes for a school fiscal year in the amount of \$2,000,000.00. School taxes paid during the calendar year amounted to \$1,500,000.00. Added school taxes on pro-rated assessments amounted to \$500,000.00. What is the maximum amount of school taxes that may be deferred at December 31?
- A. \$ 250,000.00
 - B. \$ 500,000.00
 - C. \$1,000,000.00
 - D. \$1,250,000.00
22. When trust assessment receivables are collected, the cash received is first applied to:
- A. Principal of assessment bonds
 - B. Finance assessment improvements
 - C. The interfund between the general capital fund and the assessment trust fund
 - D. Reserve for assessments and liens
23. The calendar year 2019 Cost of Living Adjustment (COLA) for a water utility budget is:
- A. 1.5%
 - B. 2.0%
 - C. 3.0%
 - D. 3.5%
 - E. None of the above
24. Which of the following municipal budget appropriations are strictly limited by State statutes?
- A. Judgements
 - B. Contingent Expenses
 - C. Library Operations
 - D. Capital Improvement Fund
25. Any balance remaining in the Animal Control Trust Fund in excess of the total amount collected for the two preceding fiscal years shall be remitted to:
- A. State Department of Health
 - B. Current Fund
 - C. Trust Other Fund
 - D. State Department of Disposition and Collection
 - E. Balance remains in Annual Control Trust Fund

26. Infrastructure fixed assets, such as roads, bridges, curbs and sidewalks acquired by a municipality should be valued at:
- A. Estimated historical cost
 - B. Current replacement cost
 - C. A reasonable basis determined by the local unit
 - D. Are not required to be capitalized and reported on the financial statements
27. Which of the following budget amendments would require a public hearing, advertisement, and approval from the Director of the Division of Local Government Services?
- A. Increase or decrease any item of revenue by more than 1%
 - B. Increase the reserve for uncollected taxes by more than 5%
 - C. Add a new item of appropriations in an amount in excess of 1% of the total amount of appropriation as stated in the approved budget
 - D. Decrease the amount to be raised by taxes by more than 5%, unless the same is made to include an emergency temporary appropriation
28. The audit requirements of the Single Audit Act and Federal Uniform Guidance would only apply to New Jersey local governments that receive a total amount of:
- A. Federal and state financial assistance of \$750,000 or more
 - B. Federal financial assistance of \$750,000 or more
 - C. State financial assistance of \$500,000 or more
 - D. Federal and state financial assistance of \$500,000 or more
 - E. None of the above
29. A municipality entered into a 20-year lease for the acquisition of land. The lease contained an option to purchase the land at the end of the lease term. The land lease asset was reported in the general fixed assets account group. Where would the lease liability be reported by the municipality?
- A. General long term debt account group
 - B. Notes to the Financial Statements
 - C. General capital fund – deferred funded
 - D. A lease liability of that type should not be reported

30. In performing a financial statement audit in accordance with Government Auditing Standards (Yellow Book), an RMA is required to report on the municipality's compliance with laws and regulations. This report should:
- A. Provide an opinion on compliance with any laws and regulations that were tested
 - B. State that an opinion on compliance with laws and regulations was not an objective of the audit.
 - C. List and describe the laws and regulations that the municipality must comply with
 - D. Indicate that the auditor cannot make legal interpretations of the laws and regulations that were tested.

REGISTERED MUNICIPAL ACCOUNTANTS EXAMINATION
DECEMBER 6, 2019

ANSWER SHEET
MULTIPLE - CHOICE QUESTIONS

<u>Question #</u>	<u>Answer</u>					
1.	A	B	C	D	E	F
2.	A	B	C	D	E	F
3.	A	B	C	D	E	F
4.	A	B	C	D	E	F
5.	A	B	C	D	E	F
6.	A	B	C	D	E	F
7.	A	B	C	D	E	F
8.	A	B	C	D	E	F
9.	A	B	C	D	E	F
10.	A	B	C	D	E	F
11.	A	B	C	D	E	F
12.	A	B	C	D	E	F
13.	A	B	C	D	E	F
14.	A	B	C	D	E	F
15.	A	B	C	D	E	F

<u>Question #</u>	<u>Answer</u>					
16.	A	B	C	D	E	F
17.	A	B	C	D	E	F
18.	A	B	C	D	E	F
19.	A	B	C	D	E	F
20.	A	B	C	D	E	F
21.	A	B	C	D	E	F
22.	A	B	C	D	E	F
23.	A	B	C	D	E	F
24.	A	B	C	D	E	F
25.	A	B	C	D	E	F
26.	A	B	C	D	E	F
27.	A	B	C	D	E	F
28.	A	B	C	D	E	F
29.	A	B	C	D	E	F
30.	A	B	C	D	E	F

Use a Pencil to completely mark and indicate your selection. Mark only one answer for each item.
Answer all questions: your grade is based on the number of correct answers.

ESSAY/SHORT ANSWER

QUESTIONS

TOTAL POINT VALUE THIS SECTION
20 POINTS

2. The Chief Finance Officer of a municipality has asked you to assist in the preparation of the Annual Financial Statement per N.J.S.A. 40A:5-12. As a Registered Municipal Accountant, you must follow certain agreed-upon procedures as promulgated by the Division of Local Government Services. List any (5) of the required agreed-upon procedures.

1) _____

2) _____

3) _____

4) _____

5) _____

3. A Supplemental Debt Statement must be prepared by a municipality per N.J.S.A. 40A:2-10. Please answer the following relative to this document:

A. What is the filing deadline for the Supplemental Debt Statement:

B. Who prepares the Supplemental Debt Statement and where is it filed:

C. When is a Supplemental Debt Statement required?

NEW JERSEY STATE BOARD OF ACCOUNTANCY

REGISTERED MUNICIPAL ACCOUNTANT

EXAMINATION

DECEMBER 6, 2019

PART II

PRACTICE PROBLEM #1

PRACTICE PROBLEM #2

**PREPARED BY
NEW JERSEY STATE BOARD OF ACCOUNTANCY
124 HALSEY STREET, 6TH FLOOR
NEWARK, NEW JERSEY 07102**

INSTRUCTIONS TO CANDIDATES

PART II

1. Record your candidate number in the upper right-hand corner on ALL answer sheets.
2. This section consists of Practice Problems 1 and 2 .
3. Complete all problems on the answer sheets provided.
4. Attach all worksheets or schedules that support your answer to the answer sheets provided.
5. All papers should be legible and clearly identified.

PRACTICE PROBLEM #1

**TOTAL POINT VALUE THIS SECTION
30 POINTS**

REGISTERED MUNICIPAL ACCOUNTANTS EXAMINATION
DECEMBER 6, 2019
PROBLEM #1

Presented below is financial information that pertains to the current fund operation of the City of Anytown for the year ended December 31, 2018.

1. Transactions and information per the tax collector:

Cash Collections:

Current Taxes	\$3,300,000
Delinquent Taxes	225,000
Tax Title Liens	75,000
2018 Added/Omitted Taxes	38,000
Assessments Receivable	100,000
Interest on Assessments	<u>5,000</u>

\$3,743,000

Remitted to Treasurer \$3,500,000

- Senior Citizens and Veterans Deduction Allowance per the duplicate were \$200,000. During 2018, the tax collector allowed \$10,000.00 in Senior Citizens deductions and disallowed \$7,500.00 in Senior Citizens deduction.

- The 2018 Tax rates were as follows:

City Tax	.50
County Tax	1.00
Local School Tax	<u>2.50</u>
	<u>4.00</u>

- Overpayments and Prepaid Taxes applied to the 2018 Tax Levy were \$200,000.
- Added/Omitted taxes were calculated on a pro-rated assessment of \$1,000,000.

2. Transactions and information per the City Treasurer:

<u>Revenues/Receipts</u>	<u>Anticipated Amount</u>	<u>Cash Collected</u>
Tax Collector		\$3,500,000
Fund Balance	\$ 500,000	
Court Fines	150,000	50,000
Fees & Permits	100,000	100,000
Energy Receipts Taxes	200,000	200,000
State and Federal Grants	100,000	50,000
Capital Fund Balance	50,000	
Licences		80,000
Excess in Animal Control Fund		10,000
Due From Trust Other Fund		<u>35,000</u>
	<u>\$1,100,000</u>	<u>\$4,025,000</u>

- 2018 Budget Appropriations:

	<u>Adopted Budget</u>	<u>Emergency</u>	<u>Disbursed</u>	<u>Reserved/ Cancelled</u>
Salaries & Wages	\$ 750,000	\$ 50,000	\$ 775,000	\$ 25,000
Other Expenses	550,000		500,000	50,000
Statutory Expenditures	100,000		80,000	20,000
State and Federal Grants	100,000		50,000	50,000
Capital Improvement Fund	50,000		50,000	- 0 -
Debt Service	55,000		50,000	5,000
Cash Deficit of Preceding Year	40,000			
Reserve for Uncollected Taxes	<u>200,000</u>			
	<u>\$1,845,000</u>	<u>\$ 50,000</u>	<u>\$1,505,000</u>	<u>\$ 150,000</u>

- The unexpended balance remaining in the other expense appropriation was cancelled.

- County Taxes were apportioned the City in the amount of \$1,400,000.

- Analysis of Local School Taxes:

School Tax Payable 12-31-17	\$ 100,000
School Taxes Deferred 12-31-17	1,000,000
School Taxes Deferred 12-31-18	1,000,000
School Taxes Paid	2,200,000
School Taxes Levied - School Year	2,000,000

Fund Balance available at 12-31-17 was \$600,000.

- The Treasurer received a state check in the amount of \$192,500 for Senior Citizens and Veterans Deductions.

- 2017 Appropriation Reserves:

	<u>Balance 12-31-17</u>	<u>2018 Expended</u>
Salaries & Wages	\$ 80,000	\$ 80,000
Other Expenses	<u>50,000</u>	<u>30,000</u>
	<u>\$ 130,000</u>	<u>\$110,000</u>

- A 12-31-2017 interfund receivable from Trust Other was returned in the amount of \$35,000.
- A reserve for tax appeals pending was established from current tax collections in the amount of \$140,500.00.

Required:

On the answer sheet provided, prepare a Statement of Operations and Change in Fund Balance for inclusion in the 2018 audit report. A worksheet is not required.

PRACTICE PROBLEM #2

**TOTAL POINT VALUE THIS SECTION
20 POINTS**

REGISTERED MUNICIPAL ACCOUNTANTS EXAMINATION
DECEMBER 6, 2019

PROBLEM #2

Presented below is financial information that pertains to the Sewer Utility Operating Fund operations of the Borough of South Point for the year ended December 31, 2018:

1. Cash Transactions Per Borough Treasurer:

<u>Receipts</u>	<u>Amount</u>
Anticipated Deficit – Current	\$ 40,000.00
Utility Collector	942,975.00
Sewer Utility Revenue Note	300,000.00
Interest on Investments and Deposits	<u>15,000.00</u>
	\$ <u>1,297,975.00</u>
 <u>Disbursements</u>	
Salaries and Wages	\$ 700,000.00
Other Expenses	303,000.00
Capital Improvement Fund	25,000.00
Appropriation Reserves	10,000.00
Refund of Sewer Use Overpayments	5,000.00
Inventory Purchased	3,000.00
Due To/From Current Fund	<u>40,000.00</u>
	\$ <u>1,086,000.00</u>

2. Cash Transactions Per Borough Utility Collector:

<u>Receipts</u>	<u>Amount</u>
Sewer Use Charges	\$ 866,975.00
Penalties on Delinquent Accounts	20,000.00
Sewer Utility Liens	15,000.00
Interest on Utility Assessments	1,000.00
Utility Assessments Receivable	5,000.00
Interest on Investments	<u>15,000.00</u>
	\$ <u>922,975.00</u>
 <u>Disbursements</u>	
Payments to Town Treasurer: Utility Operating Fund	\$ <u>942,975.00</u>

3. Budget Adoption:

<u>Anticipated Revenues</u>	<u>Amount</u>
Fund Balance	\$ 167,000.00
Sewer Use Charges	900,000.00
Sewer Utility Capital Fund Balance	50,000.00
Anticipated Deficit-Current Budget	40,000.00
Miscellaneous	<u>43,000.00</u>
	<u>\$ 1,200,000.00</u>
<u>Appropriations</u>	<u>Amount</u>
Salaries and Wages	\$ 800,000.00
Other Expenses	310,000.00
Capital Improvement Fund	25,000.00
Deficit in Assessment Cash – Dedicated	25,000.00
Assessment Budget	10,000.00
Emergency Authorization	20,000.00
Interest on Bonds	<u>10,000.00</u>
Interest on Notes	<u>\$ 1,200,000.00</u>

4. Additional Information:

- Sewer Use Charges levied for the year amounted to \$915,000.00.
- An emergency appropriation was adopted on July 15, 2018 for Other Expenses in the amount of \$10,000.00.
- A Sewer Utility Revenue Note in the amount of \$300,000.00 was issued on July 1, 2018 at 5%.
- Inventory utilized in the operation of other expenses amounted to \$2,000.00.
- The Borough had a bond sale on October 1, 2018. All proceeds received at the closing were deposited in the Sewer Utility Capital Fund. The transactions were as follows:

	<u>Amount of First Maturity Bonds</u>	<u>Price Offered</u>	<u>Proceeds Received at Closing</u>	<u>Interest Rate</u>
Sewer Serial Bonds	\$498,000.00	\$500,000.00	\$500,000.00	5%
Sewer Assessment Bonds	\$100,000.00	\$100,000.00	\$100,000.00	5%

- Delinquent sewer use charges were sold at the December 15, 2018 tax sale to the Borough in the amount \$20,000.00. Interest and cost of sale was \$2,000.00. Current sewer use charges accruing to sewer liens amounted to \$2,000.00.
- The Borough Treasurer deposited a \$40,000.00 check in the Sewer Utility Operating Fund to realize the revenue for the anticipated deficit – current budget. A contribution of this amount was also made in the 2017 budget.
- The Utility Collector informed the Treasurer that sewer use charge overpayments in the amount of \$10,000.00 remained open at December 31, 2018.

Required:

On the answer sheets provided:

1. Complete the Sewer Utility Operating Fund worksheet as of 12-31-18. Formal journal entries are NOT required.

CANDIDATE NUMBER _____

REGISTERED MUNICIPAL ACCOUNTANTS EXAMINATION
PROBLEM #2 - ANSWER SHEET - DECEMBER 6, 2019
SEWER UTILITY OPERATING FUND WORKSHEET
SHEET #2

ACCOUNTS	BALANCE 12-31-17		BUDGET	CASH	JOURNAL ENTRIES	BALANCE 12-31-18	
APPROPRIATION RESERVES		\$50,000					
REVOLVING FUND for INVENTORY PURCHASES		\$3,000					
RESERVE FOR RECEIVABLES		\$235,000					
FUND BALANCE		\$182,000					
	\$470,000	\$470,000					

